

Docket Nos. UE-170485 and UG-170486
(Consolidated) - Vol. IV

Washington Utilities and Transportation
Commission v. Avista Corporation

January 16, 2018



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1 BEFORE THE WASHINGTON
2 UTILITIES AND TRANSPORTATION COMMISSION

3 _____
4 WASHINGTON UTILITIES AND)
5 TRANSPORTATION COMMISSION,)
6)
7 Complainant,) Docket Nos. UE-170485
8) and UG-170486
9 vs.) (Consolidated)
10)
11 AVISTA CORPORATION, d/b/a)
12 AVISTA UTILITIES,)
13)
14 Respondent.)

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9:05 A.M.
January 16, 2018

Washington Utilities and Transportation Commission
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1 OLYMPIA, WASHINGTON; JANUARY 16, 2018

2 9:05 A.M.

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

4
5 JUDGE FRIEDLANDER: Good morning. We'll
6 go on the record. My name is Marguerite Friedlander
7 and with me is Judge Rayne Pearson. We are the
8 administrative law judges with the Washington
9 Utilities and Transportation Commission assigned to
10 this proceeding.

11 We're here this morning for a duly-noticed
12 evidentiary hearing in Dockets UE-170485 and
13 UG-170486, consolidated, the request of Avista
14 Corporation, doing business as Avista Utilities,
15 revising its electric and natural gas tariff schedules
16 to affect rate increases over a three-year period.

17 The plan for this morning is we take
18 appearances, address any procedural matters that we
19 may have, and that includes admission of the exhibits
20 before we go off the record and introduce the
21 commissioners.

22 However, I've been notified that there is
23 an important matter that Chairman Danner has to attend
24 to at 9:30, so if we are going off the record around
25 that time, it will take approximately 15 minutes.

1 We'll just have a little bit of an extended recess.

2 And let's begin with appearances, starting
3 with Mr. Meyer.

4 MR. MEYER: Thank you, your Honor. David
5 Meyer appearing for Avista, and I've provided my
6 particulars to the court reporter.

7 JUDGE FRIEDLANDER: Thank you.

8 Ms. Cameron-Rulkowski and Mr. Casey.

9 MR. CASEY: Christopher Casey for
10 Commission staff.

11 MS. CAMERON-RULKOWSKI: Jennifer
12 Cameron-Rulkowski for Commission staff, and we also
13 have a number of other AAGs appearing with us, and I
14 believe that they are -- have filed notices of
15 appearance.

16 MR. CASEY: Yes.

17 JUDGE FRIEDLANDER: All right. Thank you.

18 And appearing today on behalf of Public
19 Counsel?

20 MS. GAFKEN: Good morning. Lisa Gafken,
21 Assistant Attorney General, appearing on behalf of
22 Public Counsel.

23 JUDGE FRIEDLANDER: Thank you.

24 And Mr. Oshie?

25 MR. OSHIE: Thank you, your Honor.

1 Patrick Oshie representing the Industrial Customers of
2 Northwest Utilities, appearing on their behalf. And
3 also I'd like to introduce one of the associates from
4 the firm who's also just sent in a notice of
5 appearance, Mr. Riley Peck. He's sitting right behind
6 me.

7 JUDGE FRIEDLANDER: Great. Thank you.
8 Appearing today on behalf of the Northwest
9 Industrial Gas Users?

10 MR. STOKES: Good morning, your Honor.
11 Chad Stokes from the Cable Huston law firm
12 representing the Northwest Industrial Gas Users.

13 JUDGE FRIEDLANDER: Great. Thank you.
14 And Mr. Ffitch?

15 MR. FFITCH: Good morning, your Honor.
16 Simon Ffitch on behalf of The Energy Project.

17 JUDGE FRIEDLANDER: Thank you.
18 So I understand that we have a couple of
19 procedural matters that Staff would like to raise, and
20 then we'll -- if no one else has anything, we'll go
21 ahead and talk about the admission of exhibits.

22 MR. CASEY: Thank you, your Honor. We
23 have a couple of -- couple of things. First, as a
24 housekeeping matter, Public Counsel has agreed to
25 strike part of its -- Ms. Colamonici's Exhibit CAC-8,

1 and they've agreed to strike part B of Staff response
2 to DR-6. And so with that amendment, we have no
3 objection to the exhibit. And my understanding is
4 that Public Counsel has agreed to refile the exhibit
5 once the hearing is done or as soon as practical.

6 JUDGE FRIEDLANDER: Ms. Gafken.

7 MS. GAFKEN: That's correct. So we're
8 only striking the one portion of the DR. There's two
9 DRs in that exhibit, and so in Section A of the first
10 exhibit, DR-6, and then the second exhibit, which the
11 number escapes me for the moment.

12 But those pieces will still be in the
13 exhibit, and we will file it maybe before the end of
14 the proceeding. If not, certainly by the end of the
15 week.

16 JUDGE FRIEDLANDER: Okay. Thank you. And
17 I -- unless there's an objection, I don't have any
18 problems with that. Thank you.

19 MR. CASEY: So another housekeeping matter
20 that I'd like to just make a note of. It is Exhibit
21 WGJ-7X, and this is the -- this is the report on the
22 ERM mechanism and the deferral balance for power
23 costs. And it is -- we've offered this as a
24 cross-exhibit.

25 It is current through November, and the

1 filing for December should come in in the next few
2 days, and when it does, we will supplement the
3 exhibit, and this is something that the Company has
4 agreed to. So that way we will have the ERM report
5 for all of 2017 when it comes in.

6 JUDGE FRIEDLANDER: Okay. Thank you.

7 That's correct, Mr. Meyer?

8 MR. MEYER: Yes.

9 JUDGE FRIEDLANDER: Okay.

10 MR. MEYER: Yes, it is.

11 JUDGE FRIEDLANDER: Okay. Thank you. All
12 right. Thank you.

13 MR. CASEY: And so the one kind of
14 outstanding objection that Staff has is to a
15 cross-exhibit, which is Cross-Exhibit EOC-7X [sic],
16 and this is Staff's response to ICNU DR No. 2, and
17 Staff would like to -- we'd like to move to have that
18 cross-exhibit replaced with a supplemental response
19 that we issued last week, and the supplemental
20 response just provides an update on the progress
21 towards the next meetings in the generic cost of
22 service proceeding.

23 So not a huge deal here. We would -- but
24 if ICNU would like to have in the record this exhibit,
25 this DR response that said there was no progress prior

1 to November, we'd just like the record to show that
2 there has been some progress since.

3 JUDGE FRIEDLANDER: So you're talking
4 about, just so I am clear, Exhibit No. ECO-7X?

5 MR. CASEY: Yes.

6 JUDGE FRIEDLANDER: Okay.

7 And Mr. Oshie?

8 MR. OSHIE: Yes, your Honor. Well, ICNU
9 does have an objection to the update that's provided
10 by the -- by Staff under the -- you know, under the
11 umbrella of their response to -- to what was marked
12 as -- at least initially as ICNU DR No. 2, or 7X as
13 you've referred to it.

14 And the reason is is because the question
15 that was directed to Ms. O'Connell was very clear was:
16 What happened before November 1st, 2017?

17 What has been responded to in the
18 supplemental response, the proposed supplemental
19 response, is, well, what's happened after
20 November 1st, 2017?

21 And that's the -- that's the heart of the
22 objection. It doesn't -- it certainly is inconsistent
23 with the request that was made for the material. And
24 that's the basis. And with that, I'll open it up to
25 any questions.

1 JUDGE FRIEDLANDER: Okay. Thank you.
2 Mr. Casey?

3 MR. CASEY: And so we understand ICNU's
4 technical objection. We're simply interested in, you
5 know, having a complete record. We are -- we would be
6 okay with getting this in in other procedural ways, so
7 we could make this a cross-exhibit for Mr. Stephens,
8 or we could maintain our objection, have Mr. Oshie lay
9 a foundation for the exhibit with our witness, and she
10 would be able to talk about it then.

11 We just felt like this would be an easy
12 way to get in the record that we are working towards
13 scheduling further meetings in the generic proceeding.

14 JUDGE FRIEDLANDER: Okay. And I'm going
15 to go ahead and deny the request to supplement the
16 response, but encourage you to pursue other procedural
17 venues to bring this information forward, because I'm
18 not sure supplementing someone else's cross is even
19 allowed.

20 MR. CASEY: Well, this is just -- sorry,
21 your Honor.

22 JUDGE FRIEDLANDER: I know. I know. I
23 can anticipate what you're going to say. I understand
24 that you're supplementing a response to a DR, but it
25 was raised as a cross-exhibit. So, in addition, I

1 would say that there probably are more appropriate
2 avenues to pursue getting the information in, and I'm
3 going to deny the request to supplement the response.

4 So is there any other preliminary matter
5 that we need to address before we talk about admission
6 of the exhibits? All right.

7 So let's talk about the admission of
8 exhibits. Does anyone have an objection to admitting
9 them en masse at this point, including cross, all
10 pre-filed exhibits?

11 MR. MEYER: Avista does not.

12 JUDGE FRIEDLANDER: Okay. Thank you.

13 Staff? Public Counsel?

14 MS. GAFKEN: Public Counsel has no
15 objection.

16 JUDGE FRIEDLANDER: Okay. Thank you.

17 Energy Project?

18 MR. FFITCH: No objection, your Honor.

19 JUDGE FRIEDLANDER: Okay. Thank you.

20 MR. OSHIE: No objection, your Honor.

21 MR. CASEY: No objections from Staff.

22 JUDGE FRIEDLANDER: All right. Thank you.

23 Then they are so admitted.

24 (All exhibits admitted.)

25 JUDGE FRIEDLANDER: And -- all right.

1 We'll take a brief recess since it is prior to 9:30.

2 Mr. Meyer?

3 MR. MEYER: Just as we reconvene and we
4 talk about yet another exhibit that we'll discuss with
5 all of you, and if it's admitted, let's just make sure
6 that that hits the exhibit list that's finally
7 published. Okay? Because it's not on there now, of
8 course.

9 JUDGE FRIEDLANDER: Certainly.

10 MR. MEYER: Thank you.

11 JUDGE FRIEDLANDER: Yeah, absolutely. All
12 right. Then --

13 MS. GAFKEN: I do have one thing that --

14 JUDGE FRIEDLANDER: Yes.

15 MS. GAFKEN: -- I recalled.

16 So I will have some cross directed to
17 Mr. Ehrbar. The Company has asked that I direct some
18 of my questions that I had for Mr. Christie to
19 Mr. Ehrbar. That was a possibility all along, but
20 that was confirmed this morning. I just wanted to --
21 I won't have very much cross, I think five minutes.

22 JUDGE FRIEDLANDER: Right. And I think in
23 planning, I did take that into account because it was
24 a possibility.

25 MS. GAFKEN: Um-hmm.

1 JUDGE FRIEDLANDER: And so that's fine.

2 MS. GAFKEN: Okay.

3 JUDGE FRIEDLANDER: That's not a problem.

4 MS. GAFKEN: Okay. Thank you.

5 JUDGE FRIEDLANDER: All right. Thank you.

6 When we come back on the record,

7 Mr. Meyer, if you would please let us know what the

8 situation is with the exhibit.

9 MR. MEYER: Certainly.

10 JUDGE FRIEDLANDER: And I believe since

11 it's confidential, we'll try to stay away from

12 actually discussing the substance of the exhibit;

13 otherwise, we'll have to close the bridge line.

14 MR. MEYER: Surely. But even as -- even

15 as we discussed, I'd like to have essentially a bench

16 conference with commissioners included off the bridge

17 line so I can explain the nature of this confidential

18 exhibit.

19 JUDGE FRIEDLANDER: Okay.

20 MR. MEYER: And then explain how we can

21 work our way around it with follow-on questions in an

22 open hearing.

23 JUDGE FRIEDLANDER: Okay.

24 MR. MEYER: Okay.

25 JUDGE FRIEDLANDER: All right. Thank you.

1 We'll -- Mr. Casey?

2 MR. CASEY: I was -- I'm just wondering
3 when the other parties are going to be able to see
4 this exhibit. Can we see it prior to --

5 MR. MEYER: You can see it right now.

6 MR. CASEY: All right. Thank you.

7 JUDGE FRIEDLANDER: So let's go off the
8 record for distribution of that, the revised exhibit,
9 and then we'll also grab the commissioners and be
10 right back on the record.

11 Thank you.

12 (A break was taken from

13 9:17 a.m. to 9:56 a.m.)

14 JUDGE FRIEDLANDER: All right. I think we
15 can go back on the record now. I'd like to introduce
16 Chairman Danner, Commissioner Rendahl and Commissioner
17 Balasbas.

18 We will begin -- first of all, we have a
19 new exhibit that was provided to us. I won't go into
20 a lot of detail, but it's been marked MTT-13C, and my
21 understanding is that, Mr. Meyer, you will introduce
22 that exhibit when we get to Mr. Thies's testimony on
23 the stand with his introduction, and then you will
24 request admission at that point.

25 MR. MEYER: Yes.

1 JUDGE FRIEDLANDER: Okay. What I'm
2 thinking is that, because there could be some
3 potential for confidential information discussed
4 relating to both the new exhibit and potentially other
5 exhibits regarding -- that Mr. Thies has sponsored, it
6 would be a good idea to potentially -- to plan on
7 having a confidential session early tomorrow morning
8 right when we begin, and that way any questions, cross
9 or otherwise, for him can be reserved for the morning
10 of tomorrow. And that way we'll have a confidential
11 session.

12 MR. MEYER: Would you prefer, then, to
13 just take Mr. Thies in his entirety tomorrow
14 morning --

15 JUDGE FRIEDLANDER: You know --

16 MR. MEYER: -- or what's your preference?

17 JUDGE FRIEDLANDER: I think there are --
18 you know, honestly, let's talk to the parties because
19 they know whether their cross is going to get into
20 confidential information.

21 MS. CAMERON-RULKOWSKI: Your Honor, Staff
22 does have a couple of questions which may elicit
23 confidential responses from Mr. Thies. It's very
24 short.

25 JUDGE FRIEDLANDER: Okay.

1 MS. GAFKEN: I'm not anticipating anything
2 to go into the confidential realm. I guess it depends
3 on Mr. Thies's answers, and we could always defer
4 until the morning session if something does come up.
5 But I'm not anticipating anything from Public Counsel.

6 JUDGE FRIEDLANDER: Okay.

7 MR. MEYER: Well, we can put him on today
8 and bring him back tomorrow. He will be here.

9 JUDGE FRIEDLANDER: Okay. If he's going
10 to be here anyway, why don't we just plan on having
11 his testimony tomorrow morning in its entirety, and
12 we'll just do all the cross at once.

13 Does that work?

14 COMMISSIONER RENDAHL: That's fine.

15 JUDGE FRIEDLANDER: Okay. All right.

16 Then we'll do that.

17 The other thing was, because Exhibit
18 MTT-13C was only recently provided to the Commission
19 and to the parties, I think it would be a good idea
20 that we hold another session, a hearing, if you will,
21 on the responses that we get, the response we've
22 already gotten to the bench request, and any replies
23 that we get to -- from the parties on January 26th.
24 And we have a couple of dates that we can propose to
25 the parties.

1 So far it looks like -- and I'm
2 anticipating we should just reserve a half a day,
3 because we don't know how extensive this may be. So
4 we've got as four potential dates January 30th in the
5 afternoon, 1:30 to 5; February 1st, again, 1:30 to 5;
6 and then we get into February -- later February with
7 February 20th and the 22nd, both again in the
8 afternoons.

9 So if all of you would prepare to let us
10 know tomorrow morning if any of those dates would work
11 so that we can elicit some, you know, additional
12 information at that time. We'll have -- everyone by
13 then should have had some -- a chance to explore with
14 the Company if they need additional information, and
15 then we'll have more opportunity to question
16 Mr. Thies.

17 COMMISSIONER RENDAHL: Does it make sense
18 to have it after the earnings call, which is what
19 date?

20 JUDGE FRIEDLANDER: Mid-February.

21 MR. MEYER: Mid-February.

22 COMMISSIONER RENDAHL: Or does it matter?

23 MR. MEYER: I don't think it matters
24 because we could do it, if need be, in a confidential
25 session. And just so I'm clear on the scope of this,

1 it would be for the purpose of bringing back Mr. Thies
2 to address this additional exhibit? Okay. And
3 anything else, or is it just that?

4 JUDGE FRIEDLANDER: I believe it would be
5 as it relates to the tax informa- -- the tax
6 implications.

7 MR. MEYER: Okay. Of -- generally of the
8 Tax Reform Act as opposed to --

9 JUDGE FRIEDLANDER: Yes.

10 MR. MEYER: -- 2017 results. Okay.

11 JUDGE FRIEDLANDER: Yes. Yes.

12 Absolutely.

13 MR. MEYER: Okay.

14 JUDGE FRIEDLANDER: So it's a fairly
15 narrow --

16 MR. MEYER: Um-hmm.

17 JUDGE FRIEDLANDER: -- topic.

18 MR. MEYER: So -- and the reason I ask is
19 I'm just trying to plan for which witness to bring.
20 Is it Mr. Morris? Is it Mr. Thies? Or it sounds like
21 Mr. Thies.

22 JUDGE FRIEDLANDER: I think that's fair to
23 say.

24 MR. MEYER: Okay.

25 JUDGE FRIEDLANDER: Yeah.

1 MS. CAMERON-RULKOWSKI: Your Honor, could
2 you please repeat those dates?

3 JUDGE FRIEDLANDER: So we have
4 January 30th -- and all of these would be afternoon
5 hearings, 1:30 to 5 -- February 1st, February 20th and
6 February 22nd.

7 MR. MEYER: And during a break, we'll
8 check our calendars.

9 JUDGE FRIEDLANDER: Sounds good. Thank
10 you. I appreciate it.

11 All right. With that, is there anything
12 else preliminary that we need to address before we get
13 into testimony and cross-exam?

14 Mr. Casey?

15 MR. CASEY: Your Honor, I'm trying to look
16 it up now, but I was just wondering if you remembered
17 off the top of your head when briefs are due and
18 whether those dates come -- would be falling after the
19 briefs.

20 JUDGE FRIEDLANDER: Yeah, I believe it's
21 February 23rd, but we can check on that.

22 MR. CASEY: So some of those later dates
23 might be difficult to incorporate that information
24 into our briefing.

25 JUDGE FRIEDLANDER: Okay. So it's the

1 22nd. February 22nd is when briefs are due, in which
2 case, I see your point. Unfortunately, we're working
3 around some scheduling issues with a neighborhood
4 meeting and other matters. So if preferable,
5 obviously we want to go as early as possible, but we
6 may be forestalled from having this take place
7 until -- before the briefs.

8 MR. CASEY: Would -- if we don't have a
9 hearing until the day before the briefs, would you
10 imagine moving the briefing schedule and possibly the
11 suspension date?

12 JUDGE FRIEDLANDER: I would entertain that
13 request.

14 MR. MEYER: We would not agree to move the
15 suspension date just for this reason. I don't think
16 that's a sufficient basis. We can work around
17 briefing schedules for sure, but not postpone
18 suspension date.

19 MR. CASEY: Well --

20 JUDGE FRIEDLANDER: So -- yeah. So before
21 we make any decisions on suspension dates and
22 additional briefing time, let's go ahead and have all
23 of you check your schedules. And since the
24 January 30th and February 1st dates may still be
25 available for you all, then this may become a moot

1 issue.

2 And with that, Mr. Meyer, if you want to
3 introduce the first witness.

4 MR. MEYER: Yes. Thank you, your Honor.
5 Call to the stand Mr. Scott Morris.

6
7 SCOTT L. MORRIS, witness herein, having been
8 first duly sworn on oath,
9 was examined and testified
10 as follows:

11
12 JUDGE FRIEDLANDER: Thank you. You can be
13 seated.

14 DIRECT EXAMINATION

15 BY MR. MEYER:

16 Q. For the record, Mr. Morris, please state your
17 name and your employer.

18 **A. Scott Morris, Avista.**

19 Q. Move the mic a little --

20 **A. Scott Morris, Avista.**

21 Q. I don't think it's on.

22 **A. Sorry about that.**

23 **Scott Morris, Avista.**

24 Q. We're in business.

25 And what is your position with Avista?

1 **A. Chairman and CEO.**

2 Q. And have you prepared and pre-filed with this
3 Commission exhibits that have been marked as SLM-1T,
4 SLM-2, -3, -4, -5 and SLM-6T?

5 **A. I have.**

6 Q. And were those prepared by you or under your
7 direction and supervision?

8 **A. Yes.**

9 Q. And is the information contained therein true
10 and correct to the best of your knowledge?

11 **A. Yes.**

12 MR. MEYER: With that, Mr. Morris is
13 available for any questioning.

14 JUDGE FRIEDLANDER: Okay. Thank you.
15 Are there any cross-examination questions?

16 MR. MEYER: And I should move the
17 admission at this time of those.

18 JUDGE FRIEDLANDER: Okay. Thank you. And
19 I think we've admitted the exhibits en masse.

20 MR. MEYER: As well as all the pre-filed
21 direct and rebuttal?

22 JUDGE FRIEDLANDER: Yes.

23 MR. MEYER: Excellent. Thank you.

24 JUDGE FRIEDLANDER: All of the pre-filed
25 exhibits have been admitted with the exception of

DIRECT EXAMINATION BY MR. MEYER / ANDREWS 131

1 MTT-13C.

2 Are there any bench or Commissioner
3 questions at this time?

4 All right. Thank you.

5 THE WITNESS: Thank you. Gee-whiz.

6 Thanks.

7 JUDGE FRIEDLANDER: And --

8 MR. MEYER: Easiest day you'll ever have.

9 THE WITNESS: Yeah, pretty intense.

10 JUDGE FRIEDLANDER: Thank you.

11 And if you'll call the next witness.

12 MR. MEYER: Next witness is -- since we're
13 skipping over Mr. Thies, it will be Elizabeth Andrews.

14 JUDGE FRIEDLANDER: Thank you.

15

16 ELIZABETH M. ANDREWS, witness herein, having been

17 first duly sworn on oath,

18 was examined and testified

19 as follows:

20

21 JUDGE FRIEDLANDER: Thank you. You can be
22 seated.

23 DIRECT EXAMINATION

24 BY MR. MEYER:

25 Q. For the record, would you please state your

1 name and your employer?

