

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

WUTC v. Avista Corporation

September 30, 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 VI
PAGES 372-443

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* A PORTION OF TESTIMONY IS DESIGNATED CONFIDENTIAL
AND IS SEALED UNDER SEPARATE COVER. *

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REPORTED BY: CARISA KITSELMAN, RPR, CCR 2018

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1 September 30, 2022

2 10:40 A.M.

3 JUDGE O'CONNELL: Good morning. Today is
4 Friday, September 30, 2022. The time is approximately
5 10:30 a.m. -- apologies, 10:40 a.m. My name is
6 Andrew O'Connell. I am the administrative law judge for
7 the Washington Utilities and Transportation Commission
8 presiding in this matter along with the Commissioners.
9 And they will join us in a moment.

10 Today we are convening for the continued portion
11 of a settlement hearing that began on September 21, 2022,
12 in consolidated Dockets UE-220053, UG-220054, and
13 UE-210854, which is an Avista's electronic and natural
14 gas general rate case and its electric service
15 reliability reporting plan.

16 On September 21st we did not have enough time to
17 finish all witness testimony prior to the end of the day.
18 And today's date was selected in consultation with the
19 parties and in consideration of the Commission's
20 availability.

21 We are scheduled to end at 2 p.m., but I do not
22 expect us to take nearly that long.

23 As before, we are using videoconferencing
24 software so that observers can see video of witnesses,
25 attorneys, myself, and the commissioners during the

1 hearing. No other participant or observer should appear
2 on video.

3 Let's take short appearances. And reminding
4 everyone, please tell me how you would like me to address
5 you today. For me, you can use he/him pronouns and
6 address me as Judge or Judge O'Connell.

7 Let's start with staff and then Avista.

8 MR. CALLAGHAN: Thank you, Your Honor. Nash
9 Callaghan, assistant attorney general, on behalf of
10 Commission staff. My pronouns are he/him.

11 JUDGE O'CONNELL: Thank you.

12 For Avista.

13 MR. MEYER: Sure. My name is David Meyer.
14 And I represent Avista. And my pronouns are he and him.

15 JUDGE O'CONNELL: And for the Alliance of
16 Western Energy Consumers -- no, I apologize. Getting
17 ahead of myself. I apologize.

18 Public Counsel.

19 MS. PAISNER: Good morning. This is Ann
20 Paisner with the Public Counsel unit of the Washington
21 Attorney General's Office. My pronouns are she/her. And
22 you may address me as Ms. Paisner.

23 JUDGE O'CONNELL: Thank you.

24 Last time I moved on too fast from Public
25 Counsel.

1 Is there going to be anyone else appearing?

2 MS. SUETAKE: Yes. Thank you, Judge
3 O'Connell. My name is Nina Suetake on behalf of the
4 Public Counsel unit. My pronouns are she/her. And you
5 may address me as Ms. Suetake.

6 JUDGE O'CONNELL: Thank you.

7 And for the Alliance of Western Energy
8 Consumers.

9 MS. MOSER: Good morning, Your Honor. Sommer
10 Moser with Davison Van Cleve on behalf of AWEC. My
11 pronouns are she/her. And you may address me as
12 Ms. Moser.

13 JUDGE O'CONNELL: Thank you.

14 For the Northwest Energy Coalition.

15 MS. HARDWICK: Good morning, Your Honor. My
16 name is Ellie Hardwick on behalf of the Northwest Energy
17 Coalition. My pronouns are she/her. And Ms. Hardwick is
18 fine. Thank you.

19 JUDGE O'CONNELL: Thank you.

20 And for the Energy Project.

21 MR. ZAKAI: Good morning, Your Honor. My name
22 is Yochanan Zakai. I'm with the Shute, Mihaly &
23 Weinberger. Here today representing the Energy Project.
24 My pronouns are he/him. And you may address me as
25 Mr. Zakai.

1 JUDGE O'CONNELL: Thank you.

2 For Sierra Club.

3 MR. DENNISON: Good morning, Your Honor. Jim
4 Dennison for Sierra Club. My pronouns are he/him. And
5 Mr. Dennison is fine.

6 JUDGE O'CONNELL: Thank you.

7 For Walmart.

8 MS. BALDWIN: Good morning. This is Vicki
9 Baldwin on behalf of Walmart. I'm with Parsons Behle &
10 Latimer. You can address me as Ms. Baldwin. And my
11 pronouns are she/her.

12 JUDGE O'CONNELL: Thank you. And good
13 morning.

14 For Small Business Utility Advocates.

15 MS. WEBERSKI: Good morning, Your Honor.
16 Jennifer Weberski on behalf of Small Business Utility
17 Advocates or SBUA. My pronouns are she/her. And you can
18 address me as Ms. Weberski.

19 JUDGE O'CONNELL: Okay. Thank you.

20 Moving on regarding exhibits. Avista SC-6C
21 which updated pages 8 and 9 of that exhibit. And that
22 was Avista's response to Public Counsel data request 103C
23 supplemental. The parties have stipulated to the
24 admission of that revision to the exhibit.

25 ///

1 (Data Request No. 103C
2 supplemental admitted.)

3 JUDGE O'CONNELL: I want to turn to Public
4 Counsel.

5 In the last hearing we discussed a due date for
6 the submission of public comments. But at the end we
7 suspended that and we're going to address it again now.
8 The Puget Sound Energy general rate case hearing is on
9 Monday. And with that in mind, I want to ask if Public
10 Counsel has a reasonable deadline they would like to
11 recommend for compiling and filing the public comments
12 exhibit with the Commission.

13 MS. PAISNER: Yes. Thank you, Your Honor.

14 Public Counsel would like to recommend
15 Wednesday, October 12th, as a deadline for the public
16 comment exhibit filing.

