

**Docket Nos. UE-220053, UG-220054, and UE-210854  
(Consolidated) – Vol V**

**WUTC v. Avista Corporation**

**September 21, 2022**



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BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND	)	
TRANSPORTATION COMMISSION,	)	
	)	
Complainant,	)	
	)	Dockets UE-220053,
vs.	)	UG-220054, UE-210854
	)	(consolidated)
AVISTA CORPORATION, d/b/a	)	
AVISTA UTILITIES,	)	
	)	
Respondent.	)	

VIRTUAL SETTLEMENT HEARING  
ADMINISTRATIVE LAW JUDGE ANDREW O'CONNELL

VOLUME V  
PAGES 91-371

September 21, 2022

9:15 a.m.

(All participants appeared via videoconference.)

DATE TAKEN: SEPTEMBER 21, 2022

REPORTED BY: CARISA KITSELMAN, RPR, CCR 2018

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1 SETTLEMENT HEARING

2 EXAMINATION INDEX

3 EXAMINATION PAGE

4 Elizabeth Andrews	
5 Cross by Ms. Paisner	157
5 Redirect by Mr. Meyer	262

6 Adrien McKenzie	
7 Cross by Ms. Suetake	268
7 Redirect by Mr. Meyer	276

8 Dr. Grant Forsyth	
9 Cross by Ms. Paisner	280

10 Scott Kinney	
10 Cross by Ms. Suetake	289
11 Redirect by Mr. Meyer	295
11 Recross by Ms. Suetake	297

12 Kelly Magalsky	
13 Cross by Ms. Paisner	300

14 David Howell	
14 Cross by Ms. Suetake	327
15 Redirect by Mr. Meyer	346

16 Robert Brandkamp	
16 Cross by Ms. Paisner	353

17 E X H I B I T S

18 \* \* \* Prefiled testimony and exhibits admitted \* \* \*

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1 September 21, 2022

2 9:15 A.M.

3 JUDGE O'CONNELL: Good morning. It is  
4 Wednesday, September 21, 2022. The time is approximately  
5 almost 9:15 a.m. My name is Andrew O'Connell. I am the  
6 presiding administrative law judge with the Washington  
7 Utilities and Transportation Commission along with the  
8 Commissioners who will join us in a moment.

9 We are here today for an evidentiary hearing and  
10 settlement hearing in consolidated Dockets UE-220053,  
11 UG-220054, and UE-210854. Which is Avista's electric and  
12 natural gas general rate case and also its electric  
13 service reliability reporting plan.

14 We are using videoconferencing software for  
15 today's hearing. That software makes it possible for the  
16 parties to see video of myself and the Commissioners  
17 during the hearing and allows us to see video of the  
18 witnesses when they testify, as well as the parties'  
19 attorneys when they're recognized by the bench. No other  
20 participant or observer should be appearing on the video.

21 Let's take short appearances. And please tell  
22 me how you would like me to address you during this  
23 hearing.

24 For me, you can use he/him pronouns and address  
25 me as Judge or Judge O'Connell.

1 Let's start with Staff and then Avista.

2 MR. CALLAGHAN: Thank you, Your Honor.  
3 Nash Callaghan, assistant attorney general, on behalf of  
4 Commission Staff. I use he/him pronouns.

5 JUDGE O'CONNELL: Thank you.  
6 For Avista.

7 MR. MEYER: David Meyer for Avista. He/him.  
8 Thank you.

9 JUDGE O'CONNELL: Thank you.  
10 For Public Counsel.

11 MS. SUETAKE: Good morning. I'm Nina Suetake,  
12 assistant attorney general, for public counsel unit. I  
13 use she/her pronouns. And Ms. Suetake is fine.

14 JUDGE O'CONNELL: Thank you.  
15 For the Alliance of Western Energy Consumers.  
16 One moment. I apologize. I understand that there's more  
17 than one representative for Public Counsel. And I  
18 apologize for cutting you off.

19 Please go ahead for Public Counsel.

20 MS. PAISNER: Thank you. This is Ann Paisner,  
21 assistant attorney general. For the Public Counsel unit  
22 of the Washington state, office of the attorney general.  
23 My pronouns are she/her. And you may address me as  
24 Ms. Paisner.

25 JUDGE O'CONNELL: Is Ms. Gafken also going to

1 be appearing today?

2 MS. PAISNER: No, she's not.

3 JUDGE O'CONNELL: Okay. Thank you.

4 Now for the Alliance of Western Energy  
5 Consumers.

6 MS. MOSER: Thank you, Your Honor. Sommer  
7 Moser with Davison Van Cleve on behalf of the Alliance of  
8 Western Energy Consumers. And my pronouns are she/her.

9 JUDGE O'CONNELL: Okay. For the Northwest  
10 Energy Coalition.

11 MS. HARDWICK: Hi, Judge. My name is Ellie  
12 Hardwick with NWECC. And my pronouns are she/her.

13 MR. SANGER: My name is Irion Sanger appearing  
14 on behalf of Northwest Energy Coalition as well. And my  
15 pronouns are he/him.

16 JUDGE O'CONNELL: And for the Energy Project.

17 MR. ZAKAI: Good morning, Your Honor. My name  
18 is Yochi Zakai. I'm with the firm of Shute, Mihaly &  
19 Weinberger. And I'm appearing today on behalf of the  
20 Energy Project. Thank you.

21 JUDGE O'CONNELL: Thank you.

22 For the -- for Sierra Club.

23 MR. DENNISON: Good morning, Your Honor. Jim  
24 Dennison with Sierra Club. I use he/him pronouns.

25 JUDGE O'CONNELL: For Walmart.



1 MS. BALDWIN: Good morning. My name is Vicki  
2 Baldwin. I'm with the firm of Parsons Behle & Latimer on  
3 behalf of Walmart, and you can call me Ms. Baldwin. I  
4 use the pronouns she/her.

5 JUDGE O'CONNELL: Thank you.

6 For Small Business Utility Advocates.

7 MS. WEBERSKI: Thank you, Your Honor.  
8 Jennifer Weberski on behalf of Small Business Utility  
9 Advocates or SBUA. I use the pronouns she/her. And I  
10 can be addressed as Ms. Weberski.

11 JUDGE O'CONNELL: Okay. Thank you.

12 Okay. Regarding exhibits, the parties have  
13 stipulated to the admission of all prefiled testimony.

14 Let me double-check. Is there any change to  
15 that from the parties?

16 Okay. Hearing nothing, the parties have  
17 stipulated to the admission of all prefiled testimony and  
18 exhibits, including all recently revised exhibits.

19 Public Counsel's motion to file revised Exhibit AT-24R is  
20 granted and as updated yesterday and the testimony. And  
21 exhibits are admitted as stipulated. My understanding is  
22 there's one slight correction to a cross exhibit intended  
23 for Avista witness Howell. I am going to recognize  
24 Mr. Meyer for Avista.

25 Can you please explain that correction?

1 MR. MEYER: Yes. Thank you, Your Honor.

2 There is a cross exhibit for Mr. Howell. It's  
3 identified as DRH-11X. And at page 2 of 2, subpart B,  
4 there is -- or there are two numbers, actually, that will  
5 change.

6 The first is under ii, toward the top of that  
7 page. The number 1,073 should be 829. So that refers to  
8 829 structures.

9 And then down below in subpart B, there is a  
10 number in the last sentence that is 992 structures. That  
11 number should change to 748. And that completes the  
12 correction.

13 JUDGE O'CONNELL: Thank you.

14 Public Counsel, would you like to be recognized  
15 on this?

16 MS. SUETAKE: Apologies for trying to  
17 interrupt there. I was trying to shortcut that.

18 I've been talking with my expert, and I do not  
19 believe we'll be actually needing that particular cross  
20 exhibit now as we try to continue to streamline our  
21 cross.

22 JUDGE O'CONNELL: Even that being the case, I  
23 appreciate having the correction in the event that -- as  
24 part of the record. The Commission has been reviewing  
25 everything in the record, and I would like it all to be

1 correct as we're preparing a final decision.

2 So thank you for making that correction.

3 Okay. Briefly, Public Counsel, I want to talk  
4 about the public comments exhibit.

5 Ms. Suetake, I want to be aware of the time  
6 crunch for Public Counsel with the Puget Sound Energy  
7 general rate case hearing being held less than two weeks  
8 after this hearing.

9 How long is a reasonable time, considering your  
10 constraints, to allow Public Counsel to compile any  
11 public comments received regarding this case and then  
12 file it with the Commission?

13 MS. SUETAKE: Your Honor, we had previously  
14 agreed to I believe it was a date of September 28th.  
15 That date should still be fine for us. A week is  
16 generally sufficient.

17 JUDGE O'CONNELL: Okay. I will designate this  
18 request as Bench Request No. 3 or BR-3.

19 And after this hearing, either by the end of the  
20 day today or the end of the day tomorrow, I will issue a  
21 notice outlining any bench requests that get made during  
22 the hearing, including this one. And I will identify  
23 that the response from Public Counsel for the public  
24 comments will be filed by September 28, 2022.

25 Let's talk about today's hearing schedule.

1           First, the Commissioners and I will have our  
2 video on the entire hearing. And we ask that only those  
3 witnesses who are on the settlement panel, or who are  
4 testifying on their turn, will have their cameras on  
5 while testifying.

6           Attorneys should turn on their video when they  
7 want to speak or be identified by the bench. And for  
8 everyone, please keep your microphones muted at all times  
9 unless you want to speak.

10           Okay. We're going to start with the settlement  
11 panel.

12           All witnesses should, in a little bit, turn  
13 their video on during the panel. I expect the intended  
14 bench questions for the panel to take approximately  
15 30 minutes.

16           After the panel, I intend to take the witnesses  
17 in the order indicated by the cross estimates list  
18 submitted to me by the parties last week.

19           However, I'm aware that there is a slight  
20 modification that I would like to have confirmation of.  
21 That instead of beginning cross-examination with Patrick  
22 Ehrbar, we will begin with Elizabeth Andrews.

23           Is my understanding correct?

24           MR. MEYER: Yes, Your Honor.

25           JUDGE O'CONNELL: Okay. We'll have a hard

1 stop at 5:30 p.m. today. I expect us to finish with all  
2 intended witnesses before then. But we will see how  
3 quickly the hearing moves.

4 Are there any questions about scheduling or  
5 witnesses before we get started?

6 Okay. With that, I am going to ask  
7 Chair Danner, Commissioner Rendahl, and Commissioner  
8 Doumit to join us. We have one pause, please.

9 And the representatives for the parties, can I  
10 have you please turn back on your video? I'd like to  
11 have brief introductions.

12 Again, for the Commissioners.

13 MR. MEYER: Yes. Thank you, Your Honor.  
14 David Meyer for Avista.

15 JUDGE O'CONNELL: Thank you. Let's -- let me  
16 wait until I make sure that we have all three of our  
17 Commissioners on the line.

18 CHAIR DANNER: I am here, Your Honor.

19 JUDGE O'CONNELL: I see all three of our  
20 commissioners are on the line.

21 Let's go ahead with brief introductions starting  
22 with Avista.

23 MR. MEYER: Yes. Good morning. David Meyer  
24 for Avista.

25 JUDGE O'CONNELL: Thank you. And for

1 Commission Staff.

2 MR. CALLAGHAN: Thank you, Your Honor.  
3 Nash Callaghan, assistant attorney general, on behalf of  
4 Commission Staff.

5 JUDGE O'CONNELL: For Public Counsel.

6 MS. SUETAKE: Good morning. My name is Nina  
7 Suetake. I am an assistant attorney general on behalf of  
8 Public Counsel unit. And I am joined by my co-counsel,  
9 Ann Paisner.

10 JUDGE O'CONNELL: Thank you.  
11 For the Alliance of Western Energy Consumers.

12 MS. MOSER: Good morning. Sommer Moser on  
13 behalf of AWEC.

14 JUDGE O'CONNELL: For Northwest Energy  
15 Coalition.

16 MR. SANGER: Irion Sanger here on behalf of  
17 Northwest Energy Coalition, and I am joined by  
18 Ellie Hardwick.

19 JUDGE O'CONNELL: For the Energy Project.

20 MR. ZAKAI: Good morning. Yochi Zakai for the  
21 Energy Project or TEP.

22 JUDGE O'CONNELL: For Sierra Club.

23 MR. DENNISON: Good morning. Jim Dennison  
24 with Sierra Club.

25 JUDGE O'CONNELL: And for Walmart.

1 MS. BALDWIN: Good morning. Vicki Baldwin on  
2 behalf of Walmart.

3 JUDGE O'CONNELL: For Small Business Utility  
4 Advocates.

5 MS. WEBERSKI: Good morning.  
6 Jennifer Weberski on behalf of Small Business Utility  
7 Advocates or SBUA.

8 JUDGE O'CONNELL: Thank you.

9 Now let's have our attorneys turn off their  
10 video. If you need to be recognized, go ahead and turn  
11 your video back on.

12 But for now, let's have our settlement panel,  
13 all of the witnesses, turn on their video.

14 And I would like to invite the parties to please  
15 identify if we're having difficulties getting video for  
16 any witnesses. Yeah. We'll wait a couple moments, but  
17 please let us know.

18 Okay. Let me make sure that I see everyone that  
19 we're expecting.

20 I'm expecting to also see Ed Burgess. Is  
21 Ed Burgess going to be joining us today?

22 MR. DENNISON: This is Jim Dennison with the  
23 Sierra Club. Let me see if I can get in touch with him.

24 JUDGE O'CONNELL: Thank you.

25 I'd like to remind everyone to please mute your

1 microphones if you are not speaking.

2 Mr. Dennison, do you have an update for us?

3 Mr. Dennison, are you available and will you  
4 please update us?

5 MR. DENNISON: Hello. Sorry about the delay.  
6 I was just speaking with Mr. Burgess. He is just getting  
7 connected and should be able to join momentarily.

8 JUDGE O'CONNELL: Okay. Thank you.

9 Well, while we are waiting momentarily for  
10 Mr. Burgess to join us, let's have each of the other  
11 witnesses introduce themselves for the record, spelling  
12 their last name, please.

13 Beginning with Avista.

14 MR. EHRBAR: Sure. Good morning, Your Honor.  
15 Good morning, Commissioners. This is Patrick Ehrbar.  
16 Last name is spelled E-h-r-b-a-r. I'm the director of  
17 regulatory affairs for Avista.

18 MS. ANDREWS: Good morning. I am  
19 Elizabeth Andrews, spelled A-n-d-r-e-w-s. And I am the  
20 senior manager of revenue requirements for Avista.

21 JUDGE O'CONNELL: And for Staff, please.

22 MS. HILLSTEAD: Kristen Hillstead,  
23 H-i-l-l-s-t-e-a-d.

24 MR. MCGUIRE: Good morning. Chris McGuire,  
25 last named spelled M-c-G-u-i-r-e.



1 JUDGE O'CONNELL: And for the Alliance of  
2 Western Energy Consumers.

3 MR. MULLINS: Good morning. Brad Mullins,  
4 last name spelled M-u-l-l-i-n-s. Representing the  
5 Alliance of Western Energy Consumers or AWEC.

6 JUDGE O'CONNELL: Thank you.  
7 For the Northwest Energy Coalition.

8 MS. McCLOY: Good morning. Lauren McCloy for  
9 Northwest Energy Coalition. My last name is spelled  
10 M-c-C-l-o-y.

11 JUDGE O'CONNELL: Thank you.  
12 For the Energy Project.

13 MR. CEBULKO: Good morning. My name is  
14 Bradley Cebulko, and my last name is spelled  
15 C-e-b-u-l-k-o.

16 JUDGE O'CONNELL: Thank you.  
17 Sierra Club. I apologize. Mr. Burgess is  
18 currently not yet available.

19 For Walmart, please.

20 MR. KRONAUER: Good morning. My name is Alex  
21 Kronauer. I'm the senior manager on the energy services  
22 team at Walmart. And my last name is spelled K-r-o, n a s  
23 in Nancy, a-u-e-r.

24 JUDGE O'CONNELL: Thank you.  
25 And for the Small Business Utility Advocates.

1 MR. WILSON: Good morning. James Wilson,  
2 consultant on behalf of Small Business Utility Advocates.  
3 W-i-l-s-o-n.

4 JUDGE O'CONNELL: Thank you.

5 Well, let's go ahead and move forward. When  
6 Mr. Burgess is able to join us, we will have him  
7 introduce himself and swear him in separately.

8 Mr. Kronauer, for Walmart, will you please turn  
9 back on your video? Thank you.

10 To all of the witnesses, will you please raise  
11 your right hand?

12 (Witnesses sworn.)

13 JUDGE O'CONNELL: Thank you.

14 Okay. Let me then turn it over to the  
15 Commissioners to go forward with questions for the  
16 settlement panel. Thank you.

17 CHAIR DANNER: Thank you, Your Honor. I guess  
18 I'll go first.

19 So mine is really just a clarifying question.

20 The settling party stated in the testimony on  
21 page 25 that the baseline over the multiyear rate plan  
22 will be as updated in Avista's response to Public  
23 Counsel's data request 103C totaling \$8,271,000 from  
24 Washington electric operations and \$1,746,000 for  
25 Washington natural gas operations.

1           When I was looking at the Exhibit SC-6C, I can't  
2 find those amounts and they don't seem to be readily  
3 attainable.

4           And so I just wanted to get some confirmation  
5 that the baseline amounts proposed by the settling  
6 parties are, in fact, \$8,271,000 for electric and  
7 1,746,000 for gas.

8           Can you help me with that?

9           MS. ANDREWS: Yes. I realize that -- so those  
10 balances are the overall --

11          CHAIR DANNER: Who is speaking?

12          MS. ANDREWS: I'm sorry. This is Elizabeth  
13 Andrews for Avista. Thank you.

14          And, yes, the PCDR-103C provided the system  
15 amounts for the total level of expense that was included  
16 per the settlement. It may not be as clear in that  
17 exhibit, the portion amount associated with Washington  
18 electric of 8.271 million and Washington natural gas of  
19 1.746 million.

20          CHAIR DANNER: Okay. So is the responsive  
21 exhibit going to be updated to reflect those amounts, or  
22 are you saying that those amounts are already in there?

23          MS. ANDREWS: Let me verify. I thought that  
24 they were.

25          I will -- subject to check, and if those

1 balances are not there, then we can update Exhibit 103.5,  
2 which I believe is an exhibit of Mr. Coppola's.

3 CHAIR DANNER: Yes. 6C.

4 MS. ANDREWS: I'm sorry. I don't have it in  
5 front of me. But we will verify that.

6 And if it's not readily there, then we can  
7 update that to show that amount.

8 CHAIR DANNER: Okay. And if it needs to be  
9 updated, when would we see those updates?

10 MS. ANDREWS: We can have that available by  
11 tomorrow? What do you want to do?

12 MR. MEYER: Perhaps today. We can do that on  
13 the record.

14 MS. ANDREWS: Yeah.

15 CHAIR DANNER: And, again, if there are  
16 updates, would you agree to highlight and explain any  
17 changes?

18 MS. ANDREWS: Yes.

19 CHAIR DANNER: All right. All right. Well,  
20 thank you very much, Ms. Andrews.

21 MS. ANDREWS: Thank you.

22 JUDGE O'CONNELL: Before we move on to any  
23 more questions, I would like to ask Mr. Burgess, I saw  
24 that he has joined.

25 Ed Burgess, will you please turn on your video?

1 Thank you.

2 Will you please introduce yourself and spell  
3 your last name for the record.

4 MR. BURGESS: Yes. Hi. Edward Burgess,  
5 senior director with Strategen. And I'm here on behalf  
6 of the Sierra Club. My last name is B-u-r-g-e-s-s.

7 JUDGE O'CONNELL: Thank you.

8 I've already sworn in all the other witnesses on  
9 the settlement panel. I am going to swear you in now.

10 Will you please raise your right hand.

11 (Witness sworn.)

12 JUDGE O'CONNELL: Thank you. Okay. I wanted  
13 to turn it back over to the Commissioners. Thank you.

14 COMMISSIONER RENDAHL: Okay. Thank you.

15 Good morning, everyone. I have a few questions  
16 about the issue of the tax customer credit and how it's  
17 reflected in the rate spread rate design.

18 But, first, can someone identify what the  
19 revised average residential bills would be at the  
20 proposed rates for electric and natural gas based on the  
21 settlement for each year of the multiyear rate plan?

22 And if it is specified in one of the exhibits,  
23 if you can let me know where that is.

24 MR. EHRBAR: Yes. Commissioner Rendahl, this  
25 is Pat Ehrbar.

1           So I'm looking at JT-1T. And I'm on page 18.  
2           And what we show there, lines 3 to 8, are the monthly  
3           bill impact inconclusive of the residual tax credit for  
4           electric. And that amount is roughly \$4.47. And there's  
5           other numbers in there. But that's for the electric.

6           For natural -- for year two of electric, that's  
7           on the next page, page 19 at line 9. And then for  
8           natural gas, year one, that's on page 20, starting at  
9           line 11. And for year two is page 21, line 7.

10           COMMISSIONER RENDAHL: Okay. Thank you. I  
11           appreciate that detail.

12           So then if you would turn to the settlement  
13           stipulation, JT-2 at page 2 and paragraph 3, it says that  
14           the residual tax customer credit is being amortized over  
15           two years beginning December 21, 2022.

16           But then if you look at Attachment A on pages 1  
17           and 5 where it references the Schedule 78 and Schedule  
18           178 tax rate credits, this shows that zero is being  
19           passed back to customers in rate year two. And this is  
20           also reflected on page 5 of the settlement stipulation.

21           So why is the credit not being returned to  
22           customers in rate year two of the multiyear rate plan  
23           when the settlement appears to reflect that the credit is  
24           being amortized over the two-year rate plan?

25           MR. EHRBAR: Yes. So this is Pat again.

1 That's a great question.

2 So the total amount of the electric credit  
3 grossed up for revenue-related expenses and all those  
4 items, is roughly, call it 27 million in electric. I'll  
5 just stick with electric now.

6 We're spreading that 27 million over the two  
7 years. So, essentially, it's divided by two in that  
8 we're passing back 13.8 million in year one as shown on  
9 Attachment A, page 1. And that persists. So it doesn't  
10 go up nor go down in year two, which is why it reflects  
11 zero.

12 So it will persist through the rate plan.

13 And then at the end of the rate plan, then it  
14 will expire.

15 COMMISSIONER RENDAHL: Okay. So it's not --

16 MR. EHRBAR: It's the same story on the gas  
17 side.

18 COMMISSIONER RENDAHL: So those numbers that  
19 are in year two already reflect the -- for example, for  
20 electric, the 13.8 million, it's already included in that  
21 number?

22 MR. EHRBAR: That's right. It's already baked  
23 in. Exactly.

24 COMMISSIONER RENDAHL: Okay. You can  
25 understand the need for clarity when the testimony

1 indicates and the settlement indicates it's being spread  
2 over the two years. And I'm wondering if it's possible  
3 to reflect this more clearly in the numbers. It might be  
4 something we'll think about. We might want to issue a  
5 bench request on that. I'm not prepared at this point to  
6 craft that bench request, but we may issue a bench  
7 request later to reflect that.

8 MR. EHRBAR: We'd be happy to reshow it in any  
9 way that makes it clear for all parties.

10 COMMISSIONER RENDAHL: Okay. Thank you.

11 MR. EHRBAR: You bet.

12 COMMISSIONER RENDAHL: I have no further  
13 questions about the tax credit issue.

14 CHAIR DANNER: Your Honor, if I may, I have  
15 some questions about performance-based rate making that I  
16 would like to explore with the settling parties.

17 What I see is what you have put forth as a set  
18 of data metrics for Avista to track on specific aspects  
19 of its operations.

20 They don't -- there don't seem to be  
21 requirements to report these to the Commission or have  
22 them reviewed by the Commission or Commission Staff.

23 And I was wondering, given -- has there been any  
24 discussion among the parties about whether this, in fact,  
25 complies with the multiyear rate plan statute,



1 specifically RCW 80.28.425(7) says, quote, "The  
2 Commission must, in approving a multiyear rate plan,  
3 determine a set of performance measures that will be used  
4 to assess a gas or electrical company operating under a  
5 multiyear rate plan."

6 So can you just discuss with me how these  
7 measures -- well, first of all, are they, in fact,  
8 performance measures? And will the Commission be using  
9 these to assess the gas or electric companies operations?

10 MR. EHRBAR: Sure. Thank you, Chair. This is  
11 Pat Ehrbar again.

12 So would the parties agree to -- Avista had  
13 filed a set of measures, some with incentive and  
14 penalties built in, in our original filing.

15 On settlement, and after lots of robust  
16 discussion among the settling parties, the eight of us,  
17 we agreed that it was -- in my view, my recollection, we  
18 felt it was good to start with a baseline of what are all  
19 these metrics. Obviously, also, going along with this  
20 rate case is the work that's going on separately related  
21 to performance-based rate making measures, starting to  
22 track things. And so my view to start to create that  
23 baseline so that we've got a common understanding of  
24 where we're starting from as we march down this path.

25 As it relates to would we be willing to file

1 these with the Commission on top of making them available  
2 on our website and available to the parties, but actually  
3 file them in form -- in form of a compliance filing with  
4 the Commission, we'd be more than happy to do that going  
5 forward.

6 So that would be Avista's view. But other  
7 parties might have additional input.

8 CHAIR DANNER: Well, I'd like to hear that.

9 My question really is, is do these comply with  
10 the statute insofar as the statute requires performance  
11 measures that will be used to assess gas or electric  
12 company operations under a multiyear rate plan?

13 And so while we have a number of -- of metrics,  
14 there's 92 in Attachment B, and there's two related with  
15 transportation electrification.

16 But you're basically putting this on the website  
17 and not asking the Commission to assess them.

18 And so, really, my question is, you know, is  
19 that enough to comply with the statute?

20 MR. CEBULKO: Chair Danner, this is Brad  
21 Cebulko. May I respond to your question?

22 CHAIR DANNER: Of course.

23 MR. CEBULKO: Thank you.

24 Yes, I do. And I think Mr. Ehrbar discussed  
25 this just briefly where he said that this is -- had been

1 concurrently with a generic proceeding in Docket  
2 U-210590.

3 I think this is a comprehensive list of  
4 measurements. I don't think it's necessary at this time  
5 to set targets and benchmarks with each of these metrics.  
6 I wouldn't even recommend setting targets with all these  
7 metrics. And certainly not PMs, right?

8 You need to establish a certain level of  
9 baseline data that will help then inform the Commission,  
10 either through a GRC or through the generic proceeding,  
11 to set benchmarks or scores associated with those metrics  
12 that are most important.

13 But, yes, absolutely I believe a settlement came  
14 out prior to the Commission identifying its core outcomes  
15 as part of its regulatory goals.

16 But you'll see that it aligns pretty closely to  
17 what the Commission -- so there was already a general  
18 line between these parties and the Commission. What is  
19 most important.

20 So I think this is certainly important  
21 information to track now and will help the Commission as  
22 it goes through its process both in the generic  
23 proceeding and the GRCs to understand where the Company  
24 is performing and how to set those targets and benchmarks  
25 and eventually PMs.

1 CHAIR DANNER: Anyone else?

2 MS. McCLOY: Chair Danner, this is  
3 Lauren McCloy on behalf of Northwest Energy Coalition.

4 I would agree with the comments made by  
5 Mr. Cebulko. I would also, just to directly answer your  
6 question, I would say that the settlement doesn't  
7 necessarily contemplate how the metrics will be used  
8 going forward. Only that they will be, you know,  
9 associated with this multiyear rate plan for Avista. And  
10 I believe that it gives the parties some flexibility  
11 around what we want to do with the metrics going forward.

12 CHAIR DANNER: Well, if we had to choose a  
13 small subset, I mean, we need a set under the statute, if  
14 we were to chose a few that we would actually put real  
15 incentives around penalties or benefits, are there some  
16 that you would point to as being potential candidates,  
17 say two or three?

18 MR. CEBULKO: Chair Danner, this is Brad  
19 Cebulko of the Energy Project.

20 CHAIR DANNER: Yes. Go ahead, Mr. Cebulko.

21 MR. CEBULKO: Yeah. My personal  
22 recommendation is not to do so at this time. I think we  
23 have to be very cautious in how we set incentives, such  
24 that we're not overincentivizing the utility. It takes  
25 time to get this right. And the Commission has already

1 drafted a map to get to that point. And so what we're  
2 really doing here is building a baseline dataset that's  
3 going to help the Commission identify those.

4 I could go further on my specific metrics that I  
5 would like you to focus on, but I'm not sure that's  
6 necessary.

7 JUDGE O'CONNELL: Thank you. Let me jump in  
8 here.

9 Before we continue, I know there are at least  
10 two more witnesses that would like to respond.

11 Mr. Callaghan, you're asking to be identified.  
12 Will you, please.

13 MR. CALLAGHAN: Thank you, Your Honor.

14 Chair Danner, to the extent that your question  
15 is about the legal sufficiency of the settlement terms, I  
16 was just going to offer that Staff address that issue in  
17 post-hearing brief.

18 CHAIR DANNER: Yeah. Thank you. And I would  
19 ask you to do that as well.

20 I think that -- that is something that we do  
21 have to make sure that we're comfortable with.

22 One of the questions, though, is -- so are these  
23 or are these not performance metrics? And I don't know  
24 if Mr. Callaghan would argue that's a legal question or  
25 not, but I'm just wondering the views of the panel.

1 Do you see these as performance metrics?

2 And if you do, why did you decide not to have  
3 them reported to the Commissioner or reviewed by the  
4 parties?

5 MR. EHRBAR: This is Pat. I'll take a stab at  
6 some of this.

7 So I wouldn't say that we chose not to have it  
8 reviewed by the Commission. You know, I'm going back a  
9 few months to our discussions. I don't think that was a  
10 distinct choice made of let's not share this with the  
11 Commission itself.

12 So that's where earlier I said we would be more  
13 than willing to share these with the Commission. And to  
14 do so. So more than happy to do that. I do think  
15 they're performance metrics. I don't want to reiterate  
16 my point. But I do think we need that baseline in order  
17 to really build out performance-based rate making over  
18 time. It's going to be a journey.

19 But I understand the point of this case here and  
20 now. And so obviously I've had no chance to float this  
21 with the other settling parties, much less counsel or  
22 anybody else here at the Company. But perhaps a middle  
23 ground might be to adopt the performance measures that's  
24 set forth out in my testimony -- and I know some of the  
25 parties had issues with that. But maybe really

1 significantly reduce the incentive or penalty levels.  
2 Because I think there was some dislike of the levels of  
3 potential incentives or penalties for Avista.

4 But if those were significantly truncated down  
5 but still have some teeth with it, for Avista, we'd be  
6 willing to do that in addition to the 92 metrics.

7 CHAIR DANNER: All right. Thank you for that.  
8 Judge, I see some others have raised their  
9 hands.

10 So, I guess, Mr. Cebulko?

11 MR. CEBULKO: Yes. I would say these  
12 absolutely are performance measures and that these --  
13 these are performance metrics, these are performance  
14 measures. We're measuring the utility -- you know,  
15 reliability measurements for their ability to meet  
16 customer experiences, their electric vehicle supply  
17 equipment and DR programs. These are absolutely  
18 performance measures. And I don't think that you need a  
19 target to consider these things performance measures.

20 CHAIR DANNER: All right. Thank you.

21 So of these metrics and data points, is there an  
22 agreement on how the data is going to be calculated? Did  
23 that come up? Is it something that we should be  
24 concerned about?

25 I mean, is there agreement among the parties

1 about how it's going to be calculated, or is it just  
2 going to be left to the Company?

3 MR. EHRBAR: For Avista, I haven't gone  
4 through each one and determined how each one is  
5 calculated. How they're calculated are on their face  
6 such as, you know, rate making return on common equity,  
7 credit rating, some of those items.

8 Many of these are reported quarterly. And to  
9 the extent there are any concerns with how we calculated  
10 them, any party would be free to ask us -- to provide  
11 more clarification or tweak it in some way.

12 But in looking through these, I think most of  
13 them should be noncontroversial in terms of how they're  
14 calculated.

15 CHAIR DANNER: Okay.

16 MR. EHRBAR: Again, I apologize. I haven't  
17 gone one by one through to validate that.

18 CHAIR DANNER: Okay. That's helpful. Thank  
19 you.

20 And then let me ask you. It also states a  
21 couple times in the joint testimony that the Company  
22 currently has all the data needed to calculate the data  
23 tracking items and metrics.

24 What is the cost to the Company of keeping that  
25 data, or does it already collect that data?



1           At one point, I think it's page 32 or maybe  
2 page 43, you said the Company -- what does the Company  
3 mean by, quote, "requiring additional resources"?

4           MR. EHRBAR: Yeah. So I -- let me get to that  
5 specific reference here.

6           Much of this data, it will take a bit of time,  
7 the first time around, to collect some of this  
8 information.

9           Some of the information we're going to be  
10 collecting as part of our CEIP. And so some of those  
11 systems are already in place, have to start collecting  
12 this data. Others is just using embedded personnel to  
13 help us gather and collect and coalesce data that might  
14 be in disparate areas but then collect on a regular  
15 basis. And then really build it overtime to where it  
16 becomes a process of just pulling the data from the  
17 different areas and being able to report it.

18           So at first there will be -- we already had many  
19 discussions internally, my team with others, of starting  
20 to gather this data, or how might we get this data to  
21 gather it, and then report on it.

22           But I don't see it as a huge lift or a huge  
23 expense to do. It's time, yes, up front. But I think  
24 over time, then, it will become much quicker and more  
25 routinized as we go.

1                   CHAIR DANNER: Okay. And as we move forward  
2 in the other docket, and that's U-210590, the  
3 performance-based regulation docket, are we -- if the  
4 Commission comes up with additional guidance, is it your  
5 intent that you would add to, subtract, or change the  
6 metrics that you have listed here?

7                   MR. EHRBAR: That's my personal -- so I'm not  
8 speaking for all the parties. The Avista view would be  
9 yes. I mean, this was an effort to start gathering data.  
10 To the extent the Commission comes out with different,  
11 better guidance as to what the Commission would like to  
12 see in terms of data collection, then I think this list  
13 would be opened up. At least during this rate plan, we'd  
14 report these. And then as we learn more in that other  
15 proceeding, we can then augment, truncate, add to,  
16 whatever makes the most sense to get the right data that  
17 the Commission is interested in.

18                   CHAIR DANNER: Okay. And then what -- before  
19 you post this on the website, are you intending to go  
20 back to the settling parties and have them review, or is  
21 this going to be basically an iterative process where  
22 you'll get the feedback, you will post it, get feedback,  
23 make changes as necessary?

24                   How are you envisioning that process?

25                   MR. EHRBAR: I think more the latter. I

1 haven't had that discussion of, okay, a week before are  
2 we going to share this with everybody? Or just that  
3 first quarterly? When are we going to post it and let  
4 people know it's there?

5 If we're going down the path of actually then  
6 filing this with the Commission, if that's where the tea  
7 leaves go with this, and we actually provide it to the  
8 Commission, then I think what we would do is share it  
9 with the parties in advance of making that filing. We  
10 would then make that filing with the Commission  
11 simultaneous with posting it on our website so that we  
12 can meet that commitment. And then, again, iterate on it  
13 as we go if we need to modify from there.

14 CHAIR DANNER: So, Mr. Cebulko?

15 MR. CEBULKO: Yeah. Thanks, Chair Danner.

16 Yeah. I agree with what Mr. Ehrbar in that -- I  
17 would appreciate the opportunity to iterate on what  
18 they're showing. I think the requirement to share this  
19 data publicly on their website is an important one for  
20 transparency purposes. I think it's crucial for the  
21 Commission and Staff to be reviewing this as well. But  
22 also for this information to be generally available to  
23 the public, to researchers, other utilities.

24 So I thought this requirement for publicly  
25 available data on the website was a good one.

1 CHAIR DANNER: Okay. Thank you.

2 If we were to ask that these be submitted as  
3 performance metrics that we would review or use for the  
4 basis of penalties or other kinds of actions, would it  
5 be -- would you be submitting the same list?

6 I mean, my own view is that 92 plus 2 is a lot.  
7 And so, I mean, it's one thing to post these and make  
8 them publicly available and learn from them.

9 It might be another thing to actually use them  
10 as a basis for rate making. So I'm throwing that out to  
11 the panel, just asking your views about how -- what is  
12 the right number?

13 Mr. Cebulko?

14 MR. CEBULKO: Thank you, Chair Danner.

15 Yeah. I -- you know, so a couple things to keep  
16 in mind here is we have the generic -- all parties were  
17 aware that there's a generic proceeding occurring at the  
18 exact same time where these same issues are being  
19 considered in parallel but on a slightly different  
20 timeline.

21 Statute requires us to adopt performance metrics  
22 for the multiyear plan. So that's what we intended to  
23 do.

24 To answer just your question, yes, the same  
25 list. But I think 92 is a lot. It's a product of

1 settlement. We're aware of the other proceeding that's  
2 occurring where -- it's my anticipation that that will,  
3 ultimately, be the list that the Commission identifies  
4 and then all the utilities adopt.