2 **A. Elizabeth M. Andrews, and Avista Corporation.**

3 **Elizabeth M. Andrews, and I work for Avista**
4 **Corporation.**

5 Q. Thank you.

6 And what is your position with the company?

7 **A. Manager of revenue requirements -- senior**
8 **manager of revenue requirements.**

9 Q. Thank you.

10 Have you prepared and pre-filed both direct
11 and rebuttal exhibits?

12 **A. Yes, I have.**

13 Q. And have those been marked for identification
14 as EMA-1T, as well as EMA-2 through -9, and then
15 EMA-10T, as well as Exhibits EMA-11 through -16?

16 **A. Yes.**

17 Q. And were those prepared by you or under your
18 supervision?

19 **A. Yes, they were.**

20 Q. Is the information true and correct to the
21 best of your knowledge?

22 **A. Yes, they are.**

23 MR. MEYER: Thank you. And she's
24 available for cross.

25 JUDGE FRIEDLANDER: Thank you.

CROSS-EXAMINATION BY MR. SHEARER / ANDREWS 133

1 And who on Staff will be crossing

2 Ms. Andrews?

3 All right. Thank you.

4 MR. SHEARER: Good morning. Brett

5 Shearer, S-H-E-A-R-E-R, on behalf of Staff.

6 CROSS-EXAMINATION

7 BY MR. SHEARER:

8 Q. Good morning, Ms. Andrews.

9 **A. Good morning.**

10 Q. Now, you are one of the company witnesses who

11 testified to the pro forma capital additions; is that

12 correct?

13 **A. Correct.**

14 Q. And your testimony discusses Avista's

15 proposal on rebuttal called a functionalized approach

16 for those pro forma capital additions, correct?

17 **A. That's correct.**

18 Q. And as part of that proposal, you discuss

19 Mr. Cooper Wright's testimony from the recent PSE

20 general rate case; is that correct?

21 **A. Yes.**

22 Q. And you recognize and have had a chance to

23 review the cross-exhibit Staff filed for you in this

24 case, which is Mr. Wright's testimony in Docket

25 170033, correct?

1 **A. I have.**

2 Q. Well, let's turn to page two, beginning at
3 line 15, and it continues on to page three.

4 MR. MEYER: Which exhibit?

5 MR. SHEARER: Lines 1 and 2. This is
6 Staff's cross-exhibit.

7 MR. MEYER: Okay. Thanks.

8 MR. SHEARER: The one and only.

9 THE WITNESS: Sorry. Page what?

10 BY MR. SHEARER:

11 Q. Page two.

12 **A. Page two, the table of contents?**

13 Q. No. I meant page two, ECW-1T, page two.

14 **A. I'm sorry. Which exhibit? Are you talking**
15 **about from Mr. Wright's testimony?**

16 Q. Yes. I'm talking Wright's -- I was referring
17 to Mr. Wright's numbering, I'm sorry, from that
18 document.

19 **A. That's no longer on this --**

20 **COMMISSIONER RENDAHL: If you can refer to**
21 **the upper right-hand corner designation --**

22 MR. SHEARER: That's my mistake.

23 COMMISSIONER RENDAHL: -- that will --

24 MR. SHEARER. I apologize.

25 BY MR. SHEARER:

CROSS-EXAMINATION BY MR. SHEARER / ANDREWS 135

1 Q. It will be two pages after that under Scope
2 and Summary of Testimony.

3 **A. Makes more sense. Thank you.**

4 Q. There we are. Page four.

5 **A. Yes. I'm there. Sorry.**

6 Q. Okay.

7 Now, as you review that, how many pro forma
8 capital projects did Mr. Wright review in that case?

9 **A. I'm not sure if it's -- you know, I'm just**
10 **going to say a half dozen. I'm not completely sure.**

11 Q. Will you accept five?

12 **A. Fine.**

13 Q. That's what I count.

14 **A. Okay. Fine.**

15 Q. Is that okay?

16 **A. Yep.**

17 Q. All right.

18 And can you tell me how many of those
19 projects that Mr. Wright supported were actually in
20 service at the time of his testimony?

21 **A. I don't recall. They might have all been.**
22 **I'm not sure.**

23 Q. Okay. Thank you.

24 MR. SHEARER: I have no further questions,
25 your Honor.

CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 136

1 JUDGE FRIEDLANDER: Thank you.

2 Ms. Gafken?

3 MS. GAFKEN: Yes, thank you.

4 CROSS-EXAMINATION

5 BY MS. GAFKEN:

6 Q. Good morning, Ms. Andrews.

7 **A. Good morning.**

8 Q. Would you please turn to your rebuttal
9 testimony, Exhibit EMA-10T, page five, lines 6 through
10 12?

11 **A. Page five, 6 through 12?**

12 Q. Correct.

13 **A. Okay.**

14 Q. There you characterize the effect of other
15 parties' revenue requirement recommendations as
16 resulting in an inability for Avista to earn its
17 authorized rate of return, correct?

18 **A. That's correct.**

19 Q. Your testimony assumes that all of Avista's
20 recommendations are accepted, but that the revenue
21 requirement proposed by the other parties is adopted;
22 is that correct?

23 **A. I'm assuming what we're expecting for the rate**
24 **year period, yes. So basically what we have proposed,**
25 **and then, yes, if the other parties were accepted, the**

CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 137

1 difference of the rate of return that -- or the ROE
2 that would be experienced during that time, yes.

3 Q. A party's revenue requirement proposal would
4 simply give Avista the opportunity to earn the return
5 on equity recommended by that party given their other
6 expense and rate base adjustments, correct?

7 **A. That may be true, but regardless, I think**
8 **whether it would be a 9.1 or a 9.9 as proposed by the**
9 **Company, these level of returns are obviously**
10 **significantly less than that.**

11 Q. But the levels of return in your testimony at
12 page five, lines 6 through 12, assumes that Avista's
13 assumptions and recommendations are adopted.

14 **A. We're actually looking at the level of capital**
15 **and the level of expense, so it's really in -- you**
16 **could even compare that into really 9.5 ROE, however**
17 **you wanted to look at it. This is the level of**
18 **expense and the level of rate base, actually. What is**
19 **the -- the level of rate base and the level of net**
20 **income, what -- how do those compare to what we expect**
21 **in the rate year? So it's regardless of whether**
22 **you're talking about a 9.9 ROE or not.**

23 Q. Are you talking about actual versus
24 authorized?

25 **A. I'm talking about an expectation that, for**

CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 138

1 example, if Staff's ROE was approved, it would be an
2 8.1 -- we would earn an 8.1 percent ROE. So, you
3 know, that would be what the expectation was you would
4 earn whether or not you're authorized as 9.5 or 9.9.

5 Q. But Staff didn't build their case based on an
6 8.1; they built their case based on their recommended
7 ROE, correct?

8 **A. Their recommended ROE, but this is based on**
9 **the level of rate base that they proposed and the**
10 **level of expenses proposed compared to what we expect**
11 **during the rate year.**

12 Q. Let me ask it this way.

13 So Staff or any other party builds their
14 revenue requirement recommendation --

15 **A. Um-hmm.**

16 Q. -- and they put together their exhibit,
17 they're assuming their adjustments and their
18 recommendations based on rate base and their
19 recommended ROE, correct?

20 **A. Correct. And the point we're making here is**
21 **that, based on their recommended level of rate base**
22 **and their level of expenses compared to what we**
23 **actually expect to happen, and we expect to have a**
24 **much -- happen to -- we expect to have a much larger**
25 **rate base than that proposed by any of the parties,**

CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 139

1 that, therefore, it would be a much lower ROE that we
2 actually earned.

3 Q. And Avista's actual earned return is
4 influenced by managerial decisions, correct?

5 **A. Yes.**

6 Q. Avista is requesting a return on equity of
7 9.9 percent, correct?

8 **A. That's correct.**

9 Q. In developing your revenue requirement
10 recommendation, you use Avista's requested ROE and the
11 weighted cost of capital of 7.76 in your presentation
12 of Avista's rebuttal revenue requirement; is that
13 correct?

14 **A. I have, and I even noted in my testimony, I'm**
15 **not exactly sure where, that even with the level of**
16 **rate base that we have proposed on rebuttal, that that**
17 **would actually equate to a 9.2 ROE.**

18 Q. Right.

19 And that -- so that -- the testimony that you
20 just referred to is at EMA-10T, page 37, lines 6
21 through 8. But when you look at your Exhibits EMA-11
22 and -12 --

23 **A. Yes.**

24 Q. -- you're reflecting the higher ROE that
25 Avista is requesting, right?

1 **A. Right. Well, we're -- you actually through**
2 **those -- when you look at the -- those specific**
3 **exhibits, they point out -- these don't have the ROE,**
4 **but they point out what the rate of return would be**
5 **absent the revenue requirement that we've asked for in**
6 **this case based on the rate base and the expenses that**
7 **we expect to occur.**

8 **So regardless of what ROE or what capital**
9 **structure we've asked for, if we were to -- if the**
10 **capital costs and expenses that we expect occurred**
11 **during that time period, without subject to any rate**
12 **relief, we would have a significant reduction to our**
13 **ROR and our ROE.**

14 Q. But you're not asking for a lower ROE; you're
15 asking for 9.9.

16 **A. I am -- we are. That's right, um-hmm.**

17 Q. I'd like to switch gears.

18 Would you please turn to your rebuttal
19 testimony, Exhibit EMA-10T, and go to page 31, lines 5
20 through 17.

21 MR. MEYER: What was that reference?

22 MS. GAFKEN: Sure. It's EMA-10T, page 31,
23 lines 5 through 17.

24 MR. MEYER: Thank you.

25 **A. Yes, I'm there.**

CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 141

1 BY MS. GAFKEN:

2 Q. There you discuss Avista's viewpoint that
3 applying a multiyear plan to Public Counsel's revenue
4 requirement would be inadequate, correct?

5 **A. That's correct.**

6 Q. Public Counsel does not recommend a multiyear
7 rate plan be applied to Avista, does it?

8 **A. No, it does not.**

9 Q. And Public Counsel's revenue requirement
10 recommendation addresses rates in what would be year
11 one of Avista's rate plan --

12 **A. That's correct.**

13 Q. -- but does not extend into years 2 or 3 of
14 the rate plan as proposed by Avista or Staff, correct?

15 **A. That's correct.**

16 Q. Public Counsel witnesses do not propose a
17 stay-out period along with our revenue requirement
18 recommendation, correct?

19 **A. That's correct.**

20 Q. Is it Avista's understanding that it would be
21 able to petition the Commission for rates during a
22 rate plan if necessary, or does Avista believe that it
23 would be precluded from making a petition for rates
24 during a rate plan?

25 **A. I think we'd be precluded over the three-year**

CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 142

1 rate plan, I suppose, unless it was some very
2 extraordinary circumstance, but I can't think what
3 that would be at this point. I mean, it doesn't --
4 and it also doesn't entail PGEs, you know, ERMs,
5 things like normal annual type of adjustments, things
6 like that.

7 Q. Switching gears again, in your rebuttal
8 testimony you discuss Avista's end-of-period rate base
9 proposal under matching principle, correct?

10 **A. Yes.**

11 Q. In Avista's end-of-period rate base
12 recommendation, the Company includes an adjustment to
13 rate base to reflect end-of-period balances and the
14 associated appreciation expense; is that right?

15 **A. Through '16, correct.**

16 Q. Avista does not also have an adjustment to
17 reflect end-of-period revenues associated with the
18 rate base, does it?

19 **A. No, although revenues are reflected in the**
20 **growth factor for years 2 and 3.**

21 Q. Would you agree that the matching principle
22 would be best met by including adjustments to both
23 end-of-period expenses and end-of-period revenues if
24 end-of-period rate base balances are used?

25 **A. I think in this instance what we're talking**

CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 143

1 about is specific rate base, and by -- by the staff,
2 for example, not using depreciation expense going out
3 through the rate year, especially given that this is a
4 three-year rate plan, the issue that we run into is
5 the fact that we have rate base, for example, that's
6 been included through December of '16, yet 4 percent
7 of that depreciation expense is included in expense at
8 that time.

9 So over a three-year rate plan, you have
10 96 percent of depreciation expense excluded from rates
11 year after year. And to me, that's simply not
12 matching, and it's a significant balance. In this
13 case, it's -- on the electric side, it's \$4 million.
14 And so we will underearn that level year -- all three
15 of those -- all three of the years during the
16 three-year rate plan.

17 Q. But wouldn't it -- in order to -- in order to
18 satisfy the matching principle, wouldn't end-of-period
19 revenues also need to be reflected?

20 **A. I think that would be the case if we were also**
21 **reflecting all other expenses, but we are not. And in**
22 **this case we're -- you know, we're talking about the**
23 **rate year itself, so we are not reflecting all**
24 **capital, all expenses. So I think in this instance,**
25 **because we are specifically talking about rate base**

CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 144

1 going to end of period '16, if you don't include the
2 depreciation expense, we basically would be approved
3 to return -- the return on that rate base, but not
4 actually recovering the return of that rate base.

5 Q. You mentioned only if all other expenses are
6 reflected also, so let me tease that out a little bit.

7 So Avista is only proposing to reflect the
8 depreciation expense; is that correct?

9 **A. We -- well, I mean, there are certain**
10 **expenses, for example, that have a certain level that**
11 **may have happened during the rate year that maybe**
12 **weren't annualized. We certainly didn't go through**
13 **all expenses that went in during the year and**
14 **determine if they were all annualized and taken out to**
15 **the rate year.**

16 Q. Perfect.

17 So some of the other expenses may be
18 reflected; they may just not be normalized?

19 **A. Correct.**

20 MS. GAFKEN: I'm going to leave it there.

21 JUDGE FRIEDLANDER: Thank you.

22 And I believe ICNU and the Northwest

23 Industrial Gas Users have waived cross for

24 Ms. Andrews; is that correct?

25 MR. OSHIE: Your Honor, this is Pat Oshie

EXAMINATION BY COMMISSIONER RENDAHL / ANDREW145

1 from ICNU. Yes, I would like to -- if -- I plan to
2 ask Mr. Thies some questions about depreciation.
3 They're very general questions. I would only ask that
4 if he's unable to answer, that perhaps Ms. Andrews
5 would be available still in the courtroom and could
6 respond.

7 MR. MEYER: We will make her available.

8 JUDGE FRIEDLANDER: Okay. Thank you.

9 MR. OSHIE: Thank you.

10 JUDGE FRIEDLANDER: And --

11 MR. STOKES: We waive cross. Thank you.

12 JUDGE FRIEDLANDER: Okay. Great.

13 So are there any Commissioner questions?

14 COMMISSIONER RENDAHL: I have one.

15 JUDGE FRIEDLANDER: Okay.

16 EXAMINATION

17 BY COMMISSIONER RENDAHL:

18 Q. Good morning, Ms. Andrews.

19 **A. Good morning.**

20 Q. So in listening to Ms. Gafken's cross, are
21 you suggesting that regardless of what the Commission
22 decides in terms of test year amounts and rate base
23 adjustments and possibly a rate plan, that the Company
24 will still pursue its capital expenses; is that what I
25 heard you say?

1 **A. That is my understanding, because we have a**
2 **level of capital we've built into this case, and the**
3 **level of capital that we -- as we provided in our**
4 **testimony between all of our witnesses on capital and**
5 **what our plans are, that the projects that we have**
6 **included are necessary.**

7 **And, you know, actually, what we've included**
8 **in this rate case is only capital additions through**
9 **October of 2017, so the level of rate base that we're**
10 **asking you to approve effective May 1 of '18 are**
11 **already serving customers.**

12 **So I realize that over that three-year plan we**
13 **will continue to have a certain level of capital, and**
14 **obviously we will always be looking at the level of**
15 **capital and what makes sense over the next three**
16 **years.**

17 **But at least for the first year, the level of**
18 **rate base that we're asking for is already in the**
19 **ground, already serving customers.**

20 **Q. But Staff had an opportunity to respond as of**
21 **August, correct?**

22 **A. They did. They -- you know, this kind of gets**
23 **to the point that we were trying to make with**
24 **Mr. Wright's testimony around what is the appropriate**
25 **level or threshold that should be looked at to review**

EXAMINATION BY COMMISSIONER RENDAHL / ANDREW147

1 projects that should be placed into service or, excuse
2 me, included for the future rate year.

3 And for our purposes, we -- we modified our
4 threshold on rebuttal in order to reflect projects
5 that had met the threshold and had been completed by
6 October. I understand that -- that the staff's
7 testimony was, you know, they stopped at August,
8 because that's when their testimony was available.
9 But we have provided through the record all actual
10 transfers for the 36 projects that beyond rebuttal
11 have included, so it is in the record and available.

12 Q. But it is -- as you said to Ms. Gafken,
13 too -- the actual ROE that the company earns is also
14 somewhat controlled by management, is that correct?
15 So it's a management decision to go forward with those
16 projects, understanding that there is some risk that
17 it won't be reflected in this rate case?

18 **A. Yes. Although, you know, in part, I know that**
19 **the other parties, and Public Counsel is one that had**
20 **commented around, you know, being able to cut new**
21 **capital projects and -- and -- and manage your costs,**
22 **things like that, which is very true, although it is**
23 **difficult to cut projects that are already in service**
24 **today serving customers. Because as I mentioned for**
25 **rate year one, we only included projects that are**

EXAMINATION BY CHAIRMAN DANNER / ANDREWS 148

1 already transferred to plan as of October.

2 COMMISSIONER RENDAHL: I have no further
3 questions.

4 JUDGE FRIEDLANDER: Thank you.

5 EXAMINATION

6 BY CHAIRMAN DANNER:

7 Q. So just to follow up, what I understood you
8 to say is that you have a list of capital projects,
9 and at this point it's really -- the Company's
10 managerial discretion to pull back on some of those is
11 limited just simply by the fact that those projects
12 are needed.

13 Now, in Mr. Morris's testimony, he had a -- I
14 think a list going back several years showing how when
15 capital projects come before the review committee,
16 basically it's somewhere between 12 and -- depending
17 on the year, between 12 percent and 21 percent of
18 those are delayed.

19 **A. Um-hmm.**

20 Q. Does that mean they go into the next year's
21 hopper? Is that correct?

22 **A. Could be the next year or the next year's**
23 **hopper. It just depends on the projects that are --**
24 **you know, we are constantly prioritizing those**
25 **projects, so, you know, in November we may be looking**

EXAMINATION BY CHAIRMAN DANNER / ANDREWS 149

1 out for the next -- we look out actually for the next
2 five years and say, what is the level of projects that
3 we need during those five years, and that's
4 prioritized and we go through the process of reviewing
5 what those are.

6 And then even as -- monthly those are
7 continuing to be reviewed because something might come
8 [sic] up that -- that has to be done, and so then we
9 have to figure out how to prioritize the ones that
10 follow. Or we have delays in contract crews or things
11 like that that may have an impact so --

12 Q. Yeah.

13 **A. -- we're constantly monitoring --**

14 Q. But again, what I heard you say is that
15 you're kind of getting squeezed so that your
16 discretion to delay projects is being reduced year
17 after year even though under the chart --

18 **A. Right.**

19 Q. -- it looks like it's some -- like I said,
20 somewhere -- some years it's 12 percent, some years
21 it's more than 20 percent.

22 **A. Right.**

23 Q. So it still seems that you're gonna have that
24 much discretion, at least 20 percent or thereabouts
25 every year so...

1 But otherwise, you're saying the discretion
2 that you have to pull back on capital projects only
3 comes at the expense of the reliability of the system
4 or -- or -- or other factors?

5 **A. Right. That's correct, because, you know, as**
6 **we look out, we're looking at five years, and this**
7 **isn't a system where, you know, we update this**
8 **project, okay, and now we're done. I mean, it's --**
9 **there's so much capital investment that we have and so**
10 **much rate base that we -- we have the millions**
11 **of dollars of -- of different projects, that if we --**
12 **let's say we decided, okay, we're going to cut a**
13 **hundred million out of our system, or delay it, well,**
14 **then it just pushes it into create this larger bow**
15 **wave, and then we have to manage that as well.**
16 **Because we have to manage both the crews as you go**
17 **forward, and the capital that you're going to have**
18 **available to -- to build that in the future.**

19 **So we're constantly monitoring what is the**
20 **right level and what is -- both the right level for**
21 **reliability and for what our customers expect, and**
22 **also then what's the impact to those customers on**
23 **their bills.**

24 Q. All right.

25 And so that bow wave, are we seeing that now?

1 Again, when I looked at the chart in Mr. Morris's
2 testimony, it started in 2012, I think, when the
3 capital expenditures at that time were 250 million --

4 **A. Yeah.**

5 Q. -- and now last year they were at 445
6 million. Is that a result of the bow wave? Are we
7 going to continue to see that grow, or is that simply
8 because some things came along --

9 **A. I believe that that 445 --**

10 Q. -- and it will level off?

11 **A. Sorry. That 445 was because there was**
12 **something -- and Mr. Thies can speak to that better**
13 **than I can -- but I know the expectation is 405**
14 **million for the next 4 or 5 years.**

15 **So I'm not -- I don't think we're expecting**
16 **that to grow to 450 as it might be this year. And I'm**
17 **actually looking for that particular chart that**
18 **Mr. Thies has where it shows -- it shows the**
19 **expected -- the level of capital --**

20 THE WITNESS: Can I have that, David?

21 MR. MEYER: Sure. May I approach the
22 witness?

23 JUDGE FRIEDLANDER: Yes.

24 **A. I'm actually looking at Mr. Morris's**
25 **testimony, 6T, on page 21, and we specifically have**

EXAMINATION BY CHAIRMAN DANNER / ANDREWS 152

1 pointed out from 2012 through 2020, that shows the
2 requested amount, the approved amount, and the amount
3 delayed. And, you know, for 2018, you see there's 50
4 million in additional --

5 MR. MEYER: Ms. Andrews, let's just -- I
6 think people are still searching --

7 THE WITNESS: Okay. Oh, I'm sorry.

8 MR. MEYER: -- for their copies. Let's
9 just wait a second.

10 THE WITNESS: Commissioner Danner was
11 nodding his head at me so I thought I was good. I'm
12 kidding.

13 CHAIRMAN DANNER: I've memorized the graph
14 and all the testimony.

15 MR. MEYER: And why don't you provide that
16 reference again for everyone.

17 **A. Okay.**

18 **So it's SLM-6T, page 21. And I believe we**
19 **have some copies if anybody has any -- can't find it.**

20 MR. MEYER: Is everyone there? Okay.

21 CHAIRMAN DANNER: Actually, the one I was
22 referring to is on page 26.

23 THE WITNESS: Yeah, that's what I have.

24 MR. MEYER: Of whose testimony?

25 JUDGE FRIEDLANDER: Of Mr. Morris's

1 testimony.

