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1                   BEFORE THE WASHINGTON STATE  
2                   UTILITIES AND TRANSPORTATION COMMISSION

3                   WASHINGTON UTILITIES AND            )  
4                   TRANSPORTATION COMMISSION,        )   DOCKETS UE-090134  
5    Complainant,                    )   and UG-090135  
6    )   (consolidated)  
7    )  
8    )   VOLUME XI  
9    )   Pages 1042 to 1300  
10                   AVISTA CORPORATION, d/b/a        )  
11                   AVISTA UTILITIES,                    )  
12    Respondent.                    )  
13    )  
14                   In the Matter of the Petition    )   DOCKET UG-060518  
15                   of    )   (consolidated)  
16                   AVISTA CORPORATION, d/b/a        )   VOLUME XI  
17                   AVISTA UTILITIES,                    )   Pages 1042 to 1300  
18    )  
19                   For an Order Authorizing            )  
20                   Implementation of a Natural        )  
21                   Gas Decoupling Mechanism and        )  
22                   to Record Accounting Entries        )  
23                   Associated With the Mechanism.)    )  
24                   \_\_\_\_\_ )

25                   A hearing in the above matter was held on  
October 9, 2009, from 8:30 a.m to 5:00 p.m., at 1300  
South Evergreen Park Drive Southwest, Room 206, Olympia,  
Washington, before Administrative Law Judge ADAM TOREM  
and CHAIRMAN JEFFREY D. GOLTZ and Commissioner PATRICK  
J. OSHIE and Commissioner PHILIP B. JONES.

Joan E. Kinn, CCR, RPR

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12 BENCH REQUESTS

13 11 1148

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1                                    P R O C E E D I N G S

2                                    JUDGE TOREM: All right, we're ready to go  
3 back on the record this morning, it's almost 8:40 on day  
4 four of the Avista hearing. This is Friday, October the  
5 9th, and we've just talked about the potential schedule  
6 of events and indicated that Mr. Buckley is back on the  
7 witness stand, he's ready for his cross-exam from public  
8 Counsel. We're going to return after Mr. Buckley to  
9 Mr. Woodruff and then return to in order the Company  
10 witnesses remaining on decoupling. And at that point  
11 when we're through there we will sort out which  
12 remaining witnesses need to be taken in what order to  
13 accommodate various plans or events of significance  
14 today.

15                                    Mr. ffitch was going to make a representation  
16 now regarding the supporting documentation for RLS-4,  
17 there were about 1,300 pages, all confidential, I  
18 believe consisting of some narrative and Aurora runs  
19 that Mr. Kalich had produced in support of the overview  
20 study regarding Lancaster. Mr. ffitch.

21                                    MR. FFITCH: Your Honor, Public Counsel has  
22 no objection to Avista's request, which as I understand  
23 it is to make that an exhibit in the case, we have no  
24 objection to having it be electronic, large amount of  
25 data and best viewed electronically. And I don't have

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1 anything further to add other than that.

2 MR. MEYER: Your Honor, perhaps the most  
3 efficient way, and I appreciate that, the most efficient  
4 way of doing that is since all of that electronically  
5 was provided in a response to Public Counsel Data  
6 Request 108C is just to make that data request response  
7 an exhibit and so mark it.

8 MR. FFITCH: We'd be amenable to having that  
9 be marked with Mr. Storro since it relates to RLS-4.

10 JUDGE TOREM: I was just wondering if you  
11 would rather have it marked with Mr. Kalich or  
12 Mr. Storro simply based on who produced it. It matters  
13 really not, your choice.

14 MR. FFITCH: It doesn't matter to us. It  
15 makes sense to me logically that since it relates to  
16 Mr. Storro's exhibit.

17 JUDGE TOREM: All right, Mr. Storro it is  
18 then, and the next exhibit in his sequence following all  
19 of your cross would be RLS-29-X, so what I would ask for  
20 this to be a CD-ROM exhibit so that folks can have it  
21 and we'll submit it electronically.

22 MR. FFITCH: We may ask the Company for  
23 assistance in maybe providing those CD-ROM's I think to  
24 make sure we're -- we have that electronically in our  
25 office, we'll work it out with counsel. I guess it



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1 makes sense to me that we will provide this exhibit  
2 since it's the response to --

3 JUDGE TOREM: What's the Public Counsel data  
4 request number again, Mr. Meyer?

5 MR. MEYER: 108C.

6 JUDGE TOREM: All right, so this will be  
7 RLS-29-X and noted that it's also a confidential  
8 exhibit.

9 MR. FFITCH: I'm happy for Mr. Meyer to, it's  
10 their response, maybe it actually makes sense for them  
11 to actually package it up and file it. I'm thinking  
12 here about my support staff.

13 JUDGE TOREM: Mr. Meyer, are you amenable to  
14 filing that?

15 MR. MEYER: Sure, we'll take care of it.

16 JUDGE TOREM: It will be on the exhibit list  
17 sponsored by Public Counsel because it was raised in  
18 response to your data request and referenced I think by  
19 both parties, so either way it's in the record, I don't  
20 think we need to worry about the syntax of who sponsors  
21 it or who turns it in.

22 All right, any other housekeeping before we  
23 get back to Mr. Buckley?

24 Hearing none, Mr. Buckley, you've been sworn  
25 in yesterday, and thank you again for being back here in

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1 person I know at some personal sacrifice, so we'll see  
2 how long this will take and get you back to things on  
3 your plate at home.

4 Mr. ffitch.

5 MR. FFITCH: Thank you, Your Honor, good  
6 morning, Commissioners.

7

8 Whereupon,

9

ALAN P. BUCKLEY,

10 having been previously duly sworn, was called as a  
11 witness herein and was examined and testified as  
12 follows:

13

14 C R O S S - E X A M I N A T I O N

15 BY MR. FFITCH:

16 Q. Good morning, Mr. Buckley.

17 A. Good morning.

18 Q. I just have a couple of questions. Yesterday  
19 you said you agreed with much of the Public Counsel  
20 analysis in the case, I just wanted to explore some  
21 aspects of that. You agree, do you not, that the  
22 Lancaster contracts are not needed in terms of energy or  
23 capacity until the year 2011 per the 2007 IRP?

24 A. Based on that study, yes.

25 Q. And you agree that the Lancaster contracts

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1 would increase rate payer costs in the year 2010?

2 A. In the short term, yes.

3 Q. And you agree that these --

4 A. Can I back up on that one, that's again based  
5 on that analysis which is normalized power supply, not  
6 necessarily what happens during 2010 in actuality. But  
7 based on that study, that's what the numbers indicate.

8 Q. All right.

9 Do you agree that the assignment of the  
10 Lancaster contracts to Avista Utilities rate payers is  
11 an affiliate transaction?

12 A. I'm not an affiliated transaction expert, and  
13 so I can't say with a certain amount of uncertainty. It  
14 appears that it does smell a little bit of being along  
15 those lines, but whether it meets all the verbiage that  
16 determines affiliated transactions, I'm not sure.

17 Q. All right.

18 A. I think, you know, the Company may have been,  
19 to be conservative, may -- should have treated it that  
20 way perhaps.

21 Q. All right.

22 And do you agree that any lumpiness in the  
23 timing of the contracts is not related to construction  
24 uncertainty?

25 A. Yes.

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1 Q. And do you agree that Bonneville Power  
2 Association, Administration, excuse me, BPA transmission  
3 contracts will be largely excess to the contracts, the  
4 Lancaster contracts, if a direct connection is built to  
5 the Avista system?

6 A. I don't necessarily believe that. It depends  
7 on the timing of when the contracts can end, it depends  
8 on when the new line is built. There's also the issue  
9 of the substation. You will not be building a new  
10 substation, you will be using Bonneville substation.  
11 There tends to be a question about duplicative  
12 facilities, so I'm assuming there will still be a fairly  
13 high rate because of that, so I don't think it's as  
14 simple as just saying that.

15 Q. What do you mean when you say high rate?

16 A. Well, typically if you have a line that's a  
17 substation, they're very expensive, and if you have a  
18 line coming into a substation which is serving a  
19 customer, a large part of those costs, at least in my  
20 experience, and I can't give you any firm numbers off  
21 the top of my head, is due to the substation cost. So  
22 if you have a rate and the substation is in that, if you  
23 eliminate the line part of the equation of the cost of  
24 service, you're still going to have a fairly substantial  
25 cost due to having to pay for the substation.

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1 Q. Were those facts reflected in Avista's  
2 analysis presented in this case?

3 A. They had some later analysis that was  
4 submitted that discussed in more detail if I remember  
5 right the issue of building versus utilizing the  
6 transmission system, so I think to a certain extent yes,  
7 it was.

8 Q. How much later was that analysis done?

9 A. I believe it was around the time of  
10 settlement talks, so it was before -- it would have been  
11 before cross-answering testimony I believe.

12 Q. Is that information in the record in this  
13 case?

14 A. I don't know.

15 Q. Mr. Buckley, how many data requests did you  
16 issue in this case specifically requesting information  
17 about the Lancaster contracts issues to Avista?

18 A. I haven't counted them, but I think it's  
19 probably very little. We tend to -- I tend to minimize  
20 data responses. This rate case is a series of a number  
21 of them. We talked with the Company beforehand about  
22 issues and what we need and exhibits and workpapers.  
23 The Company supplies those. And in general with Avista  
24 and as well as the other companies I'm quite able to  
25 generally analyze things using the exhibits and

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1 workpapers rather than, you know, I prefer to move a  
2 finger over six inches or turn a page or pick up the  
3 phone and ask a question rather than submit a formal  
4 data request, and I think in this case that's one of the  
5 things. The other one is after my kind of initial I  
6 guess review of issues in which even early on --

7 MR. FFITCH: Your Honor, the witness was  
8 asked a pretty straightforward question about the number  
9 of data requests issued and is now I think moving beyond  
10 my question.

11 JUDGE TOREM: Did you get the number answer  
12 you wanted?

13 MR. FFITCH: No, not yet.

14 JUDGE TOREM: Mr. Buckley, can you answer?

15 A. I don't know, I said very few.

16 BY MR. FFITCH:

17 Q. All right. Would you accept subject to check  
18 that according to our review of all Staff data requests  
19 to Avista in the case you issued three data requests to  
20 Avista in this case?

21 A. That sounds like a few to me.

22 MR. FFITCH: Those are all the questions we  
23 have for the witness, Your Honor.

24 Thank you, Mr. Buckley.

25 THE WITNESS: Thank you.

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1 JUDGE TOREM: Commissioners, any additional  
2 cross-exam for Mr. Buckley?

3 Mr. Meyer, I had asked if you had any  
4 questions for Mr. Buckley.

5 MR. MEYER: I do not, thank you.

6 JUDGE TOREM: All right, any other counsel?

7 MR. TRAUTMAN: I have one redirect.

8

9 R E D I R E C T E X A M I N A T I O N

10 BY MR. TRAUTMAN:

11 Q. Mr. Buckley, you were asked about how many  
12 data requests, and you had responded by indicating that  
13 you had looked at workpapers and worked with the Company  
14 to get additional information, and you were saying that  
15 you also engaged in some other endeavor, what was that?

16 A. Well, I think what I was also trying to get  
17 to the point as is that early on once this -- I looked  
18 at this issue initially and it was not in my pile of  
19 issues that I would continue further looking at based on  
20 my initial analysis, it also became apparent to me that  
21 Public Counsel was taking this issue on, and they also  
22 submitted numerous data requests on this, that it made  
23 no sense to me once that happened to be duplicative on  
24 data requests. So during the case, even though I may  
25 have had three as Mr. ffitch indicated, there was also

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1 many, many by Public Counsel on this issue.

2 Q. And did you review those requests and  
3 responses?

4 A. Yes, for the most part.

5 MR. TRAUTMAN: That's all I have.

6 JUDGE TOREM: Counsel, I'm going to ask if  
7 Mr. Buckley can be excused at this point or if folks  
8 want him subject to recall after hearing what  
9 Mr. Woodruff has to say.

10 MR. FFITCH: We have no objection to him  
11 being excused.

12 JUDGE TOREM: All right, I want to give  
13 Mr. Buckley the option rather than being on a leash  
14 here, if he wants to leave, then, Mr. Buckley, you can  
15 stay, or if you need to head north to take care of  
16 personal business, you can. Just wave as you go out the  
17 back door. Mr. Woodruff you'll be next at the stand.  
18 If we do need you later today, I imagine Mr. Trautman  
19 knows how to get you by phone, but we'll hope that  
20 that's not the case.

21 MR. BUCKLEY: Thank you, I will be here for a  
22 while.

23 JUDGE TOREM: All right, Mr. Woodruff, you  
24 were sworn in yesterday, this is going to be more in the  
25 form of direct exam rebuttal testimony, so, Mr. ffitich,



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1 I know that Mr. Meyer will be waiting for you to ask a  
2 leading question, same rules would apply. With that in  
3 mind, you can begin.

4 MR. MEYER: I just am going to be very  
5 understanding.

6 MR. FFITCH: I would ask for some latitude,  
7 Your Honor, given that this is an oral substitute for  
8 what ordinarily is provided in writing in  
9 cross-rebuttal.

10 JUDGE TOREM: Understood.

11 MR. FFITCH: So I will ask for some latitude  
12 in framing the questions to the witness, without in any  
13 way denying Avista counsel's rights to object.

14

15 Whereupon,

16 KEVIN D. WOODRUFF,  
17 having been previously duly sworn, was called as a  
18 witness herein and was examined and testified as  
19 follows:

20

21 D I R E C T E X A M I N A T I O N

22 BY MR. FFITCH:

23 Q. Good morning, Mr. Woodruff.

24 A. Good morning.

25 Q. And you are Public Counsel's witness on power

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1 cost issues in this case, correct?

2 A. Correct.

3 Q. And you did review the Lancaster issues and  
4 provide testimony on those issues for Public Counsel  
5 including recommendations to the Commission, correct?

6 A. Correct.

7 Q. And were you present for Mr. Buckley's oral  
8 testimony yesterday?

9 A. Yes.

10 Q. Have you had the chance to consider  
11 Mr. Buckley's statements yesterday?

12 A. Yes.

13 Q. And do you have any specific disagreements  
14 with the factors that Mr. Buckley cited in his  
15 assessment that the Commission should approve the Avista  
16 proposal as is?

17 A. Yes.

18 Q. How do you interpret Mr. Buckley's views on  
19 the balancing -- I'm sorry, I'm going to go to another  
20 question first.

21 Do you agree with Mr. Buckley's contention  
22 that on balance it is better for this Commission to  
23 approve Avista's proposal as is because its short-term  
24 losses are balanced by long-term benefits?

25 A. Well, I disagree with Mr. Buckley's

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1 conclusion. First, it's not entirely clear to me that  
2 we have a complete analysis of the deal. When  
3 Mr. Buckley just testified as to some information about  
4 costs on the transmission contract that are not in the  
5 record in this case, I find that rather disturbing. We  
6 knew the transmission contracts already were a source of  
7 risk according to the Thorndike Landing study as to the  
8 long-term value of this deal. As Mr. Lafferty noted  
9 yesterday, there's also a big gap between the gas  
10 transportation, fixed costs of gas transportation  
11 contracts that was in one of his cross-exam exhibits and  
12 what was in the Thorndike Landing study. So I mean this  
13 is not, despite what do appear to be fairly attractive  
14 capacity prices, this is not a slam dunk given deal  
15 based upon some of the information that's been bubbling  
16 out in more recent times.

17 I'm also concerned about the big red number  
18 in the first year. That's always a concern to me,  
19 especially when that power is not needed. More  
20 generally, I don't -- I reject the Company's position  
21 that it's an all or nothing or binary kind of deal, that  
22 you need to take this deal or not at all. I think there  
23 is some, you know, the Avista Corporate management and  
24 this Commission have some more discretion in shaping a  
25 deal that's more friendly to rate payers and meets their

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1 needs more effectively.

2 Q. How do you interpret Mr. Buckley's views on  
3 the balancing of rate payer and shareholder interest, do  
4 you disagree with that?

5 A. I understand the principle that commissions  
6 are in the position of balancing, very explicitly, of  
7 balancing rate payer and shareholder interests. I  
8 understand without commenting on any specific cases or  
9 any parties' positions in cases on why returns on equity  
10 or various balancing account provisions might be  
11 implemented, I understand those kinds of balancing,  
12 those kinds of decisions in what I believe Mr. Buckley  
13 called a balancing act. However, the Lancaster  
14 contracts have been on the unregulated side of Avista  
15 for a decade approximately. They are a money loser for  
16 Avista according to their 2007 annual report, which is  
17 attachment KDW-7 to my testimony. We know they're a  
18 money loser, and to suggest that they should be  
19 transferred to rate payers in the interest of balancing  
20 shareholder and rate payer interest is not reasonable to  
21 me. That's far beyond to me a reasonable balancing  
22 between rate payer and shareholder interests. That's  
23 taking something that's been on the unregulated side for  
24 years and putting the cost to rate payers for no good  
25 reason. I mean the balancing act that Mr. Buckley was

1 describing, there's no reason to do that when it comes  
2 to rescuing an unregulated affiliate.

3 Q. Mr. Buckley listed several non-price factors  
4 that he thought justified this deal, for example reserve  
5 margins, could you comment on that testimony?

6 A. Mr. Buckley referred to one of his non-price  
7 factors was something to do with the Colstrip outage.  
8 Having been in utility system planning and modeling  
9 issues for a long, long time, I'm a firm believer that  
10 you do meet your reserve margins, your physical reserve  
11 margins, to provide reliable service to your customers,  
12 but to the extent possible and practical you don't  
13 exceed those reserve margins in the interest of maybe we  
14 need some extra reliability. To do that, long  
15 established principle is imposing extra costs on your  
16 customers for marginal or really trivial increases in  
17 reliability. I'm very comfortable meeting reserve  
18 margins in particular years, but not trying to meet them  
19 early. I don't think that's a good regulatory principle  
20 or planning principle at all.

21 Q. How do you interpret Mr. Buckley's views  
22 about the desirability of adding combined cycle turbine  
23 to Avista's portfolio for balancing wind resources?

24 A. You know, I understand the need to provide  
25 the, you know, perceived need in the next several years

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1 or decade to provide resources to utility systems or  
2 power systems that can provide very short-term balancing  
3 for wind resources. I don't think 10 year old combined  
4 cycle combustion turbine plants are the answer to that.  
5 In fact, I think they're behind the times. If you're  
6 looking for short-term balancing, very short-term  
7 balancing of wind resources, you're looking -- you need  
8 to be thinking about new gas fired resources, either new  
9 combined cycle combustion turbines that are engineered  
10 with that purpose in mind or perhaps new peakers or some  
11 of the technologies that are intermediate between  
12 combined cycle combustion turbines and simple cycle  
13 combustion turbines. That's -- if you're really  
14 interested in wind balancing, I think you need to be  
15 looking at newer equipment.

16 Q. Now Mr. Buckley emphasized price and  
17 long-term benefits in his comments yesterday. Would you  
18 comment on how your recommendations take those issues  
19 into account, how you address those issues, price and  
20 also the sort of long-term view?

21 A. Sure. You know, in my testimony I think the  
22 Commission has, if it wanted to, has good reason to  
23 reject these contracts outright on process, but as I say  
24 in my testimony, you know, the Commission may find the  
25 prices and the terms of the Lancaster contracts

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1 appealing, and I understand that. I know market data,  
2 and I've read, you know, the Company's testimony, and,  
3 you know, I can understand the appeal of these contracts  
4 seemingly on a price basis. I'm very concerned though  
5 that, as I said, there are risks to the contract and  
6 this, you know, there's some excess capacity in the  
7 transmission, there's, you know, there's a big red  
8 number in 2010 that concerned me greatly. I offered a  
9 middle ground, which was to not allow the contracts in  
10 2010 and to allow assignment of the transmission  
11 contract and most of the gas contract from 2011 forward.  
12 I found that to be a middle ground that provided more  
13 benefits to customers or the same benefits to customers  
14 at a lower cost.

15 Q. Have you quantified the revenue requirement  
16 impact of that proposal in this case?

17 A. To the extent possible. We prepared a --  
18 Staff issued a data request to Public Counsel that we  
19 responded to, and that laid out our thinking on that  
20 issue.

21 Q. All right.

22 Did you have any conversations with  
23 Mr. Buckley about the Lancaster contracts issues prior  
24 to filing your testimony in this case?

25 A. Yes.

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1 Q. And when did those occur?

2 A. My memory is it was probably in March or  
3 April. Basically I started this in February, it was  
4 several weeks after, you know, I got into the case.

5 Q. And how many conversations happened at that  
6 time?

7 A. I had one significant conversation, I don't  
8 recall any others, but I remember one significant one in  
9 March or April.

10 Q. And did you contact Mr. Buckley, or did he  
11 contact you?

12 A. I'm pretty sure I initiated the contact. He  
13 may have called me back, but, you know, as I recall I  
14 initiated the contact.

15 Q. Did Mr. Buckley when you spoke with him at  
16 that time have an opinion about the Lancaster contracts  
17 transactions?

18 A. He seemed to, yes.

19 Q. What was that opinion?

20 A. He seemed favorably inclined towards the  
21 contracts having -- he was aware of their -- Avista's  
22 decision from early 2007 and being involved as I recall  
23 in the 2007 IRP process.

24 Q. And when you had that conversation with  
25 Mr. Buckley, at what stage were you in the Public



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1 Counsel discovery?

2 A. It was either before I started writing  
3 discovery or the early phases.

4 Q. All right.

5 A. I don't recall, I would have to go back and  
6 check my phone records and discovery records.

7 Q. Did Mr. Buckley ever contact you to discuss  
8 any of the responses to Public Counsel data requests?

9 A. Not that I recall.

10 MR. FFITCH: May I just have a moment, Your  
11 Honor, I think I'm almost finished.

12 JUDGE TOREM: Certainly.

13 BY MR. FFITCH:

14 Q. Just one question I'll go back to that I  
15 passed over inadvertently. You talked about the reserve  
16 margins issues and the combined cycle discussion, are  
17 those issues that Avista has raised in this filing as  
18 justifications for this transaction?

19 A. Not that I recall, no. The reserve margin in  
20 2010 was not -- the capacity reserve margin in 2010 I  
21 don't think you have a need for anything extra there. I  
22 don't believe Avista raised that, and I don't recall  
23 them raising the wind balancing issue either.

24 MR. FFITCH: Your Honor, those are all the  
25 questions I have for Mr. Woodruff.

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1 JUDGE TOREM: Mr. Meyer, do you have any  
2 cross?

3 MR. MEYER: I don't believe so, let me just  
4 check.

5 No, we do not, thank you.

6 JUDGE TOREM: All right.

7 Mr. Trautman you're shaking your head no as  
8 well?

9 MR. TRAUTMAN: No.

10 JUDGE TOREM: Mr. Johnson, Mr. Roseman.

11 MR. JOHNSON: No, Your Honor.

12 JUDGE TOREM: Commissioners, any questions  
13 for Mr. Woodruff?

14 COMMISSIONER OSHIE: I just have one  
15 question, it's just a follow up.

16

17 E X A M I N A T I O N

18 BY COMMISSIONER OSHIE:

19 Q. Mr. Woodruff, you have stated that the --  
20 that this particular facility was a money loser for  
21 Avista's unregulated subsidiary, that being Avista  
22 Turbine, and has been on the books since 1996, and you  
23 made reference to a document that is an exhibit. Could  
24 you repeat the exhibit number, please.

25 A. Certainly, it was Exhibit KDW-7, it was an

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1 excerpt from Avista Energy's 2007 annual report that  
2 states that one of the reasons Avista Energy lost money  
3 in 2007 was because of losses on the Lancaster  
4 contracts.

5 Q. I see. Was there any other information  
6 provided in KDW-7 that goes back -- I guess let me  
7 strike that.

8 Does KDW-7 cover that facility, the Lancaster  
9 facility, from 1996 forward, or does it have a cutoff  
10 date?

11 A. It's an annual report for 2007, so it only  
12 covers 2007. I think -- I don't know if I said 1996 or  
13 intended to, I think it was maybe '98 or '99, it was  
14 about a decade ago or so that the plant was built and  
15 began operating in 2001 according to some of the  
16 discovery in this case.

17 COMMISSIONER OSHIE: All right, well, thank  
18 you, Mr. Woodruff.

19 THE WITNESS: Thank you.

20 JUDGE TOREM: I believe the witness said  
21 1990's, but I don't want to go have it read back.

22 Commissioner Jones, do you have a question?

23

24

25

1 EXAMINATION

2 BY COMMISSIONER JONES:

3 Q. Mr. Woodruff, did you, this relates to the  
4 GTN contract and gas capacity in the region in which you  
5 allege 20% is excess in these contracts, have you had a  
6 chance to review Avista's 2009 draft IRP and its  
7 proposed resources of both renewables and combined cycle  
8 gas plants?

9 A. No, I've only looked at the overall load  
10 resource balance tables, I haven't looked through the  
11 document beyond that.

12 Q. So you're not aware of what Avista has  
13 forecasted as its resource need over the next 20 years?

14 A. No.

15 Q. Would you -- I think in your testimony you do  
16 say that there -- I think you say there may be some  
17 benefits to rate payers of holding such surplus gas  
18 pipeline capacity, correct?

19 A. Correct.

20 Q. So there could be some benefit to holding  
21 such capacity if Avista were to build more, for example,  
22 wind plants and other renewable resources that need some  
23 base load capacity over the next 10 to 20 years?

24 A. Right, there's always some value in holding  
25 assets, the question is whether it's worth what you pay

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1 for them. But yeah, I wanted to put that out there, and  
2 that's one possible value of it is if they need to build  
3 more flexible gas generators, that might be a value of  
4 it.

5 Q. So in your alternative, what you're urging  
6 the Commission to consider is the cost-benefit ratio and  
7 look at the details of the contracts to see if they're  
8 severable and things like that, that's what you're  
9 urging us to do?

10 A. That's a fair summary, yes.

11 COMMISSIONER JONES: Okay.

12 JUDGE TOREM: Commissioners, any other  
13 questions?

14 Mr. Woodruff, Mr. Buckley, could you stick  
15 around for just another 10 minutes. We're going to take  
16 a 10 minute break so the Commissioners and I and the  
17 policy consultants can huddle and make sure there's no  
18 further Lancaster questions we need to ask today rather  
19 than issuing a Bench request, so we'll come back at 9:20  
20 and let you know if we're going to call either one of  
21 you back to the stand at that point. Okay, 10 minute  
22 break.

23 (Recess taken.)

24 JUDGE TOREM: All right, it's a little after  
25 9:25, I'm sorry for a little bit longer delay. We're

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1 going to take testimony I believe, Mr. Meyer, from  
2 Mr. Kalich.

3 MR. MEYER: Actually it would be Mr. Norwood,  
4 I misspoke.

5 JUDGE TOREM: Okay, good, because we have  
6 some additional questions we'll pose to Mr. Norwood once  
7 yours are done.

8 MR. MEYER: Okay.

9 Mr. Buckley and Mr. Woodruff, if you'll stick  
10 around long enough for us to get our new questions to  
11 Mr. Norwood, it may be raising a new issue in the case,  
12 we'll see, and from there on the follow-up we may have a  
13 Bench request so that everybody actually has an  
14 opportunity to answer some of the questions that we'll  
15 try to T up a little bit later this morning.

16 So, Mr. Norwood, if you'll retake the stand.

17 MR. FFITCH: Your Honor, while Mr. Norwood's  
18 taking the stand, in the recess Mr. Meyer indicated to  
19 me that he intended to call Mr. Kalich as a witness, and  
20 I was awaiting my opportunity to have him make that  
21 request formally to the Bench, because we would have an  
22 objection to that for the record.

23 JUDGE TOREM: Well, apparently he's not,  
24 because that was what I was expecting too as you heard  
25 from my comment. Did you have some objection to him

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1 recalling Mr. Norwood?

2 MR. FFITCH: I did not hear about  
3 Mr. Norwood, and I don't know what the purpose -- it  
4 wasn't clear to me whether he was being called by the  
5 Bench or Mr. Meyer.

6 JUDGE TOREM: Well, it's in sequence now.  
7 First let me hear from Mr. Meyer's rationale for this  
8 witness being recalled. I believe it's to respond to  
9 Mr. Buckley and Mr. Woodruff on these issues for  
10 Lancaster.

11 MR. MEYER: It is, Your Honor.

12 JUDGE TOREM: Any objection?

13 MR. FFITCH: May I inquire if that's the same  
14 rationale for Mr. Kalich?

15 MR. MEYER: Yes, we have a different witness  
16 to respond to the same issues that Kalich would have  
17 otherwise responded to.

18 MR. FFITCH: I'm going to enter an objection  
19 on behalf of Public Counsel, Your Honor. In the normal  
20 course of Commission proceedings, the Company files its  
21 opening testimony, there is a round of responsive  
22 testimony for all other parties, and then there is a  
23 rebuttal round which is simultaneous in which the  
24 Company rebuts and parties cross-rebut each other. What  
25 we've just had last night and this morning is a round of

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1 cross-rebuttal between Staff and Public Counsel.

2 JUDGE TOREM: No, I believe as you  
3 characterized it yesterday, Mr. ffitch, it was  
4 responsive testimony by Mr. Buckley followed by your  
5 rebuttal, which you are entitled to. So now you're  
6 objection is overruled, the Company has a chance to  
7 rebut this testimony as well. That's how I see it. Are  
8 you characterizing Mr. Buckley's testimony now as  
9 rebuttal which you got to rebut?

10 MR. FFITCH: You are correct, Your Honor, I  
11 was misstating it. Mr. Buckley was filing responsive  
12 testimony, and then we were filing cross-rebuttal to  
13 that. What it appears to me is the nature of the  
14 Company's request now is that they're asking for if it  
15 were filed in writing it would be a request for  
16 sur-rebuttal of Mr. Woodruff's cross-rebuttal. This is  
17 a round of testimony, new affirmative testimony by the  
18 Company or any party which is not normally permitted in  
19 Commission proceedings without some kind of showing of  
20 good cause, and we believe it's an inappropriate request  
21 on behalf of the Company. We have no objection if the  
22 Commission wishes to call witnesses. However, I believe  
23 the Company is exceeding the normal rounds of Commission  
24 -- bounds of Commission process to the disadvantage of  
25 the other parties, so we would object.



1                   JUDGE TOREM: Well, as to the portion of the  
2 objection that would object to him rebutting  
3 Mr. Buckley's testimony, that's overruled as I think  
4 you've agreed. As to the portion of the testimony where  
5 he might be having sur-rebuttal for Mr. Woodruff, I will  
6 allow that because we are a little bit out of cycle. I  
7 note that there's a deviation from policy, but the  
8 Commission I think will benefit from this information.  
9 If it appears that the line of questioning is  
10 duplicative or cumulative or not helping the Bench in  
11 some way, I'll cut it off immediately. So I'm sensitive  
12 to the concern, but the way this has happened from  
13 yesterday on forward and the fact that the Commission  
14 started this process by calling Mr. Buckley, all of this  
15 is a logical outflow of something that the Bench began,  
16 so we always give ourselves on the Bench a lot of  
17 latitude, and I'll continue to do so, but I'm sensitive  
18 to what you're suggesting. If this had been done the  
19 way we always did it according to rules, you would be  
20 correct, so you have that going for you.

21                   MR. FFITCH: Thank you, Your Honor. Given  
22 the Bench's ruling, Your Honor, we would like to request  
23 a brief recess after the Company witnesses have given  
24 additional testimony so that we can prepare additional  
25 cross-examination of those witnesses.

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1                   JUDGE TOREM:  Why don't you give me a nod if  
2  that's still going to prove necessary, we'll see where  
3  this goes, and that will only be necessary if we're  
4  going to get into the scope of any rebuttal or  
5  sur-rebuttal as we've characterized it of Mr. Woodruff.

6                   All right, Mr. Meyer.

7                   MR. MEYER:  Yes, thank you.

8

9  Whereupon,

10                                   KELLY O. NORWOOD,

11  having been previously duly sworn, was called as a  
12  witness herein and was examined and testified as  
13  follows:

14

15                                   D I R E C T   E X A M I N A T I O N

16  BY MR. MEYER:

17           Q.    Mr. Norwood, you have previously been sworn,  
18  I will ask you a series of questions that relate to the  
19  testimony of Mr. Woodruff, and I will begin with the  
20  statement that Mr. Woodruff made concerning whether or  
21  not the Lancaster plant when held by Avista Energy was a  
22  money loser, his words, not mine.

23           A.    Right.

24           Q.    Would you please comment on that.

25           A.    Yes.  Mr. Woodruff's comments in his

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1 reference to money loser really is not appropriate in  
2 the context of a utility's obligation to serve. With a  
3 marketing company such as Avista Energy, they would own  
4 and operate that asset to operate it into the  
5 marketplace, generally the short-term marketplace. For  
6 a utility, we have an obligation to serve, and that  
7 requires us to have firm resources to serve our load,  
8 which means we either need firm contracts for capacity  
9 and energy, or we need physical facilities available to  
10 call on that have capacity and energy. Here in this  
11 case we have a choice to make. We either accept this  
12 resource, which is at a very attractive price, no one  
13 has disputed that this cost over the term of the  
14 agreement is a very attractive price. If we don't use  
15 this resource to serve our firm capacity and energy  
16 needs, we will have to acquire another type of resource,  
17 and our integrated resource plan says that's a combined  
18 cycle plant. The cost of a new combined cycle plant is  
19 roughly twice the price of this resource that we have an  
20 opportunity to bring into our system.

21 Q. Thank you.

22 He also commented with regard to the BPA  
23 transmission contracts that are part and parcel at least  
24 in the short term of the Lancaster arrangement, would  
25 you please comment?

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1           A.     Yeah, I think it's important to be clear that  
2 for the transmission there will be an opportunity in the  
3 next couple of years to reduce that transmission cost.  
4 But as Mr. Lafferty explained in his testimony, that  
5 will be at least two years before we'll have that  
6 opportunity to directly connect that to Avista's system.  
7 In the meantime, we have to have transmission to move  
8 the Lancaster power to our system, and that's the  
9 existing transmission cost included in the case.