5 So I think -- I think, at least in my mind, the  
6 concept here is to build up baseline data. There's not a  
7 single -- as you're well aware, there's not a single  
8 reliability metric. There's not a single affordability  
9 metric. You have to look at affordability, reliability,  
10 any other public interest from a variety of different  
11 angles.

12 And certainly when you're identifying specific  
13 subset groups like named communities, you're going to be  
14 duplicating metrics, right? And so I think it's  
15 important to have a broad set of data on all of our  
16 regulatory outcomes through these measures.

17 And then as the Commission has identified at  
18 least so far in its generic proceeding, you take a subset  
19 of those metrics and measures and you create a benchmark  
20 and a scorecard. And you're narrowing it down, right, to  
21 a dozen or two dozen.

22 And then after that, you're identifying a  
23 handful of PMs that you really want the utility to focus  
24 on.

25 So we're just building the base of the pyramid

1 in helping the Commission move forward as it identifies  
2 what is most important to it.

3 CHAIR DANNER: And then a question that I  
4 asked earlier and Mr. Ehrbar responded to, you know, as  
5 we go further down the road in our other proceeding,  
6 there's going to be Commission guidance around developing  
7 reliability metrics. And, you know, insofar as there is,  
8 perhaps, inconsistency with what we come up with and what  
9 we have here, is there going to be an effort to revise or  
10 amend the metrics that you have or, you know, otherwise  
11 try and comply with what we come up with -- understanding  
12 that we have very awkward timing here since the  
13 proceeding is ongoing and this proceeding is on.

14 MR. EHRBAR: I don't -- for Avista, this is  
15 Pat.

16 I'm sorry, Brad. Go ahead.

17 MR. CEBULKO: No, Pat. Feel free to go first,  
18 please.

19 MR. EHRBAR: I think for Avista, you know, the  
20 settlement will live up to all of the terms and  
21 conditions of the settlement during the two-year plan.  
22 So we would continue to report out in the 92.

23 If the Commission came out with a different set  
24 of metrics, we would still do these 92 but we would, of  
25 course, work with the Commission on other metrics that

1 you're interested in.

2           And then I would think in a future case, we  
3 would then amend what we're doing here. This isn't a  
4 static set-it-and-forget-it for perpetuity. I think in  
5 that next case we would then -- maybe what I'll call  
6 clean up of what items do we think should continue from  
7 that settlement going forward. And then augmenting with,  
8 for sure, what the Commission would like to see. And,  
9 again, have it as an iterative process.

10           If the Commission came out with a set of metrics  
11 next week and said, well, we don't like these 50 that  
12 Avista agreed to, we would still report them if you  
13 approve the settlement.

14           But then to the future, would then maybe remove  
15 those if they're no longer necessary or needed by the  
16 parties. And then start in on the new ones.

17           CHAIR DANNER: All right. Thank you. That is  
18 helpful.

19           Last question. I just wanted to ask a little  
20 about the transportation electrification metrics.

21           I'm wondering if you can talk a little about  
22 what you see as the -- you know, what are the regulatory  
23 goals? What are the desired outcomes you want from  
24 those?

25           MR. EHRBAR: There's others from the settling

1 parties. Might be tired of hearing from me.

2 MR. CEBULKO: Chair Danner, this is  
3 Brad Cebulko. These were not my particular metrics I was  
4 focused on. But as I understand it, in general, what  
5 we're -- what the goal with the transportation  
6 electrification metrics are is to generally make sure  
7 that the load is being added in a beneficial manner to  
8 the extent possible, ensuring that the -- as many  
9 customers and load is on programs that can manage the  
10 load, such that it doesn't exacerbate peak problems and  
11 drive costs. That this can truly be beneficial  
12 electrification.

13 CHAIR DANNER: All right. Thanks.

14 Anyone else want to respond to any of the  
15 questions that I have posed?

16 Lauren McCloy?

17 MS. McCLOY: Thank you, Chair Danner. Lauren  
18 McCloy from NWECC. I just wanted to build on the comments  
19 of Mr. Cebulko.

20 The TE metrics were a priority for NWECC. And,  
21 again, we are very supportive of making sure that as  
22 we're building out electric vehicle load, that we're  
23 doing so in a way that is responsible and managed and  
24 isn't going to add undue costs on to customers associated  
25 with increased peak demand.



1           So that's the -- that's the intent of these  
2 metrics is trying to get a handle on how that load is  
3 functioning and utilities readiness to be able to manage  
4 it in a responsible way.

5           CHAIR DANNER: All right. Thank you very  
6 much.

7           Your Honor, that's all the questions I have on  
8 this topic.

9           JUDGE O'CONNELL: Thank you.

10          I am expecting that we have a couple more  
11 questions for the panel.

12          COMMISSIONER RENDAHL: Yes. I have a few.

13          JUDGE O'CONNELL: Ms. Rendahl, please.

14          COMMISSIONER RENDAHL: So these questions  
15 relate to the Colstrip investments and the tracker that's  
16 proposed in the settlement.

17          So in the exhibit, the joint testimony 3T  
18 relating to the Colstrip Tracker, at page 4, line 6  
19 through 7, the settling parties state that the review of  
20 Colstrip investments proposed for inclusion in this  
21 mechanism will occur through the Company's annual tariff  
22 provision for the Colstrip Tracker. And the settling  
23 parties also say that they've agreed that the result of  
24 the proposed Colstrip Tracker would be to remove Colstrip  
25 costs from base rates for potential recovery through the

1 separate schedule.

2 So this is really a clarifying question on what  
3 is happening with the revenue requirement, the electric  
4 revenue requirement in the settlement, versus the  
5 Colstrip Tracker.

6 So can the -- can the panel, members of the  
7 panel, confirm that the proposed electric revenue  
8 requirement, which is 38 million for rate year one and  
9 12.5 million for rate year two, that those -- that that  
10 revenue requirement includes the revenues related to the  
11 Colstrip Tracker Tariff Schedule 99?

12 And if not, explain how this works.

13 MS. ANDREWS: This is Liz Andrews with Avista.  
14 I can start and others can add in.

15 To answer your question, Commissioner Rendahl,  
16 yes, the intent is that the overall revenue requirement  
17 increase approve -- let's just take rate year one of 38  
18 million is the overall increase to total base rates.

19 However, we will be then removing the Colstrip  
20 amount from that overall base rate increase, and moving  
21 it to this separate Schedule 99, so that the combined  
22 base rate increase and the Schedule 99 portion would net.

23 So at the end of the day, all you are doing is  
24 moving these dollars from one bucket into another bucket.

25 COMMISSIONER RENDAHL: Okay. But there is not

1 a separate amount in the tracker in addition to the 38  
2 million that is intended to be recovered from ratepayers?

3 MS. ANDREWS: No. No incremental amount that  
4 is otherwise agreed to through the settlement.

5 COMMISSIONER RENDAHL: Okay. I appreciate  
6 that clarification. That's helpful.

7 So, again, related to the Colstrip Tracker, so  
8 in that exhibit, JT-3T at page 5, line 17 through page 6,  
9 line 5. And I'll wait for you to get there if you'd  
10 like.

11 The settling parties identify the Colstrip costs  
12 that will be removed from base rates and placed into the  
13 Colstrip Tracker.

14 Item B is the Colstrip regulatory asset and  
15 liability balances related to decommissioning and  
16 remediation costs.

17 And Item D is depreciation and amortization  
18 expense, including the recovery of plant, and the  
19 Colstrip regulatory asset liability DNR costs.

20 So for clarification, are these the two items  
21 that will continue to be recovered through the Colstrip  
22 Tracker after January 1, 2026?

23 MS. ANDREWS: Again, this is Liz Andrews with  
24 Avista.

25 And, yes, that is the intent is that all these

1 costs would move over beginning with this rate case. But  
2 effective after December 31, 2025, the regular Colstrip  
3 assets and depreciation on those Colstrip assets, would  
4 be removed. And the only thing that would continue on in  
5 this tracker would be related to the decommissioning and  
6 remediation, including the regulatory asset and  
7 amortization associated with those costs.

8 COMMISSIONER RENDAHL: Okay. So then my last  
9 question is related to any remaining amounts from -- so  
10 the parties have agreed that Avista has an opportunity to  
11 propose recovery of any unrecovered Colstrip net  
12 rate-based costs that are deemed prudent by the  
13 Commission as of December 31, 2025.

14 So does the settlement then anticipate the  
15 possibility that there might be remaining prudently  
16 incurred costs in the tracker after December 2025 that  
17 are not in the decommissioning remediation and not in  
18 depreciation costs that we just discussed?

19 MS. ANDREWS: This is Liz Andrews again. I  
20 will first weigh in and then others can.

21 Through the process of this -- through this  
22 process, our intent is to have to include any capital  
23 investment between now and the end of 2025. Obviously,  
24 would need to be tried -- we would be proposing those  
25 would be included as the tariff's change year to year.

1           Of course, all parties will have the opportunity  
2 to weigh in on capital investment, let's say, that are  
3 incremental from here going forward. And our hope  
4 obviously would begin to recover any remaining capital  
5 investment through the end of 2025.

6           But beyond 2025, in order to meet the  
7 legislative requirements, we will have to remove all  
8 nondecommissioning or remediation costs for both capital  
9 expense from base tariffs beyond 12/31/2025. And are not  
10 anticipating that there would be further recovery beyond  
11 that time period.

12           Otherwise, we wouldn't meet the legislation  
13 requirement.

14           COMMISSIONER RENDAHL: Okay. So there's no  
15 intent in the settlement to try to recover any remaining  
16 prudently incurred costs after December 31, 2025.

17           The intent is to address all of that and have  
18 that be resolved and paid for by customers prior to  
19 December 31, 2025?

20           MS. ANDREWS: That is the intent of this  
21 settlement as it's stated, yes.

22           COMMISSIONER RENDAHL: Okay. Thank you.

23           Are there any other settling witnesses who wish  
24 to address this topic?

25           MR. MULLINS: This is Brad from AWEC. And we

1 would agree with what witness Andrews has just said.

2 COMMISSIONER RENDAHL: Thank you, Brad.

3 And Lauren McCloy?

4 MS. McCLOY: Thank you, Commissioner Rendahl.

5 Lauren McCloy for Northwest Energy Coalition.

6 I agree with the comments made by Ms. Andrews.

7 But I wanted to just also emphasize the part of  
8 the settlement that allows settling parties -- that  
9 specifies that settling parties will retain the right to  
10 challenge the prudence of any investments in the filing  
11 of the tracker. That was a very important provision for  
12 NWECA, and so I wanted to make sure that the Commission  
13 was aware of that.

14 COMMISSIONER RENDAHL: Yes. And we're aware  
15 of the process -- the separate process that will occur  
16 with the filing starting next October. But wanted to  
17 clarify and appreciate the clarification of the intent  
18 that those -- except for the allowed expenses under CETA,  
19 that anything else would be recovered by the end of  
20 December and none after that fact -- after that point.

21 So I appreciate the clarification.

22 And at this point, I don't have any further  
23 questions on Colstrip.

24 And I'd defer to my colleagues if they have  
25 questions about other topics.

1 COMMISSIONER DOUMIT: Your Honor, if I might,  
2 please.

3 JUDGE O'CONNELL: Please go ahead.

4 COMMISSIONER DOUMIT: Yes. Thanks. I have a  
5 couple clarifying questions on capital.

6 First is referencing joint testimony at page 28,  
7 lines 2 to 6, and Ms. Andrews in direct testimony, EMA-IT  
8 at page 44, lines 9 through 13, just asking for  
9 confirmation that provisional capital project review  
10 process includes investments for the calendar years 2022,  
11 '23, and '24.

12 MS. ANDREWS: Yes. This is Ms. Andrews, or  
13 Liz Andrews.

14 And, yes, the provisional capital is meant to be  
15 reviewing 2022 through 2024. And we will have annual  
16 reporting to that effect for each of those years.

17 COMMISSIONER DOUMIT: Great. Thank you.

18 And just one more question as well.

19 Again, referring to joint testimony at page 28,  
20 line 16 through 22, and Andrews direct testimony, EMA-IT  
21 at page 31, lines 17 through 20.

22 Specifically related to net plant after ADFIT,  
23 asking for confirmation that ending net balance is, for  
24 rate year one, is 1 billion 984 thousand -- excuse me,  
25 1,984,056,000. And for rate year two, is 2,062,462,000?

1 MS. ANDREWS: So I'm going to restate those,  
2 if you don't mind.

3 COMMISSIONER DOUMIT: Yes. No, I don't mind.  
4 Thank you.

5 MS. ANDREWS: Sounded different to me.

6 So I am looking at the joint testimony JT-1T,  
7 page 28. And we point to the balances of 1,987,156,000,  
8 that excludes Dry Ash, for Washington Electric and for --  
9 for rate year one.

10 And for rate year two, that is 2,067,662,000,  
11 again, excludes any impact of Dry Ash.

12 COMMISSIONER DOUMIT: Thank you for those  
13 clarifications on the numbers.

14 Anybody else have response to those clarifying  
15 questions?

16 Your Honor, those are the questions that I have  
17 on capital.

18 I do have a few questions on distributional  
19 equity analysis, if I might, please.

20 JUDGE O'CONNELL: Please. Thank you.

21 COMMISSIONER DOUMIT: In joint testimony,  
22 JT-1T at page 27, lines 9 through 20, the settling  
23 parties discuss the process for establishing the  
24 Company's methods and standards for distributional equity  
25 analysis.



1           The first question I have is will that analysis  
2 be used primarily for or only for large capital projects?

3           Whoever would like to answer that?

4           MR. EHRBAR: Sure. This is Pat Ehrbar. I can  
5 take a quick stab at this.

6           This was obviously agreed to by the parties.  
7 This was of particular interest to Staff, to  
8 Ms. Reynolds, and to Mr. Ball. But, of course, we're all  
9 signed on to doing this.

10           I don't know if we've gotten to that level of  
11 detail of what this would be used for. You know, much of  
12 it is, in our view -- well, it's very new to the company.  
13 I think new to all parties, you know, in reading up on  
14 this during settlement talks and then a lot after.

15           So I think that will probably be one of the  
16 outcomes from the work effort here. And I believe a  
17 similar effort might be underway in the Puget settlement,  
18 different from our case. But I think that work will help  
19 inform what we use this analysis for going forward.

20           I think more broadly, though, I think it's  
21 interesting, at least to the Company, to start taking a  
22 different viewpoint on the more traditional cost benefit  
23 analyses. And really doing an analysis, okay, well,  
24 there are costs. There are benefits. And if there's net  
25 benefits, great. But do all the costs disproportionately

1 hurt one particular group or entity while the benefits  
2 all accrue to someone else?

3 So embedding that kind of thinking throughout  
4 all of the decision-making is probably a long-term and  
5 good aspirational goal here.

6 I don't know if that helps answer -- if other  
7 parties have a view.

8 COMMISSIONER DOUMIT: Yeah. That helps. You  
9 actually answered pretty much second -- my second  
10 question, which is whether the analysis will be used in  
11 conjunction with other forms of analysis cost -- such as  
12 cost benefit. What are the priorities? It sounds like  
13 that's sort of a work in progress, but it will -- it  
14 will -- the analysis will -- certain things in  
15 conjunction with other -- other forms.

16 MR. EHRBAR: Yes, sir. That's kind of what  
17 we're envisioning with this. Again, it's new. So it,  
18 too, will be iterative.

19 But that's at least how I envision it going  
20 forward.

21 COMMISSIONER DOUMIT: Anyone else?

22 Great. Well, again sticking with the process,  
23 joint testimony, JT-1T at page 27, lines 19 to 20 again,  
24 the settling parties testified that the Commission staff  
25 will direct this process and select a facilitator that

1 the Company must hire.

2 A couple of questions.

3 Why is the Commission Staff the best party to  
4 direct this process?

5 Does Staff have an answer maybe --

6 MR. EHRBAR: For Avista -- yeah. I think that  
7 was one of the conditions that Staff wanted to take on  
8 during settlement. We're happy to help with the process.  
9 Obviously, we will be helping to pay for the process.  
10 But we would be happy to be more involved. I think I  
11 also know that several people that were -- they would be  
12 more familiar with this, have left the Commission  
13 recently. So we'd be willing to work with new staff on  
14 what that might look like and assist there.

15 COMMISSIONER DOUMIT: All right. Thank you.

16 You probably get the same sort of general answer  
17 when I ask the question, what is the role of the  
18 facilitator?

19 MR. EHRBAR: Yeah. For -- during settlement  
20 discussions, I think -- and I don't know if Kristen or  
21 Chris might have a view or have been briefed on it, but I  
22 think that was a big push by Staff to have an independent  
23 facilitator to help drive this.

24 COMMISSIONER DOUMIT: Does Staff have any  
25 response?

1 MS. HILLSTEAD: This is Staff. I wasn't  
2 informed on how that would look. And -- sorry I can't  
3 respond.

4 COMMISSIONER DOUMIT: Mr. Callaghan?

5 MR. CALLAGHAN: Thank you, Your Honor.

6 I can certainly provide more details on this on  
7 Staff's views in the post-hearing brief.

8 So just so everyone is aware, Ms. Hillstead was  
9 not the lead Staff assigned at the time that the  
10 settlement negotiations were going on. So I think that  
11 it would be difficult for her to provide some insight at  
12 this point.

13 But we can certainly do that in the post-hearing  
14 brief.

15 COMMISSIONER DOUMIT: Thank you.

16 Maybe one other thing you might want to discuss  
17 in the post-hearing brief is whether the settling parties  
18 have a plan to involve the Commission in the development  
19 of the plan. And think about whether it might be better  
20 for the Commission to lead these efforts, such as a  
21 broader Commission-led collaborative.

22 MR. CALLAGHAN: Thank you, Commissioner.

23 We did leave the language vague so that we would  
24 have flexibility with respect to that question.

25 So that was something that was contemplated when

1 negotiating the settlement terms.

2 COMMISSIONER DOUMIT: Commissioners have any  
3 other questions on these lines?

4 Then, Your Honor, that's it for my questioning  
5 for now. Thank you.

6 COMMISSIONER RENDAHL: I guess the only  
7 question I would have -- this is Commissioner Rendahl.  
8 As Pat Ehrbar mentioned, it sounds like this is possibly  
9 being considered in other proceedings before us. And so  
10 it does beg the question whether this is something that  
11 should be more generic, should address all the electric  
12 and gas utilities in terms of how they're doing their --  
13 their analysis on projects.

14 So I would ask that the parties address that  
15 question in their briefs. Because it's not just -- it  
16 sounds like it's not just something that would be  
17 affecting Avista. And so just having just the parties to  
18 this proceeding and Avista discussing this may -- with a  
19 facilitator, may be more limited.

20 So just consider that as you're addressing this  
21 issue in brief, is my request.

22 And now I actually have a question.

23 And, actually, I have another question related  
24 to that and how the parties envision that the voices and  
25 the concerns of low-income and disadvantaged customers

1 might be included in the process of developing this  
2 distributional equity analysis and plan. How -- how that  
3 was intended.

4 And if nobody can answer that, maybe that's  
5 another question for brief.

6 MR. CEBULKO: Commissioner Rendahl, this is  
7 Brad Cebulko of the Energy Project.

8 It might be something we will want to explain in  
9 brief as well. But my understanding is the Energy  
10 Project intends to be a participant in the proceeding,  
11 which we'll represent brings a perspective of -- on  
12 behalf of low-income customers.

13 COMMISSIONER RENDAHL: But as our outreach is  
14 intended to be including not just low-income customers,  
15 but all those that might be affected, there may be other  
16 customers that might need to be represented in those  
17 discussions or considered.

18 So I would ask the parties to consider that  
19 issue going forward.

20 And then in terms of the process -- and, again,  
21 it may be that this is not possible to be answered.

22 But if -- if the process went forward the way it  
23 was intended in the settlement, with the parties, with a  
24 facilitator, if there was some disagreement among the  
25 parties in developing this plan, is the intent that this

1 would then be brought forward to the Commission in an  
2 adjudication?

3 Or is there any other -- any thoughts on that  
4 topic?

5 MR. EHRBAR: Yeah. This is Pat. So I can  
6 take a stab at that.

7 So at lines -- I'm on page 27 of JT-1T, so lines  
8 13 to 15 basically say, if there's a disagreement -- and  
9 that's how you build a distributional equity analysis --  
10 if there is disagreement, the settling parties would file  
11 separate proposals for Commission consideration and  
12 approval.

13 So we would seek Commission input. I don't know  
14 if it goes to a formal adjudication process or more of a  
15 collaborative process, workshop process. I don't know  
16 what that process might be.

17 But it contemplates that if we can't reach  
18 agreement among ourselves as to what that is, that we  
19 would seek help from the Commission to help us resolve  
20 that.

21 COMMISSIONER RENDAHL: Okay. Thank you.  
22 Thank you very much.

23 So moving on to transportation electrification.

24 Paragraph 22 of the settlement describes that  
25 Avista's request for an incentive rate of return on

1 transportation electrification investments is assumed to  
2 be included in the revenue requirement.

3 So do the investments to which the additional  
4 rate of return was applied -- how do we know whether the  
5 investments to which the additional rate of return was  
6 applied meet the requirements of the statute in  
7 RCW 80.28.360?

8 And, specifically, how will we know, going  
9 forward, which investments were included that will  
10 receive an investment rate of return?

11 MS. ANDREWS: This is Liz Andrews from Avista.

12 And so the Company specifically has a business  
13 case in its filed case around transportation  
14 electrification where we identified the specific capital  
15 investment associated with -- with this investment. That  
16 was included in our direct-filed case.

17 And then annually when we do our provisional  
18 reporting that we'll file at the end of Q1 each year, we  
19 will be comparing that to the assets that we included in  
20 the case versus what actually happened.

21 I can also give you a general idea of the  
22 revenue requirement that was built into the filed case  
23 that that represents. And for rate year one, that  
24 totaled \$65,000 for Washington. And for rate year two,  
25 that totaled 48,000 -- in revenue requirement. Sorry.



1                   COMMISSIONER RENDAHL:   Okay.   Thank you.  
2   That's -- that's very helpful.

3                   So I think I don't have any further questions  
4   about transportation electrification.   I appreciate the  
5   answer.

6                   COMMISSIONER DOUMIT:   Your Honor, if I may.

7                   JUDGE O'CONNELL:   Yes, please.   Go ahead,  
8   Commissioner.

9                   COMMISSIONER DOUMIT:   Commissioner Doumit  
10   asking a question, a process question, on the Climate  
11   Commitment Act.

12                   The settlement terms relating to Avista's  
13   compliance with the CCA require the company within  
14   60 days after Department of Ecology adopts rules to  
15   implement the CCA to begin consulting with applicable  
16   advisory groups on compliance with the CCA and ecology  
17   rules.

18                   If the Commission were to schedule work  
19   sessions, either through recess open meetings or some  
20   other process, to discuss utility compliance with CCA  
21   generally, would that prove helpful to begin the  
22   consultation process required in the settlement, or would  
23   it interfere with the action negotiated in the  
24   settlement?

25                   MR. EHRBAR:   Sure.   This is Pat.   I don't know

1 if Ms. McCloy wants to go first, but I can take a stab.

2 I think it would be helpful. So I think if the  
3 Commission were to start a process around all this as we  
4 get into discussions around the allowances, around the  
5 forecasting methodologies, the forecast use, all those  
6 items, I think it would supplement and help the process.  
7 It wouldn't -- it would be helpful in our view.

8 COMMISSIONER DOUMIT: Lauren McCloy, please.

9 MS. McCLOY: Thank you. And I agree with  
10 Mr. Ehrbar. I believe it would be helpful for the  
11 Commission to schedule some work sessions on this.

12 COMMISSIONER DOUMIT: Thank you.

13 That's it for me, Your Honor.

14 JUDGE O'CONNELL: Okay. I'd like to take a  
15 moment.

16 Commissioners, are there other questions that we  
17 need to ask?

18 CHAIR DANNER: I have no further questions for  
19 the panel, Your Honor.

20 COMMISSIONER RENDAHL: I just have one further  
21 question for the panel, Your Honor. And that relates to  
22 the term of the rate plan.

23 So the proposed -- the settling parties have  
24 agreed to a two-year rate plan, which is what the company  
25 had proposed in its initial testimony.

1           And we're aware, because we have another hearing  
2 coming up in a few weeks, that Puget Sound Energy has  
3 also a two-year rate plan. We believe the intent of  
4 having multiyear rate plans was to not have a situation  
5 like we have now where we are all stacked up with the  
6 similar extensive rate cases.

7           And so curious if the parties have thought  
8 about, in two years' time, how to avoid the situation  
9 that all of us are in now dealing with multiple cases  
10 within a few weeks of one another.

11           So maybe starting with the Company and then any  
12 other parties.

13           MR. EHRBAR: Sure. Yeah. This is Pat.

14           So we originally filed a two-year rate plan, and  
15 we stayed with that same two-year time frame. I believe  
16 it was set up nicely, informally in that we filed a  
17 two-year plan and I know Puget had filed originally a  
18 three-year rate plan. So that it was maybe naturally  
19 going to start segregating the work over the years and  
20 not pancake like we have now and like we might have  
21 again.

22           So we filed a two-year plan. I mean, I am  
23 speaking for myself, I think long-term, and for my team's  
24 goal would be to get to four-year plans, selfishly, I  
25 think for everybody.

1           But this being the first one, that's why we went  
2 with the two-year. Because we wanted to see how this  
3 might work, how the parties would work. You know, the  
4 various requirements under the new legislation. So we  
5 started with that two-year.

6           As we look forward, we haven't started  
7 discussing our next case, still being in this one. But  
8 as we look forward to that next case, I will -- all time  
9 frames will be on the board, whether two, three, or four  
10 years. We'll have to have that discussion at that point  
11 as to what's going on cost-wise with the Company, what's  
12 going on with inflation. All these other things that are  
13 now really causing issues for utilities in general, for  
14 everybody in general, in this economy.

15           So long-winded answer to say two-year -- we  
16 filed a two-year and still support the two-year.

17           To the future, might we seek a longer time and  
18 hopefully get a break from Puget in this case or other  
19 utilities, we'll definitely try to think so.

20           So I think that's all I can probably say at this  
21 point.

22           COMMISSIONER RENDAHL: Okay. Does any other  
23 party have anything to say on that?

24           MR. MULLINS: Well, this is Brad from AWEC.

25           And I'll just say, you know, it's not something

1 that I had contemplated, you know, between the two cases.  
2 But it definitely has been an issue this year. And now,  
3 potentially, will be an issue two years from now.

4 So to the extent that we can, you know, avoid  
5 having two -- you know, even three months' difference, I  
6 think, in the schedules would have a big impact on  
7 workloads.

8 So to the extent that can be avoided in the  
9 future, I think that would be beneficial to everyone.

10 COMMISSIONER RENDAHL: Well, I guess I could  
11 ask whether, you know, the parties would be willing to --  
12 for a condition to the settlement, to, you know, stagger  
13 the next case. But given the uncertainties and it's two  
14 years out -- so I guess I'll ask that, but I understand  
15 it's -- it may be of concern to folks. But I'll ask  
16 that.

17 And then I see that Nash Callaghan has his hand  
18 raised.

19 MR. CALLAGHAN: Thank you, Commissioner --

20 MR. MULLINS: Oh, sorry. Just quickly respond  
21 to that question that -- I think the issue now seems to  
22 be sort of these inflationary pressures and these -- you  
23 know, in conversations with the utilities, that seems to  
24 be a big driver of rate cases. So I think, you know,  
25 whatever we do, were to do it staggering cases, it would

1 probably have to consider those pressures.

2 JUDGE O'CONNELL: Before we move on to any  
3 other witness, Mr. Callaghan.

4 MR. CALLAGHAN: Thank you, Commissioner  
5 Rendahl. Just to respond on behalf of Commission Staff.

6 With respect to the staggering issue, it's not  
7 for lack of trying on Staff's part. They're acutely  
8 aware of how beneficial it would be to stagger these  
9 cases. And we look forward to future cases where we can  
10 address that issue.

11 But Staff is definitely aware of that and was  
12 considering that during this process.

13 COMMISSIONER RENDAHL: Okay. Thank you.

14 Are there any other questions on that? If not,  
15 that's all I have.

16 MR. MEYER: This is David Meyer, and I'll try  
17 to get on video here if I might. Here I am.

18 As far as actually conditioning the settlement  
19 in such a way as to require that, of course, two or three  
20 other parties aren't part of this. That would be  
21 jurisdictional utilities. And so nothing we do in this  
22 case would be binding on them.

23 But beyond that, I think there's a general  
24 recognition that we all want to stagger these.

25 And so wording in the order that speaks to the

1 utilities will confer among themselves in an attempt  
2 to -- to the extent possible, stagger filings.

3 I think that's about as far as I think the  
4 utilities, as a group, would probably want to go.

5 COMMISSIONER RENDAHL: I appreciate that. All  
6 right.

7 Thank you, all. I have no further questions.

8 COMMISSIONER DOUMIT: No further questions for  
9 me, Your Honor.

10 JUDGE O'CONNELL: As I recall, Chair Danner  
11 did not have any further questions either.

12 So the settlement panel is excused. Thank you.  
13 There are a couple witnesses who I think we will hear  
14 from later on.

15 Our next witness is going to be  
16 Elizabeth Andrews from Avista.

17 Before we get to that testimony, we're going to  
18 take a short break.

19 Let me first hear from Mr. Zakai. Go ahead.

20 MR. ZAKAI: Thank you, Your Honor. I just  
21 wanted to clarify the witnesses that were not already  
22 scheduled for cross-examination can be excused and will  
23 not be called back.

24 JUDGE O'CONNELL: It is not our plan to need  
25 to call anyone back.

1           However, as you know with these hearings,  
2 sometimes questions come up and we've had to call in  
3 witnesses before and call them back in.

4           So I would say, yes, we intend for that to be  
5 all the questions for the witnesses who have not been  
6 identified for further cross-examination.

7           But please keep your witnesses on standby just  
8 in case there's a question that we need to follow up on,  
9 please.

10           MR. ZAKAI: Thank you for the clarification.

11           JUDGE O'CONNELL: Sure. Thank you.

12           So the time is currently 10:42 in the morning.  
13 I would like to take a very brief break in consideration  
14 of the amount of testimony that we have still to cover.

15           So let's go ahead and come back at 10:50. That  
16 will give us a short eight-minute midmorning break.

17           With that we will be off the record and in  
18 recess for eight minutes. Thank you.

19                         (A break was taken from  
20                                 10:42 a.m. to 10:50 a.m.)

21           JUDGE O'CONNELL: We are back. The time is  
22 approximately 10:55 a.m. in the morning. And we are  
23 going to proceed next with testimony and  
24 cross-examination from Elizabeth Andrews from Avista.

25           Ms. Andrews, you've already been sworn in. I



1 want to remind you that you continue to be sworn in and  
2 under oath.

3 And first, I'd just like to ask -- because I  
4 forgot to when we started the settlement panel -- how  
5 would you like to be addressed during this hearing?

6 MS. ANDREWS: Yes. She/her pronouns.  
7 Ms. Andrews is fine.

8 JUDGE O'CONNELL: All right. Thank you.

9 All right. With that, let me go ahead and turn  
10 it over to Mr. Meyer to introduce his witness.

11 And, Ms. Suetake, you can go ahead and turn on  
12 your video in anticipation of your part. Thank you.

13 MR. MEYER: Thank you.

14 For the record, please state your name and your  
15 employer.

16 MS. ANDREWS: Elizabeth Andrews, and I'm  
17 employed by Avista.

18 MR. MEYER: And you understand that your  
19 testimony and your sponsored exhibits have already been  
20 introduced into the record, correct?

21 MS. ANDREWS: Yes, I do.

22 MR. MEYER: Now there was one housekeeping  
23 matter we should attend to, and that relates to further  
24 revisions to a page out of Mr. Coppola's exhibits.

25 So his Exhibit SC-6C, page 8 of 9, presented

1 some systemwide information; is that correct?

2 MS. ANDREWS: That's correct.

3 MR. MEYER: And were there questions earlier  
4 this morning about jurisdictional showing of that?

5 MS. ANDREWS: Yes. I'm realizing now that the  
6 -- any jurisdictional analysis or separation for  
7 Washington electric or gas is not being shown on that  
8 page.

9 MR. MEYER: Would it be possible for the  
10 Company to supplement and revise that page?

11 MS. ANDREWS: Yes, we will do that.

12 MR. MEYER: And by when?

13 MS. ANDREWS: By tomorrow. If not able today,  
14 no later than tomorrow.

15 MR. MEYER: Okay. So we would commit to doing  
16 that with or without a bench request and provided, of  
17 course, of record.

18 JUDGE O'CONNELL: Thank you.

19 And for clarity, we are referring to Avista's  
20 supplemental confidential response to Public Counsel's  
21 data request No. 103C with the associated attachments,  
22 correct?

23 MR. MEYER: I'm referring to Exhibit SC-6C  
24 which --

25 MS. ANDREWS: Yes. It does contain --

1 MR. MEYER: It does. It does. So that is  
2 correct.

3 JUDGE O'CONNELL: Just wanted to make sure  
4 that we were clear.

5 Yes. Please make those corrections.

6 Let me turn to Public Counsel to hear Public  
7 Counsel's position.

8 MS. PAISNER: Public Counsel does not object  
9 to that supplementation.

10 JUDGE O'CONNELL: Okay. Thank you.

11 Well, Mr. Meyer --

12 CHAIR DANNER: Judge, if I may.

13 When I asked the question this morning, I also  
14 just asked if there were updates that -- that anything  
15 that needed to be highlighted or explained, that there  
16 would be some narrative as well explaining the  
17 differences.

18 MR. MEYER: And we would be happy to do that  
19 in the process of supplementing that.

20 JUDGE O'CONNELL: Thank you.

21 CHAIR DANNER: Thank you.

22 MR. MEYER: And with that and with that  
23 understanding, Ms. Andrews is available for cross.

24 JUDGE O'CONNELL: Thank you, Mr. Meyer.

25 You can go ahead and turn off your video, unless

1 you need to be heard at any point. Then please turn back  
2 on your video, use the raise hand feature, and you'll be  
3 recognized.

4 Public Counsel, turn to you for  
5 cross-examination.

6 MS. PAISNER: Thank you.

7 JUDGE O'CONNELL: Go ahead.

8 CROSS-EXAMINATION

9 BY MS. PAISNER:

10 Q. Good morning, Ms. Andrews.

11 A. Good morning.

12 Q. Would you please turn to page 10 of your  
13 rebuttal testimony that's Exhibit EMA-7T.

14 A. Yes. I am there.

15 Q. Beginning on line 15 and continuing into the  
16 next two pages, you provide that Public Counsel's  
17 proposed revenue requirement adjustments would result in  
18 much lower ROE and ROR than those proposed by the  
19 Company?

20 A. That's correct.

21 Q. Now, if you would please go to EMA-10X, which is  
22 the Company's response to Public Counsel data request  
23 320.

24 A. Yes. I am there.

25 JUDGE O'CONNELL: One moment. Please give us

1 a moment to catch up.

2 Okay. Thank you. Go ahead.

3 BY MS. PAISNER:

4 Q. In this data request, Public Counsel asked the  
5 Company to explain how it calculated the lower ROE and  
6 ROR rates that are shown in Tables 2 and 3 on page 11 of  
7 your rebuttal testimony.

8 In response to this data request, you confirmed  
9 that to arrive at the lower ROE and ROR rates, you used  
10 Public Counsel's revised revenue requirement, yes?

11 A. Yes. But it is -- I used their revised revenue  
12 requirement.

13 But to clarify, I started with the Company's  
14 direct-filed case. I adjusted it down to the settlement  
15 agreement of 7.03 percent. And I removed any Dry Ash,  
16 Colstrip, that the parties agreed to remove from those  
17 balances.

18 And I also prepared a -- kind of a black box  
19 adjustment to recognize that the overall agreement --  
20 settlement agreement to the parties reflected the  
21 revised. For example, 38 million for electric and 7.5  
22 million for natural gas. Just at least rate year one.  
23 And then, also, I did the same for rate year two.

24 For that clarification, I then compared that to  
25 what -- what Public Counsel's proposed increases were.

1 Q. Okay. So the answer to the question seems like  
2 it's yes, right? You used Public Counsel's revised  
3 revenue requirement numbers in that calculation?

4 A. I used their revenue -- I used their revenue  
5 requirement calc -- or their revenue proposals against  
6 the level of rate base and the level of basically other  
7 costs that the settling parties had agreed to, which  
8 obviously is substantially less than our direct-filed  
9 case.

10 Q. Okay. And so then to clarify, you used the  
11 Company's proposed rate base and common equity balances  
12 from the settlement agreement, correct?

13 A. Correct. That's correct.

14 Q. And the rate case and the common equity balances  
15 in the settlement agreement are very close to those that  
16 the Company filed initially, correct?