2 **A. Yes, I realize that I think you were -- I was**
3 **going to make a little bit different point, though,**
4 **but I could look at that one if you like.**

5 **Really, what I -- the point I was trying to**
6 **make here is this kind of talks about what you were**
7 **saying about delayed projects, and we have on here**
8 **approved through 2020 the 405 million is what our**
9 **expectation is of the need.**

10 **And what this shows is that, when we asked for**
11 **our departments to recognize what and when they had**
12 **projects that needed to be done, what you can see is**
13 **that in, you know, 2018 there's -- you know, there was**
14 **only -- there was 455 million in projects that needed**
15 **to be done, and so we delayed 50 million of that.**

16 **But when you look at years 2019 --**

17 **MR. MEYER: Slow down.**

18 **A. -- and 2020 --**

19 **MR. MEYER: Just slow down a little bit.**

20 Thank you.

21 **A. When you look at 2019 and 2020, that's over**
22 **\$500 million. So there's actually an expected delay**
23 **in projects that need to be done of 126 million in**
24 **'19, and 151 million in 2020.**

25 **So there is no -- so that's part of the issue**

EXAMINATION BY CHAIRMAN DANNER / ANDREWS 154

1 we're dealing with, that we don't want to -- the more
2 we delay projects that we think are necessary and the
3 timing is appropriate, the more we push it out, the
4 more we push that bow wave to get bigger and bigger.

5 So we're trying to manage these projects at
6 the 405 million. If we were to reduce that to
7 something that we don't think is appropriate, you
8 might end up seeing a 5 and 600 million in future
9 years. We're really trying to manage that for the
10 company and our customers.

11 But this also leads right into the reason why
12 the Company has proposed what we have in this case. I
13 mean, the level of rate base that we are proposing for
14 rate year one, for example, this points out the
15 importance of that, that if we are -- if staff's
16 example -- or level of rate base, for example, was
17 approved, that would mean, based on this, we'd have
18 over a hundred million of regulatory lag on an annual
19 basis over a three-year rate plan. So it's important,
20 it's very important the first year gets set
21 appropriately.

22 CHAIRMAN DANNER: All right. Thank you.
23 I have no further questions.

24 JUDGE FRIEDLANDER: Thank you.

25 ///

1 EXAMINATION

2 BY COMMISSIONER BALASBAS:

3 Q. Good morning, Ms. Andrews.

4 **A. Good morning.**

5 Q. So I want to go back to the answer you gave
6 to Commissioner Rendahl's question about the level of
7 capital spending and what the Commission would
8 approve.

9 So I just want to understand, regardless of
10 what we approve for rate base, because that is really
11 what we're talking about --

12 **A. Right.**

13 Q. -- is what -- the timing and what level these
14 capital projects are reflected in rates.

15 Will the Company still assume the
16 \$405 million level of approved capital spending
17 regardless of what we approve for purposes of this
18 case?

19 **A. You know, I think that question's probably**
20 **better addressed with Mr. Thies. That's way above my**
21 **pay grade --**

22 Q. Okay.

23 **A. -- as legal would say.**

24 Q. I will plan to ask that question of
25 Mr. Thies, then.

REDIRECT EXAMINATION BY MR. MEYER / ANDREWS156

1 COMMISSIONER BALASBAS: Thank you.

2 JUDGE FRIEDLANDER: Okay. Thank you.

3 And I never did allow you to have a
4 redirect if you would like.

5 MR. MEYER: Just one or two --

6 JUDGE FRIEDLANDER: Okay.

7 MR. MEYER: -- or three or four.

8 JUDGE FRIEDLANDER: Oh, boy.

9 MR. MEYER: Okay. One or two. Okay? How
10 about that?

11 REDIRECT EXAMINATION

12 BY MR. MEYER:

13 Q. There was a question by one of the
14 commissioners about -- I want to make sure I'm
15 accurately capturing it -- whether actual earned
16 returns were influenced by management decisions.

17 Would you -- and I think you gave a short
18 answer indicating somewhat or that they were. Would
19 you expand on that answer so we understand what you
20 meant?

21 **A. Yes. Well, obviously, you know, actual**
22 **returns are going to be influenced by the actions by**
23 **the Company, but there are a lot of other things that**
24 **are basically out of the Company's control on what our**
25 **returns actually are during a particular year.**

REDIRECT EXAMINATION BY MR. MEYER / ANDREWS157

1 Q. Such as?

2 **A. You know, in this instance, for 2017, you're**
3 **going to hear from Mr. Thies that there are things**
4 **like medical costs and pensions and things like that**
5 **that are really outside of our control. There's hydro**
6 **conditions and power prices, the gas prices, you know,**
7 **the changes that happen there. So there's a variety**
8 **of things that are outside of our control as well.**

9 Q. Even with respect to the level of capital
10 spending, how would you characterize the level of
11 management discretion when it comes to things like
12 compliance obligations or some of the other drivers of
13 spending?

14 **A. Right, so we obviously have areas of capital**
15 **projects that are, you know, required moves and, you**
16 **know, whether required -- related to FERC, for**
17 **example, and transmission projects, and there are lots**
18 **of areas that we prioritize that we don't have a**
19 **choice, that we have to make those capital**
20 **investments.**

21 Q. And what do you understand the Company's
22 position to be with respect to whether the total level
23 of capital spending is both necessary and immediate?

24 **A. Right. So the level that we have included in**
25 **this case, and we talked about it through multiple**

REDIRECT EXAMINATION BY MR. MEYER / ANDREWS158

1 witnesses, through Mr. Kinney, through
2 Ms. Rosentrater, through Mr. Kensok, we've outlined
3 and provided business cases for all of our capital
4 projects, and within each of those, we described both
5 the need for that investment and the timing of that
6 investment and the consequences if we don't do those
7 investments.

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

9 JUDGE FRIEDLANDER: Okay. Thank you.
10 And if there's nothing further, I think
11 the witness is excused. Thank you for your testimony.

12 MR. MEYER: You have one more?

13 COMMISSIONER RENDAHL: No. Did you have
14 more redirect?

15 MR. MEYER: I do not.

16 COMMISSIONER RENDAHL: I thought you had
17 four or five more questions.

18 MR. MEYER: No, I was just having fun with
19 it.

20 COMMISSIONER RENDAHL: I was keeping
21 track.

22 JUDGE FRIEDLANDER: Thank you.

23 THE WITNESS: Thank you.

24 MR. MEYER: The next witness is Company
25 witness Schuh.

DIRECT EXAMINATION BY MR. MEYER / SCHUH 159

1 KAREN K. SCHUH, witness herein, having been
2 first duly sworn on oath,
3 was examined and testified
4 as follows:

5
6 JUDGE FRIEDLANDER: Thank you. You can be
7 seated.

8 MR. MEYER: Is that me or you?

9 JUDGE FRIEDLANDER: At this point, it's
10 anyone's guess.

11 DIRECT EXAMINATION

12 BY MR. MEYER:

13 Q. You've been sworn, correct?

14 **A. Yes.**

15 Q. Thank you.

16 For the record, please state your name and
17 your employer.

18 **A. Karen Schuh, Avista Corp.**

19 Q. And what is your position with the Company?

20 **A. Senior regulatory analyst.**

21 Q. And have you prepared pre-filed testimony in
22 this case marked as Exhibits KKS-1T, KKS-2, KKS-3T, as
23 well as Exhibits -4 through -6?

24 **A. Yes.**

25 Q. And were those prepared by you or under your

1 direction and supervision?

2 **A. Yes.**

3 Q. Do you have changes to make to any of those?

4 **A. I do.**

5 Q. Please proceed.

6 **A. On my testimony, KKS-3T, page 26, some**
7 **balances on this Table 9 here shifted up. I'm not**
8 **sure the best way to reflect that, if you'd like me to**
9 **read them aloud what any balances are for.**

10 **JUDGE FRIEDLANDER: Well -- and actually,**
11 **if they are numerous, then it may -- and even if**
12 **they're in a table, it may make more sense to have a**
13 **revision filed.**

14 MR. MEYER: Will do.

15 JUDGE FRIEDLANDER: Thank you.

16 THE WITNESS: All right. Thank you.

17 BY MR. MEYER:

18 Q. Okay. With those corrections having been
19 noted, the information is true and correct?

20 **A. Yes.**

21 **COMMISSIONER RENDAHL: Is there -- I'm**
22 **sorry. What's the change in the total at the bottom?**
23 **Maybe you can reflect that in the record and file the**
24 **remainder as an errata.**

25 THE WITNESS: The total remains the same.

1 It's just moving some lines, shifting up, and then
2 deleting a line to make the FERC accounts align
3 correctly with the balances.

4 COMMISSIONER RENDAHL: Thank you.

5 MR. MEYER: Ms. Schuh is available.

6 JUDGE FRIEDLANDER: Okay. Thank you.

7 Mr. Casey?

8 MR. CASEY: Commission staff has no cross
9 for Ms. Schuh. Ms. Andrews answered our questions.

10 JUDGE FRIEDLANDER: Okay. Thank you.

11 And I believe again ICNU has waived cross.

12 So Northwest Industrial Gas Users?

13 Thank you.

14 MR. STOKES: Thank you.

15 CROSS-EXAMINATION

16 BY MR. STOKES:

17 Q. Good morning.

18 **A. Good morning.**

19 Q. Please turn to Exhibit KKS-2.

20 **A. I'm there.**

21 Q. Okay.

22 I'd like to ask you about the traditional pro
23 forma study projects, and looking at KKS-2, which of
24 these projects are natural gas related?

25 **A. The first one that I can see that comes to**

CROSS-EXAMINATION BY MR. STOKES / SCHUH 162

1 mind is, there's a couple of projects here that are
2 allocated to both electric and gas: The long-term
3 restructuring plan, the downtown network, technology
4 expansion, gas non-revenue, gas facilities and gas
5 replacement, street and highway.

6 JUDGE FRIEDLANDER: I'm sorry. Which page
7 of the exhibit are we looking at?

8 MR. STOKES: I apologize. It's page 1.

9 JUDGE FRIEDLANDER: Okay.

10 BY MR. STOKES:

11 Q. And these are projects that were completed
12 after the historical test year, correct?

13 **A. Correct.**

14 Q. Can you please turn to your rebuttal
15 testimony, KKS-3T at page 14?

16 **A. I'm there.**

17 MR. MEYER: I'm not. Sorry. Okay.

18 Rebuttal, we're going to get there.

19 MR. STOKES: KKS-3T, page 14.

20 MR. MEYER: Got it. Thanks. Okay. I'm
21 with you. Thanks.

22 BY MR. STOKES:

23 Q. So I'm looking at Table No. 3, and you've got
24 the Avista Filed line that shows 42 projects that were
25 made part of Avista's filing.

1 Were all 42 projects part of the traditional
2 pro forma study?

3 **A. No.**

4 Q. Okay.

5 And is it the same -- so how many of those --
6 out of the 42, how many were part of the traditional
7 pro forma study?

8 **A. Looks like seven.**

9 Q. Seven. Okay.

10 And where in Avista's original filing would I
11 find the projects that were not part of the
12 traditional pro forma study?

13 **A. In my rebuttal testimony?**

14 Q. Yes.

15 **A. Where in my rebuttal testimony -- can you
16 repeat the question? I'm sorry.**

17 Q. So where in Avista's filing -- so in Table 3
18 you show 42 projects.

19 **A. Um-hmm.**

20 Q. And out of those, seven were part of the
21 traditional pro forma study.

22 So what study includes the other 35 projects?

23 **A. Right. I think I have a table in my rebuttal
24 testimony that shows -- maybe it's my exhibit. I
25 apologize.**

CROSS-EXAMINATION BY MR. STOKES / SCHUH 164

1 Q. And to cut that short, would that be in the
2 end-of-period rate base study?

3 **A. In my original filing?**

4 Q. Yes.

5 **A. Yes. I'm sorry.**

6 Q. Okay.

7 **A. Yes.**

8 Q. Okay.

9 So looking back at KKS-3T, Avista now in
10 rebuttal is asking the 17 natural gas capital projects
11 be included in rate base; is that correct?

12 **A. Yes.**

13 Q. And now flipping to Exhibit KKS-4, page 1 --
14 let me know when you get there.

15 **A. I'm there.**

16 Q. Okay.

17 Under Structures and Improvements, am I
18 reading this correctly that one of the projects is for
19 \$24,000?

20 MR. MEYER: Which line number are you --

21 MR. STOKES: So it's the very bottom of
22 page 1, Structures and Improvements, so general
23 Category 7001.

24 MR. MEYER: Very good.

25 **A. Correct.**

CROSS-EXAMINATION BY MR. STOKES / SCHUH 165

1 BY MR. STOKES:

2 Q. Would you consider that to be a major
3 project?

4 **A. It's a project that we included based off the**
5 **threshold, the functional threshold that we applied to**
6 **rebuttal.**

7 Q. Okay.

8 Can you answer my question, though? Would
9 you consider that to be a major project?

10 **A. For this particular group, yes.**

11 Q. Okay.

12 Is there a threshold for a major project? If
13 24,000 is included, is there a lower threshold that
14 still qualifies as a major capital addition?

15 **A. It would depend on the functional group that**
16 **we're applying to, and the net rate base balances in**
17 **those groups.**

18 Q. So theoretically, a project for \$2 can
19 qualify if the functional group allowed it to be
20 included?

21 **A. I believe our capitalization policy is higher**
22 **than \$2, but --**

23 Q. Okay.

24 MR. STOKES: That's all my questions.

25 JUDGE FRIEDLANDER: Thank you.

DIRECT EXAMINATION BY MR. MEYER / ROSENTRATE166

1 Is there any redirect?

2 MR. MEYER: There is no redirect. Thank
3 you.

4 JUDGE FRIEDLANDER: All right.

5 And are there any Commissioner questions?

6 All right. Thank you. Thank you so much
7 for your testimony, and the witness is excused.

8 MR. MEYER: Call to the stand
9 Ms. Rosentrater.

10

11 HEATHER L. ROSENTRATER, witness herein, having been

12 first duly sworn on oath,

13 was examined and testified

14 as follows:

15

16 JUDGE FRIEDLANDER: Thank you. You can be
17 seated.

18 DIRECT EXAMINATION

19 BY MR. MEYER:

20 Q. All set?

21 **A. Yep.**

22 Q. Okay.

23 For the record, please state your name and
24 your employer.

25 **A. Heather Rosentrater with Avista.**

DIRECT EXAMINATION BY MR. MEYER / ROSENTRATE167

1 Q. And what is your position with Avista?

2 **A. Vice president of energy delivery.**

3 Q. And have you prepared and pre-filed testimony
4 and exhibits?

5 **A. Yes.**

6 Q. And have those been marked at HLR-1T through
7 HLR-7T?

8 **A. Yes.**

9 Q. The information is true and correct?

10 **A. Yes.**

11 Q. Any changes?

12 **A. No.**

13 MR. MEYER: With that, she's available --
14 with that, she's available for cross.

15 JUDGE FRIEDLANDER: Thank you.

16 I believe we have the Northwest Industrial
17 Gas Users on my sheet.

18 MR. STOKES: We've waived cross.

19 JUDGE FRIEDLANDER: Okay.

20 MR. STOKES: Thank you.

21 JUDGE FRIEDLANDER: ICNU has waived as
22 well?

23 MR. OSHIE: (Nods head.)

24 JUDGE FRIEDLANDER: So are there any bench
25 or Commissioner questions?

DIRECT EXAMINATION BY MR. MEYER / KALICH 168

1 CHAIRMAN DANNER: No.

2 JUDGE FRIEDLANDER: I assume no redirect,
3 so I guess --

4 MR. MEYER: Is it just me or are you
5 having trouble keeping up too?

6 JUDGE FRIEDLANDER: Yeah, yeah. All
7 right. Then with that, thank you anyway.

8 MR. MEYER: Okay. I show next in line for
9 cross, Mr. Kalich.

10 JUDGE FRIEDLANDER: That's what I have as
11 well. And Public Counsel has reserved some time.

12 MS. GAFKEN: Yes.

13 JUDGE FRIEDLANDER: All right. I think
14 that's what I'm going to have to do. I'll just check
15 at the last minute.

16

17 CLINT G. KALICH, witness herein, having been

18 first duly sworn on oath,

19 was examined and testified

20 as follows:

21

22 JUDGE FRIEDLANDER: Thank you. You can be
23 seated.

24 DIRECT EXAMINATION

25 BY MR. MEYER:

CROSS-EXAMINATION BY MS. GAFKEN / KALICH 169

1 Q. All set?

2 **A. I am.**

3 Q. For the record, please state your name and
4 your employer.

5 **A. Clint Kalich with Avista Corporation.**

6 Q. And what is your title?

7 **A. I'm the manager of resource planning and power
8 supply analyses.**

9 Q. And as such, have you prepared and pre-filed
10 testimony and exhibits?

11 **A. Yes, I have.**

12 Q. And are they marked as CGK-1T through CGK-5?

13 **A. Yes.**

14 Q. Do you have any changes to make to those?

15 **A. I do not.**

16 Q. You might get a little closer to the mic,
17 just a little bit. Thanks.

18 MR. MEYER: With that, he's available for
19 cross.

20 JUDGE FRIEDLANDER: Thank you.

21 Ms. Gafken?

22 MS. GAFKEN: Thank you.

23 CROSS-EXAMINATION

24 BY MS. GAFKEN:

25 Q. Good morning, Mr. Kalich.

1 **A. Good morning.**

2 Q. When modeling, the adjustments will
3 generally -- the adjustments made will generally
4 affect the outcome produced by the model; is that
5 correct?

6 **A. Specifically, I guess which adjustments are**
7 **you asking about?**

8 Q. So --

9 **A. Adjustments to the Aurora model itself, the**
10 **power supply model?**

11 Q. That's a good clarification. And I am
12 talking about when you're using the Aurora model in
13 modeling the power costs.

14 And I'm asking a general question to start
15 with. So adjustments that are made and assumptions
16 that are made will generally affect the outcome
17 produced by the model; is that correct?

18 **A. Over the many years we've used this model here**
19 **before the Commission, going back I think as far as**
20 **2000, we've gone through a number of proceedings and**
21 **worked with parties around the table here today and**
22 **have identified methodologies in which we change data**
23 **that will ultimately drive the results of the power**
24 **supply model and, yes, then the data that goes into**
25 **the model will affect the ultimate outcome and the**

CROSS-EXAMINATION BY MS. GAFKEN / KALICH 171

1 power supply costs that go into the case.

2 Q. Okay.

3 I think you answered the question yes; is
4 that correct?

5 **A. Yes.**

6 Q. Thank you.

7 Again, I'm staying in the general sphere. We
8 can talk about specifics in a bit.

9 When making adjustments, isn't it true that a
10 modeler who is familiar with the model will know to
11 make adjustments based on the assumptions in order to
12 make sure that the results are correct, so when you
13 make an adjustment, there may need to be other
14 adjustments that are made; is that accurate?

15 **A. It is true that if you end up with a more**
16 **experienced analyst doing the work, you will arrive at**
17 **a result more efficiently. There are a number of**
18 **modifications made to the model, and one of the**
19 **examples is discussed in testimony, both in my**
20 **testimony and some of the intervenors in the cases,**
21 **loads, for example.**

22 **So to the extent you have a more seasoned**
23 **analyst, they would be more efficient at making that**
24 **data fit, which is one of the key components of the**
25 **case -- which, again, was a methodology agreed to many**

CROSS-EXAMINATION BY MS. GAFKEN / KALICH 172

1 cases ago where we'll match the forward natural gas
2 and electricity prices -- and one of the key
3 components is -- that would affect that across the
4 region is the load shape, for example.

5 So I'm not sure if I understood your question
6 completely, except to say that certainly a more
7 seasoned analyst is able to more efficiently work the
8 model and understand the impacts of one change on how
9 the model might behave.

10 Q. So to make it maybe a little more in lay
11 terms, somebody who is familiar with the model and has
12 worked with it for a number of years would know to
13 toggle things on and off depending on what other
14 changes they're making within the model; is that
15 accurate?

16 **A. You could look at it that way, or you could**
17 **view it as having a more depth of understanding of how**
18 **fundamentals work in the marketplace. So, for**
19 **example, if you increase loads across the region, you**
20 **would expect to have to dispatch higher-cost**
21 **resources, and, therefore, market prices would rise.**

22 **So I think it might be less about specifically**
23 **which buttons to push or which values to change, and**
24 **more of an understanding fundamentally how the**
25 **marketplace operates and ultimately how this industry**

CROSS-EXAMINATION BY MS. GAFKEN / KALICH 173

1 standard model emulates the marketplace.