17 JUDGE O'CONNELL: Okay. I think that's
18 reasonable.

19 If there is not any objection, I'm going to make
20 that the deadline for the public comment exhibits.
21 They'll be set to be filed on October 12, 2022.

22 And I'm going to reiterate this at the end of
23 the hearing today, but I will issue a notice of bench
24 request with -- any bench requests that have been made
25 throughout the hearing, including this one, which I'm

1 going to designate as BR -- bench request No. 3 or BR-3.

2 Let's talk about today's hearing and the
3 schedule for today.

4 We are going to begin where we left off on
5 September 21st. Public Counsel was nearly done with its
6 questioning of Avista's witness Brandkamp. And after
7 consultation with the parties, we are going to, instead
8 of taking Avista's witness Thies, we are going to take
9 Avista witness Kalich.

10 And then last of the planned witnesses, we will
11 have Avista witness Thies testify.

12 Public Counsel has indicated that it has
13 questions that must necessarily touch upon confidential
14 information for Mr. Thies. And first we'll have Public
15 Counsel ask any preliminary questions that do not touch
16 upon confidential information.

17 And once Public Counsel indicates its questions
18 will begin to touch upon confidential information, we
19 will take a short pause and our staff from the Commission
20 who are administering this virtual hearing will create a
21 breakout confidential session. Only the persons
22 identified by the parties as being in attendance and
23 having signed a confidentiality agreement will be allowed
24 into that session as well as the Commissioners and their
25 advisory staff.

1 I will add a side note that I've been in
2 communication with the parties via e-mail and have used
3 those communications to compile a list of appropriate
4 persons for the confidential session.

5 So let me pause there.

6 Is there any change to that list that needs to
7 be made?

8 Hearing none, we are going to move on.

9 When questions touching on the confidential
10 information have finished, we are going to return to the
11 main session of this virtual hearing and we will continue
12 with any wrap-up questions that are not confidential, and
13 then we will address all other matters.

14 At the end of our hearing on September 21st,
15 Public Counsel and Avista waived cross-examination of the
16 remaining witnesses Baldwin-Bonney, Earle, and Coppola.
17 Those witnesses are excused as the Commission has no
18 questions for any of them.

19 Are there any questions about how we are going
20 to proceed today before I indicate to the Commissioners
21 that we are ready for them to join us?

22 I'm seeing head shaking and not hearing
23 anything.

24 So we'll take just a short pause. We're not
25 going to go off the record. And I am going to ask that

1 the Commissioners join us and turn on their video.

2 And, Mr. Meyer, while we're waiting for all of
3 the Commissioners to join us, please indicate to
4 Mr. Brandkamp that we are going to be ready for him to
5 appear and testify.

6 MR. MEYER: He's positioned and ready to go.
7 Thank you.

8 JUDGE O'CONNELL: Mr. Callaghan, let me ask
9 one question of Staff in the interim here while we're
10 still waiting.

11 I see that there's another representative for
12 staff, Mr. Roberson. Should he also be added to the
13 confidential session?

14 MR. CALLAGHAN: Your Honor, I didn't
15 anticipate that Mr. Roberson would be joining us. But he
16 certainly can be added.

17 JUDGE O'CONNELL: Okay. Thank you.

18 MR. CALLAGHAN: Thank you.

19 COMMISSIONER RENDAHL: Chair Danner, are you
20 on? I can see you listed but without your camera and
21 sound. There you are.

22 CHAIR DANNER: I am on. Thank you.

23 JUDGE O'CONNELL: Okay. Thank you.

24 Let's turn now and start where we left off with
25 Public Counsel's questions for Avista witness Brandkamp.

1 Mr. Brandkamp, I would like to remind you that
2 you remain under oath having been sworn in on
3 September 21st.

4 Mr. Meyer, is there any introduction of your
5 witness that you would like to make before we continue?

6 MR. MEYER: No, there's not. Thank you. He's
7 here for just a continuation of his cross.

8 JUDGE O'CONNELL: Okay. Thank you. Then I
9 will turn it over to Public Counsel.

10 Go ahead, Ms. Paisner.

11 MS. PAISNER: Thank you, Judge O'Connell.

12 CROSS-EXAMINATION (continued)

13 BY MS. PAISNER:

14 Q. Good morning, Mr. Brandkamp.

15 Would you please turn to page 7 of your rebuttal
16 testimony, REB-1CT?

17 A. Okay.

18 Q. Beginning on line 12 and through the end of the
19 page and on to the following page, you respond to
20 Mr. Coppola's testimony that the Company's wildfire
21 resiliency plan should have a mitigating impact on
22 insurance premiums for the company in future years.

23 And your response in those lines, those pages,
24 is that it will not affect it.

25 Is that correct?

1 A. So it will not have a direct impact on premium
2 savings for the company.

3 But eventually as the risk of wildfires go down,
4 we should forgo additional increases because of fires
5 that we might have had. So it will help stabilize the
6 rates.

7 Q. The Company is spending tens of million of
8 dollars to prevent fires through the wildfire resiliency
9 plan and vegetation management programs; is that correct?

10 A. Yes.

11 Q. Why, then, would the company not realize any
12 benefits through lower insurance premiums as a result of
13 spending that much money annually?

14 A. Because the current marketplace does not provide
15 credits for any type of wildfire plans. It is -- it is
16 expected now that companies will have some type of plan,
17 some type of baseline controls in terms of addressing
18 risk.

19 But in terms of companies offering discounts
20 because a plan exists that is not available in the
21 marketplace today from insurers.

22 Q. How certain are you that those fire prevention
23 programs will not reduce insurance premiums in coming
24 years?

25 A. So as I -- as I stated at the beginning of this

1 question, it will have an indirect impact. Because if
2 you can reduce the fire ignitions and frequency of fires,
3 those that have lost energy will not have in the future
4 which will generate additional premium increases above
5 the risk premium increases that we're already getting now
6 because we live in an area that is prone to increased
7 fire risk.

