

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION)	DOCKETS UE-170485 and
)	UG-170486 (<i>Consolidated</i>)
)	
Complainant,)	
)	
v.)	
)	
AVISTA CORPORATION d/b/a)	
AVISTA UTILITIES)	
Respondent.)	
.....)	

TESTIMONY OF EDWARD FINKLEA

ON BEHALF OF

THE NORTHWEST INDUSTRIAL GAS USERS

November 1, 2017

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 **A.** My name is Edward Finklea. My business address is 545 Grandview Drive, Ashland,
3 Oregon 97520. I am the Executive Director of the Northwest Industrial Gas Users
4 (“NWIGU”).

5 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND AND**
6 **EXPERIENCE.**

7 **A.** My resume is attached as Exhibit No. EAF-2 to this testimony.

8 **Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS PROCEEDING?**

9 **A.** No.

10 **Q. ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

11 **A.** I am appearing on behalf of the Northwest Industrial Gas Users (“NWIGU”). NWIGU
12 is a non-profit association comprised of approximately 38 end users of natural gas with
13 major facilities in the States of Oregon, Washington, and Idaho. NWIGU members
14 include diverse industrial and commercial interests, including food processing, pulp and
15 paper, wood products, electric generation, aluminum, steel, chemicals, electronics,
16 aerospace, and healthcare providers. The association provides an informational service
17 to its members and participates in various regulatory matters that affect member
18 interests. NWIGU member companies purchase sales and transportation service from
19 Washington local distribution companies (“LDCs”), including Avista Corporation
20 (“Avista” or the “Company”).

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY**

22 **A.** I am filing this testimony in support of the Multiparty Partial Settlement Stipulation
23 (“Stipulation”) filed in this docket.

1 **Q. WHO ARE THE PARTIES TO THE STIPULATION?**

2 A. Avista, Staff of the Washington Utilities and Transportation Commission (“Staff”), the
3 Public Counsel Unit of the Washington Office of Attorney General (“Public Counsel”),
4 NWIGU, and The Energy Project (collectively the “Settling Parties”).

5 **Q. WHAT ISSUES ARE RESOLVED BY THIS STIPULATION?**

6 A. The Settling Parties have reached a Partial Settlement of some issues in this proceeding
7 including cost of service, rate spread and rate design, and the development of a new gas
8 transportation service option for smaller commercial and industrial customers.

9 **Q. DOES THE STIPULATION ADDRESS AVISTA’S PROPOSED THREE YEAR**
10 **RATE PLAN?**

11 A. No. The Stipulation does not address the three-year rate plan.

12 **Q. DOES THE STIPULATION ADDRESS AVISTA’S PROPOSED REVENUE**
13 **REQUIREMENT OR COST OF CAPITAL?**

14 A. No, these issues are not addressed in the Stipulation.

15 **Q. WHAT IS THE AGREEMENT ON NATURAL GAS RATE SPREAD?**

16 A. The Settling Parties have agreed that for any revenue changes approved in any final
17 order in this proceeding, to apply an equal percent of margin increase or decrease to
18 each schedule (except for Schedule 148, Special Contracts) for purposes of spreading
19 the increase or decrease in the retail natural gas base margin revenue requirement.

20 **Q. WHAT IS THE AGREEMENT ON NATURAL GAS RATE DESIGN?**

21 A. The General Service Schedules 101/102 Basic Charge will increase to \$9.50 per month
22 from \$9.00, with the remaining revenue spread to the volumetric rates on a uniform
23 percentage basis, consistent with Avista’s filed request. For Transportation Service

1 Schedule 146, the monthly basic charge will increase from \$525 to \$550 per month, and
2 the remaining revenue increase will be spread on a uniform percentage basis to all
3 blocks. The Rate Design for other Schedules will be as follows: (a) Large General
4 Service Schedules 111/112 will have an increase in the monthly Minimum Charge based
5 on Schedule 101 rates (breakeven at 200 therms), and a uniform percentage increase to
6 all blocks; (b) High Annual Load Factor Large General Service Schedules 121/122 will
7 have an increase in the monthly Minimum Charge based on Schedule 101 rates
8 (breakeven at 500 therms), and a uniform percentage increase to all blocks; and (c)
9 Interruptible Service Schedules 131/132 will have a uniform percentage increase to all
10 blocks.

11 **Q. IF THE RATE PLAN IS APPROVED, WHAT IS THE AGREEMENT ON**
12 **NATURAL GAS RATE DESIGN?**

13 **A.** If the rate plan is approved, the revenue changes will be administered through Schedule
14 196 as originally proposed by the Company. For rate design, the Company will spread
15 the revenue increases or decreases for each schedule except Schedule 148 on a uniform
16 percent of margin basis to the variable energy rates.

17 **Q. WHY IS THE SETTLEMENT ON RATE SPREAD AND RATE DESIGN**
18 **REASONABLE AND IN THE PUBLIC INTEREST?**

19 **A.** In the last Avista general rate case, the Commission agreed to open a generic proceeding
20 to investigate the appropriate methodology the Commission should use for cost of
21 service.¹ Rather than have all parties presenting the Commission with competing cost

¹ *Washington Utilities and Transp. Comm'n v. Avista Corp.*, Dockets UE-160228 and UG-160229, Order 06 (Dec. 15, 2016) at ¶¶94-100.