2 Q. In your rebuttal testimony, you describe the
3 alternate model runs requested of Avista by Staff and
4 Public Counsel. In running the model, Avista limited
5 its adjustments to the specific items requested by
6 Staff and Public Counsel; is that correct?

7 **A. Could you please provide the cite for that? I**
8 **can certainly pull my rebuttal out, but --**

9 Q. I don't have a specific cite, but you do talk
10 about a number of runs that were asked for by
11 Mr. Gomez, and then the one run that was asked for by
12 Ms. Wilson for Public Counsel.

13 Do you generally recall that?

14 **A. We -- yes. In my rebuttal testimony, there**
15 **was discussion of some of the requests by both Public**
16 **Counsel and Staff in their data requests, yes.**

17 Q. And when those data requests came in, did
18 Avista limit its suggested adjustments to the Aurora
19 model, to the specific items requested of it by the
20 parties?

21 **A. The simple answer is yes. I don't think there**
22 **were any other adjustments necessary to illustrate the**
23 **impact of those -- those requests or recommendation of**
24 **either Staff or Public Counsel.**

25 Q. Now I do have a cite for you, switching

1 gears.

2 Would you please turn to Cross-Exhibit
3 CGK-10X?

4 **A. And unfortunately, in my packet, I didn't have**
5 **any numbering. So might you be able to give me a**
6 **little more information? I have -- think I have them**
7 **all.**

8 Q. It's the US Energy Information Administration
9 article.

10 **A. Okay. Yes, I have it. Thank you.**

11 Q. Are you familiar with the United States
12 Energy Information Administration?

13 **A. Yes, I am.**

14 Q. Are you familiar with the concept of a
15 dispatch curve?

16 **A. Yes, I am.**

17 Q. Would you agree that a dispatch curve
18 represents the order in which units are dispatched to
19 meet power demand in a given time interval?

20 **A. At a high level, absolutely. Certainly,**
21 **that's a basic theoretical, fundamental discussion,**
22 **but operating a power system is quite a bit more**
23 **complex than simply lining up a supply and demand**
24 **curve like we would do on an economics course.**

25 Q. And I think we may get into some of the more

1 specifics, but right now I'm staying at the general
2 level and then we'll dive down.

3 **A. Um-hmm.**

4 Q. Do you recognize the chart on page 1 of
5 Cross-Exhibit CGK-10X as a hypothetical dispatch
6 curve?

7 **A. Yes, and I think -- yeah, that's what they**
8 **illustrated, so --**

9 **(Court reporter clarification.)**

10 **A. I was agreeing, yes.**

11 Q. Would you agree that the plant with the
12 lowest variable operating costs are [sic] generally
13 dispatched first and plant with higher variable
14 operating costs are [sic] brought online sequentially
15 as electricity demand increases, all things being
16 equal?

17 **A. The power supply dispatch is quite a bit more**
18 **complicated than is represented in this two-page**
19 **document. In fact, we have dozens of staff that are**
20 **necessary to dispatch our system, if you ignore the**
21 **obligations of ancillary services and simply want to**
22 **dispatch a resource that doesn't have a ramp rate,**
23 **that doesn't have a period of time over which it must**
24 **be offline once it's shut off before you can restart**
25 **it.**

CROSS-EXAMINATION BY MS. GAFKEN / KALICH 176

1 So if you assume infinite flexibility
2 associated with all of your resources, this type of a
3 graphic could be represented as something that would
4 be a reasonable, accurate representation.
5 Unfortunately, you cannot always dispatch a least cost
6 resource for various physical reasons or decisions
7 that you made in the past. It's a very intertemporal
8 problem.

9 Q. So understanding that things on the ground
10 may be slightly different than theory, but I do want
11 to establish kind of the basic premise first.

12 So all things being equal, would you agree
13 that a plant with the lowest variable operating costs
14 are [sic] generally dispatched first, and plant with
15 higher variable operating costs are [sic] brought
16 online sequentially as energy -- electricity demand
17 increases?

18 **A. Yes, as a generalization.**

19 Q. In a dispatch curve, the variable operating
20 costs are essentially the same as fuel costs; is that
21 correct?

22 **A. The variable costs -- fuel is a significant**
23 **component, but there's also wear and tear associated**
24 **with a project. So just like in your car, it won't**
25 **run infinitely. Every time you start it and drive it,**

CROSS-EXAMINATION BY MS. GAFKEN / KALICH 177

1 you're going to wear that engine out and will have
2 costs associated with either repair or replacement.

3 Further to that, you can have substantial
4 costs associated with startup. Those can be
5 aggressive wear and tear on your equipment and/or
6 incremental fuel subject -- caused by the heating up
7 of the mass of the engine prior to being able to bring
8 it online to produce electrical energy.

9 Q. What percentage of the variable operating
10 costs would you estimate is related to fuel costs?

11 **A. In which plants are you referring to?**

12 Q. I'm still dealing with general --

13 **A. It does vary substantially depending on the --**
14 **hydro, for example, has near zero fuel cost, whereas**
15 **an inefficient oil fire facility would be**
16 **substantially all, or greatly fuel costs.**

17 Q. So I'm not sure that you've answered the
18 question that I'm trying to get at.

19 You described variable operating costs as
20 including a significant component of fuel cost, and
21 then you went on to describe a whole bunch of other
22 things that could be included and --

23 **A. Um-hmm.**

24 Q. -- acknowledging that fuel cost is not the
25 only component of variable operating costs.

1 How significant of a component of the
2 variable operating costs would you say fuel costs
3 makes up?

4 **A. And I'm sorry to answer your question with a**
5 **question, but, again, it is very resource specific,**
6 **and the two examples I gave -- so in the case of a**
7 **hydroelectric facility, the fuel cost is zero, so fuel**
8 **doesn't matter. And really all you have is wear and**
9 **tear on that equipment and some other ancillary**
10 **things, pumps and fluids and things.**

11 Q. What about in a natural gas facility?

12 **A. Yes. In a natural gas, so you might have a**
13 **cost today -- let's just pretend for a moment that**
14 **natural gas prices are -- well, to make the math easy,**
15 **let's assume \$2 per dekatherm, so you're talking**
16 **probably a cost of about \$15 per megawatt hour**
17 **associated with fuel on that facility. And if you**
18 **look at our Coyote facility, our Lancaster or a**
19 **generic combined site with a combustion turbine,**
20 **you're probably talking around 3 -- \$2 to \$4 per**
21 **megawatt hour in variable operation and maintenance**
22 **costs.**

23 Q. All right. I'm going to move on.

24 Subject to transmission constraints, does the
25 Aurora model used by Avista perform its electric

1 system dispatch to dispatch generators according to
2 their variable operating costs?

3 **A. There are variable operating costs, there are**
4 **availability, and the variable operating costs, of**
5 **course, being divined substantially by fuel issues,**
6 **just as you pointed out in your previous question.**

7 **The only other -- the only nuance to that**
8 **would be the reserve obligations that the model is**
9 **required to carry to account for system disturbances**
10 **or unexpected loads, so the holdback reserves. So**
11 **some resources may be held out of that dispatch to**
12 **account for those types of things.**

13 Q. The price of electricity in Aurora at a given
14 time interval is equal to the variable cost of the
15 last generator or a highest cost generator that is
16 dispatched to meet demand, correct?

17 **A. Yes.**

18 Q. I'd like you to keep --

19 **A. Well, just let me -- the nuance in Aurora,**
20 **just to be clear, so it's either the incremental**
21 **resource generated in your area or the cost of a**
22 **resource that was dispatched from another area along**
23 **with the transportation, the transmission to get it to**
24 **your area, just to be clear. So it isn't always your**
25 **generation resource in your load area.**

CROSS-EXAMINATION BY MS. GAFKEN / KALICH 180

1 Q. Okay. Thank you for that clarification.

2 I'd like you to hang on to Cross-Exhibit
3 CGK-10X and keep that handy, but I'd also like you to
4 turn to your supplemental direct testimony, which is
5 Exhibit CGK-3T. I don't know why I'm having such a
6 hard time with those letters.

7 **A. Okay.**

8 Q. So CGK-3T page 11, lines 19 -- or I'm
9 sorry -- 15 through 19.

10 **A. I'm there.**

11 Q. There you show that Avista increased loads in
12 its service territory by zero to 10 percent depending
13 on the month; is that correct?

14 **A. Yes.**

15 MR. MEYER: What page are you on, just so
16 I can catch up, please?

17 MS. GAFKEN: Sure. It's page 11.

18 MR. MEYER: Okay. Of his --

19 MS. GAFKEN: The supplemental, 3T.

20 MR. MEYER: Supplemental -- yep, yep, yep.

21 COMMISSIONER RENDAHL: So Ms. Gafken, I'd
22 like to ask a question before you -- this page is in
23 yellow reflecting that it might be confidential, but
24 I'm not sure I see anything on this page that's
25 confidential. I just want to clarify that with the

1 witness.

2 MR. MEYER: Excuse me. Well, why don't we
3 just proceed with questioning and we'll know it when
4 we see it if it's bringing out something confidential.

5 COMMISSIONER RENDAHL: But I understand if
6 you use the yellow page, it's supposed to indicate
7 what exactly is confidential on that page. That's why
8 I'm asking.

9 MS. GAFKEN: I didn't see anything shaded,
10 so my assumption was that this page was okay --

11 MR. MEYER: Okay.

12 MS. GAFKEN: -- in terms of
13 confidentiality.

14 MS. RENDAHL: Well, I guess we'll approach
15 it and see where we go.

16 MR. MEYER: We'll see where we go. Yeah.
17 Thank you.

18 BY MS. GAFKEN:

19 Q. Okay.

20 So before making the adjustments to loads
21 that are shown on Table 3, did you know the default
22 peak in the combined region of Washington, Oregon,
23 Idaho and Montana?

24 **A. I don't have that information in my head, or**
25 **it's not here either.**

CROSS-EXAMINATION BY MS. GAFKEN / KALICH 182

1 Q. Well, let's take January --

2 **A. Yes.**

3 Q. -- on the table.

4 According to Table 3 on page 11 of Exhibit
5 CGK-3T, your adjustment would result in a load from
6 January being 10 percent higher than before your
7 adjustment; is that correct?

8 **A. Yes.**

9 Q. If you'd turn back to the hypothetical
10 dispatch curve shown in Cross-Exhibit CGK-10X, isn't
11 it true that in a given hour of the day, increasing
12 the load by 10 percent causes additional generators to
13 come online that -- to meet that additional electric
14 load?

15 **A. Yes. It moves up the resource stack and would**
16 **dispatch a higher-cost resource in the actual stack**
17 **itself.**

18 Q. Okay.

19 The Aurora model produces an electricity
20 price for every hour of the year; is that correct?

21 **A. It does, yes.**

22 Q. And the price produced is specific to the day
23 and hour in which it occurred, correct?

24 **A. That occurred within the model run, yes.**

25 Q. Mid-C electricity futures from ICE are not

1 assigned to a specific hour of the year, but are
2 specific to the day and whether it's peak or off-peak
3 periods of that day; is that correct?

4 **A. That's right. The ICE prices are, you know,**
5 **flat like you suggested, so the on- and off-peak**
6 **spreads, um-hmm.**

7 Q. And with respect to the data that you used to
8 calculate your three-month averages -- and I'm not
9 asking to go into the data specifically -- but -- so
10 with respect to the data that you used to calculate
11 your three-month averages, are -- there are certain
12 days of the year on which there were no contracts for
13 electricity futures at Mid-C; is that correct?

14 **A. I can't testify to that today. I don't have**
15 **that data in front of me. But subject to check, I**
16 **would expect there would be periodic days where some**
17 **of the -- especially the further-out months would not**
18 **transact for that day.**

19 Q. And this may be another subject to check
20 question, but additionally, the data contained no
21 negative prices for electricity futures at Mid-C; is
22 that correct?

23 **A. I don't think I can even answer that subject**
24 **to check at this point. The only reason I say that is**
25 **that my memory -- I do believe at certain times we**

CROSS-EXAMINATION BY MS. GAFKEN / KALICH 184

1 have seen some of the off-peak prices go negative, but
2 that could just be poor memory on my part.

3 Q. Do you recall providing data responses along
4 these lines asking about the data and Avista providing
5 the data?

6 MR. MEYER: Do you have a specific DR in
7 mind?

8 MS. GAFKEN: I do. I think it's Public
9 Counsel Data Request 11.

10 BY MS. GAFKEN:

11 Q. The reason I'm bringing that up is that I
12 think there is a way to check -- to answer the
13 question subject to check.

14 **A. Okay. Well, I don't have that DR in front of**
15 **me. I could certainly look at the response and**
16 **provide you an answer.**

17 MR. MEYER: Let's make it easy. We'll
18 accept it subject to check, and then during the lunch
19 hour we'll get into the DRs and tell you otherwise.
20 Okay?

21 MS. GAFKEN: Okay.

22 BY MS. GAFKEN:

23 Q. So the question there is that the data
24 contained no negative prices for electricity futures
25 at Mid-C?

REDIRECT EXAMINATION BY MR. MEYER / KALICH 185

1 **A. I think that certainly is a possibility.**

2 MS. GAFKEN: Okay. Thank you. I have no
3 further questions.

4 JUDGE FRIEDLANDER: Okay. Thank you.
5 Any redirect?

6 MR. MEYER: Oh, yes, just one or two.

7 REDIRECT EXAMINATION

8 BY MR. MEYER:

9 Q. You mentioned early on in response to a
10 cross-examination question that time was spent working
11 with parties over the years on the modeling inputs.

12 What did you mean by that?

13 **A. In this case for the first time in my**
14 **experience, the power supply model has come under**
15 **question by a few parties to this case with some**
16 **pretty large concerns expressed in the testimony.**

17 **There were -- appeared to be concerns that we**
18 **were changing methodologies or doing something**
19 **different with the data than we've done in the past,**
20 **and what I meant by that was the methodologies have**
21 **not changed, and, in fact, the methodologies have been**
22 **approved by this Commission in previous proceedings.**

23 **But more importantly, looking back at**
24 **witnesses that represented ICNU, so you're talking**
25 **about Don Schoenbeck and actually Brad Mullins here**

REDIRECT EXAMINATION BY MR. MEYER / KALICH 186

1 more recently, seasoned veterans of the utility
2 industry working to help make these models work
3 better.

4 For Staff, I'd be going back to Alan Buckley,
5 Johannes Marium (phonetic) to Hank McIntosh -- I'm
6 sorry, I do speak quickly -- and I think it's useful
7 to remind people in the room that this model was
8 actually -- not only is it an industry standard model,
9 it was actually requested by this Commission that we
10 adopt this model for rate-making purposes.

11 But -- but we've done a number of cases and
12 done analysis and worked with the intervening parties
13 and set up methodologies that are continuing to be
14 used here today. We haven't made changes to the
15 methodologies; we simply updated the data.

16 So, for example, we have a 60-day natural gas
17 averaging to put in for the prices, which represents
18 roughly three months, 60 trading days, 20 days a month
19 with the weekends out. So we continue that type of
20 methodology.

21 We use various adjustments to -- well, loads
22 was brought up earlier today that help match forward
23 electricity prices in the forward markets at the time,
24 using that same 60-day period, to what Aurora models
25 come out with. So those are -- that's precedent

REDIRECT EXAMINATION BY MR. MEYER / KALICH 187

1 that's been out there and we continue to follow that
2 precedent, and we think it's important that customers
3 see that benefit.

4 And in fact, in studies we did in response to
5 data requests from Staff and/or Public Counsel, by not
6 doing that matching, actually rose and increased
7 customer costs, just as I believe it did back in the
8 past when we set those methodologies in place.

9 So I think it's important to remind folks,
10 like I remind myself, that these methodologies have
11 not changed, just the underlying data has changed.
12 And so I think it's important we look forward to not
13 look at the results that we see in the more recent
14 years.

15 We've really had an amazing culmality [sic],
16 if I'm using the right word, where we've had things
17 look very favorable operationally for our company, and
18 seeing the results we've seen, and confusing that type
19 of thing with something being inherently mistaken in
20 the power supply model.

21 MR. MEYER: Thank you. That's all I have,
22 I'm pretty sure.

23 JUDGE FRIEDLANDER: Thank you.

24 And are there any Commissioner questions?

25 CHAIRMAN DANNER: Yeah.

1 EXAMINATION

2 BY CHAIRMAN DANNER:

3 Q. You know, this is really hard for us to
4 assess with our questions about the model. I just
5 have one.

6 You have devoted a bit of testimony to
7 explain the changes that the Company makes to make the
8 Aurora model get to the input to match the market
9 forwards. And yet it seems to me that, if you're
10 trying to reflect the market forwards, why can't you
11 just use the market forwards as the input and then
12 optimize the system around those expected market
13 prices?

14 **A. Chairman Danner, we've had exactly that debate**
15 **internally, especially with the response we've had to**
16 **testimony in this case. Again, back to we have this**
17 **long history with the Commission, these methodologies**
18 **that have been agreed to by the parties over time, and**
19 **didn't feel that it was appropriate at this time to**
20 **just come in and make those changes wholesale.**

21 **The answer would be substantially the same if**
22 **we did that, I do believe. And certainly we could**
23 **move that forward in process and could work with the**
24 **parties outside of this case to determine how we might**
25 **do that for the next case going forward. It certainly**

EXAMINATION BY CHAIRMAN DANNER / KALICH 189

1 would simplify the work for my staff.

2 Q. Did you work with the parties before this
3 case or -- I mean, I feel, on the one hand I don't
4 want to be bound to something because Hank McIntosh or
5 Alan Buckley thought it was right. They're very smart
6 people, but I'm just trying to figure out what is the
7 best approach as opposed to what is the old approach.

8 And so, you know, it would -- you didn't have
9 any conversations with Staff or other parties in terms
10 of these inputs before you filed the case; is that
11 correct?

12 **A. Chairman Danner, clearly there's concern in**
13 **this case over it, but just looking back at the**
14 **historical filings we did with the Commission, there**
15 **was no indication that there were any concerns. We**
16 **really hadn't heard this before, so there really**
17 **wasn't any reason, in our view, to make any changes to**
18 **something that was already working, or as far as we**
19 **knew was already working.**

20 **So until we'd already filed our case, we had**
21 **no reason or expectation to expect any response like**
22 **we received in this case. Again, with the same**
23 **parties to the case, the same model, the same**
24 **methodology. It was rather a surprise to everybody at**
25 **Avista, certainly.**

EXAMINATION BY CHAIRMAN DANNER / KALICH 190

1 Q. But if you're having questions internally
2 about things, that suggests there might be a better
3 way. I mean, it might be that the traditional way is
4 great. It might be there's a way of improving it. At
5 what point do you start those conversation?

6 **A. Chairman Danner, actually, those kind of**
7 **communications or conversations didn't happen until**
8 **after we received the testimony of the parties in this**
9 **case.**

10 **Again, the methodology works fine. We can do**
11 **the work. We're well practiced in doing that work.**
12 **It really was more of a reaction to or a looking**
13 **forward how we might do things that would somehow**
14 **simplify the process, and I don't think, even if we**
15 **moved to your approach, I agree it's simpler --**

16 Q. It's not my approach. I'm just --

17 **A. Yeah, sorry --**

18 Q. -- asking the question.

19 **A. -- but such an approach. I think there also**
20 **would be concerns by parties about that approach as**
21 **well.**

22 **So it's not as simple as maybe it would seem.**
23 **These are complicated matters, and certainly if you**
24 **look back to it, I don't know if it was before -- I**
25 **know it was before your time on the Commission as a**

EXAMINATION BY CHAIRMAN DANNER / KALICH 191

1 commissioner, but if you remember some of the modeling
2 prior to 2000, how simple it was. And there were a
3 lot of criticisms about how it was just too simple.
4 In fact, looking back, you might even say it was
5 unreasonable as complicated as our markets were
6 getting.

7 But certainly the Company and I stand ready to
8 visit with Staff and ICNU and Public Counsel to look
9 at different approaches. But I can tell you today
10 that the answers will not be substantially different.

11 And, in fact, if you look at the testimony of
12 parties, the data requests, my supplemental and
13 ultimately my rebuttal testimony, you'll see all of
14 the purported concerns that were relayed actually
15 without -- almost without exception substantially
16 increased customer costs by 2 or 5 or \$6 million on a
17 power supply increase that's about 16 total today.

18 So it's hard for me, as somebody trying to put
19 together a model, to represent the wholesale
20 marketplace and try to understand what the parties
21 desire when there's concern that the model isn't doing
22 the right job, but when the issues are pointed out,
23 they actually drive costs higher than what we actually
24 filed.

25 So I really think it would benefit from a

EXAMINATION BY COMMISSIONER RENDAHL / KALICH192

1 discussion with the intervening parties if we want to
2 move away from a current methodology and stand ready
3 to do that.

4 CHAIRMAN DANNER: All right. Thank you.

5 JUDGE FRIEDLANDER: Thank you.

6 COMMISSIONER RENDAHL: I just have one
7 question, Mr. Kalich.

8 EXAMINATION

9 BY COMMISSIONER RENDAHL:

10 Q. So when you responded to the data request
11 responses by the intervenors and Staff about the
12 outcome of the request, what exactly did you provide
13 to them, understanding we don't see the data request
14 responses? Did you just give them the outcome number,
15 or do you somehow explain how this was shown in the
16 model? Do you bring them in and show them model run
17 and the assumptions you used, or is it just the
18 outcome number?