8 MS. PAISNER: Thank you. I have no other
9 questions for Mr. Brandkamp.

10 JUDGE O'CONNELL: Thank you.

11 I recall you saying at the end of our hearing
12 last time that you were just nearly finished, and you
13 were spot on.

14 Mr. Meyer, is there any redirect from questions
15 today and questions on September 21st?

16 MR. MEYER: There is not. Thank you.

17 JUDGE O'CONNELL: Okay.

18 Mr. Brandkamp, I'm going to pause for a moment,
19 look to the Commissioners. I don't believe there are any
20 bench questions but I'll pause.

21 COMMISSIONER RENDAHL: No questions.

22 CHAIR DANNER: No questions.

23 COMMISSIONER DOUMIT: No questions. Thank
24 you.

25 JUDGE O'CONNELL: Thank you.

1 Mr. Brandkamp, thank you for your testimony
2 today and on September 21st. You are excused.

3 THE WITNESS: Thank you.

4 JUDGE O'CONNELL: Okay. So to update the
5 commissioners on a slight change of plan with the
6 schedule. The parties and I have discussed that we
7 should go ahead and skip to Avista's witness Kalich. And
8 then take Mr. Thies last as he will be -- he will have
9 testimony that touches upon confidential information so
10 that we can get as much testimony that is nonconfidential
11 into the record before we then jump into a confidential
12 session.

13 So let's go ahead and ask for Mr. Kalich to turn
14 on his video. I see that his video is on.

15 Mr. Kalich, will you please raise your right
16 hand.

17 * * * * *

18 CLINT KALICH, having been first duly sworn, was
19 examined and testified as
 follows:

20 THE WITNESS: I do.

21 JUDGE O'CONNELL: Thank you.

22 And how would you like us to address you today?

23 THE WITNESS: Yeah. Mr. Kalich would be
24 great.

25 JUDGE O'CONNELL: Thank you.

1 Mr. Meyer.

2 MR. MEYER: Yes. Thank you.

3 For the record, Mr. Kalich, please state your
4 full name and your title and your employer.

5 THE WITNESS: Clint Kalich. I'm senior
6 manager of energy analysis. And I work for Avista
7 utilities.

8 MR. MEYER: Thank you.

9 The witness is available for cross.

10 JUDGE O'CONNELL: Turn now to Public Counsel.
11 Ms. Suetake, I see your video on. So go ahead.

12 CROSS-EXAMINATION

13 BY MS. SUETAKE:

14 Q. Good morning, Mr. Kalich. My name is Nina
15 Suetake, and I'm here on behalf of Public Counsel unit.
16 I will try to be very quick because I understand you are
17 not feeling well.

18 Do you have a copy of your testimony in front of
19 you, your direct testimony?

20 A. I do, yes.

21 Q. Okay. And could you please turn to page 4?

22 A. I'm there.

23 Q. On lines 10 through 16 -- I'll give you a
24 second.

25 Is it correct that the power supply methodology

1 uses a three-month historical average of actual
2 electricity and national gas prices for the forward rate
3 period?

4 A. Yes, it does.

5 Q. Do you have a copy of the cross-examination
6 Exhibit EGK-7X?

7 A. Yes, I do.

8 Q. And are you familiar with this data request
9 response?

10 A. Yes, I am.

11 Q. Okay. And it -- is it correct that you are --
12 sorry. Never mind.

13 Is it correct that Avista states in this
14 response that the proposed level of power supply expense
15 is based on a forward look of resource and load
16 requirements for the pro forma period?

17 A. Yes.

18 Q. And if you can give me one second. I need to
19 pull up your -- apologies. I am missing your rebuttal
20 testimony in front of me.

21 MS. SUETAKE: Your Honor, I'm sorry. If I can
22 get a moment. I failed to open all of the documents.

23 BY MS. SUETAKE:

24 Q. Never mind.

25 Looking at this data request response, is it

1 correct that you state that there is typically no
2 estimate or forecast that uses data more recent than four
3 years old?

4 A. That is what is stated in the response, yes.

5 Q. I would like to discuss this with you a little
6 bit.

7 Are you saying that there is no forecast that
8 uses anything more recent than four years ago, 2018?

9 A. Yeah. Ms. Suetake, I think -- I believe I see
10 where you're going here with this question.

11 The -- the response here had some information on
12 some of the larger-cost components. We struggle a little
13 bit -- or I personally struggle a little bit -- with the
14 intent of the response and was trying to be responsive.

15 So I think in that statement, I was thinking
16 more of the assumptions around, say, the outage rates or
17 the maintenance rates for our power plants or some of the
18 market revenue.

19 So -- and the last paragraph, I did mention
20 because I was thinking of things that may not have been
21 otherwise documented where I talk about the work papers,
22 revised the additional information. And I think you're
23 clearly pointing out here that the price is based on a
24 more recent set of forecasts. It is three months. It's
25 stated in testimony and the data provided in working

1 papers.

2 Q. Okay.

3 A. So that would run counter to that specific
4 sentence. I was hoping, I guess, in looking at this last
5 paragraph that would have differentiated that.

6 Q. Okay. Thank you. I was going to walk you
7 through your work papers, but I think you've answered.

8 Just to make sure, national -- for instance,
9 natural gas prices would be more recent than four years
10 old -- the four years; is that correct?

11 A. Yes, yes.

12 Q. Okay. And that -- do those include -- do the
13 power prices and natural gas prices include data from
14 2021 even?

15 A. They would be based upon, as the testimony
16 identifies later, it was a three-month average up through
17 August of last year. So they would have been 2021, all
18 of the data.

19 MS. SUETAKE: Okay. Thank you.

20 I believe that is all my questions for you.
21 Thank you.

22 THE WITNESS: Thank you.

23 JUDGE O'CONNELL: Mr. Meyer, any
24 cross-examination -- sorry, redirect?

25 MR. MEYER: Here I am. There is none. Thank

1 you.

