BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION, d/b/a AVISTA UTILITIES

Respondent.

DOCKETS UE-240006 & UG-240007 (*Consolidated*)

CROSS-EXAMINATION EXHIBIT OF CLINT G. KALICH ON BEHALF OF THE WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL PUBLIC COUNSEL UNIT

CGK-__X

Avista's Response to Public Counsel Data Request No. 301C.

September 16, 2024

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	05/24/2024
CASE NO.:	UE-240006 & UG-240007	WITNESS:	Clint Kalich
REQUESTER:	Public Counsel	RESPONDER:	Clint Kalich
TYPE:	Data Request	DEPT:	Energy Supply
REQUEST NO.:	PC – 301	TELEPHONE:	(509) 495-4532
		EMAIL:	clint.kalich@avistacorp.com

SUBJECT: Power Supply/ Energy Recovery Mechanism (ERM)

REQUEST:
Re: Direct Testimony of Clint G. Kalich, Exh. CGK-1T at 30:11–14.

a. Other than the beliefs of Mr. Kalich, please provide evidence including any and all available documentation along with any data and calculations in Excel format of the capacity shortage caused by a shift to clean energy.
b. For each of the years 2010 through 2026, please quantify the capacity shortage in the WECC in MW.
c. Please define what is meant by "market premiums."
d. Is what is meant by market premiums the difference between spot prices and forward prices? If so, please specify which spot prices and which forward prices. If not, please specify what is meant.
e. Please provide evidence including any and all available documentation along with any data and calculations in Excel format of the market premiums caused by the capacity shortage caused by a shift to clean energy.
f. Other than the beliefs of Mr. Kalich, please provide evidence including any and all available documentation along with any data and calculations in Excel format that "generation owners operate more conservatively" as a result of the "capacity shortage."
g. Has Avista operated more conservatively because of the "capacity shortage?" Please provide any and all available documentation along with any data and calculations in Excel format for your answer.
h. Other than the beliefs of Mr. Kalich, please provide evidence including any and all available documentation along with any data and calculations in Excel format that "generation owners operate more conservatively" as a result of the "capacity shortage" do so to "ensure they can service loads in real-time."
i. Other than the beliefs of Mr. Kalich, please provide evidence including any and all available documentation along with any data and calculations in Excel format that "generation owners operate more conservatively" as a result of the "capacity shortage" do so to "avoid sky-rocketing market calls."
j. Other than the beliefs of Mr. Kalich, please provide evidence including any and all available documentation along with any data and calculations in Excel format that there have been "avoid sky-rocketing market calls" over the years 2010-2023.
k. Please explain what is meant by "margin calls."
l. Please provide a list in Excel format of the margin calls Avista has received over the years 2010-2023. Please include the dates, the nature of the margin call, the total dollars, the MWh, MW, or MMBtu, and the dollars per unit in your answer.

RESPONSE:
The attachment provided with PC-DR-301C is **Confidential per the Protective Order in UTC Dockets UE-240006 and UG-240007**.

a. The statements made by Mr. Kalich concerning capacity shortages due to the shift to clean energy are based on his more than 30 years in the industry working with professionals in the operating and trading aspects of our and other utility businesses. Clean energy resources, such as wind and solar, are well known throughout the industry to be predominantly energy rather than capacity resources because they have intermittent fuel sources. Even though Mr. Kalich reads industry news and studies on a regular basis, he does not maintain an ongoing checklist of such records. However, there are volumes of writing on this topic in the general media, industry trade publications, and regional and national industry forums demonstrating the oncoming capacity shortages as the industry moves to clean but intermittent resources.
b. Avista does not maintain a database of capacity shortages within WECC which operates in 14 states plus portions of Canada and Mexico. Due to the sheer size of WECC and the limited amounts of transmission within WECC, Avista is not able to trade with all areas within WECC. Capacity deficiencies will necessarily be localized in nature.
c. Lines 14 through 18 of Mr. Kalich's testimony illustrate the concept of market premiums, as used in this filing. The uncertainty of supply being available in the wholesale marketplace caused by economic and reliability concerns of not being able to find a supplier, sellers require higher prices from buyers to commit their plants.
d. There is no reference to spot or forward prices in the referenced testimony. All forward period prices, be they a few hours, days, weeks, or even months ahead, have the potential to be affected by the capacity shortage.
e. Please reference part 'a' of this response. Mr. Kalich was reflecting information he has gained with his interactions with Avista's trading floor.
f. See answer to e.
g. Yes. There are no spreadsheets or other documentation.
h. See answers a-g.
i. See answers a-h.
j. This request is overly vague and unlimited. To illustrate the general concept leading to my conclusion in testimony, please see attachment PC-DR-301C Confidential Attachment A - MarginCalls and discussion in part l. to this response.
k. Margin calls reflect the right of other parties to require Avista to post collateral in the event market prices change greatly. For example, if Avista commits to purchase 100,000 MWh of power in a future month or months for a cost of $50/MWh ($5,000,000 contract value), when prices rise we must post the difference in value as collateral. For example, where market prices rise $5/Mwh, to $55/MWh, we would have to post $500,000. Where prices rise $50/MWh, to $100/MWh, we have to post 10x as much collateral, or $5,000,000. In the past prices moved more like the $5 example, but not so aggressively as what we are seeing today for which the second example applies. And so when our customer base, our business value, and revenues are not otherwise growing, rising margin calls become difficult to meet. Ultimately, we cannot take on the same forward market positions because we are unable to afford the margin calls.
l. Please see attachment PC-DR-301C Confidential Attachment A – MarginCalls, which includes margin calls for Avista's Futures Commission Merchants (FCM's) as well as ICE NGX from June 1, 2016 through December 31, 2023. Daily margin call data for dates prior to June 1, 2016, were not tracked in systematic way and would take a considerable amount of time to compile. Further, the data would not correlate to current market conditions. The included data is representative of the majority of the margin calls received by Avista. There are a handful of other counterparties who

occasionally call on Avista to post collateral; however, those margin calls are not common and are nominal in value.

Avista does not track the MWh, MW or MMBTu associated with each margin call and, therefore, does not calculate a dollar per unit. It should be noted that market conditions over the request period have changed dramatically. As such, data from 2016 is not likely to correlate with data from a later year such as 2023.

The following graphic contained in the attachment shows the rising costs of margin calls through 2022 from earlier purchases, and how those calls were mitigated by (or the result of) Avista making fewer forward purchases for periods after 2022 that would result in such margin calls.