17 A. At least the -- obviously, the -- in the  
18 settlement, we call that a 7.03 percent rate of return.  
19 We didn't really outline the equity. But the rate base  
20 was adjusted to remove Dry Ash.

21 So, otherwise, yes, it was similar to our  
22 direct-filed case, at least for rate base, with the  
23 exception of the removal of Dry Ash.

24 Q. Okay. So for the electric business, I think  
25 that for rate base amount, there's only about a 2 to

1 \$3 million difference from the filed case?

2 A. Subject to check. That's whatever they -- the  
3 Dry Ash portion was.

4 Q. Okay. And then I believe there's no difference  
5 in the gas portion either --

6 A. That's correct.

7 Q. Okay.

8 A. That would be correct.

9 The level of rate base is the level of rate base  
10 that I built in or did my calculations, will be the level  
11 of rate base that we will be required to commit, or  
12 required to show to the Commission that if they approve  
13 the settlement, we will have to actually have completed.

14 Q. Okay. During Mr. Coppola's testimony, Public  
15 Counsel proposed certain adjustments to the Company's  
16 proposed rate base for the electric business for a total  
17 of \$38.5 million for rate year one and \$48.4 million for  
18 rate year two.

19 And also for rate year one \$6.9 million for gas,  
20 and \$3.2 million for rate year two for the gas business.

21 Is that correct, subject to check?

22 A. Subject to check, yes.

23 Q. You did not include Public Counsel's adjustments  
24 to the rate base in your calculations of the ROE and ROR  
25 rates shown in Tables 2 and 3 on page 11 of your

1 rebuttal; is that correct?

2 A. Yes, that is correct. Because, obviously, we  
3 don't agree with those particular adjustments.

4 And if the Commission is to -- if the Commission  
5 was to remove those, or as a part of the adjustment to  
6 the settlement or otherwise, then that still -- the  
7 Company's expectation is that we will still spend that  
8 investment, need to do those investments.

9 And so whether it's in the revenue requirement  
10 or not, my expectation is that our returns would be  
11 equivalent to what I show for the use of Public Counsel's  
12 revenues, because our costs and investment, we believe,  
13 will still occur. Whether those revenue requirement that  
14 we received were allowed or not, those costs will still  
15 incur-- will be incurred by the Company.

16 Q. Okay. So just to sum up, clarify.

17 You used Public Counsel's revenue requirement  
18 numbers for operating income, and the Company's  
19 rate-based numbers to do those ROE/ROR calculations?

20 A. That is correct.

21 Q. So that appears to be a mismatch using Public  
22 Counsel's numbers and the Company's rate base?

23 A. I actually disagree with that.

24 Because as we have -- we filed our direct-filed  
25 case. And we included in our direct-filed case expected



1 increases for expense, capital, including all offsets.  
2 And came up with a -- what our expected levels of cost  
3 will be during the rate effective periods over that  
4 two-year rate plan.

5 And that, honestly, even -- even what we have  
6 agreed through with the settlement, is going to be a  
7 difficult challenge for the Company to manage its cost to  
8 those levels. And that is even prior to the  
9 consideration of increased costs that we're already aware  
10 of, increases in cost to even our capital investments  
11 that we're aware of, and even inflationary issues.

12 So I don't believe there's a mismatch. If  
13 anything, I would say that the returns that -- if this  
14 Commission were to approve the level that Public Counsel  
15 has proposed, our ability to earn our authorized returns  
16 would be -- I don't want to say impossible, but it would  
17 be extremely difficult. And even earning allowed under  
18 the settlement agreements is going to be a challenge for  
19 the Company.

20 So if we were to then remove an incremental 48.4  
21 -- or 43 point -- I think it's, like, 43 million that  
22 Public Counsel has proposed, would take us well below  
23 even the ROEs that I have -- have shown here.

24 Q. Thank you.

25 Public Counsel's proposed revenue requirement

1 also reflects certain adjustments to O&M expenses,  
2 correct?

3 A. That's correct.

4 Q. So your calculations of lower ROE and ROR rates  
5 do not assume the lower forecasted O&M expenses  
6 calculated by Public Counsel, that this would happen; is  
7 that correct?

8 A. Well, Public Counsel has, over the two-year rate  
9 period, removed about seven and a half million. Our  
10 settlement position over the two-year rate plan removes  
11 approximately 10 million of O&M costs.

12 So while it has not removed through my ROE  
13 calculation of what Public Counsel has proposed, because,  
14 frankly, even our removal of what our direct-filed case  
15 was, we removed approximately 10 million, does not even  
16 take into consideration the incremental increases in cost  
17 that we were expecting over the two-year rate plan.

18 As I mentioned, we already know we have  
19 increases in IS/IT, labor workforce issues. We have  
20 additional inflationary issues that were not included in  
21 our direct-filed case.

22 So, if anything, I would say that it's probably  
23 understated.

24 Q. Okay. So lower O&M expenses increase operating  
25 income, correct?

1 A. If that actually happens, yes, that's correct.

2 Q. And for that reason, the lower O&M expenses  
3 increase the ROE and ROR rates when you're doing the  
4 calculations?

5 A. Again, if that -- sorry. Yes. Again, if those  
6 expenses were to occur, that is correct.

7 But as I mentioned, the settlement already  
8 reduces a significant portion and really takes into  
9 consideration a lot of what Public Counsel's, you know,  
10 opposition to our -- to our case -- or to this  
11 settlement, takes a lot of that already into  
12 consideration.

13 But, yes, you're correct. If our expenses were  
14 lower, it would have a higher net income and would  
15 increase our ROE.

16 Q. Okay. Thank you.

17 I'd now like to ask you some questions regarding  
18 the Company's claims regarding unrecovered costs and  
19 regulatory lag.

20 Can you please go to page 12 of your rebuttal?  
21 It's ANA-7T.

22 A. I'm sorry. Could you repeat the page?

23 Q. Page 12, starting at line 6. Line 6 through 13.

24 A. Page 12, 6 through 13. At least I am there.

25 Q. Thank you.

1           You state that Public Counsel's proposed  
2 incremental revenue is not reasonable and would not cover  
3 the Company's existing unrecovered costs and regulatory  
4 lag, correct?

5           A.    That is correct.

6           Q.    Now please turn to Exhibit EMA-11X, which is the  
7 Company's response to Public Counsel's data request 321.

8           A.    I am there.

9           Q.    Thank you.

10           The Company was asked to identify the existing  
11 unrecovered cost and regulatory lag amounts.

12           In your response, you seem to point to 2021  
13 results as well as to 2023 through 2024 costs; is that  
14 correct?

15           A.    Yes. I point to specific exhibits -- or  
16 tables -- my exhibits, tables, where I specifically  
17 separated the 2021 and 2022 costs included versus the  
18 incremental portions that we've added for '23 and  
19 incremental again for '24.

20           Q.    So Public Counsel did not propose any cost  
21 disallowances for 2021, correct?

22           A.    Not that I'm aware of.

23           Q.    There are no existing unrecovered costs up to  
24 the end of 2021 that were removed from revenue  
25 requirement in Public Counsel's analysis; is that your

1 understanding?

2 A. I think that's my understanding.

3 Q. So the adjustments proposed by Public Counsel  
4 are for forecasted years 2022 through 2024; is that  
5 correct?

6 A. I -- I believe so.

7 Q. Okay. Can you please now turn to page 13 of  
8 your rebuttal?

9 A. I'm there.

10 Q. Okay. On lines 1 to 2, and a related footnote,  
11 you state that it is important for the Commission to get  
12 the first year right in the rate plan.

13 Does this mean that the Commission must approve  
14 the Company's proposed capital spending and O&M expenses  
15 as proposed by the Company?

16 A. No. Obviously not.

17 But I think it would be helpful to clarify  
18 exactly how much the settlement actually is included  
19 within this -- within -- or the amounts that have been  
20 included in the settlement agreement.

21 In my direct testimony at Table 5 -- and I don't  
22 know that we necessarily go to -- need to go there, so  
23 let me just walk through the process, and if we need to  
24 actually go there, we can.

25 I included a table which separated all of our

1 costs related to -- for '21 and '22, the incremental  
2 costs of our overall revenue requirement of, let's just  
3 take electric, of \$53 million.

4 I separated the cost that the Company had  
5 included, which -- which included expenses, capital  
6 investment for '21 through the end of '22, power supply  
7 expenses and transmission, and then all direct offsets  
8 that we show were related to those level of balances.

9 We then provided the incremental amount for  
10 2023, which was 7.2 million. And, again, incremental for  
11 2024.

12 Just focusing on the 2021 and '22 level of  
13 costs, if one was simply to remove or adjust the  
14 45.6 million for the cost of capital going -- moving to a  
15 7.03 percent, just looking at electric, you would remove  
16 8.3 million of that 45.6, resulting in a \$37.3 million  
17 revenue requirement associated with those costs before  
18 you even look at the incremental amounts that we added  
19 for '23.

20 Again, for natural gas, similarly you have 9.5  
21 million that we said was associated with '21 and '22. If  
22 you back out the cost of capital to a 7.03 level, you're  
23 at 2.1 -- that's 2.1 and you're at 7.4 million.

24 So what we were representing in this data  
25 response that you referred to is the fact that we

1 provided in our case a level of capital through the end  
2 of 2022, the level of costs through 2022, prior to rates  
3 even going into effect. A net of -- netting out the cost  
4 of capital amounts, 37.3 and 7.4 for gas, is clearly very  
5 close to the 38 million in settlement that we agreed to  
6 for the whole -- for the entire rate year one. And 7.5  
7 for the entire rate year one for gas, leaving very little  
8 of 2023 investment or cost to be a part of that  
9 settlement amount.

10 So, in my opinion, when you're asking about the  
11 regulatory lag that we were -- that we pointed out in our  
12 case, we've clearly covered costs through 2022.

13 But during the two-year rate plan, we will  
14 continue to have regulatory lag that we will continue to  
15 have to manage.

16 Q. Okay. Going on to page 15 of your rebuttal and  
17 beginning on line 16 and into lines 1 to 2 on page --  
18 sorry. Beginning on -- yes, sorry. On page 15, line 16,  
19 and then going on to page 16, you --

20 A. Okay.

21 Q. -- discussed checks and balances -- checks and  
22 balances with incentive bill 5925 and the earnings test.

23 A. Yes.

24 Q. Do you believe that because of the earnings  
25 test, the Commission should approve the Company's revenue

1 requirement, or the settlement revenue requirement,  
2 irrespective of whether or not additional adjustments are  
3 justified?

4 A. No. I -- I don't believe the Commission should  
5 approve the settlement just based on that.

6 I think the Commission should consider the  
7 settlement, given the fact of all the other protections,  
8 that both Mr. Ehrbar and myself describe within our  
9 rebuttal testimony, so I won't elaborate too much here.

10 But we said that the settlement had protections  
11 in place, both whether you're looking at rate base and  
12 having the opportunity for the final review of capital  
13 additions between '22 and '23 annually, that it will be  
14 subject to review and possibly refund if our rate base  
15 levels in those three years do not match up with what the  
16 Commission approves.

17 We have ERM -- the ERM mechanism allows the --  
18 you know, if the EIM benefits was another area that  
19 Public Counsel represented or was concerned about, if --  
20 the ERM will track any differences in power supply,  
21 expense, and benefits.

22 We also had the specific balancing account. So  
23 before you even get to our O&M levels that I've already  
24 said, we removed \$10 million of O&M costs over the  
25 two-year rate plan. You have some of Public Counsel's



1 specific adjustments to O&M related to both vegetation  
2 management, basically wildfire expenses insurance.  
3 There's a balancing account to protect those.

4 So before you even get to the fact that we may  
5 have an earnings test, all of those other things have to  
6 be applied and have to fall into place.

7 And if somehow we magically, under the  
8 reductions that we've made through this settlement,  
9 actually over earn, then, yes, there's been the last step  
10 that there's an earnings test that would also be applied  
11 to our earnings.

12 So I would say to you the answer is no, because  
13 the earning test obviously is not the only protections  
14 that the Commission, the customers, and even the Company,  
15 have for around this settlement.

16 Q. Okay. So at this point, I'm happy you mentioned  
17 the ERM, because I would now like to ask some questions  
18 about EIM benefits.

19 Continuing on page 16 of your rebuttal,  
20 beginning on lines 3 and going into line 9 of page 17,  
21 this is where you discuss the 12.1 million revenue  
22 requirement adjustment for EIM benefits that Public  
23 Counsel proposed for rate year one.

24 A. Yes.

25 Q. On page 17, lines 7 through 9, you state that

1 any additional revenues from the EIM would be shared  
2 between the Company and customers through the ERM,  
3 correct?

4 A. Yes. Through the -- there is the deadband  
5 mechanism that obviously is in place that tracks both  
6 expenses and benefits, including the EIM benefits, that  
7 would slow through the ERM.

8 Q. Would you please go to page 3 of Mr. Kinney's  
9 rebuttal testimony? That's SJK-13T.

10 A. I do have it. You said "rebuttal," correct?

11 Q. Rebuttal. Yes.

12 A. I'm sorry. Could you repeat the page for me?

13 Q. Page 3, starting at line 18.

14 A. Page 3. 18. Correct.

15 Q. Here, through the end of the page, Mr. Kinney  
16 states that under the ERM, the Company would likely be  
17 responsible for at least 7 million of power costs before  
18 the 90/10 sharing.

19 A. Correct.

20 Q. Do you see that?

21 A. I do.

22 Q. Okay. If the additional EIM benefits forecasted  
23 by Public Counsel were to occur, the Company would retain  
24 majority of those additional benefits because of the  
25 threshold level of \$7 million of higher power costs that

1 are absorbed by the Company, correct?

2 A. Well, that would assume that there are no other  
3 changes or costs or increases in expense through the  
4 mechanism.

5 For example, while I cannot tell you what our  
6 expectation is over the -- in the multiyear rate plan, a  
7 perfect example of the fact that the benefits -- they  
8 will be shared between customers is where we are today in  
9 our ERM deadband is currently in a -- we are in the  
10 negative side of the deadband, and we're currently in the  
11 90/10.

12 So if experience shows from even this year, it's  
13 very possible that it could go in either direction. And,  
14 therefore, we will go between that 7 million for the good  
15 or the bad. And that's kind of the whole point of the  
16 ERM mechanism is to track all of these costs. And it  
17 will -- that's how it's worked, I believe, since 2012.

18 Q. And the Company would also retain EIM benefits  
19 under the 90/10 sharing in that mechanism, correct?

20 A. A small portion.

21 Again, it also would be net of any incremental  
22 expenses, which, of course, without an updated power  
23 supply, we're also at risk for that as well.

24 Q. Now I would like to ask some questions regarding  
25 capital review process in the settlement.

1 A. Okay.

2 Q. Please turn to page 18 of your rebuttal,  
3 line 15, and continuing on to page 19, line 5.

4 Here you state that provisional capital review  
5 process will provide protection for customers, given that  
6 all approved capital additions included in the rate plan  
7 will be subject to review and refund, correct?

8 A. Yes.

9 Q. Does this review process justify including in  
10 rates all capital program project costs proposed by the  
11 Company, even if they are not reasonable or justified?

12 A. I think the purpose of this is as the Commission  
13 intended; that because in a multiyear rate plan, it is --  
14 it is virtually -- it's kind of impossible to know  
15 whether all of the costs are what -- where we will land  
16 or what our costs will be. The Company did, obviously,  
17 its best to include what it expects our expenses to be  
18 over the multiyear rate plan. And I believe that this  
19 reporting process is intended to what the Commission  
20 outlined within its use and useful policy where they  
21 clearly define that when it comes to investment, although  
22 they cannot be -- I'm just going to read from their  
23 policy statement. Although they cannot be reviewed  
24 completely prior to rates going into effect, accordingly,  
25 we must replace the traditional prospective review with a

1 retrospective review for rate-effective period property  
2 request.

3           What that says to me is that while we have built  
4 in certain investments, and we have provided enough  
5 support within our case to support the level of capital  
6 investment by business case, by information included, on  
7 what we expect those transfers to plant to be over that  
8 three-year period from '22 to '24, the intent of that  
9 report is to provide what actually happens after the --  
10 after the fact. And basically provides that fail-safe  
11 opportunity for parties to review what we included in the  
12 case, the level of rate base that the Commission approved  
13 compared to what actually happens. And if what actually  
14 happens does not incur, will be subject to refund.

15           As a part of that review, my expectation is that  
16 the parties and the Commission will review whether or not  
17 what actually happened was prudently incurred capital  
18 investment.

19           Just like they do in any general rate case where  
20 we have performed capital investment, parties and the  
21 Commission have an opportunity to review that.

22           And if there is anything deemed imprudent, we  
23 would obviously have to write those balances off,  
24 regardless of what level we agreed to in -- or what level  
25 the Commission approved. And what happened, if anything

1 was being imprudent, it would be a write-off to the  
2 company.

3 Q. Okay. I would like to now ask some questions  
4 regarding the balancing accounts.

5 A. Okay.

6 Q. Would you please go to page 19 of your rebuttal?

7 A. I'm there.

8 Q. On lines 8 through 17, you discussed the  
9 wildfire balancing account and the proposed insurance  
10 expense balancing account and the proposed baseline for  
11 that.

12 Do you agree that Public Counsel is not  
13 objecting to the wildfire balancing account that was  
14 previously approved by the Commission?

15 A. I do understand that. I believe they even  
16 supported it in our prior rate case where the Commission  
17 approved the balancing account.

18 Q. With regard to the insurance expense balancing  
19 account, beginning at line 13, you state that the  
20 establishment of this account is nonprecedential, and its  
21 continuation may be challenged in a future proceeding.

22 Is that correct?

23 A. That is correct. That was the intent of the  
24 settling parties to -- while they were accepting the  
25 balancing account over a two-year rate plan, my

1 understanding, if we wanted to continue, we will have to,  
2 again, support it in a future rate case.

3 Q. Is it your view that Public Counsel should not  
4 challenge the need to establish this new balancing  
5 account in this rate case because it could object to it  
6 in a future case?

7 A. I'm not going to suggest what Public Counsel  
8 should or should not object to. They obviously are not a  
9 part of the settlement.

10 So I would assume Public Counsel has the right  
11 to object to any party -- or any piece of the settlement,  
12 settling parties' agreement.

13 Q. Would you agree that the wildfire expense  
14 balancing account and the insurance expense balancing  
15 account serve different purposes?

16 A. I think they serve a similar purpose, but they  
17 are definitely related to different costs.

18 Q. So the wildfire balancing account would seem to  
19 be aimed at preventing devastating fires, correct?

20 A. Correct.

21 Q. And then the insurance balancing account seems  
22 to be designed to allow the company to cover potential  
23 increases in expenses; is that correct?

24 A. In a way, yes. Obviously, the intent of a  
25 balancing account is to protect both the customer and the

1 Company around wildly swinging changes in costs.

2 And when we approach the need for an insurance  
3 balancing account, one of the things that we looked at is  
4 the hurdle that tends to be relied upon by the Commission  
5 of whether certain costs, or changes in costs, the  
6 variability of costs, tend to be unpredictable and  
7 extraordinary. And I think under both situations, that  
8 is the case.

9 And when it comes to insurance, a good reason  
10 why the level of insurance has changed is -- has a lot to  
11 do with the perceived changes in wildfire that has  
12 increased levels of our insurance. That's where a lot  
13 of -- as witness Brandkamp can speak to better than  
14 myself, that the changes in insurance has a lot to do  
15 with our recovery of insurance associated mainly with  
16 wildfire.

17 Q. Is it your opinion that the Commission should  
18 approve pass-through mechanisms like these every time  
19 expenses are forecasted to go up in future years for the  
20 Company?

21 A. No. I would expect to have -- which is why we  
22 proposed a balancing account and not some kind of  
23 specifically a deferral, is that just like wildfire,  
24 insurance can vary over time. It can go up or down.

25 But when it's significant, whether it be up or



1 down, when it's significant, the Commission should  
2 consider a balancing account such as this, because it  
3 does allow for both ups and downs.

4 And so I don't think there's anything that  
5 commits the Commission to have to approve these.

6 We're just simply stating these are two examples  
7 of items that are pretty extraordinary and variable  
8 whether it be up or down. And the Commission should  
9 consider the balancing account for insurance. Just as if  
10 there are other costs that are up and down, the Company  
11 would certainly be open to other balancing accounts for  
12 those same reasons.

13 Q. Okay. But now I would like to ask some  
14 questions about the -- what's being called settlement  
15 protections, or protections in the settlement.

16 On page 20 of your rebuttal -- I'll give you a  
17 minute to get there. Beginning on lines 15 going on to  
18 page 21, line 7.

19 A. Yes. I'm there.

20 Q. You state that there are a number of protections  
21 built into the settlement, such as tracking actual net  
22 rate base and ensuring that capital investments are  
23 prudently incurred and are used and useful, right?

24 A. Correct.

25 Q. If at the end of the review period, capital

1 additions to rate base are found to be imprudently  
2 occurred, incurred, or not used and useful, that the  
3 Commission would disallow these capital additions to rate  
4 base; is that correct?

5 A. Well, I think there are varying distinctions  
6 there in what you have said.

7 If -- we have said that, if there are particular  
8 investments in rate base -- so let's just take the use  
9 and useful issue and the level of rate base. I'm going  
10 to separate that from investment that might be deemed  
11 imprudent, because there's a different answer between  
12 those two.

13 The reporting tool, the reporting process that  
14 was a part of the settlement, is intended that there is  
15 a -- we have included multiple business cases. And we  
16 have expectations of what those transfers to plants will  
17 be. Those transfers to plant are based on, during the  
18 rate-effective periods over the two-year rate plan,  
19 timing of transfers to plant and dollar amounts that are  
20 expected. Any of those things can change. And they can  
21 drive a difference from the rate base that was included  
22 through the settlement that would then be reviewed in a  
23 future time period.

24 We will go through the process of saying, here  
25 are the investments that were included in our

1 direct-filed case. And we will compare that to what  
2 actually happens.

3 And if our overall rate base, the levels that  
4 we've included for all those investments are lower than  
5 what was approved by this Commission, there would be  
6 refunds associated with that revenue requirement on that  
7 case.

8 If there was more, then we're kind of out of  
9 luck. And it's a regulatory lag that we deal with in the  
10 next rate case.

11 However, if the party or the -- if the  
12 Commission were to determine that there was an investment  
13 that we did include, may have been used and useful, but  
14 it was imprudent to occur, this Company would then have  
15 to write off that investment.

16 So that's a different answer than to specific  
17 levels of investment or what we've included in this case.

18 Q. Would you please turn to Exhibit EMA-12X, which  
19 is the Company's response to Public Counsel DR-323A?

20 A. Yes, I'm there.

21 Q. Public Counsel asked the Company to identify any  
22 disallowances by the Commission of capital additions to  
23 rate base in the past five years.

24 And you identified only one incident pertaining  
25 to the Colstrip Unit 3 and 4, SmartBurn, correct?

1           A.    Yes.  To my recollection, specific investments  
2   that was written off by the -- around capital investment.  
3   Obviously.  There's been other things that may have been  
4   associated with other deferrals, but around capital  
5   investments specifically, that rate base, yes.

6           Q.    Okay.  So one in five years indicates that  
7   disallowances of capital expenditures after they are  
8   capitalized is a rare occurrence, correct?

9           A.    I think part of the issue we're dealing with  
10  here, I know you're -- this is specifically referring to  
11  capital investments.

12                    But if the company has made its case for capital  
13  investment, which all parties during a proceeding can  
14  bring to the attention of this Commission any investment  
15  that we did not prudently incur, which obviously we saw  
16  here.  And there was quite a lot of activity around this  
17  SmartBurn investment, can be brought to the Commission,  
18  and if proved imprudent, then -- then this Commission  
19  would disallow it and we would write it off.

20                    I don't think that that means that just because  
21  that's the only one in five years means that -- are you  
22  suggesting the parties or this Commission did not  
23  diligently review the Company's capital investment?  I  
24  would assume not.

25           Q.    Okay.  So it sounds like what you said is that

1 once capitalized costs are disallowed, the Company would  
2 take a write-off in the earnings; is that correct? If it  
3 was disallowed.

4 A. Yes. Any investment that we are unable to  
5 recover, we would have to write that investment off, just  
6 as we did with SmartBurn. And, again, as we did with Dry  
7 Ash associated with this settlement.

8 So there's another example of investment of  
9 \$4.2 million, Washington share, that the Company, through  
10 the approval of the settlement, will write off from its  
11 investment.

12 So to me, that's a hefty amount. When I think  
13 you're talking about \$7.5 million over the last few years  
14 of investments that the Company has written off.

15 Q. Okay. So those write-offs, if those would  
16 happen under the Company's provisional capital spending  
17 approach, if the Company -- sorry, if the Commission were  
18 to approve all of the Company's proposed capital  
19 spending, and then upon review after the end of the year  
20 costs are disallowed, then there would be a write-off --  
21 sorry. That was confusing.

22 I guess I'm trying to ask, would it be better or  
23 less painful for the Company if the Commission were to  
24 reject unreasonable or questionable forecast capital  
25 expenditures before they are incurred rather than after

1 they are capitalized?

2 A. How would this Commission know whether those  
3 costs that have -- for certain projects, when you're  
4 talking about a multiyear rate plan, that includes  
5 investment from '22 through '24, how would this  
6 Commission know that those investments were imprudently  
7 incurred if we haven't incurred them yet?

8 The intent is we have stated what we think that  
9 investment is. I don't believe that Public Counsel has  
10 provided enough support for any of the capital investment  
11 that they are opposing to actually not be investment that  
12 we should not be completing. The Company will complete  
13 the investments as they occur through 2022 through '24 as  
14 is appropriate to do so. And it will be the reporting --  
15 after-the-fact reporting that the parties will have the  
16 opportunity to then argue whether those cost investments  
17 are imprudent.

18 I don't believe there's any investment in my  
19 thought that -- sorry. Go ahead.

20 Q. Okay. But is it your understanding that it's  
21 the Company's burden to support its requests?

22 A. I absolutely do believe it's the Company's  
23 burden, and I believe that we have done so.

24 And we will further do so when we file the  
25 capital reports and actually be able to provide what all

1 actual costs and actual investments and actual support  
2 for that investment or the two-year rate plan.

3 Q. Okay. I'm going to now move on to questions  
4 regarding inflationary cost increases.

5 A. Okay.

6 Q. If you would please go to page 21 of your  
7 rebuttal, line 13, and on to page 22.

8 A. 21, line 13. Okay.

9 Q. And this is where you discuss cost increases  
10 that the company may have experienced after it filed its  
11 rate case in January 2022, correct?

12 A. Correct.

13 Q. On page 22, lines 1 through 5, you identified  
14 double-digit inflation rates for goods and services  
15 tracked by certain inflation indices during the first  
16 half of 2022. And you reference Mr. Forsyth's testimony  
17 for those inflation rates.

18 A. Sorry. That is correct. Dr. Forsyth's talked  
19 within his testimony specifically around those costs --  
20 or around those inflationary changes.

21 Q. Do you know if the Company has actually  
22 experienced those rates of cost increases during the  
23 first six months of 2022?

24 A. Well, I would say that it's difficult at this  
25 time to know exactly what our inflationary rates are. I

1 mean, again, what -- what we typically focus on and  
2 performed in our case is specific pro forma labor  
3 benefits and those kind of things. We know that there is  
4 inflationary pressures, as we have seen from our own  
5 workforce labor increase changes and what we are seeing  
6 in the market as we try to hire. We've seen increases in  
7 debt costs. We've seen increases in IS/IT. And we  
8 expect to experience additional increases.

9           And I would argue that it's in part why -- for  
10 example, at the end of June of 2022, for our electric --  
11 Washington electric operations, I think our ROE earnings  
12 is like 6.75 percent.

13           So I would say that that is part in due to  
14 pressures -- cost pressures, whether they be regulatory  
15 lag or additional inflation that we are experiencing.

16           And I believe that what Mr. Forsyth is speaking  
17 to is the expected inflationary pressure over the  
18 multiyear rate plan. In speaking into '23, into '24.

19           So whether we have specifically seen those  
20 increases, because I don't know whether the inflationary  
21 increases that we'll see have declined. I think that's  
22 better for Dr. Forsyth to speak to.

23           But I do believe that we expect, based on what  
24 we're seeing, that those inflationary pressures will  
25 continue. And will continue through the multiyear rate



1 plan, putting pressure on the Company on recovering its  
2 costs and earning its allowed returns.

3 Q. So as an example, for construction costs, where  
4 did the Company provide specific evidence of an increase  
5 in 20 percent due to inflation in the first six months of  
6 2022?

7 A. I don't believe that Dr. Forsyth -- and, again,  
8 I'll have to have Dr. Forsyth speak to that.

9 What he is referring to is what kind of  
10 pressures the utilities will experience, and whether that  
11 being now or as we move through the next two years. And  
12 when we do a forecast, we do a five-year forecast. I  
13 think that may be a better question for Dr. Forsyth.

14 But given the fact that the Company did not  
15 include any of that kind of inflationary pressure within  
16 our direct-filed case, I can't tell you that we provided  
17 support of that, because we didn't include those  
18 inflationary pressures in our filed case, and they're  
19 certainly not in our settlement. I think that's part of  
20 our concern is the fact that we have a settlement amount,  
21 and we will continue to have this inflationary pressure  
22 over the multiyear rate plan that we will have to manage.

23 Q. If the Company believes that its costs are going  
24 to be materially different in future years than reflected  
25 in the current filed case, it has the option to withdraw

1 the current case and refile later with an update in costs  
2 and revenues.

3 Do you agree?

4 A. We do not have that opportunity over a two-year  
5 rate plan. I suppose if you're saying that we didn't  
6 think it was enough that we could withdraw our case  
7 today.

8 But as we have said, we supported the  
9 settlement. And we do recognize that it will be  
10 difficult to manage these costs. But that's up to the  
11 Company to agree with the settlement, which we have done,  
12 and make the best efforts we can during the two-year rate  
13 plan to manage those costs to earn our allowed return.

14 Q. I'm going to ask some questions about insurance  
15 expense now.

16 If you would please turn to page 23 of your  
17 rebuttal.

18 A. Yes, yes. I am there.

19 Q. The discussion that begins on line 23 and  
20 continues through the next few pages, you discuss the  
21 adjustments to insurance expense that were proposed by  
22 Mr. Coppola and that you disagree with those adjustments.

23 Correct?

24 A. Yes.

25 Q. On page 24, lines 2 through 4, you state that

1 Mr. Coppola accepted the Company's forecasted insurance  
2 expense for 2022 and used inflation factors to forecast  
3 the expense for '23 and '24.

4 On line 11 you refer to them --

5 A. That's correct.

6 Q. Thank you.

7 On line 11, you refer to them as arbitrary  
8 inflation factors.

9 Correct?

10 A. That's correct.

11 Q. Please turn to Exhibit EMA-13X. That's data  
12 request 324.

13 A. Yes. I'm there.

14 Q. In this response, the Company confirmed that  
15 Mr. Coppola obtained those inflation factors from the  
16 Company; is that correct?

17 A. That is correct.

18 But I also believe that this data request points  
19 out that they were specifically asked by Public Counsel  
20 to provide certain inflationary information.

21 This -- when the Company provided that  
22 inflationary information, it did not state that it's  
23 anything the Company used in filing its case.

24 And this, again, may be better for Dr. Forsyth,  
25 because he originally provided that information to begin

1 with, the DR 121 that you speak to.

2 And I believe that what he points out, or at  
3 least in his rebuttal testimony points out, that those  
4 particular inflationary increases related to CPI are used  
5 only by the Company to inform the Company on what  
6 customers will experience as far as cost increases.

7 It is not what the Company uses to inform itself  
8 on expected costs that we will incur during -- for -- as  
9 a utility.

10 Q. Okay. So in the same data request response, you  
11 state that the CPI PCEI inflation rates forecasted by the  
12 Company are not the best measure of inflation pressures  
13 for companies like Avista.

14 Is that correct?

15 A. Well, we didn't -- the Company don't forecast  
16 those. I mean, they were just simply provided in  
17 response to a discovery request by Public Counsel,  
18 specifically 121, where they -- because of the question  
19 asked, the Company provided that information. We never  
20 stated that it was anything that the Company actually  
21 used for any purposes in this rate case.

22 Q. So in that data request, it states, I think  
23 three lines into the response, references Dr. Forsyth's  
24 testimony for his discussion on the use of CPI, and that  
25 is not the best measure of inflation pressures for

1 companies like Avista.

2 Is that correct?

3 A. That's correct. Because it's -- CPI is meant  
4 more as is -- is really more customer-driven costs or  
5 what customers may experience. But it's not what a  
6 utility necessarily will experience.

7 The PPI, as he discusses further in his  
8 testimony, is probably more appropriate. And that is  
9 specifically the reference that is made within my  
10 testimony about the various percentages. I don't have it  
11 now in front of me, the 8, 10, 20 percent, whatever it  
12 was, are the various types of inflationary pressures.  
13 The type that a utility, such as Avista, would  
14 experience.

15 Q. So in Exhibit SC-9, this is the Company's  
16 response to Public Counsel data request 121. I will give  
17 you a minute to turn there.

18 A. I do believe that --

19 JUDGE O'CONNELL: Let me interrupt. Please  
20 give us a second to switch to SC-9.

21 THE WITNESS: I'll need that one. I'll need  
22 to grab it.

23 MR. MEYER: Just a moment. We'll supply one  
24 to the witness.

25 THE WITNESS: Yeah. I do believe it was a

1 particular DR that was witness -- Dr. Forsyth responded  
2 to.

3 JUDGE O'CONNELL: Are we -- one moment.

4 MR. MEYER: The witness is being --

5 JUDGE O'CONNELL: Ms. Paisner, are we looking  
6 at what's been marked as SC-9, Avista's response to  
7 Public Counsel's data request No. 121 with Attachment B?

8 MS. PAISNER: Yes.

9 JUDGE O'CONNELL: Okay. Sorry.

10 Go ahead, Mr. Meyer.

11 THE WITNESS: I have it.

12 MR. MEYER: The witness has it.

13 JUDGE O'CONNELL: Okay. Thank you.

14 Go ahead, Ms. Paisner.

15 BY MS. PAISNER:

16 Q. In this data request, Public Counsel requested  
17 the PPI rates for 2022, '23, and '24. But the Company  
18 did not provide that information in its response.

19 Is that correct?

20 A. I -- I'm -- I don't know that -- this is --  
21 that's probably a better question for Dr. Forsyth who is  
22 a part of your plan for cross. And I -- I do know that  
23 he speaks within his direct testimony both around PPI and  
24 CPI. And provided information associated with expected  
25 PPI in his direct-filed case. And, again, I believe he

1 discusses it in his rebuttal.

2 Q. Okay. Would you please go to page 27 of your  
3 rebuttal?

4 A. Yes. I'm there.

5 Q. On lines 7 through 10, you state that when  
6 determining the expected increase in insurance costs for  
7 2023 and 2024, Mr. Brandkamp relied on discussion with  
8 insurance brokers.

9 Is that correct?

10 A. Yes, that's correct.

11 Q. And you also state that Mr. Brandkamp is in the  
12 market and Mr. Coppola is not.

13 Correct?

14 A. Yes. That's my understanding.

15 Q. Do either --

16 A. And, again -- sorry. I just want to point out,  
17 I do believe that I am pointing specifically to  
18 Mr. Brandkamp's testimony. I'm quoting him.

19 So depending on where these questions go, they  
20 may be better off for Mr. Brandkamp.

21 Q. So would you say that either Mr. Brandkamp or  
22 insurance brokers have the ability to foresee future  
23 increases in insurance costs that are happening one or  
24 two years into the future?

25 A. Again, I -- I think that's probably a better

1 question for Mr. Brandkamp. I think he can speak  
2 directly to his experience and his communications with  
3 brokers in the market and exactly what they do expect a  
4 year from now, two years from now. That's not something  
5 that's in my purview.

6 Q. Would you please go to page 27 of your rebuttal  
7 starting at line 18?

8 A. Okay. I'm there.

9 Q. In this section of your testimony, you state  
10 that in response to Public Counsel data request 121,  
11 Mr. Forsyth stated that the primary purpose of the  
12 Company using the CPI inflation factors are to track  
13 customer-related items.

14 Is that correct?

15 A. Correct. Just as an informed -- informed on  
16 what impacts our customer -- our customer costs.

17 Q. Okay. So now looking back at Exhibit SC-9.

18 A. Sorry. Just a moment. Okay.

19 Q. On page 2 of that data request response, in the  
20 first full paragraph, the response addresses the primary  
21 purposes of consumer inflation factors. And there are  
22 two listed here.

23 The first one --

24 A. Yes. But I -- sorry. Go ahead.

25 Q. The first is to convert customer rates to real



1 prices. And then the Company provides a second purpose,  
2 which is to provide management in human resources with  
3 data about macroeconomic conditions that may impact the  
4 Company.