2 Thank you, Mr. Kalich. Take care of yourself.

3 THE WITNESS: Thank you.

4 JUDGE O'CONNELL: I'm going to look to the
5 Commissioners.

6 Again, I don't believe there are any bench
7 questions. But did that bring any?

8 COMMISSIONER RENDAHL: I have no questions.

9 CHAIR DANNER: No questions.

10 COMMISSIONER DOUMIT: No questions, Your
11 Honor. Thank you.

12 JUDGE O'CONNELL: Thank you. Mr. Kalich,
13 thank you for your testimony today. You are excused.

14 THE WITNESS: Thank you, Judge O'Connell.

15 JUDGE O'CONNELL: Okay. Now let's have Avista
16 witness Thies appear on video and testify.

17 The plan is that -- well, let me ask Ms. Paisner
18 for Public Counsel. Are there -- I'm assuming that there
19 are some preliminary questions at the beginning of your
20 examination that are not confidential; is that correct?

21 MS. PAISNER: Yes, that is correct.

22 JUDGE O'CONNELL: Okay. When you're done with
23 those, please indicate to us when your questions will
24 start to necessarily require that we get into
25 confidential information, and we will take a pause before

1 asking those questions, and we will move to confidential
2 session.

3 MS. PAISNER: Okay. Thank you. That was my
4 plan.

5 JUDGE O'CONNELL: Okay. I see we have
6 Mr. Thies on video.

7 Mr. Thies, I want to remind you that you remain
8 under oath having been sworn in during the hearing on
9 September 21st.

10 Mr. Meyer, is there any introduction of your
11 witness again that you would like to make before we
12 continue?

13 MR. MEYER: Just full name and position with
14 the company, please.

15 THE WITNESS: Mark Thies. I'm the executive
16 vice president, chief financial officer, and treasurer of
17 Avista.

18 MR. MEYER: Thank you. That's all I have.
19 He's ready for cross.

20 JUDGE O'CONNELL: Okay. Ms. Paisner, please
21 go ahead.

22 CROSS-EXAMINATION

23 BY MS. PAISNER:

24 Q. Good morning, Mr. Thies.

25 A. Good morning.

1 Q. I think I would first like to make a
2 clarification in Exhibit MTT-12CX where there is a
3 reference to -- the Company's response to Public Counsel
4 data request 328C. Where this reference appears in that
5 exhibit on the right-hand column for sources, I will
6 refer to it as Exhibit MTT-9CX, which is how it has been
7 renamed. So I just wanted to make that clear
8 clarification before beginning.

9 MR. MEYER: Excuse me. This is Mr. Meyer.

10 I'm finally to that page and the source column.
11 Could you direct us to the line number in the source
12 column?

13 MS. PAISNER: Yes, that's correct.

14 MR. MEYER: I'm sorry. I didn't hear that.

15 JUDGE O'CONNELL: Ms. Paisner, I think I can
16 clarify the question for us all.

17 In that source column, there -- there is an
18 exhibit indicated PC cross exhibit X -- big X little X,
19 indicated Public Counsel data request 328C with various
20 attachments.

21 Is that -- I see several lines that are
22 indicated with that.

23 MS. PAISNER: Yes.

24 JUDGE O'CONNELL: Is that supposed -- is that
25 big X a placeholder for -- I'm sorry, is it 6X that you

1 said?

2 MS. PAISNER: 9CX.

3 JUDGE O'CONNELL: 9C --

4 MS. PAISNER: MTT-9CX. All of them should be
5 replaced with that. And we can refile that exhibit as
6 well.

7 JUDGE O'CONNELL: Mr. Meyer, does that clarify
8 for your question?

9 MR. MEYER: It does. Yeah, thank you.

10 JUDGE O'CONNELL: And, yes, please,
11 Ms. Paisner, if you could just correct that so it's clear
12 in the record. And if there has to be reference back to
13 this cross exhibit that we won't have to worry about
14 having to remember what exhibit it was referring to.
15 Thank you.

16 MS. PAISNER: We will do that. Thank you.

17 JUDGE O'CONNELL: And go ahead, please.

18 MS. PAISNER: Okay.

19 BY MS. PAISNER:

20 Q. Mr. Thies, do you have a copy of
21 Elizabeth Andrews' rebuttal testimony, EMA-7T?

22 MR. MEYER: Excuse me. Let me provide the
23 witness a copy of that.

24 And what page was that?

25 BY MS. PAISNER:

1 Q. Please turn to page 32.

2 JUDGE O'CONNELL: Thank you for pausing so we
3 can all get there.

4 THE WITNESS: EMA-7T, is that what you said,
5 I'm sorry, Ms. Paisner, just to make sure.

6 BY MS. PAISNER:

7 Q. Yes. It's Exhibit EMA-7T, this is
8 Elizabeth Andrews' rebuttal testimony.

9 A. Page 32.

10 Q. Starting on page 32, line 9.

11 A. I'm there.

12 Q. Okay.

13 A. Or I have it in front of me, I guess I should
14 say. I have it in front of me.

15 Q. Okay. So beginning on line 9 of this page and
16 through the next five pages, Ms. Andrews discusses her
17 objection, or the Company's objection, to the adjustments
18 to pension and OPEB proposed by Public Counsel.

19 It appears on these pages that the main
20 objection that the Company has is that Mr. Coppola's
21 analysis of pension and OPEB expenses, that in his
22 analysis, he used information from a December 2020
23 actuarial run instead of more recent information.

24 Is that your understanding?

25 A. That is my general understanding, yes.

1 Q. Okay. For my next few questions I'll be
2 referring to Exhibits MTT-8X through 11X, so far no
3 confidential material. But these are the exhibits and
4 these are data requests 327 through 30.

5 I noticed that on these DR responses that the
6 Company submitted, you are identified as the witness; is
7 that correct?