10          Q.     Likewise with respect to gas transportation,  
11 do you have any comments?

12          A.     Yes, I think it's important to remember what  
13 Mr. Lafferty and Mr. Kalich mentioned in that the  
14 transportation is available to serve not only the  
15 Lancaster load, but also the Coyote Springs 2 project.  
16 And when Mr. Kalich did his analysis, he took into  
17 consideration that we have more than one gas plant, and  
18 so this transportation is available to serve not only  
19 Lancaster, but also Coyote Springs 2.

20          Q.     Let me just back up a question, this was a  
21 follow-on to your response to the BPA transmission for  
22 the next two years, then after the next two years or for  
23 however long it takes to directly interconnect, are  
24 there continuing benefits, if any, of that BPA  
25 transmission, what would be done with that?

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1           A.     I think Mr. Storro mentioned that to the  
2 extent we retain some of that BPA transmission long  
3 term, there would be opportunity to move other power,  
4 system power, across those paths.

5           Q.     And to whose benefit will that enure to?

6           A.     Oh, that will accrue to the customer.

7           Q.     Mr. Woodruff referred to the appropriate use  
8 of combined cycles to balance for new wind resource; do  
9 you recall that exchange?

10          A.     I do.

11          Q.     Would you please comment.

12          A.     Yes. I spent a lot of years in power supply  
13 before my current role in rates, so I'm very familiar  
14 with our own power plants as well as the combined cycle  
15 units or including the combined cycle units. Coyote  
16 Springs 2 is combined cycle plant at a low heat rate.  
17 It has the ability to flex, so to speak, to integrate  
18 wind. Lancaster is a very similar plant in that it has  
19 a low heat rate. It also has flexibility to integrate  
20 wind. And so that is an additional opportunity or  
21 benefit associated with bringing Lancaster in. These  
22 are fairly new plants. That equipment is sufficient and  
23 actually in good shape to be able to integrate wind.  
24 Mr. Woodruff commented on simple cycle, it's actually  
25 less costly to run a -- to flex a combined cycle than a

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1 simple cycle. The heat rate on a simple cycle is in the  
2 neighborhood of 9,000 BTU's per kilowatt hour, and the  
3 -- you don't lose a lot of efficiency when you flex your  
4 combined cycle. The heat rate on both Lancaster and  
5 Coyote Springs 2 is in the neighborhood of 7,000 BTU's  
6 per kilowatt hour, so it's really more efficient to use  
7 the flexibility in the combined cycle to integrate wind,  
8 and that would be our plan going forward, that together  
9 with our flexibility in our hydro system.

10 Q. And lastly, Mr. Norwood, Mr. Woodruff I  
11 believe at one point in his testimony referred to a red  
12 number or a number in 2010 that Public Counsel would  
13 have the Company absorb until 2011. What is that  
14 number, and what comment do you have to make?

15 A. The number that's been identified in this  
16 case is \$12 Million for 2010.

17 Q. And that's just Washington only?

18 A. That's Washington only. And so if we were to  
19 be in a circumstance where we would not recover that  
20 cost in 2010, we would absorb \$12 Million. As I  
21 mentioned earlier, no one has disputed that this  
22 agreement long term is a really great deal for our  
23 customers, and I believe it would be inequitable to ask  
24 the Company to absorb \$12 Million in the first year and  
25 then pass on substantial benefits to customers in the

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1 remaining 15 or 16 years of the agreement. You know, we  
2 had the opportunity to set this aside for customers, and  
3 again, as I mentioned before, we have the option or the  
4 opportunity to have this in rates or we would have to  
5 build another plant comparable, which would be  
6 approximately priced cost.

7 MR. MEYER: Thank you, those complete my  
8 questions.

9 JUDGE TOREM: Mr. ffitch.

10 MR. FFITCH: Can I take one moment, Your  
11 Honor.

12 JUDGE TOREM: Yes.

13 MR. FFITCH: Your Honor, we have just a few  
14 questions for Mr. Norwood.

15

16 C R O S S - E X A M I N A T I O N

17 BY MR. FFITCH:

18 Q. Mr. Norwood, you were testifying, you were  
19 asked about the gas transportation issues.

20 A. Yes.

21 Q. And could you tell us where in the record the  
22 information that you were referring to would be found,  
23 in the testimony of which witness?

24 A. In Mr. Lafferty's testimony.

25 Q. Is that in the rebuttal round of testimony to

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1 your knowledge?

2 A. I know it's in rebuttal. There may be more  
3 in Mr. Storro's testimony. I'm not sure, we would have  
4 to look.

5 Q. Now with regard to the Bonneville Power  
6 Administration transmission, isn't it true that in the  
7 Company's initial application in this case, the Company  
8 stated in support of its application that the Bonneville  
9 transmission would be available January 1st, 2010,  
10 excuse me, the direct connect for Avista to the  
11 Lancaster plant would be available January 1st, 2010?

12 A. In our original study in April of 2007, is  
13 that the question?

14 Q. No, in your filing in this case.

15 A. I don't believe that's correct.

16 Q. Mr. Norwood, you just made an eloquent plea  
17 for the utility company not to have to absorb the \$12  
18 Million amount for 2010, as a matter of fact the utility  
19 itself has no obligation to pay the \$12 Million in 2010;  
20 isn't that correct?

21 A. Nor is there an obligation on Avista  
22 Turbine's part to make this project available to the  
23 utility. If you look at our 10-Q and 10-K that we've  
24 issued on a regular basis since that time, we've said  
25 clearly that this project would be brought into the



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1 utility to serve customers subject to approval by the  
2 Idaho Commission and the Washington Commission.

3 Q. Mr. Norwood, I didn't ask you those  
4 questions. I asked you if Avista Utilities as the  
5 regulated utility has an obligation to absorb \$12  
6 Million in 2010, and I believe your answer is no.

7 A. No.

8 Q. Isn't that correct?

9 A. That's correct.

10 Q. But in this case, Avista is requesting that  
11 its own customers in its service territory in Washington  
12 absorb that \$12 Million, is it not?

13 A. For one year and then receive substantial  
14 benefits for the remaining term of the agreement.

15 Q. Right.

16 A. And as Mr. Kalich pointed out, this is a  
17 long-term resource for our customers.

18 MR. FFITCH: Those are all the questions for  
19 Mr. Norwood.

20 Thank you, Mr. Norwood.

21 THE WITNESS: You're welcome.

22 JUDGE TOREM: Mr. Meyer, any follow-up?

23 MR. MEYER: No.

24 JUDGE TOREM: Commissioners, I think we're at  
25 that point where I can raise another issue.

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1 Mr. Norwood, and just tell the other counsel, these are  
2 questions from the Bench just to put this issue on the  
3 table, see if we're missing something, and perhaps the  
4 response around the room will be that, yes, we have all  
5 missed something to this point. If that's the case,  
6 then we'll be issuing a Bench request to give everyone  
7 an opportunity rather than derail the rest of the  
8 hearing today. So let me proceed.

9

10 E X A M I N A T I O N

11 BY JUDGE TOREM:

12 Q. Mr. Norwood, we understand that the Lancaster  
13 Power Purchase Agreement as I think you just said is  
14 scheduled to be assigned to Avista Utilities on January  
15 1, 2010; is that correct?

16 A. That's correct.

17 Q. And this agreement will constitute as the  
18 Company's presented it a new 16 year contract power  
19 resource for Avista Utilities; is that correct?

20 A. That's correct.

21 Q. With that in mind, has the Company considered  
22 whether this proposed acquisition will trigger  
23 compliance requirements under the Greenhouse Gases  
24 Emissions Performance Standard, that's RCW 80.80 and WAC  
25 480-100-405?

1           A.     I'm trying to think about whether that is  
2 related to Senate Bill 6001 related to -- I guess I  
3 would have to look at that provision to see if that is  
4 the one I'm thinking of. My understanding is that there  
5 is a requirement with new resources that they meet I  
6 think it's 1,100 pounds per kilowatt hour, and it's my  
7 understanding we've already looked at this, and this one  
8 actually will comply with that standard. Coyote Springs  
9 2 is, like I said, a heat rate of roughly 7,000,  
10 Lancaster is I think about 6,900, so it's my  
11 understanding that it will be below that 1,100 pounds  
12 per megawatt hour requirement, if that's the requirement  
13 that we're identifying here, but we can verify that.

14           Q.     So is the Company then requesting a  
15 determination from the Commission in this proceeding  
16 regarding whether the Lancaster Power Purchase Agreement  
17 will comply with the requirements of RCW 80.80 and WAC  
18 480-100-405?

19           A.     Yes, I guess it would be appropriate for us  
20 to indicate that, number one, it does comply with it,  
21 and request that the Commission acknowledge that or  
22 approve that. So I guess I would first of all want to  
23 verify that we are clear of that number what it does,  
24 and if that be the case, then the Company would request  
25 that the Commission recognize that and approve that

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1 along with approval of the project.

2 Q. So what, if any, evidence to your knowledge  
3 has the Company provided in this record to demonstrate  
4 compliance with these RCW 80.80 requirements that you  
5 seem to be conversant with?

6 A. Nothing comes to mind off the top of my head  
7 at this point. There may be something there, but I  
8 can't think of it at this point.

9 Q. All right, if it does come to mind later,  
10 bring it to our attention so we know it's already in the  
11 record.

12 A. I'm not aware of anything in the record at  
13 this point.

14 JUDGE TOREM: All right, we will talk over  
15 the lunch hour and determine based on those answers what  
16 sort of Bench request to issue. It may not issue today,  
17 it may take a couple of days next week to determine  
18 exactly how given the procedural posture of this case to  
19 issue this Bench request with due process rights  
20 considered for everyone and the maturity of the record,  
21 but we will bring that up as a housekeeping item at some  
22 point later today.

23 So, counsel, I don't think we want to  
24 entertain any further questions on this right now, but I  
25 did want to T up the issue. Commissioners, was there

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1 anything else we needed to say about the Greenhouse Gas  
2 Standard issue?

3 All right, I think then we're done with the  
4 Lancaster issues for today, save with the large elephant  
5 in the room now of the Greenhouse Gas Standard that  
6 we'll let you know how we're going to plan to handle  
7 this potential issue later today, what sort of Bench  
8 request will be going out.

9 Mr. ffitch.

10 MR. FFITCH: I did have one other matter,  
11 Your Honor. Mr. Woodruff on the stand referred to a  
12 response that we provided to Staff quantifying Public  
13 Counsel's alternative recommendation in Mr. Woodruff's  
14 testimony, and I have copies of that in the hearing  
15 room, and we're prepared to offer that to the Bench as  
16 an exhibit or a response to a Bench request if the Bench  
17 would like us to do that.

18 JUDGE TOREM: Remind me what this exhibit  
19 consists of.

20 MR. FFITCH: This is a request from the  
21 Commission Staff to provide a quantification of the  
22 financial impact of the alternative recommendation or  
23 the alternative treatments of the Lancaster contracts  
24 recommended in Mr. Woodruff's testimony.

25 JUDGE TOREM: All right, have you shown that

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1 to Mr. Trautman and to Mr. Meyer?

2 MR. FFITCH: All the parties -- I just showed  
3 it to Mr. Trautman, I haven't shown it to Mr. Meyer yet.  
4 The parties all did see it when it was originally  
5 produced, it was served on all the parties, but I can  
6 certainly give it to Mr. Meyer right now.

7 JUDGE TOREM: Mr. Meyer, are you cognizant --

8 MR. MEYER: I want to see it again.

9 JUDGE TOREM: While you're doing that, let's  
10 get the next witness ready.

11 Thank you, Mr. Norwood.

12 I believe Mr. Hirschhorn will be the next  
13 witness.

14 Mr. Buckley, you're free to go, I think we're  
15 done with those issues for today.

16 Mr. Meyer, do you recognize that potential  
17 exhibit?

18 MR. MEYER: Yes.

19 JUDGE TOREM: Would there be any objection to  
20 that being marked as KDW-9 and admitted to the record?

21 MR. MEYER: No objection.

22 MR. TRAUTMAN: Staff has no objection.

23 JUDGE TOREM: Excellent. So, Mr. Woodruff,  
24 we'll just mark this as another of your exhibits, we'll  
25 date it for today's date. And, Mr. ffitch, if you want

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1 to hand those out while you're up, that's fine.

2 JUDGE TOREM: We'll be off the record for  
3 just a minute.

4 (Discussion off the record.)

5 JUDGE TOREM: All right, we'll be back on the  
6 record, I'm going to swear in Mr. Hirschhorn, and I want  
7 to note for the record we've excused Mr. Woodruff as  
8 well since his issues are completed. So,  
9 Mr. Hirschhorn, if you will stand and raise your right  
10 hand.

11 (Witness BRIAN J. HIRSCHKORN was sworn.)

12 JUDGE TOREM: Mr. Meyer, are there any  
13 additions or corrections for this witness?

14 MR. MEYER: Not that I'm aware of.

15 JUDGE TOREM: Just for the record I want to  
16 note that Mr. Hirschhorn and Mr. Powell, there are some  
17 numbering challenges to the exhibit numbers. This  
18 arises because in January Mr. Hirschhorn filed seven  
19 exhibits with the original rate cases. In April, the  
20 end of April, Mr. Hirschhorn also filed in what was then  
21 a separate Docket Number 060518 four exhibits in the  
22 decoupling docket. What I've done to probably confuse  
23 matters is just keep those same prefiled exhibit numbers  
24 1 through 4 but added an a to them on the exhibit list.  
25 Mr. Powell I don't believe has exactly the same issue

1089

1 because he filed them only in the decoupling docket and  
2 not in the rate case, but for Mr. Hirschhorn I believe  
3 the exhibits we'll be referring to if at all today are  
4 BJH-1aT testimonial and BJH-2a, 3a, and 4a, 2a being the  
5 most updated evaluation report by Titus, 3a being the  
6 comparison tables for decoupling from 2007 to 2009, and  
7 4a if it comes up the required quarterly report for the  
8 last quarter of 2008. So if for some reason someone  
9 forgets to put the a out there when they're referring to  
10 the witness Exhibits 1 through 4, those will be the  
11 exhibits that are relevant to this day's testimony.  
12 Mr. Hirschhorn's other prefiled Exhibits 1 through 4 had  
13 to do with proposed tariffs and service schedules, rate  
14 spread/rate design, those issues were settled. So if  
15 anyone is reviewing the record and is confused, it's the  
16 decoupling issues that are relevant today.

17 Mr. Meyer, would you agree?

18 MR. MEYER: I would agree.

19 JUDGE TOREM: So I just wanted to clarify  
20 that for the record.

21 BJH-8T rebuttal testimony I believe focuses  
22 also on the decoupling issues.

23 MR. FITCH: Just one question, Your Honor,  
24 these changes you mentioned are shown on the most recent  
25 exhibit list?



1090

1                   JUDGE TOREM: Yes, they're in the exhibit  
2 list, I just wasn't sure because they're such a minute  
3 detail of adding a small lower case a that folks would  
4 see that and that if any confusion came up today as to  
5 which BJH-1 through 4 exhibit you were directing to that  
6 Mr. Hirschhorn had the decoupling exhibits in front of  
7 him rather than any other. So I hope that didn't  
8 introduce confusion but will save it later.

9                   Scheduled cross-examination for this witness  
10 is by Commission Staff 20 minutes, Public Counsel 45  
11 minutes, and 10 minutes each for The Energy Project and  
12 the Northwest Energy Coalition.

13                   Mr. Trautman.

14                   MR. TRAUTMAN: Yes, I was going to ask, I  
15 have two questions related to 1-T on the fixed cost, is  
16 that fine to ask?

17                   JUDGE TOREM: Oh, certainly, I just wanted to  
18 make sure that as you -- if you identify 1T versus 1aT,  
19 that will help.

20                   MR. TRAUTMAN: Yes, as the Judge mentioned,  
21 there are three filings of testimony, and unfortunately  
22 I have to go to all three books to get the various  
23 questions.

24

25

1091

1 Whereupon,

2 BRIAN J. HIRSCHKORN,

3 having been first duly sworn, was called as a witness

4 herein and was examined and testified as follows:

5

6 C R O S S - E X A M I N A T I O N

7 BY MR. TRAUTMAN:

8 Q. Good morning.

9 A. Good morning.

10 Q. I'll start with BJH-1T, which was your  
11 original filed testimony, and I'm on page 22.

12 A. I have that.

13 Q. On lines 6 and 7, and you're referring to the  
14 basic charge for natural gas, you propose increasing the  
15 basic charge to \$6 from \$5.75, correct?

16 A. I'm sorry, I was on my direct testimony, are  
17 you speaking of my rebuttal testimony?

18 Q. No, I'm speaking of your direct testimony.

19 MR. MEYER: Your original direct.

20 Q. Your original direct.

21 MR. MEYER: The one you filed -- may I supply  
22 a copy of that?

23 A. I have that now, thank you.

24 MR. MEYER: Page 22, lines 6 and 7.

25 Q. Lines 6 and 7.

1092

1 A. Yes, I have that.

2 Q. And you say the Company's proposing to  
3 increase the basic customer charge from \$5.75 to \$6 per  
4 month?

5 A. That's correct.

6 Q. How did you arrive at that number?

7 A. At the \$6 number?

8 Q. Yes.

9 A. It was more or less of a judgment, a  
10 subjective, well, not subjective, but given the overall  
11 increase that we're proposing, we chose to propose that  
12 the customer charge be increased by 25 cents. So there  
13 was no formula around it, it was I believe in the  
14 vicinity of the overall increase.

15 Q. Would the Company's cost of service study  
16 support a larger charge?

17 A. Yes, it would.

18 Q. How much larger?

19 A. It depends what costs you include that you  
20 feel should be recovered by the basic charge. We have I  
21 believe lines 9 through 12 go on to discuss what the  
22 embedded cost is for a meter of service, meter reading  
23 and billing, and that embedded cost is \$8.07 a month.  
24 So on that basis, and the Company's always or for years  
25 has stated that we feel the basic charge should at least

1093

1 recover those costs on an embedded basis.

2 Q. Could it be higher than that?

3 A. Certainly.

4 Q. How much higher?

5 A. Well, our margin that we also refer as our  
6 fixed costs are the costs that have been approved by the  
7 Commission previously are in the vicinity of \$22 a  
8 month.

9 Q. And so back to my question about what the  
10 Company's cost of service study would support, are you  
11 saying \$22?

12 A. Up to \$22.

13 Q. Referring to the paragraph you just spoke of,  
14 which says the -- has the \$8.07 figure, and you say that  
15 includes meter service line, meter reading, and billing  
16 costs, correct?

17 A. Yes.

18 Q. Is there any labor included in that cost?

19 A. The labor associated with installation of a  
20 meter as well as the service is included in that.  
21 That's capitalized with that cost. There's no O&M  
22 included, operation and maintenance cost included in  
23 these numbers, just the installation cost associated  
24 with the service line and the meter.

25 Q. So no overhead?

1094

1           A.     Well, associated with meter reading and  
2 billing there is, yes.

3           Q.     Okay.

4                     If you could now turn to 1aT, that was your  
5 testimony filed I believe on April 30th, I'm on page 4.

6           MR. MEYER: I'm sorry, what page was that?

7           MR. TRAUTMAN: 4.

8           MR. MEYER: Thank you.

9 BY MR. TRAUTMAN:

10          Q.     Are you there?

11          A.     I have that.

12          Q.     On line 11 you state, the mechanism,  
13 referring to the decoupling mechanism, has allowed the  
14 Company to recover a substantial portion of its fixed  
15 costs; do you see that?

16          A.     Yes, I do.

17          Q.     What do you mean by substantial?

18          A.     The mechanism allows us to defer and recover  
19 up to 90% of the fixed costs or the margin that was  
20 approved by the Commission in the last general case, so  
21 essentially that's what I mean there.

22          Q.     If you could turn to page 8 of that same  
23 testimony starting between lines 16 and 17, there's a  
24 table with deferral amounts.

25          A.     Yes.

1095

1 Q. And the percent increase ranges from .2% in  
2 2007 to .3% in 2008 and 9; do you see that?

3 A. Yes.

4 Q. Are these increases substantial?

5 A. I don't believe so. On a cumulative basis  
6 the July 07/June 08 rate change is .5 or 1/2 a percent.  
7 I don't want to minimize any rate change in this  
8 environment, but given -- compared to the swings we can  
9 see in PGA increases and decreases, it's relatively  
10 small. And I might add the July 08, the final deferral  
11 there, which actually goes through June of 09, we have  
12 updated numbers there, and that rate adjustment has been  
13 filed with the Commission to be approved or requesting  
14 to be approved November 1 is essentially no rate change  
15 from the decoupling rate adjustment that's now in  
16 effect, so that incremental increase shown of .3 would  
17 actually be zero.

18 Q. Turning back to page 5 in the middle  
19 paragraph, you state that:

20 A fixed charge would need to be  
21 approximately \$20 per month in order to  
22 recover the fixed costs of providing gas  
23 distribution service.

24 And then about three lines down you talk  
25 about:

1096

1           A substantial increase on the customer  
2           charge, however, would require  
3           substantial decrease in the usage charge  
4           which would not encourage additional  
5           conservation.

6           What do you mean by substantial in those two  
7 cases?

8           A.     I don't have the math at hand, but  
9           essentially if, well, on a per therm basis, the margin  
10          is about 22 cents a therm on the volumetric charge, so  
11          if we recovered all of our margin through the customer  
12          charge, there would be approximately a 22 cent per therm  
13          decrease to result in an equivalent amount of revenue.

14          Q.     And so when you talk of a substantial  
15          increase in the customer charge, is that \$20, or is that  
16          some other number?

17          A.     No, it's \$20.

18          Q.     That's \$20?

19          A.     Yes.

20          Q.     And you're saying -- are you saying that --

21          A.     Actually going from the present level of  
22          \$5.75 to \$20, actually about \$22, so not from zero to 22  
23          but the present level of the customer charge.

24          Q.     And that would be required to offset  
25          decoupling?

1097

1           A.     That would be required to recover our fixed  
2 costs through the customer charge or all the margin  
3 that's been approved by the Commission.

4           Q.     Turning to page 22 of this Exhibit 1aT, you  
5 refer to identification of incremental conservation  
6 measures, and then you speak -- and then you in this  
7 following paragraph talk about the Company's energy  
8 savings. How do you determine what savings resulted  
9 from decoupling and what savings resulted from other  
10 causes?

11          A.     We don't know. We know that we've increased  
12 our DSM savings during the decoupling pilot, we've  
13 increased our DSM efforts through both programmatic  
14 changes and increases as well as non-programmatic. And  
15 when I say non-programmatic, such as the Every Little  
16 Bit program for customers and web sites. So we haven't  
17 -- we haven't done a study, Titus didn't try to identify  
18 the variables and assign an amount of conservation or  
19 DSM to different variables. All we have is this is what  
20 our DSM activity was and the increase during the term of  
21 the pilot.

22          Q.     Okay.

23                    If you could now turn to Exhibit 2a, and this  
24 is the Titus evaluation report, and it's a revised  
25 version, if you could turn to page 27, and near the top



1098

1 of Table C7-A, that shows the Every Little Bit program  
2 costs; do you see that?

3 A. Yes.

4 Q. Are these costs allocated, or are they  
5 direct?

6 A. They are allocated.

7 Q. And how are they allocated between Idaho and  
8 Washington?

9 A. I'd like to defer that question to  
10 Mr. Powell. I don't know, but I believe Mr. Powell  
11 does.

12 Q. If you could turn to page 43 of the same  
13 exhibit, Table D9-B; do you see that?

14 A. Yes.

15 Q. That has a bill impact analysis?

16 A. Yes.

17 Q. Does this include the basic charge?

18 A. No, this is just the decoupling, the  
19 effective decoupling rate adjustment.

20 Q. And why does it not include the basic charge?

21 A. Because it's an analysis of what the  
22 decoupling rate adjustment was on a typical customer  
23 depending on their usage. I think that was the purpose.

24 Q. And the basic charge would not be -- would  
25 not be important to that?

1099

1           A.     Well, no, it's not part of the decoupling  
2 rate adjustment, that's correct.

3           Q.     Now if you could turn to Exhibit BJH-8T, and  
4 that's your rebuttal.

5                    COMMISSIONER OSHIE:  Your reference again,  
6 counsel.

7           Q.     I'm on 8T, BJH-8T, and I'm on page 7, and  
8 from lines 7 to 9 you said:

9                    It was the belief of the advisory group  
10                   including Staff that it was more  
11                   important for the parties to draw their  
12                   own conclusions based on the findings of  
13                   the final evaluation.

14                   Do you see that?

15           A.     Yes, I do.

16           Q.     Now turning to what was marked as BJH-10-X,  
17 which was a response to Staff Data Request 181, and  
18 there you agree, do you not, that in response to Staff's  
19 question you stated that:

20                   It was agreed to by all parties except  
21                   Staff that it was more appropriate for  
22                   the evaluation to compile and present  
23                   the information as set forth in the plan  
24                   and for parties to draw their own  
25                   conclusions regarding the mechanism.

1100

1           A.     Yes, and in my testimony I should have been a  
2 little more clear that it was the belief of the advisory  
3 group, including Staff, during the process of developing  
4 the evaluation plan. This issue was discussed, and the  
5 issue being whether Titus should draw conclusions  
6 regarding the design of the mechanism or decoupling  
7 itself as part of their evaluation. It was discussed by  
8 the advisory group early on when the evaluation plan was  
9 developed, and Ms. Reynolds was transitioning at that  
10 time I think into the advisory group. I can't recall if  
11 she was part of those discussions or not. And that may  
12 have been a point of confusion on her part, when the  
13 draft evaluation was presented by Titus, she brought the  
14 issue up at that point.

15           Q.     Well, but your data request clarifies your  
16 testimony that Staff in fact did not agree with the --  
17 that it was simply for the parties to draw conclusions  
18 about the plan?

19           A.     Well, yes, the Staff did not agree at the  
20 time the evaluation, the draft evaluation, was presented  
21 by Titus, which was long after the evaluation plan was  
22 developed.

23           Q.     All right.

24                     And as part of the data request which was in  
25 10-X, it said:

1101

1           Please provide all supporting  
2           documentation for the timing of Staff's  
3           statements about the evaluation plan.

4           And I take it from the response there are no  
5 other documents, no other documentations, so to speak,  
6 other than what you have in the response?

7           A.     No, there is a note by Titus in their log  
8 with regard to Ms. Reynolds' statements in this regard.  
9 I believe it's Exhibit 13 in the report.

10          Q.     And you refer to this in your response?

11          A.     I'm sorry?

12          Q.     You refer to this in your response when Titus  
13 presented a draft, Commission Staff expressed a concern?

14          A.     Yes.

15          Q.     That the evaluation did not provide for more  
16 opinions and conclusions from Titus with regard to the  
17 mechanism?

18          A.     Right.

19          Q.     Turning to page 8 of your rebuttal, on line 9  
20 you state that the basic charge would have to be \$17.44  
21 to provide the same level of weather normalized margin  
22 as with decoupling; is that correct?

23          A.     Yes.

24          Q.     How did you determine that number?

25          A.     Essentially that level of basic charge would

1102

1 make us indifferent, and if you look at the table, the  
2 middle column is the Company rebuttal proposal, and the  
3 volumetric margin equates to the 70% deferral that we're  
4 proposing in our rebuttal testimony. And then to that I  
5 added the customer charge of \$5.75 to equate to \$17.44.  
6 And I might go back, the \$11.69 is 17, or I'm sorry 70%  
7 of the \$16.70 shown in the 100% column on the left.

8 Q. Right. And so that's -- and so you referred  
9 to the Company rebuttal proposal column; is that  
10 correct?

11 A. Yes.

12 Q. Would you still have lost margin under that  
13 proposal?

14 A. Yes. Yes, we would.

15 Q. Okay.

16 A. The difference essentially between the first  
17 column and the second column.

18 Q. Okay. And so how do you decide that that  
19 lost margin was small enough that the Company would be  
20 acceptable with that?

21 A. We, as stated by Mr. Norwood yesterday, we  
22 weighed a lot of different factors, and especially in  
23 the economy right now we know customers are reducing  
24 their consumption for a number of reasons, and one of  
25 them being because of the current economic situation, so

1103

1 rather than request 100% of lost margin, we felt that  
2 70% is a reasonable level. It's a level that we can  
3 live with under a decoupling mechanism going forward.

4 Q. So that's the lost margin that would make you  
5 indifferent to decoupling?

6 A. That's exactly right. That's a level of  
7 customer charge that would make us indifferent.

8 Q. Okay. Looking at that same table, does this  
9 analysis show the amount of margin that is lost when an  
10 individual therm is not sold?

11 A. No, it doesn't. It just shows at what level  
12 of customer charge we would be indifferent to -- the  
13 middle column shows that under our decoupling proposal  
14 and our rebuttal testimony this is the level of customer  
15 charge under which we would be indifferent, we would  
16 recover the same level of fixed cost.

17 Q. Turning back to page 3 at the top of the  
18 page, and at the top you speak about the incremental  
19 costs that are associated with serving new customers,  
20 correct?

21 A. Yes.

22 Q. And I would refer you to what was marked as  
23 BJH-14-X, that was a Public Counsel exhibit, but it's  
24 the Avista gas line extension tariff.

25 A. Yes, I have that.

1104

1 Q. Are you familiar with that?

2 A. Mm-hm.

3 Q. How many of those incremental costs for new  
4 customers would be recovered in the line extension  
5 tariff?

6 A. What the line extension tariff does is set  
7 forth a policy to connect a new customer. Typically it  
8 provides an allowance in terms of capital costs that the  
9 Company can spend to hook up a new customer. That's  
10 generally the purpose of a line extension.

11 Q. So does it recover any of the incremental  
12 costs you were referring to at the top of page 3?

13 A. The margin from a new customer is designed,  
14 the theory is that the margin from a new customer will  
15 recover some or all of the incremental cost associated  
16 with hooking up a new customer. And typically it's a  
17 question of timing whether the -- a first year recovery  
18 of those costs in terms of the revenue requirement  
19 associated with the capital costs to hook up a new  
20 customer. So yes, it's just a question of timing  
21 whether it's an equal margin and cost basis on the first  
22 year or somewhere down the line as you move through  
23 time. I hope that makes sense.

24 Q. I think there were one or two questions I  
25 believe were deferred to you by Mr. Norwood. Do you

1105

1 know how many hours were spent by Avista staff on the  
2 evaluation advisory group?

3 A. I don't know how many hours.

4 Q. Do you know on decoupling in general?

5 A. Not specific number of hours.

6 Q. Do you know how much time you spent?

7 A. Considerable, not an exact number of hours,  
8 but I've spent considerable time.

9 Q. Do you know how many Avista staff members  
10 worked on decoupling?

11 A. Specifically three of us in the rate area  
12 have been involved, Mr. Powell as well on the DSM side,  
13 obviously not full time, a lot of that time was spent in  
14 conjunction with the evaluation, in fact most of it.

15 Q. About what percentage?

16 A. In terms of the evaluation?

17 Q. (Nodding head.)

18 A. I would say at least 80% of the time that  
19 we've spent on decoupling over the past year has been  
20 associated with the -- related to the evaluation, either  
21 providing information for Titus or examining the  
22 information.

23 Q. And you said three staff members --

24 A. Yes.

25 Q. -- have worked on this?



1106

1           A.     Again not full time obviously, but have been  
2 involved.

3           MR. TRAUTMAN:  That's all I have, thank you.

4           JUDGE TOREM:  Mr. ffitch.

5           MR. FFITCH:  Thank you, Your Honor.

6

7           C R O S S - E X A M I N A T I O N

8 BY MR. FFITCH:

9           Q.     Good morning, Mr. Hirschhorn.

10          A.     Good morning, Mr. ffitch.

11          Q.     I would like to take you back in time to your  
12 direct testimony on page 3.

13          JUDGE TOREM:  Mr. ffitch, are we going back  
14 as far as January 23rd?

15          MR. FFITCH:  This is the decoupling direct  
16 testimony.

17          JUDGE TOREM:  All right, so the April 30th  
18 testimony?

19          MR. FFITCH:  Yes.

20          JUDGE TOREM:  All right.

21          A.     I'm sorry, what page was that, Mr. ffitch?

22 BY MR. FFITCH:

23          Q.     This would be I believe BJH-1aT, and it would  
24 be page 3, line 3.

25          A.     Yes, I have that.

1107

1 Q. Starting actually at the bottom of page 2 and  
2 continuing on to page 3, you list the Company's  
3 proposals with regard to natural gas decoupling  
4 mechanism, correct?

5 A. Yes, that's correct.

6 Q. And item 2 on that list, which is the item on  
7 page 3 that I've flagged, is a suggestion that the  
8 Commission continue the mechanism on a permanent basis  
9 with only "the minor modifications proposed by Avista",  
10 correct?

11 A. Yes.

12 Q. And is the minor modification you're  
13 referring to there the change that's described on page  
14 13 to address customer switching rate schedules?

15 A. Yes, that's the modification that I was  
16 referring to in my direct testimony.

17 Q. All right. And so could we please go to page  
18 13 of the exhibit.

19 A. Yes.

20 Q. And at line 13 there you were asked if this  
21 is the only change that the Company proposes to make,  
22 and you answer yes, correct?

23 A. That's correct, and at that time it was the  
24 only change.

25 Q. And now, however, as you're perhaps hinting,

1108

1 Avista is now proposing more substantial changes to the  
2 mechanism if it's continued, right?

3 A. We have proposed a change in our rebuttal  
4 testimony, essentially that the maximum deferral amount  
5 would be 70% rather than 90% as well as the additional  
6 DSM test for limited income, so really those two  
7 additional changes.

8 Q. All right. Two, not three other changes?

9 A. I may have forgotten one.

10 Q. Let's go back a page to page 12 of your  
11 testimony and look at lines 7 through 9, there's a  
12 question and answer there, and there you're asked if  
13 there's any problems with the design identified during  
14 the pilot program. Essentially there your answer was,  
15 there was only one problem identified, all but one of  
16 the administrative issues have been resolved, correct?

17 A. Yes.

18 Q. Would you agree that there is, however, also  
19 a fairly substantial issue surrounding the accuracy of  
20 Avista's measurement and verification of DSM savings?