5 Correct?

6 A. I do see that. But those are specific points  
7 that Dr. Forsyth should speak to rather than myself.

8 Q. Okay.

9 A. Because they are -- they do -- they look towards  
10 how certain costs may impact the Company.

11 But, again, these are directly related to CPI.  
12 And it's not -- CPI is not something that the Company  
13 specifically looks to see how it impacts our exact  
14 expenses or capital investments.

15 But Dr. Forsyth would be able to elaborate on  
16 that versus myself.

17 Q. Okay. I pointed it out just because in your  
18 testimony you only talked about the first purpose and not  
19 the second.

20 A. Because I don't see them as the same thing. But  
21 I'll let Dr. Forsyth speak to that.

22 Q. Would you please go to page 28, lines 5 through  
23 11 of your rebuttal testimony?

24 Here you discuss unrecovered insurance costs  
25 from prior years, notwithstanding the Company's best

1 efforts under the wildfire resilience plan.

2 Is the Company attempting to recover prior  
3 years' unrecovered amounts by forecasting a higher  
4 insurance premium in 2023 and '24?

5 A. No, I'm not. And I can clarify exactly what is  
6 meant by that.

7 If you go to page 25, Table No. 7, all that I  
8 was -- and I'll wait until you get there. Page 25 of my  
9 rebuttal, Table No. 7.

10 This table was also provided in our direct-filed  
11 case. The only difference is we updated for -- we  
12 updated it for actual invoices, costs that were occurred  
13 in 12 of 2022.

14 The point of that discussion is the fact that  
15 what is currently authorized today is 6.7 million of  
16 insurance costs is what we're recovering in customer's  
17 rates today.

18 The actual level of experience for -- of expense  
19 that we will incur in 2022 for insurance costs is  
20 \$13.8 million.

21 So for 2022, the Company will absorb the  
22 difference. And Washington's share of that difference  
23 that the Company will absorb in 2022, is \$5.3 million.

24 When -- so the levels that we have been  
25 projected that is included in our direct-filed case and

1 included as part of the settlement, is to reflect that  
2 our expectation is that insurance expense will be  
3 15.5 million in 2020 -- for the first rate year. And  
4 that, you can see there, is a 13 percent increase.

5 So, no, we are not attempting to recover those  
6 costs. We were just reflecting in this table the overall  
7 changes through that time period.

8 Q. Okay. So now I'm looking at your rebuttal  
9 page 30, line 1, continuing from the previous page, from  
10 page 29.

11 A. Yes.

12 Q. I believe --

13 A. I'm there.

14 Q. -- this discussion has to do with that the  
15 Company started the wildfire resiliency plan in 2020 and  
16 it forecasted to spend at least 7.9 million in wildfire  
17 O&M expenses annually.

18 Is that correct?

19 A. One moment. I want to make sure, because the  
20 numbers get so confused between vegetation management and  
21 wildfire.

22 Yes, that's correct.

23 Q. And is the Company also forecasted to incur  
24 capital expenditures of between 17 million and 29 million  
25 annually from 2021 to 2024 subject to --

1 A. I believe.

2 Q. -- check?

3 A. Those -- subject to check -- yeah, subject to  
4 check. We have included capital investment for wildfire,  
5 specific to capital investment through the two-year rate  
6 plan.

7 Q. I believe this is stated in the Howell  
8 testimony.

9 A. Yes.

10 Q. The DRH-1T, page 4, Table 4.

11 The main objective of the wildfire program is to  
12 prevent fires caused by electric wires or other equipment  
13 and, in turn, avoid lawsuits and customer claims  
14 resulting from the fires.

15 Is that correct?

16 A. I would think that's probably a better question  
17 for Mr. Howell. I just know enough to be dangerous.

18 Q. Will the wildfire programs not have a  
19 significant impact that should reduce insurance premiums  
20 in 2023 and 2024?

21 A. Again, that would be for Mr. Howell specifically  
22 around the impact of our -- I'm assuming you are saying  
23 our capital investment or wildfire plan, how that impacts  
24 our insurance levels.

25 I would think you have a combination there

1 between Mr. Brandkamp and Mr. Howell, depending on what  
2 your questions are.

3 Q. On page 28 of your rebuttal, lines 14 and 15,  
4 you state that even under best efforts, insurance expense  
5 levels in 2023 and 2024 are unknown.

6 Does this contradict your previous testimony  
7 that Mr. Brandkamp has accurately estimated insurance  
8 premium increases of 13 percent in 2023 and 11 percent in  
9 2024?

10 A. I don't believe I said he accurately projected  
11 the percentage increases.

12 I may have said or what I inferred -- or I think  
13 I said, that Mr. Brandkamp obviously has knowledge and  
14 experience and works with -- with those in the market to  
15 determine what our expected increases are.

16 But whether or not he's right, whether those  
17 13 percent and the -- if you look at that table back on  
18 page 25, it's a 13 percent increase for 2023 and 10.5  
19 percent increase for 2024. I believe Mr. Brandkamp spoke  
20 to the -- where his percentages came from. And seeing  
21 where we are today, those could probably be conservative.

22 But regardless, I think because of the changes  
23 and the volatility insurance, none of us really know  
24 necessarily where those balances would be, which is a  
25 perfect example of why an insurance balancing account is

1 necessary. It protects the Company for swings going the  
2 other -- going further than what we've included.

3 And it protects customers if we're wrong and  
4 those insurance levels go down.

5 Q. Okay. So still on page 28 of your rebuttal, on  
6 lines 15 --

7 A. I'm there.

8 Q. -- 15 through 22.

9 A. Yes.

10 Q. You seem to state that use of the balancing  
11 account -- or that this is reasonable based on the fact  
12 that future insurance expense levels are unknown and  
13 customers would pay no more or no less by passing that  
14 through -- or passing through the actual costs to  
15 customers.

16 Would you agree with that? Is that what you're  
17 saying here?

18 A. Well, I argue that -- I argue that the use of a  
19 balancing account protects both the customers and the  
20 Company for ups and downs in the insurance.

21 But I believe in my direct testimony and  
22 rebuttal testimony, we support the balancing account with  
23 the fact that the levels that we are seeing, the  
24 increases, which has doubled since 2020, show that  
25 insurance itself is not only volatile but -- so it's

1 extraordinary. To me, that's one of the hurdles that I  
2 think this Commission looks for in approving deferrals or  
3 balancing accounts, is that increases or decreases in  
4 costs are extraordinary.

5 And I fully think that this applies with the  
6 insurance balancing account. We've seen significant  
7 increases, ones that we cannot necessarily predict.  
8 We've done our best. Mr. Brandkamp is the most well  
9 versed in our Company on what we think those levels are  
10 going to be.

11 But we really don't know if we will experience  
12 further increases because of wildfires that are going on.  
13 I -- so I'll leave it at that.

14 Q. Should other O&M expenses and capital  
15 expenditures that are unknown at the time of the rate  
16 case be recovered through balancing accounts so that  
17 customers only pay actual costs?

18 A. I think that if there were other balancing  
19 accounts that others -- that this Commission felt was  
20 appropriate because of the variability, the Company would  
21 certainly not be opposed. I mean, we are sort of now  
22 having that with the capital investment with having these  
23 reporting applications after the fact that will be  
24 subject to review and refund.

25 But there are other costs that the Company

1 certainly would not be opposed to. A perfect example is  
2 pension. Pension and medical costs are things that do  
3 swing wildly. And I think in cases back, we attempted  
4 those -- we attempted to defer or ask for some kind of a  
5 balancing account around those but were unsuccessful at  
6 that time.

7 But the Company would certainly not be opposed  
8 to other costs, whether they go up or down, having some  
9 kind of a tracker.

10 Q. So would you say that -- I guess I'll ask it a  
11 different way.

12 Is there a different type of unknown cost that  
13 would not qualify to be recovered through a balancing  
14 account?

15 A. I'm not going to try to speculate on what there  
16 is or isn't. I think the intent typically -- our  
17 experience with deferrals or balancing accounts, is that  
18 they have required -- there's a lot of vigor around  
19 approvals or balancing accounts or deferrals.

20 And just even a good example for Avista, we have  
21 a pretty minimal level of balancing accounts or  
22 deferrals.

23 If you take away the things like the PGAs and  
24 the ERMs that are kind of -- have balances that change.  
25 But we have very limited deferrals actually associated



1 with -- with being able to track costs.

2 Because there is a lot of scrutiny around  
3 support of those. And hurdles that this Commission sets  
4 is whether certain costs are -- are more volatile,  
5 extraordinary, have -- you know, more unpredictable. And  
6 I think that's the reason why those kind of costs in the  
7 past have been utilized. When it comes to insurance, we  
8 had seen -- I wouldn't say flat because we certainly saw  
9 increases in insurance.

10 And so prior to this year -- yeah, prior to this  
11 year, we hadn't really proposed a balancing around  
12 insurance because of what we're -- but now because of  
13 what we're seeing, it makes sense to have a balancing  
14 account around it, because it does seem to be not normal  
15 times.

16 And so for Avista's purposes, we've -- we've --  
17 that's why these two in particular make sense to us. But  
18 perhaps there are others that make sense to the  
19 Commission.

20 Q. Would the Company have any incentive to reduce  
21 costs if all costs are passed through to customers and  
22 the Company has no skin in the game, essentially? If  
23 everything is passed through?

24 A. I don't -- I would -- sure. If you want to say  
25 -- if this Commission wanted to establish a deferral for

1 every single cost that we had that it would be tracked,  
2 then you're right, that would be the case.

3 But with the limited deferrals, or the limited  
4 trackers that we have, I would not -- I would not say  
5 that.

6 And, in fact, the ERM is a perfect example where  
7 that is really, in my mind, a deferral. It's got  
8 balancing accounts kind of associated with it. But we  
9 certainly have skin in the game in that respect. And we  
10 will always have skin in the game, because it is  
11 important to the Company to manage the costs for  
12 customers as well. It's not just a -- it's just not an  
13 impact to the Company. And if we did not prudently  
14 manage our costs, I'm sure that someone would bring that  
15 to our attention.

16 Q. If I can have you turn to Exhibit EMA-14X. This  
17 is DR 325.

18 A. Sorry. 14X. Yes. I am there.

19 Q. In this data request, the Company was asked to  
20 identify any amounts of deferred costs the Commission  
21 disallowed in the past five years.

22 And in the response, you could only identify one  
23 incident related to power costs and none related to any  
24 O&M costs.

25 Is that correct?

1 A. Yes, that's correct.

2 Q. Okay. I would now like to ask a few questions  
3 related to vegetation management expense.

4 If you would please turn to page 29 of your  
5 rebuttal and continuing on to page 30.

6 A. Yes. I'm there.

7 Q. Here you discuss the adjustment proposed by  
8 Mr. Coppola to vegetation management expense for 2023.  
9 And on line 30, lines 5 through 11, you state that the  
10 Company will track expenses for both routine and wildfire  
11 vegetation management programs and take them into  
12 consideration prior to deferring any wildfire-related  
13 expenses.

14 Is that correct?

15 A. Yes, that's correct.

16 Q. Please turn to Exhibit EMA-15X, which is data  
17 request 326.

18 A. Yes. I'm there.

19 Q. In this data request, the Company was asked to  
20 clarify your testimony and whether vegetation management  
21 expenses must exceed the combined total of \$10.7 million  
22 before excess costs are deferred into the balancing  
23 account.

24 In the response, you did not provide a clear  
25 answer to that question.

1           So are you able to provide -- would vegetation  
2 management expenses need to exceed the combined total of  
3 \$10.7 million before the excess costs are deferred into  
4 the balancing account?

5           A.    Okay.  So I'm not sure how to make this any more  
6 clear.

7           As I note on part A, in both my direct testimony  
8 and I repeated it to you -- or I also repeated, I  
9 believe, on rebuttal, I specifically state that this  
10 routine -- when you're talking about the vegetation  
11 management and the wildfire expense, I state, "In the  
12 middle of that paragraph, this routine expense is  
13 separately tracked and accounted for from all wildfire  
14 expense balancing account baseline.  And will also ensure  
15 it is incremental to the routine maintenance expense  
16 included in base rates."

17           I go further to explain that we have  
18 approximately 5.1 million of risk tree for Washington  
19 included in our case.  And we have 5.6 million of routine  
20 costs.

21           I then on page 2 explain that when we look at  
22 our deferral amounts, we need to do this -- when you're  
23 taking into consideration both wildfire and vegetation  
24 management, it -- as far as taking into consideration  
25 vegetation management, needs to be on an annual basis.

1           That on a monthly basis, the Company will --  
2 because for gap purposes, we have to record any kinds of  
3 deferrals, we will record a deferred balance between the  
4 wildfire resiliency expense and what the baseline is.

5           But annually is when we would have to review and  
6 do a comparison with vegetation management because those  
7 two components make it difficult to try to defer that  
8 monthly.

9           So on an annual basis, we will take into  
10 consideration both the level of vegetation management --  
11 or vegetation expense that is in -- in the 5.8 million, I  
12 think it was, and also the wildfire. So that overall on  
13 an annual basis, the level of deferral would exceed  
14 expenses that are above both components.

15          Q.    Okay. So if I may use an example to illustrate  
16 that.

17           If the Company actually spends 5 million in 2023  
18 on routine vegetation management instead of the  
19 forecasted 5.7 million, does the Company use --

20          A.    5.6. Yes.

21          Q.    -- does the Company use the underspent amount of  
22 \$700,000 to reduce the deferral of vegetation management  
23 expense under the wildfire program?

24          A.    So because we understand and we even said in  
25 our -- in both my testimony and Mr. Howell's testimony,

1 that as we work through this ten-year plan, there may be  
2 things that are savings. And this is an area that we may  
3 find that where we are assuming our routine maintenance  
4 of 5.6 million, maybe it becomes 5 million because we  
5 spend 5 point -- or because we spend 6 million or 7  
6 million, let's say, in the risk tree.

7 That means that we will take that into  
8 consideration before any deferral. So if we simply are  
9 spending less by 600,000, 700,000, from routine  
10 maintenance and it gets added to the resiliency so the  
11 resiliency cost is higher than the 5.1 and it still nets  
12 to the 10.7, there would be no deferral under that  
13 circumstance.

14 MS. PAISNER: Okay. So I have a few more  
15 subject areas to ask questions on. I just wanted to  
16 check in, Judge O'Connell. I know it's past the noon  
17 hour.

18 So I wanted to check in, should I continue to  
19 ask questions or if you would like me to do something  
20 else.

21 JUDGE O'CONNELL: I appreciate you asking. I  
22 was looking for a break to jump in. I didn't want to  
23 interrupt you in the middle of a topic.

24 MS. PAISNER: Thank you.

25 JUDGE O'CONNELL: So thank you for stopping

1 when you got to a new topic.

2 We do want to take a break for lunch at this  
3 time. Currently, I have the time being 12:10 p.m.

4 Let's take an hour and five minutes for a lunch  
5 break. We'll return at 1:15 p.m. And we'll pick up with  
6 Ms. Andrews and any further questions that you have for  
7 her.

8 MS. PAISNER: Thank you.

9 THE WITNESS: Thank you.

10 JUDGE O'CONNELL: Okay. We are off the  
11 record.

12 (A break was taken from  
13 12:10 p.m. to 1:16 p.m.)

14 JUDGE O'CONNELL: Thank you. We are back  
15 after a short recess. The time is approximately  
16 1:18 p.m.

17 We are going to continue the cross-examination  
18 of Ms. Andrew from Avista by Public Counsel.

19 I'm noting the time, and that we have a hard  
20 stop at 5:30 p.m., which affords us a little bit over  
21 four hours left.

22 We will see how the rest of the hearing goes.  
23 Currently, it's very close, depending on how much  
24 cross-examination we're going to get through.

25 So I wanted to note that for the record. And we

1 will address any additional testimony that we need to  
2 take once we get to the very end of the hearing.

3 With that, Ms. Andrews, I want to remind you  
4 that you continue to be under oath.

5 And unless there's anything else, I would like  
6 to turn it over to Ms. Paisner to continue your  
7 questioning.

8 BY MS. PAISNER:

9 Q. Good afternoon.

10 Ms. Andrews, could you please turn to page 38 of  
11 your rebuttal.

12 A. Yes. I'm there.

13 Q. On lines 4 through 15, you state that the  
14 January 2020 accounting change made by the Company to  
15 charge all employee benefit expenses to general ledger  
16 account 926 instead of allocating those costs to each  
17 expense account is irrelevant in forecasting future  
18 miscellaneous O&M expenses.

19 As a result of this accounting change in 2020,  
20 is it or is it not more difficult to analyze expense  
21 variances when comparing O&M expenses for the years 2018  
22 through 2020 at the account level, yes or no?

23 A. Yes. Probably at the account level. I won't go  
24 into -- I mean, obviously these particular ones we were  
25 talking about are in totals. And so that's where I was



1 referring to it not mattering is because under the O&M  
2 adjustment, you're looking at total cost, which include  
3 both O&M and A&G. That's why it didn't matter.

4 Q. Cost --

5 A. I'm sorry. Just one quick thing.

6 You're right. By circ count, typically when we  
7 respond to audit questions, that sort of thing, we have  
8 provided that information or made that relevant. So it  
9 depends on what you're looking at whether there was an  
10 issue there or not.

11 In this case, under what it was used for, no.

12 Q. Cost variances at each O&M expense account  
13 caused by the change in allocation methodology can  
14 obscure cost variances caused by other factors.

15 Would you agree?

16 A. Can you rephrase your question?

17 Q. So changing an allocation methodology can  
18 obscure cost variances caused by other factors where cost  
19 variances at each O&M expense account are caused by the  
20 change in allocation methodology.

21 Does that clarify?

22 A. Well, I think so.

23 If we had a change in allocation methodology, I  
24 could understand year to year that might cause trouble.

25 But under this circumstance for what these were

1 used for, there wasn't really a change.

2 The comparison -- there is a comparison because  
3 what we were using it for was total O&M and A&G. So any  
4 movement between O&M to A&G was comparable because they  
5 were in total.

6 Q. Okay. Without a pro forma presentation of 2018  
7 and 2019 expense accounts on the same basis as the 2020  
8 expenses, it is not possible to do an apples-to-apples  
9 comparison and identify potential cost variances that may  
10 be one-time items that may not recur in future years,  
11 correct?

12 A. Yes, that would be correct.

13 However, under this circumstance, even one of  
14 the cross-exhibits actually provides the separation of  
15 each functional group, including A&G, showing the  
16 differences where you can actually see that in total in  
17 2020, costs went down for certain -- for certain  
18 functional groups, went up for A&G.

19 And when we look at the total, you can see the  
20 comparison year to year. So you can look at that as a  
21 comparison year to year.

22 And if you need me to, I can take you to the  
23 exhibit I was thinking of.

24 Q. So the 2018, 2019, and 2020 information, is that  
25 presented on a comparable basis in the calculation of pro

1 forma adjustment of miscellaneous O&M expenses?

2 A. What that comparison, the exhibit that shows  
3 '18, '19, '20, what that does is show the cost that we  
4 used in total to come up with the percentage allocation  
5 that we used to escalate those subset of costs in the O&M  
6 adjustment that we took from the test year and then used  
7 that escalation for just that subset of O&M dollars.

8 That information was provided and is in the  
9 specific cross-exhibit which I just offhand am not --

10 Q. Is it EMA-17X, DR 333?

11 A. Probably. Let me see. Yes.

12 Q. Okay. In that exhibit -- that data request,  
13 Public Counsel asked the Company to confirm that a pro  
14 forma comparison of expenses at the account level was not  
15 provided.

16 And in your response, you said it was not  
17 necessary to address at the account level --

18 A. It was -- sorry.

19 Q. Go ahead.

20 A. For the purposes of the O&M, for the comparison  
21 between '18, '19, and '20, the total groupings of  
22 expenses by functional group, production transmission,  
23 purchase power, distribution, customer accounting, and so  
24 on down the list that you see in the bottom half of that  
25 table, shows you the individual functional amounts. And

1 I agree they do not specifically have the FERC account,  
2 but even my own model shows these groupings by these  
3 functional groups and don't specifically point to the  
4 FERC account.

5           However, if any part would had asked questions  
6 for individual FERC accounts, we would have provided  
7 that. If we misinterpreted this question, my  
8 understanding, based on your testimony -- or the question  
9 itself pointing to specific testimony, that what you were  
10 inferring was that the total O&M and A&G, that you  
11 couldn't compare those because they -- because the  
12 movement of those costs went from O&M to A&G. What this  
13 is showing you is that in total, you can see the  
14 reductions to O&M, the increase in A&G, and the overall  
15 total that provided you a comparison that showed the  
16 escalation rate, or the average rate increase between  
17 those three years.

18           Q. Okay. So there are decreases shown for some of  
19 the functions, decreases in expenses between 2018 and  
20 2020. But these are offset by the \$20 million increase  
21 in A&G, administrative and general expense, correct?  
22 That's line 7 --

23           A. Yes.

24           Q. -- between 2018.

25           A. What is grade, the amounts that are grade in

1 2020 is where the amounts for those increases, the labor  
2 increases, moved -- or excuse me, the pension, medical,  
3 those kinds of costs, moved between where they were  
4 charged up above to where they were moved to A&G.

5 Q. So that increase, is that explained anywhere?

6 A. I did describe this in my testimony. That the  
7 2020 change in employee benefits were allocated and moved  
8 from one place to another. And that it did not have any  
9 bearing on this percentage -- this overall total. And I  
10 believe it's also noted within the exhibit itself.

11 So there is a separate exhibit that is actually  
12 sponsored by Dr. Forsyth. It's listed on this DR as  
13 No. 2. That because these certain levels are used also  
14 for the escalation study, which obviously is not a part  
15 of the settlement and really was not a determinate on the  
16 revenue requirement, but the data for even prior years  
17 was provided in that exhibit. And within that exhibit,  
18 the same highlighting was pointed out. And there was a  
19 description at the bottom of what it was.

20 Q. Would you please go to page 39 of your rebuttal?

21 A. Yes. I'm there.

22 Q. On this page, you provided that the use of the  
23 CPI inflation rates is not appropriate to set Avista's  
24 O&M expenses in future years. And you discuss input  
25 inflation and general increases in certain cost

1 categories.

2 I assume by input inflation, you're referring to  
3 the PPI inflation factor; is that correct?

4 A. Yes.

5 Q. But as you --

6 A. And this -- sorry.

7 Just around future costs purchased by the  
8 Company. I don't believe I was directly inferring PPIs  
9 as applied in our rate case, because obviously we did not  
10 do that.

11 Q. Right. I was just going to say, you were asked  
12 to provide it in SC -- the data request provided in SC-9,  
13 but the Company did not provide the PPI inflation rate,  
14 correct?

15 A. I don't recall. I believe that the PPI, I know  
16 as I think I discussed earlier, Dr. Forsyth in his direct  
17 testimony talked about different inflationary costs. He  
18 obviously addressed this. And my testimony is also  
19 addressing the PPI here and these increases in rates in  
20 context of -- of speaking to witness Coppola's testimony.

21 Q. Okay. So I'm going to ask you to turn to  
22 EMA-18CX. This is the Company's response to Public  
23 Counsel data request 334C.

24 Even though this response has confidential  
25 information, I don't plan to cross on that or we can

1 avoid that.

2 A. Yes.

3 Q. So I just wanted to be clear about that.

4 In this data request, in subpart A, Public  
5 Counsel asked the Company to provide a reference wherein  
6 prior orders, the Commission has accepted the use of PPI  
7 rates to set O&M expenses in a rate case.

8 I don't know that this was provided in the  
9 response. Was it?

10 A. I believe -- I thought I actually had. Because  
11 I do recall answering that question. If it wasn't in  
12 this one, I thought we had.

13 Oh, here we go. We do say that we have not  
14 conducted such analysis around all the -- all the  
15 different companies that the Commission themselves have  
16 used PPI or CPI in other -- in all utilities. We have  
17 not done that analysis.

18 I can answer for Avista, if that's where you're  
19 heading here.

20 Q. Sure.

21 A. Okay. So we had typically -- in as many years  
22 as I've been here, which has been quite a while,  
23 actually, in this department and doing general rate  
24 cases, we have typically not inflated any types of costs  
25 or used any kind of inflationary costs typically going

1 forward, except for in the years where the Company had  
2 attrition studies where we based our gross costs on  
3 historical information, similar to what we did with the  
4 escalation study that we originally filed in our direct  
5 file case.

6 In our current case, in this direct case, again,  
7 the Company did not use CPI or PPI. We based our  
8 expected increase on the three years of normalized  
9 commission basis, historical information from '18 to '20,  
10 is what we used to determine the escalation amount that  
11 we were going forward with, that small subset of costs in  
12 the O&M adjustment.

13 JUDGE O'CONNELL: Ms. Paisner, one moment  
14 before you continue.

15 For the record, Chair Danner's video feed has  
16 stopped. But I wanted to assure everyone who is watching  
17 and participating, Chair Danner is still on via audio.

18 CHAIR DANNER: Yes, I am here. I'm waiting  
19 for my Zoom connection to re-establish. Until then, I'm  
20 on the phone.

21 JUDGE O'CONNELL: Ms. Paisner, excuse my  
22 interruption. Please go ahead.

23 MS. PAISNER: That's fine.

24 BY MS. PAISNER:

25 Q. In subpart C to that data request 334C, and this



1 is EMA-18CX exhibit, the Company was asked to provide the  
2 rate of increase and build contractor costs experienced  
3 in 2021 and 2022 and forecasted for 2023 and 2024.

4 To support the rates you identify on page 39,  
5 line 16, of your rebuttal --

6 A. Let me go to 39 first. I want to see -- what  
7 was on my rebuttal is referring to which rebuttal? 39 --

8 Q. Page 39, line 16.

9 A. Okay.

10 Q. And this is the question in --

11 A. Okay.

12 Q. -- subpart C. Subpart C to 334C is getting at  
13 this. And that's the EMA-18CX. So in the response --

14 COMMISSIONER RENDAHL: Sorry. Which  
15 cross-exhibit is this that you're referring to?

16 MS. PAISNER: EMA-18CX.

17 JUDGE O'CONNELL: And for identification, this  
18 is Avista's response to Public Counsel data request 334C,  
19 marked "C" for confidential.

20 MS. PAISNER: The confidential information is  
21 in subpart D to that response, but I don't plan to ask a  
22 question that's going to lead to divulging that  
23 information.

24 JUDGE O'CONNELL: Thank you.

25 BY MS. PAISNER:

1 Q. So for subpart C of this response, the Company  
2 stated that it had not done such an analysis regarding  
3 the increase in build contractor costs.

4 Correct?

5 A. Yes. The Company, because of the number of  
6 contractors that we use and, in particular, when we do  
7 get billed from contractors, those costs may or not be  
8 separated from, let's say, their specific labor,  
9 materials, that sort of thing.

10 But I would like to point out that we are not  
11 relying on any of this -- any of this information in our  
12 direct case, because we're not pro forming in any CPI,  
13 PPI, any kind of escalation in costs associated with --  
14 with -- so where -- we have had lots of discussion around  
15 inflationary costs and increases. We have not actually  
16 pro formed any of that except for the subset of O&M in  
17 the miscellaneous adjustment where I use the historical  
18 data. I have not -- I did not provide support for CPI or  
19 PPI because we're not utilizing it.

20 Q. Okay. So then just to turn back to that line of  
21 your rebuttal. It's page 39, line 16.

22 Construction inputs averaged approximately 20  
23 percent, 10 percent, 13 percent respectively,  
24 year-over-year inflation.

25 So those may not be experienced by the Company

1 to date or in the future if there's no analysis to  
2 support it, correct?

3 A. There's -- Dr. Forsyth provided analysis to show  
4 that that's what we are seeing in the future.

5 And we've also stated earlier that while we do  
6 believe those may be inflationary pressures that the  
7 Company will experience, we have not actually pro formed  
8 any of those incremental inflationary increases in our  
9 case. Which means what we have agreed to with the  
10 parties could be conservative, because if we do  
11 experience any of those increases, we have not built them  
12 in, other than the pro forma adjustments that we included  
13 in the case and this one O&M escalation, which our  
14 understanding, or our belief, that based on our  
15 historical levels of increases that we did build in,  
16 which as I've already mentioned, our O&M has been  
17 substantially reduced through the settlement, that if we  
18 experience those levels of increases over the two-year  
19 rate plan, they are not built into the settlement or our  
20 direct-file case.

21 Q. Okay. In subpart D to that Exhibit EMA-18CX,  
22 the Company was asked to provide --

23 A. Yes.

24 Q. -- the percentage wage rate increase for 2023  
25 and 2024.

1           And in your response, you identify a  
2           current-approved wage rate increase.

3           This wage rate increase appears to be in line  
4           with the inflation rates used by Mr. Coppola, is it not?

5           A.     While they are in line currently because that  
6           minimum wage increase was approved by the Board back  
7           earlier in January of '22, prior to inflationary  
8           expectations and growth, what this -- what is highlighted  
9           here is also the expectation --

10           MR. MEYER: Careful. I'm sorry. I just want  
11           to remind the witness that --

12           THE WITNESS: Yeah. I'm not going to use any  
13           percentages.

14           MR. MEYER: Good. Thank you.

15           THE WITNESS: Yeah.

16           While the -- what's highlighted here and  
17           confidential, is the Board increase that we are expecting  
18           above that minimum, because as I -- sorry. Let me -- I  
19           lost my train of thought.

20           In early January, the Board included the  
21           minimum, which is what we included in our case.

22           We have since that time, as explained here, that  
23           because of the workforce pressures that we are expecting  
24           to experience in 2023, there will be a request to the  
25           Board to review and possibly approve the increase that's

1 shown on that exhibit.

2 So there is an example of pressures that we do  
3 expect to experience in 2023. And that increase is not  
4 built into the direct file case or our settlement.

5 BY MS. PAISNER:

6 Q. Okay. And so part E to that same exhibit, the  
7 Company was asked to provide the rate of increase in  
8 materials cost experienced in 2021 and 2022 and  
9 forecasted for '23 and '24 in support of the rates you  
10 mentioned on page 39, line 16. Correct?

11 A. Well, I think what the question is asking me is  
12 for the Company to provide analysis or showing  
13 expectations of those costs. And we explained that  
14 that's -- trying to get to the information that you were  
15 specifically asking for was not available to us.

16 But, again, we did not pro form any levels of  
17 increases in the costs that I may have mentioned on  
18 page 39. Those inflationary percentages were not built  
19 into our case.

20 Q. Do you believe that the Company should attempt  
21 to manage its cost to minimize input inflation cost  
22 pressure and limit future expense increases and rate  
23 increases to customers to no more than the CPI inflation  
24 rate?

25 A. I believe it is very important for the Company

1 to manage its costs. I do believe there are certain  
2 circumstances that individual expenses will not be able  
3 to be managed to a level like CPI.

4 A good example is wildfire insurance expense.  
5 To the best of our ability, the Company is going to  
6 manage it to the lowest cost that we can. But it may not  
7 necessarily meet inflationary rates. We obviously will  
8 do our best to try that. But I can't -- I can't say that  
9 overall all of the cost the utility experienced, the  
10 utility is going to have to pay costs that it experiences  
11 in the market.

12 So if inflationary pressure on the Company tends  
13 to be higher than a CPI level that you are supposing, we  
14 are going to have to pay those costs. There's only so  
15 much we can do when we have to purchase things in the  
16 market.

17 But we obviously will do our best to keep our  
18 costs as low as we can.

19 Q. Okay. My next few questions have to do with  
20 information services, information technology.

21 Please turn to page 40 of your rebuttal.

22 A. I'm there.

23 Q. From here through page 42, line 3, you discuss  
24 your objection to Mr. Coppola's proposed adjustment to IS  
25 and IT, O&M expense for 2023. So that's the information

1 services, information technology acronyms.

2 On line 7 and 8 on page 41, you state that  
3 Avista used actual expense in setting the expense amount  
4 for 2023 in the filed rate case.

5 Yes?

6 A. Yes.

7 Q. Please turn to Exhibit EMA-20X, which is the  
8 response to data request 336.

9 A. I'm sorry. Would you repeat that location?

10 Q. EMA-20X which is the response --

11 A. Yes.

12 Q. -- response to DR 336.

13 In your response --

14 A. Yes. Got it.

15 Q. -- to subpart A, you acknowledge that 2023  
16 expense was set based on costs passed the historical test  
17 year ending in September 2021, correct?

18 A. That's correct.

19 Q. And the response also states that the Company  
20 forecasted incremental nonlabor costs for 2022, correct?

21 A. I believe what I said is that the Company -- and  
22 this also can be found in witness Kensok's testimony  
23 where we explain that what we utilized was known contract  
24 information to determine what levels of IS/IT expense  
25 would be included in the case.

1           So we did not use any kind of escalation in  
2 order to get to our levels of IS/IT.

3           We included contractual information of known  
4 increases through 2022. And we did not include any known  
5 incremental for 2023. Now that is for nonlabor.

6           We did estimate some level of labor increases.  
7 There were some labor bodies associated with TSA,  
8 unfilled TSA-related positions for security, that we did  
9 estimate and pro form into the case.

10          Q.    Further down on lines 9 through 21 of page 41,  
11 your rebuttal, you disagree with Mr. Coppola's use --  
12 sorry.

13          A.    I'm there.

14          Q.    You disagree with Mr. Coppola's use of the 6  
15 percent increase in capital spending on IT projects  
16 between 2021 and 2023.

17                Yes?

18          A.    Yes.

19          Q.    And you state that he should have considered  
20 capital investments across all areas of the Company.

21                Yes?

22          A.    Yes.

23          Q.    Turning to EMA-20X, again, subpart B.

24          A.    Yes.

25          Q.    Public Counsel asked the Company to explain why



1 capital projects and programs outside of IT, such as the  
2 distribution grid upgrade, would drive IS and IT expense.  
3 And your response restates the same information you  
4 provided in your rebuttal. And it references page 55,  
5 lines 15 to 18, of the Kensok testimony, JNK-1T.

6 That section of Mr. Kensok's testimony does not  
7 quantify any other capital investments, though; is that  
8 correct?

9 A. That's right. That's correct. He just makes it  
10 very clear that information technology can span across  
11 the Company.

12 And so even though specific investments that he  
13 sponsors around IS/IT are not the only investments that  
14 we have -- we may have -- or we may have IS/IT expense  
15 association with.

16 And in the very next paragraph, he explains,  
17 also, where he says any investment that the Company makes  
18 that is enabled, supported, or secured by technology  
19 requiring ongoing licensing, maintenance, and support,  
20 those will be centralized in the IS/IT expense where the  
21 capital may not have been.

22 So if you are trying to compare growth and  
23 capital investment to growth and IS/IT expense, they are  
24 not apples to apples.

25 Q. Okay. So my next few questions relate to the

1 CETA labor expenses.

2 And I'm going to ask you to turn to page 43 of  
3 your rebuttal.

4 A. I'm there.

5 Q. So at the bottom of the page, starting at  
6 line 18 and extending through page 45, you discuss your  
7 opposition to Mr. Coppola's proposed adjustment to CETA  
8 labor expense.

9 Is that correct?

10 A. Yes.

11 Q. And on lines 3 to 9 of page 44, you state that  
12 the Company has already added the three additional  
13 employees dedicated to CETA matters to the payroll,  
14 correct?

15 A. That is correct.

16 Q. Is it your view that because the Company has  
17 already hired the three employees, it would not be  
18 appropriate for the Commission to accept the cost  
19 adjustments proposed by Public Counsel?

20 A. I don't believe the Commission should approve  
21 the CETA labor just because they have been already hired  
22 by the Company.

23 I believe they should approve -- they should  
24 approve those labor increases because of the description  
25 and the full testimony of Mr. Bonfield where he describes

1 the necessary needs. And I tried to summarize it here  
2 around why that -- those employees are necessary.

3 That is why the Commission should approve these  
4 bodies.

5 Q. On page 45, lines 17 to 20, you state that CETA  
6 is truly transformational for the Company and requires  
7 more work, correct?

8 A. That's correct.

9 Q. If CETA is truly transformational of the  
10 Company's business model, would it not make more sense to  
11 reevaluate resources allocated to legacy operations and  
12 reassign them to the CETA work instead of adding more  
13 employees?

14 A. That might be beneficial if we actually had the  
15 bodies to be able to do that.

16 But the current existing workload of the  
17 Company, we have our labor -- our labor force meets the  
18 needs that we will experience today and through the  
19 two-year rate plan.

20 If over time there is maybe more  
21 transformational activities that occur that allow us to  
22 reduce those bodies, that will become a part of future  
23 rate cases.

24 But as of today and through the two-year rate  
25 plan, we are not going to see a reduction in our labor

1 force because of these activities that are occurring  
2 today.

3 Q. My next few questions have to do with capital  
4 investments. I'm looking at page 46 --

5 A. I'm there.

6 Q. -- through page 60 of your rebuttal where you  
7 discuss the Company approach to categorizing capital  
8 investments and your objections to the adjustments that  
9 were proposed by Public Counsel.