19 **A. Commissioner Rendahl, thank you for that**
20 **clarifying question. I think it's important for**
21 **everybody to understand what the Company does provide.**

22 **So for Staff, Avista provides the software**
23 **itself, so actually the staff has the software on**
24 **their computers.**

25 **For ICNU, we've had a relationship over the**

EXAMINATION BY COMMISSIONER RENDAHL / KALICH193

1 years I think has worked well where they -- we have a
2 computer that's set aside that's just for them, and
3 they remote in through VPN technology -- I guess Jim
4 Kensok isn't here to confirm if that's the right
5 technical term -- but in any event, they can log in
6 and actually operate the computer as if -- as if they
7 are at the desk to make their own model runs.

8 Public Counsel was offered the similar
9 capability, but didn't take us up on that. So they
10 have access to the model, they have access to the data
11 file, so any runs that we make in our initial filing,
12 and, again, also supplemental -- any supplemental
13 work, and also responses to data requests, we provide
14 not only the summary answer, we provide all of the
15 tables and input that went into the model, and all the
16 electronic results, thousands of megabytes of data.

17 One of the features that are very powerful
18 within Aurora is you can open up -- and I don't know
19 how familiar you are with databases, most people are
20 not.

21 Q. You can slow down.

22 A. Slow down.

23 So what you can do within Aurora is there will
24 be a table in the base filing that has data, let's say
25 load data, and then there will be a table -- similar

EXAMINATION BY COMMISSIONER RENDAHL / KALICH194

1 table in the data response, and you can take those two
2 tables with the Aurora software, highlight them, and
3 it will specifically show you the deltas or the
4 differences between the two runs.

5 So all the data to get down into -- as far
6 into the weeds as you want to go is there. It's not
7 just the summary information. So there may be a
8 headline number of \$5.5 million, and there's all kinds
9 of data every hour that can be evaluated in the model,
10 using the capabilities of the model.

11 And in fact, Staff, ICNU and if Public Counsel
12 had taken us up on it, could have run those runs
13 themselves with the input files we provided, audit the
14 input files, run the models and get the exact same
15 results.

16 COMMISSIONER RENDAHL: Okay. Thank you.

17 JUDGE FRIEDLANDER: Thank you. All right,
18 then.

19 I believe that's it, and thank you for
20 your testimony. The witness is excused.

21 MR. MEYER: Thank you.

22 JUDGE FRIEDLANDER: Do we need to take a
23 break? Do we want to take a break or just push on?

24 CHAIRMAN DANNER: I think we'll push on.

25 JUDGE FRIEDLANDER: Okay. Then let's go

DIRECT EXAMINATION BY MR. MEYER / JOHNSON 195

1 ahead and push on.

2 MR. MEYER: Very good. Mr. Johnson,
3 please.

4

5 WILLIAM G. JOHNSON, witness herein, having been
6 first duly sworn on oath,
7 was examined and testified
8 as follows:

9

10 JUDGE FRIEDLANDER: Thank you. You can be
11 seated.

12 DIRECT EXAMINATION

13 BY MR. MEYER:

14 Q. Good morning, Mr. Johnson.

15 **A. Good morning.**

16 Q. For the record, please state your name and
17 your employer.

18 **A. William Johnson, Avista Corporation.**

19 Q. What is your title?

20 **A. Wholesale marketing manager.**

21 Q. And have you prepared and pre-filed direct
22 and rebuttal testimony?

23 **A. Yes, I have.**

24 Q. And has that been marked as Exhibits WGJ-1T
25 through WGJ-16?

EXAMINATION BY COMMISSIONER BALASBAS / JOHNSO196

1 **A. Correct.**

2 Q. Is the information true and correct?

3 **A. Yes.**

4 MR. MEYER: With that, Mr. Johnson's
5 available.

6 JUDGE FRIEDLANDER: Thank you.

7 And I have Ms. Gafken.

8 MS. GAFKEN: I'll waive cross of
9 Mr. Johnson.

10 JUDGE FRIEDLANDER: Oh, all right. Well,
11 I should have asked beforehand.

12 Do the commissioners have any questions?

13 EXAMINATION

14 BY COMMISSIONER BALASBAS:

15 Q. Good morning, Mr. Johnson.

16 **A. Good morning.**

17 Q. I'd like to ask you, what were some of the
18 reasons that you feel the Company has come in and
19 requested a change to the ERM baseline on a fairly
20 frequent basis?

21 **A. Because -- well, recently we've been**
22 **requesting a decrease because our costs have been**
23 **going down substantially since 2011. So we're**
24 **reflecting the reality as we see it best in the pro**
25 **forma rate period.**

EXAMINATION BY COMMISSIONER BALASBAS / JOHNSO197

1 Q. But does the frequent changing of the
2 baseline, would that, I guess, in your opinion, color
3 how we view changes and how the ERM accumulates a
4 balance one way or the other?

5 **A. Well, in general, if we were trying to set the**
6 **baseline to what we believe our costs are actually**
7 **going to be in the pro forma period. So to the extent**
8 **we do that more often, we're probably going to match**
9 **up better and have less deferral balances. I mean, if**
10 **we would have not changed rates since our power cost**
11 **baseline since 2011, the deferral balance would be**
12 **huge by now.**

13 Q. So in -- I would say that, I guess, in the
14 frequent changing of the baseline -- let me back up
15 for a second.

16 When you have a mechanism that is tied to a
17 baseline number, and that has changed on an annual or
18 even biannual basis, doesn't -- doesn't that call -- I
19 guess I would ask, does that call into question, then,
20 how -- how the recovery mechanism would function
21 overall? I mean, if you're continually changing the
22 baseline on a frequent basis, to me that seems to --
23 that seems to call into question the usefulness of the
24 mechanism.

25 And I would like your opinion as to whether

1 you think that changing the baseline on a frequent
2 basis creates confidence problems with the ERM.

3 **A. I don't think it affects how the ERM works,**
4 **because the ERM is simply just tracking the difference**
5 **between our actual costs and what's built into the**
6 **baseline.**

7 **So to the extent -- if we didn't change the**
8 **baseline, and things moved like they have**
9 **substantially down lately, we would drive really big**
10 **deferrals, and it probably would not be**
11 **satisfactory -- it would be less satisfactory than**
12 **maybe what people are perceiving it to be now. So I**
13 **don't think changing -- changing the baseline is**
14 **not -- is not -- is not affecting how well the ERM**
15 **works.**

16 **COMMISSIONER BALASBAS: Okay.**

17 **JUDGE FRIEDLANDER: Okay. All right,**
18 **then.**

19 **With that, I believe the witness is**
20 **excused. Thank you for your --**

21 **MR. MEYER: I do have a follow-up.**

22 **JUDGE FRIEDLANDER: Oh, you have a**
23 **follow-up? Okay.**

24 **MR. MEYER: Yeah, just based on that.**

25 **///**

1 REDIRECT EXAMINATION

2 BY MR. MEYER:

3 Q. So the question of you had to do with the
4 impact of changes and how frequent those changes are
5 in the ERM baseline. When was the ERM baseline last
6 changed?

7 **A. It was changed January 1st, 2016.**

8 Q. Of 2016?

9 **A. Correct, 2016.**

10 Q. Okay.

11 And it hasn't been adjusted since?

12 **A. Correct.**

13 Q. Okay.

14 We're asking that it be adjusted, though, in
15 this case, correct?

16 **A. Correct, beginning May 1st of '18.**

17 Q. If Staff's position is adopted and there is
18 no adjustment to the baseline in this proceeding, and
19 if the Company has approved a three-year rate plan,
20 when might it next be adjusted?

21 **A. Well, if we don't adjust it in this case and
22 we have a three-year rate plan, the next adjustment
23 would be May 1st, 2021.**

24 Q. So we will have gone essentially five years
25 without readjusting the base; is that correct?

1 **A. Correct.**

2 Q. And is that because, on rebuttal, the
3 Company's proposal is to adjust it now, but leave it
4 alone in years two and three and let the parties work
5 through any issues they have?

6 **A. That's our proposal is to make this adjustment**
7 **in this case and then not adjust it again for the**
8 **three-year rate period.**

9 Q. That's our proposal. If you could -- if you
10 had your druthers in order to stay abreast of
11 variability, how often would you make adjustments?

12 **A. Ideally, we would adjust, you know, as we do a**
13 **power -- when we -- sometimes when we do power cases,**
14 **because you file roughly 11 months before rates go**
15 **into effect, we've done power cost updates a month**
16 **before rates go into effect.**

17 **So ideally, we'd rerun the model and reset the**
18 **base, say, every April 1st -- we'd submit it April 1st**
19 **for the next May through April rate period.**

20 Q. And is that consistent with past practice for
21 Avista?

22 **A. Past as in starting maybe four or five,**
23 **six cases ago where -- I believe was the Commission**
24 **ordered us to do -- at that time we were doing**
25 **calendar year pro formas, so we did a November 1**

REDIRECT EXAMINATION BY MR. MEYER / JOHNSON201

1 update, and we've done several November 1 updates
2 prior to rates going into effect January 1st.

3 Q. So would the Company's preferred approach be
4 to, consistent with past practice, to adjust and,
5 prior rate years one, two and three increases going
6 into effect, update power cost amounts?

7 **A. Our preference, yes, would be to update every**
8 **year prior to the rates going into effect for the**
9 **second and third rate year.**

10 Q. But do you see a possible collision coming,
11 if you will, if we -- or the Commission were to order
12 us to do that now, and we file to adjust for the usual
13 three elements consisting of gas supply and hydro,
14 et cetera, and then we find ourselves arguing about
15 the same issues come April of '18 just before we
16 implement year one; do you see that as a problem?

17 **A. Well, we're not going to solve some of these**
18 **issues that Mr. Kalich was talking about about the**
19 **modeling. We're not going to be able to work with the**
20 **parties to resolve everything by, say, an April 1**
21 **update.**

22 **So we will still have that issue before us**
23 **that there'll be questions about how we're possibly**
24 **modeling our power costs, even if we do our normal**
25 **kind of update, which is to update natural gas prices,**

REDIRECT EXAMINATION BY MR. MEYER / JOHNSON202

1 our new contracts and any other known contract
2 changes.

3 Q. So in that sense, would you agree that we
4 should not just kick the can down the road?

5 **A. Well, at some point we're going to need time**
6 **to work through these issues. So I mean, what we**
7 **proposed is, let's -- let's make our adjustment, and**
8 **then we'll have a three-year period where we can work**
9 **out these issues. Because we're -- we need time.**
10 **We're not going to be able to work it out by the time**
11 **rates go into effect May 1st.**

12 Q. But in -- last question -- but in closing,
13 the one worst-case scenario would be if no power
14 supply adjustments were approved now and no future
15 adjustments could occur during the three-year rate
16 plan; is that correct?

17 **A. Well, that would -- if we don't raise our**
18 **baseline in this case, which we believe we need to,**
19 **and we don't have a chance to raise it for three**
20 **years, there's a significant risk to the Company of**
21 **going three more years, which would be almost five and**
22 **a half years without changing our baseline power**
23 **supply costs.**

24 **So, I mean, at that point I guess we would --**
25 **we could hope there could be some kind of risk**

REDIRECT EXAMINATION BY MR. MEYER / JOHNSON203

1 mitigation measure, as in possibly changing to just a
2 90/10 sharing in the deadband, so that we're not at
3 risk of absorbing potentially a significant amount of,
4 you know, un- -- unrecovered power supply costs during
5 that period.

6 Q. And to provide perspective in response to
7 what you just said, perspective, let's say gas prices,
8 they hover around whatever they are, two and a
9 quarter, now let's say gas prices were to change by
10 \$1, all else being equal, and go up by a dollar, all
11 else being equal, what would be the impact on power
12 supply costs?

13 **A. General rule of thumb is, every dollar raises**
14 **our power supply costs by \$10 million.**

15 Q. So if a \$2 gas price becomes a \$3 gas price,
16 \$10 million.

17 Likewise, hydro, let's say it's 80 percent
18 of --

19 MR. CASEY: Your Honor --

20 (Bridge line interruption.)

21 BY MR. MEYER:

22 Q. -- what would be the impact?

23 MR. CASEY: I'd like to object. I think
24 we're going beyond redirect, considerably beyond
25 redirect.

REDIRECT EXAMINATION BY MR. MEYER / JOHNSON204

1 JUDGE FRIEDLANDER: Thank you.

2 MR. MEYER: All right. I'll withdraw the
3 question. I think we made our point. Thanks.

4 MR. CASEY: I'd also like to point out
5 that Staff's recommendation in this case was
6 mischaracterized with respect to power costs. Staff
7 did not recommend to not have any adjustments to power
8 costs for the entire rate plan no matter what.

9 And we could get into this later, but
10 Staff's recommendation was no changes unless the
11 deferral balance is drawn below \$10 million. And so
12 in that instance, Staff would -- Staff recommended for
13 the Company to come in with an adjustment -- a
14 proposal for adjusting the baseline.

15 JUDGE FRIEDLANDER: Okay. Thank you.

16 And with that, I believe that the witness
17 is excused. Thank you for your testimony.

18 MR. MEYER: I believe -- I'm sorry.

19 JUDGE FRIEDLANDER: So my understanding is
20 that there are no Commissioner questions or bench
21 questions for Morehouse and Schlect, so we move into
22 witness Mr. Christie.

23 MR. MEYER: All right. Thank you.

24 Call to the stand Mr. Christie.

25

DIRECT EXAMINATION OF KEVIN J. CHRISTIE / MEY205

1 KEVIN J. CHRISTIE, witness herein, having been
2 first duly sworn on oath,
3 was examined and testified
4 as follows:

5
6 JUDGE FRIEDLANDER: Thank you. You can be
7 seated.

8 And my understanding is that both Staff
9 and Public Counsel have cross for this witness. Is
10 that still correct?

11 MR. O'CONNELL: It is, your Honor.

12 JUDGE FRIEDLANDER: Okay. Thank you.

13 DIRECT EXAMINATION

14 BY MR. MEYER:

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

17 **A. Kevin Christie, Avista Corporation.**

18 Q. And what is your position with the Company?

19 **A. I'm the vice president of external affairs and**
20 **chief customer officer.**

21 Q. And have you prepared both pre-filed direct
22 and rebuttal testimony marked as Exhibits KJC-1T and
23 KJC-2T respectively?

24 **A. Yes, I have.**

25 Q. Is the information contained therein true and

CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI206

1 correct?

2 **A. It is.**

3 MR. MEYER: With that, Mr. Christie's
4 available.

5 JUDGE FRIEDLANDER: All right. Thank you.

6 CHAIRMAN DANNER: Just a clarification
7 that the job title you just gave us orally does not --
8 is different than the one that's in your testimony.
9 It says you're the vice president of customer
10 solutions. Can I just clarify, what is your title?

11 THE WITNESS: Yes. It's the one I just
12 shared. There was a change January 1.

13 CHAIRMAN DANNER: All right. Thank you.

14 JUDGE FRIEDLANDER: All right.

15 Staff?

16 MR. O'CONNELL: Thank you, your Honor. My
17 name's Andrew O'Connell, Assistant Attorney General,
18 for Staff.

19 CROSS-EXAMINATION

20 BY MR. O'CONNELL:

21 Q. Good morning, Mr. Christie.

22 **A. Good morning.**

23 Q. To start, I'd like to ask you a few questions
24 regarding Cross-Exhibits KJC-3X and -4X.

25 Do you have copies of those with you?

1 **A. I do.**

2 **JUDGE FRIEDLANDER: If we could just pause**
3 **for a minute while the bench gets the copies as well.**

4 **All right.**

5 MR. O'CONNELL: Thank you.

6 BY MR. O'CONNELL:

7 Q. Let's start with KJC-3X. You're familiar
8 with the data contained in this exhibit, correct?

9 **A. I am.**

10 Q. Okay.

11 Did you rely on this information, the
12 information provided in this data request, when you
13 were preparing your cross-answer testimony?

14 **A. I did.**

15 Q. Okay.

16 So the data here compares what an average
17 residential customer would pay to heat their home with
18 electricity versus natural gas, correct?

19 **A. Correct.**

20 Q. And the conclusion in this data request
21 response is that it's just less than \$1,000
22 difference, right?

23 **A. The conclusion in this response relates to a**
24 **home that is 2,000 square feet, and for a home**
25 **approximately 2,000 square feet, the savings a**

CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI208

1 customer would enjoy by converting to natural gas is
2 two-thirds. So in other words, the cost to the
3 customer would be a little more than \$500, \$567 for
4 gas, but \$1,544 for electric.

5 Q. Thank you.

6 And what I'd like to do is ask you some
7 questions about the data underlying those final
8 numbers.

9 **A. Okay.**

10 Q. So I'd like to ask you, the data request says
11 that you looked at what the average residential
12 customer is. How did you determine what was the
13 average residential customer?

14 **A. Can you point out where that statement is**
15 **made?**

16 Q. Sure.

17 If you look to your response on page 1, the
18 second sentence, you say [as read], The example shown
19 in the calculator is for an average residential
20 customer with a 2,000 foot square [sic] home.

21 So can you explain, please, how you
22 approached the idea of coming up with data for the
23 average residential home?

24 **A. Well, I think what was meant there is average**
25 **being a residential -- a customer in the Spokane area,**

CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI209

1 not a specific calculation related to all of our
2 customers, but more related to the 2,000-square-foot
3 home.

4 Q. And is a 2,000-square-foot home a reasonable
5 approximation for what the average residential
6 customer would have?

7 **A. I believe that it's a reasonable approximation**
8 **for our service territory in Washington.**

9 Q. Okay.

10 Later in your response you say that the
11 example assumes 14,308 kilowatts of -- kilowatt hours
12 of annual usage. Can you explain that number and how
13 you made that assumption?

14 **A. No, I would need some assistance in**
15 **determining where that number came from exactly.**

16 Q. Okay.

17 Do you believe --

18 **A. So we can get that for you.**

19 MR. MEYER: Go ahead.

20 BY MR. O'CONNELL:

21 Q. So my understanding is that your response to
22 this data request was a presentation of what the
23 average residential home used for heating and
24 whether -- presented a calculation as to how expensive
25 it would be to heat that home for -- using electricity

CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI210

1 versus natural gas.

2 **A. Yeah.**

3 Q. And what I'd like to explore is how you came
4 up with thinking about what is the average residential
5 home. So was the 14,000 kilowatt hours a reasonable
6 approximation of what the average residential customer
7 uses per year?

8 **A. I believe the 14,308 approximates what a**
9 **customer would use that had a 2,000-square-foot home.**

10 Q. And do you think that the Commission can rely
11 upon that information as a solid assumption when
12 considering how much an average residential customer
13 might save between using natural gas and electricity?

14 **A. I do. Although this is a representation of a**
15 **2,000-square-foot home, it is true that there's a --**
16 **call it a sliding scale. If the home was smaller,**
17 **there would be less savings enjoyed, but still**
18 **significant; if the home was larger, potentially more**
19 **savings.**

20 Q. Okay.

21 So you believe that these metrics are the
22 correct ones to use, right?

23 **A. Use for what purpose?**

24 Q. For the purpose of determining the difference
25 between the cost for an average residential customer

CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI211

1 to heat their home for one year using natural gas
2 versus using electricity?

3 **A. For a 2,000-square-foot home with that**
4 **assumption, yes.**

5 MR. MEYER: Excuse me. If it helps, I'm
6 advised there is a DR response to DR 309, which might
7 provide some additional information. Do you have
8 that?

9 MR. O'CONNELL: I would like to get to
10 that in just a moment.

11 MR. MEYER: Okay. So -- very good.

12 JUDGE FRIEDLANDER: And does that have an
13 exhibit number? Has that been filed?

14 MR. O'CONNELL: It does. It has. It is
15 Cross-Exhibit KJC-7 -- sorry, 6X. And I would like to
16 talk about that briefly. My understanding is that the
17 assumptions are the same, but I would like to ask that
18 question once we get to that exhibit.

19 JUDGE FRIEDLANDER: That's fine. Thank
20 you.

21 MR. O'CONNELL: Thank you, your Honor.

22 BY MR. O'CONNELL:

23 Q. Do you know what equipment -- assumptions
24 were used as far as what equipment was used to heat
25 the home, the 2,000-square-foot home in your response

1 to this data request?

2 **A. There must be more to your question, because I**
3 **would say that we assumed on one hand the electric**
4 **heat versus natural gas high-efficiency furnace.**

5 Q. Okay.

6 Was there a particular efficiency that you
7 assumed for electricity?

8 **A. I believe it was 90 percent -- oh, I'm**
9 **sorry -- 100 percent for electricity, 90 percent for**
10 **gas.**

11 Q. Thank you.

12 And now those efficiencies, they do vary
13 depending on the equipment, correct?

14 **A. That's correct.**

15 Q. Okay.

16 But you -- did you choose the 100 percent
17 efficiency for electricity and 90 percent for natural
18 gas because those are middle-of-the-road assumptions?

19 **A. No. We chose those numbers because they --**
20 **the 100 percent is a fact for electric -- let me**
21 **rephrase.**

22 **We chose those assumptions because the**
23 **90 percent on gas is the -- is the reasonable**
24 **approximation of what our customers are installing or**
25 **have installed.**

CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI213

1 On the electric side, I'm not an engineer, but
2 I believe that that is more of a fixture instead of
3 variable at 100 percent, and it's -- it would yield
4 the best comparison for electric.

5 So if it were lower, it would worsen the
6 electric efficiency, therefore, lower the economics
7 and make the differential even bigger.

8 Q. Okay.

9 So do you believe this is a good snapshot if
10 we're looking now what the average residential
11 customer might see as far as a change in their bill?

12 **A. If this -- if the residential customer is a**
13 **2,000-square-foot home, these assumptions, then yes.**
14 **If it is a smaller home, the savings would be a little**
15 **bit less. If it was a larger home, it could be more.**

16 Q. Okay.

17 I'd like to turn to KJC-4X.

18 **A. Okay. I'm there.**

19 Q. Now, this data request and response compares
20 the cost of heating with the natural gas furnace as
21 compared to a heat pump, an electric heat pump,
22 correct?