21 A. That has become an issue in this proceeding,  
22 yes.

23 Q. All right.

24 A. I would agree with that.

25 Q. Can you please turn to cross-examination

1109

1 Exhibit BJH-12-X, response to Public Counsel DR 523.

2 A. I have that.

3 Q. All right. And you provided this response,  
4 correct, as designated on the top section?

5 A. I reviewed it, yes.

6 Q. All right. When gas volumes change after a  
7 rate case test year and cost recovery is via volumetric  
8 rates, does the Company either over or underrecover the  
9 amount of revenues authorized by the Commission in that  
10 prior rate case?

11 A. We recover either more or less, yes.

12 Q. All right. And the sales volumes can be  
13 higher or lower based on weather, correct?

14 A. Weather is a major variable in terms of sales  
15 volumes, yes.

16 Q. And sales volumes can increase as new  
17 customers are added?

18 A. Certainly.

19 Q. When the economy is in poor shape, would it  
20 be unexpected for gas sales to decline?

21 A. Absolutely not.

22 Q. For example --

23 A. It would not be unusual for them to decline,  
24 let me clarify that.

25 Q. Businesses close, residential customers

1110

1 choose to dial back thermostats, et cetera; is that  
2 right?

3 A. Yes.

4 Q. Is it your belief that the Commission  
5 intended to insulate Avista from any risks of economic  
6 downturn and resulting conservation by residential  
7 customers when it approved the decoupling pilot?

8 A. I don't believe that was specifically set  
9 forth. Certainly it was discussed at the time the pilot  
10 was approved. And that is one of the reasons, given the  
11 recession that we've been in the last couple of years,  
12 we realize that customers can reduce their usage for a  
13 number of reasons, one of them being they have less  
14 money and they can't afford to pay their bill, so we're  
15 recognizing that in our revised proposal to defer only  
16 70% of the lost margin.

17 Q. Well, to return you to my question though,  
18 which is, is it your belief that the Commission intended  
19 to insulate Avista from any risk of economic downturn  
20 and resulting residential customer conservation when it  
21 approved this pilot?

22 A. I don't know what the Commission was  
23 thinking, and I don't recall it being specifically  
24 addressed in their order.

25 Q. All right.

1111

1 A. If it was, I don't recall.

2 Q. So when you say it was discussed at that  
3 time, you're not stating that there was discussion about  
4 the Commission insulating Avista from the risk of  
5 economic downturn?

6 A. No, I'm not saying that.

7 Q. And, Mr. Hirschhorn, if it were not for the  
8 economic downturn or the recession or whatever term we  
9 would like to use, would Avista still be advocating for  
10 a 90% deferral rate in this case?

11 A. I don't know. Certainly the economic  
12 downturn has changed a lot of things, in our thinking  
13 being one of them that certainly customers can use less  
14 because of lost jobs, lower paychecks, and so forth, so  
15 that's one of the things we wanted to take into account  
16 in our rebuttal proposal.

17 Q. Okay.

18 Now Mr. Norwood deferred some questions to  
19 you yesterday. Started to seem like a pretty long list  
20 I think probably sitting in the back of the room. Let  
21 me see if I can go back to a couple of those.

22 This was a line of questioning regarding  
23 Mr. Norwood's testimony that the decoupling mechanism or  
24 the calculation deferrals were simple and  
25 straightforward, and so I asked him about the items on

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1 his list, and a number of those questions were deferred  
2 to you. Could you explain for the Commission what input  
3 data from which internal data sources are used by the  
4 Company accountants to estimate and price out the  
5 unbilled therms and revenue each month? And this is  
6 with regard to the, perhaps I don't know if you would  
7 like to have Mr. Norwood's 7 issues in front of you, I  
8 can direct you to that, it's on page 42 of his  
9 testimony, he's got 7 steps.

10 A. In terms of calculation of the deferral each  
11 month, is that what you're referring to?

12 Q. That's correct, and one of them had to do  
13 with calculating unbilled therms.

14 A. Right, and your question specifically is the  
15 input data that goes into calculating the unbilled  
16 portion?

17 Q. Right.

18 A. There's a number of data sources. What we're  
19 trying to do is match up to determine the therm sales  
20 during the calendar month, so we're estimating how much  
21 of the therm sales are unbilled. And in order to do  
22 that, we need a meter reading schedule for the month, in  
23 other words when meters were read, we need degree day  
24 data, we also need the results of our regression  
25 analysis that we prepared for weather normalization. We

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1 use the same use per customer per degree day and base  
2 load information for that as well as the billed therms  
3 during the month.

4 Q. All right.

5 A. So there's a number of data sources that go  
6 into the calculation.

7 Q. Okay. And how specifically is the unbilled  
8 revenue adjusted for weather; do you know?

9 A. It's a two-part adjustment in determining the  
10 unbilled revenue adjustment. Part of it is the base  
11 load for customers in terms of the number of days within  
12 the billing, within the calendar month and outside the  
13 calendar month. And there's a base load usage per  
14 customer per month, and then we look at the actual  
15 degree days during the month, actually each day, so -- I  
16 forgot what your question was now.

17 Q. Well, how the unbilled revenue is adjusted  
18 for weather.

19 A. It is adjusted for weather.

20 Q. But how, I was asking how that is done, and  
21 you were explaining that.

22 A. Yes, the usage is basically divided out  
23 between a base load amount and a weather sensitive  
24 amount. And usage each day during the billing cycle is  
25 estimated based on use per customer per degree day based



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1 on the actual number of degree days for that day during  
2 the month. And then it's weighted for each customer  
3 based on his number of days within the calendar month  
4 and outside the calendar month. It's quite an  
5 adjustment.

6 Q. Do you think it would be a challenge for  
7 someone to audit that adjustment?

8 A. I guess it depends. The first time, yes.  
9 Once they're familiar with the adjustment, I think it  
10 would be certainly less of a challenge. You would be  
11 looking at the billing cycle, the number of days, and  
12 the actual degree days. Once you knew how it was  
13 calculated and could -- and knew the sequence of events,  
14 it probably wouldn't be that difficult. But first time,  
15 yes. But it's the same adjustment that we use and have  
16 used for years in our rate filings.

17 Q. Going on to another item on the list,  
18 Mr. Norwood indicated you would deduct new customer  
19 usage, what accounting reports are used to isolate each  
20 of the new customers and their individual usage?

21 A. Actually it's a computer program query that's  
22 written against our customer billing system. It  
23 basically goes back and identifies customers added to  
24 the system since the corresponding month of the test  
25 year. So if we're in January of the current month, we

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1 go back to, and the test year is 2008 for example, we'll  
2 go back, the program goes back to January 2008, looks at  
3 all the new customers added since that time, and  
4 captures their current usage, their usage for the  
5 current month.

6 Q. All right. And what would it take to audit  
7 those new customer usage adjustments?

8 A. Probably just examining the program and  
9 perhaps looking at the logic in the program and looking  
10 at the results, perhaps the results over time to see if  
11 they were reasonable. If I were going to audit, that's  
12 what I would look at.

13 Q. Well, in deciding if it were reasonable,  
14 wouldn't you also want to sample and analyze some  
15 billing records for each new customer?

16 A. Yeah, that would make sense as well, as well  
17 as look at customer additions to make sure the number of  
18 customers we're capturing makes sense as well.

19 Q. Okay. And it's true, is it not, that in 2009  
20 Avista identified an error that it had made regarding a  
21 new customer adjustment?

22 A. Yes.

23 Q. And that was reported to the Titus Group and  
24 referenced in the report, correct?

25 A. Yes, and we also made an adjustment to the

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1 deferrals as well.

2 Q. Okay, the deferral was reduced to reflect  
3 that error?

4 A. That's correct.

5 Q. Item 4 on Mr. Norwood's list is a weather  
6 adjustment which you characterized as the most  
7 complicated part, or he, excuse me, he characterizes as  
8 the most complicated part, do you think he's right about  
9 that, or is there any point in comparing?

10 A. Probably the non-billed is more complicated  
11 because it actually incorporates a weather adjustment.

12 Q. Okay.

13 A. But the unbilled adjustment gets the billing  
14 data to the calendar month, and then we weather correct  
15 on a calendar basis. So the weather correction at that  
16 point is fairly straightforward, because we can just  
17 take the difference between normal and actual degree  
18 days for the month and make the appropriate --

19 Q. With regard to the -- I'm sorry, were you  
20 finished?

21 A. And make the appropriate adjustment.

22 Q. With regard to the weather adjustment, can  
23 you step us through the input data and sources for that  
24 data that are required each month to calculate the  
25 weather normalization step?

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1           A.     Sure, it's we use the actual number of  
2 customers that are billed.  Every year we run regression  
3 analysis using historical billing data for customers to  
4 determine a base load amount, or in other words an  
5 amount of usage per customer that doesn't vary with  
6 weather.  And also as part of that regression we get the  
7 slope of the line which is use per customer per degree  
8 day.  That amount, the use per customer per degree day,  
9 is multiplied by the difference between actual and  
10 normal degree days for the month times the number of  
11 customers to get the amount of the weather normalization  
12 adjustment.

13          Q.     All right.  And how does Avista calculate the  
14 coefficients that are used to translate degree day  
15 weather data into equivalent therm adjustments, are they  
16 updated monthly, or are they just fixed coefficients  
17 between test years?

18          A.     They are -- I believe we have seasonal  
19 coefficients.

20          Q.     Do you know how those are calculated?

21          A.     Yes, based on we run regression analysis for  
22 historical data for those periods, so that based on  
23 historical billing data input into a regression  
24 analysis.  As well as degree days, as well as degree  
25 days is the other variable.

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1 Q. All right. You mentioned that there's a sort  
2 of establishment or use of a base level of usage in this  
3 calculation, in the weather normalization calculation?

4 A. Yes.

5 Q. How is base gas usage that is not thought to  
6 be temperature sensitive isolated within the weather  
7 normalization adjustment, how do you separate out the  
8 usage into those two basic components?

9 A. Basically that is the intercept, if you're  
10 familiar at all with regression analysis, that's the  
11 intercept. Basically that this -- and what the results  
12 of the analysis say is that this amount of usage will  
13 occur regardless of the number of degree days, which is  
14 an input into the analysis. And that's one of the  
15 reasons we look at it on a seasonal basis as well,  
16 because it can obviously vary by season as well.

17 Now we do it a little different for electric  
18 versus gas, and I think what we do is exclude the summer  
19 months in our regression analysis because there's very  
20 little -- there's very little heating going on. I'm  
21 looking at Ms. Knox, because she does --

22 Q. You exclude it in your gas weather  
23 normalization adjustment?

24 A. Yes, because there typically a very low  
25 number of degree days, and thinking of it in a more

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1 common sense term, people turn their furnaces off in the  
2 summer, so there's not a lot of heating going on, even  
3 though there may be some degree days during those  
4 months.

5 Q. And many of us hope we don't have to turn  
6 that thermostat on until this month as late as possible.

7 A. Well, we already have in Eastern Washington  
8 I'm afraid.

9 Q. It's happening here too.

10 Is it also necessary to adjust the daily  
11 weather degree data for comparison to the cycle based  
12 billed therm data, cycle basis billed therm data.

13 A. That's part of the unbilled revenue  
14 adjustment, so yes.

15 Q. All right.

16 Several times you've mentioned regression  
17 analysis. Any time you do a regression analysis,  
18 there's a confidence interval and a degree of possible  
19 error; isn't that right?

20 A. Yes.

21 Q. Continuing on weather adjustments, hasn't  
22 there been a dispute between Staff and Avista within  
23 living memory about how to calculate weather adjustments  
24 in a recent rate case; do you recall that?

25 A. I believe we changed our methodology, I don't

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1 know if it was the last case or the case before, after  
2 discussions with Staff and review of our data, I believe  
3 that's correct.

4 Q. Okay.

5 A. I don't know what the specific changes were.

6 Q. I think that's the extent of the follow-up on  
7 those points, I'm going to go back to another area in  
8 your, this is in your own testimony on page 13, that's  
9 BJH-1aT, and there at line 17 you begin to describe the  
10 mechanics of the current decoupling mechanism, correct?

11 A. Yes, that's correct.

12 Q. And by current, do you mean the mechanism  
13 before you add the additional new step to adjust for  
14 rate schedule switching in and out of Schedule 101?

15 A. Yes.

16 Q. And near the top of the next page at page 14,  
17 line 3, you mention that the first step of these  
18 mechanics for the existing mechanism is to compare  
19 actual weather corrected therms to -- okay, I see that  
20 I'm covering an area I've already covered, the  
21 suspenders are in play here, I'll spare you that  
22 repetitive questioning.

23 A. Okay.

24 Q. Can you go to line 5, lines 5 through 9 on  
25 that page.

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1 JUDGE TOREM: Which page, I'm sorry?

2 MR. FFITCH: We're still on page 14, Your

3 Honor.

4 BY MR. FFITCH:

5 Q. And there at line 5 you begin a discussion of  
6 how adjustments are required each month for new  
7 customers, correct?

8 A. Yes, that's correct.

9 Q. And would you agree that the new customer  
10 adjustment is disputed in this proceeding with the Staff  
11 and Public Counsel both indicating it should be  
12 discontinued?

13 A. Yes, I would agree with that.

14 Q. At line 10 you indicate that another weather  
15 adjustment is applied to new customer usage; is that  
16 correct?

17 A. When you say another --

18 Q. A separate weather adjustment other than the  
19 one we've already been discussing.

20 A. No, this is that weather adjustment that  
21 we've been discussing. So first we adjust for, we  
22 remove new customer usage.

23 Q. All right, thank you for that clarification.

24 And then after adjusting for weather and new  
25 customers, then the multiplication is required to



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1 convert therms into margin revenue dollars, right?

2 A. That's correct.

3 Q. And if you turn the page to the top of page  
4 15, we see that there you reference the next  
5 multiplication step, which is either 90% or now the  
6 Company's recommending 70%; is that right?

7 A. That's correct.

8 Q. At line 4 of page 15 you discuss the effect  
9 of a general rate case. Are there additional  
10 adjustments required when new rates are established in  
11 general rate cases because of all the approved therm  
12 sales values which change?

13 A. We essentially reset the base, which is the  
14 base level of therm sales that we're comparing against  
15 each month, as well as the approved margin rate, the  
16 revenue rate less purchase gas cost, so those are reset  
17 after approval or after a rate order has been issued.

18 Q. After a rate order has been issued?

19 A. Yes, effective with the effective date of new  
20 rates.

21 Q. So does that mean that establishment of that  
22 base is an issue in every rate case so that you're  
23 implementing the correct base level or adjusting it with  
24 the effect of the new rates?

25 A. It could be. It hasn't been a major issue in

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1 recent history.

2 Q. But it is a potential issue in a rate case?

3 A. It is.

4 Q. I believe it was settled in this rate case,  
5 if I'm not mistaken?

6 A. Yes.

7 Q. And if we just continue on down the page,  
8 we're essentially traveling through the additional steps  
9 of this process that we talked about with Mr. Norwood,  
10 also at line 20 we have the earnings test, correct, that  
11 has to be performed, and then we have the DSM test that  
12 has to be performed, correct?

13 A. Yes, these are performed in conjunction with  
14 the annual rate adjustment. The other adjustment or the  
15 other calculations we've been describing are the monthly  
16 calculations of the deferral.

17 Q. All right.

18 A. So these are done in conjunction with the  
19 annual rate adjustment, the DSM and the earnings test.

20 Q. Now the DSM test can revise the decoupling  
21 deferrals based upon the actual versus targeted savings,  
22 and you show that on the table on page 16, correct?

23 A. That's correct.

24 JUDGE TOREM: Mr. ffitich.

25 MR. FFITCH: Yes.

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1                   JUDGE TOREM: Yesterday with Mr. Norwood you  
2 established that this was at least a 12 step program to  
3 recovery. It appears we're trying to rehash that today  
4 with this witness. The Bench is well aware from today's  
5 progress and yesterday's that this is a very complex in  
6 your view mechanism to apply and audit. Can we move to  
7 another line of questioning because I think you've made  
8 your point.

9                   MR. FFITCH: Yes, Your Honor, be happy to do  
10 that.

11 BY MR. FFITCH:

12                Q. I think we're ready to go back to the future  
13 and go to your rebuttal testimony, Mr. Hirschhorn, which  
14 is Exhibit BJH-8T, go to page 2, please, line 17, and  
15 we're going to talk a bit about the new customer  
16 adjustment here. And at line 17 you state:

17                   The objective is to determine whether  
18                   the therm usage per customer that was  
19                   included in the last rate case has  
20                   increased or decreased for that same  
21                   customer base.

22                   Is that correct?

23                A. Yes.

24                Q. So if we focus on that last phrase, for the  
25 same customer base, isn't this a distinction that only

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1 needs to be made if margin revenue for new customers are  
2 to be excluded in calculating deferrals?

3 A. Yes, as well as the cost. The way I've  
4 always looked at it and how I address it in my testimony  
5 is you either need to exclude both the margin from those  
6 new customers and the cost or include them both, and  
7 it's a lot simpler to exclude since the costs aren't  
8 included in calculation of a decoupling adjustment, we  
9 exclude the usage from the new customers.

10 Q. All right.

11 A. As well as the margin.

12 Q. And you make a statement at the bottom of  
13 page 2, top of page 3, that:

14 Failing to make the new customer  
15 adjustment would be the equivalent of  
16 stating that there are no or zero  
17 incremental costs associated with  
18 serving new customers.

19 Correct?

20 A. That's correct.

21 Q. Can you identify anywhere in Order Number 4  
22 in the decoupling docket or anywhere else where the  
23 Commission has determined a positive amount for Avista  
24 representing the Company's actual incremental costs  
25 associated with serving new customers, has the

1126

1 Commission ever made a finding with respect to what  
2 those incremental costs are for Avista?

3 A. Not to my knowledge.

4 Q. Can you look at line 14 of this same page,  
5 please.

6 A. I have that.

7 Q. All right. And you cite in your rebuttal  
8 there some costs associated with serving new customers  
9 starting with \$8.07; that was the number from your  
10 direct that was also cited by Mr. Brosch, correct?

11 A. Yes.

12 Q. Is that the average embedded cost for serving  
13 all customers on a per customer per month basis?

14 A. That's the average cost for, that average  
15 embedded cost for a meter service, meter reading, and  
16 billing for all existing customers, which is  
17 substantially different than the incremental cost of  
18 serving a new customer.

19 Q. Okay.

20 And please turn over to page 4, line 8.

21 A. Yes, I have that.

22 Q. There you point to a different cost measure,  
23 which is an estimated incremental cost per new customer  
24 in 2008 of \$32.42, and that was also noted by Mr. Brosch  
25 in his Footnote 25, correct?

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1 A. Yes, that's correct.

2 Q. Would you please turn to Cross-Exhibit  
3 BJH-13-X; do you have that?

4 A. I do.

5 Q. And in responding to part A of this request,  
6 you state that:

7 The relatively high cost to connect and  
8 serve new customers is in part caused by  
9 a result of the 2008 recession.

10 2008 was an unusual year you say; isn't that  
11 right?

12 A. That is correct.

13 Q. And the 2007 cost per new customer estimates  
14 are lower according to the response in part B you say  
15 because of timing differences due to installation versus  
16 connection of development lots; is that right?

17 A. That's correct.

18 Q. Can you explain that point?

19 A. Yes. The information we have has the cost  
20 associated with new mains and services, all the costs  
21 associated with hooking up new customers, and then we  
22 have a number of hookups each year. There's not, in the  
23 information we have, there's not a direct match of those  
24 lots that are hooked up with the cost. So if there's  
25 any -- if there's a lag with regard to hookups of those

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1 lots, especially in developments there will be a little  
2 timing difference, and what we saw in 2008 as we were  
3 still putting infrastructure in in early '08, and we saw  
4 the recession really take hold in the latter part of  
5 '08, and we saw an unusually high cost per lot in the  
6 numbers that we've presented here that we hadn't seen in  
7 any year prior to that. And I've already been told that  
8 we're seeing that number come down in 2009.

9 Q. Is there already gas plant in the ground that  
10 was not developed where there were no new customers  
11 because of the recession?

12 A. Could you repeat that, I'm sorry, I missed  
13 the first part.

14 Q. Did you have existing gas plant in the ground  
15 in areas where there were no new customers as a result  
16 of the recession?

17 A. There have been some developments that we  
18 placed backbone in that haven't completely built out,  
19 there's no question about that. We have to gas up those  
20 lines in those developments, so there certainly could  
21 be.

22 Q. And I assume that this 2007 timing issue that  
23 you've explained is part of what complicates Avista's  
24 calculation of its new customer cost as you're  
25 suggesting in the response here in part D?

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1           A.     Yes.  Yes, although we, as I said, prior to  
2     this recession we had seen costs similar to the \$20 cost  
3     per customer level.

4           Q.     All right.

5                     And so at line 10 of your rebuttal, you  
6     provide a different incremental cost per average new  
7     customer of \$20.32 per month based on 2007 cost levels,  
8     and then at line 20 you present a value of \$26.05 which  
9     you describe as the average fixed cost to serve a new  
10    customer.  Is that the weighted average of the costs  
11    from 2007 to 2008; do you know?

12          A.     Actually I think that -- it does say the  
13    weighted average, so I believe it is for those two  
14    years.

15          Q.     Are these the cost of service values that  
16    Avista is presenting to justify the new customer  
17    adjustment in this case?

18          A.     This is the information we presented in our  
19    testimony, this is what -- the cost we've seen for 2007  
20    and 2008.  As I mentioned before, prior to that time we  
21    were seeing an incremental cost of around \$20 per  
22    customer.

23          Q.     All right.

24                     Still on page 4 at line 20, you do refer to  
25    the new margin, "new margin of \$22.45 per month", and



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1 you claim that's comparable to the average incremental  
2 cost of \$26.05, correct?

3 A. Yes.

4 Q. Is it your point here that the new customer  
5 adjustment is rough justice for Avista because it allows  
6 the Company to keep the amount of new margin revenues to  
7 offset some amount of incremental costs that are  
8 believed to result from connecting and serving new  
9 customers?

10 A. Yes.

11 Q. There's no part of the decoupling mechanism  
12 that specifically links deferrals to any calculation of  
13 the costs incurred to serve new customers, is there?

14 A. No, there's not.

15 Q. Can you turn to page 5, please, line 23. Now  
16 there in that area you state that the Company "would not  
17 even consider" continuation of the decoupling mechanism  
18 without the new customer adjustment, right?

19 A. That's correct.

20 Q. Is this because decoupling would likely  
21 reduce revenues for Avista as suggested in your Table 1  
22 on page 5 if it did not include the new customer  
23 adjustment?

24 A. It would be an unfair comparison, because you  
25 would be including margin from new customers without

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1 including the cost. So as I stated before, it would be  
2 akin to assuming there is no incremental cost to serve  
3 new customers.

4 Q. So as a practical matter here then, Avista  
5 does not really want to completely fix its margin  
6 revenues at the level awarded in a rate case, it wants  
7 to fix instead its margin revenues for existing  
8 customers, and shareholders will be allowed to retain  
9 the margin revenues collected from new customers; isn't  
10 that right?

11 A. What we've shown is there are comparable  
12 costs to the margin we collect for new customers, so  
13 there's no -- we don't see a windfall for shareholders  
14 here, because there are costs associated with hooking up  
15 new customers comparable to the new margin. The  
16 decoupling adjustment, the decoupling mechanism just  
17 allows us a reasonable opportunity to recover the costs  
18 of serving existing customers.

19 Q. All right. So this decoupling mechanism that  
20 you're advocating here does not fully decouple or  
21 completely fix your margin revenues at the level awarded  
22 in a rate case, correct?

23 A. For new customers as well as old, no, it  
24 doesn't do that.

25 Q. All right.

1132

1 I'm going to have to turn to an exhibit that  
2 Staff has already mentioned, these are tariff Schedules  
3 151 and 151-A.

4 A. I have that.

5 Q. Is this the tariff governing when and how  
6 Avista can require advances from developers or refuse to  
7 construct extension of its facilities?

8 A. Yes, this is our gas line extension policy,  
9 that's correct.

10 Q. Okay. And these tariffs are dated 1999,  
11 correct?

12 A. That's correct.

13 Q. So does that mean that the last time gas line  
14 extension policies were reviewed was about ten years  
15 ago?

16 A. I think that's exactly what it means, in  
17 terms of in a rate proceeding.

18 Q. Okay. As presently structured, Avista is not  
19 required to build at its own cost new facilities  
20 whenever the estimated cost exceeds six times the annual  
21 projected revenues from expected new customers; that's  
22 the thrust of the tariff?

23 A. Yes. Between three times and six times the  
24 customer pays for that difference.

25 Q. All right. And at the other extreme, Avista

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1 bears the entire cost of facilities extensions up to  
2 three times the annual expected revenues; that's under  
3 Part 1 of the tariff, correct?

4 A. Yes, that's correct.

5 Q. Between these extremes Avista can demand  
6 advance payment of revenues for projects where costs  
7 fall between the three and six times factor for annual  
8 expected revenues; is that right? That's in Part 5 of  
9 the tariff.

10 A. Actually Part 5 I think can -- applies more  
11 widespread. Basically if the cost of the project is in  
12 excess of three times revenue, we would collect that  
13 difference from customers. I think that is in, yeah,  
14 Part 2, I think that's stated in Part 2.

15 Q. All right. Does the referenced "annual  
16 revenue therefrom" in Schedule 151-A include revenues  
17 for the collection of gas commodity costs?

18 A. Yes.

19 Q. Can the result of the "gas extension policy"  
20 change dramatically whenever commodity prices change  
21 dramatically?

22 A. It can.

23 Q. In Part A there's a reference to rate  
24 pressure from the installation of new customers.

25 MR. MEYER: Do you have what you need in

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1 front of you, Brian?

2 A. Part A, I'm sorry, of?

3 Q. I believe that that's in the exhibit.

4 MR. MEYER: Again reference the exhibit for  
5 us.

6 MR. FFITCH: We're looking at the tariffs.

7 JUDGE TOREM: Mr. ffitch, is this 14-X?

8 MR. FFITCH: It's Exhibit 14-X.

9 THE WITNESS: Oh, okay.

10 JUDGE TOREM: Are you looking at the second  
11 page, Schedule 151-A? This is a two-page exhibit, are  
12 you referring to additional pages?

13 MR. FFITCH: Let me just check, if I may have  
14 a moment, Your Honor.

15 JUDGE TOREM: While we're doing that, let me  
16 point out that the 45 minutes you had allotted to  
17 cross-examine this witness has elapsed, so we're pushing  
18 the schedule.

19 MR. FFITCH: Your Honor, we had a significant  
20 number of, I appreciate that, but we had a significant  
21 amount deferred to the witness by Mr. Norwood, and I am  
22 getting close to the end.

23 JUDGE TOREM: All right, I recognize that as  
24 well.

25 MR. FFITCH: I just wanted to check one or

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1 two more deferrals to Mr. Hirschhorn. I think I covered  
2 most of them, Your Honor. Let me see if there were any  
3 others I needed to cover, and I will not pursue the  
4 question about Part A, it will take too long to relocate  
5 that reference, let's pursue that point on the brief.

6 Yes, I think I did pick up all the deferrals  
7 and I don't have any further questions, thank you,  
8 Mr. Hirschhorn.

9 JUDGE TOREM: Before we get to Mr. Roseman  
10 and Mr. Johnson, we're going to take a 10 minute break  
11 for the morning. We're going to finish this witness  
12 before we go to lunch if at all possible, so I'm hoping  
13 we'll have a lunch break between 12:00 and 12:30, but  
14 we'll come back at 11:25, depends on how many questions  
15 we have from the remaining counsel and the Bench and  
16 then any redirect that's necessary. Okay, so we'll take  
17 a 10 minute break.

18 (Recess taken.)

19 JUDGE TOREM: All right, I think we're ready  
20 to go back on the record, we're going to resume  
21 questioning of Mr. Hirschhorn by Mr. Roseman on behalf  
22 of The Energy Project.

23 MR. ROSEMAN: Thank you.

24

25

1 C R O S S - E X A M I N A T I O N

2 BY MR. ROSEMAN:

3 Q. Good morning, Mr. Hirschhorn.

4 JUDGE TOREM: Do you need a microphone,

5 Mr. Roseman.

6 MR. ROSEMAN: Oh, thank you.

7 A. Good morning, Mr. Roseman.

8 BY MR. ROSEMAN:

9 Q. I would like to start by asking you about a  
10 chart on BJH-2a, it's the Titus report, and it is on  
11 page 76. Tell me when you get there.

12 A. I have that.

13 Q. Okay. And this shows the limited income  
14 customers in Avista's territory; is that correct?

15 A. Yes.

16 Q. And the gas customers are 17,648?

17 A. Yes, that's correct.

18 Q. Of limited income. And the total customers  
19 in Avista's service territory are what is that number?

20 A. It looks like --

21 Q. It's on the first line where it says 125% of  
22 power were it says total, do you see?

23 A. Oh, okay, the total number at the far right?

24 Q. Right.

25 A. That's 30,915.

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1 Q. Okay. And according to this, that's out of  
2 about 178,000 of Avista's customers, residential  
3 customers. Now I would like you to keep that in mind  
4 and turn to page 87 and chart or Table K-14-B, limited  
5 income DSM bill assistant participation; do you see  
6 that, Mr. Hirschhorn?

7 A. I do.

8 Q. Okay. And my questions or my confusion is  
9 you have the low income customers for gas 17,648, and  
10 then there is LIHEAP, and LIHEAP stands for what, do you  
11 know what that acronym --

12 A. Low income heating and energy assistance  
13 program.

14 Q. Okay.

15 A. I believe.

16 Q. And that program is used to assist low income  
17 customers in rate assistance; is that correct?

18 A. In bill assistance, yes.

19 Q. In bill assistance?

20 A. It's a federal program, yes, that's correct.

21 Q. And LIRAP is a comparable program for bill  
22 assistance through the Avista Utilities; is that  
23 correct?

24 A. That's correct.

25 Q. Okay. So the only -- so the DSM program that



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1 serves low income and the only program -- and if there  
2 are other programs, I want you -- I would like you to  
3 tell me, but the program that Avista runs for DSM for  
4 low income serves 215 customers; is that correct?

5 A. I believe that's what the table shows, yes.

6 Q. Okay. Now I would like you to, let's see if  
7 I can find this here, I would like you to look at  
8 Cross-Exhibit KON-2-X, which if you don't have it I  
9 could provide you a copy. It's the response to Public  
10 Counsel's Data Request 520.

11 MR. MEYER: KON-2-X?

12 MR. ROSEMAN: KON, Kelly, I don't know what  
13 O, Norwood, but I don't know what the O stands for.

14 JUDGE TOREM: He's not telling.

15 CHAIRMAN GOLTZ: We'll send out a Bench  
16 request.

17 A. I have the data request.

18 BY MR. ROSEMAN:

19 Q. Okay.

20 A. Or that exhibit, excuse me.

21 Q. And the reason I'm asking you referencing  
22 this is that this is one of the questions that  
23 Mr. Norwood suggested that I ask you about, and let me  
24 -- and it's going to be a very narrow question, but let  
25 me -- my question is concerning the customer surveys and

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1 energy audits that are referenced in the second  
2 paragraph of the response, and my question is, how many  
3 of the persons who participated in the home energy  
4 audits or customer surveys, and the results are listed  
5 below, how many of those were on the LIRAP program, the  
6 limited income program, or the LIHEAP program, the  
7 federal limited income program; do you know?

8 A. I do not know. You might follow up that  
9 question with Mr. Powell.

10 Q. Okay.

11 A. Well, I think Mr. Norwood stated he didn't  
12 know. I don't recall him kicking that question to me,  
13 but I could be wrong as well, so you might try  
14 Mr. Powell.

15 Q. Well, we will, you know, we will go pass the  
16 baton off to the next person.

17 A. I apologize.

18 JUDGE TOREM: It sounds to me like Mr. Folsom  
19 is going to answer a lot of questions.

20 Q. Maybe the Company would swing it to  
21 Ms. Alexander and we will have her answering my  
22 questions on that subject.

23 So now let's look at page 7 of your rebuttal  
24 testimony beginning on line 12, and what my question to  
25 you is is that you were critical or you said generally

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1 summarizing here that Ms. Alexander's criticism of the  
2 evaluation report that it didn't study several important  
3 variables, you said that was unwarranted because  
4 Mr. Eberdt of The Energy Project sat on the advisory  
5 group; is that correct?

6 A. Essentially yes, that The Energy Project was  
7 part of the advisory group that developed the evaluation  
8 plan.

9 Q. But are you also suggesting that all  
10 suggestions made by members of the advisory group were  
11 accepted into the plan or a part of the plan?

12 A. I don't recall these items being discussed as  
13 part of the evaluation, I just don't recall.

14 Q. But you do --

15 A. I'm not saying that they weren't, but I don't  
16 recall if they were or were not.

17 Q. But they were not included in the evaluation;  
18 is that correct?

19 A. That's correct.

20 MR. ROSEMAN: Thank you, that concludes my  
21 cross.

22 JUDGE TOREM: Mr. Johnson.

23 MR. JOHNSON: Thank you, Your Honor.

24

25

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1 C R O S S - E X A M I N A T I O N

2 BY MR. JOHNSON:

3 Q. Good morning, Mr. Hirschhorn.

4 A. Good morning, Mr. Johnson.

5 Q. I would like you to refer to your direct  
6 testimony, Exhibit 1T, excuse me, BJH-1T at page 10,  
7 specifically page 10, lines 15 through 16, and I just  
8 want to clear up one minor matter that I raised earlier  
9 off line with Mr. Powell. Let me know when you're  
10 there.

11 A. I am there.

12 Q. Okay. You refer to at line 16 specifically  
13 the verified savings in 2007 and 2008 for each year,  
14 that they were 137% of the IRP goal; is that correct?

15 A. That's correct.

16 Q. Okay. And moving to page 22 of the same  
17 testimony at line 9, I think you repeat that same  
18 statement; isn't that right?

19 A. Yes.

20 Q. Okay. Would you accept subject to check,  
21 Mr. Hirschhorn, that that 137% figure for 2008 has been  
22 changed in Mr. Powell's testimony to 128%, and the  
23 reference if you have a copy of his rebuttal testimony,  
24 which is JP-3T at line 7, again he refers to 2008 as  
25 128%?