10 A. Yes.

11 Q. So specifically looking at page 48 and -- 48  
12 through 50, you discuss Commission policy statement on  
13 how to include capital investments in the multiyear rate  
14 plan, how to categorize capital expenditures, and  
15 additional information to provide in the rate case  
16 filing.

17 Correct?

18 A. Yes.

19 Q. And you state that the Company has complied with  
20 those guidelines?

21 A. Yes.

22 Q. Would you agree the guidelines do not address  
23 whether a certain project is sufficiently developed to  
24 merit inclusion in a forecasted multiyear rate plan?

25 A. I don't believe the Commission provided detailed

1 analysis to what they expected in an individual  
2 investment. Because that is -- I would imagine would be  
3 a very difficult task to do. I would believe -- I  
4 believe the purpose was to provide guidance on the types  
5 of investments the Company should include and the types  
6 of things they should include in a filing, like  
7 offsetting factors and those sorts of things. And  
8 in-service dates and all of that information, which we  
9 have done.

10 I also believe that their guidance is that  
11 because of the nature that we will see on a multiyear  
12 rate plan, a lot of these types of investments -- and I  
13 already spoke earlier today about the specific language  
14 that's on page 48, lines 20 through 25, so I won't repeat  
15 them -- but the expectation that there will be a  
16 retrospective review of rate-effective period property  
17 request.

18 Q. Okay. Would you agree that there is a  
19 difference between a project that is still at a  
20 conceptual phase versus a project where engineering  
21 design has been completed?

22 A. There is definitely a difference.

23 Q. Under the guidelines, there is no distinction  
24 made as to which of those two types of projects merits  
25 inclusion in the multiyear rate plan to set customer

1 rates; is that correct?

2 A. That is correct. But I would argue -- I would  
3 state that, to me, it seems very clear with the language  
4 that that is anticipated that there is not -- you cannot  
5 do a prospective review on plant investment that might be  
6 through a multiyear rate plan that a retrospective review  
7 is necessary because of the changes that are allowed  
8 under the law.

9 Q. And the guidelines do not provide specific  
10 guidance on the level of detailed support that the  
11 Company needs to provide to justify the proposed capital  
12 spending on specific programs for the forecasted years,  
13 correct?

14 A. Well, the Commission does identify the type of  
15 projects. And they also request the in-service dates,  
16 which was provided.

17 They also require offsetting factors for capital  
18 investments and other offsets through a rate case, which  
19 we have also done.

20 Q. Okay. So considering, you know, what detailed  
21 support would be, this would refer to specific equipment  
22 that's added or replaced, quantities of work to be  
23 performed, other work-related data that would support a  
24 capital expenditures forecasted for the multiyear rate  
25 plan.

1           And so those detailed specifications are not  
2 included in the guidelines; is that correct?

3           A.    They are not included in the guidelines.  But  
4 they do -- but they do speak to descriptions of projects,  
5 types of projects.

6           As I already mentioned, in-service dates and  
7 things like that, which the Company did include within  
8 its testimony, between the business cases that we  
9 provided all the information that we can for these  
10 projects going forward.

11           But as far as specific details, that those types  
12 of things may not be available until the individual  
13 business cases or projects are actually begun.  Which is  
14 very difficult to do for projects in '23 and '24 when  
15 it's currently 2022.

16           Q.   And would you say the assessment of whether  
17 sufficient support and justification and data for the  
18 amount of forecasted -- amount forecasted has been  
19 provided by the Company, that is something that's left to  
20 the parties to the rate case and ultimately to the  
21 Commission's determination?

22                    Would you agree?

23           A.    I would agree.

24           I would also agree that we have met that burden  
25 of proof.

1 Q. Would you please turn to page 54 of your  
2 rebuttal?

3 A. Yes. I'm there.

4 Q. Lines 4 to 14.

5 You state that it is wrong for Mr. Coppola to  
6 use a three-year average of historical spending, and that  
7 this approach has been primarily used in the past when  
8 there is considerable variability in costs from  
9 year-to-year, such as an injuries and damages expenses.

10 Is that correct?

11 A. I'm sorry. Would you repeat the -- I think I  
12 lost my place of where you said to be looking.

13 Q. So on lines 4 through 14.

14 A. Oh, okay.

15 Q. Your discussion here explains why you believe  
16 it's wrong for Mr. Coppola to use a three-year average of  
17 historical spending.

18 And that in the past, this has been used where  
19 there is considerable variability in cost from year to  
20 year, such as an injuries and damages expenses.

21 A. I'm not following where you have the -- am I  
22 looking at the wrong -- talking about injuries and  
23 damages. Am I looking at the wrong page, page 54?

24 MR. MEYER: There's a footnote.

25 THE WITNESS: Oh, a footnote. Okay.



1 BY MS. PAISNER:

2 Q. Footnote 92.

3 A. Okay. I'm sorry. I'm just trying to remember  
4 the context of it. Okay.

5 I was referring to expenditures, certain costs  
6 where averages have been possibly used. And for Avista,  
7 we don't have a lot of averages that are used. So I did  
8 use that as an example of where we have had six-year  
9 averages associated with injury and damage, because there  
10 is a lot of variability, yes. Now I think I'm on the  
11 same page.

12 Q. Can you now turn to the next page of your  
13 rebuttal, page 55?

14 A. Yes.

15 Q. There are two illustrations on this page, and  
16 they show capital expenditures for substation rebuild and  
17 capacity work?

18 A. Yes.

19 Q. Would you say this shows considerable  
20 variability from year to year?

21 A. I would.

22 But I think it also illustrates completely our  
23 argument of why a CPI average that Mr. Coppola is  
24 proposing is -- why it does not work under many  
25 circumstances with our business cases.

1           This is a perfect example where we have capital  
2 investments that historically is the level as you see in  
3 both illustrations in brackets and show the average that  
4 Mr. Coppola said that here is the average over the  
5 historical levels, and so, therefore, as CPI of the --  
6 what he used would show -- would be appropriate.

7           Where we have business cases and we have  
8 expected transfers to plants that show considerable  
9 variability, that if this Commission was to agree with  
10 Coppola's version, that would essentially eliminate --  
11 just looking at the first -- the first picture there,  
12 Coppola is suggesting that the Commission approve 30  
13 million of capital, which would eliminate 80 million of  
14 capital that we do expect is necessary over the rate  
15 plan.

16           Now these are system numbers. But I think this  
17 spells out actually very clearly why we do not agree with  
18 Coppola's suggested CPI use for capital investment.

19           Q. Mr. Coppola uses the three-year average approach  
20 plus future inflation when --

21           A. Yes.

22           Q. -- the company --

23           A. And that is what the red line is meant to infer  
24 is that he started with the average and the red line  
25 slightly increases for CPI, significantly under what our

1 expectations are.

2 Q. Okay. Just turning back to page 54, lines 9  
3 through 11.

4 You state Mr. Coppola made a technical error by  
5 using CPI rates for future inflation instead of PPI.

6 That's lines 9, 10, page 54.

7 A. Correct. I said it would be a better measure.

8 Q. And you confirmed earlier that Public Counsel  
9 asked for PPI forecast rates in Exhibit SC-9C and the  
10 Company did not provide it. Correct?

11 A. I believe what I said is that some of the PPI  
12 information was provided in Dr. Forsyth's direct  
13 testimony.

14 And it was our understanding we answered based  
15 on what we thought Public Counsel was asking when we  
16 responded to that question.

17 Q. Okay. So page 55 through the following three  
18 pages, through page 58, your rebuttal, you state that the  
19 Company provided sufficient information to justify its  
20 forecasted capital additions for 2022 through 2024.

21 Correct?

22 A. Yes.

23 Q. Please look at Exhibit EMA-21X. This is  
24 Company's response to Public Counsel data request 339.

25 A. Yes. I'm there.

1 Q. Public Counsel --

2 CHAIR DANNER: I'm sorry. What was that  
3 exhibit again?

4 MS. PAISNER: EMA-21X.

5 CHAIR DANNER: Thank you.

6 BY MS. PAISNER:

7 Q. In this data request, Public Counsel asked the  
8 Company to, again, identify where it provided specific  
9 quantities of work and work activities with related  
10 dollar amounts to support the increase in capital  
11 additions in 2022, 2023, and 2024.

12 In your response, you provided two charts that  
13 show capital budget by year. But you show no quantities  
14 of work units or work activities that would identify the  
15 stations to be added or rebuilt, the number and type of  
16 stations to be added or rebuilt, the equipment to be  
17 added or replaced, or any other supporting work units.

18 Do you agree?

19 A. The question in itself in 339 was specifically  
20 related to the illustrations that we were just looking at  
21 on page 55 which relate to the distribution capital  
22 program, the substation rebuild.

23 Not -- I just want to make it very clear, that  
24 was not our testimony around all capital investment and  
25 support of capital investment in our case. I did that

1 back in my rebuttal testimony within Table 10. So I  
2 won't readdress it now.

3           These in particular is what we provided, which,  
4 yes, they were a repeat, actually, of -- of the same  
5 tables, which when we spoke to on rebuttal about these  
6 particular projects, we pointed to the business cases  
7 which provide the spoon -- soon spend for these projects  
8 from '23 to '24. My tables that I previously just looked  
9 at the illustration showed what our expected transfers to  
10 plant were going to be.

11           But as far as individual units and things like  
12 that that you had asked for, that is not yet available  
13 for those outer years.

14           Q. How can the Company justify the forecasted  
15 capital spending if there are no detailed work components  
16 supporting it?

17           A. Our direct-filed case provided, through various  
18 witnesses descriptions and information, for every  
19 business case included in our case.

20           We included business cases for every capital  
21 investment that was included within our case.

22           We provided offsetting factors for all of those  
23 within our case.

24           We explained that we do not yet have per unit  
25 information, for example, for each of those projects.

1 But it's the -- the information available provides a  
2 roadmap for all of those -- all of the parties to review  
3 what our expected capital investment is to be reviewed,  
4 and give the parties an opportunity that when we are --  
5 bring our actual detailed information to the parties  
6 after the annual year is complete with the provisional  
7 report, they will be able to analyze the detail of those  
8 projects against what was approved by this Commission.  
9 And it will be subject to review at that time.

10 So that will all be made available.

11 And so any uncertainty that there might be  
12 before us today will be answered.

13 Q. Okay. So turning to EMA-21X, that is DR 339  
14 response.

15 This is the attachment to that. Attachment A is  
16 the business case for substation -- new distribution  
17 station capacity program.

18 Is that correct?

19 A. Yes.

20 Q. Please look through pages 1 through 7.

21 I don't see any details of what work is going to  
22 be done each year from 2022 to 2024 on those pages.

23 Do you disagree?

24 A. No, I don't. Other than the expected spend in  
25 the annual amounts are shown on page 4, the same table I

1 used in my testimony. There isn't the specific detail  
2 that you may otherwise -- you may otherwise need when a  
3 full review is completed when the project is over.

4 Q. And then scanning further, page 8 through 14 of  
5 that attachment, there doesn't seem to be any supporting  
6 work units, work activities, equipment to be rebuilt by  
7 year -- for 2022 to '24.

8 Do you agree?

9 A. I agree. And as we have described in testimony,  
10 that information will -- once the information is  
11 available for those outer years, the Company would be  
12 able to provide more information as those projects are  
13 completed.

14 Q. EMA-21X also has Attachment B.

15 And that attachment includes prior responses to  
16 PC -- or Public Counsel data requests 208 and 212.

17 Do you agree?

18 A. I do.

19 Q. And this attachment, Attachment B, also does not  
20 show supporting detail for work units, work activities,  
21 and equipment to be added or rebuilt by year for 2022 to  
22 2024.

23 Do you agree?

24 A. What the Company provided in this response, and  
25 you can actually see it in pages one -- you can see it

1 further back in the attachment, it shows an Excel file of  
2 all transferred plant information from 2018 from an  
3 actual basis through '21. And then forecasts for '22  
4 through '24 for all our business cases. And we  
5 specifically asked that Public Counsel, when they were  
6 asking for detailed information based on analysis of any  
7 variances, we had requested that Public Counsel advise us  
8 of any particular projects that were of interest to them.  
9 We provided the detailed analysis, but as you can imagine  
10 with 143 business cases to provide the kind of detailed  
11 analysis that you perhaps were looking here for unit  
12 information, where we do have it available for current  
13 capital projects that are starting in 2022, that would  
14 have been quite voluminous.

15 We asked Public Counsel to advise us on  
16 particular business cases that they had of interest and  
17 we would provide more.

18 From that time period, there were additional  
19 projects that came to us, like wildfire and things like  
20 that, which we answered copious DRs on.

21 Other projects -- if there were other projects  
22 specifically, several of the Public Counsel had  
23 questioned within Mr. Coppola's testimony, were not  
24 specifically requested to the Company to provide  
25 additional detail that was available to us.



1           Again, for -- especially as we look through  
2 projects that are not started or will be through the  
3 two-year rate plan, we would not necessarily have  
4 detailed unit information for those projects.

5           Q.    So that detail is not provided for any of them,  
6 correct?

7           A.    Because we were -- we specifically answered what  
8 we could at the time, asking for follow-up information  
9 from Public Counsel to be more specific. Because the  
10 volume of data that we would have had to try to do  
11 every -- you're talking about actual information. You've  
12 got a lot of projects there. So --

13          Q.    Right. So that --

14          A.    -- for detailed information, we do have -- we  
15 have other information but we could not provide it during  
16 the time that was asked.

17          Q.    Okay. So that's a no, the answer to that  
18 question is "no" is what it sounds like.

19                    Would you please go to page --

20          A.    We did not provide --

21          Q.    -- 58 of your rebuttal.

22          A.    I'm there.

23          Q.    On lines 14 through 21, you discuss a set of  
24 provisional capital investment will go through a  
25 retroactive -- sorry, retrospective review process after

1 they are capitalized and after the end of each year for  
2 provisional capital investment.

3 Is that correct?

4 A. Yes. And I want to confirm you're on page 58,  
5 correct?

6 Q. 58, yes. Lines 14 through 21.

7 A. Okay.

8 Q. Is it your opinion --

9 A. Yes. I think I said that. Yes.

10 Q. Okay. Okay.

11 Is it your view that any project or program  
12 spending level proposed by the Company in a multiyear  
13 rate plan should be approved by the Commission because  
14 there is a retrospective review process?

15 A. No. But I do believe that the Company has  
16 provided a significant amount of materials within the  
17 record to allow them to approve it at this time through  
18 the settlement. With the understanding that there's a  
19 fail-safe requirement that after the projects are  
20 complete annually, there will be a retrospective review  
21 of actual information by -- as we proposed within our  
22 reporting -- within our provisional reporting that the  
23 settlement agreement agreed to.

24 Q. Okay. Would --

25 JUDGE O'CONNELL: Ms. Paisner, before you

1 continue, I want to bring up that you are reaching almost  
2 about 15 minutes left from your estimated cross time.  
3 And I wanted to make sure you were aware.

4 MS. PAISNER: Okay. Thank you.

5 BY MS. PAISNER:

6 Q. If you can turn to page 64 of your rebuttal,  
7 please.

8 A. I'm there.

9 Q. Here you discuss Mr. Coppola's proposed  
10 adjustment to gas facilities Aldyl-A Pipe Replacement  
11 Program.

12 A. Yes.

13 Q. You raise two issues.

14 One is whether the recent historical main  
15 replacement performance justifies the planned main  
16 replacement level for 2022 through '24. That's the first  
17 issue you raised.

18 And the second issue you raised is what  
19 information Mr. Coppola relied on to propose his  
20 adjustment for the capital spending 2022 through 2024.

21 Correct?

22 A. Yes. I'm hearing a little feedback. Am I the  
23 only one? It's a little hard to understand.

24 JUDGE O'CONNELL: We are hearing some feedback  
25 as well.

1 I would like to remind everyone to please mute  
2 your microphone if you are not speaking.

3 Ms. Paisner, would you please repeat?

4 BY MS. PAISNER:

5 Q. There are two issues that -- Ms. Andrews, that  
6 you raised on page -- pages 64 to 65 of your rebuttal.  
7 And they have to do with whether the recent historical  
8 main replacement performance justified the planned main  
9 replacement level for 2022 through 2024.

10 And the second was what information Mr. Coppola  
11 relied on to propose this adjustment to the capital  
12 spending from 2022 to 2024.

13 Is that correct?

14 A. Yes, that's correct.

15 Q. If you could please turn to Exhibit EMA-22X,  
16 that's PC data request 340?

17 MR. MEYER: I'm sorry. What reference was  
18 that?

19 MS. PAISNER: So it's Exhibit EMA-22X, Public  
20 Counsel data request 340.

21 MR. MEYER: Thank you.

22 THE WITNESS: Yes. I'm there.

23 BY MS. PAISNER:

24 Q. In this data request, Public Counsel asked the  
25 Company to update the chart of planned and completed main

1 replacement miles in the Washington jurisdiction for  
2 2021.

3 Correct?

4 A. Yes, that's correct.

5 Q. Attachment A to this response shows that for  
6 2021, the Company replaced only 69 percent of the planned  
7 number of miles of pipe.

8 Is that correct?

9 A. Yes. For Washington, that is correct.

10 And we also explained the reasoning why a lot of  
11 that occurs.

12 Q. And prior years, Company replaced 71 percent of  
13 planned miles in 2020, 102 percent in 2019, and  
14 82 percent in 2018.

15 So it appears that over the past three to four  
16 years, the Company has fallen significantly short from  
17 replacing 100 percent of the planned number of miles.

18 Is that correct?

19 A. I would say that in 2018, but more importantly  
20 in 2020 and 2021, yes, the Company had fallen short. We  
21 explained that that had to do with COVID implications  
22 where materials or availability of contract crews caused  
23 an issue with that.

24 Overall, we have met about 93 percent in total.

25 But in previous years, that has ranged anywhere

1 from 97 percent to 117 percent of actual coverage.

2 Because when we did the Aldyl-A plan, it is looked at for  
3 all three services -- for all three services. And so  
4 that can vary.

5 But this is a perfect example of one that we do  
6 expect to meet the needs for this Aldyl-A Pipe  
7 Replacement over the two-year rate plan. And to where  
8 we -- if we were to fall short, would be part of the  
9 review of the provisional reporting review that would be  
10 captured in Q1 each year.

11 Q. So for 2018, that was prepandemic.

12 I just want to go back to the 2018 amount, that  
13 was 82 percent of planned miles that the Company actually  
14 replaced, correct?

15 A. Yes. And let me see here. I cannot tell -- I  
16 do not have an answer for why that -- in 2018 why that  
17 may have occurred. I don't recall. I'm not typically  
18 the witness for Aldyl-A investment, so I don't exactly  
19 recall what that level or why.

20 Q. Okay. My next few questions have to do with  
21 energy delivery modernization and efficiency.

22 Would you please turn to page 66 of your  
23 rebuttal, starting on line 19.

24 Here you criticize Mr. Coppola's use of a  
25 three-year average plus inflation to set the capital

1 additions for this program.

2 And you state that work on this program is not  
3 consistent from year to year, ranging from 2 to  
4 \$5.2 million.

5 Is that correct?

6 A. Yes. I believe that's correct.

7 Q. The Company did not identify specific projects  
8 or work activities to support the forecasted capital  
9 spending on this program from 2022 to 2024, correct?

10 A. I don't have the business case in front of me.  
11 But I'm assuming that -- what the business case talks  
12 about is the purpose of this particular investment. And  
13 it may not have specifically called out why those values  
14 move from 2 million to 5.2 million.

15 But I do believe that we've already  
16 significantly spent amounts towards that investment. But  
17 all of that will come to light when we do our reports in  
18 Q1 of each year.

19 Q. So given the absence of detailed support like  
20 that, using a three-year average of historical spending  
21 plus inflation would seem reasonable to forecast the  
22 spending over the next three years.

23 Would you agree?

24 A. No, I would not.

25 And part of that is because by using some

1 average, historical average alone and using some kind of  
2 CPI inflater completely undermines the Company's entire  
3 process that Avista goes through to determine its annual  
4 capital investment.

5 It ignores the informed judgment of the Company  
6 business case managers, engineers, and the capital  
7 planning group that we have within the Company, which was  
8 all described within our direct testimony.

9 And it also entirely ignores the information  
10 that we did provide to the parties.

11 Q. Would you please turn to page 67 of your  
12 rebuttal?

13 A. I'm there.

14 Q. On lines 1 through 14, you discussed timing of  
15 the capital additions for this program forecasted by the  
16 Company versus Mr. Coppola's adjustment for the portion  
17 he removed.

18 A. Yes.

19 Q. From your work papers, it appears that your  
20 forecasted capital additions are somewhat lumpy through  
21 the year with larger additions of midyear and at the end  
22 of the year.

23 Is that correct?

24 A. It actually is not necessarily consistent year  
25 to year. We could have large projects that go into



1 service in Q1, Q2, Q3. It typically, in the past, has  
2 had more capital investment that falls within the second  
3 half of the year. But it does vary.

4 And for our purposes, what we did was we, by  
5 business case, provided monthly transfer-to-plant  
6 information. So it was -- so we determined the  
7 appropriate -- based on those transfer-to-plant  
8 information, the appropriate AMA balances for the  
9 rate-effective period. And we would provide that same  
10 information when we provided our actual report.

11 That is not the approach that, my understanding,  
12 Mr. Coppola took.

13 Q. Mr. Coppola sent an equal distribution of the  
14 capital additions throughout the year to calculate his  
15 adjustments, correct?

16 A. I believe that's correct, which would not  
17 reflect what was actually included in our case. So if  
18 you are just making a general statement, but that's not  
19 what Mr. Coppola is doing here.

20 Mr. Coppola is actually reducing rate base and  
21 reducing -- proposing a reduction to revenue requirement  
22 based on his analysis, which would mean it would  
23 undermine what was actually proposed in the case and  
24 actually a part of the settlement.

25 Q. Your forecast is still a forecast and the timing

1 of actual expenditures could still vary, though, from  
2 month to month as the year progresses; is that correct?

3 A. Absolutely. As we've already said would come to  
4 light when we do our reporting in Q1 each year.

5 Q. Okay. So I have some more questions. But the  
6 next questions I have to do with annual budget and actual  
7 capital expenditures. And these were questions I had  
8 initially planned to ask Patrick Ehrbar.

9 I'm wondering -- because you discussed this in  
10 your rebuttal, pages 67 to 68, I'm wondering if you are  
11 able to answer questions related to annual budget and  
12 actual capital expenditures in lieu of Patrick Ehrbar.

13 A. I can certainly --

14 MR. MEYER: Give it a try and we'll see how  
15 far it goes.

16 THE WITNESS: I can try. Certainly try  
17 because Mr. Ehrbar speaks more to our budgeting plans,  
18 our capital planning group, and the like.

19 MS. PAISNER: Okay. So, Judge O'Connell, I  
20 just wanted to clarify, then, that this would go into the  
21 time we requested for Patrick Ehrbar.

22 JUDGE O'CONNELL: So I understand, you're  
23 asking that the time that you had allotted for Patrick  
24 Ehrbar, some of it be used to finish the questioning for  
25 Ms. Andrews?

1 MS. PAISNER: Correct.

2 JUDGE O'CONNELL: How long are you expecting  
3 this to continue?

4 You do have about five minutes left from what  
5 you had anticipated for Ms. Andrews.

6 MS. PAISNER: Well, perhaps I should use that  
7 five minutes, then. I'm not sure it will take a whole  
8 lot more than that.

9 JUDGE O'CONNELL: Okay. Go ahead.

10 BY MS. PAISNER:

11 Q. So beginning at the bottom of page 67 and into  
12 page 68 of your rebuttal, you show the Company's total  
13 annual capital spending levels comparing actual to budget  
14 from 2017 to 2024, correct?

15 A. Correct. Yes.

16 Q. Could you please turn to EMA-24X, which is  
17 Public Counsel data request 344.

18 A. Yes.

19 Q. And subpart A to this DR, Public Counsel asked  
20 the Company to explain why it consistently overspent its  
21 capital budget for years 2017 to 2021.

22 And in your response, the Company states that  
23 the overspending is related to electric and gas customer  
24 growth.

25 Correct?

1           A.     That's correct. Customer growth above what we  
2 had intended or expected in those particular years, yes.

3           Q.     Was there any additional supporting data  
4 provided with this response?

5           A.     Other than the fact that our customer growth  
6 business case transaction detail is provided in our  
7 testimony detail analysis transactions from '18 through  
8 2024 for both actual and expenses and, again, provided in  
9 response shown to DR -- whichever one had the -- was it  
10 2021?

11                    So we did provide the overall business case --  
12 actual transfer-to-plant detail for that, for our growth  
13 capital.

14           Q.     How did the Company miss its forecast on  
15 customer growth for five years in a row?

16           A.     Because customer growth is something that we  
17 look on a five-year forecast to what we expect our growth  
18 to be. We are required as a utility to serve customers.

19                    So if our customer growth ends up being higher  
20 than what we anticipated, it's not something that we can  
21 decide that we're not going to do. We are required to  
22 hook up those customers, for example.

23                    And beyond that, you know, Mr. Ehrbar could  
24 probably speak to as far as being on the capital planning  
25 group.

1           But we do our best to estimate where we think  
2           our customer growth is going to be. But that is  
3           something that is out of our control, if we have more  
4           customers that want to be added to the -- to our utility.

5           Q.    Okay. And sub -- still looking at the same  
6           exhibit, EMA-24X, in subparts B and C, Public Counsel  
7           asked the Company to provide a list of programs and  
8           projects for 2019, 2020, and 2021 where overspending --  
9           over or underspending of 20 percent or greater had  
10          occurred, and to explain if capital budgets are shifted  
11          from underspent programs or projects to areas of  
12          overspending.

13                    Is that correct?

14          A.    That is correct.

15          Q.    In your response, you stated that capital  
16          dollars are moved around to business cases as necessary.

17                    But you did not provide a list of overspending  
18          and underspending of 20 percent or greater in individual  
19          programs and projects; is that correct?

20          A.    We did not. However, in the previous DR, we had  
21          already provided all the transfers to plant by business  
22          cases, and that analysis could have been done by Public  
23          Counsel themselves versus this DR on September 7th, where  
24          we had a five-day business turnaround in order to provide  
25          that information.

1           The information was there that you could have  
2 done that analysis. We had not specifically at the time  
3 done that type of analysis to -- to variable by business  
4 case.

5           We do explain -- we'll go -- it does explain  
6 what our process is there.

7           Q. Can you explain -- or can you specify where that  
8 information is so we can put that together?

9           A. So the easiest place is probably -- well, let's  
10 see. Because this is your capital -- your capital  
11 investment, we have -- I'm trying to think. I know we  
12 previously provided, I believe, a DR -- I think -- I  
13 thought it was here. Let's see. If I can go to the one  
14 I'm thinking of.

15           We don't have a year by year, which you may have  
16 been asking for in that question. And this, of course,  
17 was specific to -- we did in Exhibit 20 -- what DR is  
18 this? 21X. We did provide by business case year over  
19 year, at least the level of -- by business case -- and  
20 it's on page 23 of that exhibit. We did provide the 2018  
21 through '24. And for that one we had provided the  
22 budgeted transfers to plant for 2021 for it.

23           So at least for the purposes of the investment  
24 that's included in our case, we did provide the budget  
25 amounts for '21 to compare to the actual transfers for

1 plant for 2021. Of course, we don't have the actual  
2 transfers to plant for '22, '23, and '24. So we can only  
3 rely on what we're expecting to spend.

4 We did not have separate analysis, at least not  
5 here, of the '18, '19, '20, for example. But at least  
6 for '21 -- and that that's what is in question in our  
7 case -- was provided here.

8 We did not go through the process of trying to  
9 determine the allocation of different percentages,  
10 because as was described in that DR -- as was described  
11 in that data response, how we go through our capital  
12 planning is determining our capital investment year to  
13 year and how those things may vary.

14 JUDGE O'CONNELL: Ms. Paisner, this is Andrew  
15 O'Connell. We are over your estimated time for  
16 Ms. Andrews. I understand that you're calling up  
17 questions that you would have asked of Mr. Ehrbar.

18 Is there more for Ms. Andrews?

19 MS. PAISNER: I only have a handful of  
20 questions left.

21 And so if I ask these questions, I would not  
22 have to question Mr. Ehrbar. I can save them for --

23 JUDGE O'CONNELL: Let's go -- let's go ahead  
24 and ask them of Ms. Andrews.

25 But I want you to please be cognizant of your

1 time. And let's wrap things up as efficiently as you  
2 can.

3 MS. PAISNER: Okay.

4 BY MS. PAISNER:

5 Q. In EMA-24X, subpart D, Public Counsel asked the  
6 Company to explain why, in conjunction with filing the  
7 multiyear rate plan, the amount of capital spending  
8 increased from a range of 405 million to 414 million in  
9 the past five years to more than \$445 million in future  
10 years.

11 In response, you provided a table that shows you  
12 have delayed spending in prior years and are now  
13 increasing spending to take advantage of the forecasted  
14 multiyear rate plan.

15 Is that correct?

16 A. I would not use those words as taking advantage  
17 of the multiyear rate plan.

18 We had determined our capital needs, our capital  
19 investments, and what we built into the rate case was  
20 what you see as approved for those initial '21 through  
21 2024.

22 We also note here that even though that is what  
23 is built into our direct-filed case, we have determined a  
24 need to actually increase 2023 to 475 simply due to needs  
25 of the system and increased costs of materials and labor



1 that we are seeing partially for inflation and other cost  
2 increases that are expected.

3 So we are determining those values based on the  
4 needs of the Company. It has nothing to do with the fact  
5 that we are in a multiyear rate plan or we'll have future  
6 multiyear rate plans allowed.

7 Q. So that delayed spending from prior years. If  
8 it was not necessary, why was it not done in the prior  
9 years?

10 A. Because we have an obligation to try to measure  
11 our costs the best we can. So we have a very robust --  
12 as Pat Ehrbar speaks to in his testimony -- a very robust  
13 capital planning committee that meets monthly to  
14 determine the investment needs of the Company. They go  
15 through a very robust project of where parties may  
16 bring -- or directors or departments may bring requests,  
17 as you can see in that table on page 2 of Exhibit 24.  
18 And they manage and limit it to the -- what has been  
19 approved.

20 When they've had to go above that, for example,  
21 this 400 -- where they have determined now when they look  
22 out at 2023, that 445 is not sufficient, they made the  
23 determination it will be necessary to go to 475. They  
24 are monthly trying to be sure that they stay within that.  
25 And if there is anything significant where they were

1 unable to delay a project, which we will try to do --  
2 obviously, that's the delayed dollars -- and review it  
3 for the next year or the following year.

4 Q. So regarding that 475 million, in the last  
5 paragraph of the response, for EMA-24X, you state that  
6 the Company is planning to spend that amount, but you  
7 only have board approval for \$445 million.

8 A. No. We have board approval for \$475 million.

9 I'm saying we previously had 445 approved, but  
10 it has recently needed to be changed.

11 What I said is that we did not incorporate that  
12 in our direct-filed case. So that will represent  
13 regulatory lag over the two-year period.

14 Q. Are there details or justification for that  
15 additional 30 million in the filed case?

16 A. No. Because we didn't include it in our filed  
17 case. It's still not in the settlement or the filed  
18 case.

19 So, of course, it's not provided in the case,  
20 because we aren't currently asking for it.

21 Q. Okay. I guess I'll just circle back to the idea  
22 of the delayed spending in prior years.

23 If that delay in spending was not necessary in  
24 the prior years, why is it necessary now?

25 A. It could have had to do with timing of the

1 investment. I can't answer that specific question.  
2 Those would have been answered and determined based on  
3 the different departments, directors, the capital  
4 planning group. They very easily could have determined  
5 if, i.e., we couldn't -- maybe we were unable to get a  
6 contractor for a certain capital investment so it needed  
7 to be delayed. It could be all kinds of things.

8 But we managed to those levels. And they would  
9 be something that would continue to come back until it  
10 was ripe for that work to be completed in whatever year  
11 it is approved in.

12 Q. Okay. The next set of questions I would have --  
13 I'm now uncertain whether I should -- it has to do with  
14 pension and OPEB expenses. And there are a series of  
15 data requests where Mark Thies was provided as the  
16 witness. But you discussed this starting on page 32 of  
17 your rebuttal.

18 Are these questions more appropriately directed  
19 to Mark Thies?

20 And if so, I've got time later today. I don't  
21 know if it's appropriate to continue to ask those  
22 questions right now or to wait.

23 A. And are you asking of me or...

24 MS. PAISNER: Sorry. Judge O'Connell, I  
25 apologize for not directing that question to you.

1 I suppose I would need to hear from the Company  
2 on which witness is the correct witness to ask those  
3 questions.

4 JUDGE O'CONNELL: Let me -- let me invite  
5 Mr. Meyer to weigh in.

6 MR. MEYER: Very well.

7 I had a discussion -- actually, an exchange of  
8 e-mails with Public Counsel -- Public Counsel attorney  
9 Ms. Paisner. And in that, I tried to delineate the scope  
10 of pension questioning that Liz Andrews might cover.  
11 That has to do with just the process of how the pension  
12 studies, the results of those were incorporated into the  
13 rate case.

14 If it goes to the substance of those  
15 confidential pension studies, that should be Mr. Thies.

16 And so that is the delineation. And if she can  
17 stay within those boundaries, then I think we can  
18 proceed.

19 JUDGE O'CONNELL: Ms. Paisner, if you need to  
20 ask substantively about those things, we should save it  
21 for Mr. Thies.

22 MS. PAISNER: Okay. I think I will ask  
23 questions regarding substance.

24 And so I think -- I think I should direct those  
25 questions to Mr. Thies.

1           Otherwise, I would have no further questions for  
2 Ms. Andrews.

3           JUDGE O'CONNELL: Okay.

4           Mr. Meyer, do you have any redirect?

5           MR. MEYER: You know, I'm going to keep this  
6 mercifully short. But I do have just one very short  
7 series of questions.

8                                 REDIRECT EXAMINATION

9 BY MR. MEYER:

10          Q. And, Ms. Andrews, do you recall the general  
11 discussion in cross-examination around the level of  
12 documentation supporting the various business cases?

13          A. Yes, I do.

14          Q. All right. Would you please turn to page 57 of  
15 your rebuttal testimony and refer specifically to Table  
16 10?

17          A. Yes.

18          Q. And does this purport to be a roadmap of where  
19 information can be found for various business cases?

20          A. Yes, it does.

21          Q. I'm going to highlight three entries there.

22                 The second entry, the JRT-4 non-Colstrip  
23 generation business cases, do you see the page numbers on  
24 the right?

25          A. I do.

1 Q. Page numbers 1 through 282; is that right?

2 A. That's correct.

3 Q. Drop down about seven or eight lines, Exhibit  
4 HLR-21 through 24, transmission distribution business  
5 cases, how many pages are reflected there?

6 A. 433.

7 Q. And, lastly, on -- drop down four or five more  
8 lines, Exhibit JMK-2 for short-lived asset business  
9 cases, how many pages?

10 A. 277.

11 Q. Okay. Now let's -- so this -- does this  
12 essentially invite reference to other sources of  
13 documentation?

14 A. Yes, it does.

15 Q. And then would you return to exhibit -- it was  
16 339 DR. But that appeared as --

17 A. I believe that was 21X.

18 Q. Okay. And now this, I think you were asked  
19 questions about particular business cases, both of which  
20 have to do with substation -- either rebuild or  
21 maintenance, essentially.

22 A. Yes, yes.

23 Q. Okay. But what was attached to this response  
24 was a series of attachments, and those were provided by  
25 the Company?

1 A. Yes.

2 Q. Okay. And the first Attachment A had to do with  
3 the actual business case for the substation capacity  
4 program. And then one for the --

5 A. Yes.

6 Q. -- rebuild program, correct?

7 A. Yes.

8 Q. But wait. There's more. Okay. Attachment B.

9 A. Yes.

10 Q. Okay. You had provided another discovery  
11 response that also made references throughout the  
12 testimony and exhibits to where further information could  
13 be found, correct?

14 A. Correct.

15 Q. Okay. And then go to attachment -- the very  
16 next attachment. I'm thinking that it's attachment --

17 A. 210.

18 Q. Well --

19 A. Page 26.

20 Q. It's going to be page 22.

21 A. Oh, I'm sorry.

22 Q. Page 22 of 40 --

23 A. Correct.

24 Q. -- Exhibit EMA-21X.

25 A. Yes.

1 Q. Okay. You were asked about level of granularity  
2 for each business case. Does it have dollar information  
3 by your historical projected?

4 Does that have a specific year-by-year spending  
5 or budget information for each business case?

6 A. Yes. For each business case, it has the  
7 spending from 2018 through '21 actual. And '22 through  
8 '24 forecasted or expected. And it has the 2021 budgeted  
9 amounts.