8 A. Yes. I don't -- on all of them, I haven't
9 looked at every single one of them, but I assume that I
10 am, yes. I see 8X. I can look at the others just to
11 make sure if that is helpful.

12 Q. Are you able to answer questions about this
13 subject matter as it is discussed in these data requests
14 and in Ms. Andrews' rebuttal testimony?

15 MR. MEYER: Your Honor -- let me go on with
16 video here.

17 JUDGE O'CONNELL: For the record, this is
18 Mr. Meyer.

19 MR. MEYER: Okay. Good. We're all set.

20 Just -- I'm not sure where this is going. But
21 in advance of last week's hearing, I communicated with
22 Ms. Paisner anticipating that there might be some overlap
23 between Ms. Andrews and Mr. Thies. And I tried to make
24 quite clear in advance of the hearings that Ms. Andrews
25 is the appropriate witness to speak to how the pension

1 expense was built into the case. But Mr. Thies is the
2 witness to talk about the pension actuarial studies and
3 the amounts. Not how they were built into the revenue
4 requirement.

5 So I would like to maintain that line of
6 demarcation here and let's just see where the questioning
7 goes.

8 JUDGE O'CONNELL: Thank you, Mr. Meyer. Yes.
9 Let's see where the questioning goes. I recall having
10 reviewed the transcript from September 21st that we
11 discussed where this line might be between the two
12 witnesses. And in the questioning for Ms. Andrews,
13 Ms. Paisner reached a point where it needed to go into
14 certain details that required information from Mr. Thies,
15 is my recollection.

16 So let's -- let's see where we go. But let's
17 have the questions from Public Counsel.

18 Go ahead, Ms. Paisner.

19 MS. PAISNER: I guess I can clarify.

20 BY MS. PAISNER:

21 Q. Are you able to answer questions about the
22 subject matter as discussed in data request responses
23 where you are listed as the witness?

24 A. I believe so with respect to the information
25 included in the -- in the exhibits if it's how -- as

1 Mr. Meyer indicated, if it's how it got incorporated into
2 the revenue requirement, I may need to defer to
3 Ms. Andrews.

4 But we can go forward and I can answer to the
5 best of my ability. And if I need to refer to
6 Ms. Andrews, I will -- I will attempt to do that as well.
7 If that works for everyone.

8 Q. Okay. The reason I ask these questions is that
9 you did not file any testimony on pension or OPEB
10 expenses; is that correct?

11 A. Yes. I believe that's correct.

12 Q. Okay. Would you please look at Exhibit MTT-10CX
13 in attachment A. This is the Company's response to
14 Public Counsel data request 329C.

15 MR. MEYER: This is a confidential exhibit.

16 MS. PAISNER: I understand.

17 THE WITNESS: And I see in MTT-10CX, I see
18 five pages. I'm looking for what was a -- an attachment,
19 but maybe I'm missing it. I see. Okay. Attachment A,
20 is that what it is? I'm sorry.

21 BY MS. PAISNER:

22 Q. That's the full exhibit, yes.

23 A. Attachment A is the -- that's the page I'm
24 supposed to be on?

25 Q. Subpart B, which I don't believe is on that

1 attachment. I just wanted you to have the full exhibit
2 in front of you.

3 A. Okay. Okay.

4 Q. In subpart B to this data request, Public
5 Counsel asked the company to provide a schedule comparing
6 key assumptions and costs from four different actuarial
7 runs for pension and OPEB expense for years 2021 to 2026.

8 Is that correct?

9 A. Yes, I believe so.

10 Q. And the question for subpart B, Public Counsel
11 provided a template table of how the information should
12 be organized, correct?

13 A. Yes.

14 Q. Okay. In your response you did not provide that
15 information as it was requested in that format; is that
16 correct?

17 MR. MEYER: I'm going to at this point lodge
18 an objection because this really tips over the line.
19 This goes to a table of before various pension evaluation
20 results, the timing. And ultimately how they were built
21 into the case. And that's really the province of
22 Ms. Andrews.

23 MS. PAISNER: I can rephrase my question.

24 BY MS. PAISNER:

25 Q. Mr. Thies, can you please look at subpart B to

1 the question on Public Counsel data request 329 which is
2 MTT-10CX. Let me know when you're there, please.

3 A. Okay.

4 Q. Do you see --

5 A. I believe I'm in the right spot.

6 Q. Do you see that there's a sample table there
7 with years across the top and it starts with discount
8 rate, expected return rate, employer contributions, et
9 cetera?

10 A. Yes, I see that.

11 Q. Okay. And the Company's response to this
12 portion of the data request, the Company provided an
13 Attachment A. And in that attachment, there's a schedule
14 that provides a December 31st run with no year specified
15 in connection with the December 31st, correct?

16 MR. MEYER: Again, just let me get the witness
17 to the right page. I'm going to hand him my copy.

18 MS. PAISNER: Attachment A.

19 THE WITNESS: Okay.

20 BY MS. PAISNER:

21 Q. Are you looking at Attachment A?

22 A. Yes, I'm sorry. I'm trying to find where it
23 says Attachment A. But okay.

24 Q. Right. So now there's a spreadsheet, right?

25 A. Yes. That has years across the top and a number

1 of different items --

2 Q. Right.

3 A. -- down the side.

4 Q. The upper -- so on the left column at the top,
5 it states obligation at December 31st. But there's no
6 year stated in that cell. Is that correct?

7 A. Yes. But I believe the -- the intent of that is
8 the obligation across each of those years in the -- that
9 are identified at the top of each of the columns.

10 So it says December 31st. And then if you go to
11 the different columns, it would be as of December 31st of
12 2021, for example, or 2019, or 2020.