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1 A. Yes, yes, that's correct.

2 Q. And to your knowledge is that 128% the  
3 correct number?

4 A. Yes, it is.

5 Q. Okay.

6 There were questions asked of Mr. Norwood  
7 yesterday, and I'm referring -- transitioning to a  
8 different subject now, regarding the development of your  
9 -- of Avista's limited income component, the revised  
10 proposal. Do you recall that line of questioning for  
11 Mr. Norwood?

12 A. I do.

13 Q. And I believe he, to use a phrase, kicked the  
14 can down the road a little bit by addressing questions  
15 to either you or to Mr. Powell, I frankly can't remember  
16 whom, as far as the design of the parameters of that  
17 component. Do you recall -- well, I should -- let me  
18 strike that.

19 Are you the appropriate person to ask  
20 questions of or is Mr. Powell?

21 A. Mr. Powell would be the appropriate witness  
22 to ask those questions of.

23 Q. Okay, thank you very much.

24 And the last subject that I want to discuss  
25 briefly, referring to your rebuttal testimony, which is

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1 BJH-8T at page 8.

2 A. I have that.

3 Q. Okay. As I understand your general point,  
4 your testimony is that the increase in the customer  
5 charge as proposed by Staff without decoupling would be  
6 insufficient to cover total margin; is that correct?

7 A. It would, yes.

8 Q. Okay.

9 A. Yes, that's a good summary.

10 Q. Okay.

11 A. In terms of any lost margin that can occur  
12 over time.

13 Q. And just for foundational purposes, the  
14 increase that we're talking about here is a proposal to  
15 increase that customer charge ultimately down the road  
16 to \$10 per month for each Schedule 101 customer; is that  
17 right?

18 A. That's correct.

19 Q. And that would be a charge that each customer  
20 would essentially have to pay regardless, it would be an  
21 unavoidable charge?

22 A. That's correct.

23 Q. Okay. And would you accept subject to check  
24 that that \$10 a month charge represents approximately a  
25 74% increase compared to the current charge?

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1 A. Yes.

2 Q. Okay. Do you have any opinion,  
3 Mr. Hirschhorn, as to whether that higher customer  
4 charge provides less of a signal to the Company's  
5 customers that they can lower their bills through DSM  
6 measures?

7 A. For the Company to be revenue neutral, if the  
8 customer charge goes up, the volumetric charge would go  
9 down. So in terms of price signals with regard to  
10 higher or lower volumetric charges, a lower volumetric  
11 charge provides less of a price signal I believe for  
12 conservation or to reduce your usage.

13 Q. Okay.

14 And now referring to the Titus report which  
15 was Exhibit BJH-2a as I recall; do you have that?

16 A. I do.

17 Q. And referring to the Titus report at page 4,  
18 I believe, and correct me if I'm wrong, that the Titus  
19 report states that there would be an annual or there is  
20 an annual average annual bill increase of \$5.64  
21 associated with the decoupling mechanism, which by my  
22 math works out to approximately 47 cents per month.  
23 Have I characterized that correctly?

24 A. Yes, I believe that's stated at the end of  
25 that first section on that page.

1145

1 Q. Okay. So the 47 cents per month associated  
2 with decoupling compares to a 74% increase in the  
3 customer charge as proposed by Staff of \$5.25, excuse  
4 me, \$4.25 increase, about almost 10 times as much; is  
5 that right?

6 A. Oh, I don't think that is an appropriate  
7 comparison. This decoupling, the decoupling surcharge,  
8 the average that has been in place during the pilot has  
9 helped us recover our lost margin associated with those  
10 lower sales. The increase in the customer charge would  
11 just shift the fixed cost represented in the total  
12 volumetric charge to the customer charge, so it's  
13 difficult to compare the two on that basis.

14 Q. Okay, I'll move to another subject,  
15 Mr. Hirschhorn, one last subject. Do you have any  
16 opinion as to whether the implementation of Staff's  
17 proposal with respect to the customer charge would in  
18 any degree help to insulate the Company from an economic  
19 downturn such as what you testified to earlier in your  
20 testimony today?

21 A. That's a pretty broad question. Insulate, it  
22 takes a significant portion of our revenue and fixes it.  
23 In that respect we collect more fixed revenue through  
24 the customer charge. Does it insulate us from an  
25 economic downturn, no. The simple answer is no.



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1 MR. JOHNSON: No further questions, Your  
2 Honor.

3 JUDGE TOREM: Commissioners, Commissioner  
4 Jones.

5 COMMISSIONER JONES: None.

6 JUDGE TOREM: Commissioner Oshie.

7 COMMISSIONER OSHIE: No questions.

8 JUDGE TOREM: Chairman Goltz.

9 CHAIRMAN GOLTZ: Just a couple questions.

10

11 E X A M I N A T I O N

12 BY CHAIRMAN GOLTZ:

13 Q. Following up from yesterday for Mr. Norwood,  
14 I asked him how this appears on the customer's bill, and  
15 maybe that's in the record, but if it is, you can refer  
16 it to me, but what is the bill -- how is this decoupling  
17 mechanism noticed in the bill?

18 A. It's not identified as a separate line item.  
19 It's included in the per therm charge, so it's not set  
20 out as a separate line item.

21 Q. So how is the customer informed of this  
22 program?

23 A. When we file our PGA in the fall, in the  
24 customer notice that's provided to customers at that  
25 time, we state what the decoupling adjustment is at that

1147

1 time that we're proposing to become effective on  
2 November 1 as well.

3 Q. And so the annual PGA and the decoupling  
4 charge are implemented at the same time?

5 A. Yes, that's correct.

6 CHAIRMAN GOLTZ: If it's not in the record,  
7 could I get a -- maybe we could have a Bench request for  
8 the most recent customer notice that would include the  
9 description of the decoupling charge.

10 JUDGE TOREM: Mr. Meyer, are you aware if  
11 that's in the record already?

12 MR. MEYER: I don't believe it is.

13 CHAIRMAN GOLTZ: Well, why don't we get it as  
14 a Bench request, and if it's duplicative, it won't be  
15 the only duplicative thing in the record.

16 A. I would like to qualify my answer. I know we  
17 included it in the customer notice last year. This year  
18 I'm not positive, but we have sent out a customer  
19 notice, we'll include that.

20 CHAIRMAN GOLTZ: Why don't we have all the  
21 annual customer notices until you find one where you  
22 talked about decoupling.

23 JUDGE TOREM: Perhaps it would be easier,  
24 Chairman Goltz, to have them provide all of the customer  
25 notices ever since they sought approval of the

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1 decoupling program, and that way we have them all in one  
2 Bench request, because I'm certain that we had this  
3 year's customer notice as worked out with Public Counsel  
4 and other parties submitted, or at least it was  
5 negotiated during the terms of this litigation.

6 MR. FFITCH: Your Honor, the actual final  
7 rate case notice, general rate case notice, is not  
8 routinely filed as an exhibit in the record, and I don't  
9 recall whether we've done that in this case. The  
10 Company does have an obligation under Commission rules  
11 to verify to the Commission that it has complied with  
12 the rate case notice filing requirements. I'm not aware  
13 if that filing has been made.

14 JUDGE TOREM: All right, well, let me just  
15 say then that this will be Bench Request 11, it will be  
16 a verbal Bench request that will be due by Tuesday,  
17 October 13th. Is that going to be satisfactory?

18 MR. MEYER: Can we have Wednesday, we're  
19 starting to get a back log of these things early next  
20 week.

21 JUDGE TOREM: That's fine, Wednesday the  
22 14th.

23 MR. MEYER: Just to be clear on how many, how  
24 far back you're going.

25 JUDGE TOREM: I'm going to 2006 I believe is

1149

1 the first year the Company asked for decoupling.

2 MR. MEYER: All right.

3 JUDGE TOREM: Given the docket number.

4 MR. MEYER: All right.

5 JUDGE TOREM: So anything from January 1,  
6 2006, to date, including any that would be applicable to  
7 this rate case. So even if it has not been yet made  
8 part of the record, I believe it was part of a bill  
9 insert earlier this summer.

10 MR. MEYER: And, Mr. Hirschhorn, are you  
11 clear about the type of customer notice being referred  
12 to here?

13 THE WITNESS: Yes.

14 JUDGE TOREM: Okay, so January 2006 to date.

15 THE WITNESS: I'm sorry, I didn't quite  
16 understand the discussion regarding this rate case. We  
17 were talking about the PGA, the purchase gas adjustment  
18 notice, and that the decoupling adjustment is proposed  
19 to go into effect at the same time, and Mr. Fitch was  
20 talking about the rate case notice.

21 MR. FITCH: Right, Your Honor, I meant to  
22 say that I think there's a distinction here, and maybe  
23 I'm helping out the Company or not or adding complexity,  
24 there are the general rate case notices, some of which  
25 may mention decoupling. I believe this one did.

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1           CHAIRMAN GOLTZ: I wasn't asking for that, I  
2 was asking for the normal customer notice that they get  
3 under the decoupling program.

4           MR. FFITCH: Yes, that was my understanding  
5 as well.

6 BY CHAIRMAN GOLTZ:

7           Q.     A couple other things, Mr. Hirschhorn. So  
8 the Company started out asking for a 90% deferral and  
9 now a 70% deferral, and my concern is how do I know 70%  
10 is the right number? Why isn't it 80, why isn't it 60  
11 or 50 or something else? And as I understand it, among  
12 your rationales perhaps, there may be varied rationales,  
13 get to that later today, for going to 70% is that sort  
14 of accommodates in a rough sort of way the lost margin  
15 due to factors other than programmatic and  
16 non-programmatic Company DSM efforts. So how do I know  
17 that that 70% is the right number?

18          A.     I don't think we do know. And, in fact,  
19 that's one of the things we struggled with when we chose  
20 70%. We were still in a recession, we understand  
21 customers are reducing their usage for, you know,  
22 because of this recession, and that perhaps 90% isn't  
23 the right number given what we've been through here in  
24 the last couple years. We don't have a study, nor have  
25 we commissioned a study to try and sort out all the

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1 variables. And even if you had a study done, it would  
2 be, you know, somewhat subjective I think because there  
3 are so many variables involved in customer usage.

4 Q. But in your view going from 90% to 70% is  
5 justified at least in part by the fact that there's some  
6 conservation going on that's due to non-company efforts  
7 such as the economy?

8 A. Yes.

9 Q. Now let me just ask a couple questions  
10 following up on the how high are the fixed costs for  
11 first year for new customers, and am I correct in  
12 deriving from that discussion that it is your position  
13 that the fixed costs for a new customer are higher, I'm  
14 sorry, the incremental costs for a new customer are  
15 higher than the fixed costs for the preexisting  
16 customers in the first couple of years of that new  
17 customer service?

18 A. Yes, those fixed costs have been going up,  
19 and in 2008 we saw them go up quite a lot.

20 Q. Okay. So then my question is, is that in  
21 part because of incremental costs that occur only in the  
22 first year or two of that customer's service?

23 A. No. No, that's because of capital costs  
24 increasing over time.

25 Q. So is it are you saying that a customer that

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1 starts service in 2000, the fixed costs attribute, let's  
2 go backwards, a customer starting in 2010, the fixed  
3 costs attributable to that customer will always be  
4 higher than the fixed costs attributable to the customer  
5 that started 10 years earlier?

6 A. In terms of the incremental costs that were  
7 necessary to give him gas service?

8 Q. Well, in each case there's incremental costs  
9 to get the customer gas service?

10 A. Right.

11 Q. In each case there's ongoing costs to serve  
12 that customer?

13 A. Right.

14 Q. Fixed costs?

15 A. Right.

16 Q. And are you saying that forevermore that 2010  
17 customer, its average fixed costs will be greater than  
18 the average fixed costs for the 2000 customer?

19 A. Not necessarily, but we've seen our costs  
20 escalate over time, so the incremental cost to hook up a  
21 new customer has increased over time.

22 Q. Right. So I guess I'm saying so you're  
23 saying that the reason for the higher cost for the new  
24 customer as opposed to the existing customer, the reason  
25 for the higher incremental cost for the new customer is

1153

1 because of the hookup costs?

2 A. That is a major factor. The other can come  
3 back to your line extension policy and how much you  
4 allow.

5 Q. Okay.

6 A. If you only allow a certain amount, then you  
7 collect any difference from the customer. That's a way  
8 to reduce that initial cost as well.

9 CHAIRMAN GOLTZ: Okay, I have no further  
10 questions.

11 JUDGE TOREM: Counsel, does that bring up any  
12 recross on those areas the Commissioners raised?

13 Seeing none, any redirect?

14 MR. MEYER: No, Your Honor.

15 JUDGE TOREM: Thank you, Mr. Hirschhorn.

16 THE WITNESS: Thank you.

17 JUDGE TOREM: I think it would be best if  
18 given we just took a break to press on with Mr. Powell  
19 and at least get the first questions out of the way with  
20 him, so let's have that witness come forward. My  
21 thoughts for the rest of the day are that depending on  
22 how far we get with Mr. Powell, I've been told that 30  
23 minutes is too short for lunch, given that we're trying  
24 to conserve time 1 hour is probably pushing too long, so  
25 trying to act Solomonic we'll split the difference and



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1 we'll maybe recommend a 45 minute lunch. Will that  
2 gives folks enough time to get food and get back,  
3 Mr. Meyer?

4 MR. MEYER: I think so, I think we can get  
5 there and get back and get her done. I can't speak for  
6 anybody else.

7 JUDGE TOREM: I've been overruled, we're  
8 going to take our lunch break now, we'll come back at  
9 12:45.

10 Mr. Meyer.

11 MR. MEYER: Could I just make one  
12 observation, we're going to either pass on some intended  
13 cross or substantially curtail the remaining cross, so  
14 the light at the end of the tunnel is getting a little  
15 brighter, if that helps.

16 JUDGE TOREM: All right, so we'll come back  
17 at 12:45, which actually gives you 47 minutes for lunch,  
18 we're at lunch recess.

19 (Luncheon recess taken at 12:00 p.m.)

20

21 A F T E R N O O N S E S S I O N

22 (12:55 p.m.)

23 JUDGE TOREM: All right, we'll be back on the  
24 record, it's now about 5 minutes to 1:00. During the  
25 lunch break I was made aware that counsel for the

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1 various parties had decided to shuffle the order of  
2 witnesses, and Commissioners and I are definitely  
3 amenable to accommodating individuals' schedules. My  
4 understanding is that Mr. Brosch is going to testify  
5 now.

6           You can have a seat, Mr. Brosch, I'll swear  
7 you in just as soon as we're ready here.

8           And from there I understand following  
9 Mr. Brosch will be Ms. Alexander.

10           MR. FFITCH: That's correct, Your Honor, I  
11 believe that, yes, that's correct.

12           JUDGE TOREM: And then we'll sort out the  
13 rest of the witnesses as we go forward. Now,  
14 Mr. Trautman, you had originally forecast 15 minutes of  
15 cross-exam for Mr. Watkins who I believe is on the  
16 telephone line. Mr. Watkins, are you out there?

17           MR. WATKINS: Yes, Your Honor, I am.

18           JUDGE TOREM: All right, thank you, I just  
19 unmuted the phone line so now I can hear from you.

20           Mr. Trautman, I believe you might have told  
21 me that you had stricken that estimate?

22           MR. TRAUTMAN: Your Honor, I think we  
23 probably have about 5 minutes, 3 minutes, only a couple  
24 of questions.

25           JUDGE TOREM: Okay, so you still have a

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1 couple of minutes for Mr. Watkins, okay.

2 I also understand that Mr. Parcell and  
3 Mr. Gorman are on the bridge line. Mr. Parcell, are you  
4 there?

5 MR. TRAUTMAN: No, Mr. Parcell, I just called  
6 him up and told him that there was no cross for him per  
7 Simon, so.

8 JUDGE TOREM: You must have read my mind that  
9 the Commissioners also had no cross, so Mr. Parcell is  
10 now officially excused.

11 Mr. Gorman, are you there?

12 MR. GORMAN: I am, yes.

13 JUDGE TOREM: All right, and my understanding  
14 is that counsel for the parties have no questions for  
15 you. Counsel, am I making an error in that?

16 MR. MEYER: No.

17 JUDGE TOREM: No, all right.

18 So Commissioners, were there any questions  
19 for Mr. Gorman?

20 COMMISSIONER JONES: No questions.

21 COMMISSIONER OSHIE: No questions.

22 JUDGE TOREM: Bear with us one minute,  
23 Mr. Gorman.

24 CHAIRMAN GOLTZ: No, I don't.

25 JUDGE TOREM: All right, Mr. Gorman, so

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1 you're welcome to stay on the bridge line, but there  
2 won't be any questions for you.

3 And I believe the Bench indicated to me,  
4 Mr. Trautman, that they don't have any questions for  
5 Mr. Watkins. So, Mr. Watkins, do you have any time  
6 constraints this afternoon that you want to make me  
7 aware of?

8 MR. WATKINS: No, sir, I'm here at your  
9 pleasure.

10 JUDGE TOREM: At least one person is today,  
11 this is good. All right, so I'll let you know when  
12 we're going to work you in, but it appears we're going  
13 to take Mr. Brosch and then Ms. Alexander.

14 Mr. Johnson, did we determine when we wanted  
15 to take your witness?

16 MR. JOHNSON: Your Honor, I think the  
17 preference is for Mr. Powell to go before Ms. Glaser,  
18 because she would like to hear Mr. Powell's testimony,  
19 so. And the only caveat is hopefully he will not  
20 testify for the rest of the afternoon because again it  
21 being Ms. Glaser's birthday, she has other things to do.

22 JUDGE TOREM: I understand.

23 MR. JOHNSON: So if you can accommodate that,  
24 that would be great.

25 JUDGE TOREM: All right, so it sounds to me

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1 as though we'll get to Mr. Brosch, Ms. Alexander, then  
2 back to Mr. Powell, and if there's time Mr. Folsom, and  
3 then Ms. Glaser. If we need to switch Mr. Folsom and  
4 Ms. Glaser, we will, depending on how the afternoon  
5 goes.

6 Mr. Roseman.

7 MR. ROSEMAN: Thank you, Your Honor, I just  
8 wanted to -- I'm not going to have any cross for  
9 Ms. Glaser. I only had 10 minutes there, but I'm not  
10 going to have any, so I wanted to let you know. I don't  
11 know if that helps anyone's schedule or not.

12 JUDGE TOREM: All right, well, we'll take  
13 that up when we get to each witness.

14 All right, let me swear in Mr. Brosch, and as  
15 I understand planned cross-exam, Mr. Trautman had 10  
16 minutes but has stricken that, this is Public Counsel's  
17 witness, so the only cross-examination will come from  
18 the Company and then, Mr. Johnson, from you as well?

19 MR. JOHNSON: Your Honor, we will have no  
20 cross for Mr. Brosch.

21 JUDGE TOREM: All right, so this will be,  
22 Mr. Meyer, your witness to cross-examine.

23 MR. MEYER: Yes.

24 JUDGE TOREM: So let me swear him in.

25 (Witness MICHAEL L. BROSCH was sworn.)

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1 JUDGE TOREM: Mr. ffitch, are there any  
2 corrections or additions to Mr. Brosch's testimony or  
3 exhibits?

4 MR. FFITCH: No, there are not, Your Honor.

5 JUDGE TOREM: All right, let's tender the  
6 witness then to Mr. Meyer for cross-exam.

7 MR. MEYER: Thank you, Your Honor.

8

9 Whereupon,

10 MICHAEL L. BROSCH,  
11 having been first duly sworn, was called as a witness  
12 herein and was examined and testified as follows:

13

14 C R O S S - E X A M I N A T I O N

15 BY MR. MEYER:

16 Q. Good afternoon.

17 A. Good afternoon.

18 Q. Now I have cut back my cross to just a couple  
19 of items that I wanted to clarify with you.

20 A. Okay.

21 Q. So this shouldn't take but a few minutes. I  
22 believe in your testimony you make a distinction between  
23 programmatic and non-programmatic DSM, do you not?

24 A. I think I'm characterizing a distinction I  
25 understood from the Company's testimony, yes.

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1           Q.     In your view, would an example of a  
2 non-programmatic DSM program be something that is  
3 educational in nature such as Every Little Bit?

4           A.     It could be, that's my understanding of how  
5 the Company has characterized Every Little Bit, as being  
6 informational in nature, but it's certainly not unusual,  
7 in fact it's quite common for utilities to use media to  
8 promote programmatic DSM.

9                   MR. MEYER:  May I approach the witness, Your  
10 Honor?

11                   JUDGE TOREM:  Depends on what purpose you  
12 have in mind.

13                   MR. MEYER:  That's a fair point.  Certainly  
14 not to cough or sneeze on him.

15                   JUDGE TOREM:  All right.

16                   MR. MEYER:  I would like to have the record  
17 reflect that I'm handing to the witness a copy of a  
18 final order approving the decoupling pilot program,  
19 Order Number 04 in Docket UG-060518 dated February 1st,  
20 2007.

21                   JUDGE TOREM:  And that is a matter of record  
22 in this case with the consolidation.

23                   MR. MEYER:  Thank you.

24                   JUDGE TOREM:  So there's no need to mark it  
25 as an exhibit.

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1 THE WITNESS: And I have it.

2 BY MR. MEYER:

3 Q. Do you have it in front of you?

4 A. Yes.

5 Q. Would you kindly turn to page 8, and I will  
6 address you or have you address Paragraph 25, please.

7 Now for the record as you count down 1, 2, then 3

8 sentences that begins with that said, would you read

9 that sentence please that begins with that said?

10 A. Yes.

11 That said, it is reasonable to assume as

12 the joint parties do that Company

13 sponsored educational efforts have an

14 effect on individual efficiency

15 decisions.

16 Is that all you wanted?

17 Q. That's all I wanted.

18 Now does this represent a statement of the

19 Commission as it appears in this order of the

20 Commission?

21 A. Well, if you're asking me a legal question, I  
22 can't answer that.

23 Q. Does this purport, does that sentence purport

24 to represent a position of the parties, or is it an

25 expression of the Commission's views as they were at



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1 that time that it issued this order?

2 MR. FFITCH: Your Honor, I'm going to object,  
3 this is in the nature of a request for a legal opinion,  
4 he's simply asking the witness to interpret a Commission  
5 order, the document speaks for itself.

6 MR. MEYER: Your Honor, I'm simply trying to  
7 establish, is that sentence a restatement of a party's  
8 position in that docket, or is it a statement of the  
9 Commission in the order. That's all I'm trying to  
10 establish.

11 JUDGE TOREM: Overrule the objection if the  
12 witness can understand who's speaking in that document  
13 and particularly in that paragraph.

14

15 E X A M I N A T I O N

16 BY JUDGE TOREM:

17 Q. Mr. Brosch, what's your understanding?

18 A. Well, I'm willing to assume that the  
19 Commission is speaking as author of its order. And in  
20 that context given the plain language here, it appears  
21 that the author is stating it is reasonable to assume,  
22 the severed phrase, as the joint parties do.

23 Q. And, Mr. Brosch, you don't see that  
24 characterized on that paragraph as a finding of fact, a  
25 conclusion of law, or an ordering paragraph, do you?

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1           A.     No, Paragraph 25 precedes the conclusion,  
2 findings of fact, and conclusions of law sections as I  
3 understand it.

4           Q.     So as you see that document before you, it's  
5 part of the Commission's memorandum order, the  
6 memorandum discussion?

7           A.     I don't know what that means. It could be,  
8 that's part of my reluctance in characterizing who's  
9 speaking here and in what capacity.

10           JUDGE TOREM: All right, well, beyond that,  
11 the document speaks for itself, and I trust that we that  
12 wrote it will know what it means as well.

13                     Any further inquiry on this document?

14           MR. MEYER: Not on that or anything else.

15           JUDGE TOREM: Any other questions from  
16 counsel for Mr. Brosch?

17           MR. FFITCH: I just have one on redirect,  
18 Your Honor.

19

20                     R E D I R E C T   E X A M I N A T I O N

21 BY MR. FFITCH:

22           Q.     Could you stay with the Commission order,  
23 Mr. Brosch, and go to the next paragraph, Paragraph 26,  
24 and read the last sentence on the page.

25           A.     Yes. It says:

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1           However, the proportion of margin lost  
2           to Company sponsored DSM relative to the  
3           amount subject to recovery is of great  
4           interest to us, and we will closely  
5           scrutinize this factor in reviewing the  
6           results of this pilot decoupling  
7           program.

8           MR. FFITCH: Thank you, I don't have any  
9 other redirect, Your Honor.

10           JUDGE TOREM: Commissioners?  
11           Commissioner Jones.

12

13                           E X A M I N A T I O N

14 BY COMMISSIONER JONES:

15           Q.     Good afternoon, Mr. Brosch.

16           A.     Good afternoon.

17           Q.     Just a kind of a high level question, in your  
18 conclusion and recommendation, you set forth four  
19 principles of what the Commission might consider in  
20 developing a mechanism for conservation, do you not?

21           A.     Are you at page 42 of my testimony?

22           Q.     Yes, I am.

23           A.     There are four bullet point there that I'm  
24 characterizing what the Titus report states.

25                   Starting on 41, is that where you wanted to

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1 be?

2 Q. Yes, excuse me.

3 A. Now I'm with you, thank you.

4 COMMISSIONER JONES: Thank you, Mr. Chairman.

5 BY COMMISSIONER JONES:

6 Q. It's 41 that I would like to focus on. So  
7 these are four principles that you recommend that we  
8 look at, my basic question is, is this fleshed out any  
9 more? This is pretty broad.

10 A. It is pretty broad, and it's in part to  
11 contrast what should be in your consideration here to  
12 what we actually have with the existing decoupling  
13 mechanism, which suffers from a lack of these  
14 characteristics. So, for example, the first point where  
15 we seek to improve upon the measurement, Ms. Kimball's  
16 testimony speaks to some of the problems with the  
17 measurement. Clearly measurement is important to  
18 quantification of decoupling. It's also important to  
19 the structuring of any lost margin and/or efficiency  
20 measures you might seek to implement in place of  
21 decoupling. So that's a goal and really a process that  
22 I understand the Company's rebuttal testimony is  
23 agreeing needs to be commenced to improve upon the  
24 measurement.

25 As far as incentive structures, there I'm

1 speaking more to targeting. My testimony explains how  
2 in contrast the decoupling mechanism is overly broad in  
3 that it doesn't target therm savings from DSM but  
4 instead targets replacement of lost therm margins for  
5 any causes, so here it's trying to match the remedy to  
6 the problem.

7 Q. Mr. Brosch, just on that point if I could  
8 have a follow-up. Do you have any particular  
9 recommendations on the type of incentive structure?  
10 Yesterday there was some discussion of our existing  
11 mechanism for Puget. On the electric side we have a  
12 target and a penalty and an incentive mechanism, and we  
13 have something in our Statute 80.80 that talks about an  
14 ROE adder. There are many different incentive  
15 structures, correct?

16 A. There are, yes.

17 Q. So do you have any thought on any of those as  
18 a preferred alternative to Avista after examining the  
19 Titus report and the structure of their existing  
20 programs?

21 A. My thought would be first that the ROE  
22 approach is perhaps as subjective as the outcome of  
23 decoupling in the sense that it's not necessarily  
24 proportional unless you exercise some care to make it  
25 proportional to the lost margins and the desired

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1 incentive above lost margins you believe is appropriate.  
2 I'm not personally familiar with the Puget mechanism and  
3 would defer questions about that to people who  
4 understand it better than I do.

5 Q. Are you familiar with mechanisms in place in  
6 any other states that you have been to as a witness or  
7 involved in the design of the mechanism?

8 A. Probably not with sufficient recall to do you  
9 much good.

10 Q. All right.

11 A. I apologize.

12 Q. Thank you, that's enough on that bullet  
13 point.

14 A. The last bullet point on that page is really  
15 related to the quote that I had from your Order Number  
16 4, the proportionality question and the importance of  
17 that.

18 Q. Yes.

19 A. And then finally, having had responsibility  
20 for the administration of these mechanisms, it is no  
21 surprise to you I'm sure that your Staff has plenty of  
22 things to consume their time, and as you layer more  
23 self-implementing adjustment mechanism tariffs for one  
24 utility and then another if it's viewed favorably by the  
25 industry, it's essential that you have the resources to

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1 administer what you set in place, and usually the only  
2 way that occurs is if great care is taken to make those  
3 mechanisms utterly simple.

4 COMMISSIONER JONES: Thank you, that's all I  
5 have.

6 COMMISSIONER OSHIE: No questions.

7 CHAIRMAN GOLTZ: I have a few, Mr. Brosch,  
8 thank you.

9

10 E X A M I N A T I O N

11 BY CHAIRMAN GOLTZ:

12 Q. The issue, I believe I asked this of  
13 Mr. Norwood and I wanted to find out if you agreed, that  
14 in -- is it your belief that in recent, say the recent  
15 decade, and again kind of a high level question, in  
16 general have utilities, has the lost margin for  
17 utilities attributable to DSM efforts increased?

18 A. Probably yes. It's been my observation that  
19 gas utility DSM programs and the funding of those  
20 programs has grown considerably industrywide, and I've  
21 read industry publications that support that conclusion.  
22 There was though a pronounced trend toward declining  
23 usage per customer before that increase in utility  
24 sponsored DSM really took place, and that's the subject  
25 of one of the charts in my testimony.

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1 Q. And when would you say that -- is there a  
2 break point where that declining usage spiked up or  
3 spiked down?

4 A. Well, let's look. I would refer you to Chart  
5 6 on page 32 of my testimony. This is derived from a  
6 U.S. Energy Information Administration publication and  
7 depicts from 1987 through 2005 the trend in U.S. average  
8 consumption per residential customer. And I would  
9 encourage you to look at the weather normalized line  
10 there, and you can see that starting in the early '90's  
11 the slope of that downward trend became more pronounced.

12 Q. Would you agree with Mr. Norwood and other  
13 Company witnesses that this lost margin should be  
14 addressed, lost margin attributable to DSM efforts,  
15 whether by decoupling or some other mechanism, just  
16 whether it should be addressed?

17 A. It could be addressed in traditional rate  
18 cases, and that would be the holistic response and way  
19 to address that, and that has been the traditional way  
20 to address that. If you believe that there should be  
21 explicit compensation for calculated lost margins  
22 arising from utility sponsored DSM, then you could  
23 structure a mechanism and perhaps should structure a  
24 mechanism to account for those lost margins. There are  
25 layers of compensation that I use to think about this.



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1           The simplest layer is to do periodic  
2 traditional rate cases, set a level of DSM funding in  
3 those rate cases, measure everything else in those rate  
4 cases, and then acknowledge that the next day all of the  
5 numbers will change. Some changes will be favorable,  
6 others will be unfavorable. And if on balance things  
7 change in a negative way, the utility has a right to  
8 bring another case.

9           The next layer of compensation would be to  
10 say we want to not discourage or we want to encourage  
11 the funding of these programs, so let's implement a  
12 surcharge like you have here to make the utility  
13 indifferent as to their out-of-pocket expenditures on  
14 the programs. Then if your view is that's still not  
15 enough encouragement, you might take the next step and  
16 say these programs have measurable outcomes in terms of  
17 lost margins, lost sales, therms, and margins, and allow  
18 some compensation mechanism for that. And then the  
19 final icing on that cake would be to say all of that is  
20 still not enough, we need to also incent performance  
21 beyond providing the funding, making up for the lost  
22 margins, and doing something extra.

23         Q.     If we were to accept a variant of the  
24 decoupling program proposed by the Company and at least  
25 one other party, but the proposal now is that the

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1 deferral be at 70%, and that is I believe the testimony  
2 was to sort of roughly approximate the lost margin due  
3 to factors other than programmatic and non-programmatic  
4 conservation efforts, how would you - what number would  
5 you pick if you could pick one, is 70% the right number,  
6 is it lower, and how would one come to a number to  
7 estimate that?

8 A. I would suggest that you look to the need to  
9 measure the DSM results, the programmatic results, and  
10 provide for deferral and recovery of the lost margins  
11 and some structured incentive device above that if you  
12 believe that's needed, and do away with the mechanism  
13 that does not attempt that degree of precision. Because  
14 it's overly broad, because there's no way to  
15 disaggregate customer usage causes, changes in customer  
16 usage and what caused them. You will not find a way to  
17 measure and isolate what the economy has done, what  
18 federal appliance standards have done, what building  
19 codes have done. And if the -- if you believe there is  
20 a need to respond to DSM lost margins, then you have to  
21 measure them anyway, let's measure them and structure  
22 that response.

23 Q. Just one last quick question. You were in  
24 the hearing room today when we heard Mr. Hirschhorn  
25 discuss the incremental cost of a new customer to the

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1 utility, and you gave some testimony on that?

2 A. Yes.

3 Q. Is it still your opinion that the cost to  
4 serve, incremental cost to serve a new customer is lower  
5 than the average cost to serve another customer, a  
6 preexisting customer?

7 A. The problem with that dialogue that you have  
8 is twofold. First, every customer is different. Some  
9 incremental customers cause the Company to incur very  
10 little in the way of incremental cost. Other  
11 incremental customers could cause extreme costs to be  
12 incurred by the utility. So the first thing you have to  
13 acknowledge is that you're dealing with broad averages  
14 that don't necessarily fit the circumstances.

15 Q. Right.

16 A. Beyond that, we're trying to address in a  
17 piecemeal fashion what should be done to account for the  
18 declining usage per customer, and the response that's  
19 built into the existing mechanism is to say let's I  
20 believe arbitrarily carve out the margins we collect  
21 from new customers and set those aside for the Company  
22 for the utility to retain in case that's compensatory  
23 overall for the incremental costs to serve those new  
24 customers. That's the rationalization I understand  
25 behind that position.