10 Q. So even though there may not have been dollar  
11 budget information in the business case itself, if one  
12 had referenced to page 2 of this section --

13 A. Yes.

14 Q. -- which is page 24 of 40, and look at the very  
15 bottom --

16 A. Yes.

17 Q. -- might one find the actual spread of dollars  
18 between '22 and '24 for substation rebuild?

19 A. Yes, it would.

20 MR. MEYER: I think that will finish it.  
21 Thank you. I appreciate it.

22 JUDGE O'CONNELL: Thank you, Mr. Meyer.

23 Ms. Paisner, within that limited scope, do you  
24 have any follow-up?

25 MS. PAISNER: No, I do not. Thank you.



1 JUDGE O'CONNELL: Okay. Ms. Paisner, I think  
2 it is going to be a good time for us to have a short  
3 break. We're at the midafternoon.

4 When we come back, do you still have questions  
5 that you would like to ask of Mr. Ehrbar?

6 MS. PAISNER: I do not.

7 JUDGE O'CONNELL: Okay. The bench does not  
8 have questions planned for Mr. Ehrbar either.

9 If you are satisfied with the line of  
10 questioning you had gotten, I am ready to excuse  
11 Mr. Ehrbar, save any need to unexpectedly call him back  
12 to answer questions.

13 The time that I have now is 2:42 p.m. Let's  
14 take an eight-minute break and come back at ten til 3:00,  
15 and we will pick up with the next witness from Avista.  
16 Let's be off the record and in recess. Thank you.

17 (A break was taken from  
18 2:42 p.m. to 2:52 p.m.)

19 JUDGE O'CONNELL: Next up for questioning is  
20 an Avista witness, Adrien McKenzie.

21 Mr. McKenzie, will you -- well, please raise  
22 your right hand.

23 ///

24 ///

25 ///

1 \* \* \* \* \*

2 ADRIEN MCKENZIE, having been first duly sworn, was  
3 examined and testified as  
4 follows:

5 THE WITNESS: Yes, I do.

6 JUDGE O'CONNELL: Okay. Thank you.

7 How would you like to be addressed today?

8 THE WITNESS: Mr. McKenzie works well for me.

9 Thank you.

10 JUDGE O'CONNELL: Okay. Thank you.

11 Mr. Meyer, I'll turn it over to you.

12 MR. MEYER: Yeah. Thank you.

13 So your testimony and exhibit material has been  
14 entered into the record.

15 Just state your name and by whom you've been  
16 engaged.

17 THE WITNESS: My name is Adrien McKenzie. I  
18 work for the firm FINCAP, Inc. I've been engaged by  
19 Avista Corporation to submit testimony regarding ROE and  
20 capital structure issues.

21 MR. MEYER: Thank you.

22 With that, he's available for cross.

23 JUDGE O'CONNELL: I see, Ms. Suetake, your  
24 video is on.

25 I'm assuming you are going to conduct the  
cross-examination. That being the case, go ahead.

1 MS. SUETAKE: Thank you, Your Honor.

2 CROSS-EXAMINATION

3 BY MS. SUETAKE:

4 Q. Good afternoon, Mr. McKenzie. My name is --

5 A. Good afternoon.

6 Q. -- my name is Nina Suetake, and I'm here on  
7 behalf of Public Counsel.

8 As a preliminary matter, is it correct that you  
9 evaluated Avista's requested return on equity?

10 A. Yes.

11 Q. And is it correct that the settlement applies an  
12 ROE of 9.4 percent?

13 A. Yes, that's my understanding. It's not  
14 explicitly stated in the settlement. But we back into it  
15 making an assumption about capital structure and debt  
16 costs.

17 Q. Okay. Then can we please turn to your rebuttal.  
18 Do you have a copy of that in front of you?

19 A. Yes, I do.

20 Q. Please turn to page 5 of your rebuttal  
21 testimony.

22 Now, within this section here, is it correct  
23 that you compare Public Counsel witness David Garrett's  
24 ROE recommendation -- sorry. Apologies. That's return  
25 on equity -- ROE recommendation to ROEs authorized by

1 other state commissions?

2 A. Yes.

3 Q. In setting the ROE in this case, do you think  
4 that the Commission should give more weight to the  
5 average of awarded ROEs from other jurisdictions or to  
6 the results of cost of equity models such as the  
7 discounted cash flow model and the capital asset pricing  
8 model?

9 A. The Commission certainly should consider both.  
10 I mean, I think the models are important as a way of  
11 capturing current capital market conditions.

12 But another way to look at it, which is what  
13 I've done in my rebuttal, is to present to the Commission  
14 various benchmarks that they can use to both assess the  
15 reasonableness of the 9.4 cost of equity implied by the  
16 settlement, as well as Mr. Garrett's recommendation. So  
17 I think both are useful.

18 Q. Could you please turn to the bottom of page 5,  
19 starting on line 11.

20 And is it correct that you state that there  
21 would be a disincentive for investors to provide equity  
22 capital if the Commission were to apply a lower ROE to  
23 Avista?

24 A. Yes. Compared to utilities.

25 Q. I'm sorry, Mr. McKenzie. It's hard to hear you.

1           A.     Compared to utilities of comparable risk, that's  
2 true.

3           Q.     Then are you suggesting that if the Commission  
4 were to award an ROE lower than the one you are  
5 recommending, that investors would not make equity  
6 investments in Avista?

7           A.     No. That's not my testimony.

8                     And to be clear, my rebuttal testimony is  
9 addressing the 9.4 percent ROE established in the  
10 settlement. Clearly, there's a range around which the  
11 ROE may move, and it would not necessarily have dire  
12 impacts on the Company's ability to raise capital.

13                     But in this case, my belief is that Public  
14 Counsel's witness, a 7.9 percent cost of equity and an  
15 8.75 percent ROE recommendation, would, in fact, hinder  
16 Avista's ability to raise capital and could have very  
17 significant negative implications for its credit  
18 standing.

19           Q.     Are you aware that other ROE -- that other  
20 utilities have received lower ROEs than the 9.4 that is  
21 proposed in the settlement?

22           A.     Yes, I am.

23           Q.     And for those utilities, are you aware of any of  
24 them not being able to raise equity capital?

25           A.     Well, it's all in degrees. I mean, for example,

1 last year, Pinnacle West Capital's subsidiary, Arizona  
2 Public Service, was awarded an ROE of 8.7 percent. It  
3 was a very unexpected outcome. It was considered to be  
4 an extremely negative result for the company. The  
5 company's bonds were downgraded. The company's stock  
6 price fell precipitously.

7 So there are negative implications that come  
8 from setting ROEs that are lower than what is required.

9 I think in this particular case, the emphasis  
10 really has to be on changes in capital market conditions.  
11 Because when we look at that Arizona Public Service case,  
12 for example, that was last year before the Federal  
13 Reserve raised its benchmark interest rate 300 basis  
14 points, before public utility bond yields went up  
15 probably 230 basis points. So we're living in a  
16 different world now.

17 Q. Could you turn to page 8 of your rebuttal  
18 testimony now?

19 Now, in this section, is it correct that you --  
20 you discuss the impacts of inflation on investor's  
21 required return?

22 A. Yes, that's correct.

23 Q. In developing your testimony, did you also  
24 analyze the impact that inflation has on customers?

25 A. No. The purpose of my testimony was to present

1 to the Commission my recommendations with respect to the  
2 reasonableness of the 9.4 percent ROE specified in the  
3 settlement, not to analyze inflation impacts on  
4 customers.

5 Q. Then do you have an opinion on whether inflation  
6 could have a negative impact on customers?

7 A. Yes. I mean, you know, inflation is one of the  
8 primary considerations that impacts the economy, which is  
9 obviously why the Federal Reserve is so intent on making  
10 sure that inflation expectations start dropping back to  
11 its long-term target of 2 percent.

12 So higher inflation has negative implications  
13 for all sorts of sectors in the economy as well as  
14 consumers. I mean, every time a consumer goes to the gas  
15 pump or goes to the grocery store, they're paying higher  
16 prices, just as Ms. Andrews indicated Avista is having to  
17 do and will continue to have to do throughout the NYP  
18 period.

19 Q. Could we now turn to page 37 of your testimony?

20 A. I'm there.

21 Q. And is it correct in this section of your  
22 rebuttal, you discuss Mr. Garrett's capital asset pricing  
23 model analysis? I'm going to refer to that as CAPM.

24 A. Yes, that's correct.

25 Q. Now, is it correct that the cap -- that the CAPM

1 is a model used to estimate costs of equity?

2 A. Yes.

3 Q. And is it correct that starting on this page of  
4 your testimony, you discuss Mr. Garrett's estimate for  
5 the equity risk premium or ERP?

6 A. Yes. I discuss the sources that he used to  
7 derive his market equity risk premium. That's correct.

8 Q. Okay. And would you agree that the equity risk  
9 premium estimate has a material impact on the results of  
10 the capital asset pricing model?

11 A. Yes. It certainly does.

12 Q. And is it correct that if the equity risk  
13 premium increase increases, it increases the result of  
14 the CAPM?

15 A. Yes, that's correct.

16 Q. I'm sorry. Could you repeat that?

17 A. That is correct.

18 Q. Now referring to this page, 37, line 7. I'll  
19 give you a second.

20 Is it your understanding that Mr. Garrett  
21 considered several sources for his equity risk premium  
22 estimate, including expert surveys and the estimates of  
23 other analysts?

24 A. Yes. I would perhaps disagree with your  
25 characterization of an expert survey.



1 But, yes, he did consider survey results.

2 Q. Then is it correct that one of the sources you  
3 criticized Mr. Garrett for relying upon is the IESE  
4 business school survey?

5 A. That's correct.

6 Q. And is it correct that in this business school  
7 survey, approximately 1,600 respondents reported an  
8 equity risk premium of 5.6 percent?

9 A. No, that's not correct. I mean, we don't know  
10 what the individual respondents reported. Certainly the  
11 survey reports an average of 5.6 percent. I have no idea  
12 what the individual respondents reported or exactly how  
13 many responses went into any particular risk premium,  
14 because, of course, that survey is a global survey that  
15 covers risk premiums potentially across the globe.

16 Q. Then is it correct, though, that the survey --  
17 the result of that solicitation for the survey was 5.6  
18 percent?

19 A. Yes.

20 Q. Okay. Is it correct that you used an equity  
21 risk premium as high as 11.3 in your CAPM analysis --  
22 sorry, 11.3 percent?

23 A. Yes, that's correct.

24 Q. If you can turn to page 38 of your rebuttal  
25 testimony. Is it correct that you also criticize the

1 equity risk premium reported by Duff & Phelps?

2 A. Yes. For this purpose, I do criticize that.

3 Q. Are you aware that Duff & Phelps -- sorry, Duff  
4 & Phelps reported an equity risk premium of 5.5 percent?

5 A. Yes.

6 Q. And are you aware that Duff & Phelps is a  
7 multinational consulting firm?

8 A. Yes, I am.

9 Q. Shifting topics a little bit here.

10 Is it correct that you used a utility proxy  
11 group as part of your approach in estimating Avista's  
12 cost of equity?

13 A. Yes, that's correct.

14 Q. And is it correct that you use a proxy group in  
15 order to obtain the necessary metrics and inputs for the  
16 financial models, such as betas, dividends, and stock  
17 prices?

18 A. Yes.

19 Q. Is it correct that you did not consider the  
20 capital structures of those, of the proxy group, in  
21 determining the capital structure for Avista?

22 A. Well, I didn't determine the capital structure  
23 of Avista. Avista management does that.

24 Q. So you did not recommend a capital structure to  
25 Avista; is that correct?

1           A.    No.  My testimony endorses the capital structure  
2   that Avista proposed and basically demonstrates that it's  
3   within the range used by the proxy group.  It's within  
4   the range used by the operating companies that are owned  
5   by the proxy group and falls below the average equity  
6   ratio authorized by other regulators for electric  
7   utilities over the last eight quarters.

8                   MS. SUETAKE:  Okay.  Thank you.  That's all my  
9   questions for you.

10                   JUDGE O'CONNELL:  Mr. Meyer, do you have any  
11   redirect for this witness?

12                   MR. MEYER:  Just one quick item just for the  
13   completeness of the record.

14                                   REDIRECT EXAMINATION

15   BY MR. MEYER:

16           Q.    Mr. McKenzie, did the Federal Reserve Board take  
17   action today on interest rates?

18           A.    Yes.  They raised the benchmark federal funds  
19   range by another 75 basis points.

20                   So, again, that's a total of 300 basis points  
21   this year since Avista's last case.

22                   MR. MEYER:  Thank you.  That's all I have.

23                   JUDGE O'CONNELL:  Ms. Suetake, would you like  
24   to follow-up on that question?

25                   MS. SUETAKE:  Yes, Your Honor.

1 I am questioning just the source of that  
2 information. That's not actually evidence in the record,  
3 other than this verbal assertion. So I'm not quite sure  
4 how to handle that.

5 Is there -- I don't know if that's a fact --

6 THE WITNESS: Are you asking me a question  
7 about where I got that information?

8 MS. SUETAKE: No.

9 THE WITNESS: Okay.

10 MS. SUETAKE: It's new evidence in the record,  
11 Your Honor. And I'm not sure how to handle that. It's  
12 actually not based on testimony in the record or data  
13 requests or exhibits.

14 MR. MEYER: We would be happy to entertain a  
15 bench request that asks for the source of that.

16 CHAIR DANNER: Judge, I am wondering if we can  
17 just take administrative notice of that. It is in all of  
18 the mainstream newspapers today, so I don't doubt the  
19 veracity of what Mr. McKenzie is saying.

20 JUDGE O'CONNELL: Thank you, Chair.

21 So it is brand new information as I understand.  
22 Mr. McKenzie is testifying as to change from the Fed  
23 today. That information is publicly available. We can  
24 take administrative notice of such facts.

25 And at the advice of the Chair, we will take

1 administrative notice of that rate change.

2 Ms. Suetake, do you need to follow up to ask any  
3 more questions of Mr. McKenzie and how he knew this  
4 information as of today?

5 MS. SUETAKE: No. That's fine, Your Honor.

6 JUDGE O'CONNELL: Okay.

7 Is there anything else you would like to  
8 follow-up on, Ms. Suetake?

9 MS. SUETAKE: No.

10 JUDGE O'CONNELL: Okay. If there's nothing  
11 else, Mr. Meyer, Ms. Suetake, let me look to the  
12 Commissioners.

13 Is there any follow-up from the Commissioners on  
14 the testimony we've heard from Mr. McKenzie?

15 COMMISSIONER RENDAHL: No.

16 COMMISSIONER DOUMIT: No.

17 CHAIR DANNER: No.

18 JUDGE O'CONNELL: Thank you, Mr. McKenzie, for  
19 your testimony today. You are excused.

20 THE WITNESS: Thank you.

21 JUDGE O'CONNELL: Now in my list, the next  
22 witness I have is Dr. Grant Forsyth.

23 Has anything changed in the list since last I've  
24 looked at it?

25 MR. MEYER: Your Honor, not on a --

1 JUDGE O'CONNELL: Okay. I think we are  
2 getting feedback from Dr. Forsyth and Mr. Meyer, you  
3 being in the same room.

4 Thank you. Let's go ahead and move forward with  
5 Dr. Forsyth.

6 Doctor, will you please raise your right hand.

7 \* \* \* \* \*

8 DR. GRANT FORSYTH, having been first duly sworn,  
9 was examined and testified as  
10 follows:

11 THE WITNESS: I do.

12 JUDGE O'CONNELL: Mr. -- I'm sorry.

13 Dr. Forsyth, how would you like us to address  
14 you during this hearing?

15 THE WITNESS: Dr. Forsyth or Mr. Forsyth is  
16 fine.

17 JUDGE O'CONNELL: Okay.

18 Ms. Paisner, I see your video on. I'm assuming  
19 you're going to be conducting the cross-examination.

20 Before we get to you, Mr. Meyer, is there  
21 anything else you need to do to introduce your witness?

22 MR. MEYER: Just please state your full name  
23 and your business title and whether you're presenting  
24 testimony.

25 THE WITNESS: Grant Douglas Forsyth. My title  
is chief economist of Avista. And I do -- I am

1 responding to rebuttal testimony that I have written for  
2 this reg case to Public Counsel.

3 MR. MEYER: Thank you.

4 With that, he's available for cross.

5 JUDGE O'CONNELL: Okay. Thank you.

6 Ms. Paisner, you can turn on your video and  
7 start your examination.

8 MS. PAISNER: Thank you.

9 CROSS-EXAMINATION

10 BY MS. PAISNER:

11 Q. Good afternoon.

12 Dr. Forsyth, would you please go to page 4 of  
13 your rebuttal testimony, Exhibit GDF-3T?

14 A. Just one moment. Page 4. Okay.

15 Q. Beginning on this page and going into page 5,  
16 you state that the CPI is not the best measure of O&M  
17 expense inflation pressures for Avista.

18 Is that correct?

19 A. That is correct.

20 Q. In your discussion here, you seem to advocate  
21 the use of the PPI inflation factor as a better measure.

22 Is that correct?

23 A. Yes. I'm advocating that rather than a CPI,  
24 there is the PPI intermediate indexes, their stages of  
25 production indexes that measure input inflation to firms

1 at different stages of production.

2 I believe it to be a better measure of gauging  
3 the inflation pressures that Avista will be facing in the  
4 future. But that is correct.

5 Q. Thank you.

6 Do you have Exhibit SC-9 available to you? This  
7 is Public Counsel data request 121, the Company's  
8 response to that.

9 A. Just one moment, please. That is now in front  
10 of me.

11 Q. One moment, please.

12 This exhibit includes the Company's response to  
13 Public Counsel data request 121, which you jointly  
14 responded to with Elizabeth Andrews; is that correct?

15 A. That is correct.

16 Q. Okay. And subpart B to this DR, Public Counsel  
17 asked the Company to provide forecasted CPI and PPI rates  
18 for 2022, '23, and '24, correct?

19 A. Correct.

20 Q. In response, you provided several forecast  
21 CPI-related inflation rates in Attachment B to that  
22 response and noted that the Company prefers to use a  
23 blended index of CPIU and PCEI.

24 Is that correct?

25 A. Well, what I typically will do is track both.



1 And the reason that I track both is that they give a  
2 little bit different measure of inflation.

3 And so depending on the situation, I'll either  
4 separate the PCE, the personal consumption expenditure  
5 index, I will separate those forecasts from the consumer  
6 price index forecast. Other times I will blend them.

7 It's important to sometimes separate them  
8 because they will show different rates of inflation,  
9 which is part of the reason the Central Bank, the Federal  
10 Reserve, uses the personal consumption expenditure index  
11 rather than the CPI for governing the direction of  
12 monetary policy. They view it as perhaps more accurate  
13 of consumer inflation.

14 Q. In that response, you also state that the  
15 primary purposes for tracking these consumer inflation  
16 rates are, first, inflation adjust forecasted customer  
17 rates.

18 And the second purpose, to provide management in  
19 human resources with data about macroeconomic conditions  
20 that may impact the Company.

21 Is that correct?

22 A. That is correct.

23 Q. When you say, "macroeconomic conditions that may  
24 impact the Company," do you mean potential cost  
25 increases?

1           A.     It's more the general economic environment.  So  
2     I will track things not only connected to inflation,  
3     consumer inflation, I also will track, for example, what  
4     is happening in the future market for the federal funds  
5     rate.  I also track forecasts and what's happening to  
6     gross domestic product.

7                     The idea is to have a comprehensive set of  
8     measures so that I can inform the Company what is the  
9     broad macroeconomic environment, how might it impact the  
10    Company, how might it impact our customers.

11           Q.     In that data request, Public Counsel also asked  
12    for forecasted PPI inflation rates for 2022 through 2024.

13                     But that was not provided in response to the  
14    data request.

15                     Do you agree?

16           A.     That is correct.  I do not have -- and in  
17    particular, since the focus on my rebuttal testimony was  
18    PPI, stages of production input price indexes, there are,  
19    to my knowledge, no forecasts external that I could draw  
20    on.  And I do not generate forecasts myself of those  
21    particular indexes.

22                     In addition, the PPI indexes that I've examined  
23    were never used to derive any revenue requirements in the  
24    Company's rate case.

25                     So in this case, the forecasts were not

1 required.

2 Q. Thank you.

3 Would you please turn to page 6 of your rebuttal  
4 testimony?

5 A. One moment, please.

6 I'm now on page 6.

7 Q. In this page, you point out the spike in  
8 gasoline and diesel prices in early 2021 and early 2022.

9 Correct?

10 A. Correct.

11 Q. So those prices have declined significantly in  
12 the past two months.

13 Do you agree?

14 A. They have come down somewhat. I would say that  
15 regular gas has come down more. Diesel remains still  
16 more elevated. Its decline has been less noticeable than  
17 for regular gasoline.

18 Q. Okay. Turning on to the next page, page 7 of  
19 your rebuttal, lines 14 through 22.

20 You state that it may take some time for output  
21 inflation rates, such as CPI, to subside.

22 Correct?

23 A. That's correct.

24 And what I'm discussing in this particular part  
25 of my testimony is the notion of what economists call

1 "persistence of inflation."

2 And that's the idea that once we get into an  
3 inflationary bout, monetary policy can take quite a while  
4 to work those inflation rates down to prespike levels.

5 Q. Now please turn to Exhibit GDF-4X, which is the  
6 Company's response to Public Counsel data request 357.

7 A. One moment, please.  
8 GDF-4X for clarification?

9 Q. Yes.

10 A. I'm there.

11 Q. Okay. Public Counsel in this data request asks  
12 the Company to provide the lag time for input inflation  
13 or PPI inflation.

14 Correct?

15 A. Yes, correct.

16 So in this particular case, I was referring to,  
17 again, the stages of production PPI that I discussed in  
18 my rebuttal testimony.

19 And so to my knowledge, I could not observe any  
20 research that showed those lag times. The majority of  
21 research that looks at the connection between monetary  
22 policy changes and inflation changes have historically  
23 focused on the consumer price index.

24 But saying that, I will also point out that in  
25 my direct initial testimony for this rate case, I did

1 discuss using the PPI index for commodity prices that  
2 historically when there is a significant spike in  
3 inflation above a long run average, it can take quite a  
4 bit of time for the inflation rate to return back to that  
5 long run average.

6 And in particular in this case, I'm referring to  
7 my direct testimony, just for reference. And in  
8 particular, I'm referring to -- this would be GDF-1T,  
9 page 9, Figure 1. And this was where I discussed this  
10 issue of potential persistence of inflation on the  
11 commodity price index, that commodity producer price  
12 index, relative to how high that spike is and how long  
13 does it take after that spike occurs for inflation to  
14 return to a long run average.

15 And so that discusses this issue of persistence  
16 specific to the PPI commodity price index. But I have  
17 not found any academic peer-reviewed research that uses  
18 the same index to try to measure that.

19 Q. Okay. And just to clarify that, in response to  
20 the question in the DR where we asked for lag time for  
21 input inflation, or PPI inflation, your response was no  
22 specific lag related to PPI inflation was provided by the  
23 Federal Reserve or the research referenced in my  
24 testimony.

25 Correct?

1           A.     Correct.  And that was researched specifically.  
2     That rebuttal testimony, was specifically targeted  
3     towards the stages of production input producer price  
4     indexes.

5           Q.     Is it fair to say that we do not know how long  
6     inflation pressures that may be experienced by Avista  
7     might last?

8           A.     When Milton Friedman did his original research  
9     on this issue, he said, you know, the problem with  
10    monetary policy and inflation is the impact is long and  
11    variable.  And that in itself sums up the issue.

12                    We can speak of averages, perhaps.  But one of  
13    the problems with dealing with inflation spikes is that  
14    persistence problem can be uncertain but potentially  
15    quite long.

16           Q.     Okay.  So following up on it being long and  
17    variable and uncertain, those inflation factors could  
18    significantly subside in 2023 and 2024, correct?

19           A.     Possibly.  Or they could take anywhere from 24  
20    to 36 months to dramatically subside.

21                    MS. PAISNER:  Thank you.  I have no other  
22    questions.

23                    JUDGE O'CONNELL:  Mr. Meyer, do you have any  
24    redirect?

25                    MR. MEYER:  I do not.  Thank you.

1 JUDGE O'CONNELL: Okay. I'm going to pause a  
2 moment for the Commissioners. Any questions? I'm seeing  
3 head shaking.

4 CHAIR DANNER: I have no questions, Judge.

5 COMMISSIONER RENDAHL: None from me.

6 COMMISSIONER DOUMIT: None from me, Your  
7 Honor.

8 JUDGE O'CONNELL: Thank you.

9 Dr. Forsyth, thank you for your testimony.  
10 You'll be excused.

11 THE WITNESS: Thank you.

12 JUDGE O'CONNELL: Thank you.

13 Next on my list is Scott Kinney from Avista.  
14 And I please ask that Avista make Scott Kinney available.

15 While there's a break and we're waiting,  
16 Ms. Suetake, I see your video is on now for Public  
17 Counsel. I'm going to make the assumption that you will  
18 be conducting cross-examination.

19 MS. SUETAKE: Yes, that's correct.

20 JUDGE O'CONNELL: Okay. I see -- I believe we  
21 are ready.

22 Mr. Kinney, if that's you, would you please tell  
23 us how you would like to be addressed today?

24 THE WITNESS: Mr. Kinney is fine.

25 JUDGE O'CONNELL: Okay. And will you please

1 raise your right hand.

2 \* \* \* \* \*

3 SCOTT KINNEY, having been first duly sworn, was  
4 examined and testified as  
follows:

5 THE WITNESS: I do.

6 JUDGE O'CONNELL: Okay. Thank you.

7 Mr. Meyer.

8 MR. MEYER: Mr. Kinney, for the record, please  
9 state your name and your title with Avista.

10 THE WITNESS: Sure. Scott James Kinney. Vice  
11 president of energy resources.

12 MR. MEYER: Thank you.

13 With that, he's available for cross.

14 JUDGE O'CONNELL: Okay. Ms. Suetake, go  
15 ahead.

16 MS. SUETAKE: Thank you.

17 CROSS-EXAMINATION

18 BY MS. SUETAKE:

19 Q. Good afternoon, Mr. Kinney. My name is  
20 Nina Suetake, and I am here on behalf of Public Counsel.

21 Now, is it correct that you provided testimony  
22 regarding the benefits from Avista's participation in the  
23 Western Energy Imbalance Market?

24 A. Yes.

25 Q. And do you happen to have a copy of the



1 Commission's order in the last Avista GRC?

2 A. Yes, I do.

3 Q. Could you please turn to page 17 of the order?

4 A. I am there.

5 Q. Paragraph 39.

6 A. Okay.

7 Q. Is it correct that the prior settlement included  
8 5.8 million in analyzed system benefits from Avista's  
9 participation in the Energy Imbalance Market?

10 A. Yes.

11 Q. And would you agree that this order states that  
12 parties to the previous settlement would be invited to  
13 participate in a collaborative or staff investigation to  
14 consider the proper modeling of EIM benefits?

15 A. Yes. And we attempted to do that.

16 Q. And would you agree that the order states that  
17 if the collaborative investigation is not completed -- or  
18 not complete by the time Avista files its next GRC,  
19 Avista agrees to examine the accuracy of the estimated  
20 EIM benefits in that GRC?

21 A. Yes.

22 Q. Is it correct that -- as you stated, is it  
23 correct that Avista did not complete the collaborative  
24 process prior to filing this rate case?

25 A. We did not. We actually had a meeting with the

1 stakeholders, actually the day after this order came out,  
2 to discuss our power supply expense methodology that we  
3 had recently agreed to as a stakeholder group. And part  
4 of that conversation also included discussion around the  
5 order and the requirement to evaluate EIM benefit  
6 calculation.

7 So we did start that conversation during that  
8 workshop and had agreed to try to get together later that  
9 last fall to continue that conversation.

10 But, unfortunately, we were not able to get all  
11 of the schedules together for the stakeholder group. So  
12 we did not -- able to set up that next meeting. And  
13 then, unfortunately, as we shifted into the first part of  
14 this year, the Company's focus shifted to the parallel  
15 testing that we had to do to get ready for market as well  
16 as the initial operation in the market.

17 Q. Then did Avista examine the accuracy of the  
18 estimated EIM benefits in this GRC as required by the  
19 order?

20 A. Yes, we did. We went back through the E3 study  
21 and looked at the results as well as the scenarios that  
22 we -- that were used in conjunction with E3 to determine  
23 the baseline of 5.8 million that was included in the  
24 case.

25 And we determined at that time that that was the

1 best estimate we had based on the information.

2 And, of course, at that time we had not entered  
3 operation in the market. So we had no history or  
4 operating information to use to try to validify [sic].

5 So all we had at the time was that study that  
6 was conducted by E3.

7 Q. Are you familiar with the California Independent  
8 System Operator -- I'm going to call them CAISO, that's  
9 C-A-I-S-O, are you familiar with the CAISO --

10 A. Yes.

11 Q. -- EIM benefit reports?

12 A. Yes, I am.

13 Q. Could we turn to -- please turn to  
14 Exhibit SJK-14X. It is the CAISO Western Energy  
15 Imbalance benefit reports for the first quarter of 2022.

16 Now, are you familiar with this report?

17 A. Yes, I am.

18 Q. Could you please turn to page 5 of the exhibit?

19 A. I am there.

20 Q. Is it correct that this report shows that Avista  
21 accrued 1.95 million in EIM benefits systemwide in the  
22 first quarter of 2022?

23 A. Yes.

24 Q. And is it correct that this only shows the one  
25 month of March for the quarter?

1 A. Yes, that's correct.

2 Q. Okay. And can we turn to -- please turn to what  
3 has been marked as SJK-15X.

4 A. Okay.

5 Q. And that is the excerpt from the CAISO Western  
6 Energy Imbalance Market benefits report for the second  
7 quarter of 2022.

8 Are you familiar with this report?

9 A. Yes, I am.

10 Q. Would you agree that this report indicates that  
11 Avista accrued a total of 5.16 million in EIM system  
12 benefits in the second quarter of 2022?

13 A. Yes.

14 But I would like to add that these results that  
15 appear to be higher than what we had predicted in our  
16 estimate actually aligns with the E3 study. Because the  
17 E3 study provided a benefit range of 2 to \$12 million  
18 based on some variables that could change that benefit  
19 opportunity for the Company.

20 And what is embedded in the case, or included in  
21 the case, was an average situation or average condition,  
22 which is consistent with how we have done our power  
23 supply expense setting in the past.

24 And the conditions that could impact us to be on  
25 the higher range of the values provided by E3 were

1 additional hydro, which this year we've seen well above  
2 average hydro, around 115 to 120 percent.

3 As well as price volatility, especially in the  
4 second quarter, that we typically don't see and elevated  
5 prices primarily because of gas prices. But there's  
6 other factors as well.

7 So those are two of the variables that E3 said  
8 in their study could impact the ability for us to achieve  
9 on the upper end range of what they calculated.

10 But, again, we feel that that isn't appropriate  
11 based on previous methodology we've used in setting power  
12 supply expenses that is really relied on average  
13 conditions. Because that's the best way to try to  
14 predict the future is to use those average situations and  
15 conditions in our modeling.

16 Q. But to clarify, these CAISO benefits reports,  
17 they're based on actual participation; is that correct?

18 A. That is correct.

19 MS. SUETAKE: Okay. Thank you. That's all my  
20 questions for Mr. Kinney.

21 JUDGE O'CONNELL: Mr. Meyer, would you like to  
22 do any redirect?

23 MR. MEYER: I would. Just a few follow-ups.  
24 Get my video going.

25 JUDGE O'CONNELL: Yes. We can see you,

1 Mr. Meyer.

2 MR. MEYER: Thank you.

3 REDIRECT EXAMINATION

4 BY MR. MEYER:

5 Q. You were asked about CAISO. You were asked  
6 about the quarterly reports.

7 And those reports, which include specific  
8 figures, dollar figures for Avista along with the others,  
9 are for prior periods, correct?

10 A. That is correct.

11 Q. Now why -- or what conditions or what headwinds,  
12 if you will, might there be that would present obstacles  
13 to maintaining that or a higher level of benefits?

14 A. I already discussed two of them, one of them  
15 being the amount of hydro or your resource mix that  
16 you're able to bid into the market.

17 Q. I'm sorry. The amount of hydro as a percentage?

18 A. As a percentage, yes.

19 Q. How high was it?

20 A. We were 115 to 120 percent of average this  
21 year -- in those four months. Q1 and Q2.

22 Q. Would that allow you to sell more in the market?

23 A. Yes, it would.

24 Q. Go on. Item 1.

25 A. And then price volatility was another one.

1           The other things that factor in are transmission  
2 interconnection and availability. And that's an  
3 important one because that's how you gain -- your benefit  
4 in the market is through your interconnectivity with the  
5 other partners. Some things that can impact that, which  
6 we are aware of that we did not build into the baseline,  
7 is we know that one of our significant interconnected  
8 lines to other participants in the market will be out for  
9 five months the next -- through the two-year rate period.  
10 So that takes away some of that opportunity for us to  
11 optimize in the market.

12           As well as the unknowns of the carbon commitment  
13 act -- or Climate Commitment Act. And the imputed cost  
14 of carbon on our thermal resources could -- could and  
15 probably will reduce the value for us in the EIM. As  
16 well as we will be thinking through how we dispatch our  
17 clean resources and probably dispatch them to meet the  
18 Washington requirement rather than maybe potentially  
19 serving California load, which provides us a revenue  
20 opportunity from a greenhouse gas perspective.

21           Q.    And will the recent entry of BPA into the EIM  
22 market have an effect?

23           A.    Yes, it will. And Bonneville joined in May. So  
24 of the four months we talked about, the CAISO reports on  
25 Bonneville had own only been operating in two of those

1 months. And Bonneville's relevant hydro capacity is  
2 about ten times the Company's. And probably close to  
3 equivalent of all of other northwest EIM participants.  
4 So it's a big amount of hydro that is being brought into  
5 the market that will have an impact on the rest of the  
6 participants.

7 And this -- this conversation I actually had  
8 with E3 in some recent conversations. And they verified  
9 that they believe, as well, that Bonneville being in the  
10 market will have an impact on the rest of the  
11 participants.

12 Q. All of which, do you believe, will have an  
13 impact on future EIM revenues for the Company?

14 A. Yes.

15 MR. MEYER: Thank you. That's all.

16 JUDGE O'CONNELL: Ms. Suetake, do you have  
17 follow-up?

18 MS. SUETAKE: Yes. Thank you.

19 RECROSS-EXAMINATION

20 BY MS. SUETAKE:

21 Q. All of that volatility, that would be captured  
22 in the actual EIM benefits reports; is that correct?

23 A. I'm not sure I'm following your question.

24 Q. So all of the -- you just discussed impacts,  
25 different variables that will have impacts on the



1 benefits that accrue; is that correct?

2 A. Correct.

3 Q. And the variable impacts would all be captured  
4 in -- you would see the results of that in these benefits  
5 reports; is that correct?

6 A. Yes. In the CAISO benefit reports, yes.

7 Q. In the CAISO. Okay.

8 Could you remind me again, when was the E3  
9 analysis that's the basis of the 5.8 million? When was  
10 that conducted?

11 A. It was completed, I believe, in the fall of  
12 2017.

13 MS. SUETAKE: Okay. Thank you. That's all my  
14 questions.

15 JUDGE O'CONNELL: Let me turn now --  
16 Mr. Meyer, is there anything else that you need to ask  
17 before we move on?

18 MR. MEYER: No, there's not. Thank you.

19 JUDGE O'CONNELL: Let me turn to the  
20 Commissioners.

21 Commissioners, do you have anything for  
22 Mr. Kinney.

23 CHAIR DANNER: No questions from me.

24 COMMISSIONER DOUMIT: No, Your Honor.

25 JUDGE O'CONNELL: All right. I'm seeing head

1 shaking.

2 So with that, Mr. Kinney, thank you for your  
3 testimony this afternoon. You are now excused. Thank  
4 you.

5 Okay. Next Avista witness on my list is  
6 Kelly Magalsky.

7 Okay. Will you please raise your right hand.

8 \* \* \* \* \*

9 KELLY MAGALSKY, having been first duly sworn, was  
10 examined and testified as  
follows:

11 THE WITNESS: I do.

12 JUDGE O'CONNELL: Okay. Thank you.

13 Mr. Meyer -- oh, I -- one moment.

14 Mr. Magalsky, how would you like us to address  
15 you today?

16 THE WITNESS: Mr. Magalsky, please.

17 JUDGE O'CONNELL: Okay. Mr. Meyer, thank you.

18 MR. MEYER: Would you please state your name,  
19 your title, and whether you've presented testimony in  
20 this proceeding.

21 THE WITNESS: Yes. My name is Kelly Magalsky.  
22 I'm the director of customer technology and products and  
23 services. And, yes, I have admitted testimony.