13 So the December 31st was a reference to that
14 line but then the years are different --

15 Q. Okay. Would --

16 A. -- because of the table. How the table is set
17 up.

18 Q. Would you please read those years across the top
19 going from left to right?

20 A. So it says -- it says 20 -- the furthest year to
21 the left, is 2023 estimated, 2022 estimated, and then
22 2021, 2020 through 2017 is the furthest to the right.

23 Q. Okay. And Public Counsel's data request for
24 data request 329 sub B, they requested information for
25 2021 through 2026.

1 Is that correct?

2 MR. MEYER: You'll need to go back to another
3 page. The question itself, okay. Was that 9C?

4 THE WITNESS: So 2021 through 2026, is that
5 what you're saying, referring to Ms. Paisner?

6 BY MS. PAISNER:

7 Q. Yes.

8 A. Okay. Yes. Is that my -- yes, that was a
9 request.

10 MR. MEYER: I think he's completed his answer.
11 I don't know what other question is there. Okay. Sorry.

12 BY MS. PAISNER:

13 Q. That was the question. Thank you.

14 A. Sorry. And I'm not even ill like Mr. Kalich.

15 Q. In your data request response to data request
16 329C that was MTT-10CX, you also stated that other
17 information could be found in Public Counsel data request
18 328C, and that one is MTT-9CX, and other documents
19 referenced on page 2 of the response to data request
20 329C, subpart D?

21 MR. MEYER: May I approach the witness?

22 JUDGE O'CONNELL: Yes.

23 MR. MEYER: Would you please restate your
24 question?

25 BY MS. PAISNER:

1 Q. In response --

2 A. Yes. I see where you're -- yes.

3 Q. Okay. So I'm looking at data request 328C and
4 329C.

5 A. Okay.

6 Q. And these are exhibits MTT-9CX and MTT-10CX.
7 And specifically in response to 329, you also state that
8 other information can be found in Public Counsel data
9 request 328C and other documents referenced on page 2 of
10 that data request response. Is that correct?

11 A. Yes.

12 Q. Okay. So there are various pieces of
13 information is what we're getting at. In order for you
14 to answer these questions, there are a lot of pieces,
15 would you say? Is that correct?

16 A. Yes. And there's a lot of data associated with
17 all of the different calculations and requested amounts.

18 Q. Thank you.

19 Would you please refer now to Exhibit MTT-12CX?

20 A. Yes.

21 Q. So this is a schedule put together by Public
22 Counsel -- -- putting together all of these pieces, it
23 shows a summary of the key assumptions and data used in
24 the calculation of pension and OPEB costs. And in the
25 right-hand column providing a source for each line of the

1 lines shown in this schedule.

2 Page 1 of this exhibit pertains to the pension
3 plan, and page 2 pertains to the OPEB plan.

4 Have you reviewed this exhibit?

5 A. Yes.

6 MR. MEYER: I'm sorry. Let's be sure that I
7 have -- I do not have page 2.

8 JUDGE O'CONNELL: Ms. -- let me step in here.
9 Ms. Paisner, we only have one page as well.

10 MS. PAISNER: I believe this exhibit was
11 updated. So perhaps this is -- one moment, please. Let
12 me just confirm.

13 MR. MEYER: All right. At least on our end,
14 we do have a page 2 that didn't appear in my book. It is
15 on the -- the medical piece of this, not the pension.

16 And I think that has been provided to the
17 Commission by Public Counsel as part of a cross exhibit.
18 But I'm not sure if the Commissioners themselves actually
19 have a page 2. I know I did not in my book.

20 MS. PAISNER: There was a --

21 COMMISSIONER RENDAHL: I do not.

22 MS. PAISNER: Okay. There was a confidential
23 refiled exhibit that had a second page.

24 JUDGE O'CONNELL: One moment. I believe we
25 may have that. Okay. One moment, please.

1 MS. PAISNER: If it helps, it was filed on
2 September 14th.

3 JUDGE O'CONNELL: So I have in the docket a
4 document marked as being filed or marked with a date of
5 September 14, 2022, Avista pension plan key assumptions
6 and costs comparison intended for Thies.

7 And it appears to be what you are referring to.
8 In the docket, it is noted as having been filed on
9 September 15th.

10 We have it. I want to give a moment for the
11 Commissioners to be able to get to that exhibit.

12 COMMISSIONER RENDAHL: I have it now.

13 CHAIR DANNER: Thank you, Judge. I have the
14 exhibit.

15 JUDGE O'CONNELL: Okay. Thank you.

16 Now that we're all on the same page, please go
17 ahead, Ms. Paisner.

18 BY MS. PAISNER:

19 Q. Mr. Thies, do you have that exhibit in front of
20 you with the second page included? We can reforward that
21 to you as well.

22 A. I do have it, Ms. Paisner. Thank you.

23 Q. Please look at page 1 of that exhibit.

24 A. Just for clarity, that's the pension?

25 Q. Right. Page 1 is pension. Page 2 is OPEB.

1 And I -- at this point, I think I should say
2 that the subsequent questions will touch upon
3 confidential information.

4 JUDGE O'CONNELL: Then we are going to pause
5 for just a moment. We are going to create a confidential
6 breakout session, and we have a list of authorized
7 individuals who will be placed into that confidential
8 session.

9 I'm sorry. Can I have everyone mute their
10 microphones? We have a -- apologies for whoever is
11 feeling unwell, but we can hear you quite loudly.

12 COMMISSIONER RENDAHL: Judge O'Connell, I
13 think there is a question in the chat about who is "NLMC"
14 in order to figure out who can be in a confidential
15 breakout session.

16 JUDGE O'CONNELL: Let's be off the record for
17 a moment.

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20 (End of confidential
session.)

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1 CHAIR DANNER: Judge, I have a question for
2 Mr. Thies, if I may. This is Dave Danner.