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1           The problem with that rationalization is  
2 those aren't the only two dynamics, and selecting them  
3 and saying that we're only going to concern ourselves  
4 with usage per new customers and incremental cost per  
5 new customers ignores a lot of other important facts  
6 like the fact that the utility continuously collects via  
7 depreciation expense the principal amount of all the  
8 investment in its existing plant making cash flow  
9 available to fund this investment in new plant to serve  
10 incremental new customers. And it's only when you do a  
11 traditional rate case that you have an accounting for  
12 not only the added plant to serve new customers but the  
13 growth in the depreciation reserve from all the  
14 recoveries from existing customers of the plant that's  
15 already in the ground.

16           And one could begin piecing and parsing  
17 elements of the revenue requirement calculation to say  
18 I'm going to build a tracker for that change, but when I  
19 do, I've got this other change, I'm going to put it in  
20 my tracker, and the question is where do you stop.  
21 Which pieces of the revenue requirement puzzle are  
22 appropriately tracked, and that's the fundamental  
23 problem.

24           CHAIRMAN GOLTZ: Thank you, I have nothing  
25 further.

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1 JUDGE TOREM: Commissioners, anything else  
2 for Mr. Brosch?

3 Mr. Meyer, any further cross?

4 Mr. ffitch.

5 MR. FFITCH: I just had one question, Your  
6 Honor.

7

8 R E D I R E C T E X A M I N A T I O N

9 BY MR. FFITCH:

10 Q. Mr. Brosch, you were asked about trends in  
11 lost margins.

12 A. Yes.

13 Q. And I believe by Chairman Goltz, and you  
14 indicated that lost margins generally have grown over  
15 time for gas companies, is that a fair statement of your  
16 summary of what you said, due to DSM programs by the  
17 companies?

18 A. Yes, it's my understanding that the funding  
19 and scope of those programs have grown, and coincident  
20 with the growth and funding of the programs there's been  
21 a coincident increase in lost margins.

22 Q. All right. And do you know if those lost  
23 margin growths -- excuse me, let me rephrase that.

24 Do you know if the growth in lost margin that  
25 you refer to is proportional to the growth of the total

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1 sales of gas by regulated gas companies or how it  
2 relates to the growth in sales over that time period?

3 A. The last I looked, and I believe it was from  
4 a similar EIA publication, there was a graph showing a  
5 pattern not unlike what I've shown for Avista in my  
6 Chart 5 where you can see over time relative stability  
7 in total LDC through put caused by the interaction that  
8 you see in Chart 4 of generally steady increases in  
9 numbers of customers served offset by a gradual  
10 declining trend in usage per average customer. So when  
11 you look industrywide at therm sales on a residential  
12 customer class basis, there's relative stability.

13 Q. All right. As a percentage of total  
14 revenues, can you characterize the percentage of lost  
15 margin, what percentage of total revenues is represented  
16 by lost margins generally?

17 A. Are we talking about for Avista?

18 Q. For Avista and then if you know as a matter  
19 of industry averages.

20 A. If I have that at my fingertips, I don't know  
21 where it is.

22 Q. All right, we can identify that in the record  
23 then as appropriate.

24 Do you have an answer for that with respect  
25 to industry averages?

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1           A.     My sense is lost margins as a -- therms saved  
2 as a percentage of total therms is a single digit  
3 percentage for most utilities. It obviously grows  
4 through time, so you have to decide whether you're going  
5 to measure a cumulative effect or a point in time  
6 effect. Here the Titus report has focused primarily on  
7 first year effects, and those would typically be for an  
8 LDC single digit percentages, relatively small  
9 percentages of total through put.

10           MR. FFITCH: All right, I don't have any  
11 further questions, thank you, Your Honor.

12           JUDGE TOREM: Commissioners, counsel,  
13 anything else for this witness?

14           Thank you, Mr. Brosch.

15           THE WITNESS: Thank you.

16           JUDGE TOREM: I believe we'll take  
17 Ms. Alexander next.

18           Ms. Alexander, will you raise your right  
19 hand.

20           (Witness BARBARA R. ALEXANDER was sworn.)

21           JUDGE TOREM: I've been informed by your  
22 counsel, Mr. Roseman, that there is a brief amendment to  
23 your testimony.

24           THE WITNESS: May I explain it? Would that  
25 be appropriate?

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1 JUDGE TOREM: I just want to get your  
2 testimony in front of me first.

3 THE WITNESS: This is an amendment to my  
4 cross reply testimony which was revised once and is now  
5 being revised again.

6 JUDGE TOREM: Correct, I have an amendment to  
7 a revision dated September 22nd.

8 THE WITNESS: Right.

9 JUDGE TOREM: And, Mr. Roseman, the question  
10 I have for you is this is labeled as the public version,  
11 was there any confidential information in any of these?

12 THE WITNESS: No.

13 JUDGE TOREM: All right, so this is the  
14 version, not any public or redacted or confidential  
15 version, all right. So I see, Mr. Roseman, you've  
16 recreated the entire testimony.

17 MR. ROSEMAN: I did, Your Honor. The changes  
18 to the testimony are --

19 JUDGE TOREM: Is your microphone on, sir?

20 MR. ROSEMAN: Oh, excuse me, I'll let  
21 Ms. Alexander explain, but the changes to testimony are  
22 on pages 8 and 9 on the document that we provided.

23 THE WITNESS: And what I did was provide you  
24 with a clean version of my revised testimony from  
25 September 22, and the red lines on this document reflect



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1 those changes that I'm now submitting today.

2 JUDGE TOREM: All right, so we got it in a  
3 changes are red lined version previously on September  
4 22.

5 THE WITNESS: You did.

6 JUDGE TOREM: And this is simply the same  
7 document but in a clean version?

8 THE WITNESS: That's correct.

9 JUDGE TOREM: And for the record, this is  
10 Exhibit BRA-2T. All right, any objections to those  
11 modifications?

12 MR. TRAUTMAN: I want to make sure I have the  
13 right -- I'm looking at the right version.

14 JUDGE TOREM: Mr. Roseman was just handing  
15 those out.

16 THE WITNESS: And if it's possible for me to  
17 just explain what these changes are.

18 JUDGE TOREM: It looks like there are some  
19 additional changes on page 8 and 9 where you're making  
20 reference to Ms. Reynolds' workpapers that are still in  
21 red line format.

22 THE WITNESS: That's right, those are the  
23 revisions I'm submitting today.

24 JUDGE TOREM: Okay. So when we say it's a  
25 clean version, it's a clean version of what was

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1 previously submitted, but there are some additional  
2 modifications on pages 8 and 9.

3 THE WITNESS: That's correct, sir.

4 JUDGE TOREM: And those are in reference to  
5 work you've looked at since with Ms. Reynolds'  
6 workpapers apparently.

7 THE WITNESS: That's correct. I had  
8 mischaracterized her testimony, and I am correcting that  
9 error.

10 JUDGE TOREM: All right, Mr. Trautman, do you  
11 have the right version now do you think?

12 MR. TRAUTMAN: Well, yes, the reason I had  
13 asked is you said September 22nd, this says September  
14 11th.

15 THE WITNESS: That's my fault, because when I  
16 did this document two days ago I forgot to put the  
17 revised version date on the front of it, so this is the  
18 September 22 version with these red lines.

19 JUDGE TOREM: And you'll find, Mr. Trautman,  
20 that even the September 22 version came in with the  
21 original September 11th date, so it's hard to track  
22 unless you're making notes on them as they come in like  
23 I do.

24 MR. TRAUTMAN: Could we have 5 minutes to  
25 look at these changes after she explains them.

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1                   JUDGE TOREM: I don't think you'll need quite  
2 that long. The changes that you've had since September  
3 22nd I expect you and your witness have already looked  
4 at. I won't give you time today to prepare. The  
5 reference is only that there's a reference to  
6 Ms. Reynolds' workpapers. If you want 2 minutes, I'll  
7 give that to you now.

8                   THE WITNESS: If it helps at all, may I do  
9 this?

10                  JUDGE TOREM: Please.

11                  THE WITNESS: My original statement was that  
12 Ms. Reynolds had only submitted information about the  
13 impact of the move to the \$8 a month customer charge in  
14 her testimony, and I then went on to provide the  
15 information from her workpapers concerning the change to  
16 the \$10 a month customer charge. I was incorrect in my  
17 characterization of her testimony. She did include  
18 information about not only the \$8 but the \$10 customer  
19 charge in her original testimony in her exhibit and her  
20 workpapers. So there's no change in the numbers, and  
21 there's no change with regard to my conclusions. I had  
22 mischaracterized her testimony, and I needed to correct  
23 that, and I did.

24                  JUDGE TOREM: Mr. Trautman.

25                  MR. TRAUTMAN: All right, that's fine.

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1                   JUDGE TOREM: Ms. Alexander, you're scheduled  
2 for cross-exam by both the Company and Mr. Johnson on  
3 behalf of the Energy Coalition, and I think now we've  
4 adequately identified the changes to your testimony.

5                   MR. TRAUTMAN: And I had added 10 minutes,  
6 earlier I had mentioned that to you.

7                   JUDGE TOREM: You did, and I'm making a note  
8 of it now, so I think I'm going to see if you want to go  
9 first or if Mr. Meyer does.

10                  MR. TRAUTMAN: I can go first.

11                  MR. JOHNSON: I think you meant Mr. Johnson.

12                  JUDGE TOREM: Mr. Trautman is going to jump  
13 in here first though, so, Mr. Johnson, I was going to  
14 let Mr. Meyer go and then you.

15                  MR. JOHNSON: That's fine.

16                  JUDGE TOREM: Mr. Trautman, you're up.

17                  MR. TRAUTMAN: Thank you.

18

19 Whereupon,

20                                 BARBARA R. ALEXANDER,  
21 having been first duly sworn, was called as a witness  
22 herein and was examined and testified as follows:

23

24

25

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1 C R O S S - E X A M I N A T I O N

2 BY MR. TRAUTMAN:

3 Q. Good afternoon, Ms. Alexander.

4 A. Good afternoon.

5 Q. I'm referring to your testimony BRA-2T, cross  
6 reply testimony, and on pages 8 and 9 you talk about the  
7 bill analysis prepared by Staff, and you reference low  
8 usage customers, and then you reference low income  
9 customers also. Are you familiar with that?

10 A. Yes.

11 Q. What is the average annual therm usage for a  
12 low income customer?

13 A. I don't have that off the top of my head, but  
14 that was provided in the Titus report.

15 Q. Right. Would you accept subject to check  
16 that in the Titus report on page 77, that was included  
17 in Mr. Hirschhorn's BJK-2, would you accept that that  
18 usage is 696 therms?

19 A. As the average usage of the customers known  
20 to be low income in the Avista database. This analysis  
21 of course is not targeted to income but to different  
22 usage profiles.

23 Q. But as you mentioned, that is the low income  
24 usage that you just referred to?

25 MR. ROSEMAN: Greg, will you reference where

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1 you're referring to in the Titus --

2 MR. TRAUTMAN: 2a, page 77.

3 A. 2a, page 77, oh, the Titus report is 2a, page  
4 77?

5 Q. Yes.

6 A. I do not have that in front of me, but I will  
7 accept the number you have just read.

8 Q. That is 696 therms. Do you know what the  
9 annual therm usage was for customer 2 in Ms. Reynolds'  
10 bill analysis?

11 A. She provided that information. I can look it  
12 up while we're talking, but I don't have it off the top  
13 of my head. It was a very low use residential customer.  
14 She had some assumptions about what would inform her to  
15 create that usage profile.

16 Q. And she mentioned it was typically customers  
17 with natural gas water heating only; is that correct?

18 A. I would accept that.

19 Q. And would you accept that as you referenced  
20 her workpapers on page 9 of your testimony, would you  
21 accept subject to check that the therm usage for  
22 customer 2 was 214 therms per year?

23 A. I thought it -- oh, these are dollar amounts,  
24 not usage factors. I will accept your number. I do not  
25 have the usage number in front of me.

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1 MR. ROSEMAN: Your Honor, in this little  
2 pause may I just provide the Titus report to  
3 Ms. Alexander.

4 THE WITNESS: Right, but he's talking --

5 MR. ROSEMAN: No, I know he's talking about  
6 something different.

7 THE WITNESS: Okay.

8 MR. ROSEMAN: Just in case this comes up,  
9 you've got it.

10 THE WITNESS: Thank you, that's a good idea.

11 MR. TRAUTMAN: Thank you, that's all I have.

12 JUDGE TOREM: Mr. Meyer?

13 MR. MEYER: No cross, thank you.

14 JUDGE TOREM: Mr. Johnson.

15 MR. JOHNSON: Thank you, Your Honor.

16

17 C R O S S - E X A M I N A T I O N

18 BY MR. JOHNSON:

19 Q. Good afternoon, Ms. Alexander.

20 A. Good afternoon, sir.

21 Q. As I understand your recommendation with  
22 respect to the decoupling mechanism, you recommend that  
23 the pilot be terminated all together with no  
24 modifications; is that correct?

25 A. I did not attempt to devise or propose any

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1 modifications or alternative structures in my testimony,  
2 that is correct.

3 Q. I would like you to assume, if you can, that  
4 the Commission decides to continue the decoupling  
5 mechanism. And with that assumption in mind, do you  
6 have any opinion as to whether the mechanism if it is so  
7 continued should contain a limited income DSM target?

8 A. I believe my testimony stated that the issue  
9 of including a limited income target does not respond to  
10 our concerns about the operation of this mechanism and  
11 its impact on low income customers, a group that is much  
12 larger than those identified in the Avista billing  
13 system as low income, or limited income, excuse me.

14 MR. JOHNSON: Your Honor, I didn't ask, if I  
15 could interject, I didn't ask Ms. Alexander to reiterate  
16 her testimony. I asked her under the assumption that  
17 the mechanism was continued, under that circumstance  
18 whether the mechanism should contain a limited income  
19 DSM component, and I haven't heard her answer that  
20 question.

21 A. The answer is no.

22 BY MR. JOHNSON:

23 Q. Ms. Alexander, on another topic, are you  
24 familiar with the Company's, what is known as the  
25 Company's EEE board?



1           A.     I am aware of the board. I have seen some  
2 reports. I am obviously not familiar with the workings  
3 of the board itself.

4           Q.     Lastly, other parties in this proceeding have  
5 expressed opinions on the desirability of potentially  
6 pursuing a direct incentive program in lieu of or in  
7 addition to a decoupling mechanism. Are you familiar  
8 with those positions that have been raised?

9           A.     I am aware that those positions have been  
10 raised in this proceeding, yes.

11          Q.     Do you have any opinion, speaking for The  
12 Energy Project, do you have any opinion as to whether  
13 the Commission should pursue a direct incentive program  
14 either in lieu of or in addition to a decoupling  
15 mechanism?

16          A.     I would have to say that I was not asked by  
17 The Energy Project to make that recommendation or to  
18 devise an alternative mechanism, and I'm quite sure that  
19 The Energy Project would be involved in any proposal  
20 that would seek to provide an alternative mechanism, but  
21 I can not provide you with that kind of design or  
22 recommendation at this point. My testimony was much  
23 more narrow in focus than that.

24          Q.     Okay. So you're speaking then on behalf --  
25 you don't have any position or opinion on behalf of The

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1 Energy Project; is that right?

2 A. On the alternatives that should be adopted,  
3 on that issue or --

4 Q. With respect to a direct incentive program,  
5 you don't have an opinion on behalf of The Energy  
6 Project on that issue?

7 A. I do not.

8 Q. Okay.

9 A. Which is not to say that they do not have an  
10 opinion. I was not asked to represent them on that  
11 matter.

12 Q. I understand.

13 A. And I frankly would not -- I would hesitate  
14 to do that in this forum.

15 MR. JOHNSON: That's all I have, Your Honor.

16

17 E X A M I N A T I O N

18 BY JUDGE TOREM:

19 Q. I wanted to be clear, Ms. Alexander, when  
20 Mr. Johnson asked you about assuming the Commission  
21 chooses to continue Avista's decoupling program, he  
22 asked you should it have a limited income DSM program  
23 attached to it.

24 A. Mm-hm.

25 Q. You said no?

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1 A. Mm-hm.

2 Q. Did you mean that in regard to any of the  
3 ones that are recommended or just as an outright no,  
4 that shouldn't be part of any program?

5 A. The target -- the manner in which the  
6 spending target is established for the limited income  
7 DSM program operates outside of the decoupling mechanism  
8 now. There is no reason to connect it to decoupling,  
9 because I feel that doing so would provide some sort of  
10 justification for continuing a decoupling program that I  
11 don't think should be linked in that respect. That's  
12 all.

13 JUDGE TOREM: All right, that makes it much  
14 more clear.

15 THE WITNESS: Yes.

16 JUDGE TOREM: At least to me.

17 Commissioners?

18 None from Commissioner Jones.

19 Commissioner Oshie?

20

21 E X A M I N A T I O N

22 BY COMMISSIONER OSHIE:

23 Q. Ms. Alexander, just a couple of questions  
24 about the let's just start with perhaps the what I think  
25 would be the theory or principles behind a rate design

1189

1 that we're talking about here today, which is of a fixed  
2 charge and a variable charge and then we throw in the  
3 decoupling mechanism layered into that. So do you agree  
4 that the purpose of a fixed variable rate design within  
5 a class is to spread the charges that are incurred by  
6 the class equally among those class members?

7 A. I do not have an opinion on that. I am not a  
8 rate design witness.

9 Q. Okay.

10 A. I reacted to the proposal that came up from  
11 the Staff to substantially increase the monthly customer  
12 charge, and my testimony is quite clear about my concern  
13 about that proposal. But I am not an expert on the  
14 design of rates and the allocation of costs within a  
15 customer class, I'm sorry.

16 Q. That's fine, I just thought I would pursue  
17 that with you, and maybe I'll pursue that with another  
18 witness.

19 A. If I could say one thing, there is a very  
20 important aspect to any aspect of rate design change  
21 that I would like to make clear that I am very familiar  
22 with and that I urge the Commission to be very careful  
23 about. The notion of doing rate design change based on  
24 averages is a very dangerous proposition. Rate design  
25 is a, this much I do know, rate design is a zero sum

1190

1 game. There will be winners, and there will be losers,  
2 and it is very important that the Commission understand  
3 exactly who those groups are. Because the minute a  
4 change like that occurs in the way we bill for essential  
5 utility services, the losers will be the first ones you  
6 will hear from, the ones you need to respond to, and the  
7 ones who will cause the kind of public outcry that I  
8 have seen happen elsewhere when commissions don't fully  
9 explore the gory details of averages with respect to  
10 these kinds of proposals and allocations. And if that  
11 theme permeates my testimony and that message, I guess  
12 that's the main one I would like to leave you with.

13 Q. Well, it sounds to me like what you're, and I  
14 don't think you're doing this, but what you're arguing  
15 for is whatever fixed cost reflected in the fixed charge  
16 or, excuse me, that the fixed charge assigned to every  
17 customer should reflect the fixed cost of serving that  
18 customer. So if that might be \$20, then the fixed  
19 charge should be \$20 because then we aren't dealing with  
20 averages, we're not dealing with any variable, any  
21 movement of the fixed charge into the variable cost  
22 component of the rate, and that it makes it fair between  
23 everyone because in that circumstance you don't have low  
24 usage customers paying less than they should making  
25 their contribution to the class fixed charge and high

1191

1 usage customers, some who have no choice because they  
2 have -- they can't afford to put in a new efficient  
3 furnace in, they can't afford to do certain kinds of  
4 weatherization, or that they can't qualify for some  
5 weatherization or improvement program because there are  
6 other capital issues. In other words, there are home  
7 repair issues that have to be addressed first that  
8 exclude them from the class that can receive, so their  
9 bills are higher, and they're going to pay more into the  
10 fixed cost of the Company than other -- than the average  
11 would pay.

12 A. I understand what you're saying. It is the  
13 most difficult part of the Commission's public policy  
14 duty is to come to grips with the allocation of costs  
15 and the design of rates once the revenue requirement is  
16 established, and I can -- I am aware of the wide variety  
17 of potential ways to do that. My point was that there  
18 is a rate design in place right now. Any change to that  
19 will result in the winners and the losers scenario that  
20 I just described to you and makes it very difficult to  
21 make dramatic changes without a lot of potential harm to  
22 folks who can not afford to pay for example high monthly  
23 customer charges as a condition of continuing their  
24 electrical or gas service. So that is the more narrow  
25 focus that I -- on which I made my comments.

1192

1                   COMMISSIONER OSHIE: All right, well, thank  
2 you, Ms. Alexander, appreciate that clarification.

3                   THE WITNESS: Yes, right.

4                   JUDGE TOREM: Chairman Goltz, any questions?

5                   CHAIRMAN GOLTZ: No, no questions.

6                   JUDGE TOREM: Seeing nothing further from the  
7 Bench, let me see if counsel has any additional  
8 questions.

9                   None from Mr. Trautman.

10                  Mr. Johnson?

11                  MR. JOHNSON: No, Your Honor.

12                  JUDGE TOREM: Mr. Meyer, any second chance?

13                  All right, Mr. Roseman, any redirect?

14                  MR. ROSEMAN: No, Your Honor.

15                  JUDGE TOREM: All right, well, thank you,  
16 Ms. Alexander, appreciate you making the trip.

17                  MR. FFITCH: Your Honor, I apologize for  
18 interrupting, but at this point --

19                  JUDGE TOREM: Would you like to ask a  
20 question, Mr. ffitch?

21                  MR. FFITCH: No, I'm bringing up a new topic,  
22 Your Honor.

23                  JUDGE TOREM: All right, can I excuse the  
24 witness?

25                  MR. FFITCH: Yes, you may.

1193

1 JUDGE TOREM: Have a nice trip.

2 MR. FFITCH: I apologize.

3 JUDGE TOREM: That's all right.

4 MR. FFITCH: I wanted to request, after  
5 consulting with Mr. Trautman, I wanted to request the  
6 Bench consider taking Mr. Watkins. My understanding is  
7 that Staff's cross is extremely short for Mr. Watkins,  
8 he is in the Eastern time zone, I am hoping he's still  
9 on the phone.

10 JUDGE TOREM: Mr. Watkins, are you there?

11 MR. WATKINS: Yes, sir, I am.

12 MR. FFITCH: And I would hope that we could  
13 get him on, and he is also -- he's Public Counsel's rate  
14 design/rate spread witness, so thematically it might fit  
15 in the sequence of the hearing right now.

16 JUDGE TOREM: I understand.

17 Counsel, any objections to taking this  
18 witness?

19 We're going to go off the record for just a  
20 minute to address a technical issue with the court  
21 reporter, I'll swear in the witness, Mr. Watkins, when  
22 we come back.

23 (Recess taken.)

24 JUDGE TOREM: All right, we'll be back on the  
25 record, I'm going to swear in Mr. Watkins, and I hope by



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1 that time we will have a full complement.

2 (Witness GLENN A. WATKINS was sworn.)

3 JUDGE TOREM: And if you will make an effort  
4 to speak up, that way we can hear you clearly, and I  
5 will ask any others that are on the bridge line while I  
6 have it unmuted to make sure that their phones are on  
7 mute or that they minimize any noise they might be  
8 making while we examine Mr. Watkins.

9 MR. WATKINS: Speaking softly is rarely a  
10 problem of mine. Can you hear me, Judge Torem?

11 JUDGE TOREM: That's a little bit better.

12 MR. WATKINS: Thank you.

13 JUDGE TOREM: All right, I'm going to hand  
14 you over to Mr. Greg Trautman, who will be the next  
15 voice you hear.

16 MR. TRAUTMAN: Thank you, Your Honor, we've  
17 pared back our cross considerably for Mr. Watkins. I  
18 may only have one question.

19

20 Whereupon,

21 GLENN A. WATKINS,  
22 having been first duly sworn, was called as a witness  
23 herein and was examined and testified as follows:

24

25

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1 C R O S S - E X A M I N A T I O N

2 BY MR. TRAUTMAN:

3 Q. Good afternoon, Mr. Watkins.

4 A. Good afternoon Mr. Trautman.

5 Q. And I am referring to your testimony 1T,

6 GAW-1T, and at page 10, line 3, you state:

7 I support the Company's proposed flat

8 usage rate structure and accept the

9 proposed increase in the customer charge

10 from \$5.75 to \$6.

11 Do you see that?

12 A. Yes, I do.

13 Q. And what was the basis for your support of

14 the increase in the customer charge from \$5.75 to \$6?

15 A. The basis for that support was, number one,

16 that a small increase in the interest of gradualism

17 would mitigate to some extent any increase in the

18 volumetric charges so that in the interest of continuity

19 and gradualism a modest increase of 25 cents is

20 warranted and that a measurement of 25 cents frankly is

21 not worth quibbling over to be quite candid with you.

22 MR. TRAUTMAN: Thank you, that's all I have.

23 JUDGE TOREM: Any other counsel have

24 questions for Mr. Watkins?

25 Commissioners?

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1 COMMISSIONER OSHIE: No questions.

2 COMMISSIONER JONES: No questions.

3 CHAIRMAN GOLTZ: No questions.

4 JUDGE TOREM: All right, Mr. Watkins, that  
5 was brief, thank you very much for your testimony. I  
6 don't see any other questions, so I'm not sure if you're  
7 going to stay on the line or not.

8 MR. WATKINS: If you don't mind, it's getting  
9 late in the afternoon on a Friday and I think I'm going  
10 to take off.

11 JUDGE TOREM: All right, enjoy your weekend,  
12 Mr. Watkins.

13 We're going to go back and mute the other  
14 callers now on the bridge line.

15 Which witness are we taking next, are we  
16 taking Ms. Glaser, or are we going to have Mr. Powell  
17 come back on? I believe Mr. Powell was going to testify  
18 first. All right, so that's what we'll do, it looks  
19 like the time is correct for that.

20 MR. FFITCH: May I just have a moment down  
21 the hall, Your Honor, before we begin Mr. Powell.

22 JUDGE TOREM: Certainly, and while you're  
23 taking care of that, I'm just going to confirm,  
24 Mr. Trautman, you have scheduled about 10 minutes for  
25 Mr. Powell?

1197

1 MR. TRAUTMAN: I think it will be probably 5.

2 JUDGE TOREM: All right, and Mr. ffitch has  
3 the bulk of the time scheduled, and then Mr. Roseman and  
4 Mr. Johnson also have questions scheduled, respectively  
5 15 and 10 minutes. Is that still accurate, gentlemen?

6 MR. JOHNSON: Mine is accurate, Your Honor.

7 MR. ROSEMAN: I believe mine will be too  
8 depending on Mr. ffitch's cross-examination.

9 JUDGE TOREM: All right, we'll wait for  
10 Mr. ffitch to come back, so we'll just kind of stay in  
11 idle here. Let's go off the record until Mr. ffitch  
12 comes back.

13 (Discussion off the record.)

14 JUDGE TOREM: All right, I see Mr. ffitch has  
15 returned, so I will swear in this witness and then,  
16 Mr. Trautman, you will be next.

17 MR. FFITCH: Thank you, Your Honor.

18 (Witness JONATHAN POWELL was sworn.)

19 JUDGE TOREM: All right, the witness has been  
20 sworn.

21 MR. TRAUTMAN: I'm ready.

22 JUDGE TOREM: I'm deciding if we should wait  
23 for Commissioner Jones' impending return as well.

24 Go ahead, Mr. Trautman, he's back.

25 MR. TRAUTMAN: Thank you, Your Honor.

1198

1 Whereupon,

2 JONATHAN POWELL,

3 having been first duly sworn, was called as a witness

4 herein and was examined and testified as follows:

5

6 C R O S S - E X A M I N A T I O N

7 BY MR. TRAUTMAN:

8 Q. Good afternoon, Mr. Powell.

9 A. Good afternoon.

10 Q. I would like to turn to your testimony JP-3T  
11 on page 4, and on lines 11 and 12 you ask the question:

12 Does Avista have any objection to  
13 convening a stakeholders summit to  
14 discuss future measurement evaluation  
15 and verification efforts?

16 Do you see that?

17 A. Yes, I do.

18 Q. And you say no. Do you foresee the inclusion  
19 of impact evaluation as well as process evaluation in  
20 future evaluation efforts?

21 A. Yes, we've had discussions, and impact and  
22 process evaluation could be a subject of the  
23 stakeholders summit.

24 Q. If you could turn now to what's been marked  
25 as JP-8-X, and it's a cross-examination exhibit, and

1199

1 it's the response to Public Counsel Data Request 393,  
2 and we'll note when you get there --

3 A. I have it.

4 Q. -- that when you look at response B you'll  
5 see that it also references an Attachment A which was  
6 not attached, we did not attach it here, it was attached  
7 to the data request but we haven't included because, as  
8 I said, it was a voluminous nature, I think it was over  
9 1,000 pages, okay, 57 pages I believe. In any event,  
10 your answer to Part C of this question says that:

11 The current measurement and evaluation  
12 planning document will be made available  
13 for the EEE review at the fall 2009  
14 meeting; is that correct?

15 A. Yes.

16 Q. And was Attachment A in any form made  
17 available to the EEE board?

18 A. There was a presentation at the September  
19 30th EEE board just two weeks ago, I don't believe that  
20 attachment was circulated to the board.

21 Q. It was not. Was anything made available?

22 A. There was a power point presentation, and  
23 there may have been other minor materials, but there  
24 wasn't a major document circulated.

25 Q. And the power point was simply an overview;

1200

1 is that correct?

2 A. Correct.

3 Q. There was a question that was deferred to you  
4 from I believe it was Mr. Norwood, also might have been  
5 Mr. Hirschhorn, how many hours were spent by Avista DSM  
6 staff on decoupling?

7 A. This is very much an estimate, but I would  
8 say among the entire DSM staff, myself included,  
9 probably be about half an FTE over the course of the  
10 entire development of the evaluation plan, the  
11 evaluation report, and the data responses.

12 MR. TRAUTMAN: Thank you, that's all I have.

13 JUDGE TOREM: Mr. ffitch.

14 MR. FFITCH: Thank you, Your Honor.

15

16 C R O S S - E X A M I N A T I O N

17 BY MR. FFITCH:

18 Q. Good afternoon, Mr. Powell.

19 A. Good afternoon.

20 Q. We now embark upon the challenge of, as  
21 Ms. Alexander said, the gory details at the prime time  
22 of the afternoon on Friday, so I'll try to make this  
23 interesting, I believe it's worthwhile to try to keep it  
24 interesting. First of all, I want to just make sure  
25 that you have what you need up there. I think a little

1201

1 bit later in the examination we're going to get and take  
2 a look at the DSM verification reports, do you have  
3 those nearby?

4 A. I don't have -- the research and action  
5 verification reports?

6 Q. Correct.

7 A. I don't have those three reports handy.

8 Q. Okay, these are specifically H-1, H-2, and  
9 H-3 exhibits, and we would be asking about H-1, so it  
10 looks like they've been brought up to you, and we'll  
11 give you a moment when we get there certainly.

12 Would you agree, Mr. Powell, that it's  
13 important to make sure that Avista's total DSM savings  
14 each year from its DSM programs are counted and tracked  
15 as accurately and correctly as possible?

16 A. Yes.

17 Q. And would you agree that the design of the  
18 decoupling mechanism is such that the amount of the  
19 decoupling deferral that Avista is ultimately allowed to  
20 recover from rate payers is determined in part on  
21 Avista's DSM savings?

22 A. Based upon the tier structure within the  
23 decoupling mechanism pilot, yes.

24 Q. All right. So the measurement of the savings  
25 is integral to that process, correct?



1202

1 A. Yes.

2 Q. And the decoupling mechanism counts or tracks  
3 only completed DSM savings, excuse me, DSM projects and  
4 savings; is that right?

5 A. Yes.

6 Q. And the term completed is effectively a term  
7 of art in the DSM world, correct?

8 A. We do have protocols within Avista on what  
9 completed means. Basically it means completed and  
10 physically verified in most cases.

11 Q. It's only those that are counted for DSM  
12 purposes?

13 A. For purposes of the decoupling mechanism.

14 Q. For decoupling?

15 A. Correct.

16 Q. And as you say, the completed results must be  
17 verified under the decoupling mechanism, correct?

18 A. Independently verified per the decoupling,  
19 correct.

20 Q. Right. And would you agree that the Titus  
21 report says that the quality of the DSM savings data was  
22 not very good and that due to errors and inconsistencies  
23 the documented DSM savings became what Titus calls a  
24 "moving target"?

25 A. The Titus report does recommend several

1203

1 improvements and notifies the Company of a certain  
2 amount of deficiencies in tracking the savings under the  
3 methodology within the decoupling pilot.

4 Q. Okay, well, I would like you to answer my  
5 question a bit more directly. Isn't it true that the  
6 Titus report stated that the quality was not very good  
7 and that due to errors and inconsistencies, documented  
8 savings became a moving target; do you disagree with  
9 that statement?

10 A. The Titus report did make the statement.

11 Q. All right.

12 Could you please go to page 4 of your  
13 rebuttal testimony, that's Exhibit JP-3T, lines 4  
14 through 10.

15 A. What page was that?

16 Q. Page 4.

17 A. I'm there.

18 Q. And there you're talking about how the pilot  
19 has led to changes in how you manage your DSM portfolio,  
20 and in particular you say, "Avista has developed a  
21 measurement evaluation verification work plan", correct?

22 A. Correct.

23 Q. And that's intended to include an increased  
24 emphasis upon the physical measurement of energy savings  
25 and other key inputs?

1204

1 A. Correct.

2 Q. All right. It sounds like you agree that and  
3 Avista agrees that physical measurement is important and  
4 worthwhile; is that correct?

5 A. It's an important component of M&V, yes.

6 Q. All right. And do you agree that Titus as  
7 the decoupling evaluator proposed to conduct a billing  
8 verification analysis to conduct physical measurement as  
9 part of the pilot that would have examined actual energy  
10 usage of DSM participants?

11 A. I believe the proposal was to conduct billing  
12 analysis.

13 Q. All right. And that would have measured  
14 actual energy usage of DSM participants, correct?

15 A. Based upon the billing analysis, correct.

16 Q. All right. And it's true, isn't it, that  
17 Avista rejected that proposal?

18 A. Correct.

19 Q. You've already explained or discussed with  
20 Staff Avista's new plan for evaluation measurement and  
21 verification, no draft of that plan has yet been  
22 distributed to the EEE parties or otherwise made public,  
23 has it?