24 MR. MEYER: Thank you.

25 With that, he's available for cross.

1 JUDGE O'CONNELL: And for Public Counsel,  
2 Ms. Paisner, go ahead.

3 MS. PAISNER: Thank you.

4 CROSS-EXAMINATION

5 BY MS. PAISNER:

6 Q. Good afternoon. Would you please --

7 A. Good afternoon.

8 Q. Thanks.

9 Would you please go to page 3 of your rebuttal  
10 testimony, lines 1 through 4?

11 A. Yes, I'm there.

12 Q. On lines 1 through 4, you state the customer  
13 live contacts increased 2.5 percent in the first two  
14 quarters of 2022 versus the same two quarters in 2021.

15 Correct?

16 A. Correct.

17 Q. Please go to Exhibit KEM-4X. That's the Company  
18 response to PCDR 351.

19 A. Okay. I'm there.

20 Q. In your response, it seems even with the  
21 2.5 percent increase in the first half of 2022, live  
22 contacts with customers in 2022 are lower than in prior  
23 years 2018 through 2020.

24 Correct?

25 A. They are higher than 2021 but lower than 2018,

1 2019, and 2020, for the first two quarters. That is  
2 correct.

3 Q. I'm sorry. Can you clarify that again? Because  
4 I'm looking at DR 351. That's KEM-4X.

5 A. Correct.

6 Q. So the live contacts --

7 A. That's what I'm looking at.

8 Q. -- right.

9 Live contacts for 2022 versus 2018, 2019, and  
10 2020.

11 A. 2022 for the first quarter -- first Q1 and Q2  
12 are lower in 2022 than 2018, 2019, and 2020; that is  
13 correct.

14 But they are higher in the first quarters of  
15 2021.

16 Q. Okay. Thank you.

17 From your -- it also seems based on your  
18 response that the increase is due to a surge in customer  
19 calls resulting from resuming collections activity and  
20 working through that backlog, deferred collection  
21 actions. Is that true?

22 A. Yes. That's one of the things that we think is  
23 happening. We've seen a trend from when we started  
24 tracking 2009 through 2021 of a slow decline over time.  
25 It does fluctuate year to year. We saw a pretty large

1 drop in 2020 and 2021. And we attribute quite a bit of  
2 that to the fact that collections were suspended in  
3 Washington during most of 2020 and 2021.

4 So those years were outliers that they dropped  
5 quite a bit, way more than we had previously seen.

6 Collections restarted in October 2021, and calls have  
7 been trending back up since then. And we think that is  
8 one of the factors that is driving the calls back up.

9 Q. So the higher call activity would likely subside  
10 as the collection work backlog wanes, would you agree?

11 A. No, I would not. I would say it will get back  
12 to -- once collections are back to what I call normal  
13 preCOVID type of collections, we should be -- see similar  
14 type of collection calls as we did before COVID and the  
15 collection stoppages that we saw.

16 Q. Okay. So 2019 and '18, the Company was  
17 performing collections activities then, though, was it  
18 not?

19 A. Yes, we were.

20 Q. And the number of calls was still declining?

21 A. There has been a steady and small decline from  
22 2009 through today. It's not linear. It varies from  
23 year to year, depending on a number of factors.

24 Q. Would you please go to page 4 of your rebuttal,  
25 line 7 through 21?

1 A. Yes, I'm there.

2 Q. This is where you discuss customer service labor  
3 costs staying flat or increasing due to an increase in  
4 average handle time. An average handle time is the  
5 average time it takes to answer a customer call.

6 Correct?

7 A. It's a little bit more complicated than that.  
8 Average handle time is the time a CSR, which stands for a  
9 customer service representative, the time they might be  
10 waiting for a call through the time that they're talking  
11 to a customer. And then after that is what we call after  
12 call work, which they might be making notes on the  
13 account or setting up the payment arrangement that was  
14 agreed to or what not. So it includes all of that.

15 Q. So that time has increased from six minutes and  
16 41 seconds in 2019 to seven minutes and 20 seconds in  
17 2021. And for every five second increase in the answer  
18 time, you state the Company needs one additional customer  
19 service representative to be added to the staff.

20 Is that correct?

21 A. I'll apologize to the first part of that. Yes,  
22 you are correct. The handle time of that has gone from  
23 6:41 in 2019 to 7:20 in 2021. That is correct.

24 What you stated about for every five seconds of  
25 additional average handle time equating to one CSR is

1 kind of a rule of thumb. It's roughly equivalent. It's  
2 kind of a rule of thumb that we use. There's also some  
3 calculations that were in one of the DRs that gets it  
4 closer to exact.

5 But, yes, that is a rough rule of thumb.

6 Q. I think that data request was Public Counsel  
7 data request 353, and that's Exhibit KEM-6X with  
8 Attachment A.

9 A. Correct.

10 Q. In subpart A to that data request, Public  
11 Counsel asked the Company to show how it made the  
12 determination to add a new representative for each five  
13 seconds, like you just mentioned.

14 And you provide that formula in a table showing  
15 the results of your calculations.

16 Is that correct?

17 A. You said that was KEM-6X, correct?

18 Q. Yes. 6X. And Attachment A.

19 A. Yes. And we expanded on that, what I called the  
20 rule of thumb there, and did the calculations that show  
21 that. That is correct.

22 Q. And so it looks like five-second increment in  
23 call time results in slightly more than half one employee  
24 addition. I think the number is 0.59 FTE; is that  
25 correct?

1 A. That is correct. And let me explain that.

2 So as I mentioned, the five seconds to one FTE,  
3 or one CSR as a rule of thumb, what the calculation shows  
4 is five seconds at .59 of a full-time equivalent or  
5 40-hour resource.

6 Our CSRs, though, are not 40 hours. When we  
7 hire a new CSR, we have a position that we call a "flex  
8 CSR" that works anywhere between 20- to 40-hours per week  
9 and we aim for about 30 hours.

10 So when we talk about hiring a CSR, it's really  
11 hiring a 30-hour week flex CSR, not a 40-hour a week,  
12 what might be termed an FTE, or full-time equivalent.

13 So the rule of thumb, five second to one flex  
14 CSR, is not exact. It's probably, if you look at the  
15 calculation there, a 30-hour rep. It's probably about  
16 six seconds of average handle time as one flex CSR.

17 So the rule of thumb is not exact. If we want  
18 to get exact, it's about six seconds of average handle  
19 time as one flex CSR to our staffing.

20 Q. Can you clarify "FTE," what that means?

21 A. Yeah. Full-time equivalent. Think of that as a  
22 40-hour per week resource.

23 Q. So on the same table, you also show occupancy  
24 percent at 65 percent. And this would be productive time  
25 when the customer service representative is answering



1 questions or dealing with a customer in a live  
2 interaction, correct?

3 A. That's correct.

4 Q. So 65 percent is kind of low.

5 Is there a reason employees couldn't spend more  
6 productive time, such as something closer to 90 percent  
7 on average?

8 A. There's a lot of things that go from a -- you  
9 know, working every available hour every year to that 65  
10 percent. What comes out of that is things such as  
11 training. Our CSRs are constantly training -- or  
12 constantly changing, so they go through training pretty  
13 frequently. There are meetings. There are break times  
14 that come out of that. There's vacation time that comes  
15 out of that.

16 So it may seem like a lot, but when you add all  
17 those things up over the course of a year, that's how we  
18 get to the 65 percent.

19 Q. So if you could have higher than 65 percent  
20 productive time, would that reduce the number of customer  
21 service employees needed to interact with customers?

22 A. Yes, it would.

23 Q. Subpart B of the same exhibit, KEM-6X, Public  
24 Counsel asked the Company to identify steps the Company  
25 is taking to reverse the trend and higher average handle

1 time.

2 In response, you identified five items. Some of  
3 these seem easy administrative changes and others would  
4 require that employees return to an office environment to  
5 improve productivity.

6 Is that correct?

7 A. What is the question specifically? Are they --  
8 the complexity of them? Or what's your question?

9 Can you clarify, please?

10 Q. The five items listed in subpart B of the data  
11 request response in KEM-6X. There are five items  
12 bulleted there.

13 Are you there?

14 A. Correct.

15 Q. And so some of these seem to be easy  
16 administrative changes and others would require that  
17 employees return to an office environment.

18 Would you agree?

19 A. I would probably term it differently. I don't  
20 know that any of them are administrative changes. Some  
21 of them are tracking the CSR time better. Throughout the  
22 day they put themselves into codes that say what they are  
23 doing: on a call, after a call, personal time, break  
24 time.

25 So that might be the one that you're referring

1 to that's more administrative in nature.

2 Others, I'll draw your attention to No. 3, I  
3 think that's the one that you're referring to.

4 When our employees had to go home at the  
5 beginning of COVID, we lost the ability for what we call  
6 "screen pop." So that is if a customer calls in and  
7 their phone number is associated with that account, it  
8 would automatically serve up that customer's information  
9 to that customer service rep.

10 Something in the technology when they were  
11 working from home, we lost the ability to do that. So  
12 they had to -- because they didn't get that automatically  
13 in that customer verification, they had to verify that  
14 manually by asking for a name or account number and  
15 verifying that customer and pulling up that information.

16 So that's one of the reasons that our average  
17 handle time is going up.

18 To the second part of your question, no, that is  
19 not true that we would have to come back to the office to  
20 fix that. There's some technology at work being done  
21 right now to address that and that will work even in the  
22 work-from-home environment once we've implemented that  
23 project.

24 Q. Okay. So the Company could accelerate some of  
25 these changes and improve customer service productivity

1 and reduce customer service expense for 2023 and 2024?

2 A. We are doing them on a schedule. I would not  
3 characterize it as we could speed them up, no.

4 Q. In subpart C to the same DR, Public Counsel  
5 asked the Company to show whether the reduction in  
6 customer service time and the continuing decrease in  
7 phone-to-live contacts is not more than offsetting the  
8 increase in the average handle time.

9 In response, you did not provide any supporting  
10 analysis; is that correct?

11 A. That's correct. Because it isn't really a clear  
12 formula that can be calculated through a formula like you  
13 were asking. It's much more complicated than that.  
14 There is not a, what I would call, linear correlation  
15 between the number of calls and average handle time and  
16 costs. There are many, many other variables that play  
17 into that calculation, which I'm happy to dive into a  
18 little bit more.

19 Q. If you can please turn to page 6 of your  
20 rebuttal, the transportation electrification program  
21 section.

22 This section is similar to sections of your  
23 direct testimony, correct?

24 A. Correct.

25 Q. However, you did not specifically address

1 Mr. Coppola's testimony about transportation  
2 electrification, specifically that the vast majority of  
3 the Company's customers are subsidizing the cost of  
4 transportation electrification to only benefit a few  
5 number of customers.

6 Is that correct?

7 A. I would not characterize it that way.

8 You are correct. There's a limited number of  
9 electric vehicle drivers on the road right now. But the  
10 work that we are doing here is in support of legislative  
11 and state policy that we're following under an approved  
12 transportation electrification plan by the Commission.

13 And the benefits in the short term that are --  
14 benefit everyone are some of the emissions reduction.  
15 And over time, we have modeled that it could provide  
16 downward rate pressure for all customers, not only EV  
17 drivers.

18 So that's why we think it is prudent for all  
19 customers.

20 Q. Can you point to where in your rebuttal where  
21 you responded to this -- this part of Mr. Coppola's  
22 testimony?

23 A. In a few places. Let me -- page 6, line 14.  
24 Four tons of CO2 emissions reductions per vehicle. Which  
25 is an 80 percent reduction from gasoline-powered

1 vehicles. So all citizens and customers benefit from  
2 that.

3 Line 15 and 16, page 6, \$304 of beneficial  
4 utility revenue, which is utilizing our infrastructure,  
5 especially in off peak times better. Which can cause  
6 downward rate pressure for all customers.

7 There are others, if you give me a moment.

8 Line 20 and 21, 315,731 tons of CO2 emission  
9 reduction. Those are the main places.

10 Q. Thank you.

11 On page 10 of your rebuttal, lines 4 through  
12 13 --

13 A. Sorry. Can you say that again?

14 Q. Page 10 of your rebuttal, lines 4 through 13.

15 A. Okay. I'm there.

16 Q. You object to Mr. Coppola's statement that the  
17 Company is spending tens of millions of dollars to  
18 install new information technology in the customer  
19 services area.

20 Is the Company spending 14 to 15 million  
21 annually on this?

22 A. Our budget across -- I guess I would ask that  
23 you clarify.

24 There are three business cases under question  
25 here.

1           The three of them combined, the annual spend  
2 varies a little bit. But generally, you are correct,  
3 it's in the neighborhood of 13 to \$15 million per year  
4 for all three business cases combined.

5           Q. And that's more than 10 million annually?

6           A. Which is why we objected to Mr. Coppola's  
7 stating tens of millions of dollars per year where it is  
8 in reality about 13 to \$15 million a year, which is not  
9 tens of millions a year.

10          Q. Okay. On lines 14 to 21 of page 10, same page.

11          A. Okay.

12          Q. You state that Public Counsel's testimony about  
13 the Company not providing sufficient justification for  
14 the two customer service projects is on an entirely  
15 subjective assertion.

16                 Correct?

17          A. Correct.

18          Q. You state that the Company provided the  
19 information necessary to justify the projects and you  
20 promise to show it.

21                 Can you please point out where specifically you  
22 justified those projects?

23          A. We -- through my original testimony, rebuttal  
24 testimony, there are three business cases here. So if  
25 you want to hone in on one, I can refer you to specifics

1 of that one.

2 Is there one of the three that you were asking  
3 that question about?

4 Q. Can you provide the reference for the business  
5 cases?

6 A. The business cases are in KEM-2. And that's  
7 where we believe we provided the justification and the  
8 prudence for all three of those business cases in KEM-2.

9 Q. Okay. Moving to page 11 of your rebuttal, lines  
10 4 through 11.

11 A. Did you say page 11, line 4 through 11?

12 Q. One moment, please.

13 On page 11, lines 4 through 11.

14 A. Yes. I'm there.

15 Q. There are six systems that have been in place  
16 for many years that are listed here with the Company  
17 showing capital additions for these systems beginning  
18 only in 2020. And that was in response to Public Counsel  
19 data request 234, Attachment A, which is Exhibit SC-29,  
20 page 3.

21 A. I'm going to have to get that one.

22 Okay. I have SE-29 in front of me now.

23 JUDGE O'CONNELL: Ms. Paisner, we can't hear  
24 you.

25 MS. PAISNER: Thank you. Sorry.



1 BY MS. PAISNER:

2 Q. So here you only show capital additions for  
3 these systems beginning in 2020. Even though these  
4 systems, these six systems discussed on page 11 of your  
5 rebuttal, have been in place for many years.

6 Is that correct?

7 A. That is correct. The reason for that is you are  
8 correct, these systems have been in place for a number of  
9 years. These are core systems that do meter reads,  
10 billing. It's the core account data and account  
11 management for our customers. So these are core systems  
12 that we need to run our business.

13 So they have been previously in Mr. Kensok's  
14 IS/IT investments. As we began to focus more on customer  
15 technology over the last few years, we made a decision to  
16 move that out in its own, what we call, customer  
17 transactional systems business case that started in 2020.

18 So that's why you see it starting in 2020. But  
19 those costs have been going for many, many years.

20 Q. So the Company provided pro forma information  
21 for prior years so that there's a complete picture to  
22 perform necessary analysis?

23 A. I'm not aware of that. I might have to defer  
24 that to Ms. Andrews.

25 MR. MEYER: I'm sorry. Was the question, did

1 the Company provide it or could the Company provide it?

2 MS. PAISNER: Either or both.

3 MR. MEYER: Would you repeat the question for  
4 Ms. Andrews?

5 BY MS. PAISNER:

6 Q. Did the Company provide pro forma information  
7 for prior years for those six items on page 11 of  
8 Mr. Magalsky's rebuttal?

9 JUDGE O'CONNELL: Let's take a pause right  
10 here.

11 For Avista, I am sensing that you think  
12 Ms. Andrews might be able to respond to that question.

13 Is that correct, Mr. Meyer?

14 MR. MEYER: I'm looking for a reaction right  
15 now from her.

16 JUDGE O'CONNELL: Okay. Ms. Paisner, are you  
17 wanting to have Avista's other witness respond if  
18 Mr. Magalsky cannot?

19 MR. MEYER: Why don't we just ascertain of  
20 Mr. Magalsky if he can or cannot. My guess is he cannot.

21 And then we'll confer a little bit on the side  
22 and see if we have someone in the room who could respond  
23 to that question directly. If not, Ms. Andrews.

24 JUDGE O'CONNELL: Thank you.

25 Ms. Paisner, will you please inquire about

1 Mr. Magalsky's knowledge and what he can respond to.

2 MS. PAISNER: Yes.

3 BY MS. PAISNER:

4 Q. So I think what I heard you say is that for  
5 these -- these are six items that have been in place for  
6 many years. However, there are certain changes happening  
7 related to IS/IT for these things.

8 And for that reason, you are only showing April  
9 call additions for them starting in 2020 and not prior  
10 years.

11 Would you say that's correct?

12 A. The capital additions for that work would have  
13 been in some of the business cases in IS/IT in prior  
14 years. And we took them out and centralized them into  
15 the customer transactional system business case in 2020.

16 So they were -- maybe a better way to say it is  
17 they were distributed amongst other IS/IT business cases  
18 before that.

19 But to get more transparency and visibility into  
20 our customer technology, that's when we combined them  
21 together into one in 2020.

22 Q. I guess that's why I was asking about pro forma  
23 information for prior years. Because if this is only  
24 happening starting in 2020, it's just -- it seems  
25 unclear. As you said, they're categorized some other way

1 and are located in some other information.

2 That's why I was asking about the pro forma  
3 information for prior years so we could have a more  
4 complete picture of these costs.

5 Can you turn to page 12 of your rebuttal?

6 A. Yes. I'm there.

7 Q. You list seven CTS projects. Most of them  
8 occurred in 2021. And this information does not support  
9 the forecasted capital spending for 2022 to 2024,  
10 correct, since it's 2021?

11 A. Give me a moment, please.

12 Some of these are in 2021, as it says on line 1.  
13 This is a summary of some of the projects transferred to  
14 plant under the business case in 2021 and 2022.

15 Q. Okay.

16 A. An example of that would be No. 2, upgrades and  
17 refresh. CC&B is our customer care and billing system.  
18 MDM is our meter data management system. These are the  
19 systems that do all of the account management, meter  
20 reads, billing, things of that sort. And there are quite  
21 frequent in every year, releases and updates and security  
22 patches and things of that nature for those systems.

23 Q. Can you turn to page 14 of your rebuttal, lines  
24 1 through 8, where you discuss development of a customer  
25 relationship management or CRM tool?

1 A. I am there. Yes.

2 Q. And could you also look at KEM-7X? That's the  
3 response to Public Counsel DR 355.

4 A. I am there.

5 Q. So in this question, Public Counsel asked the  
6 Company to state where in the filed testimony and  
7 exhibits the CRM tool was identified, described, and  
8 justified.

9 And in your response, you reference pages 10 to  
10 28 of your testimony.

11 Can you identify line numbers in that page range  
12 where you discuss the CRM tool?

13 A. Yes. So I'm referring to KEM-1T, the  
14 explanation of -- and we use them somewhat synonymously  
15 to avoid confusion. CRM is customer relationship  
16 management. CXP is our customer experience platform,  
17 which is the broader title that we use for the business  
18 case of which our CRM implementation is part of that.

19 So that is discussed starting on page 21 of  
20 KEM-1T.

21 And I don't know that I can point to specific  
22 lines. This portion of the testimony is approximately  
23 seven or eight pages long, as well as KEM-2, the business  
24 case narrative for CXP.

25 Our feeling is that all together is the

1 explanation of why we're doing this work and why it's  
2 prudent.

3 Q. Okay. That discussion is somewhat general. It  
4 seems to talk about customer experience goals and generic  
5 futures and objectives.

6 So that's why I asked for more specific  
7 location.

8 So the DR also asked the Company to provide  
9 total cost for the CRM tool by year from inception to  
10 completion. And this was not provided in the response.

11 Instead, the response provides a reference to  
12 two documents pertaining to the CXP program.

13 Is that correct?

14 A. Can you clarify which subpart of KEM-7X you're  
15 referring to, please?

16 Q. One moment, please.

17 Are you able to provide the total cost of the  
18 CRM tool?

19 A. I can provide the cost to date and our estimated  
20 capital expenditures out for our capital request for the  
21 next five years.

22 But I cannot predict or provide beyond that.  
23 That is the length of time that we do our capital  
24 planning.

25 Q. Is that provided in testimony or in response to

1 a data request?

2 A. From years 2021 through 2026, it is provided in  
3 KEM-2, page 13, Section 151. It shows there a capital  
4 cost of \$37 million starting in January of 2021 through  
5 December of 2026. That is the end of our five-year  
6 capital planning cycle that we go through. That does not  
7 mean that it's the end of the CXP program, though. We  
8 anticipate that this will extend past that.

9 Q. Okay. Is the CRM tool and the Customer 360  
10 system one and the same?

11 A. Generally, yes. Let me describe a little bit  
12 more when we talk about CXP and CRM and Customer 360.

13 It's really listening to our customers and a  
14 number of functionality and a number of the things that  
15 we're hearing they need. What we had in the past is a  
16 number of disparate systems that store lots of customer  
17 information in different places.

18 So this work is to bring that information  
19 together in one place. It provides lots of different  
20 benefits. It's not about just about bringing the  
21 information together. It's about what you do with that  
22 to better serve customers.

23 So the term "Customer 360" is a term our vendor  
24 uses generally to talk about that. "Customer  
25 relationship management," or "CRM," is a term that's

1 generally used in the industry to describe that kind of  
2 software. And then we do it under what we call our  
3 customer experience platform business cases is what we've  
4 named it.

5 So they're not identical, but they are  
6 definitely related.

7 JUDGE O'CONNELL: Ms. Paisner, we can't hear  
8 you again.

9 MS. PAISNER: I apologize. Thank you.

10 JUDGE O'CONNELL: While we have that break, I  
11 wanted to let you know that you are at the end of your  
12 cross. Public Counsel has been abbreviated on a number  
13 of the witnesses that you've asked questions of recently,  
14 so I'm going to let you go over for a little bit.

15 But, please, be conscious and start thinking  
16 about wrapping up your questioning.

17 MS. PAISNER: Thank you. I only have a few  
18 left.

19 BY MS. PAISNER:

20 Q. In subpart C to KEM-7X, Public Counsel asked why  
21 spending \$30 million on the Customer 360 system from 2020  
22 to 2024 period is justified.

23 And in your response, you point to proactive and  
24 personalized customer experience, such as sending an  
25 e-mail, which is visible to all other customer service



1 representatives.

2           And you mention migrating the phone system to  
3 the CRM system.

4           Correct?

5           A.   That's two of many, many benefits that we see of  
6 the CXP over time that we think make it prudent. We hear  
7 from our customers a lot about functionality that they  
8 desire. You mentioned a couple of them.

9           I'll give you an example -- and this is not to  
10 be all inconclusive by any means.

11           But previously, if we sent a communication to a  
12 customer and then the customer got it and called our  
13 customer service representative, that customer service  
14 representative had no knowledge or visibility into what  
15 that customer got. So you can imagine that we would not  
16 be able to provide the best customer service if that  
17 customer called.

18           That is one of many examples of what the CXP  
19 will do over time is it brings all of that information  
20 together such that when the CSR gets that call, they will  
21 be able to see exactly what that customer got. That's  
22 one of a multitude of benefits of it.

23           I will -- for others, I can keep going or you  
24 can refer to page 14 and 15 of KEM-2 lists -- I have not  
25 counted them. There's probably 20 to 25 other kind of

1 use cases and benefits of the CXP system listed on those  
2 two pages.

3 Q. Okay. I'm going to circle back.

4 Because earlier I asked a question about the  
5 total cost for the CRM tool by year -- from the inception  
6 to the completion. And that was asked in subpart A to  
7 KEM-7X.

8 And I think what you provided in response shows  
9 that the Company plans to spend above \$42 million on the  
10 CXP program, which appears to be mainly the CRM tool.

11 Would you agree?

12 A. I'm not exactly sure where you got 42 million.  
13 KEM-2, page -- let me find the right page -- shows that  
14 37 million, page 13. That is 2021 through 2026 is 37  
15 million, that is what we have planned right now. That is  
16 correct. I cannot confirm the \$42 million number, where  
17 that came from.

18 Q. So you just said 2021 to 2026. I thought there  
19 were amounts --

20 A. That is correct.

21 Q. -- provided from 2020. I thought responses  
22 provided \$30 million from 2020 to 2024.

23 And then going through 2026, \$42 million.

24 A. That is probably correct. If you include 2020  
25 in there, there was expenses in 2020. So that probably

1 gets close to the 42 million that you're describing, yes.

2 Q. Okay. So that's a lot of money for, you know,  
3 the benefits that were listed in response to subpart C.

4 MR. MEYER: I don't think we need that kind of  
5 comment. That's an observation that might come from a  
6 witness but not from a lawyer.

7 JUDGE O'CONNELL: Sustained.

8 Ms. Paisner, I think you've made your point.

9 MS. PAISNER: Okay. I only have a couple  
10 questions left.

11 BY MS. PAISNER:

12 Q. Please turn to page 14 of your rebuttal,  
13 line 19. And then going on to the next page, there are  
14 five projects listed with no dollar amounts pertaining to  
15 2021 and part of 2022.

16 A. Just to confirm, you're talking about KEM-3T,  
17 page 14, line 19?

18 Q. Yes.

19 A. Okay. I'm there.

20 Q. So starting here and going to the next page,  
21 there are five projects listed but they don't provide  
22 dollar amounts. And those are pertaining to 2021 and  
23 part of 2022, correct?

24 A. That is correct. The time period -- I'd like to  
25 answer your first part of the question about the projects

1 not having dollar values.

2           These are intended here to provide some examples  
3 of some of the work that we've done under the CXP  
4 business case. The dollars that we were just referring  
5 to in KEM-2 in each of those years, these are the  
6 projects that would be done under those budget amounts.

7           So these are not in addition to that. These are  
8 examples of the functionality and projects under those  
9 amounts shown in KEM-2.

10          Q. So there are no projects identified here with  
11 related dollar amounts that support the forecasted amount  
12 of capital spending for CXP for 2022, 2023, and 2024.

13                    Would you agree?

14          A. Here I believe you are correct. In testimony, I  
15 believe -- and I would have to confirm -- I believe we  
16 are listed somewhere, I can't point to it right now. But  
17 we have listed the anticipated projects in the 2022  
18 through 2024 time period.

19                    Here. I believe I found it, if you give me one  
20 moment.

21                    KEM-1T, from my original testimony, page 25,  
22 starting on line 34, the question is what are CXP  
23 provisional 2022 through 2024 capital additions you are  
24 supporting?

25                    And those are listed and go through the bottom

1 of page 26.

2 Q. Okay. Thank you.

3 A. Those are the projects that we know about and  
4 anticipate now. They -- they will change. We go through  
5 constant understanding, new functionality, and  
6 prioritization. So those may change as we learn more as  
7 we go. But that's what we have on our backlog right now.

8 MS. PAISNER: Okay. I have no other  
9 questions. Thank you.

10 JUDGE O'CONNELL: Mr. Meyer, any redirect?

11 MR. MEYER: No redirect. No. No, Your Honor.

12 JUDGE O'CONNELL: I'm not aware of any  
13 questions intended from the bench. Unless -- okay.

14 COMMISSIONER RENDAHL: I have none.

15 JUDGE O'CONNELL: Mr. Magalsky, thank you for  
16 your testimony this afternoon. You are excused.

17 THE WITNESS: Thank you.

18 JUDGE O'CONNELL: And next witness that we  
19 will take is going to be David Howell from Avista.

20 \* \* \* \* \*

21 DAVID HOWELL, having been first duly sworn, was  
22 examined and testified as follows:

23 JUDGE O'CONNELL: Apologies. I could not hear  
24 you. You're muted.

25 THE WITNESS: I do.

1 JUDGE O'CONNELL: Thank you.

2 And how should we address you today?

3 THE WITNESS: Mr. Howell would be fine.

4 JUDGE O'CONNELL: Thank you. All right.

5 Mr. Meyer.

6 MR. MEYER: Thank you.

7 Mr. Howell, for the record, please state your  
8 name and your position with Avista.

9 THE WITNESS: Name is David Ray Howell, and  
10 I'm the electric operations director for Avista.

11 MR. MEYER: Thank you. And he's available for  
12 cross.

13 JUDGE O'CONNELL: Thank you.

14 Ms. Suetake, go ahead.

15 CROSS-EXAMINATION

16 BY MS. SUETAKE:

17 Q. Good afternoon, Mr. Howell. My name is Nina  
18 Suetake, and I'm here on behalf of the Public Counsel  
19 Unit.

20 Is it correct that you are the witness on  
21 Avista's wildfire resiliency plan?

22 A. That is correct.

23 Q. Do you have a copy of your rebuttal testimony?

24 A. I do.

25 Q. Could you please turn to page 22 of your

1 rebuttal testimony. And starting on line 34, is it  
2 correct that you state witness Tam recommends that Avista  
3 install fire cameras?

4 A. It does say that.

5 Q. And then on page 23, at line 16, is it correct  
6 that you state witness Tam also recommends that Avista  
7 install fire detection software and utilize  
8 satellite-based fire detection technology?

9 A. Yes.

10 Q. And is it correct for both of these assertions,  
11 you cite to Aaron Tam's testimony -- on page 31 of Aaron  
12 Tam's testimony?

13 A. Could you -- -- can you ask that again to make  
14 sure I understand what you're asking?

15 Q. For those assertions, is it correct that you  
16 cite to Aaron Tam's testimony?

17 A. Yes, yes. I understand your question. Thank  
18 you.

19 Q. No problem.

20 Do you have a -- do you have a copy of  
21 Aaron Tam's testimony in front of you?

22 A. I do.

23 Q. Could you please turn to page 31 of that  
24 testimony? If I can have you turn to lines 6 through 9?

25 A. Okay.

1 Q. Is it correct -- would you agree that witness  
2 Tam states Avista should also investigate and evaluate  
3 the usefulness of fire detection technologies, and he  
4 goes on to list a few?

5 A. He does state that. Correct.

6 Q. Could you tell me where in this testimony  
7 witness Tam recommends that Avista install these  
8 technologies?

9 A. I would have to review the testimony.

10 Do you --

11 Q. So if we go back to your rebuttal testimony, and  
12 the footnotes for those assertions were footnotes 33 --

13 A. I see that.

14 Q. And you cite -- and footnote 39 -- and you cite  
15 to lines 6 through 9 on the page of witness Tam's  
16 testimony.

17 A. Yes.

18 Q. On that line, to quote, "Avista should also  
19 investigate and evaluate the usefulness of fire detection  
20 technologies."

21 A. Yes. Maybe I'll talk -- just comment a little  
22 bit about fire detection. And Avista has --

23 Q. Wait, hang on. Let me ask -- let me ask my  
24 question first before you talk.

25 I just need to know, are you asserting that



1 Mr. Tam stated that Avista should install these  
2 technologies on these lines?

3 A. I'm -- I'm not stating that Avista should  
4 install cameras on our system.

5 I believe Avista has and will continue to  
6 evaluate camera technologies as well as satellite-based  
7 technologies as we move forward with our wildfire  
8 resiliency plan.

9 Q. Mr. Howell --

10 A. The use of cameras has a lot to do with  
11 population densities. And we've evaluated that in some  
12 of the more urban utilities, they have implemented the  
13 use of cameras. For our utility, there may be  
14 opportunities in some locations, but the very rural  
15 nature of our utility makes it challenging to implement a  
16 camera solution that's holistic across our system.

17 We are using satellite-based technology, though,  
18 for vegetation management.

19 Q. Okay. That wasn't my question. I appreciate  
20 that, but that wasn't my question.

21 Could we go back to your testimony, on page 22,  
22 you state, "Witness Tam recommends that Avista install  
23 fire cameras." Is that correct, on line 34 of page 22?

24 A. Yes.

25 Q. Would you agree that you have misquoted

1 Mr. Tam's testimony?

2 A. There might be a misunder --

3 Q. How about this. Would you agree that line 6  
4 through 9 that you cite do not state that Avista should  
5 install the technology?

6 A. Yes.

7 Q. Thank you.

8 Can we move on then to exhibit -- what has been  
9 marked as cross-exhibit DRH-9X, the Seattle Times article  
10 on proactive power shutoffs.

11 A. I'm there.

12 Q. Now, are you familiar with this article?

13 A. I am.

14 Q. Are you familiar with the practice of  
15 preemptively shutting off power as a fire prevention  
16 tool?

17 A. I am.

18 Q. And were you aware that utilities in this state  
19 have been planning for this or had actually began this  
20 practice?

21 A. I am.

22 Q. Does Avista have any power shutoff plans?

23 A. We do.

24 And when I say that, I want to make sure that I  
25 characterize that so that we understand what I'm talking

1 about.

2           There's really two kind of strategies around  
3 preemptive shutoffs. You have preemptive shutoffs that  
4 are done. And I'm not sure it's exactly what's referred  
5 to in this article, but it appears to be that way where  
6 we do that in coordination, during events, in  
7 coordination with first responders. This is really for  
8 the safety of first responders. And also to make sure  
9 that you don't continue to propagate something that's an  
10 active situation.

11           It is a preemptive shutoff. And what I mean by  
12 that is -- meaning that the system hasn't faulted out  
13 because of the way it's set up to -- or configured. If  
14 somebody's -- you know, a human is actually making a  
15 decision. It's preemptively being shutoff. The same  
16 category -- I'm going to use the term "public safety  
17 power shutoff", is one that was initiated in California.  
18 It's more of a longer term where you look at weather  
19 conditions, transient events, that potentially could  
20 happen, and you make a decision on your system.

21           Avista has had in place for many, many years the  
22 practice of working with first responders and  
23 preemptively shutting off power when it's in the public's  
24 best interest.

25           Q. Does -- has Avista gathered public and

1 stakeholder input on these power shutoffs?

2 A. Related to -- I'm going to categorize -- I have  
3 two categories of the power shutoffs.

4 We work with first responders. We work with  
5 fire districts. And we haven't had a public process, but  
6 we have had a process where we work with -- we actually  
7 do fire responder/first responder training. And they're  
8 aware of our willingness and our practice of preemptively  
9 shutting off power when it's in the public's best  
10 interests.

11 Q. Does Avista have internal procedures for  
12 notifying the public of shutoffs, preemptive shutoffs?

13 A. For most of the events, it's done in  
14 coordination with first responders at an active event.  
15 We could implement procedures if it had a longer  
16 duration, that's possible. We've done that as part of  
17 our mitigative action related to dry land operations  
18 where we elevate the sensitivity of our protection  
19 systems.

20 But normal operations, most of the time, these  
21 decisions are made between our field first responders and  
22 the fire first response.

23 Q. So when power is shut off for fire protection  
24 purposes, do customers receive any notice?

25 A. Most likely they don't receive a notice prior to

1 the power being shut off because that's a decision that's  
2 made in the field. That's being made very timely.

3 But they will receive a notice as soon as their  
4 power is off because our systems will automatically go  
5 ahead and notify customers that we're aware of the  
6 outages.

7 And then our typical process during wildfire  
8 season is we'll patrol following the restorations that  
9 are necessary and then reenergize our customers.

10 So they will be communicated with. But it's  
11 most likely going to be retroactive because the decision  
12 is made timely in the field.

13 Q. And does Avista know where vulnerable customers  
14 in its service territory reside that might be impacted by  
15 these shutoffs?

16 A. We do know of the ones that have notified us.  
17 We did recently complete some community outreach to a  
18 number of our highly impacted fire districts, the areas  
19 where we have significant wildland urban interface, and  
20 reached out to community stakeholders. We also then  
21 followed that up with some town hall meetings in four of  
22 our different locations and counties. And one of our  
23 appeals was to get phone numbers for customers that may  
24 have functional needs. And so that we can properly  
25 communicate with them in the event that we were going to

1 elevate our protection system. That would be the path  
2 that we would follow where a proactive notification would  
3 be sent to our customers if we're going to change  
4 operations.

5 Q. Changing subjects. Thank you.

6 If we can turn to your direct testimony on  
7 page 4. And if we can go to page 4.

8 A. Okay.

9 Q. Table 1 of your testimony, is it correct that  
10 this table shows Avista expects capital additions of 27  
11 million in 2023 and 29 --

12 A. Hold just a second. I apologize. I'm at the  
13 wrong location.

14 Q. Sure. I'm in your direct testimony.

15 A. Yeah. I'm in the wrong -- yeah. I just turned  
16 to the wrong -- I've got the -- too many tabs here.

17 Q. I understand.

18 A. Okay. I apologize. I am there now.

19 Q. No problem. I understand.

20 To page 4, Table 1, is it correct that this  
21 table shows that Avista expects capital additions of 27  
22 million in 2023, and 29 million in 2024 for wildfire  
23 resiliency?

24 A. That is correct. Those are transfers to plant.

25 Q. And then, now if we can turn to your rebuttal

1 testimony, on page 5 of your rebuttal testimony, if you  
2 can go to line 13 to 16.