3 JUDGE O'CONNELL: Thank you for jumping before
4 we left. Please.

5 CHAIR DANNER: Thank you.

6 Good afternoon. The question I have,
7 Mr. Garrett said in his testimony that a utility like
8 Avista has an incentive to keep less equity than is
9 reflected in its authorized capital structure because
10 equity gets a bigger return than debt but debt costs
11 less. And this is in his Exhibit D -- DJG-1T at page 56,
12 line 16 to 60. There's the discussion.

13 How does Avista -- how does the Company's level
14 of equity fluctuate throughout the year? Does it go up
15 or down? Does it stay relatively constant? Is there a
16 range in which it normally stays during normal expected
17 business operations?

18 THE WITNESS: So, generally, Chair Danner,
19 when we -- when we look at it, we go out annually and say
20 to the market what we are expecting to issue in equity
21 to -- to try to maintain what I'll call -- my attorneys
22 get mad at me sometimes -- a prudent balance sheet,
23 because I believe it's prudent. And also to maintain an
24 equity layer that is similar on a commission basis to get
25 there.

1 There are times during the year -- and we've
2 seen a little bit of that recently -- is because we've
3 had positions where certain -- certain costs, like the
4 energy recovery mechanism to the extent that is, out of
5 the money we incur costs but are not able to recover
6 those.

7 We also had in our last case and our current
8 case before this Commission, energy that the -- the
9 tax -- the customer tax credit in which we're not
10 recovering cash, those are interim and very short-term
11 items that when we look at funding our capital
12 structure -- I don't want to necessarily -- I want to
13 make sure we have an equity layer similar to our
14 authorized -- but when we have higher cap structure or
15 higher costs, we don't just issue equity right away on
16 that. We do that over time so as to spread a little bit
17 of the -- you know, the expectation of getting to our
18 authorized return in a rate effective period, that is
19 always our target. And we will try to do that.

20 In fact, we had to raise our equity layer in
21 this year and in next year in our expectations from a
22 historical 60 to 90 to 135 and 120 million, which we did.
23 And we would expect to continue that.

24 So our target as we're trying to raise equity
25 for the Company is to get to that authorized. Not to

1 underequitize the Company, but also not to overequitize
2 the Company. To have an appropriate equity layer.
3 Sometimes during the course of a year or a year or two,
4 that can be off a little bit. And we endeavor to get
5 there as we work through it. And I believe we show that
6 in our forecast we tried to demonstrate that as we look
7 forward.

8 So that is from my perspective how we look at
9 trying to raise equity to make sure that we are as near
10 as we can be in a reasonable level without disrupting the
11 market to our authorized layers, blended because we have
12 different authorized layers for different jurisdictions.

13 CHAIR DANNER: All right. So that's helpful.

14 When you say "off a little bit," I mean, how
15 much -- how much are you off generally? And how long --
16 how long does that last?

17 THE WITNESS: Usually within a year or a year
18 and a half we can correct it depending on how far we're
19 off.

20 Again, we've had a couple of combinations in two
21 years in a row of negative -- I'll call it negative. I
22 shouldn't just -- the ERM has been in an expense
23 position. So we've incurred higher costs and were
24 allowed recovery. So we're paying for those costs,
25 deferring it for recovery, but cash is going out. As

1 well as the customer tax credit from our prior case --
2 and I apologize, I don't know the docket numbers. But
3 our prior case was the first one. And then our current
4 case, we have an expectation as well. If the Commission
5 approves -- again, I'm not assuming anything -- you know,
6 those are -- and we've also had some increase in capital.
7 Some of that is due to inflation. And we try to be very
8 prudent with managing our capital and make sure that they
9 pencil out as benefitting to the customers, that it's
10 still an appropriate -- a prudent capital expenditure.
11 But our capital costs have gone up. Some of that we fund
12 even higher than what we requested.

13 So I've got to fund those but we don't
14 necessarily raise the equity immediately for that. We
15 try to blend that in over time.

16 But absolutely the target is to get to our -- so
17 we can be off by half a percent, I guess, if you -- to
18 answer your question directly, it could be that much.
19 And we try to work towards making sure that as we get to
20 or in the rate effective period, that we are at that
21 level. That is our goal.

22 CHAIR DANNER: So would you say that you have
23 an incentive to keep less equity than reflected in the
24 authorized capital structure?

25 THE WITNESS: I don't think -- well, I don't

1 look at it that way.

2 The way I look at it is we are trying to make
3 sure that -- assuming there aren't any of these
4 short-term items that if we raised equity -- what I don't
5 want -- what I don't want to do, or I prefer not to do,
6 is raise equity and have buyback shares later because I
7 overequitized in a period when I know the cash would come
8 back in a later period, i.e., that customer tax credit.
9 When those credits roll off, presumably our cash flows
10 will increase to the stated amounts that have been
11 approved by this Commission.

12 And so if I raised equity on that, then in the
13 future I would -- you know, I could get to a point where
14 I would have to buy back shares to again maintain that
15 capital structure. Or I could run overequitize. I don't
16 believe we're incented to underequitize because I don't
17 think that's the right way to look at things. And I
18 don't believe we're incented to overequitize either. I
19 believe we should target -- and this is what we do, our
20 blended authorized return. And from time to time we may
21 be off that. But that is -- I don't look at it as an
22 incentive to try to underequitize or necessarily a
23 detraction to say, well, let's raise more equity and then
24 I'm covered. From a financial perspective, as I look at
25 it, that's inefficient on -- on both sides. We shouldn't

1 underequitize because we are getting an authorized layer.
2 We should try to achieve that.

3 CHAIR DANNER: All right. Thank you very
4 much. I have no further questions, Judge.

5 JUDGE O'CONNELL: Other Commissioners?

6 COMMISSIONER RENDAHL: I have no questions.
7 Thank you.

8 COMMISSIONER DOUMIT: No questions. Thank
9 you.

10 JUDGE O'CONNELL: Okay. Mr. Thies, before you
11 go -- Mr. Meyer, go ahead.

12 MR. MEYER: May I just have one following
13 question based on the colloquy?

14 JUDGE O'CONNELL: Go ahead, Mr. Meyer.

15 MR. MEYER: Thank you.

16 REDIRECT EXAMINATION

17 BY MR. MEYER:

18 Q. Mr. Thies, does the Company expect to be at or
19 near a 48-and-a-half percent equity component during the
20 2023 rate period?