23 **A. Correct.**

24 Q. The temperature range you used in your
25 response is from 52 degrees Fahrenheit to negative 12

CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI214

1 and a half degrees Fahrenheit, right?

2 **A. That is correct.**

3 Q. Why did you choose that temperature range?

4 **A. That is the series of temperature bins that we**
5 **tend to see in our service territory.**

6 Q. Okay.

7 And you also used a residential heat pump in
8 the Spokane area that has a Seasonal Energy Efficiency
9 Ratio, SEER, value of 16. Is that a -- why did you
10 choose that SEER value?

11 **A. I do not have that off the top of my head.**

12 Q. Is that a reasonable, middle-of-the-road
13 assumption to make for an average residential
14 customer?

15 **A. Thank you. I'm told it is.**

16 Q. Okay.

17 Now, at the end of this response, you note
18 that the electric heat pump, the cost to heat 100,000
19 BTUs of heat with that would cost between \$1.20 and
20 \$2.95. Does that correspond to the temperature range
21 that we just talked about?

22 **A. Yes, it does.**

23 Q. And at the time you provided this response,
24 it was -- it would cost \$0.94 for 100,000 BTUs of heat
25 delivered from the burning of natural gas, correct?

CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI215

1 **A. That is correct.**

2 Q. Okay.

3 If you could, I'd like to now switch to
4 Exhibit KJC-6X.

5 **A. Okay. I'm there.**

6 Q. Staff asked that Avista update the numbers
7 from Exhibit 3X and 4X considering its purchased gas
8 adjustment. Does this response provide those numbers?

9 **A. Yes, it does.**

10 Q. Were all of the assumptions the same for
11 preparing this data as it was for the data contained
12 in 3X and 4X?

13 **A. I believe so, but for the change in the gas
14 price.**

15 Q. And the gas price decreased, correct?

16 **A. That is correct.**

17 Q. I see in the second half of your response, it
18 says it's now \$0.88 per 100,000 BTUs of heat
19 delivered, correct?

20 **A. That is correct.**

21 Q. And also in the first part of your response,
22 I see that the cost to heat natural gas is lower in --
23 with this update than it was in Exhibit 3X; is that
24 correct?

25 **A. Can I have you repeat that?**

CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI216

1 Q. Sure.

2 The cost of heating with natural gas here in
3 the first part of your response is less than it was in
4 Exhibit 3X, correct?

5 **A. That is correct.**

6 Q. Okay.

7 So with the update information, that means
8 that there's -- it would be slightly greater than
9 \$1,000 difference between an average residential
10 customer heating their home with natural gas than with
11 electricity.

12 **A. That is correct.**

13 Q. So this \$1,000 difference between heating an
14 average residential customer's home with electricity
15 as compared to natural gas, do you think that's an
16 important difference for your average customer?

17 **A. I absolutely do. If you're a customer and you**
18 **can experience more than a two-thirds' reduction in**
19 **your -- in your heating expense, and especially given**
20 **our climate and our demographics of our customers,**
21 **many of our customers would find that tremendously**
22 **valuable.**

23 MR. O'CONNELL: Thank you, Mr. Christie.

24 I have no more questions.

25 JUDGE FRIEDLANDER: Thank you.

CROSS-EXAMINATION BY MS. GAFKEN / CHRISTIE 217

1 Ms. Gafken?

2 MS. GAFKEN: Thank you.

3 I just wanted to note that the
4 cross-exhibit that we've designated for Mr. Christie
5 will now be redesignated for Mr. Ehrbar. I just
6 wanted to make sure that that was clear.

7 JUDGE FRIEDLANDER: So --

8 MS. GAFKEN: And so I only have a few
9 questions for you, Mr. Christie.

10 JUDGE FRIEDLANDER: Now, you're talking
11 about KJC-11X will now be designated for the witness,
12 Patrick Ehrbar?

13 MS. GAFKEN: Yes, please.

14 JUDGE FRIEDLANDER: Thank you.

15 MS. GAFKEN: Thank you.

16 CROSS-EXAMINATION

17 BY MS. GAFKEN:

18 Q. Mr. Christie, would you agree with the
19 characterization that when an electric customer
20 switches its heating source from electric to natural
21 gas, a customer's energy burden decreases?

22 **A. I would.**

23 Q. What's the purpose of using an average
24 residential customer in the analysis?

25 **A. I think perhaps we're sticking to the word**

CROSS-EXAMINATION BY MS. GAFKEN / CHRISTIE 218

1 "average" more than the fact that we were looking at a
2 home that approximate average in size.

3 Q. I just have one more question and I'm
4 switching topics.

5 If Avista receives a rate plan in this case,
6 does the Company plan to file a rate case in time for
7 new rates to go in effect upon the expiration of the
8 rate plan?

9 **A. Can I ask you to repeat the question?**

10 Q. Sure.

11 **A. That was enough of a change that you had me**
12 **beaten.**

13 Q. I did a mind meld to get over to a different
14 topic.

15 If Avista receives a rate plan in this case,
16 does the Company plan to file a rate case to time new
17 rates to go into effect upon the expiration of the
18 rate plan?

19 **A. I would say that it's too early to say. It**
20 **would depend on a number of factors.**

21 MS. GAFKEN: Okay. Thank you.

22 JUDGE FRIEDLANDER: Thank you.

23 And any redirect?

24 MR. MEYER: None. Thanks.

25 JUDGE FRIEDLANDER: All right.

EXAMINATION BY CHAIRMAN DANNER / CHRISTIE 219

1 Any questions from the bench?

2 CHAIRMAN DANNER: Yeah. Thank you.

3 EXAMINATION

4 BY CHAIRMAN DANNER:

5 Q. I just wanted to clarify. Ms. Gafken asked
6 you a question about energy burden, and you responded,
7 and I'm just wondering -- I wanted to get some clarity
8 about what the term "energy burden" means.

9 So when you say a customer has -- using
10 natural gas, it reduces their energy burden, could you
11 explain what that term "energy burden" means?

12 **A. Yes. Thank you for the clarification,**
13 **Chairman. I equate that to dollars, the impact to**
14 **them and their out-of-pocket expenses for energy.**

15 Q. Okay. Thank you for that.

16 And I just wanted to also clarify that the
17 response that you gave to the data request in -- well,
18 in the Exhibits 3 and 4 and 6, basically that was to
19 back up an assertion that you had, the cost for
20 heating with electric resistance heat can be between
21 1.5 and 3 times the cost of heating with natural gas;
22 is that correct?

23 **A. Yes, that is.**

24 Q. So -- so you gave a range, and you used the
25 example of a 2,000-square-foot home. You did not mean

EXAMINATION BY CHAIRMAN DANNER / CHRISTIE 220

1 to say that the average home in your service territory
2 is 2,000 square feet; is that correct?

3 **A. No, we were using that as an example to --**

4 Q. As an example?

5 **A. Yes.**

6 Q. Okay.

7 So if I have a 500-square-foot apartment, or
8 a condominium, is it still -- am I still within the
9 range that you gave in your answer? Am I still
10 between 1.5 and 3 times?

11 **A. I believe so. That's subject to check. I can**
12 **take a look at it and go right to our website and do**
13 **that at break if that would be helpful.**

14 Q. Okay.

15 If I have a 4,000-square-foot home, same
16 question; am I in the range?

17 **A. Yes.**

18 Q. Okay.

19 And so in each case, is there a situation in
20 which you think that -- or based on your experience or
21 calculations, that it would be more economical to heat
22 with electricity than with natural gas?

23 **A. I don't believe so in our heating zone.**

24 Q. Okay.

25 And that would include with a heat pump,

1 comparing natural gas to a home with a heat pump?

2 **A. When you consider both cost and -- yes,**
3 **absolutely, both the heat pump versus gas, in our**
4 **heating zone, I believe that would be more cost**
5 **effective on the gas side.**

6 **CHAIRMAN DANNER: All right. Thank you.**

7 **JUDGE FRIEDLANDER: Thank you.**

8 **Any other questions for the witness?**

9 **All right. Thank you.**

10 **Then with that, Mr. Christie, you're**
11 **excused. Thank you for your testimony.**

12 **So by my -- I guess my information is that**
13 **we don't have any questions for Ms. Knox or**
14 **Mr. Miller. There is some cross-exam for Mr. Ehrbar,**
15 **and there is at least one Commissioner question for**
16 **Mr. Kinney.**

17 **So if -- I don't know if we want to press**
18 **on and get these two witnesses out of the way and then**
19 **go to lunch, or how do people feel about that?**

20 **CHAIRMAN DANNER: I think we want to go to**
21 **lunch.**

22 **JUDGE FRIEDLANDER: You want to go to**
23 **lunch?**

24 **CHAIRMAN DANNER: But I'm just one of**
25 **three.**

1 COMMISSIONER BALASBAS: You have two.

2 COMMISSIONER RENDAHL: I concur.

3 JUDGE FRIEDLANDER: All right.

4 So before we finish with Avista witnesses,
5 then, unless there's anything preliminary we need to
6 address, we'll go to lunch for, say, 90 minutes, hour
7 and a half, if that's all right.

8 MR. MEYER: Yes.

9 JUDGE FRIEDLANDER: Yes, Mr. Meyer?

10 MR. MEYER: Okay. Just -- then after we
11 finish with those, then we have the cost of capital
12 panel. They're all standing by by phone, but can we
13 release them so they -- or no?

14 JUDGE FRIEDLANDER: I think they're fine
15 to be excused.

16 MR. MEYER: They're good. Okay. Thank
17 you.

18 JUDGE FRIEDLANDER: So that -- so we'll be
19 back at 1:25.

20 CHAIRMAN DANNER: That's fine.

21 JUDGE FRIEDLANDER: We are in recess.
22 Thank you.

23 (Lunch recess was taken from
24 11:54 a.m. to 1:36 p.m.)

25 JUDGE FRIEDLANDER: All right. We'll go

DIRECT EXAMINATION BY MR. MEYER / EHRBAR 223

1 back on the record.

2 I believe we had just finished up with the
3 testimony of Mr. Christie, and before -- okay. So we
4 now have the testimony and cross of Mr. Ehrbar,
5 correct? And after which I've offered the parties the
6 opportunity, should they not have taken us up on their
7 prior invitation to submit comments on the residential
8 and multifamily fuel conversion program, they will
9 have the opportunity to do so. And then at that time
10 we will bring Mr. Kinney up, who will be answering
11 Commission questions.

12 So Mr. Meyer?

13 MR. MEYER: Yes. Call to the stand
14 Mr. Ehrbar.

15
16 PATRICK D. EHRBAR, witness herein, having been
17 first duly sworn on oath,
18 was examined and testified
19 as follows:

20
21 JUDGE FRIEDLANDER: Thank you. You can be
22 seated.

23 DIRECT EXAMINATION

24 BY MR. MEYER:

25 Q. For the record, please state your name and

CROSS-EXAMINATION BY MS. GAFKEN / EHRBAR 224

1 your employer.

2 **A. Patrick Ehrbar, Avista.**

3 Q. And what is your job description and title?

4 **A. I'm director of rates.**

5 Q. All right.

6 And have you prepared some testimony, both
7 direct and rebuttal, in this case?

8 **A. Yes, I have.**

9 Q. And has it been marked for identification as
10 Exhibits PDE-1T through PDE-9T?

11 **A. Yes.**

12 Q. Any changes to make to any of that?

13 **A. No changes.**

14 MR. MEYER: Okay. With that, he is
15 available.

16 JUDGE FRIEDLANDER: Thank you. I have
17 Public Counsel.

18 MS. GAFKEN: Thank you.

19 CROSS-EXAMINATION

20 BY MS. GAFKEN:

21 Q. Good afternoon, Mr. Ehrbar.

22 **A. Good afternoon.**

23 Q. Do you have a copy of the cross-exhibit that
24 was initially designated for Mr. Christie that's
25 marked Exhibit KJC-11X?

1 **A. I do.**

2 Q. Cross-Exhibit KJC-11X contains a portion of
3 Avista's response to ICNU Data Request 108.

4 Would you please turn to page 2 of the
5 cross-exhibit?

6 **A. I'm there.**

7 Q. There Avista details the incentives provided
8 to Schedule 25 customers, correct?

9 **A. Correct.**

10 Q. And the response states that Avista has not
11 quantified the benefits to Schedule 25 customers in
12 terms of reduced power supply costs. Is it fair to
13 say that this statement indicates that the table on
14 page 2 of Cross-Exhibit KJC-11X do not include the
15 table -- or I'm sorry -- do not include the avoided
16 cost benefits that accrued to Schedule 25 customers as
17 a result of participating in energy efficiency
18 measures?

19 **A. That's correct. These are just the direct
20 electric incentives.**

21 Q. Would you please turn to page 5 of
22 Cross-Exhibit KJC-11X?

23 **A. I'm there.**

24 Q. The column that's labeled Nonresidential
25 includes Schedule 25 customers, correct?

1 **A. Correct.**

2 Q. And the nonresidential column also includes
3 small commercial customers served through Schedule 11,
4 commercial customers served through Schedule 21,
5 pumping customers served on Schedule 31 and street and
6 light area -- I'm sorry -- street and area light
7 customers?

8 **A. That is correct.**

9 MS. GAFKEN: Thank you. That's all I
10 have.

11 JUDGE FRIEDLANDER: Thank you.

12 Any redirect?

13 MR. MEYER: No. I can't think of any.

14 JUDGE FRIEDLANDER: Okay. Thank you.

15 Commissioner questions? Okay.

16 I believe that the witness is excused.

17 Thank you for your testimony.

18 THE WITNESS: Thank you.

19 JUDGE FRIEDLANDER: Okay. So at this time

20 I did offer the opportunity for parties to provide
21 additional -- I shouldn't say additional -- first-time
22 testimony on the residential multifamily fuel
23 conversion recommendation that Staff made.

24 Is there any party who wishes to provide
25 such testimony?

DIRECT EXAMINATION BY MR. MEYER / KINNEY 227

1 MS. GAFKEN: No.

2 JUDGE FRIEDLANDER: All right. Then that
3 was quick.

4 Let's go ahead and call to the stand
5 Mr. Kinney.

6 MR. MEYER: Thank you. Mr. Scott Kinney.

7

8 SCOTT J. KINNEY, witness herein, having been
9 first duly sworn on oath,
10 was examined and testified
11 as follows:

12

13 JUDGE FRIEDLANDER: Thank you. You can be
14 seated.

15 DIRECT EXAMINATION

16 BY MR. MEYER:

17 Q. Mr. Kinney, for the record, your name and
18 employer, please?

19 **A. Scott Kinney, Avista Corp.**

20 Q. What is your title?

21 **A. Director of power supply.**

22 Q. And have you prepared and pre-filed exhibits
23 marked as SJK-1T through SJK-5T?

24 **A. Yes, I have.**

25 Q. Is the information true and correct?

EXAMINATION BY CHAIRMAN DANNER / KINNEY 228

1 **A. Yes, it is.**

2 MR. MEYER: Thank you. He's available for
3 cross.

4 JUDGE FRIEDLANDER: Thank you. I don't
5 believe anyone has cross for him, so we'll open it up
6 to bench questions.

7 CHAIRMAN DANNER: All right. Thank you
8 very much.

9 EXAMINATION
10 BY CHAIRMAN DANNER:

11 Q. Good afternoon, Mr. Kinney. Could you -- do
12 you have your direct testimony in front of you? Could
13 you turn to page 25?

14 **A. Okay.**

15 Q. All right.

16 So I want to ask you, on lines 3 through 20,
17 you've identified Colstrip Thermal Capital 2017, '18,
18 '19, '21, '20. It looks like there's several millions
19 of dollars of investment there, capital expenditures
20 associated with Units 3 and 4, and you say that Avista
21 is 15 percent of that and 10 percent of share of
22 common facilities, which means this is a project of
23 hundreds of millions of dollars. And I'm just
24 wondering if you could explain what that project is,
25 or what is going on there with this large capital

1 project.

2 **A. Yes. Thank you. There's not any one specific**
3 **project. It's every three years, each of the Units 3**
4 **and 4 go through extensive upgrades or maintenance**
5 **projects for potential upgrades, and so those --**
6 **what's -- the dollars there characterizes the bucket**
7 **of projects, so the total amount of projects that will**
8 **be completed for that specific year when there's an**
9 **outage that's scheduled.**

10 **So Unit 3 will be done one year, then Unit 4**
11 **is done the next year, then there's a year where**
12 **there's minor maintenance and projects scheduled. And**
13 **so that cycle completes itself every three years.**

14 Q. And so, as you may know, on some of the other
15 utilities, they're bringing in depreciation rates,
16 they're looking at closure dates on these facilities.

17 Are these upgrades or maintenance projects,
18 are these assuming sort of a continued life of
19 Colstrip? Are we making investments into the future
20 that may be going beyond the useful life of the plant?

21 **A. These particular projects, I do not believe**
22 **would go beyond the useful life of the plant, but I**
23 **would have to check with -- to make sure, so I can't**
24 **answer that completely. But from what I know right**
25 **now, what was in these years' projects, they would not**

EXAMINATION BY CHAIRMAN DANNER / KINNEY 230

1 really extend significantly the life of the projects.

2 Q. Okay.

3 And do I understand your testimony that
4 basically what's in this project or outside of the
5 projects is solely up to the plant operator, Talen?

6 **A. Talen provides a project plan for each -- for**
7 **all the owners, and then that's vetted through the**
8 **ownership, and then each of us votes our percentage**
9 **share on approval of that plan.**

10 Q. And so if you're outvoted, then basically
11 you're obligated to make those investments whether you
12 think they're good or not?

13 **A. Per the contract, yes.**

14 Q. Okay.

15 Can you tell me what is in the current
16 three-year plan, or the one that you're asking
17 beginning in 2017? Can you tell me some of the things
18 that we might be seeing that we're asking repairs to
19 make up?

20 **A. I believe in one of our data requests, which I**
21 **don't have in front of me, we have a full list, if I**
22 **recall, that we've submitted.**

23 MR. MEYER: We will --

24 CHAIRMAN DANNER: Is it in the record?

25 MR. MEYER: I don't believe it's in the

1 record. We will check to see if it's in another DR
2 response that hasn't been made part of this. So while
3 you're visiting with the witness, we'll try and see if
4 we can find that. Okay?

5 CHAIRMAN DANNER: All right.

6 BY CHAIRMAN DANNER:

7 Q. And then if you could tell me what some of
8 these -- there's categories. There's the
9 Environmental Must Do; is that compliance with
10 environmental obligations that are imposed by law?

11 **A. Yes, it is.**

12 Q. Okay.

13 And then Sustainance, can you explain that?

14 **A. I -- I mean, I have to -- having not really**
15 **prepared to be on the stand today, I'm not sure. I'm**
16 **going to have to probably check some of our projects**
17 **for that because -- on exactly what fits into each of**
18 **the categories.**

19 **But I believe for that, it's just to continue**
20 **the operation of the plant, to maintain the existing**
21 **output is what would fall into that category.**

22 Q. But it would be capital, not O&M?

23 **A. It would be capital, that's correct.**

24 Q. So -- but it's -- what you're telling me,
25 it's maintenance, but it wouldn't be maintenance?

1 **A. It's maintenance and maybe some small**
2 **additions depending on -- it depends on what project's**
3 **being done, too, as well with regards to whether it's**
4 **capitalized or expensed.**

5 MR. MEYER: In an effort to be helpful and
6 in fairness to this witness, we also have Mr. Jason
7 Thackston here, our senior vice president, who
8 directly oversees this and is quite conversant with
9 capital budgeting in project -- for the Colstrip
10 project, so if need be, I'm happy to put him on the
11 stand.

12 CHAIRMAN DANNER: Or we could do this
13 through a bench request.

14 MR. MEYER: There you go.

15 CHAIRMAN DANNER: Either way. I mean,
16 this -- this is Mr. Kinney's testimony I'm asking on
17 so --

18 MR. MEYER: Sure.

19 CHAIRMAN DANNER: -- that's fine. I mean,
20 I think I understand what a Reliability Must Do is,
21 which means the Sustenance must be something different
22 than reliability, so I was just trying to hone in on
23 what that word means. But however, Judge, that you
24 want to proceed is fine with me.

25 JUDGE FRIEDLANDER: That's fine. We can

EXAMINATION BY CHAIRMAN DANNER / KINNEY 233

1 issue -- we'll just call this a bench request, so it
2 would be BR-6, I believe. That's the last number --
3 the next number in our line.

4 When would Avista be able to provide that?

5 MR. MEYER: We could provide it within a
6 week. Is that sufficient? Or sooner if need be.

7 CHAIRMAN DANNER: Yeah, I think a week
8 would be fine.

9 MR. MEYER: Okay.

10 CHAIRMAN DANNER: Please sooner rather
11 than later, I guess.

12 MR. MEYER: We'll try to do it sooner. I
13 just want to make sure we have the right scope of our
14 response. Was the nature of the request please
15 provide more information with respect to each of these
16 identified items?

17 CHAIRMAN DANNER: Well, it's -- one is
18 like a definition of the categories, specifically what
19 does Sustenance mean? What is included in that?

20 MR. MEYER: Okay.

21 CHAIRMAN DANNER: I would like to get some
22 examples, if not a thorough list, of what actually is
23 in the next cycle with regard to the capital additions
24 that are there.

25 Q. And then I would like some clarity -- Avista

1 votes a 15 percent share, and so it's -- 10 percent
2 share of common facilities, does that mean that your
3 share of the capital project is 10 percent? So if
4 it's a \$9,500,000 contribution, that that's
5 10 percent?