3 A. Okay.

4 Q. Is it correct that you state that in testimony,  
5 exhibits were papers and discovery requests. The Company  
6 has provided annual information on miles of distribution  
7 lines, number of structures, number of substations, et  
8 cetera, over the ten-year plan?

9 A. That is correct.

10 Q. And is it correct in this testimony there's no  
11 citation provided for that assertion?

12 A. There's not here. Although we did provide some  
13 detail in some data requests, specifically related to  
14 transmission structures. And we provided even an  
15 adjustment to that data request this morning.

16 Q. Okay. Let's see.

17 Could you tell me where the supporting  
18 information is that you used to reach those previously  
19 mentioned forecasted capital expenditures for 2023 and  
20 2024?

21 A. In testimony?

22 Q. Or supporting.

23 A. We have a -- I'm not going to know where it's at  
24 directly in testimony.

25 But I do know that we've provided -- to your

1 admission, that we provided numbers of either miles or  
2 structures. Or miles of vegetation that need to be  
3 managed as part of this overall rate process.

4 Q. Okay. Can we turn --

5 MR. MEYER: May I just interject, please.

6 Certainly Ms. Andrews is more conversant with  
7 all of the pieces of the case, could respond to that.  
8 This witness may not know where all the pieces appeared  
9 in the case. That's the problem.

10 MS. SUETAKE: Okay. Let me keep going, and  
11 we'll see if I need to direct any questions back to  
12 Ms. Andrews.

13 BY MS. SUETAKE:

14 Q. If we can turn to page 5 of your rebuttal again  
15 and line 16 through 23.

16 MR. MEYER: Can you state the page again?

17 MS. SUETAKE: Page 5. Same page.

18 THE WITNESS: Oh, I'm there.

19 BY MS. SUETAKE:

20 Q. Okay. Lines 16 through 23.

21 Is it correct that you state, "The specific  
22 detailed information of materials and locations of each  
23 mile, distribution line, crossarm, et cetera, to be  
24 replaced, upgraded, et cetera, will be determined as we  
25 progress through each year."



1 A. It is. Correct.

2 Q. Okay. Can you please turn to Exhibit DRH-10X?  
3 That is Avista's response to Public Counsel date request  
4 359?

5 Are you familiar with this data request?

6 A. I am.

7 Q. And would you agree that in this DR, Public  
8 Counsel asked the Company to provide specific references  
9 for where the annual -- reference where the annual  
10 information on miles of distribution lines, numbers of  
11 structures, numbers of substations, and other quantities  
12 of work activities for the years 2021 through 2024, where  
13 those amounts were disclosed?

14 A. Correct.

15 Q. And is it correct in your response you state  
16 that the information was provided over the ten-year plan  
17 and the specific annual information will be provided as  
18 you progress through the year?

19 A. That is correct.

20 Q. So to be clear, is it correct that you do not  
21 have a detailed plan of what work you intend to do each  
22 year in 2023 and 2024?

23 A. No. That's not correct.

24 We have been in the process from when we  
25 developed our plan in 2020, of identifying appropriate

1 capital spends that are balanced with resources that we  
2 can identify to complete the work.

3 We have initiated all elements, the different  
4 elements of our wildfire resiliency plan, including  
5 transmission structure changeouts, distribution grid  
6 hardening. Those are the largest capital that we're  
7 speaking to today.

8 We've identified the transmission structures  
9 that we've done to date. And we're going to attempt to  
10 do a portion of those each year as we move forward.

11 And I'll talk a little bit about why.

12 It's because we try to schedule work about  
13 12 months out because of outage windows. We can't say  
14 today that we want to do in year eight these transmission  
15 structures because we're not assured that we'll be able  
16 to get transmission windows or outage windows so that we  
17 can do the work.

18 So our goal is that in the ten-year period, the  
19 remainder of that work on the transmission side, will be  
20 done. Which is just less than 900 structures, more  
21 poles, but structures.

22 And then on the distribution side on grid  
23 hardening, it includes both -- it includes a lot of our  
24 system -- we did it in miles. I know it was asked for by  
25 miles, certain amounts of conductors and bail clamps and

1 crossarms. We only know poles, and we don't know exactly  
2 where those are going to happen. Early in the program  
3 we're learning what are the quantities of crossarms  
4 because we don't have a full crossarm inventory. If it's  
5 a three-phase system, you will have a crossarm. If you  
6 have a single pole, you may or may not have a crossarm  
7 that needs to be replaced.

8           So we're not able to unitize at this point.  
9 We're going to get enough experience here that we can  
10 then average an amount of quantity and materials that we  
11 can have in a mile of distribution line.

12           But to be able to specifically state where that  
13 work is going to happen is challenging as we're trying to  
14 ramp the program up.

15           Q. So when you say that -- so the estimated capital  
16 expenditures for 2023 and 2024, is it correct that  
17 they're not based on specific information as we requested  
18 in this data request?

19           A. We know how many miles of -- I think -- I  
20 believe we've identified that -- but how many miles of  
21 distribution. And we know approximate or average costs  
22 for grid hardening on a mile of distribution. It's very  
23 specific. I can't tell you exactly what work will happen  
24 because it's an average across multiple hundreds of miles  
25 of distribution that will be upgraded in a single year.

1 Q. So can you explain to me how you reach the 27  
2 million and 29 million if you don't know what specific  
3 work will be done in those two years?

4 A. Our goal is that we have a ten-year wildfire  
5 resiliency plan. And we're trying to get to spend --  
6 2025 that will be fairly levelized that will allow us to  
7 accomplish all of this work.

8 We're still trying to ramp into that quantity of  
9 work based on resources. We do know the miles of  
10 distribution grid hardening that are going to transpire.  
11 I think -- I believe that that was identified in the case  
12 in my rebuttal testimony. I would have to take a moment  
13 to look for that.

14 But we did identify the number of miles that are  
15 going to be upgraded.

16 Q. So are you saying that the only specific data  
17 you have for the 27 and \$29 million estimate, the only  
18 specific data that you have is the number of miles; is  
19 that correct?

20 A. That is not.

21 So we have multiple sections of capital that we  
22 included as part of this. So we talk about transmission  
23 and distribution grid hardening because it's about 90  
24 percent of our capital spend.

25 We have midline reclosures that are going to be

1 added to our system. We have substations that are going  
2 to be upgraded so that the protection can be set remotely  
3 on those systems, meaning we're adding communications to  
4 those and upgrading protection.

5 We can provide specific numbers to those in the  
6 years that are in the case.

7 And it might be that this is a question for  
8 Ms. Andrews related to specifically another part of the  
9 case. I don't see it in -- I have the information  
10 related to distribution and the transmission because  
11 that's what we had the back and forth on in our  
12 discussion with the DRs.

13 Q. Okay. I think I can move on.

14 Could you please turn to page 10 of your  
15 rebuttal?

16 JUDGE O'CONNELL: Ms. Suetake, while we're  
17 moving to that page, I want to remind you that you have  
18 exceeded your estimate.

19 But I do note you have truncated some of your  
20 other cross-examination. Please just be conscious and  
21 start to wrap up.

22 MS. SUETAKE: Yes. I only have three more  
23 hopefully short questions.

24 JUDGE O'CONNELL: Okay. Thank you.

25 BY MS. SUETAKE:

1 Q. On lines 4 through 9 of this page, is it correct  
2 that you state that exact counts of infrastructure  
3 upgrades is not known until the design phase of a project  
4 is complete, which is performed annually?

5 A. That is correct.

6 Q. If that is the case, why -- why not wait to  
7 propose capital spending until the design phase is  
8 completed?

9 A. We started our program in 2020. Our goal -- and  
10 I will speak a little bit to distribution because it's  
11 such a large quantity of work.

12 Our goal is that we design 12 months prior to  
13 the work being executed. We are still working towards  
14 that goal. You have to design and you have to go out for  
15 RFP and then execute on the work.

16 So at some point, we hope to have 12 months of  
17 work predesign so that we're working a year ahead.

18 But as you can see from our ramp on our capital  
19 spend, we are still trying to grow these programs.  
20 Distribution grid hardening being the one that is easiest  
21 to point to, but all of our programs, including adding  
22 midline reclosures and automating existing protection  
23 systems.

24 Q. So for your -- for your infrastructure upgrade  
25 costs, is it correct that you don't have exact costs --

1 or exact counts for the infrastructure upgrades at this  
2 time?

3 A. We know the miles of distribution that we --  
4 that we're going to be upgrading.

5 Q. Okay.

6 MR. MEYER: For which period? There's some  
7 confusion.

8 For which period are you asking about?

9 JUDGE O'CONNELL: Please identify who is  
10 speaking. That was Mr. Meyer.

11 Mr. Meyer, go ahead. You have clarification?

12 MR. MEYER: Yes. I just want to make sure the  
13 record was clear so it's understood for which period do  
14 we have that information now and -- so we're clear.

15 THE WITNESS: So just to build on my answer  
16 from previous --

17 JUDGE O'CONNELL: Wait a moment. Wait a  
18 moment. Please wait a moment.

19 Ms. Suetake, why don't you go ahead.

20 MS. SUETAKE: Sure I can rephrase that  
21 question.

22 BY MS. SUETAKE:

23 Q. Is it correct that for 2023 and 2024, you don't  
24 have exact counts for those infrastructure upgrades that  
25 you -- the different units that you list here on page 10

1 of your rebuttal?

2 A. In 2023, we're going to do 327 miles of  
3 distribution system. In '24 we're going to do, also,  
4 327 miles that are identified. Within that, you can  
5 take -- this wasn't asked for, but we have an approximate  
6 number of poles and miles of conductor that could be  
7 calculated.

8 But this program is so large that it's done on  
9 miles of distribution system. It's the appropriate --

10 Q. But to go --

11 A. -- unit to be talking about as we do upgrades.

12 Q. To go back to page 10 of your rebuttal  
13 testimony, is it correct, again, that you don't have  
14 these exact counts until the design phase is complete?

15 A. If you're referring to the exact count of poles  
16 and crossarms that will be replaced, the answer is we  
17 don't have it until it's designed.

18 MS. SUETAKE: Okay. Thank you. Those are all  
19 my questions.

20 JUDGE O'CONNELL: Mr. Meyer, redirect?

21 MR. MEYER: Yes. Just -- I'm going to make  
22 this very short, if I can. I got to get my camera going  
23 here. Thanks.

24 ///

25 ///



1 REDIRECT EXAMINATION

2 BY MR. MEYER:

3 Q. So far '21 and '22, as you stated in your  
4 cross-examination, Exhibit DRH-10X, you provided  
5 information or reference to where that information can be  
6 provided, correct?

7 A. Correct.

8 Q. Okay. And then you go on and state in the next  
9 paragraph, in any event by the very nature of projects  
10 that won't be completed until '23 and '24. Any  
11 uncertainty will be resolved once the actual transfers  
12 are made, et cetera, et cetera.

13 Is that correct?

14 A. Correct.

15 Q. So do you recognize that there's a distinction  
16 between what actual information is now available and what  
17 information will soon be available for '23 and '24?

18 A. Correct.

19 Q. Okay. Also, just -- you have in front of you --  
20 I'll hand it to you, this is Aaron Tam -- Aaron Tam --

21 THE REPORTER: I didn't get that.

22 JUDGE O'CONNELL: Mr. Meyer, we couldn't --

23 COMMISSIONER RENDAHL: Can't hear you.

24 JUDGE O'CONNELL: -- hear you, Mr. Meyer.

25 Please repeat.

1 Are you looking at testimony?

2 MR. MEYER: Yes. Actually, I'm looking at the  
3 testimony of witness Tam for Public Counsel.

4 JUDGE O'CONNELL: So --

5 MR. MEYER: And this is -- this is his Exhibit  
6 AT-24R. It's an exhibit of his --

7 JUDGE O'CONNELL: Okay.

8 Go ahead.

9 BY MR. MEYER:

10 Q. I'm going to refer you to page 1 of 1 of  
11 Attachment D -- actually, strike that.

12 It's page 5 of 5 of this particular exhibit.

13 Do you have that in front of you? Take a moment  
14 to just refresh your memory.

15 A. Wow.

16 Q. It's very, very small print.

17 A. Okay. I have it.

18 COMMISSIONER RENDAHL: What exhibit is this  
19 again, please, 18 what?

20 MR. MEYER: Exhibit 24 -- Exhibit 24, I  
21 believe. I don't have it in front of me. I just gave it  
22 away.

23 JUDGE O'CONNELL: One moment.

24 My understanding, Mr. Meyer, is that you are  
25 looking at Exhibit AT-24R, which was most recently

1 revised and updated by Public Counsel yesterday. Is that  
2 correct?

3 MR. MEYER: That is correct. Thank you, Your  
4 Honor.

5 JUDGE O'CONNELL: Okay. One moment while we  
6 all get there.

7 MR. MEYER: Sure.

8 JUDGE O'CONNELL: And for the record, this is  
9 Avista's response to Public Counsel data request No. 305.

10 Okay. Mr. Meyer.

11 BY MR. MEYER:

12 Q. So I don't have it in front of me, but I'd  
13 ask -- no, you keep it -- ask the question, does that  
14 provide some additional information as -- on the planning  
15 horizon of '22 through '24?

16 A. Yes, it does.

17 Q. And what additional information does it provide?

18 A. It provides some unit estimates for work to be  
19 completed.

20 MR. MEYER: All right. Thank you very much.  
21 That's all I have.

22 JUDGE O'CONNELL: Ms. Suetake, do you have any  
23 follow-up?

24 MS. SUETAKE: No, I do not.

25 JUDGE O'CONNELL: I do not see or recall any

1 additional questions from the bench. I am seeing --

2 COMMISSIONER RENDAHL: I have none.

3 JUDGE O'CONNELL: I'm seeing that's confirmed.

4 Okay. Mr. Howell, thank you for your testimony  
5 this afternoon. Thank you and you're excused.

6 Next on my list is witness Robert Brandkamp from  
7 Avista.

8 And one moment. Would the -- Ms. Kitselman?

9 THE REPORTER: I know we are pressed for time,  
10 but I need like a three-minute break.

11 JUDGE O'CONNELL: Yes. Let's do that. Thank  
12 you for saying something. And we've been going straight  
13 for a couple hours, so I appreciate the need for that.

14 So the time is currently 4:51. Let's come back  
15 at five o'clock sharp.

16 THE REPORTER: Thank you.

17 JUDGE O'CONNELL: We'll be off the record.  
18 Thank you.

19 (A break was taken from  
20 4:51 p.m. to 5:10 p.m.)

21 JUDGE O'CONNELL: Thank you. The time is now  
22 5:10 p.m.

23 We are going to continue with Mark Thies, Avista  
24 witness.

25 And will you please raise your right hand?

1 \* \* \* \* \*

2 MARK THIES, having been first duly sworn, was  
3 examined and testified as  
4 follows:

5 THE WITNESS: Yes.

6 JUDGE O'CONNELL: And how would you like to be  
7 addressed today?

8 THE WITNESS: Mr. Thies.

9 JUDGE O'CONNELL: Okay. Mr. Meyer?

10 MR. MEYER: He's available for cross. Thank  
11 you.

12 JUDGE O'CONNELL: Ms. Paisner, if you would  
13 please go ahead. My understanding is that you're going  
14 to attempt to ask questions that would navigate around  
15 divulging confidential information.

16 MS. PAISNER: I'm going to make the attempt.

17 But I'm actually -- I'm not sure I'm going to be  
18 able to do that for all of these questions. I apologize.

19 Would it be possible for the Company to consider  
20 waiving confidentiality with the information that's in  
21 this exhibit?

22 MR. MEYER: No. We can't do a blanket waiver  
23 on this. Some of it's not confidential. It didn't  
24 involve numbers.

25 But if you can navigate your way around some of  
the numbers, then so much the better.

1 But, no, we just can't do that.

2 JUDGE O'CONNELL: The information that you  
3 would like to cross-examine Mr. Thies on, is it possible  
4 that those questions could be placed in writing to Avista  
5 and responded to in a confidential response and filed to  
6 the docket? Would that be acceptable to Public Counsel?

7 MS. PAISNER: So it would be something like a  
8 data request?

9 JUDGE O'CONNELL: Something like that, yes.

10 MS. PAISNER: We can try and do that.

11 JUDGE O'CONNELL: And for Avista, would that  
12 help solve our problem?

13 MR. MEYER: It would work for us.

14 JUDGE O'CONNELL: So if it is acceptable to  
15 Public Counsel, what I would like to see us do is proceed  
16 as much as possible with the cross-examination.

17 And then for any question that must touch on  
18 confidential information, if Public Counsel would be  
19 willing to pose those questions in writing --

20 MS. PAISNER: I apologize, Judge O'Connell. I  
21 don't think we can put these in a data request that's not  
22 going to require the back and forth interaction. That's  
23 fundamentally different thing from cross-examination.

24 JUDGE O'CONNELL: Okay. Then we are going to  
25 have to set a later date to have this cross-examination

1 of Mr. Thies. And it will have to be a date when he's  
2 available so that that might not -- it does not sound  
3 like it will have to -- it might not be next week.

4 Let me ask, is there -- what might be the  
5 parties' availability for a weekend date? I know this is  
6 unusual. But to have the cross-examination for Mr. Thies  
7 and to have a confidential session, we might need to come  
8 back with a special time period.

9 MR. MEYER: Okay. We have maybe some helpful  
10 news. Mr. Thies, in fact, will be available next Friday,  
11 not Thursday, but Friday if we can stay with that  
12 scheduling.

13 COMMISSIONER RENDAHL: Judge O'Connell, so  
14 next Friday, I am traveling beginning at about 2 p.m.  
15 And so it's possible I could do a morning hearing. But  
16 I'm not sure an afternoon hearing next Friday will work  
17 for me. But if all others are available, I can read the  
18 record.

19 JUDGE O'CONNELL: Okay. Let's discuss the  
20 exact timing of that hearing next week in a little bit.

21 Let's immediately take Avista witness Brandkamp  
22 so that we can get through one witness before we break at  
23 5:45.

24 Ms. Paisner, before we continue with  
25 cross-examination of Brandkamp, is there going to be any

1 confidential information touched on in this testimony?

2 MS. PAISNER: No.

3 JUDGE O'CONNELL: Okay. Mr. Brandkamp, will  
4 you please raise your right hand?

5 \* \* \* \* \*

6 ROBERT BRANDKAMP, having been first duly sworn, was  
7 examined and testified as  
8 follows:

8 THE WITNESS: I do.

9 JUDGE O'CONNELL: Thank you.

10 And how should we address you today?

11 THE WITNESS: Mr. Brandkamp, please.

12 JUDGE O'CONNELL: Mr. Meyer?

13 MR. MEYER: He's available for cross. Thank  
14 you.

15 JUDGE O'CONNELL: Ms. Paisner, please go  
16 ahead.

17 CROSS-EXAMINATION

18 BY MS. PAISNER:

19 Q. Mr. Brandkamp, would you please go to Exhibit  
20 REB-3X, and that's the Company's response to Public  
21 Counsel data request 346.

22 A. Okay.

23 Q. So part A to this -- this DR, Public Counsel  
24 asked the Company to identify each of the several  
25 lawsuits -- excuse me. I suppose I should back up.



1           If you could go to page 4 of your rebuttal  
2 first. I apologize.

3           A. Okay.

4           Q. So from line 16 to 21 of your rebuttal, you  
5 state that the Company received several class action  
6 lawsuits related to the 2020 Labor Day fires in Malden,  
7 Washington, after you prepared your response to Public  
8 Counsel data request 103C, and that isn't -- that is an  
9 Exhibit SC-6.

10          A. Okay.

11          Q. So now, please go to Exhibit REB-3X, which is  
12 data request 346.

13          A. Okay. There.

14          Q. In subpart A to this data request, Public  
15 Counsel asked the Company to identify each of the several  
16 lawsuits that were filed, the date received, and a copy  
17 of the lawsuit document.

18                 And in response, you identified only two  
19 lawsuits; is that correct?

20          A. So two class action lawsuits. The question  
21 didn't ask for all lawsuits. If you -- if you look at B,  
22 B elaborates and gives you detail on all the lawsuits  
23 that we received around the Malden fire.

24          Q. Okay. The two lawsuits, the class action  
25 lawsuits, were filed before you compiled the response to

1 Public Counsel data request 105, which was on April 18,  
2 2022; correct?

3 A. Correct.

4 Q. And that data request, this is Exhibit SC-7C,  
5 this reported the number of liability claims, correct?

6 A. Just a moment. He's trying to get the --

7 MR. MEYER: Getting there.

8 THE WITNESS: Yes, that is correct.

9 BY MS. PAISNER:

10 Q. So the two lawsuits provided in response to data  
11 request 346 -- and that was REB-3X, those were filed  
12 before the April 18th date of SC-7C; is that correct?

13 A. So if -- you are asking which lawsuits were  
14 filed before which date?

15 Q. April 18, 2022, that's the preparation date for  
16 Public Counsel data request 105C, the response the  
17 Company provided.

18 A. Correct.

19 Q. Yes. Okay.

20 A. So the -- yeah, the information on that response  
21 lists all the dates that those lawsuits were filed.

22 Q. Okay. So these lawsuits --

23 A. It's either the first or second line.

24 Q. Right. So they would have been included on the  
25 list provided in SC-7C, correct? Because they were filed

1 before that date.

2 A. So there's a difference here. So if you're  
3 looking at 265C, those would have been -- those would  
4 have been claims we filed with the insurance company, not  
5 claims that we received for damages.

6 So there's that distinction that you have to  
7 make when you're looking at all this information.

8 Early on with the Labor Day fire, we filed five  
9 separate lawsuits for each of the five individual fires  
10 related to the Labor Day fires within that first week of  
11 the incident.

12 So in early September is when the insurance  
13 companies got notified of that.

14 We did not -- with the exception of one small  
15 claims action, we did not start receiving claims for  
16 damages for that fire. And the earliest one was March  
17 of 2022 -- March 30th, in fact.

18 Q. So the dates for -- I apologize.

19 So for the date on the response to Public  
20 Counsel data request 105C, is April 18, 2022, correct?

21 A. I'm sorry. To which -- which document?

22 Q. SC-7C, which is the Company's response to Public  
23 Counsel data request 105C.

24 A. Yes. 4/18 of '22.

25 Q. Okay. So in subpart B to Company's response to

1 DR 346, that is REB-3X, Public Counsel asked the Company  
2 to explain if the additional lawsuits were included or  
3 were in addition to the five complaints from the 2020  
4 Labor Day fires previously reported in PCDR-105C and  
5 included in SC-7C. That was what Public Counsel asked.

6 A. Yeah. So -- yep.

7 So the response in 3X, so that -- that is the  
8 totality of the outside claims that we've received  
9 related to the -- the Malden -- or the Labor Day fires.

10 Q. Okay. And response to subpart B of 346, you  
11 state that the question could not be answered as asked  
12 and you refer to Public Counsel data request 265. And  
13 that is also part of 7C -- SC-7C.

14 So it appears you possibly did not see SC-7C  
15 includes --

16 A. Correct.

17 Q. -- includes public data request 105C as well?

18 A. Correct, correct.

19 So that's why I responded the way I did in 3X.  
20 Because for full transparency, I wanted to make sure the  
21 Public Counsel was aware of all fires and when they  
22 happened and when the insurance companies were aware of  
23 them.

24 Q. Okay. Okay. So if you could please go to  
25 Exhibit SC-7, page 4 of that exhibit. SC-7C.

1 A. Okay.

2 Q. And on page 4, the second set of boxes from the  
3 bottom of the page, that identifies five complaints from  
4 the 2020 Labor Day fires.

5 Can you confirm for me that this list -- sorry,  
6 I'll wait for you to get there.

7 A. Yeah. I'm there. Go ahead.

8 Q. Okay. Would you please confirm for me that this  
9 list in the response to PC data request 105C was prepared  
10 on April 18, 2022?

11 A. Yes. That was prepared on April 18th.

12 Q. Would you please confirm for me the response to  
13 Public Counsel data request 103C, that is Exhibit SC-6C,  
14 can you please confirm that that was prepared on  
15 April 20th, 2022?

16 A. So SC-6C?

17 Q. Yes.

18 A. Is that the document that you're asking about?

19 Q. Yes.

20 A. So I can't have that -- I don't have that date  
21 on my documents. I have a different date.

22 Q. Okay. This is the response to Public Counsel  
23 data request 103C.

24 A. Correct.

25 Q. Are you looking at a supplemental response?

1 A. Yes.

2 Q. I believe there was an initial response provided  
3 on April 20, 2022, was it not?

4 MR. MEYER: Can we just accept that subject to  
5 check and move on?

6 MS. PAISNER: Okay.

7 BY MS. PAISNER:

8 Q. Please return to Exhibit REB-3X, page 2.

9 A. Okay.

10 Q. Here you list complaints received from the 2020  
11 Labor Day fires with some dismissed and others  
12 continuing.

13 A. Correct.

14 Q. It looks like you've already communicated those  
15 complaints or claims to the insurance companies; is that  
16 correct?

17 A. That is -- that is correct where appropriate.  
18 There were a few that we did not because of the small  
19 nature of the claim size. And so we just handled those  
20 internally.

21 But any of our larger ones were communicated to  
22 the insurance Company.

23 Q. Okay. So the insurance companies would have  
24 made premium corrections already as you've identified in  
25 your testimony; is that correct?

1 A. No, that is not correct.

2 So our policies are renewed annually. And  
3 that's the point at which they would make adjustments for  
4 any changes to the risk.

5 And so our casualty policy, which wildfire is  
6 under, renews 12/31. So while they were informed of  
7 these incidents that -- back in March, May, June, they  
8 will not make any -- they will not make any midterm  
9 adjustments to the policy. That will be done at renewal.

10 Q. Okay. With regards to --

11 A. Which is why we made the comment that the, you  
12 know, numbers that we provided in 103C may, in fact, be  
13 understated.

14 Because we have not gone through the renewal  
15 subsequent to this new claims information that they've  
16 received.

17 Q. With regard to lawsuit documents you provided in  
18 Attachments B and C -- and we're still on REB-3X.

19 A. Okay.

20 Q. If the Company is found negligent in these  
21 claims, why should customers pay for higher insurance  
22 premiums if the Company is found to be negligent if not  
23 doing proper vegetation management around power lines?

24 MR. MEYER: I object to the form of the  
25 question. That assumes so many things in that question

1 about the specific circumstances of the findings, of the  
2 particular negligence claim. Can't possibly answer that.  
3 And we would just be speculating.

4 Object to the question.

5 MS. PAISNER: I can rephrase the question.

6 JUDGE O'CONNELL: Yes, Ms. Paisner. Go ahead  
7 and rephrase.

8 BY MS. PAISNER:

9 Q. Should customers be responsible for consequences  
10 of lawsuits that relate to the Company's actions?

11 MR. MEYER: Again, I object. That -- that  
12 hypothetical -- I mean, there's not enough of a  
13 foundation in that question to answer it. Can't answer  
14 it in the abstract. I have to know more about the  
15 circumstances.

16 So I object to the question.

17 JUDGE O'CONNELL: Sustained.

18 Ms. Paisner, would you like to rephrase or try  
19 one more time?

20 BY MS. PAISNER:

21 Q. I guess I can ask that if we go back to those  
22 lawsuit documents that you provided in the Attachments B  
23 and C, these lawsuit documents may involve claims of  
24 negligence. Do they not?

25 A. To which -- I just want to make sure I'm looking



1 at the right complaint.

2 Q. REB-3X, Attachments B and C.

3 MR. MEYER: I'll save you the looking. I'm  
4 going to lodge yet another objection.

5 Negligence. Which suit? What degree of  
6 negligence? What was the exposure of the Company to  
7 costs? So many things would go into that. And the  
8 witness can't possibly speculate as to whether or not  
9 under those circumstances under which are defined that  
10 the customers ought to be responsible. That's well  
11 beyond the canon of this witness. He's here to talk  
12 about insurance, not cost recovery.

13 JUDGE O'CONNELL: Overruled.

14 The question was, did the claims involve -- did  
15 the lawsuits involve claims of negligence.

16 And the witness can answer, if he knows.

17 THE WITNESS: So yes to one. And yes to the  
18 other one. Yep, that's correct.

19 BY MS. PAISNER:

20 Q. Okay. For the same exhibit on page 3,  
21 section -- subsection C, you list premium adjustments  
22 received in 2021 and 2022, correct?

23 A. Yes, that is correct.

24 Q. Do you know of any additional wildfires caused  
25 by the Company's power lines or equipment that would

1 result in new claims in 2023?

2 A. So no new fires that -- that I'm aware of that  
3 would trigger additional claims. But there's still time  
4 -- statutory time for people to file under the 2020 fire.

5 Q. Can you please turn to page 5 of your rebuttal?

6 A. Okay.

7 Q. On lines 10 through 17, you disagree with  
8 Mr. Coppola's explanation of how insurance companies  
9 increase or adjust premiums.

10 Would you agree that when major disasters such  
11 as wild spread -- wildfires, hurricanes, and tornadoes  
12 and flooding occur, there's initial reaction by insurance  
13 companies to increase premiums to cover losses, would you  
14 agree with that?

15 A. I -- I would agree with that.

16 Q. As time passes, insurance companies adjust lost  
17 reserves and premiums can moderate and occasionally get  
18 reduced.

19 Would you agree?

20 A. That's why I disagree with his stance because  
21 rate making isn't a sequential process.

22 We don't look at -- you know, there's a  
23 hurricane or catastrophic storm or wildfire in year one.  
24 And then three years after, insurance companies may feel  
25 like they have their arms around the losses, then they

1 start looking specifically at the Company's performance.  
2 This is all done concurrently every year.

3           So claims will come in from losses over a period  
4 of time. Liability losses have longer lie -- liability  
5 tails. People can make a claim three years after the  
6 incident. There's litigation involved. So -- so those  
7 are more costly and it's harder for insurance companies  
8 to get their arms around rates around liability-type  
9 claims.

10           Property is a little more clear cut because it's  
11 generally -- the damage is pretty much black and white.  
12 And you can resolve those claims within a year or two.  
13 So the claims tail on those are shorter -- tend to be  
14 shorter.

15           But you can't -- you can't say that we're going  
16 to apply this concept where we look at all the  
17 catastrophic losses first, give it three or four years,  
18 and then we go back and look at how the insurance company  
19 is looking at the company specifics because we don't have  
20 to worry about that catastrophic loss anymore.

21           And then it's likely during that same three- to  
22 four-year period you've had some other type of loss.

23           So, you know, it's a constant continuum of when  
24 did the loss occur? What type of loss was it? Have  
25 there been any other losses that have occurred during

1 that period?

2 Q. Okay. I never specified a time. And the  
3 question, I just said as time passes.

4 It almost sounds like you're saying insurance  
5 premiums will never moderate. They will never get  
6 reduced. Is that what you're saying?

7 A. No. That's -- that's not what I'm saying.

8 Q. Okay.

9 A. But Coppola is trying to simplify the rate  
10 making process and the sequential process. And it  
11 doesn't work that way. You know, as -- as Ms. Andrews  
12 talked about in her testimony and provided several  
13 examples, you know, the primary reason that we're looking  
14 for the deferral account on insurance is because  
15 insurance, by its very nature, is volatile and uncertain.  
16 You know, it's going to go up and down.

17 So, you know, it just depends on you can have  
18 three straight years of hurricanes in the property  
19 market. And so you may have -- as a result of that, you  
20 may have a hard property market for ten years. Or, you  
21 know, property premiums have -- the rate at which they're  
22 increasing is starting to lower. And if you assume that  
23 nothing else happened, in the next two years, you would  
24 see rates continue to -- to go down.

25 Q. Okay. I apologize. I need to -- I would like

1 to continue to ask a different question, if that's okay.

2 A. Yep. Sure.

3 Q. If you would please turn to page 6 of your  
4 rebuttal when you list the premium adjustments that  
5 insurance companies have issued.

6 In response to DR 349, that's Exhibit REB-5X,  
7 you confirm that those adjustments have already been  
8 included in your forecasted insurance expense for 2022  
9 through 2024.

10 Would you agree that forecasting any  
11 additional -- sorry.

12 MR. MEYER: First confirm the predicate for  
13 your next question.

14 So what was the previous question you were  
15 referring to on cross and you represented the witness  
16 stated something in that? I'm not sure that the witness  
17 agrees with that.

18 BY MS. PAISNER:

19 Q. REB-5CX.

20 A. So what is it that you're --

21 Q. The response to data request 349C. If you can  
22 please look at this data request response.

23 A. Yep. Got it in front of me.

24 Q. In this data request response, you confirmed  
25 that those premium adjustments have already been included

1 in your forecasted insurance expense for 2022 through  
2 2024; is that correct?

3 A. So -- so the actual adjustments for 2022 were  
4 placed. And then we forecasted for '23 and '24. That is  
5 correct.

6 Q. Would you say that forecasting any additional  
7 large increases in premiums at this point would be  
8 speculative?

9 A. No, I would not. I would not use the word  
10 "speculative" at all. You know, when we -- in the  
11 insurance world, when we're looking at forecasting, you  
12 know it's really informed decision-making.

13 So in the case of liability and the additional  
14 premiums that we've been charged, we know that the  
15 insurance company is assuming a large loss. And how they  
16 go about trying to recover a portion of that is they'll  
17 take that loss number, divide it by a certain number of  
18 years, and then over the -- the course of the litigation  
19 period, they will apply an additional premium. So we  
20 know that to expect X amount of additional premium from  
21 this point in time until the litigation concludes.

22 Q. Okay. So you --

23 A. We also know --

24 MR. MEYER: Can the witness finish?

25 BY MS. PAISNER:

1 Q. Continue.

2 A. Yeah. Thank you.

3 And we also know that they're charging us an  
4 additional premium based on the risk exposure of just  
5 operating at a higher risk area. And that charge will  
6 continue to be made.

7 Q. Is it possible there could be future claims?

8 A. Absolutely.

9 Q. And do you know the outcomes for the multiyear  
10 litigation cases for all of them?

11 A. Do I know the outcome of the claims that are in  
12 litigation?

13 Q. No, not the claims. The litigation.

14 A. Is that the question?

15 Q. Is all of the litigation concluded?

16 A. No. None of the litigation has concluded.

17 Q. Oh. Thank you.

18 Would you agree that from 2015 to 2020,  
19 liability insurance premiums increased at less than --  
20 well, that they increased?

21 A. From -- I'm sorry. From what time period?

22 Q. 2015 to 2020.

23 A. I don't have those numbers in front of me. But  
24 just generally, that would have been a period of nominal  
25 increases.

1 Q. Can you turn to page 7 of your rebuttal?

2 JUDGE O'CONNELL: Ms. Paisner, let me stop you  
3 right there.

4 We're -- we're running up against our hard stop  
5 time, and I understand you're not done. And we can  
6 continue questioning Mr. Brandkamp at a later time.

7 MS. PAISNER: I'm very close. But, yes.

8 JUDGE O'CONNELL: Apologies. We are just up  
9 against it, up against that deadline.

10 So it's currently 5:44 p.m. And we do not have  
11 a resolution about when we are going to come back yet for  
12 the rest of this cross-examination.

13 We are going to recess for the day. I will be  
14 in communication with the parties via e-mail to determine  
15 our next steps for coming up with an appropriate time  
16 when we are available and can hold the rest of this  
17 hearing.

18 Before we recess, is there anything that we need  
19 to discuss in addition to that today?

20 Mr. Meyer, I see you've turned on your video.

21 MR. MEYER: Yeah. I was just going to say no,  
22 not Avista.

23 JUDGE O'CONNELL: And, Ms. Suetake, you've  
24 also turned on your video.

25 MS. SUETAKE: Yes. Just housekeeping.



1           The public comment exhibit is still due on the  
2 28th, or do we want to extend that since the hearing is  
3 continuing?

4           JUDGE O'CONNELL: We're going to extend that.  
5 We're not going to -- I am going to modify that deadline.  
6 We will set a new deadline whenever we come back.

7           MS. SUETAKE: Okay. Thank you.

8           JUDGE O'CONNELL: Okay. Okay. Today has been  
9 a long day. I want to compliment all the witnesses and  
10 all the attorneys. Thank you very much. I know that we  
11 were trying to get as much in as we could and that that  
12 added some pressure at the end. And I want to thank you  
13 all for continuing to act professionally.

14           So for -- I don't have anything else for the  
15 day. I will be in contact with the parties to discuss  
16 our next steps. I'm not seeing anything else or any  
17 other hands for something that we should discuss before  
18 we sign off.

19           So with that, we will be at recess and off the  
20 record. Thank you.

21                           (The hearing adjourned at  
22                           5:50 p.m.)  
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C E R T I F I C A T E

STATE OF WASHINGTON  
COUNTY OF KITSAP

I, Carisa Kitselman, a Certified Court Reporter in and for the State of Washington, do hereby certify that the foregoing transcript of the videoconference settlement hearing on SEPTEMBER 21, 2022, is true and accurate to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 27th day of September, 2022.

Carisa Kitselman  
CARISA KITSELMAN, RPR, CCR #2018