1 of service studies in this case, with a wide and predicable range of results, the parties
2 have agreed to spread the increase on an equal percent of margin basis, which is a
3 reasonable result based on Avista's cost of service study. The Settlement will preserve
4 the status quo and allow the parties to participate in the collaborative, which is intended
5 to better inform the Commission on the differing views on cost of service. This
6 approach is better suited to achieving a lasting resolution for cost of service that all
7 parties can support having been developed through a collaborative rather than through
8 litigation.

9 **Q. DOES NWIGU AGREE WITH THE COST OF SERVICE STUDY THAT**
10 **AVISTA PERFORMED IN THIS CASE?**

11 A. NWIGU agrees with the *results* of the cost of service study performed by Avista for the
12 limited purpose of the Settlement, because it demonstrates that the equal percent of
13 margin approach is reasonable and supported by the record.

14 **Q. DO YOU SUPPORT THE EXPANDED NATURAL GAS TRANSPORTATION**
15 **SERVICE PRESENTED IN THE SETTLEMENT?**

16 A. Yes. I fully support adding a transportation service option for smaller commercial and
17 industrial customers. This will give smaller customers more flexibility in how they
18 operate their facilities. Many customers find that purchasing gas through a marketer is
19 more economical than purchasing bundled service through an LDC.

20 **Q. DO SMALLER COMMERCIAL AND INDUSTRIAL CUSTOMERS**
21 **CURRENTLY HAVE THE OPTION TO TRANSPORT ON AVISTA'S**
22 **SYSTEM?**

23 A. No. Transportation Schedule 146 is only available for larger commercial and industrial

1 customers--those transporting more than 250,000 therms per year. This high threshold
2 precludes many smaller customers from purchasing their own gas and transporting that
3 gas on Avista's system. This threshold ultimately limits customer choice and
4 opportunities for smaller customers to save money and operate more efficiently.

5 **Q. WHAT IS THE SPECIFIC PROPOSAL FOR THE NEW RATE SCHEDULES?**

6 A. Customers presently served on sales Schedules 111/112 and 121/122 may elect to take
7 service, for a minimum of one year, under new transportation service Schedules 116 or
8 126, respectively.

9 **Q. WHAT IS THE ELIGIBILITY FOR SERVICE UNDER TRANSPORTATION**
10 **SERVICE SCHEDULES 116 OR 126?**

11 A. For Schedules 111/112, sales customers must have a minimum annual average usage of
12 30,000 therms, as determined by the Company, to qualify for transportation service
13 under new service Schedule 116. All Schedule 121/122 sales customers will qualify for
14 transportation service on Schedule 126 (as the minimum annual usage threshold for
15 Schedule 121/122 is 60,000 therms).

16 **Q. HOW WILL THE NEW RATE TRANSPORTATION RATE SCHEUDLES BE**
17 **PRICED?**

18 A. The base rates for Transportation Schedules 116 and 126 will be the same as the base
19 rates on Schedules 111/112 and 121/122, respectively.

20 **Q. HOW WILL OTHER RATE ADJUSTMENTS BE HANDLED FOR**
21 **SCHEDULES 116 AND 126?**

22 A. For purposes of cost of service studies, and rate spread and rate design proposals, and
23 all future additions to the rate schedules (DSM, Decoupling, LIRAP, etc.), Schedule 116

1 will be grouped with Schedules 111/112 and Schedule 126 will be grouped with
2 Schedules 121/122. Further, customers served on Transportation Schedules 116 and
3 126 will be subject to the Company's natural gas decoupling mechanism. Schedules
4 116 and 126 will contain the same provisions contained in the Company's tariff sheets
5 146A through 146D, which relate to the transportation of customer-owned natural gas.

6 **Q. DO OTHER WASHINGTON LDCS HAVE TRANSPORTATION OPTIONS**
7 **FOR SMALLER COMMERCIAL AND INDUSTRIAL CUSTOMERS?**

8 A. Yes. Puget Sound Energy ("PSE"), for example, has several transportation schedules
9 for smaller customers. There is simply no reason to allow smaller customers of PSE to
10 transport gas and to not have the same options available to customers of Avista.

11 **Q. WILL THERE BE ANY COST SHIFTING FROM THE DEVELOPMENT OF**
12 **THE NEW TRANSPORTATION RATE SCHEDULES?**

13 A. No. Transportation Schedules 116 and 126 are designed to protect the Company's
14 margin and also to not shift costs between rate schedules, so other customers are held
15 harmless. The objective here is to give smaller commercial and industrial customers
16 more choice in how they purchase gas services. Allowing smaller customers the ability
17 to purchase commodity from third parties, while preserving the company's margin, and
18 protecting other customers, is in the public interest.

19 **Q. WILL SCHEDULE 146 BE CHANGED?**

20 A. No. The creation of new Transportation Rate Schedules 116 and 126 will have no
21 impact on Schedule 146. The threshold to transport on Schedule 146 remains at 250,000
22 therms per year, and no other changes to that schedule are contemplated except for the
23 rate design changes discussed above.