21 A. No. I think we're slightly behind in '23 by the
22 end of -- end of '23 and '24, yes. For the '23 rate
23 period, there will be a period in our current forecast --
24 now if required, we could issue the additional equity to
25 get there. Because, again, I'm not trying to under or

1 over. We're trying to balance the timing of that equity
2 to make sure that we have appropriate equity based on the
3 items that I talked about. We'll be slightly under at
4 the start of '23, my understanding of our current
5 forecast, and then get there towards the end and into
6 '24.

7 Q. So by the end of '23 and into '24?

8 A. We should be in '24 to be there. Absolutely.

9 MR. MEYER: That's all I have. Thank you.

10 JUDGE O'CONNELL: Okay. Did that bring up any
11 questions from the Commissioners?

12 And I see -- I believe, Ms. Paisner, you would
13 like to be heard.

14 MS. PAISNER: Yes. I just noticed we are
15 still in closed session. I wasn't sure if the
16 material --

17 JUDGE O'CONNELL: I am planning to address
18 that right now.

19 MS. PAISNER: Okay.

20 JUDGE O'CONNELL: So, Mr. Thies, the questions
21 you were just asked by the bench, my understanding is
22 that that comes -- all of that information is available
23 in nonconfidential testimony that you provided, as well
24 as Mr. Coppola, for Public Counsel.

25 Am I correct in that?

1 THE WITNESS: With respect to the equity
2 layers?

3 JUDGE O'CONNELL: Yes.

4 THE WITNESS: I'm not sure. I guess I would
5 have to -- yes. Mr. -- yes. Nonconfidential.

6 JUDGE O'CONNELL: Okay. So what I'm going to
7 do, then, for the record and for the transcript when it
8 comes out, I would like to please direct our court
9 reporter to indicate at the beginning of Chair Danner's
10 question that that question and the answer provided after
11 that is not confidential and should not be excluded from
12 the transcript.

13 THE REPORTER: Okay. And then what about
14 Mr. Meyer's follow-up after Chair Danner?

15 JUDGE O'CONNELL: That is also not
16 confidential. So everything after Chair Danner began
17 asking his question, should not be locked out or made
18 confidential when we are producing the transcript.

19 THE REPORTER: I understand.

20 JUDGE O'CONNELL: Thank you. And we're going
21 to go back to the main room. And I am going to identify
22 that testimony and explain that it will be available in
23 the transcript.

24 If there's -- there being nothing else --
25 Mr. Thies, stay with us on camera for just a moment.

1 THE WITNESS: Okay.

2 JUDGE O'CONNELL: I'm going to send everyone
3 back to the main room, and then we will conclude this
4 testimony.

5 Okay. We should all be back in the main session
6 now which is not confidential.

7 At the end of what was our confidential session,
8 Chair Danner posed a question for Avista witness Thies.
9 That question and answer did not touch upon confidential
10 information and it will be indicated in the transcript
11 that will be available, that that question and the
12 response and the follow-up by Avista's counsel,
13 Mr. Meyer, is not confidential.

14 The topic of that question concerned the level
15 of equity that Avista maintains throughout the year and
16 whether it stays steady or varies, up or down. And the
17 answer addressed that question. And I will just leave
18 the answer that will be in the transcript to speak for
19 itself.

20 Okay. Now there are no more questions, I
21 believe, for Mr. Thies.

22 So, Mr. Thies, you are excused. Thank you for
23 your testimony this afternoon.

24 THE WITNESS: Thank you, Your Honor, and
25 Commissioners.

1 JUDGE O'CONNELL: Okay. So we've reached that
2 point of the hearing where there is no more testimony
3 intended for the day. And I would like to address a few
4 brief matters before we conclude the hearing.

5 First I will issue a notice of bench requests by
6 the end of the day Wednesday of next week, that is
7 Wednesday October 5th. And that notice will include any
8 and all bench requests that were asked during this
9 hearing. And I'm going to issue it next Wednesday in
10 consideration of the Puget Sound energy general rate case
11 happening on Monday and Tuesday and not wanting to get
12 either of the cases confused by issuing those bench
13 requests while that hearing is going on.

14 Second, to address briefs -- and counsel can
15 turn on their cameras if they want to.

16 Legal briefs in this case are due on October 21,
17 2022. I see no reason to change that at this time. And
18 considering that the settlement addresses every disputed
19 issue, we intend to place -- or we are going to place a
20 limit of 50 pages on the briefs instead of the typical 60
21 that we allow. But we encourage the parties to be
22 forthright and use only the number of pages necessary to
23 make its arguments.

24 About the matter of limiting it to 50 pages, is
25 there -- would any counsel like to be heard on that?

1 MR. MEYER: Avista does not -- that seems
2 reasonable to us.

3 JUDGE O'CONNELL: Okay. Is there -- my
4 apologies.

5 Is there anything else that we need to address
6 today before we adjourn?

7 MR. MEYER: No, Your Honor. Not from Avista.

8 JUDGE O'CONNELL: Okay. Hearing nothing, I
9 want to thank all the parties, all the witnesses,
10 representatives. Thank you for your efforts both on
11 September 21st and today. And thank you to the parties
12 and the Commissioners for finding a time so close to
13 September 21st when we could have this reconvened
14 hearing. It's much appreciated, and thank you.

15 With that, we are adjourned and off the record.
16 Thank you.

17 (The hearing adjourned at
18 12:31 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 30, 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 14th day of October, 2022.



CARISA KITSELMAN, RPR, CCR #2018