24 A. It has been made public through two meetings  
25 with the Idaho Public Utilities Commission staff.

1205

1 Q. All right, but not to parties in Washington?

2 A. There were no Washington parties present at  
3 those two meetings.

4 Q. All right. And the first time that Avista's  
5 new plan for measurement and verification came to light  
6 was as a result of a discovery request in this case;  
7 isn't that true?

8 A. I can't state with certainty when we first  
9 announced the M&V strategy.

10 Q. All right.

11 Could you please turn to the Titus report,  
12 you knew we had to get there eventually, Exhibit BJH-2  
13 revised, I believe it's now referred to as 2a numbering,  
14 but could you please go to page 9 of that exhibit.

15 A. I'm there.

16 Q. And I would like to direct you to the third  
17 paragraph from the bottom of the page which begins:

18 This plan evaluates the DSM program  
19 savings from projects that are both  
20 complete and starting with 2006  
21 independently verified.

22 Correct?

23 A. Correct.

24 Q. And the second sentence of the paragraph  
25 essentially explains that the DSM savings numbers in the

1206

1 Titus report will not match the savings numbers in  
2 Avista's EEE reports, correct?

3 A. Correct.

4 Q. And that's because the EEE reports use what  
5 Avista refers to as a derated methodology, correct?

6 A. Correct.

7 Q. And the derated methodology counts costs and  
8 savings for site specific projects even before they are  
9 completed, correct?

10 A. The derated methodology recognizes costs and  
11 benefits of a project as it moves along towards  
12 completion.

13 Q. All right. So before it's completed, it gets  
14 counted in the derated methodology?

15 A. Partially.

16 Q. All right. And as the Titus report indicates  
17 in this passage here, the derated methodology Avista  
18 uses as described in an appendix, the EEE report, so the  
19 more detailed explanation there, correct, but -- that's  
20 right, it's a more detailed explanation in the appendix  
21 to the --

22 A. Yes, this is an explanation that we circulate  
23 to the EEE so that they're aware of how the savings are  
24 tracked.

25 Q. All right. And would you agree that the

1207

1 appendix referred to indicates that about 20% of the  
2 projects are not completed once the agreement is signed;  
3 isn't that right?

4 A. I don't recall exactly what this appendix,  
5 and I think this is an appendix to a 2006 report, I'm  
6 not sure exactly what the proportion of completed and  
7 in-progress jobs are in that particular year.

8 Q. Okay. But generally as I understand it  
9 Avista counts 75% of the savings and costs associated  
10 with projects as soon as the customer signs an energy  
11 efficiency agreement under this derated methodology; is  
12 that right?

13 A. Contractual agreement, correct.

14 Q. All right. So essentially then it appears,  
15 am I correct, that Avista maintains two different sets  
16 of DSM savings books, if you will, they have the derated  
17 method, which is the data reported in EEE reports, and  
18 secondly they have the completed method, which uses  
19 completed projects for decoupling purposes?

20 A. That's correct, the derated methodology  
21 preceded the decoupling approach, and it was geared  
22 toward providing better managerial information on the  
23 timing of costs and benefits, particularly during ramp  
24 up and ramp downs. Unfortunately, it wasn't  
25 sufficiently transparent to serve the purposes of the

1208

1 decoupling mechanism, and a second side-by-side  
2 mechanism was developed. During 2009 Avista is  
3 discontinuing the derated methodology because of the  
4 lack of transparency and the difficulty of tracking  
5 side-by-side mechanisms.

6 Q. All right. So if I'm a Public Counsel or a  
7 Commission Staff member participating in the EEE, I get  
8 data from Avista about its gas DSM savings that's  
9 different from the data that's filed with the Commission  
10 under the decoupling program; isn't that right?

11 A. Up through 2009, that would be correct. In  
12 2010 and beyond, everything is going to be stated on  
13 completed only.

14 Q. All right.

15 I would like to move on to another area,  
16 Mr. Powell, I would like to now ask you some questions  
17 about a discrepancy that Ms. Kimball discusses in her  
18 testimony, and this is regarding the 2006 DSM savings  
19 from the Idaho residential furnace program. Would you  
20 agree that the discrepancy that Ms. Kimball discusses in  
21 her testimony is that while the Titus report indicates  
22 that verified savings from the residential furnace  
23 program in Idaho resulted in 144,000 therms of savings,  
24 the data that Avista provided in discovery in this case  
25 indicated only a little more than 30,000 therms in

1209

1 savings from this program in 2006; is that correct,  
2 that's the discrepancy that she identified?

3 A. No, that's not entirely correct. The savings  
4 from Idaho space heat residential efficiency projects is  
5 composed of furnaces, boilers, and residential site  
6 specific projects. In aggregate, the 3 of those  
7 significantly exceeded 30,000. The 30,000 was furnace  
8 measures only.

9 Q. So furnaces and boilers is about 30,000 of  
10 that 144,000 total; is that right?

11 A. That was the original calculation.

12 Q. Right. So the discrepancy at issue here that  
13 was identified by Ms. Kimball is about 113,000 therms,  
14 correct?

15 A. The discrepancy between Idaho furnace  
16 programs and the space heat residential aggregate of  
17 programs?

18 Q. Between that and the furnace and boiler  
19 portion of it.

20 A. Yeah, there were, at the time that the report  
21 was completed, there was 113,000 therm credit taken for  
22 site specific residential projects.

23 Q. All right, and we're going to walk through  
24 this to kind of see how that works, but essentially  
25 we've got a debate here between the Company and Public



1210

1 Counsel about this 113,000 therm discrepancy, correct?

2 A. Correct.

3 Q. And in your rebuttal testimony, you provide a  
4 response to Ms. Kimball's testimony, and you assert that  
5 there was not an error that led to that discrepancy,  
6 correct?

7 A. Ms. Kimball's testimony asserted that since  
8 the usage per customer, the savings per customer in  
9 Idaho was substantially larger than that which was in  
10 evidence in Washington that there must have been an  
11 error.

12 Q. And your testimony, I'm sorry, but I want you  
13 to answer my question, we can take you there to your  
14 testimony if you need to, but you basically say, "this  
15 is not an error", correct?

16 A. We say what Ms. Kimball identified in her  
17 testimony, that was not an error. We did say that in my  
18 rebuttal testimony.

19 Q. Okay. And just to give a sense of scale  
20 here, this discrepancy of 113,000 therms represents a  
21 little more than 10% of your total DSM verified savings  
22 for 2006, isn't that correct, just in terms of numbers?

23 A. Less than 10%, I'm not sure exactly what the  
24 amount would be, but I believe it's less than 10%.

25 Q. And people may be wondering why we're talking

1211

1 about Idaho right now, so it's correct, isn't it, that  
2 we're talking about Idaho DSM results because the DSM  
3 test for decoupling in Washington includes both Idaho  
4 and Washington results, correct?

5 A. Correct.

6 Q. All right.

7 Now Ms. Kimball indicated in her testimony  
8 that Public Counsel would seek clarification from Avista  
9 on this issue, and I would like to turn you now to the  
10 data request responses on this issue, if you could go  
11 first to Exhibit JP-19-X.

12 A. I'm there.

13 Q. All right. In Part A of this response, you  
14 stated that 31,104 therm savings of this amount were for  
15 the Idaho high efficiency furnace programs, 360 therms  
16 for high efficiency boilers, and 113,000 therms for  
17 "multifamily direct install program", correct?

18 A. That's what was stated at that time, yes.

19 Q. All right. And down in Part C of the  
20 response you explained that the 113,000 therms were  
21 verified along with the residential furnace program  
22 savings, together with the residential furnace program  
23 savings, because the projects were similar in the sense  
24 that they were residential and related to heating,  
25 correct?

1212

1           A.     What it says in that response is that it was  
2 included in the verified therms. The site specific  
3 component of that would have been incorporated in the  
4 non-residential or the other site specific component of  
5 the verification report.

6           Q.     Isn't it the case that Avista's 2006 DSM  
7 verification summary included these savings?

8           A.     Yes, these savings were included in the  
9 report.

10          Q.     In the residential section?

11          A.     Actually I believe that the site specific  
12 programs would be included in the other site specific  
13 component of the report.

14          Q.     And may I have you turn to the Titus report,  
15 please. I'll find a reference for you in a moment.

16          Okay, can you please turn to page 55 of the report.

17          A.     I'm there.

18          Q.     If you look in the top section, you can see  
19 the label residential projects under that?

20          A.     Yes, and I see 144,642 therms.

21          Q.     All right. And that reflects the savings  
22 numbers we've been talking about, does it not?

23          A.     Yes, it looks like they are included in the  
24 residential rather than the site specific.

25          Q.     All right. And in the cross-examination

1213

1 exhibit that we were just looking at, Part D of the DR  
2 response, the Company states that it believes no further  
3 action is necessary on this reported savings, correct?

4 A. Based on the conclusions at the time the data  
5 request was completed, yes.

6 Q. All right.

7 Now could you please turn to Exhibit JP-20-X.  
8 Do you have that?

9 A. Yes, I do.

10 Q. And this is a follow-up data request that  
11 asks for further detail and information about the  
12 113,000 savings for the multifamily direct install  
13 program, and in the response you explain that  
14 essentially the explanation in the last data request was  
15 wrong, and instead of referring to multifamily direct  
16 install the reference should have been to residential  
17 site specific projects; is that correct?

18 A. Correct.

19 Q. And I see also in this response that you  
20 observe or note that in fact in 2006 the multifamily  
21 direct install program that you had reported to us in  
22 the previous data response didn't even exist in 2006,  
23 correct?

24 A. Correct, that program was started in 2007.  
25 The 2006 results were residential site specific.

1214

1 Q. All right. And in this response finally you  
2 indicate that the projects that you're referring to  
3 here, the so-called site specific projects, are 3  
4 multifamily units in Idaho, correct?

5 A. Correct.

6 Q. So we're talking about a total of 3 units  
7 that generate the 113,000 therms that we're discussing,  
8 disputing here?

9 A. Yeah, based on the calculations for this DR,  
10 yes.

11 Q. All right.

12 Can you please turn to Cross-Exhibit JP-22-X.

13 A. I'm there.

14 Q. This was our next data request on this issue,  
15 our fourth data request, and again we asked you for some  
16 more detailed information and documentation about the 3  
17 Idaho projects, site specific projects, correct?

18 A. Correct.

19 Q. And in Part C of this response when you were  
20 asked about the therm savings per measure at each site,  
21 you indicate in fact that there was a "formula error" in  
22 the 2006 EEE report, and instead of 113,000 therm  
23 savings, these 3 projects only had first year estimated  
24 savings of 19,950 therms, correct?

25 A. Correct, the spreadsheet was discovered to

1215

1 have pulled a present value of the therm amount instead  
2 of a first year therm amount.

3 Q. All right.

4 A. And that is the difference between the two.

5 Q. And just to help people I guess visualize  
6 this a little bit more, these 3 projects are actually 3  
7 projects that are taking place in 2 condominium  
8 buildings in Idaho, right?

9 A. It's 3 projects, I don't know if it's 3  
10 physically separate building or if there are 3 projects  
11 in 2 physical buildings.

12 Q. All right. Would you accept subject to check  
13 that it's 2 physical buildings?

14 A. Subject to check.

15 Q. And so do I understand that despite where you  
16 state in your rebuttal testimony that there was not an  
17 error, what you're saying in this data response is that  
18 there was an error in the statement of these savings,  
19 correct?

20 A. Yes, there was, and it was the difference  
21 between the present value therm unit type and the first  
22 year unit type.

23 Q. And these are multiyear projects; isn't that  
24 true?

25 A. The measure life is significantly over 20

1216

1 years, yes.

2 Q. Can you take a look back at the data  
3 response, I think we're at 20, 22-X.

4 A. 20 or 22?

5 Q. 22-X, we're looking at the response of Part  
6 A, and could you read the first sentence, please.

7 A. (Reading.)

8 The 3 projects refer to multiyear  
9 projects that occur in a total of 2  
10 buildings. The first project references  
11 1 building with 30 condo units of 5,300  
12 square feet each, total of 159,000  
13 square feet. The second project  
14 references the common area of 10,430  
15 square feet associated with the before  
16 mentioned 30 unit building.

17 Q. All right. Now it's true, is it not, that  
18 Avista does not pay an incentive to the customer until  
19 the DSM project is completed, correct?

20 A. On site specific projects completed and  
21 verified.

22 Q. All right. And your response to the data  
23 request indicates that an incentive payment has actually  
24 been paid for only 1 of these 3 projects; is that right?

25 A. I don't have that reference.

1217

1 Q. Can you look at Part D of the response.

2 A. Yes.

3 Q. All right, so is your answer yes? Sorry, go  
4 ahead.

5 A. Apparently 1 incentive has been paid. On  
6 this project there were portions of the recommendations  
7 that were not implemented by the customer, and therefore  
8 since they weren't implemented, naturally those measures  
9 were not paid.

10 Q. All right. So only 1 incentive has been paid  
11 so far, and it's true also, isn't it, that 1 of the 3  
12 projects was not pursued or completed, and perhaps  
13 that's what you were just referring to?

14 A. Portions, I believe it was portions of 1 of  
15 the projects was not pursued and completed.

16 Q. All right. Now was there ever a correction  
17 made between the 113,000 therms which you reduced down  
18 to 19,000 therms, was a correction of that ever made  
19 with the Commission in terms of Avista's final verified  
20 DSM results for 2006 for decoupling purposes?

21 A. For 2006, no, and the reason for that is that  
22 retroactively correcting on a non-random basis the 2006  
23 results isn't consistent with the independent verifier's  
24 methodology.

25 Q. All right. There's nothing in the



1218

1 verification reports that addresses how the Commission  
2 ought to consider treatment of errors in the decoupling  
3 filings, is there?

4 A. There's not direction to the Commission on  
5 how to assess the methodology. Is that responsive to  
6 your question?

7 Q. Well, you seem to be saying that you didn't  
8 report the error in your decoupling reports that were  
9 made to the Commission because DSM verifiers don't  
10 require that.

11 A. No, I'm saying the error has been documented  
12 in this Data Request 543, that was the first time it was  
13 found. The correction has not been made to the 2006  
14 independently verified savings because this project was  
15 in the population that was eligible for selection for  
16 random review. To retroactively insert additional  
17 projects into that assessment was not consistent with  
18 the random methodology of the independent verification.

19 Q. Okay, well, we'll talk a bit more about the  
20 verification.

21 This error was first discovered in 2007, was  
22 it not, as you say in your response to Data Request --

23 A. The error in the derated reports was  
24 discovered in 2007. It did not make it into the data  
25 request. We had thought we had the correct number, but

1219

1 we were referring back to the incorrect number up until  
2 DR PC 543.

3 Q. All right, so it took Public Counsel 4 data  
4 requests before we were advised of the error that had  
5 been discovered in 2007?

6 A. We were mistakenly referring back to the same  
7 incorrect statement up until Data Request PC 543.

8 Q. All right. So now let's talk a bit about the  
9 DSM verification report process. Can I get you to turn  
10 to Cross-Exhibit JP-19-X, please.

11 A. I'm there.

12 Q. All right. And in that response you confirm  
13 that the 113,000 therms were verified with the  
14 residential furnace category, correct?

15 A. Do you have a particular reference that you  
16 can point me towards?

17 Q. The data request response states that it's  
18 verified, correct?

19 A. The general tenor of the response was that it  
20 was included in the verified results, yes.

21 Q. All right. And we've established just a  
22 minute ago by looking at the Titus report that that was  
23 in the residential furnace category, correct?

24 A. It was included in the verification of the  
25 population. It was not one of the projects sampled by

1220

1 the independent verifier.

2 Q. And in this data response, you're saying that  
3 even though these were larger multifamily projects that  
4 Avista tracked separately, since they were residential  
5 involved heating, they were verified in the same  
6 category as the prescriptive residential furnace  
7 program, correct?

8 A. Yeah, I believe that's what we found from one  
9 of your previous references to the independent  
10 verification report.

11 Q. All right.

12 Can you please turn now to the Titus report,  
13 BJH-2a, and now we're looking -- actually we're going to  
14 a DSM verification report.

15 A. Do you have a page reference, please.

16 Q. I will have, yeah, I think we're actually  
17 going to a verification report in Exhibit H-1, so I  
18 don't know, one of your colleagues there brought up a  
19 massive binder there on the floor you may want to look  
20 at, and basically I'm asking you to look at the 2006 DSM  
21 verification report.

22 A. And this was Exhibit H?

23 Q. H-1 to the Titus report, and I'm going to  
24 direct you to page E-437, those page numbers are in the  
25 lower right-hand corner of the document, and there's a

1221

1 great big heading, great big letter A, Case By Case

2 Results when you get to that page, it's a table.

3 A. Correct.

4 Q. All right, are you there?

5 A. Yes.

6 Q. And do you agree that if you look at this  
7 table, this shows each project that was examined by the  
8 DSM verifier as part of the sample for this stratum of  
9 the 2006 high efficiency furnace group, the residential  
10 high efficiency furnace group, correct?

11 A. This appears to be, based on the ID numbers,  
12 this appears to be the random sample that they selected.

13 Q. All right. And each and every project that  
14 is shown on this exhibit indicates that Avista estimated  
15 savings of 72 therms for each of those projects shown on  
16 that page in the sample, correct?

17 A. Correct.

18 Q. So while these larger multifamily projects  
19 were ostensibly included in this verification group, it  
20 appears that none of the 3 projects that you've  
21 identified, the 3 site specific Idaho projects, were  
22 included in this sample, correct?

23 A. Not our sample. This is the independent  
24 verifier's sample. They were given free rein to choose  
25 whatever projects they like.

1222

1 Q. All right. But you stated earlier that the  
2 113,000 therms was verified, and so we're looking at the  
3 verification where that occurred in the DSM --

4 A. Correct, this is the category that it was  
5 verified within.

6 Q. All right. And every single sample shows 72  
7 therms, correct?

8 A. Correct.

9 Q. All right. So we've been talking about  
10 samples, now we're going to go to the stratum. It  
11 doesn't get much better than this on a Friday afternoon.  
12 And I'm going to ask you to turn to page E-419 in this  
13 same document, and are you there?

14 A. Not yet.

15 Q. Okay. It's also page 35 at the top  
16 right-hand corner of the document if that helps.

17 A. I have both of those pages.

18 Q. All right. And there's a heading at the top  
19 of the page, the first paragraph says Stratum 1, High  
20 Efficiency Furnaces, correct?

21 A. Correct.

22 Q. And could you please read that paragraph,  
23 it's a short paragraph.

24 A. (Reading.)

25 As Table 4.4 shows, we found no

1223

1 differences between our estimates and  
2 Avista's for Stratum 1. This is not  
3 surprising, this stratum was composed  
4 entirely of high efficiency furnaces.  
5 Avista reported a savings of 72 therms  
6 for each case in this stratum, and our  
7 engineering evaluation supported this  
8 claim.

9 Q. Thank you. Would you agree that what this  
10 says at this passage in the verification report, the  
11 2006 verification report, is that every single case in  
12 this stratum, meaning every case in this category of  
13 residential furnaces, reported savings of 72 therms?

14 A. That is what that paragraph is saying.

15 Q. Okay.

16 Now I'm going to ask you to look at pages 14  
17 and 15. There I'm afraid I don't have the E numbers.  
18 No, I do, it's E-398 and 399.

19 A. I have it.

20 Q. And would you agree that those tables include  
21 a notation at the bottom that says, "there's no  
22 variability in Avista's estimates within this stratum"?

23 A. At the bottom of the table?

24 Q. Yes.

25 A. That is what the footnote says.

1224

1 Q. And the reference there is to the residential  
2 furnace program, correct?

3 A. Correct.

4 Q. Okay, I'm going to move on to another area  
5 now. Avista has a DSM program that's essentially a  
6 window replacement program, correct?

7 A. Correct.

8 Q. All right. And I would like to talk to you a  
9 little bit about the program. Can you look at Exhibit  
10 JP-14-X.

11 A. I'm there.

12 Q. And would you agree that if you look at Part  
13 C of this, excuse me, Part D of this request, we ask  
14 Avista for the number of customers participating in the  
15 program?

16 A. That is the question, yes.

17 Q. Okay. And that's in each DSM program  
18 actually, but that includes windows replacement,  
19 correct?

20 A. Yes.

21 Q. In your opinion, does that seem like a pretty  
22 straightforward question?

23 A. It would seem that way, but given that we  
24 track measures and not customers and customers can  
25 participate more than once over the course of the year,

1225

1 it's a deceptively simple question.

2 Q. All right, and we're about to find out how  
3 deceptively simple. Can you go to page 2 of the  
4 exhibit.

5 A. I'm there.

6 Q. Now Avista's response to this data request  
7 included an Excel spreadsheet, a 20,000 row spreadsheet,  
8 correct, with a column labeled participants?

9 A. I don't know how many rows the spreadsheet  
10 is, but yes, there's a -- it's a download of completed  
11 rebates.

12 Q. All right. And what you have here is an  
13 excerpt of a couple of pages from that spreadsheet, and  
14 you can see that there's a column entitled participants,  
15 correct?

16 A. Correct.

17 Q. Can you go to Exhibit JP-15-X, please.

18 A. I'm there.

19 Q. All right. And in this exhibit you say that  
20 the data provided in the previous exhibit referred to  
21 the number of incentives paid and not to the number of  
22 participants, correct?

23 A. Correct, and that was particularly relevant  
24 since at the point -- at this point in time we had  
25 measure codes based upon three different orientations of



1226

1 the windows, east, west, north, or south, so a single  
2 customer could get up to three rebates in a particular  
3 application.

4 Q. All right. We got this particular data  
5 request right on the eve of filing our testimony, did we  
6 not? See the date?

7 A. The date is 8-6-2009.

8 Q. All right. And would you agree that, and I  
9 think perhaps you referred to this already, that when we  
10 tried to explore the problem here, clarify the data,  
11 that the response from Avista explained that the Company  
12 had mistakenly failed to include certain windows  
13 programs data in the original response to Public  
14 Counsel?

15 A. Correct. One of the -- the full explanation  
16 was that when the orientations were collapsed from three  
17 orientations down to a single orientation during the  
18 decoupling period, unfortunately our IP department  
19 reissued those measure codes to other measures, and it  
20 made it very easy to overlook them because they were no  
21 longer named windows.

22 Q. All right.

23 One more topic, would you please go to  
24 Cross-Exhibit JP-25-X. Do you have that?

25 A. Yes, I do.

1227

1 Q. And this contains some information about  
2 another DSM program, so-called rooftop program, correct?

3 A. Correct.

4 Q. And in terms of the gas DSM savings for these  
5 programs or for this program, the therm savings result  
6 from potential adjustment to rooftop HVAC units,  
7 including thermostat adjustments; is that right?

8 A. Thermostat as well as other measures,  
9 correct.

10 Q. Okay. And if you look at Part B of this data  
11 request, Public Counsel asked why the 2007 reporting of  
12 the verified DSM results provided separate reporting for  
13 this program but the 2008 report did not?

14 A. Correct.

15 Q. Part B of the response provides an  
16 explanation that says:

17 For 2006 the Company had the most  
18 participation in the rooftop program,  
19 and participation dropped off each year  
20 for the following two years.

21 Is that correct?

22 A. Correct.

23 Q. Would you agree that the Titus report shows  
24 that in fact the DSM savings for the rooftop program  
25 grew very dramatically from 2006 to 2008?

1228

1 A. I don't have that reference.

2 Q. Okay. Do you have the Titus report there?

3 A. I do.

4 Q. Could you look at Table C1, please. I'll get  
5 you a page number, C1-D actually.

6 A. I have it.

7 Q. All right. And would you confirm for me that  
8 the number shown for 2006 is minus 17,253 therms?

9 A. Correct.

10 Q. And for 2007 it's 45,917 therms?

11 A. Correct.

12 Q. And for 2008 it's 175,746 therms?

13 A. Correct.

14 Q. So in fact this table shows that from 2007 to  
15 2008 this program grew from 3% of total DSM savings to  
16 about 10% of total DSM savings; isn't that right?

17 A. I am not certain if this table is consistent  
18 with the independent verification given that the numbers  
19 I see on the total are not the numbers reported in the  
20 independent verification.

21 Q. Okay. In that case, can you go to Exhibit  
22 C-1 of the report, please.

23 A. C-1 of the Titus report?

24 Q. Titus report, shows both original estimates  
25 and verified savings.

1229

1 A. Oh, is this in the rather large book?

2 Q. Why don't you look first at the data for  
3 2006, and we'll give you a page there.

4 A. The data for 2006 in what document?

5 Q. Page E-222, this is Exhibit C-1 to the Titus  
6 report.

7 A. Exactly what exhibit are you on?

8 MR. MEYER: Can you just hand him a copy of  
9 it so we can cut to the chase.

10 MR. FFITCH: Can I have a moment, Your Honor?

11 JUDGE TOREM: Please.

12 MR. FFITCH: Your Honor, these numbers are a  
13 matter of record and we'll just move on, put them in the  
14 brief, unless the witness would like to take a look.

15 MR. MEYER: No.

16 A. I don't have a -- for this particular  
17 attachment I don't see a -- it doesn't seem to go down  
18 to page number 209, so.

19 MR. FFITCH: All right.

20 A. But subject to check I'll accept your  
21 assertion.

22 MR. FFITCH: We can move on.

23 Getting close to the end, Your Honor, can I  
24 just check on another line of questioning here.

25 No further questions, Your Honor.

1230

1 Thank you, Mr. Powell.

2 JUDGE TOREM: All right, it's now 2:40, out  
3 of mercy for all we'll take a 10 minute break.

4 (Recess taken.)

5 JUDGE TOREM: All right, I believe we're  
6 ready to go back on the record, it's now 3:00,  
7 Mr. Powell is making his way back to the witness stand.  
8 During the break I was able to confirm with counsel that  
9 the Bench request that we were considering sending out  
10 regarding Lancaster will not go out today. It's going  
11 to take some further discussion to sort out exactly  
12 what, if anything, will be forthcoming. So Monday at  
13 best you will get something electronically on those  
14 other issues we raised with the greenhouse gas issues.  
15 Because of the lack of mail service on Monday, we won't  
16 get it postmarked until Tuesday at best. But hopefully  
17 by Monday mid afternoon, if there is going to be  
18 something forthcoming, it will be dispatched.

19 MR. MEYER: And we would welcome the  
20 opportunity to respond to that and identify where in the  
21 record there is already information.

22 JUDGE TOREM: If you already can anticipate  
23 what we're going to ask, please start looking. It would  
24 be akin to the questions already asked to Mr. Norwood.

25 MR. MEYER: We will do that in anticipation

1231

1 of a Bench request actually coming in.

2 MR. FFITCH: Your Honor, is this Bench  
3 Request Number 12.

4 JUDGE TOREM: As we stand now it may be 12  
5 and 13 I think is what we're looking at the way it's  
6 splitting up with the new current drafting, but those  
7 would be the next numbers available.

8 All right, I think we're ready to resume  
9 Mr. Powell's cross-examination, Mr. Roseman, go ahead,  
10 sir.

11 MR. ROSEMAN: Thank you, Your Honor.

12

13 C R O S S - E X A M I N A T I O N

14 BY MR. ROSEMAN:

15 Q. Good afternoon, Mr. Powell.

16 A. Good afternoon.

17 Q. Was there a significant increase in the gas  
18 DSM acquisitions and funding from 2004/2005 to  
19 2007/2008?

20 A. Yes.

21 Q. And how much was the increase for Schedule  
22 101 residential savings and expenses?

23 A. Schedule 101, I believe that would be in the  
24 Titus report.

25 Q. Yes, it is, it's at page 84, I believe it's

1232

1 in the last paragraph.

2 A. Right.

3 The average Schedule 101 residential DSM  
4 savings have increased by 290% and  
5 expenditures have increased by 789%.

6 JUDGE TOREM: Mr. Powell, I know it's  
7 tempting, but when you're reading can you keep it a  
8 little bit slower.

9 THE WITNESS: I will, thank you.

10 BY MR. ROSEMAN:

11 Q. How much was the increase for limited income  
12 DSM in the same time frame?

13 A. In savings or in dollars?

14 Q. And in expenditures.

15 A. 13% increase in saving and a 43% increase in  
16 expenditures.

17 Q. Thank you.

18 On page 11 of your rebuttal testimony, you  
19 state that the emphasis of the Company's ramp up in  
20 natural gas DSM services has been to achieve  
21 progressively higher targets which are closer to 50%; is  
22 that correct?

23 A. Correct. In 2008 the Company revised  
24 incentives under Schedule 190 to increase those  
25 incentives and move the incentives toward 50%, the 50%

1233

1 max rebate as a percent of incremental costs for most  
2 programs. Of course limited income programs were  
3 already at 100%.

4 Q. Okay. And your last comment kind of leads to  
5 my next question. A reason, so is a reason you're  
6 giving for the smaller growth in limited income is that  
7 customers who participate in this program receive  
8 funding for the incremental cost of efficiency measures  
9 at 100%?

10 A. The reason for the disparity in the growth is  
11 primarily driven by the fact that non-limited income  
12 programs had a significant increase in expenditures,  
13 limited income programs were already at 100% of funding  
14 and therefore did not see an increase in expenditures.

15 Q. But, Mr. Powell, if you increased the amount  
16 of expenditures in absolute dollars, let me finish here,  
17 in absolute dollars, wouldn't the number of low income  
18 persons who participate in DSM programs increase,  
19 recognizing that they get 100% of rebate or incentive,  
20 whatever, however you want to call it?

21 A. What I should have said is that the  
22 incentives increased as a percent of customer cost.  
23 Previously the non-limited income customer received a  
24 lower amount, a lesser rebate as a percent of customer  
25 cost. That increased during the course of the



1234

1 decoupling pilot. There was no similar increase in  
2 limited income customer rebates as a percent of  
3 incremental cost because they were already at 100%.

4 Q. But my point again, my question to you,  
5 excuse me, again is if you increased the amount of  
6 funding in the limited income DSM program at 100%, if  
7 you increased the funds, then it stands that a larger  
8 number of low income, excuse me, limited income  
9 customers could receive the benefit of this DSM program?

10 A. Generally that would be true that -- recall  
11 also though that that could be electric or gas customers  
12 since they have the flexibility, but generally yes, that  
13 would be true.

14 Q. Okay, thank you.

15 And now I'm going to speak a little bit, or  
16 I'm not going to speak, I'm going to ask you a few  
17 questions about the Every Little Bit program. In your  
18 rebuttal testimony you say that low income customers do  
19 obtain a proportional benefit from low cost and no cost  
20 educational messages delivered through an outreach  
21 program of the Every Little Bit program; is that  
22 correct?

23 A. They obtain benefits, we -- I have no way to  
24 assert if it's proportionate of those of non-limited  
25 income.

1235

1 Q. Have there been any studies or evaluations to  
2 show the effectiveness of this effort?

3 A. Of the Every Little Bit campaign in general?

4 Q. Yes.

5 A. There have been surveys that indicate a high  
6 degree of adoption of measures, a high takeup on  
7 customers' part of low cost/no cost measures.

8 Q. And is that in the record?

9 A. Yes, it is.

10 Q. And would that be the survey that is marked  
11 KON-2-X, which we've already asked questions of  
12 Mr. Norwood and Mr. Hirschhorn about this, so is that  
13 the --

14 A. I believe that's the survey that concludes  
15 that 77% of customers have -- yes, that would be the  
16 survey.

17 Q. That's the survey, and it was done in 2006.  
18 I've asked this question before, so you -- I mean I'm  
19 sure you've heard the question, this is the one that's  
20 been kicked down and maybe Mr. Folsom will get it next.

21 JUDGE TOREM: Go ahead, Mr. Roseman.

22 Q. Excuse me.

23 My question is, of the customers who received  
24 a home energy audit, are customers who were surveyed who  
25 received this audit, do you know how many of those

1236

1 customers were LIRAP customers?

2 A. No, we don't. We didn't connect income data  
3 or participation in LIRAP or LIHEAP program data with  
4 that survey.

5 Q. Thank you.

6 Since we were talking about the breadth of  
7 the DSM program earlier, how many people participate, do  
8 you know in 2006 how many limited income persons  
9 participated in the DSM program?

10 A. It is in one of the exhibits.

11 Q. It is indeed. Will you look at JP-7-X,  
12 please.

13 A. That is 232 customers received major measures  
14 in 2006.

15 Q. And how many in 2007?

16 A. 215. Again those are the major measures.

17 Q. 215 or 205?

18 A. 205, excuse me.

19 Q. And in 2008?

20 A. 248. And by major measures, I mean this  
21 excludes educational programs and lighter touches.

22 Q. So this is out of approximately I think  
23 17,000 limited income customers on the gas side within  
24 Avista's service territory; is that correct?

25 A. That's the approximate limited income

1237

1 population, yes.

2 Q. Okay, I think I have one other question.  
3 Since we were speaking of the benefits to low income  
4 customers or limited income customers from the Every  
5 Little Bit program, and one of the documents that I  
6 would like you to review is the media campaign or the  
7 DSM campaign elements that you provided in Exhibit JP-2  
8 to your -- I think it was your direct testimony, so if  
9 you would get to that exhibit.

10 JUDGE TOREM: And to be clear, Mr. Roseman,  
11 this was the direct testimony back on April 30th in the  
12 original decoupling docket.

13 MR. ROSEMAN: Thank you, Your Honor, yes, you  
14 are correct.

15 A. I'm there.

16 BY MR. ROSEMAN:

17 Q. Just one second please.

18 So I would like you to review very quickly  
19 with me your exhibit which focuses on outdoor  
20 advertising, web advertising, print advertising, radio  
21 spots, and in this media campaign can you describe  
22 basically what the focus of the Every Little Bit program  
23 is highlighted in this campaign?

24 A. In the campaign or referenced within this  
25 exhibit?

1238

1 Q. Let's start with the exhibit, because that's  
2 what I was referencing. And I'm sorry, I thought this  
3 was representative of what the entire campaign was  
4 about. Maybe it's not. So let's just stick with the  
5 exhibit.