6 **A. Yes.**

7 Q. So that would have a \$95 million capital --

8 **A. Well, on the capital side, it's 15 percent.**

9 Q. On the capital side, it's 15?

10 **A. Yeah, it's 10 percent on the operating**
11 **anything that's -- of the common facilities.**

12 Q. Okay.

13 **A. So it's 15 percent of 3 and 4, capital**
14 **projects for Units 3 and 4, and it's 10 percent of the**
15 **common facilities.**

16 Q. Okay.

17 Are there facilities in 3 and 4 that are not
18 common facilities?

19 **A. Sorry. Common to 1, 2, 3 and 4, so common to**
20 **the --**

21 Q. Oh, okay, the entire -- I thought they were
22 common to the individual owners.

23 **A. No.**

24 Q. Okay.

25 So it's common to the facilities and the

1 owners?

2 **A. Yes.**

3 **CHAIRMAN DANNER: All right. Thank you**
4 **very much.**

5 **JUDGE FRIEDLANDER: Any other bench**
6 **questions?**

7 **Okay. Thank you.**

8 **So Mr. Meyer, if you could get that sooner**
9 **rather than later, it would be great, but no later**
10 **than within a week.**

11 **MR. MEYER: Yes, we will do that. And**
12 **we're just looking now to see whether we don't have**
13 **something in an existing DR response that spells this**
14 **out more now that we can also have you introduce in**
15 **the record.**

16 **JUDGE FRIEDLANDER: Okay.**

17 **MR. MEYER: But -- we do have a very**
18 **detailed list in another DR. If we entered that in**
19 **the record as an exhibit, you'll have a lot of detail**
20 **there if that helps.**

21 **CHAIRMAN DANNER: Well, that would**
22 **certainly help if it answers the questions I had about**
23 **what does the category Sustenance mean.**

24 **MR. MEYER: It goes well beyond that.**
25 **Maybe it does too much.**

1 CHAIRMAN DANNER: I think that would be
2 satisfactory. Thank you.

3 JUDGE FRIEDLANDER: So then it wouldn't be
4 BR-6, I believe it would be under Mr. Kinney, so
5 whichever exhibit we left off with for Mr. Kinney.

6 MR. MEYER: Yeah.

7 JUDGE FRIEDLANDER: That sounds good.

8 MR. MEYER: Okay.

9 JUDGE FRIEDLANDER: All right. Thank you.
10 And with that, I believe you're excused.

11 Thank you so much for your testimony.

12 THE WITNESS: Okay. Thank you.

13 JUDGE FRIEDLANDER: And the bench has no
14 questions for the cost of capital panel, and parties
15 have waived cross, so I believe we're moving into
16 Staff's witnesses with Mr. Hancock.

17 Is this Mr. Casey who will be introducing
18 Mr. Hancock or --

19 Thank you. Thank you, Mr. Beattie.

20 MR. CASEY: And just before we start with
21 Mr. Hancock, will the parties have an opportunity to
22 see what DR Avista is talking about and --

23 MR. MEYER: Sure. It is DR -- it was
24 Staff 278, so you can pull it up on your system. It
25 is a confidential one, but you'll have it in your

DIRECT EXAMINATION BY MR. BEATTIE / HANCOCK237

1 system. Okay?

2

3 CHRISTOPHER S. HANCOCK, witness herein, having been

4 first duly sworn on oath,

5 was examined and testified

6 as follows:

7

8 JUDGE FRIEDLANDER: Thank you. You can be

9 seated.

10 MR. BEATTIE: Thank you, Judge.

11 Julian Beattie, B-E-A-T-T-I-E, Office of
12 the Attorney General on behalf of Commission staff.

13 DIRECT EXAMINATION

14 BY MR. BEATTIE:

15 Q. Good afternoon, Mr. Hancock.

16 **A. Good afternoon.**

17 Q. Please state your name and spell your last
18 name for the record.

19 **A. Christopher Hancock, last name is**

20 **H-A-N-C-O-C-K.**

21 Q. And you're here on behalf of Commission
22 staff. What's your position?

23 **A. I'm a regulatory analyst.**

24 Q. Did you sponsor what's been admitted as
25 CSH-1T (Revised), with Exhibits CSH-2 (Revised),

DIRECT EXAMINATION BY MR. BEATTIE / HANCOCK238

1 Exhibits -3 through -6 and CSH-7T?

2 **A. Yes.**

3 Q. I understand you have a correction in your
4 initial testimony on page 46.

5 **A. That's correct.**

6 Q. So if you could please turn there and give
7 the room a chance to arrive at that location as well.

8 **A. The revisions I have are in the table titled**
9 **Proposed Revenue Requirement Increases-Natural Gas.**
10 **I'll be correcting three figures on the line for**
11 **Staff. The figure 1,215 should be changed to 1,107;**
12 **the figure 2,701 should be changed to 2,698; and the**
13 **figure for year three, 2,788, should be changed to**
14 **2,784.**

15 **CHAIRMAN DANNER: Mr. Hancock, can you**
16 **give me year two again?**

17 THE WITNESS: Yes, sir. Year two should
18 be changed to 2,698.

19 CHAIRMAN DANNER: Thank you.

20 BY MR. BEATTIE:

21 Q. Thank you, Mr. Hancock.

22 Now, these figures are also in your Exhibit
23 CSH-3, calculation of year two and three revenue
24 increases for natural gas. I do believe that the
25 figures in that exhibit are correct. Do you agree?

CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 239

1 **A. I'm making sure that I have the -- I believe**
2 **that's correct, yes.**

3 Q. Do you have any other corrections to your
4 testimony or exhibits?

5 **A. No, I do not.**

6 Q. Do you adopt the remainder of your answers as
7 given as though you were repeating them here today?

8 **A. Yes.**

9 MR. BEATTIE: Thank you. Mr. Hancock is
10 available.

11 JUDGE FRIEDLANDER: Thank you.

12 Mr. Meyer?

13 MR. MEYER: You know, I may have none. If
14 I might go last.

15 JUDGE FRIEDLANDER: All right.

16 MR. MEYER: And I can determine that.
17 Thank you.

18 JUDGE FRIEDLANDER: That's fine.

19 Ms. Gafken?

20 MS. GAFKEN: I guess I'll lead the way,
21 then.

22 CROSS-EXAMINATION

23 BY MS. GAFKEN:

24 Q. Good afternoon, Mr. Hancock.

25 **A. Good afternoon.**

CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 240

1 Q. Would you agree that the rate increases in
2 years two and three of Staff's proposed rate plan
3 include escalated amounts associated with utility rate
4 base?

5 **A. Yes.**

6 Q. And the escalated amounts are calculated
7 based on escalation rates and trending analysis; is
8 that correct?

9 **A. The overall revenue escalator contains some**
10 **components that are based on historical rates of**
11 **growth, but the component related to net plant does**
12 **not, or is not predicated on historical rates of**
13 **growth.**

14 Q. What is it predicated on?

15 **A. Staff adopts the same rate of net plant growth**
16 **in its rate plan model that the Company uses in its**
17 **rate plan model.**

18 Q. The escalated amounts associated with the
19 rate base are not tied to a specific plant, though, is
20 it?

21 **A. No, they're not.**

22 Q. Switching gears, to determine rate base
23 balances, the Commission generally uses average of
24 monthly averages, correct?

25 **A. Yes.**

CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 241

1 Q. However, the end-of-period rate base
2 methodology is also sometimes used by the Commission,
3 correct?

4 **A. Yes.**

5 Q. The end-of-period rate base is used as a tool
6 sometimes to address regulatory lag; is that correct?

7 **A. That's one of the -- yes.**

8 Q. In this case, Staff is not advocating use of
9 end-of-period rate base in rate cases forevermore,
10 correct?

11 **A. Correct. The Commission should exercise its**
12 **considerable judgment on when end-of-period rate base**
13 **should be used and when it should not be used.**

14 Q. Staff's position is that the rate plan
15 proposed in your testimony is not based on attrition;
16 is that accurate?

17 **A. That's correct.**

18 Q. The escalation rates are only applied to
19 years two and three of the rate plan, but not to year
20 one, correct?

21 **A. Correct. Staff starts with a modified**
22 **historical test year with limited pro forma**
23 **adjustments, and that establishes the year one revenue**
24 **requirement. And then the escalation rates are then**
25 **applied to the year one to develop year two and apply**

CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 242

1 to year two to develop year three.

2 Q. Is it true that because the escalation rates
3 were not applied to determine rates in year one,
4 Staff's position is that the analysis used to
5 determine rates under the proposed rate plan are not
6 based on attrition? Is the difference application to
7 year one?

8 **A. I'm sorry. Could you restate the question?**

9 Q. Sure.

10 Is it true that because the escalation rates
11 were not applied to determine rates in year one,
12 Staff's position is that the analysis used to
13 determine rates under the proposed rate plan is not
14 based on attrition?

15 **A. That's correct. I wouldn't characterize**
16 **Staff's case as having any attrition adjustments.**

17 Q. But mechanically, the analysis is similar to
18 an attrition adjustment, isn't it, the analysis that
19 was done in this case versus what Staff would call an
20 attrition adjustment?

21 **A. I would dispute that. An attrition -- in an**
22 **attrition case, what we've done in the recent past is**
23 **find whether there would be a shortfall or not for the**
24 **rate year, for the first year of rates in this case**
25 **using an attrition study. And if there was a**

CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 243

1 short- -- a significant shortfall between the revenue
2 requirement produced by a modified historical test
3 year with limited pro forma adjustments and what the
4 attrition study produced, then the gap between the two
5 would be fulfilled by an attrition adjustment of equal
6 size.

7 But that's not what's happening in Staff's
8 rate plan. There's no adjustment to the year one
9 rates. There's simply the year one rates that are
10 produced by modified historical test year.

11 Q. In your opinion, a multiyear rate plan would
12 reduce continuous rate cases filed by the utility,
13 correct?

14 **A. Yes.**

15 Q. Would you agree that establishing a multiyear
16 rate plan would not eliminate Avista's ability to file
17 for relief during the effective period of the rate
18 plan?

19 **A. So I understand, your question is whether I**
20 **believe the Company would be prohibited from filing**
21 **for rate changes during the course of the rate plan?**

22 Q. That's a fair restatement.

23 **A. Yes. The rate plan would be established with**
24 **the understanding that there would be no opportunity**
25 **to petition for a rate change during the period of the**

CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 244

1 rate plan.

2 Q. But the utility isn't actually prohibited,
3 are they, from filing a new rate case during that time
4 period?

5 **A. I think that's getting into legal matters that**
6 **I don't have an appreciation of.**

7 Q. Okay.

8 MR. MEYER: May I just interject here,
9 because I was frankly confused by the colloquy back
10 and forth. I just want to make sure the record is
11 clear about what the Company is proposing, because I
12 thought the question was asked whether the Company --
13 and this was asked of a previous witness, Ms. Andrews,
14 I believe, too.

15 Can -- during this three-year rate plan,
16 okay, it will expire at some point in 2020 after it
17 runs its course. Now, what will take its place when
18 it runs its course, well, maybe there will be another
19 filing that would be effective then after it runs its
20 course, and can the Company file in advance to make
21 sure that other filing is -- becomes effective after
22 the three-year plan.

23 Is that --

24 MS. GAFKEN: That's not what I was asking.

25 MR. MEYER: I just want to make sure the

CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 245

1 record is clear about whether we're forever foreclosed
2 during the back-end of this three-year rate plan for
3 making another filing, not to become effective until
4 after the three-year period elapses, just so the
5 record is clear. Okay?

6 JUDGE FRIEDLANDER: Thank you.

7 Did you -- I'm sorry, Mr. Hancock.

8 THE WITNESS: Go ahead, Judge. I'm sorry.

9 JUDGE FRIEDLANDER: I was just going to
10 say that if you would want to rephrase, Ms. Gafken,
11 then I would allow it.

12 MS. GAFKEN: I thought the questioning and
13 answering was clear, but -- and if Mr. Meyers [sic]
14 has a different argument, he's free to make that on
15 brief.

16 JUDGE FRIEDLANDER: That's fine.

17 MS. GAFKEN: But for my purposes, the
18 questioning and the answers received from the witness
19 were clear.

20 JUDGE FRIEDLANDER: That's fine. We'll
21 continue.

22 MS. GAFKEN: I have no further questions
23 for Mr. Hancock.

24 JUDGE FRIEDLANDER: All right. Thank you.
25 I have Mr. ffitch.

CROSS-EXAMINATION BY MR. OSHIE / HANCOCK 246

1 MR. FFITCH: Your Honor, we have no
2 questions for the witness.

3 JUDGE FRIEDLANDER: Okay. Thank you.
4 Mr. Oshie?

5 MR. OSHIE: Thank you, your Honor.

6 CROSS-EXAMINATION

7 BY MR. OSHIE:

8 Q. Good afternoon, Mr. Hancock.

9 **A. Good afternoon.**

10 Q. So do you agree with Ms. Scanlan that, as a
11 practice, the Commission uses a modified historical
12 test year with limited pro forma adjustments to set
13 rates?

14 **A. Yes.**

15 Q. Do you also agree with Ms. Scanlan that the
16 modified historical test year methodology starts with
17 actual historical test year results?

18 **A. Yes.**

19 Q. And would you also agree with her that pro
20 forma adjustments to the modified historical test year
21 are not intended to capture costs to be incurred in
22 the rate year?

23 **A. I'm sorry. Can you say the question again?**

24 Q. And you would agree with her that pro forma
25 adjustments to the modified historical test year are

1 not intended to capture costs to be incurred in the
2 rate year?

3 **A. You make the pro forma adjustments to better**
4 **reflect what you can confidently attest to what the**
5 **conditions will be in the rate year.**

6 Q. So it's for the purpose of setting rates
7 effective during the rate year?

8 **A. Yes.**

9 Q. Okay.

10 And do you also agree with Ms. Scanlan that
11 pro forma adjustments to test year results are
12 intended to capture known and measurable changes
13 occurring during the test year?

14 **A. One more time with the question. I'm sorry.**

15 Q. Certainly.

16 And this is in her testimony, KBS-1T, page
17 10, 15 through 20 lines, but there she says -- and
18 this is the question: Do you agree that pro forma
19 adjustments to test year results are intended to
20 capture known and measurable changes occurring during
21 the test year?

22 **A. I would say that a pro forma adjustment to the**
23 **test year is intended to capture changes that have**
24 **occurred since the test year.**

25 Q. And do you agree that those changes have to

CROSS-EXAMINATION BY MR. OSHIE / HANCOCK 248

1 be known and measurable before they would be pro
2 formed into a recommendation for a revenue
3 requirement?

4 **A. Yes.**

5 Q. Thank you.

6 And would you agree that the application of
7 the known and measurable rule requires that the total
8 final costs included in a pro forma adjustment be
9 measurable?

10 **A. Yes.**

11 Q. And when Staff employs the use of a pro forma
12 adjustment, does it audit those costs before
13 recognizing them in that adjustment to the historical
14 test year?

15 **A. Yes.**

16 Q. Do you also agree with Ms. Scanlan that
17 forecasts generally do not qualify as pro forma
18 adjustments?

19 **A. Yes, there are some circumstances like with
20 power costs that that exception is granted.**

21 Q. Thank you.

22 And would you also agree with Ms. Scanlan
23 that rate base additions must meet the used and useful
24 standard set forth in RCW 80.04.250?

25 **A. Yes.**

CROSS-EXAMINATION BY MR. OSHIE / HANCOCK 249

1 Q. And do you agree with Ms. Scanlan that the
2 costs of pro forma plant additions must be verified by
3 Staff?

4 **A. Staff's -- I don't think that there's a**
5 **requirement that the Commission can only set rates on**
6 **figures that Staff itself has verified, but --**

7 Q. Well, these are the costs that would be
8 included in the revenue requirement that would be made
9 by Staff.

10 **A. Okay. Under that condition, yes, I agree.**

11 Q. Thank you.

12 And that the benefits of the plant addition
13 must be both demonstrated and therefore verified?

14 **A. Yes.**

15 MR. OSHIE: Thank you. No further
16 questions.

17 JUDGE FRIEDLANDER: Thank you.

18 And I believe, Mr. Stokes, that you have
19 waived?

20 MR. STOKES: We have waived, yes, your
21 Honor.

22 JUDGE FRIEDLANDER: So we are back to you,
23 Mr. Meyer.

24 MR. MEYER: Very good. Now I do have a
25 few questions.

CROSS-EXAMINATION BY MR. MEYER / HANCOCK 250

1 JUDGE FRIEDLANDER: Okay.

2 CROSS-EXAMINATION

3 BY MR. MEYER:

4 Q. So Mr. Hancock, you did testify in the
5 Company's 2016 rate case, the very last rate case
6 before this one?

7 **A. Yes.**

8 Q. Okay.

9 And in that case, and I don't have the
10 entirety of your testimony, but let me read a passage
11 from your testimony and then you're free to, you know,
12 be provided with the balance of it, but I think for
13 purposes of this question, maybe that will trigger
14 your memory.

15 In that case, you testified in your Exhibit
16 CSH-1T, page 3, lines 10 through 16 as follows: Staff
17 recommends the Commission include an attrition
18 adjustment to the modified historical test year
19 analysis based on the attrition studies I present.
20 Staff witness, Ms. Joanna Huang, presents Staff's
21 calculation of the revenue requirements for Avista's
22 electric and natural gas services, which incorporates
23 by attrition adjustment. Staff's analysis indicates
24 that, absent an attrition adjustment, Avista will
25 likely experience attrition, and that the forces

1 driving attrition are more likely than not outside of
2 the Company's control.

3 Would you accept that that's a fair reading
4 subject to check?

5 **A. Yes.**

6 MR. CASEY: Objection.

7 BY MR. MEYER:

8 Q. So in that -- in that --

9 MR. CASEY: I have an objection to the
10 question. You're asking about testimony from a prior
11 case? I think we're here to talk about testimony from
12 this case.

13 MR. MEYER: I think if you'll wait for the
14 next series of questions, it will all become clear.

15 JUDGE FRIEDLANDER: I'll allow it, and
16 please voice the objection before the witness answers.

17 Thank you.

18 Go ahead.

19 MR. MEYER: All right.

20 BY MR. MEYER:

21 Q. So that was the position of Staff in the last
22 case.

23 And do you recall that, in the last case, at
24 issue was not a three-year rate period but, rather,
25 setting rates for a prospective rate year, correct?

CROSS-EXAMINATION BY MR. MEYER / HANCOCK 252

1 **A. Correct.**

2 Q. Okay.

3 So in that case, Staff started with a pro
4 formed test period, correct?

5 **A. Correct.**

6 Q. And in this case, in order to establish year
7 one, so it's apples to apples, year one in this case,
8 Staff -- Staff, through witness Scanlan, also employed
9 a modified historical test period, correct?

10 **A. Yes.**

11 Q. Okay.

12 And in this case, witness Scanlan, in
13 modifying that historical test period, reached out and
14 captured 7 out of 121 projects that are in service in
15 2017; is that correct? Subject to check.

16 **A. As I understand it, she testified to some of**
17 **the projects. I don't know the numbers or whether or**
18 **not they're in service right now or not.**

19 Q. Okay.

20 But in this case, unlike the last case,
21 Staff's approach, would you agree, in setting year
22 one's revenue requirement starts with a very limited
23 pro forma approach and ends with a very limited pro
24 forma approach without any filling the gap with an
25 attrition adjustment; is that correct?

1 **A. Yes. For year one in this case, Staff's year**
2 **one revenue requirement recommendation is simply just**
3 **Staff's modified historical test year with limited pro**
4 **forma adjustments.**

5 Q. Okay.

6 So there wasn't any analysis to determine in
7 this case whether there was a gap that needed to be
8 filled because a modified limited pro forming did the
9 job or not, correct?

10 **A. Correct.**

11 Q. Okay.

12 So is it true that if you don't set the base
13 year, year one of the three-year plan, correctly, that
14 given how you've approached the escalation for years
15 two and three, that, by definition, you will escalate
16 from a base that is too low and years two and three
17 will correspondingly be too low as well, so you will
18 compound the problem?

19 **A. I would disagree with that.**

20 Q. Well, doesn't it follow, just as a matter of
21 math, if you got the base year wrong, years two and
22 three have to be wrong by definition with whatever
23 escalation rate you approve?

24 **A. No. I think the difference here is due to a**
25 **difference of philosophy. Last case, Staff sought an**

REDIRECT EXAMINATION BY MR. BEATTIE / HANCOC254

1 attrition adjustment in order to minimize regulatory
2 lag. In this case, Staff is recommending a three-year
3 rate plan and is attempting to harness the benefits of
4 regulatory lag for the purpose of the rate plan.

5 MR. MEYER: I have no further questions.

6 Thank you.

7 JUDGE FRIEDLANDER: Thank you.

8 Is there any redirect?

9 MR. BEATTIE: Yes.

10 REDIRECT EXAMINATION

11 BY MR. BEATTIE:

12 Q. Mr. Hancock, does Staff anticipate that
13 Avista will make plant additions during the course of
14 the three-year rate plan?

15 **A. Yes.**

16 Q. Does Staff expect that these additions will
17 provide service to customers in Washington?

18 **A. Yes.**

19 Q. Does Staff expect that these additions will
20 provide direct or indirect benefits to customers in
21 Washington?

22 **A. Yes.**

23 Q. And does Staff expect that any plant
24 additions that are made will be subject to prudence
25 review in a future rate case?

EXAMINATION BY COMMISSIONER RENDAHL / HANCOC255

1 **A. Staff makes that recommendation, yes.**

2 MR. BEATTIE: Thank you.

3 JUDGE FRIEDLANDER: Thank you.

4 Are there any bench questions or
5 Commissioner questions?

6 COMMISSIONER RENDAHL: Yes.

7 EXAMINATION

8 BY COMMISSIONER RENDAHL:

9 Q. Good afternoon, Mr. Hancock.

10 **A. Good afternoon, Commissioner Rendahl.**

11 Q. So I'd like to talk about your decoupling
12 proposal. It's on -- in CSH-1T, your response
13 testimony, at page 21, lines 15 through 20. Do you
14 have that?