1 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

2 **A.** Yes, it does.

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November 1, 2017

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Edward A. Finklea

Primary Professional Experience

Lead counsel for the Northwest Industrial Gas Users (“NWIGU”) from 1986 until 2008 in all regulatory interventions concerning Williams Gas Pipeline West and TransCanada Gas Transmission Northwest, and before state regulatory commissions concerning regulation of the five regional natural gas local distribution companies (“LDCs”).

Represented NWIGU before the Federal Energy Regulatory Commission in interstate pipeline rate and certificate proceedings, before the Oregon Public Utility Commission in natural gas rate and other regulatory proceedings, before the Washington Utilities and Transportation Commission in natural gas rate, safety and other regulatory proceedings and in proceedings before the Idaho Public Utility Commission..

Employment History

Executive Director for the Northwest Industrial Gas Users, August 2012 to present

Adjunct Professor at Northwestern School of Law, Lewis and Clark College “Law and Economics” Current

Senior Counsel, NiSource Corporate Services Inc.
Regulatory counsel to interstate pipeline, representing company before Federal Energy Regulatory Commission and advising company on federal regulatory compliance and business transactions. November, 2009 to November, 2011

Executive Director, Energy Action Northwest. Organization advocated for siting and permitting of interstate pipelines, liquefied natural gas terminals, and high voltage transmission projects in Oregon and Washington.

Represented organization before state legislature and in media relations. July, 2008 to October, 2009

Partner, Cable Huston Benedict Haagensen & Lloyd. Private law practice specializing in energy law. 2004 until July 2008.

Managing Partner, Energy Advocates LLP. Founded firm with offices in Portland, Oregon and Washington D.C. 1997-2003

Partner, Ball Janik LLP. 1994-1997

Partner, Heller Ehrman White & McAuliffe. 1990-1994

Partner, Tonkin Torp Galen Marmaduke & Booth. 1986-1990

Associate, Garvey Schubert. 1986-1988

Assistant General Counsel to Northwest Natural Gas handling state regulatory matters and providing counsel to the company on energy projects, including a landfill gas project. 1984-1986

Counsel to the Bonneville Power Administration litigating electric rate issues in administrative hearings and defending BPA before the Ninth Circuit Court of Appeals. 1982-84

Trial Attorney for the Federal Energy Regulatory Commission in hydroelectric licensing and co-generation regulation. 1981-82

Law Clerk for the Council on Wage and Price Stability, Executive Office of the President of the United States. 1980-81

**Summary of
Professional
Engagements**

Represented Columbia Gulf Transmission in general rate proceeding before the Federal Energy Regulatory Commission.

Represented applicants in proceeding before Federal Energy Regulatory Commission seeking authorization to provide incentive fuel mechanism and natural gas hub services.

Represented industrial gas consumers in contract negotiations for the purchase of natural gas commodity and interstate pipeline services.

Counsel to a medical center interconnecting a cogeneration plant with an investor-owned utility and advising client on long-term gas purchasing arrangement for electric generation.

Represented numerous clients to secure direct connections to interstate pipelines, addressing all regulatory issues involving certification of connecting facilities and operations of private pipelines.

Represented liquefied natural gas developer in governmental relations associated with securing federal and local permits for development of an energy project.

Represented customers in negotiating special contracts for purchasing natural gas distribution services from local utilities.

Represented public port authority in a pipeline siting issue.

Represented Eugene Water and Electric Board in select issues concerning Bonneville Power Administration.

Represented irrigation farmers in electric rate dispute involving FERC-licensed hydroelectric project before the Oregon Public Utility Commission.

Represented clients in trial court and appellate litigation on energy-related issues.

Represented industrial customer in anti-trust litigation and FERC refund proceedings stemming for 2000-2001 Western Energy Crisis.

Represented industrial electric customers in the restructuring of electric utilities in Oregon.

Represented an oil company shipper on an intrastate oil pipeline in rate proceeding before the Washington Utilities and Transportation Commission.

Individual clients while in private practice in addition to NWIGU included Alcoa, Armstrong World Industries, Blue Heron Paper, Boeing, ESCO, James River Paper (now Georgia Pacific) JR Simplot, Legacy Health Systems, MicroChip Technology, NorthernStar Natural Gas, Texaco Gas Marketing, Valley Medical Center, WaferTech, Wah Chang, West Linn Paper, and Weyerhaeuser.

Education

BA in Political Science from the University of Minnesota
1974

J.D. Northwestern School of Law, Lewis and Clark College
1980

**Professional
Memberships**

Admitted to practice law in the States of Oregon and Texas
and before several Federal district and appellate courts.

Adjunct Professor at Northwestern School of Law, Lewis and
Clark College "Northwest Energy Law". 1984 to 2005

Past Chairman of "Energy, Telecom and Utilities" section
of the Oregon State Bar.

Member of the Federal Energy Bar Association.

Lecturer: Buying and Selling Electric Power in the West,
Law Seminars International Conference. Presentations on
natural gas industry. 2004 to 2009.