6 A. This particular exhibit references largely  
7 programmatic measures in, as I said, in this particular  
8 exhibit.

9 Q. And programmatic measures means rebates; is  
10 that correct?

11 A. Correct.

12 MR. ROSEMAN: And I think that concludes my  
13 questions, thank you.

14 JUDGE TOREM: Mr. Johnson.

15 MR. JOHNSON: Thank you, Your Honor.

16

17 C R O S S - E X A M I N A T I O N

18 BY MR. JOHNSON:

19 Q. Good afternoon, Mr. Powell.

20 A. Good afternoon.

21 Q. Earlier Mr. Hirschhorn testified regarding a  
22 change to the percentage number in his testimony  
23 regarding the extent to which the company exceeded its  
24 IRP conservation target for 2008. Were you here for  
25 when he testified?

1239

1 A. Yes, I was.

2 Q. And do you have a similar clarification or  
3 correction you would like to make to your testimony?

4 A. Yes. In the direct testimony, Exhibit JP-1T,  
5 since that testimony was filed there was an update in  
6 the Titus evaluation report, and that does result in  
7 changes to a few of these numbers. Specifically on  
8 JP-1T page 5 on line 17 --

9 MR. MEYER: Excuse me, let's just wait a  
10 minute, because people need to get there in their books,  
11 just hold on a second, please.

12 Everyone all set?

13 Go ahead, I'm sorry.

14 A. Page 5, line 17, the 137%, for 2008 that  
15 number would have been 128%. In Table 1 in 2008 the  
16 1,956,939 therm savings should be 1,821,298. And the  
17 number immediately below that for percent of goal  
18 instead of 137.3% should be 127.8%.

19 Also on page 2 of the same exhibit on line 6,  
20 the 61% increase in total Washington therm savings  
21 should be 54%. And the 205% increase in therm  
22 acquisition for Schedule 101 should be 198%.

23 MR. MEYER: Thank you. We were intending to  
24 make those at the outset, and we just neglected to do  
25 so, thank you.

1240

1 BY MR. JOHNSON:

2 Q. Thank you, Mr. Powell.

3 Also Mr. Hirschhorn testified earlier today  
4 that you were the witness that I should address  
5 questions to regarding the design of the Company's  
6 proposed limited income target component for the  
7 mechanism; is that correct?

8 A. Yes, he did.

9 Q. Okay. And you are the witness to testify to  
10 those issues?

11 A. I believe I can give better guidance, yes.

12 Q. Okay. I just have a couple of questions.  
13 It's my understanding that, and I would like to look at  
14 the proposal that you put forth, you are proposing to  
15 set various deferral levels ranging from 100% down to  
16 70% again for the limited income piece depending on the  
17 percentage of natural gas DSM savings from the limited  
18 income sector that are realized; is that correct?

19 A. 100% versus what has already gone through the  
20 DSM test, correct.

21 Q. Okay. So, for example, corresponding to 5%  
22 realization of savings from the limited income sector,  
23 the Company would recover 100% of its deferrals for this  
24 component; is that right?

25 A. For 5% or greater, correct.

1241

1 Q. 5% or greater, correct. And just so I'm  
2 clear, the DSM savings that we're talking about, are  
3 these just Washington savings, are they total Company  
4 savings, is there some other number we should be looking  
5 at?

6 A. They were intended to be Washington-Idaho  
7 limited income savings.

8 Q. So not a number that is strictly limited to  
9 Schedule 101?

10 A. For the total amount?

11 Q. Yes.

12 A. No, it was a comparison of limited income  
13 therm savings to the entire portfolio.

14 Q. Okay.

15 A. Not just Schedule 101.

16 Q. Okay. And again Washington and Idaho  
17 combined?

18 A. Correct.

19 MR. JOHNSON: Okay, that's all I have, Your  
20 Honor.

21 JUDGE TOREM: Commissioners, Commissioner  
22 Jones, any questions for this witness?

23 COMMISSIONER JONES: No questions.

24 JUDGE TOREM: All right, none from the Bench.

25 Mr. Meyer, any redirect?



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1 MR. MEYER: No redirect.

2 JUDGE TOREM: Are there any further --  
3 Mr. ffitch.

4 MR. FFITCH: Yes, Your Honor, just one  
5 request, I would request that Mr. Powell correct --  
6 prepare an errata sheet. We heard a number of  
7 corrections I believe, and just to ensure that those are  
8 picked up accurately, it would be helpful to have an  
9 errata sheet prepared and served.

10 JUDGE TOREM: Mr. Meyer, can you do that  
11 early next week?

12 MR. MEYER: Yes, we can.

13 JUDGE TOREM: All right, so that will just be  
14 circulated. I know that you did us the favor with  
15 Ms. Kimball's testimony, I appreciate that.

16 MR. ROSEMAN: Your Honor, this isn't really a  
17 recross, this is an error on my part that I neglected to  
18 ask one question, may I?

19 JUDGE TOREM: He's still on the witness  
20 stand, go ahead.

21 MR. ROSEMAN: Okay, thank you.

22 I'm going to blow my opportunity here if I  
23 don't do it quickly.

24 JUDGE TOREM: While you're finding your  
25 question, let me ask of Mr. Meyer and Mr. Johnson who

1243

1 the next witness will be, if it will be Ms. Glaser or  
2 Mr. Folsom.

3 MR. JOHNSON: I would certainly put in my  
4 pitch for Ms. Glaser.

5 MR. MEYER: Works for me.

6 JUDGE TOREM: All right, so, Ms. Glaser,  
7 you'll be next.

8 Mr. Roseman.

9 MR. ROSEMAN: Thank you.

10

11 C R O S S - E X A M I N A T I O N

12 BY MR. ROSEMAN:

13 Q. Mr. Powell, my question concerns your answer  
14 at the top of page 12, the answer to the question of --

15 A. Of the rebuttal testimony?

16 Q. Yes. The question is, in the testimony,  
17 rebuttal testimony, does Mr. Norwood in his rebuttal  
18 testimony say that the decoupling mechanism had a net  
19 benefit for limited income customers, can you provide  
20 some details, and you go ahead and provide some details  
21 at the top of page 12. I guess what my question is, is  
22 the data that you use to make your analysis there is  
23 based on those same approximately 250 customers who have  
24 availed themselves in the DSM program, limited income  
25 DSM program?

1244

1           A.     The 3.29 therms was derived from the Titus  
2 report, and it is for the major measure participants.  
3 The other numbers, the 22 year life, is the weighted  
4 average measure life of gas measures. And then we have  
5 naturally discount rate assumptions and the like to  
6 derive a present value of benefit.

7           Q.     I understand that, but what I'm trying to --  
8 I'm curious about how large the population is that you  
9 drew or Titus drew this data from, and my assumption,  
10 and you correct me if I'm wrong, is that it's 250  
11 customers?

12          A.     It's drawn from the varying over the course  
13 of the year but in low 200 number of customers receiving  
14 major measures.

15                   MR. ROSEMAN: Okay, thank you.

16                   COMMISSIONER JONES: Judge, just one short  
17 question if I could before Mr. Powell steps down.

18

19                               E X A M I N A T I O N

20 BY COMMISSIONER JONES:

21          Q.     Mr. Powell, can you distinguish, you refer  
22 frequently to DSM verified Washington/Idaho savings,  
23 therms versus goals, and you constantly refer to  
24 Washington/Idaho, can you distinguish between Washington  
25 and Idaho therm savings for Schedule 101?

1245

1           A.     We can develop numbers by rate schedule as  
2 well, and we have done that in the past. We haven't  
3 provided that within our normal reporting mechanisms,  
4 but it is in the Titus report.

5           Q.     That's the Titus report, but you have not  
6 distinguished those numbers in your testimony or  
7 rebuttal in the record?

8           A.     No, I don't believe so.

9           Q.     But can you do it if we ask you to?

10          A.     We can provide rate schedule break outs,  
11 correct.

12                   COMMISSIONER JONES: Okay, thank you.

13                   JUDGE TOREM: Mr. Powell, I think you better  
14 run before anyone else has another question.

15                   Mr. Johnson, we're ready for your witness.

16                   MR. JOHNSON: All right, Ms. Nancy Glaser.

17                   (Witness NANCY L. GLASER was sworn.)

18                   JUDGE TOREM: Before we get started, I do  
19 have a celebratory token to memorialize your birthday  
20 today.

21                   THE WITNESS: Thank you.

22                   JUDGE TOREM: Just so we don't set off the  
23 sprinklers this afternoon and delay anything further, we  
24 won't light the candle.

25                   THE WITNESS: Good idea.

1246

1 JUDGE TOREM: Mr. Johnson, are there any  
2 questions for this witness updating her testimony?

3 MR. JOHNSON: Yes, Your Honor.

4

5 Whereupon,

6 NANCY L. GLASER,  
7 having been first duly sworn, was called as a witness  
8 herein and was examined and testified as follows:

9

10 D I R E C T E X A M I N A T I O N

11 BY MR. JOHNSON:

12 Q. Ms. Glaser, do you have any corrections or  
13 clarifications to make to your testimony?

14 A. Yes, there is one correction on page 13 of my  
15 direct testimony, which would be NLG-1T, page 13, line  
16 25, there were numbers about Avista's exceeding IRP  
17 goals, and I included 41% for 2007 and 32% for 2008  
18 because those had been provided to me by Avista in a  
19 data request, but in fact those should now be most  
20 accurately 37% for 2007 and 28% for 2008.

21 Q. Thank you.

22 Other than those changes, do you have any  
23 other corrections to make?

24 A. I do not.

25 MR. JOHNSON: Ms. Glaser is available for

1247

1 cross.

2 JUDGE TOREM: And scheduled for cross-exam  
3 Mr. Trautman had 15 minutes, Mr. ffitch had about a half  
4 an hour, and Mr. Meyer had 15 minutes as well.  
5 Mr. Roseman originally had 10 minutes but has let me  
6 know he no longer needs that.

7 Mr. Trautman, would you like to lead off.

8 MR. TRAUTMAN: Yes, Your Honor, and I believe  
9 we had cut it back to 10, and I think it will be less  
10 than that.

11

12 C R O S S - E X A M I N A T I O N

13 BY MR. TRAUTMAN:

14 Q. Good afternoon, Ms. Glaser.

15 A. Good afternoon.

16 Q. I would just like to refer you to your cross  
17 answering testimony, which is Exhibit NLG-5T.

18 A. Yes.

19 Q. And at page 7 on line 6, well, first you say  
20 you don't agree that customer charges should be  
21 increased to the levels that Ms. Reynolds suggests, and  
22 then you say first it is not clear how the \$10 charge  
23 was derived; do you see that?

24 A. Yes.

25 Q. Did you issue any data requests on that

1248

1 issue?

2 A. I did not.

3 Q. And did you contact Staff in any way to  
4 clarify --

5 A. No.

6 Q. -- that matter?

7 A. No.

8 Q. And on page 8, line 21, lines 20 to 21, you  
9 state that, Ms. Reynolds acknowledges on page 8 of her  
10 direct testimony that conservation would probably reduce  
11 revenues, and then you say, and so she calls for more  
12 frequent rate cases as well; do you see that?

13 A. Yes, I do.

14 Q. And would you agree that what Ms. Reynolds  
15 said in her testimony was that, and this is on DJR-1T at  
16 page 9 at the first paragraph, that Ms. Reynolds said  
17 that:

18 Frequent rate cases with rates reset  
19 based on most recent load levels have  
20 been the Company's response to this  
21 problem.

22 Isn't that what she said?

23 A. I don't have it in front of me. I'm sure  
24 that's what she said there. I don't know if I had  
25 another reference, so I apologize for that.

1249

1 Q. And in fact Ms. Reynolds then said that, on  
2 the next sentence:

3 Increasing the amount of revenue  
4 recovered through the basic charge as  
5 recommended in my testimony will help  
6 address this problem.

7 That is her testimony; is that correct?

8 A. I do not have that in front of me, so I  
9 acknowledge that you're reading from her testimony, yes.

10 MR. JOHNSON: If counsel is going to be  
11 asking a series of questions about Ms. Reynolds'  
12 testimony, it might help if he gave her a copy.

13 MR. TRAUTMAN: No, I am through with that, I  
14 just wanted to compare what Ms. Glaser said with what  
15 Ms. Reynolds said in her testimony.

16 That's all I have, thank you.

17 JUDGE TOREM: Mr. Ffitch.

18 MR. FFITCH: Your Honor, our  
19 cross-examination has shrunk visibly, we have one  
20 question for Ms. Glaser, that's our birthday present to  
21 Ms. Glaser.

22 JUDGE TOREM: It does not hold a candle to  
23 mine.

24 MR. JOHNSON: Was that a setup?

25 JUDGE TOREM: If it was, it would be the



1250

1 first time that we ever did that.

2

3 C R O S S - E X A M I N A T I O N

4 BY MR. FFITCH:

5 Q. I'm going to refer you, Ms. Glaser, first of  
6 all, good afternoon and happy birthday, Ms. Glaser.

7 A. Thank you.

8 Q. I'm going to refer you to page 6 of your  
9 testimony at line 16.

10 A. The original testimony or the rebuttal?

11 Q. Original I believe, yes, this is your direct  
12 testimony, and at line 16 you state:

13 Traditional rate design ties recovery of  
14 fixed costs directly to commodity sales.

15 Correct?

16 A. Yes, that has been our practice.

17 Q. All right. And that's what your testimony  
18 says, correct?

19 A. Yes.

20 Q. Would you agree that utility fixed costs  
21 actually are not fixed at all but tend to change through  
22 time due to inflation, changes in regulation, changes in  
23 interest rates, productivity gains achieved by the  
24 utility, and other factors?

25 A. Certainly fixed costs change over time, yes.

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1 MR. FFITCH: All right, those are all my  
2 questions, thank you, Your Honor.

3 Thank you, Ms. Glaser.

4 JUDGE TOREM: Mr. Meyer.

5 MR. MEYER: No questions.

6 JUDGE TOREM: Commissioners, Commissioner  
7 Jones.

8

9 E X A M I N A T I O N

10 BY COMMISSIONER JONES:

11 Q. Just a couple, Ms. Glaser, happy birthday.

12 A. Thank you.

13 Q. Can you explain the difference between your  
14 low income DSM test and the low income test the Company  
15 recommends in Mr. Norwood's rebuttal briefly?

16 A. Yes. I have recommended that a separate low  
17 or limited income DSM test be established, because the  
18 kinds of increases in performance have not been  
19 demonstrated with that population in the same way they  
20 have more broadly. I have recommended that that target  
21 be set in a collaborative fashion, as is the overall DSM  
22 target, with the various parties who are really more  
23 informed in delivering programs both financially and  
24 through the CAP agencies on the ground so that there  
25 would be an ambitious yet achievable target. I don't

1252

1 think the 5% number is that. So I have not set a  
2 particular definition of what the target should be.

3 Secondly, in the programmatic overview that's  
4 summarized on page 12 of NLG-1T, my direct testimony.

5 Q. Page 12?

6 A. Page 12, there's a little table.

7 Q. Yes, I'm there.

8 A. And what it does is a little bit different  
9 than what has been recommended by Avista in its rebuttal  
10 testimony in that I would suggest that both the overall  
11 DSM target and the limited target would need to be met  
12 for the various differed amounts in the right-hand  
13 column with only 30% deferrals being approved if there  
14 is less than really 80% to 90% of achievement of the  
15 stated goals, up to 50% if in fact goals are just met,  
16 and with greater than 120% achievement 70% deferral.  
17 The little star at the bottom and the way I proposed it  
18 in my testimony is that if Avista does not meet both  
19 targets for the overall DSM performance and the limited  
20 income performance, the percentage rule would be defined  
21 by the lower performance level, it would be limited in  
22 that way.

23 Q. And my final question relates, I think  
24 Chairman Goltz asked another witness about 70%, and you  
25 also in your direct testimony talk about -- you include

1253

1 a table that includes a recommendation to lower the  
2 amount deferred to 70% from 90%, so what was the basis  
3 for your recommendation, how was 70% derived in  
4 relationship to those items identified by the parties in  
5 this proceeding such as economic recession, building  
6 codes, et cetera?

7 A. I looked first at information from the Titus  
8 report, and I think over the 2007/2008 biennium they  
9 showed that the deferrals recovered by the Company would  
10 cover approximately 25% as opposed to 100% of the fixed  
11 cost margin that had been approved in the previous rate  
12 case. Given I think it is very appropriate that the  
13 Company be financially strong to deliver the least cost  
14 portfolio to all of our customers and that they should  
15 in fact receive fixed cost margins, not just for  
16 programmatic conservation but for things that occur out  
17 there which are non-programmatic in nature, not rebate  
18 driven conservation measures, and round it up even to  
19 the first amount, so that was the first 30%.

20 And what I tried to do from there is to  
21 really structure some increasing incentives to get some  
22 increased performance. My own experience is that what  
23 you measure often is what you get, and clearly the  
24 Company has shown that it can perform well in excess of  
25 its established targets. I would like to see them

1254

1 continue to do that and have an incentive to continue to  
2 do that, so I wanted to build that into the  
3 recommendation. And I do think that it's important to  
4 note the economic recession that surrounds us in terms  
5 of understanding that there are a number of actions both  
6 businesses and people have taken to reduce use that have  
7 nothing to do with necessarily DSM programs. And I  
8 really in my judgment added 10% each time, I think  
9 reasonable people can add different amounts.

10 In my own experience, very aggressive  
11 information programs, and I guess I speak now from my  
12 experience at Seattle City Light and some of the years  
13 when we were very aggressive in pursuing through  
14 informational programs, being on the media every night,  
15 looking at kind of how can we help people get  
16 information so they will reduce energy use during the  
17 really tough economic crisis that was leading to very  
18 high energy prices a number of years ago, I think the  
19 kind of reductions that we saw, it was a very effective  
20 program, were probably in the range of 10% to 15%, maybe  
21 at most 20% that you could say. So, you know, adding 20  
22 to 25 you get to around 50, which is where I am with  
23 100% of target.

24 It is a judgment call, and I think reasonable  
25 people can disagree. We don't have clear information in

1255

1 anything I've seen that would allow us to completely  
2 distinguish what reduction in therm sales is really a  
3 function of DSM, non-DSM related items, and a broader  
4 set of changes in the world around us.

5 Q. Given your experience at Seattle City Light  
6 where I know you had a great deal of experience with  
7 outreach and education efforts, did you have a chance to  
8 look at the Every Little Bit program of Avista in some  
9 detail, both printed material and the web site, and do  
10 you have any comments on how effective that is based on  
11 your experience with City Light?

12 A. Yeah, I can't -- I was not really asked to  
13 review that directly, and I haven't looked at it very  
14 closely, so I can't seriously offer you much on that.

15 COMMISSIONER JONES: That's all I have, thank  
16 you.

17 COMMISSIONER OSHIE: No questions.

18

19 E X A M I N A T I O N

20 BY CHAIRMAN GOLTZ:

21 Q. Just one question, Ms. Glaser, referring to  
22 page 10 of your testimony, lines 20 to 23, your direct  
23 testimony, you discuss or give a rationale for  
24 recommending the maximum allowed deferral recovery you  
25 reduce from 90% to 70%, and earlier today and maybe

1256

1 yesterday, were you in the room yesterday afternoon?

2 A. Yes, I was.

3 Q. I asked a similar question to the Company  
4 witnesses, and their response was, well, that the  
5 reduction from 90% to 70% was in their mind intended to  
6 reflect the fact that some of this lost margin was  
7 attributable to something other than Company  
8 programmatic or non-programmatic conservation efforts,  
9 and therefore this going from 90% to 70% would give some  
10 sort of rough approximation of that. And I read your  
11 statement here as being a different rationale, and that  
12 being just the way I read this was, well, times are  
13 tough, hard economic times, we need to have a little bit  
14 more sharing of all this risk. So is your rationale  
15 expressed here in page 7 of your testimony different  
16 than that that I heard from the Company?

17 A. I think it is a little different. I think we  
18 need to recognize the economy and the difficult times  
19 we're all in. And certainly to hold this Company or any  
20 company financially harmless when everybody is  
21 tightening their belt doesn't seem appropriate, so that  
22 was part of my thinking in increase the sharing.

23 CHAIRMAN GOLTZ: You could have been  
24 testifying at the public hearing in Spokane.

25 Thank you, that's all I have.

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1 JUDGE TOREM: Mr. Johnson, any follow-up?

2 MR. JOHNSON: No redirect, Your Honor.

3 JUDGE TOREM: All right, I don't see any  
4 other recross.

5 Thank you, Ms. Glaser, enjoy the rest of your  
6 birthday.

7 THE WITNESS: Thank you, I will.

8 JUDGE TOREM: I think we're ready to take  
9 Mr. Folsom as the next witness.

10 MR. MEYER: Very well, Mr. Folsom.

11 MR. FFITCH: Your Honor, I believe that,  
12 while he's coming up, I believe other parties may have  
13 questions, but we have decided we have no  
14 cross-examination for Mr. Folsom on the part of Public  
15 Counsel.

16 JUDGE TOREM: You are the only party,  
17 Mr. ffitch, scheduled. I believe the Bench had a few  
18 questions to follow up with Mr. Folsom, so let me swear  
19 him in, and then I will survey the other parties and  
20 turn to the Bench.

21 (Witness BRUCE W. FOLSOM was sworn.)

22 JUDGE TOREM: Mr. Meyer, Mr. Folsom has been  
23 sworn in, are there any corrections, additions,  
24 clarifications to his testimony?

25 MR. MEYER: Are there, I'm not aware of any.



1258

1 MR. FOLSOM: No.

2 JUDGE TOREM: All right, counsel, are there  
3 any questions on cross-examination for this witness?

4 All right, given Mr. ffitch's waiver of  
5 cross, we turn to Commissioner Jones and Commissioner  
6 Oshie.

7 COMMISSIONER OSHIE: No questions.

8 CHAIRMAN GOLTZ: No questions.

9 COMMISSIONER JONES: No questions.

10 JUDGE TOREM: Commissioner Jones, I thought  
11 you nodded yes.

12 COMMISSIONER JONES: No, I was a little bit  
13 caffeinated maybe.

14 JUDGE TOREM: And there are no remaining  
15 questions deferred all the way down from Mr. Hirschhorn,  
16 Mr. Norwood, that were remaining for Mr. Folsom?

17 It appears that Mr. Powell has completed all  
18 of those, Mr. Folsom, so you got the oath, so do you  
19 have anything to say?

20 MR. FOLSOM: No.

21 JUDGE TOREM: All right, well, Mr. Folsom,  
22 how was the hot seat, all right?

23 MR. FOLSOM: No birthday candle.

24 JUDGE TOREM: Let me know on the right day,  
25 you come back.

1259

1 All right, thank you.

2 Then we're through the Company witnesses as  
3 well as those from The Energy Coalition and The Energy  
4 Project. Mr. ffitch, we have Ms. Kimball from your  
5 staff as well as Ms. Reynolds, Mr. Trautman, from  
6 Commission Staff left. Depending on the length of  
7 cross-examination, we should be able to finish in a  
8 reasonable fashion today. I take it we'll have  
9 Ms. Kimball next.

10 MR. FFITCH: Yes, Your Honor.

11 Public Counsel calls Mary Kimball.

12 JUDGE TOREM: And while Ms. Kimball makes her  
13 way to the witness stand, let me note that as I've said  
14 earlier, Mr. ffitch was kind enough to provide us an  
15 errata sheet on Wednesday. There are some changes, and  
16 I don't know if we need to do them on the record since  
17 this has been submitted, but pages 21, 22, 33, and 36 of  
18 Exhibit MMK-1T, on those 4 pages there are a total of 7  
19 different I will call them scrivener's corrections, they  
20 are just changing numbers. Does any party want me to go  
21 through each and every one of those on the record, or  
22 can we rely on the errata sheet?

23 All right, seeing that all are interested in  
24 efficiency on a Friday afternoon, let me swear in the  
25 witness.

1260

1 (Witness MARY M. KIMBALL was sworn.)

2 MR. FFITCH: May I inquire, Your Honor?

3 JUDGE TOREM: All yours.

4

5 Whereupon,

6 MARY M. KIMBALL,

7 having been first duly sworn, was called as a witness

8 herein and was examined and testified as follows:

9

10 D I R E C T E X A M I N A T I O N

11 BY MR. FFITCH:

12 Q. Good afternoon, Ms. Kimball.

13 A. Good afternoon.

14 Q. Could you state your name and spell your last  
15 name for the record.

16 A. Yes, Mary Kimball, K-I-M-B-A-L-L.

17 Q. And where are you employed?

18 A. Public Counsel Section of the Washington  
19 State Attorney General's Office.

20 Q. And could you state what your position is  
21 with the Public Counsel Office?

22 A. I'm the Senior Policy Analyst with Public  
23 Counsel.

24 Q. And you provided testimony and exhibits in  
25 this case that have been admitted by stipulation into

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1 the record; is that correct?

2 A. Yes.

3 Q. And what was the topic of your testimony?

4 A. Primarily the DSM savings data associated  
5 with the decoupling mechanism.

6 Q. All right. And as we've just heard the Judge  
7 refer to, you had some corrections and changes to your  
8 testimony; is that correct?

9 A. Yes, I think about five or six corrections to  
10 certain footnotes.

11 Q. All right. And those have been submitted in  
12 the form of an errata that's been filed and served on  
13 the other parties to the case?

14 A. Yes.

15 Q. And you have no other changes or corrections  
16 to your testimony?

17 A. No, I do not.

18 Q. Do you have a copy of your errata sheet up  
19 there should the issue come up?

20 A. No.

21 MR. FFITCH: May I approach, Your Honor?

22 JUDGE TOREM: Certainly. Are there any other  
23 questions preliminary?

24 MR. FFITCH: We have no other questions, I  
25 would tender Ms. Kimball for cross.

1262

1                   JUDGE TOREM: All right, so while you're  
2 delivering the errata sheet, let me inquire and confirm  
3 with Mr. Trautman, he originally had 10 minutes of cross  
4 that he has waived; is that still true?

5                   MR. TRAUTMAN: Yes.

6                   JUDGE TOREM: So that brings me to you,  
7 Mr. Meyer, you had 30 minutes planned, so go ahead with  
8 any questions you might have.

9                   MR. MEYER: We did, but we don't any more, so  
10 we have no cross.

11                   JUDGE TOREM: All right, then.

12                   So, Ms. Kimball, let's see if the  
13 Commissioners have questions for you.

14                   COMMISSIONER OSHIE: No questions.

15                   CHAIRMAN GOLTZ: No questions.

16                   JUDGE TOREM: Commissioner Jones?

17                   Friday afternoon has an odd effect,  
18 Ms. Kimball, so there doesn't appear there will be any  
19 cross-examination of this witness either. So we'll have  
20 you take your errata sheet and your testimony, thank you  
21 for your corrections, and we'll call Ms. Reynolds.

22                   And, Mr. Meyer, it makes me wonder if we  
23 should have started the entire hearing this morning.

24                   MR. MEYER: I have certainly tried to do my  
25 part.

1263

1 JUDGE TOREM: All right, for Ms. Reynolds,  
2 Mr. ffitich, Mr. Roseman, Mr. Meyer, and Mr. Johnson all  
3 have a total estimated time of 90 minutes. I have a  
4 feeling the time warp effect, Ms. Reynolds, will shorten  
5 that tremendously, so let me swear you in.

6 (Witness DEBORAH J. REYNOLDS was sworn.)

7 JUDGE TOREM: Mr. Trautman, any corrections  
8 to Ms. Reynolds' testimony?

9 MR. TRAUTMAN: Yes, I was going to ask that.

10

11 Whereupon,

12 DEBORAH J. REYNOLDS,  
13 having been first duly sworn, was called as a witness  
14 herein and was examined and testified as follows:

15

16 D I R E C T E X A M I N A T I O N

17 BY MR. TRAUTMAN:

18 Q. Ms. Reynolds, do you have any corrections or  
19 clarifications to your testimony?

20 A. Yes, I do. In DJR-1T on page 2, line 11, at  
21 the end of the line it should say by instead of to.

22 I would like to make the same --

23 CHAIRMAN GOLTZ: I'm sorry, page 2, line 11?

24 THE WITNESS: Yes, at the very end of the  
25 line it should say by instead of to, so increase rates

1264

1 by.

2 CHAIRMAN GOLTZ: I'm sorry, wait --

3 THE WITNESS: No, it should be at the end of  
4 line 11 it says decreasing the Schedule 101 usage charge  
5 to the, and it should say, by the, at the very end of  
6 the line.

7 CHAIRMAN GOLTZ: Oh, by the, I see what  
8 you're talking about.

9 JUDGE TOREM: For those that are looking,  
10 this should be a page of testimony that was revised on  
11 September 14th.

12 MR. FFITCH: Your Honor, could we request  
13 some more guidance about where we are.

14 JUDGE TOREM: All right, we're in Exhibit  
15 DJR-1T. That was originally submitted on September 2nd,  
16 there was a substitute page filed for page 2 I believe  
17 on September the 14th, so in the lower left-hand corner  
18 it should say revised 9/14. We're on line 11, the  
19 second to last word is to, T-O, it should be B-Y, by.

20 MR. FFITCH: Thank you, Your Honor.

21 A. I need to make exactly the same correction in  
22 my rebuttal testimony, which is DJR-3T, and that is on  
23 page 1, line 19.

24 JUDGE TOREM: And it's also the second to  
25 last word.

1265

1           A.     Yes, and it should be by, B-Y, instead of to,  
2 T-O.

3                     Then I also have in DJR-1T on page 28, line  
4 3, there's a rate listed, and it is .00965 and it should  
5 be .01066, that's in line 3.

6           JUDGE TOREM: Ms. Reynolds, can you on line 3  
7 repeat that number.

8           A.     It should be .01066.

9                     And then on line 5 it should be 7 cents per  
10 month instead of 11 cents per month.

11           MR. FFITCH: 7 cents per month, Your Honor?

12           A.     7.

13                     Those are all my changes.

14           JUDGE TOREM: Ms. Reynolds, just so I  
15 understand the math going on, if the rate that you're  
16 substituting on line 3 apparently is a greater number  
17 but yet the calculation is increasing the bill by a  
18 lesser number; is that correct?

19           THE WITNESS: Yes, it is.

20           JUDGE TOREM: Okay, we'll take your word for  
21 it subject to check.

22           THE WITNESS: Thank you. I do have  
23 workpapers if you would like them.

24           JUDGE TOREM: Not this afternoon, thank you.

25                     All right, Mr. Trautman, any other



1266

1 preliminary questions?

2 BY MR. TRAUTMAN:

3 Q. Do you have any other changes?

4 A. I do not.

5 Q. Okay.

6 A. I'm sorry, I do, it's to DJR-2T, page 1, and  
7 this is in the third paragraph, this is a bill analysis  
8 model description, in the sixth line down in the third  
9 paragraph it reads, assigns fixed costs equal to about  
10 10%, and it should be, assigns fixed costs equal to  
11 about 14%.

12 MR. ROSEMAN: I'm sorry, will you give me  
13 direction as to where you're making this change, I  
14 didn't get to the page fast enough to keep up with you.

15 JUDGE TOREM: Mr. Roseman, this is in DJR-2.

16 MR. ROSEMAN: I've got that.

17 JUDGE TOREM: Turn to the first page of the  
18 exhibit, it's not the tables, it's the narrative, it  
19 says bill analysis model at the top. In the third  
20 paragraph, the sixth line in that begins with the words,  
21 assigns fixed costs, the reference to 10% should be 14%.

22 MR. ROSEMAN: Thank you very much.

23 THE WITNESS: Thank you for checking.

24 BY MR. TRAUTMAN:

25 Q. With that change, does that complete your

1267

1 corrections?

2 A. Yes, it does.

3 MR. TRAUTMAN: Ms. Reynolds is available for  
4 cross.

5 JUDGE TOREM: Mr. ffitch.

6 MR. FFITCH: Thank you, Your Honor.

7

8 C R O S S - E X A M I N A T I O N

9 BY MR. FFITCH:

10 Q. Good afternoon, Ms. Reynolds, I believe you  
11 may be batting cleanup.

12 A. Does that mean I'm not going to get out of  
13 here as fast as everyone else?

14 Q. Well, we are going to be quicker than we  
15 originally estimated.

16 Could you please go to page 17 of your direct  
17 testimony.

18 A. I'm there.

19 Q. And I would ask you to look at the first  
20 question on the page, and there you're asked what are  
21 the principles of sound rate design, and your first  
22 statement is:

23 Sound rate design should be guided by  
24 the following policy objectives,  
25 simplicity, encouraging conservation,

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1 stability, gradualism, fairness,  
2 justness, reasonableness, and  
3 sufficiency.

4 That's your testimony, correct?

5 A. Yes, it is.

6 Q. And you actually have a citation there, a  
7 footnote to Professor Bonbright's well known treatise,  
8 Principles of Public Utility Rates, correct?

9 A. Yes, I do.

10 Q. Now I'm going to read to you another  
11 statement by Professor Bonbright and then ask you to  
12 comment, and this is found at page 396 of the Principles  
13 of Public Utility Rates, this is the same volume that  
14 you cited in your footnote, and the statement is:

15 Uniformity of charge per customer (say  
16 \$10 per month) for any desired quantity  
17 of service has charm in avoiding  
18 metering costs. Nevertheless, it is  
19 soon rejected because of its utter  
20 failure to recognize either cost  
21 differences or value of service  
22 differences between large and small  
23 customers.

24 That's the end of the quote. Do you disagree  
25 or agree with that statement by Professor Bonbright?

1269

1           A.     I'm sorry, I'm going to have to ask you to  
2 repeat it.

3           Q.     That's fine.

4           A.     Do you possibly have a written?

5           Q.     I do.

6           MR. FFITCH:   May I approach, Your Honor?

7           JUDGE TOREM:   Certainly.

8           A.     Thank you.

9 BY MR. FFITCH:

10          Q.     And, Ms. Reynolds, now that you've had an  
11 opportunity to read that, do you agree or disagree with  
12 Professor Bonbright?

13          A.     I'm not sure of the context of that quote and  
14 whether or not it is actually talking about only  
15 residential rates or if it's talking about the  
16 difference in rates between say industrial and  
17 residential customers.

18          Q.     All right.

19          A.     And so I couldn't say if I agree or disagree.

20          MR. FFITCH:   All right, thank you, no further  
21 questions.

22          JUDGE TOREM:   Mr. Roseman.

23

24

25

1270

1 C R O S S - E X A M I N A T I O N

2 BY MR. ROSEMAN:

3 Q. Good afternoon, Ms. Reynolds.

4 A. Afternoon.

5 Q. It's my understanding that you're  
6 recommending a \$3 monthly charge for those low income  
7 customers or a \$3 customer charge, the reduction that  
8 you're proposing to those low income customers or  
9 limited income customers that qualify for LIHEAP or  
10 LIRAP any time during the program year; is that correct?

11 A. I believe that is what my testimony says.

12 Q. Okay, thank you. So, well, would you accept  
13 subject to check or I could point you to a table that  
14 there are 17,648 gas customers that are limited income  
15 in Avista's service territory?

16 Do you want me to reference the Titus report  
17 for you?

18 A. That's all right, I would accept subject to  
19 check that that's how many low income customers there  
20 are, but I don't think that's how many receive LIRAP or  
21 LIHEAP grants.

22 Q. You're exactly right, thank you for that  
23 correction. There are 17,648 limited income customers,  
24 that is correct.

25 Would you accept subject to check that there

1271

1 are 2,664 LIHEAP customers and 2,740 LIRAP customers?

2 MR. TRAUTMAN: And, counsel, where are we to  
3 check?

4 MR. ROSEMAN: We can check at Table 14-B on  
5 page 87 of BJH-2 of the Titus report.

6 A. I actually used different numbers from the  
7 LIRAP report, the Company's annual LIRAP report, in  
8 preparing my analysis.

9 BY MR. ROSEMAN:

10 Q. I think for the purpose of my questions it  
11 won't make much of a difference, I'm not sure. So if  
12 you wouldn't mind indulging me, since this was in the  
13 Titus report and this is the one that I looked at, if we  
14 could just use it, I don't think that there will be much  
15 of a difference. If there is, you certainly feel free  
16 to explain it or explain it to me. I don't think it  
17 will be a problem.

18 A. Tell me again the page number in the Titus  
19 report.

20 Q. I'm sorry, it's page 87, Table K-14-B.

21 A. Yes, I see those numbers.

22 Q. Do you see the 2,664 for LIHEAP and the 2,740  
23 for LIRAP?

24 A. Yes.

25 Q. Okay, thank you. So let's just go with these

1272

1 numbers for a second. So under your proposal, the  
2 LIHEAP and the LIRAP customers would receive the benefit  
3 of the reduced customer charge, a monthly charge; is  
4 that correct?

5 A. Yes.

6 Q. Okay. And that is a total of about 5,404 who  
7 will be able to avail themselves of the reduced customer  
8 charge. I guess my question to you is, would that then  
9 leave 12,280 limited income customers who would see  
10 their monthly charge go up to \$10 while their fellow  
11 limited income neighbors and friends would have a  
12 reduction?

13 A. I believe that's correct.

14 MR. ROSEMAN: Okay, thank you, nothing  
15 further.

16 JUDGE TOREM: Mr. Johnson.

17

18 C R O S S - E X A M I N A T I O N

19 BY MR. JOHNSON:

20 Q. Good afternoon. Ms. Reynolds, I would like  
21 to refer you to page 4 of your rebuttal testimony,  
22 DJR-3T, and lines 15 through 17. Are you there?

23 A. Page 4?

24 Q. Page 4 of your cross answering testimony, not  
25 rebuttal testimony, at lines 15 through 17.

1273

1 A. Yes.

2 Q. Okay. Now you express a criticism of  
3 Ms. Glaser's testimony with respect to the modifications  
4 that she proposes, correct?

5 A. Yes, I do.

6 Q. Okay. And were you here in the hearing room  
7 when Ms. Glaser was addressing questions both from the  
8 Bench and from counsel?

9 A. Yes, I was. I was reading my testimony at  
10 the back of the room though.

11 Q. Oh, okay. Are you generally familiar with  
12 Ms. Glaser's approach to the modifications that she's  
13 proposing?

14 A. Yes, I am.

15 Q. Okay. Would you agree subject to check,  
16 Ms. Reynolds, that in her direct testimony, NLG-1T, at  
17 page 6, lines 13 through 15, Ms. Glaser states that she  
18 proposes:

19 Structuring incentives within the  
20 decoupling mechanism to encourage and  
21 reward performance in excess of  
22 Commission approved targets.

23 Would you accept that subject to check?

24 A. Yes.

25 Q. And would you also accept subject to check



1274

1 that at page 16 of the same testimony, again her direct  
2 testimony, at lines 22 through 24, Ms. Glaser states  
3 that she encourages the Commission to:

4           Structure a continued decoupling  
5           mechanism in a manner that encourages  
6           DSM performance that exceeds Commission  
7           established targets.

8           That's the same language as she used before,  
9 would you accept that?

10           MR. TRAUTMAN: Counsel, are you on page 15 or  
11 16?

12           MR. JOHNSON: I'm on page 16 of her direct  
13 testimony at lines 22 through 24.

14           A. I would accept that you've read from her  
15 testimony.

16 BY MR. JOHNSON:

17           Q. Okay. Would you agree, Ms. Reynolds, that  
18 Ms. Glaser's approach encourages DSM performance that  
19 exceeds Commission established targets?

20           A. Yes, I would agree.

21           Q. All right.

22           Referring back to page 4 of your cross  
23 answering testimony, you state at lines 15 through 16  
24 that:

25           Staff generally supports the kind of

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1 modifications to the decoupling  
2 mechanism proposed by Ms. Glaser if it  
3 is retained.

4 Do you see that?

5 A. Yes, I do.

6 Q. I want to make sure that I fully understand  
7 the breadth and scope of your testimony. I don't  
8 believe, but correct me if I'm wrong, that your  
9 testimony addresses in any respect the limited income  
10 component of the mechanism; am I correct in that, or am  
11 I not correct?

12 A. I believe that is correct, I did not address  
13 the limited income portion of Ms. Glaser's proposal.

14 Q. So would I be correct to assume that Staff  
15 supports that proposal?

16 A. Supports the low income proposal?

17 Q. As proposed by Ms. Glaser.

18 A. When I said that I generally support the kind  
19 of modifications to the decoupling mechanism proposed by  
20 Ms. Glaser, my main concern was whether or not the  
21 targets actually referred to business plan targets or  
22 IRP targets. I don't recall Ms. Glaser actually  
23 mentioning the business plan targets. So as long as the  
24 targets proposed in Ms. Glaser's testimony were the  
25 business plan targets and those business plan targets

1276

1 referred to the low income targets, then yes, I would  
2 support that.

3 Q. So let me try the question again, because I'm  
4 not sure that you answered it. So for foundation  
5 purposes, you understand, do you not, that one of the  
6 modifications that Ms. Glaser proposes is the inclusion  
7 of a limited income component, one that the pilot  
8 decoupling mechanism does not currently have; is that  
9 your understanding?

10 A. Yes.

11 Q. Okay. And my question is, do you support,  
12 does Staff support or not support the inclusion of a  
13 limited income component such as what Ms. Glaser  
14 proposed if the mechanism is continued?

15 A. If the mechanism is continued, Staff does  
16 support the inclusion of a target that incorporates a  
17 low income program.

18 Did that respond to the question?

19 MR. JOHNSON: It did, and I have no further  
20 questions.

21 JUDGE TOREM: Commissioners, any questions?

22 COMMISSIONER OSHIE: No questions.

23 CHAIRMAN GOLTZ: I have a couple.

24 JUDGE TOREM: We're going to need to take a  
25 quick break for the court reporter, then we'll come back

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1 with Chairman Goltz's questions.

2 I want counsel to confer amongst themselves  
3 about the post hearing issues as well so when we come  
4 back we'll be prepared to take care of those without  
5 another break. Those include confirming the dates for  
6 briefs that are due set in the prehearing conference  
7 order back in February and addressing any exceptions  
8 counsel wish to be requesting as to the length of  
9 briefs. If you need to check what the required length  
10 is, take a look at WAC 480-07-395(b) and it sets a  
11 length limitation of 60 pages. So let me know if we  
12 need to address that as well when we come back. And any  
13 other housekeeping issues we'll be prepared because this  
14 is our last witness of the afternoon.

15 All right, we'll take 10 minutes for the  
16 court reporter and come back with the Bench's questions.

17 (Recess taken.)

18 JUDGE TOREM: All right, we're ready to go  
19 back on the record now, it's about 4:25, we're going to  
20 pick up with Ms. Reynolds' cross-examination from the  
21 Bench, and we'll start with Chairman Goltz.

22 CHAIRMAN GOLTZ: Thank you.

23

24

25

1                                    E X A M I N A T I O N

2    BY CHAIRMAN GOLTZ:

3            Q.    Good afternoon.

4            A.    Good afternoon.

5            Q.    This is a carryover from earlier in the day,  
6    some discussion that Mr. ffitch raised with some Company  
7    witnesses about the weather normalization adjustment,  
8    and I don't know if that's within your scope of  
9    responsibilities or not, but the question was whether  
10    that was an auditable adjustment, auditable process; do  
11    you have any comments on that part of the decoupling  
12    mechanism?

13           A.    I will preface my remarks by saying I am not  
14    the person who normally reviews the weatherization  
15    adjustment, and so any misstatements I make I guess I  
16    would correct later, I don't know.

17           Q.    Well, if you don't know, but if you can  
18    testify to some personal knowledge about this, I would  
19    just be interested in the Staff's position on that  
20    adjustment.

21           A.    It is fairly complicated. I mean that is  
22    Staff's position. Also it does happen in every rate  
23    case, and so it does get reviewed in every rate case.

24           Q.    So you're saying that if hypothetically rate  
25    cases were every year, you would look at it every year

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1 anyway?

2 A. Yes.

3 Q. My other question again is I gather your  
4 alternate position would be -- your primary position is  
5 to increase the fixed charge by a certain amount, and  
6 but then I gather the alternate position is if you're  
7 going to keep the mechanism in place, you know, adopt  
8 basically the structure that Ms. Glaser had proposed,  
9 and you were here when she was on the witness stand I  
10 gather, and we asked her about the how she got to the  
11 70%, and I've been asking every witness that, and my  
12 question is, how do we get to the right number on that,  
13 do you have any advice for us, and if we were to pick a  
14 number, why would we come in at 70%?

15 A. After, you know, after reading Ms. Glaser's  
16 testimony and reading, you know, a number of other  
17 materials, this is still very much an art form I think  
18 in terms of picking a number. And so I think because  
19 we've had the pilot project in place for a while, we've  
20 seen what the recovery is under that, and then we would  
21 look at, you know, what the recovery would be under a  
22 70%, under 70% of that deferral, neither of those  
23 numbers are huge, you know, it's 40 cents a month now  
24 and that's at 90%, and so --

25 Q. I'm sorry, you say it's 40 cents per month

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1 per customer?

2 A. Per customer.

3 Q. On average?

4 A. Yes.

5 Q. Wait, is it -- is that how it works, is it  
6 each customer, each residential customer pays 40 cents,  
7 or is that the average of the charge to the customers?

8 A. That's the average of the charges to the  
9 customers, yes, because it is a per therm charge.

10 Q. Okay. And when you said you reviewed other  
11 materials, this is huge, but, you know, is this basic  
12 structure that we have now, and this is still basically  
13 the structure with some tweaks that Ms. Glaser proposes,  
14 is that being done in other states or our countries to  
15 your knowledge?

16 A. I'm not sure. The materials that I -- that  
17 are out there that are, you know, kind of generally  
18 available tend to be talking about full decoupling  
19 mechanisms, without any limits, without the removal of  
20 weather normalization, without the partial so that it's  
21 only recovering maybe 70% or 90%. And so it was very --  
22 actually it was difficult to find materials that talked  
23 about these special decoupling mechanisms.

24 Q. So when you say full decoupling mechanism, is  
25 that where there's a total separation of the fixed

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1 charge from the variable from the volumetric charge and  
2 that's the rate structure?

3 A. Well, there's a couple of ways that I've seen  
4 it done where they talk about it as decoupling. I think  
5 in I think it's Ohio where they have, you know, it's a  
6 much different environment in Ohio, but they actually  
7 use -- did actually go to straight fixed variable rates,  
8 and that was their version of decoupling. They created  
9 a, you know, basic charge that covered all of the margin  
10 and then a volumetric charge that covers the gas cost.

11 The other versions that I've seen have been,  
12 you know, essentially full decoupling. And I can't  
13 recall if California for example, which has decoupling,  
14 if they use weather normalized or not, but they do I  
15 believe a broader decoupling mechanism.

16 Q. And just finally I gather that the Staff's  
17 position is then to go to a increased fixed charge as a  
18 sort of a administratively simpler method of giving --  
19 yet that still would give the Company some relief from  
20 lost margin due to conservation; is that the basic  
21 theory?

22 A. Yes, that was the basic theory.

23 CHAIRMAN GOLTZ: Okay, thank you, I have  
24 nothing further.

25 THE WITNESS: Thank you.



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1                                    E X A M I N A T I O N

2        BY COMMISSIONER JONES:

3            Q.        Ms. Reynolds, I originally passed, but I'm  
4        going to, since you're on the stand, I will ask you one  
5        final question, and it relates to measurement and  
6        verification, which I think is very important, and I  
7        think the Titus report talked about the importance of  
8        DSM verification and some of the shortcomings in  
9        Avista's approach. In your rebuttal testimony, DJR-3T,  
10        page 5, you say that you disagree with Ms. Kimball in  
11        her statement that the DSM verification results are  
12        wrong, and then you go on to say that verification  
13        techniques involve a lot of statistical analysis,  
14        correct, and review of paperwork?

15            A.        Yes.

16            Q.        And then you go on to say they are not an  
17        impact evaluation, nor are they represented as such, and  
18        Staff believes that the Company should have contracted  
19        for an impact evaluation?

20            A.        Yes.

21            Q.        So can you be more specific, is there  
22        anything in the record that we can look at, or what do  
23        you mean by -- can you be a little more specific on your  
24        recommendation that the Company do an impact evaluation?

25            A.        Yes. An impact evaluation generally measures

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1 after the fact what happened during a DSM program, and  
2 it looks at -- it typically will choose a sample of  
3 homes or -- I'm going to talk about residential I think,  
4 because that will probably be safest. But it will  
5 typically choose a sample of residential homes and then  
6 go and actually look at the bills for those homes, look  
7 at what -- and it will have a control group that did not  
8 participate in the DSM programs and for the people that  
9 did participate in the DSM programs. It will do bill  
10 analysis. It will look at what they had installed. It  
11 will look at the savings that were actually achieved.  
12 It should do something to, you know, try to capture --  
13 to try to capture, you know, number of residents in the  
14 home possibly.

15           These are the types of things that happen  
16 usually in a site specific program fairly often. I know  
17 Avista does a pretty thorough job in their site specific  
18 programs, but it's in the residential programs where  
19 they are using deemed savings which come from the RTF.  
20 Those are very good numbers for program planning I  
21 think, but it doesn't really address -- as we move  
22 further into or we put more importance on how we look at  
23 DSM savings, I think we have to start doing some after  
24 the fact evaluation of those, and that's really the  
25 piece that I think is missing.

1           This process evaluation is really about  
2 reviewing the paper and, you know, did you keep track of  
3 everything you were supposed to keep track of, did you,  
4 you know, did you follow all your protocols, and that's  
5 a different thing. It's also important, but it is a  
6 different thing.

7           Q.     Are you confident that the -- the Company  
8 says that they are in the process of T-ing this up and  
9 in the process of improving this in the EEE board, so  
10 are you confident that they're on their way to doing  
11 that? It seems to me we're, you know, we've been  
12 talking about this issue for years now both in the RTF  
13 and outside, and we're still, you know, we're designing  
14 important programs here to achieve measurable and  
15 verified conservation savings, so are you confident that  
16 the Company is pursuing this and has specific ideas?

17          A.     I'm confident that the Company's -- we've  
18 captured the Company's attention on this issue. If you  
19 look for example at Puget Sound Energy's programs, they  
20 have some very specific settlement requirements or  
21 stipulations that really specifically list how they're  
22 going to do a lot of these types of things, and I think  
23 we're missing something like that for Avista. And so I  
24 think as we go forward, I think we'll need to have some  
25 of that at a higher level in the record I suppose.

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1 COMMISSIONER JONES: That's all I have.

2 COMMISSIONER OSHIE: No questions.

3 JUDGE TOREM: All right, those are all the  
4 Bench questions.

5 Counsel, any additional cross for this  
6 witness?

7 MR. FFITCH: Your Honor, for Public Counsel,  
8 just one or two questions.

9

10 C R O S S - E X A M I N A T I O N

11 BY MR. FFITCH:

12 Q. Ms. Reynolds, first of all you were asked by  
13 Chairman Goltz about weather normalization, and you  
14 indicated that that is a process or a calculation or  
15 determination that needs to be made in a rate case as  
16 well as in decoupling, and I believe you testified that  
17 if you did that, if you had a rate case every year,  
18 which it appears may be the plan that Avista has for its  
19 customers for the foreseeable future, that you would be  
20 doing that every year; was that essentially your  
21 testimony?

22 A. Yes.

23 Q. All right. My question simply is that that  
24 is not the end of the process with respect to  
25 decoupling, correct?

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1 A. No, it is not.

2 Q. All right. And by saying that, what I mean  
3 is that you then within decoupling have to take the  
4 weather normalization data and enter into that process  
5 that we discussed with Mr. Hirschhorn to calculate the  
6 billed/unbilled revenue step in the decoupling  
7 calculation with the weather normalization information  
8 in hand and that that's a whole separate step involving  
9 weather normalization data and methodologies; isn't that  
10 right?

11 A. Yes, it is. I should also point out that the  
12 billed and unbilled calculation happens in the rate case  
13 as well.

14 Q. And on another topic, you were asked about  
15 Avista's measurement of its DSM programs, and you talked  
16 about residential, I guess residential units and how you  
17 could sample those and measure the actual usage, and  
18 then I believe you testified that Avista does a much  
19 better job of measuring their actual usage on their site  
20 specific programs. Do you mean to testify that Avista  
21 actually does usage measurement and verification on its  
22 site specific DSM programs?

23 A. I did not mean to testify that they did it on  
24 every site specific program, I mean every site specific  
25 installation, but they do it on some.

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1 Q. Are you aware that -- strike that.

2 Isn't it true that there's no information  
3 whatever in this record that Avista has performed any  
4 actual measurement, actual usage measurement or  
5 verification with respect to any of its DSM programs,  
6 including site specific programs, except the pre-rinse  
7 sprayers program, a small number of participants in the  
8 pre-rinse sprayers program?

9 A. I would have to accept that subject to check.

10 Q. We can give you a specific exhibit number to  
11 check to your counsel.

12 MR. TRAUTMAN: What number would that be?

13 MR. FFITCH: JP-11-X is the exhibit.

14 No further questions, thank you,

15 Ms. Reynolds.

16 JUDGE TOREM: Mr. Johnson, do you have  
17 anything additional?

18 MR. JOHNSON: No.

19 JUDGE TOREM: Okay, it appears there's  
20 nothing further for this witness, thank you,

21 Ms. Reynolds.

22 Counsel, it's now about 4:40 in the afternoon  
23 on Friday, and miraculously we've come to the end of the  
24 scheduled witnesses and cross-examination. Is there  
25 anything further to keep the Commissioners here with

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1 regard to evidence or other substantive discussion that  
2 we need to have?

3           Seeing none, Commissioners, I will handle the  
4 rest of the procedure if you want to excuse yourselves.

5           CHAIRMAN GOLTZ: I just would like to, I know  
6 you're going to talk about briefs, and just a couple  
7 things that if possible I would like to see in the  
8 briefs.

9           JUDGE TOREM: Give them just a moment to get  
10 their pens ready.

11           CHAIRMAN GOLTZ: One is on decoupling if  
12 there is some updated information on what other  
13 jurisdictions are doing, either who have accepted it or  
14 which have considered it and rejected it.

15           On the Lancaster contract, and I think there  
16 may be some more requests coming out in a Bench request  
17 next week, but whether it makes a difference that there  
18 does not appear to be a contract between Avista Turbine  
19 and Avista Utilities.

20           And then on the, and I think we mentioned  
21 this before or could be deduced from the questioning on  
22 the issue of pro forma adjustments for rate base, what  
23 would be the principle on which we would make that  
24 decision going forward.

25           And otherwise, thank you very much for an

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1 interesting presentation, appreciate all the effort to  
2 keep things concise and clear, testimony was very well  
3 done.

4 JUDGE TOREM: All right, with those focus  
5 points in mind from the Chairman, before we get to the  
6 page limitation question, are there any other questions  
7 about procedure where we are on the hearing other than  
8 talking about briefs from this point forward?

9 Mr. Meyer.

10 MR. MEYER: I am assuming that as these Bench  
11 requests are answered that they will find their way into  
12 the record then?

13 JUDGE TOREM: Yes, I'm going to review real  
14 quickly, I know that Bench Request 4, which was issued  
15 in writing, and Bench Requests 6, 7, and 8 had due dates  
16 of today or earlier, and I believe I've seen that 6, 7,  
17 and 8 are waiting for folks to review, so I thank you  
18 for your attention to those. Bench Request 9, which was  
19 issued in writing yesterday, due on Monday. And also  
20 next week is Bench Request 10 which was regarding the  
21 Lancaster contracts, that's due on Wednesday. Bench  
22 Request 5, which had to do with the CEO salaries and the  
23 amount of dollars being put into Washington rates,  
24 that's due next Friday. And earlier today we had Bench  
25 Request 11, which were the relevant customer notices



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1 going forward from January 1, 2006, those are due next  
2 Wednesday. I will take each of those and mark them as a  
3 Bench exhibit and put them in an updated exhibit list.

4           It appears depending on when we get these  
5 other questions out about the Lancaster BPA and the  
6 Greenhouse Gas Standard impacts, those will be due  
7 either Wednesday or Thursday depending, just really  
8 depends on when we get the Bench request to you and what  
9 seems fair, but those will be, unless there's something  
10 else forthcoming as the Chairman said directing you to  
11 add additional legal issues to the briefs, be the sum  
12 total of the Bench requests, and I'll just make sure  
13 that you get an updated exhibit list so that you know  
14 what you're referring to in your briefs. If you're  
15 footnoting already, you'll just be able to hold  
16 something and fill it in later.

17           One of my fellow judges, Judge Moss, gave me  
18 a piece from Jeffrey Crooks who was a Commissioner from  
19 the State Supreme Court, apparently back on February  
20 21st, 1997, he had a speech or some quotation that I  
21 thought would be helpful in deciding if we want to  
22 extend the page limits set out by our rules of 60 pages,  
23 and this quote that's pinned to Judge Moss's wall says:

24           Page limitations are a necessary  
25           concession to the bounds of human

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1 concentration and the shortness of life.

2 And Jeffrey Crooks goes on to say:

3 Seldom, if ever, is an overlengthy brief

4 helpful either to the court or to the

5 cause of the wordy party.

6 I imagine that's when you exceed the page  
7 limitations that have been handed down, but with that in  
8 mind, I wanted to hear from counsel if there was anyone  
9 that wanted to exceed the 60 page limitation set out by  
10 Commission rule.

11 MR. TRAUTMAN: Staff is not asking for an  
12 extension of the page limit.

13 MR. FFITCH: Your Honor, Public Counsel would  
14 request an extension of the page limit to 90 pages in  
15 recognition of the fact that we have a special docket  
16 consolidated into the rate case on decoupling matter  
17 which is quite significant and precedential in nature in  
18 the first major pilot being evaluated by the Commission,  
19 a very lengthy -- a lot of documentation and complex  
20 issues just within that docket itself. And the Chairman  
21 has just asked for some sort of survey information about  
22 decoupling in other jurisdictions, which actually  
23 Ms. Kimball advises me could actually be a fairly, to do  
24 that properly, could be a fairly lengthy document. We  
25 could maybe make that an appendix to a brief, but to do

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1 a decent review of activities in other jurisdictions  
2 could add some pages as well. In addition, we have,  
3 perhaps unlike some of the other parties, we have  
4 perhaps along with the Company the broadest  
5 responsibilities in terms of covering the issues,  
6 although Staff has been brought into the Lancaster  
7 matter a bit more during the hearing, that's a major  
8 issue for us that also will require some more -- some  
9 space to work.

10 JUDGE TOREM: Understood, thank you. Would  
11 it be of assistance to you and perhaps to others that if  
12 we convert Chairman Goltz's request for the decoupling  
13 information from other jurisdictions to a separate Bench  
14 request so that therefore you could submit that  
15 information maybe in about two weeks time, maybe longer,  
16 but I'm just saying if we put it into a Bench request so  
17 that it subtracts the need to spend time in the brief  
18 laying it out. Because I don't believe, I understand  
19 what you're saying about an appendix to the brief, but a  
20 Bench request would take it out of the page count.

21 MR. FFITCH: Well, Your Honor, I think that  
22 the advantage of, well, I was going to say the advantage  
23 of having it simultaneous with the brief in the appendix  
24 is that you could in the brief point to some of the  
25 things. I suppose you could do that if you developed it

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1 further, but I would prefer to have them be on the same  
2 timeline.

3 MR. TRAUTMAN: I would as well, I think it  
4 makes more sense to have it as part of the brief.

5 JUDGE TOREM: I'm just trying to add some  
6 flexibility to setting a page limit that will be  
7 meaningful to all parties and the Commission.

8 MR. MEYER: Your Honor, some of the  
9 information, the survey type information about what is  
10 being done elsewhere to be helpful might actually come  
11 from some published sources. Rather than have it  
12 reencapsulated in our narrative, it might be more  
13 helpful and to the point to consolidate some of what's  
14 already out there and published. And whether it's  
15 attached as an appendix to a brief or separately  
16 provided, I think you get to the same place. So if we  
17 have the latitude to attach as an appendix to the brief  
18 that sort of thing, which could simply be some published  
19 references already in place, I mean there's lots of  
20 literature out there that summarizes what's in place  
21 throughout the country without us recreating the wheel.

22 JUDGE TOREM: It sounds like that's the main  
23 issue that would cause an appendix of any sort. The  
24 question of the Avista Turbine/Avista Utilities contract  
25 needs to be addressed as a legal matter.

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1 MR. MEYER: Oh, sure.

2 JUDGE TOREM: And the pro forma rate base  
3 general principles going forward is a legal matter to be  
4 briefed.

5 MR. MEYER: Right.

6 JUDGE TOREM: But this decoupling matter  
7 could be a voluminous fact based submission.

8 MR. TRAUTMAN: I agree that it would be  
9 appropriate for an appendix.

10 MR. FFITCH: I would just say, Your Honor, we  
11 don't have any objection to any party attaching whatever  
12 they want. The reality is that most of the published  
13 collections on this are also publications that take a  
14 position on decoupling, so that may go along with the  
15 prepublished packages. Of course we would be taking  
16 positions ourselves in preparing compendiums, but --

17 JUDGE TOREM: Well, certainly citing whether  
18 it's decisions or sources from other jurisdictions would  
19 be persuasive and not precedential so I think we'll take  
20 that in the manner intended. All right, so you're  
21 still, Mr. ffitich, even if we make it an appendix, would  
22 90 pages still be your request?

23 MR. FFITCH: Well, in candor, Your Honor, I  
24 had discussed 90 pages with Mr. Meyer ahead of time and  
25 with counsel for Staff before we heard from the

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1 Chairman, so I would strive mightily not to use that  
2 much, but I would ask for that as insurance I suppose.

3 JUDGE TOREM: Mr. Roseman and Mr. Johnson, I  
4 know you're weighing in on this case on more narrow  
5 issues, do you want to weigh in on the brief length?

6 MR. ROSEMAN: Someone should shoot me if on  
7 my low income issues I get more than 60 pages.

8 JUDGE TOREM: Someone might take you up on  
9 that, Mr. Roseman.

10 Mr. Johnson.

11 MR. JOHNSON: No, I'm not going to take a  
12 position on that issue, although I would say that the  
13 proposal for the addendum approach sounds very workable  
14 for us.

15 JUDGE TOREM: Excellent.

16 MR. MEYER: I don't think it will take 90  
17 pages, probably 80 to 85 is my estimate, but I don't  
18 object to setting a 90 page limit if we need it. I  
19 don't know that we will.

20 JUDGE TOREM: All right, I had consulted with  
21 the Chairman as to what the Commissioners would be  
22 willing to read and had a number in mind from them,  
23 which is not as much as 90 or 80 or 85, but you were  
24 getting warmer if we're playing that game. I'm going to  
25 set the extension against Judge Moss's advice to exceed

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1 it at all at 75 pages based on what the Commissioners  
2 had told me, at least the Chairman, and I will not count  
3 anything regarding the decoupling updates from other  
4 jurisdictions that's referred to in an appendix, that  
5 will not count against the page limit. So it's 75 pages  
6 plus an appendix that I won't set a page limit on  
7 because I don't know -- I want you to give the Chairman  
8 exactly what he asked for, but it would be helpful if  
9 the appendix is going to be lengthy or come in in a  
10 3-ring binder of its own that might need wheels that you  
11 have a table of contents and tab that in a way that was  
12 meaningful and will allow them based on the November 6th  
13 submission date and the Thanksgiving Holiday that will  
14 certainly occur during the time they're reading this to  
15 make it easy for them to find any references that you're  
16 culling out from that in your brief. So remember that  
17 the easier you make it to access, the more likely that  
18 the appendix is to be useful and maybe even read as we  
19 go through the decisionmaking process here at the  
20 Commission.

21 All right, are there any other matters we  
22 need to take up here at the close of the evidentiary  
23 hearing?

24 MR. FFITCH: Your Honor.

25 JUDGE TOREM: Mr. Meyer, none from the

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1 Company?

2 MR. MEYER: No.

3 JUDGE TOREM: All right, Mr. ffitch.

4 MR. FFITCH: Were you going to entertain  
5 requests for an extension on the brief? You had  
6 mentioned that earlier.

7 JUDGE TOREM: I mentioned confirming the  
8 date, is there any need to request an extension? We're  
9 still ending as planned, the suspension date doesn't  
10 move back any.

11 MR. TRAUTMAN: I understand the Commission's  
12 needs, Staff would appreciate an extension of one week.  
13 We have another brief we're doing for the Commission on  
14 the prior Avista appeal in court that's due on October  
15 30th.

16 JUDGE TOREM: All right, Mr. ffitch, did you  
17 have an extension date in mind?

18 MR. FFITCH: No, Your Honor, I have no  
19 objection to that. As a practical matter, there's other  
20 obligations, unless those go away, I pretty much -- this  
21 is the date that works for us, but I understand Staff's  
22 request, we have no objection to that.

23 MR. ROSEMAN: We certainly don't either.

24 MR. JOHNSON: Same, Your Honor.

25 JUDGE TOREM: A working question for the team



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1 that has to review these briefs and have a chance to go  
2 through them and then write a decision memo for the  
3 Commissioners is compressed.

4 MR. TRAUTMAN: I'm aware of that.

5 JUDGE TOREM: I'm looking at Mr. Johnson for  
6 his thoughts on how many extra days each, you know,  
7 there was the zero sum gain used earlier, every day we  
8 give to you is one less that Mr. Johnson, Mr. Byers, and  
9 I have to work this up to the Commissioners. If we  
10 compromise and we give you the additional weekend --

11 MR. TRAUTMAN: How about the 10th, which is  
12 the Tuesday before --

13 JUDGE TOREM: Veteran's Day.

14 MR. TRAUTMAN: Right.

15 JUDGE TOREM: Okay, I would say that was the  
16 date I was looking for, Mr. Trautman. It would give you  
17 two more working days and as needed for Staff a working  
18 weekend if you will if the deadline gets tight. I'm  
19 going to set this for the afternoon of the 10th to file  
20 that with the Commission electronically I would imagine,  
21 and then the next business day is the typical date, that  
22 would be Thursday, so we'll move it to Tuesday, instead  
23 of Friday the 6th, Tuesday the 10th at 5:00.

24 MR. TRAUTMAN: Thank you.

25 JUDGE TOREM: Close of business Tuesday have

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1 the electronic brief filed and sent to all the other  
2 parties, and Commission will be closed on Wednesday for  
3 Veterans Day, so the next available day to actually  
4 deliver it next business day is Thursday the 12th.

5 MR. FFITCH: Your Honor, I have another  
6 matter when you're ready.

7 JUDGE TOREM: Go ahead, sir.

8 MR. FFITCH: And that is to confirm that I  
9 believe under the rules we have an opportunity to  
10 respond to Bench requests, I'm not sure at this point if  
11 we -- I mean to respond to other parties' responses, and  
12 I apologize, I don't have that with me any longer, I  
13 believe there's a 10 day period provided in the rules.  
14 This is pretty theoretical at this point.

15 JUDGE TOREM: Just trying to find the rule so  
16 I can familiarize myself or refamiliarize myself with  
17 it. I take it it's in the WAC 480-07 procedural rules?

18 MR. FFITCH: Yes. I believe I'm remembering  
19 correctly.

20 JUDGE TOREM: Well, you've got me, I'm trying  
21 to put my finger on where it would be.

22 MR. FFITCH: Since it's a theoretical issue,  
23 Your Honor, you know, these will come in, we'll be  
24 reviewing them, if we need to feel the need to respond,  
25 we can take it up at that time. I'll do the -- I'll

1300

1 look at the rules to determine what we are permitted to  
2 do.

3 JUDGE TOREM: Yeah, I would appreciate it,  
4 nothing is leaping out from the titles in 480-07 at the  
5 moment. But if the rules allow it, then clearly we're  
6 not going to place a limitation on that today. But if  
7 the rules allow it, I would suggest that you simply  
8 notify us and all the parties electronically you intend  
9 to do so and state this will be coming on whatever the  
10 due date is according to the rule. So I don't know that  
11 there's any, other than the heads up, there's no other  
12 reason for me to dig into it today. If it's necessary,  
13 it's necessary, and that right would extend to all  
14 parties as well.

15 Anything else?

16 MR. MEYER: No, Your Honor.

17 JUDGE TOREM: All right, miraculously at 2  
18 minutes before 5:00 the evidentiary hearing is  
19 adjourned.

20 (Hearing adjourned at 5:00 p.m.)

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