15 **A. Yes, ma'am.**

16 Q. Okay. Great.

17 So in this recommendation, you propose a way
18 of calculating the decoupling soft-cap and how to --
19 how this would affect rates with the rate plan. And I
20 won't read it in here, but your language appears
21 slightly ambiguous as to how the particular rate
22 effects will come into play.

23 Can you provide a more detailed explanation
24 of your recommendation? For example, what language
25 accounts for the K factor implementation and what

1 accounts for the annual decoupling true-up?

2 **A. Certainly. What I was trying to get at here**
3 **is the -- the decoupling true-up, the shortfall or the**
4 **over-collection should first be determined and then --**
5 **then sort of set that figure aside. And then the**
6 **revenue requirement increase called for by the**
7 **composite escalation factor under a rate plan should**
8 **then be applied to the previous year's revenue**
9 **requirement. So that would create a rate increase.**
10 **And then the decoupling true-up should be applied to**
11 **that marginal rate increase to reach a final revenue**
12 **requirement figure for the -- in this case the second**
13 **year of the rate plan.**

14 Q. So you would in a sense add whatever the
15 independently determined decoupling true-up to
16 whatever the calculation would be for year two or year
17 three [sic]?

18 **A. Yes. Part of the concern here was that, as I**
19 **understand it in the PSE case, a -- the K factor in**
20 **that case would call for a revenue requirement**
21 **increase, let's say, to make it easy, 2 percent, and**
22 **that would cause a 2 percent increase in rates. And**
23 **the decoupling program that the Company was operating**
24 **under only allowed for a 3 percent rate increase year**
25 **to year. And because of the way the K factor and the**

EXAMINATION BY COMMISSIONER RENDAHL / HANCOC257

1 decoupling mechanism were designed in that case, the K
2 factor 2 percent increase sort of, air quote, ate into
3 the 3 percent cap of the decoupling restriction. So
4 the intention here is to not let the rate plan
5 interfere with the intended design of the decoupling
6 mechanism.

7 COMMISSIONER RENDAHL: Okay. I appreciate
8 your clarification. Thank you.

9 THE WITNESS: Sure.

10 JUDGE FRIEDLANDER: Thank you.

11 Any other Commissioner questions?

12 Okay. Thank you.

13 Thank you for your testimony, and you're
14 excused.

15 THE WITNESS: Thank you, Judge.

16 JUDGE FRIEDLANDER: So I have Ms. Scanlan
17 as the next witness, and cross from Avista and Public
18 Counsel. Is that still correct?

19 MS. GAFKEN: (Nods head.)

20 JUDGE FRIEDLANDER: Just while we're
21 transitioning between witnesses, I'd like to remind
22 everybody when the beep goes off to connect someone on
23 the bridge line, it is best for the court reporter if
24 you can just pause until the beep is finished. Also,
25 if you can speak slowly, that would help us out a lot.

DIRECT EXAMINATION BY MR. SHEARER / SCANLAN258

1 KATHI B. SCANLAN, witness herein, having been
2 first duly sworn on oath,
3 was examined and testified
4 as follows:

5
6 JUDGE FRIEDLANDER: Thank you. You can be
7 seated.

8 DIRECT EXAMINATION

9 BY MR. SHEARER:

10 Q. Good afternoon, Ms. Scanlan.

11 **A. Good afternoon.**

12 Q. Can you please state your name and spell your
13 last name for the record?

14 **A. Kathi Scanlan, S-C-A-N-L-A-N.**

15 Q. And are you the same Kathi Scanlan who filed
16 testimony and exhibits in this case?

17 **A. Yes.**

18 Q. Do you have any corrections or updates to
19 those -- to that testimony or those exhibits?

20 **A. No.**

21 Q. Thank you, Ms. Scanlan.

22 MR. SHEARER: The witness is ready for
23 cross, your Honor.

24 JUDGE FRIEDLANDER: Thank you.

25 Mr. Meyer?

CROSS-EXAMINATION BY MS. GAFKEN / SCANLAN 259

1 MR. MEYER: We do not have any cross.

2 Thank you.

3 JUDGE FRIEDLANDER: Oh, all right. Thank
4 you.

5 And Ms. Gafken?

6 MS. GAFKEN: I have a tiny bit of cross.

7 JUDGE FRIEDLANDER: Okay. Thank you.

8 CROSS-EXAMINATION

9 BY MS. GAFKEN:

10 Q. Good afternoon, Ms. Scanlan.

11 **A. Good afternoon.**

12 Q. Would you please turn to your testimony,
13 Exhibit KBS-1T, page 16, and starting on line 11 and
14 going on to page 17, line 21. This is the section of
15 your testimony that discusses the end-of-period rate
16 base, correct?

17 **A. The EOP adjustment, correct.**

18 Q. And EOP is end-of-period?

19 **A. Yes.**

20 Q. Okay. I tend to try to stay away from the
21 acronyms.

22 But you testified that Staff does not support
23 including expense adjustments in an end-of-period rate
24 base adjustment because doing so would distort test
25 year relationships, correct?

CROSS-EXAMINATION BY MS. GAFKEN / SCANLAN 260

1 **A. Correct.**

2 Q. From Staff's perspective, the reason behind
3 the distortion is that the expenses associated with
4 the higher plant balances would be included without
5 also capturing the offsetting revenues associated with
6 the plant, correct?

7 **A. Yes.**

8 Q. Does Staff include an adjustment to capture
9 the offsetting revenue associated with the additional
10 plant included in the end-of-period rate base
11 adjustment?

12 **A. No, it does not.**

13 Q. Are you familiar with the matching principle?

14 **A. I am.**

15 Q. Would the matching principle be satisfied if
16 the end-of-period expenses and revenues were included
17 along with the end-of-period adjustment to rate base?

18 **A. Yes, considering that all expenses and all
19 revenues and load were known.**

20 Q. Without adjusting for end-of-period expenses
21 and revenues, an end-of-period rate base adjustment
22 would violate the matching principle, wouldn't it?

23 **A. Could you rephrase?**

24 Q. Sure.

25 Without adjusting for end-of-period expenses

EXAMINATION BY COMMISSIONER BALASBAS / SCANLA261

1 and revenues, an end-of-period rate base adjustment
2 would violate the matching principle, wouldn't it?

3 **A. It would.**

4 MS. GAFKEN: Thank you. I have no further
5 questions.

6 JUDGE FRIEDLANDER: Thank you.

7 Is there any redirect?

8 MR. SHEARER: No, your Honor.

9 JUDGE FRIEDLANDER: Okay.

10 And Commissioner questions?

11 COMMISSIONER BALASBAS: I have one.

12 JUDGE FRIEDLANDER: Okay.

13 EXAMINATION

14 BY COMMISSIONER BALASBAS:

15 Q. Good afternoon, Ms. Scanlan.

16 **A. Good afternoon.**

17 Q. In your testimony, you noted that the
18 August 31st, 2017, point was appropriate from Staff's
19 perspective for a cut-off in part due to the timing of
20 when testimony was due and also at the procedural
21 schedule of this rate case.

22 My question is, is had Staff had more time,
23 would you have extended that cut-off point for your
24 review of capital projects?

25 **A. Um, you know, our review is based on the time**

EXAMINATION BY COMMISSIONER BALASBAS / SCANLA262

1 of filing, when we get the data from the Company, and
2 there is a time lag from getting the actual transfers
3 to plant. So in line with that, had we had more time,
4 we could review potentially, yes.

5 Q. And if you had had more time, as a
6 hypothetical, what would be maybe a time in terms of
7 an additional amount of time that you would consider
8 transfers to plant for capital additions?

9 **A. Sorry. Can you re- --**

10 Q. So, for instance, if you -- for example, if
11 you had, say, an additional two months of time to
12 review the Company's filing, how much further would
13 you have gone out in terms of your ending point for
14 review of those projects?

15 **A. In terms of when testimony is due, we try --**
16 **right before -- when I get the actual transfers to**
17 **plant, you can go out those two months --**

18 Q. Okay.

19 **A. -- hypothetically.**

20 **COMMISSIONER BALASBAS: Okay. Thank you.**

21 **JUDGE FRIEDLANDER: Thank you. All right.**

22 MR. MEYER: May I? That just triggered --
23 may I?

24 JUDGE FRIEDLANDER: With Staff's
25 cooperation, if Staff is all right with it.

EXAMINATION BY COMMISSIONER BALASBAS / SCANLA263

1 MR. MEYER: I just had a trigger off of a
2 Commissioner question. That's all.

3 MR. CASEY: I would prefer not.

4 JUDGE FRIEDLANDER: I think I'm going to
5 have to say no on that one.

6 MR. MEYER: Okay.

7 JUDGE FRIEDLANDER: Yeah.

8 MR. MEYER: All right.

9 JUDGE FRIEDLANDER: Thank you. Thank you.
10 So with that, the witness is excused.
11 Thank you so much.

12 I have for Ms. Snyder questions, cross
13 from Public Counsel, The Energy Project and ICNU. Is
14 that still correct?

15 MS. GAFKEN: It is for Public Counsel.

16 MR. OSHIE: Yes, your Honor.

17 JUDGE FRIEDLANDER: All right. Thank you.

18
19 JENNIFER E. SNYDER, witness herein, having been
20 first duly sworn on oath,
21 was examined and testified
22 as follows:
23

24 JUDGE FRIEDLANDER: Thank you. You can be
25 seated.

DIRECT EXAMINATION BY MR. O'CONNELL / SNYDER264

1 THE WITNESS: Thank you.

2 MR. O'CONNELL: Thank you, your Honor.

3 Andrew J. O'Connell on behalf of Commission staff.

4 DIRECT EXAMINATION

5 BY MR. O'CONNELL:

6 Q. Ms. Snyder, will you please state your name
7 and spell it for the record?

8 **A. Jennifer Snyder, S-N-Y-D-E-R.**

9 Q. And who is your employer and what is your
10 position?

11 **A. I am employed at the Utilities and
12 Transportation Commission as a regulatory analyst.**

13 Q. Are you the same person who filed testimony
14 in this case?

15 **A. I am.**

16 Q. Now, I understand that you have a minor
17 correction to your testimony; is that correct?

18 **A. I do. In JES-1T on page 21, in the footnotes
19 I refer to page 36 and page 71 of Exhibit JES-11.
20 That should be page 35 and page 70 respectively.**

21 Q. Now, is that footnote 30 at the bottom of
22 page 21?

23 **A. Footnote 30 and 31.**

24 Q. Do you have any other corrections to your
25 testimony?

1 **A. No, I do not.**

2 MR. O'CONNELL: Ms. Snyder is available
3 for cross-examination and questions from the bench,
4 your Honor.

5 JUDGE FRIEDLANDER: Thank you.

6 So we'll begin with Ms. Gafken.

7 CROSS-EXAMINATION

8 BY MS. GAFKEN:

9 Q. Good afternoon, Ms. Snyder.

10 **A. Good afternoon.**

11 Q. Would you agree that the LEAP program is
12 designed to extend natural gas infrastructure and
13 expand Avista's natural gas service territory?

14 **A. I would, yes.**

15 Q. And this expansion of the natural gas
16 infrastructure is not limited to Avista's electric
17 service territory; is that correct?

18 **A. I believe that the LEAP program itself is --**
19 **the extra allowance piece of that is available only to**
20 **existing electric customers.**

21 Q. Isn't that true for the fuel conversion
22 program but not the LEAP program?

23 **A. So looking at their tariff, it says for**
24 **existing single-family residential Schedule 101**
25 **customers. I believe that limits it to current**

CROSS-EXAMINATION BY MS. GAFKEN / SNYDER 266

1 electric customers.

2 Q. But wasn't one of Staff's concerns that the
3 incentive programs offered by Avista, and I thought
4 that included LEAP, would benefit non-electric
5 customers?

6 **A. So Staff's concerns -- I think you mean**
7 **outside of Avista's electric service territory?**

8 Q. Correct.

9 **A. Staff's concerns are more about the -- when it**
10 **comes to outside the service territory, I think they**
11 **have the regular line extension program and the**
12 **natural gas DSM program available to customers who**
13 **switch over. And Staff's concerns there are more**
14 **about the implication of the multiple incentives**
15 **rather than the direct incentive availability.**

16 Q. The rebates under the fuel conversion program
17 were increased in 2014, correct?

18 **A. I believe so.**

19 Q. And LEAP was established in 2016?

20 **A. Once again, I believe so.**

21 Q. Avista also has rebates related to
22 high-efficiency appliances in addition to the rebates
23 available under LEAP and the fuel conversion program,
24 correct?

25 **A. Correct.**

CROSS-EXAMINATION BY MS. GAFKEN / SNYDER 267

1 Q. And customers qualify for the appliance
2 rebate only if they acquire high-efficiency
3 appliances, correct?

4 **A. Do you mean by appliance rebate -- there's**
5 **several different types of appliance rebates. Do you**
6 **mean the appliance rebate through the gas DSM program?**

7 Q. I believe so. And I was just looking to see
8 if I had the quote. There's a chart in your Exhibit
9 JES-1T, page 14, that lists a number of the rebates.

10 **A. So when you're referring to the appliance**
11 **rebates, are you referring specifically to the natural**
12 **gas DSM high-efficiency natural gas/boiler and natural**
13 **gas tankless water heater that I have listed there?**

14 Q. Yes.

15 **A. Yes. So those are both through the gas DSM**
16 **rider.**

17 **Could you restate the question one more time?**

18 Q. Yes.

19 So my question was, the customers qualify for
20 the appliance rebates listed in your chart there only
21 if they acquire high-efficiency appliances, not just
22 natural gas appliances, correct?

23 **A. Correct. I think all incentives that I**
24 **discuss in my testimony require high-efficiency**
25 **appliances with the exception of the residential fuel**

CROSS-EXAMINATION BY MS. GAFKEN / SNYDER 268

1 conversion program.

2 Q. Would you agree that the intent of the fuel
3 conversion program is to reduce electricity
4 consumption and transfer people to a more efficient
5 fuel source for heating?

6 **A. I believe that that is part of the intent. I**
7 **believe that throughout the history of the fuel**
8 **conversion program, it has also served as a way to**
9 **increase access to natural gas.**

10 Q. Would you agree that the intent of providing
11 rebates for high-efficiency appliances is to encourage
12 acquisition of high-efficiency appliances?

13 **A. I would.**

14 Q. Would it be fair to say that the multiple
15 programs offered by Avista are related but they don't
16 have the exact same purpose?

17 **A. They largely overlap. They are not exactly**
18 **the same, but they do benefit the same customers.**

19 Q. Would it be fair to say that the programs are
20 related but they don't do the same thing?

21 **A. I think it would be fair to say that they**
22 **don't do exactly the same thing, yes.**

23 Q. Would you please turn to Cross-Exhibit
24 JES-15X?

25 **A. This is Data Request No. 7?**

CROSS-EXAMINATION BY MR. FFITCH / SNYDER 269

1 Q. Correct.

2 **A. Yes.**

3 Q. Data Request No. 7 asked about Staff's view
4 that the fuel conversion program may distort interfuel
5 competition. Is it fair to say that more analysis is
6 needed before one can conclusively state that there's
7 distortion of interfuel competition?

8 **A. Yes. I believe Staff actually says that Staff**
9 **does not assert it has found distortion because an**
10 **analysis has not been done.**

11 MS. GAFKEN: Thank you. That concludes my
12 questions.

13 JUDGE FRIEDLANDER: Thank you.

14 We have next Mr. ffitch.

15 MR. FFITCH: Thank you, your Honor.

16 CROSS-EXAMINATION

17 BY MR. FFITCH:

18 Q. Good afternoon, Ms. Snyder.

19 **A. Good afternoon.**

20 Q. Pardon me. Can you please turn to your
21 Cross-Exhibit JES-14X.

22 **A. I'm not sure that I have that one in front of**
23 **me.**

24 Q. Perhaps your counsel can assist you with
25 that. It's Energy Project Data Request No. 4.

1 **A. I have it.**

2 Q. Thank you.

3 Now, you've testified in this case that Staff
4 sees no reason not to allow community action agencies
5 to fund low-income fuel conversion; isn't that right?

6 **A. That's correct.**

7 Q. And consistent with part B of the answer to
8 this data request, you would agree that the budget for
9 low-income fuel conversion for 2018/2019 is 296,000,
10 right?

11 **A. I would say that might be the lower end. I'm**
12 **not sure if that includes all the overhead**
13 **administration or not.**

14 Q. Okay.

15 But that is the figure that is presented in
16 Avista's biannual conservation program filing for
17 this --

18 **A. Correct.**

19 Q. -- for this function? Thank you.

20 Now, however, Staff is proposing, as I
21 understand it in this docket, that fuel conversion
22 would be funded from the LIRAP, or Low Income Rate
23 Assistance Program, tariff; isn't that correct?

24 **A. Staff has made a number of proposed options.**
25 **Staff does not have a preference about this being**

CROSS-EXAMINATION BY MR. FFITCH / SNYDER 271

1 funded through LIRAP or through weatherization.

2 Q. Okay.

3 So I -- maybe just to kind of clarify that,
4 you've identified at least two options. One is to
5 continue funding low-income fuel conversion as it is
6 currently through the conservation tariff rider --

7 **A. Correct.**

8 Q. -- or to move it over to Schedule 92/192, the
9 LIRAP tariff?

10 **A. Correct. Those are both options that we've**
11 **identified.**

12 Q. All right.

13 Would you agree that this \$296,000 budget
14 amount for low-income fuel conversion is not currently
15 included in the LIRAP budget?

16 **A. I would agree with that.**

17 Q. So that if LIRAP funding were to be for fuel
18 conversion -- pardon me. I'll start again.

19 So if low-income fuel conversion funding were
20 to be moved over to LIRAP, that would, in effect --
21 all other things being equal, that would, in effect,
22 be a \$296,000 reduction in LIRAP funding?

23 **A. If there was not funding allocated for that**
24 **purpose, then yes.**

25 Q. All right.

CROSS-EXAMINATION BY MR. OSHIE / SNYDER 272

1 So to hold LIRAP funding harmless, you would
2 have to have an increase of net LIRAP funding of
3 \$296,000, correct?

4 **A. If you were to go with that option, that is**
5 **correct.**

6 MR. FFITCH: All right. Those are all the
7 questions I have. Thank you, your Honor.

8 JUDGE FRIEDLANDER: Thank you.

9 Mr. Oshie?

10 MR. OSHIE: Thank you, your Honor.

11 CROSS-EXAMINATION

12 BY MR. OSHIE:

13 Q. Good afternoon, Ms. Snyder.

14 **A. Good afternoon.**

15 Q. I have a few questions. Let me get the mic
16 in a place where it's not going to provide feedback.

17 And going back to your rebuttal testimony,
18 cross-answering testimony, 12T, I'm not sure you'll
19 need it but it's -- that's where the questions will
20 be -- at least in part will be coming from.

21 So Staff opposes ICNU's recommendation to
22 allow Avista's Schedule 25 customers the option to
23 self-direct the implementation of conservation
24 programs; is that correct?

25 **A. Staff does not outright oppose that option.**

CROSS-EXAMINATION BY MR. OSHIE / SNYDER 273

1 Staff believes that that option should go to the
2 advisory group and be discussed there. It may or may
3 not be a good option. I don't have enough details to
4 make a recommendation.

5 Q. Do you agree that the Commission has approved
6 a self-directed program already for large user
7 customers of Puget Sound Energy?

8 **A. Yes, they have.**

9 Q. And PSE's program's tariff is Schedule 258?

10 **A. It is.**

11 Q. Are you familiar with the PSE self-directed
12 program?

13 **A. I am reasonably familiar. I believe PSE says**
14 **they won't talk about it with at least three people in**
15 **the room, so I hesitate to dive into it too deeply.**

16 Q. Well, would you agree that PSE's
17 self-directed program includes both special contract
18 customers and those customers that take service under
19 Schedules 40, 46 and 49?

20 **A. Yes.**

21 Q. And you would agree that PSE's program allows
22 Schedule 258 customers to propose measures that meet
23 the Company's cost-effectiveness standard for energy
24 efficiency or energy savings, correct?

25 **A. Yes.**

CROSS-EXAMINATION BY MR. OSHIE / SNYDER 274

1 Q. And so only cost-effective measures can be
2 funded under Schedule 258, correct?

3 **A. Correct.**

4 Q. And do you agree that funding for such
5 projects would be limited to the monies paid into the
6 program fund by Schedule 258 customers?

7 **A. Correct.**

8 Q. Would you also agree that the available
9 funding for each customer is limited to the amount of
10 contributions paid into the fund by that customer?

11 **A. That is actually incorrect.**

12 Q. Please describe how those funds are made
13 available to individual customers.

14 **A. So this program is kind of a two-phase**
15 **program. I believe it's four years where the first**
16 **two -- in the first two years, customers are limited**
17 **to their own contribution. In the second two years,**
18 **that money goes into a bucket, let's say, where those**
19 **customers can make competitive bids, and whoever -- so**
20 **with the money left over, whoever has the best, most**
21 **cost-effective projects can bid in and win that**
22 **competitive phase. Once that phase is over, any money**
23 **left over is then used for regular PSE Schedule 120**
24 **conservation funding.**

25 MR. OSHIE: I have no other questions,

REDIRECT EXAMINATION BY MR. O'CONNELL / SNYDE275

1 your Honor. Thank you.

2 JUDGE FRIEDLANDER: Thank you.

3 And redirect?

4 MR. O'CONNELL: Very briefly, your Honor.

5 REDIRECT EXAMINATION

6 BY MR. O'CONNELL:

7 Q. Ms. Snyder, in this case has ICNU proposed
8 the PSE model for the self-direct option?

9 **A. I have not seen that anywhere, no.**

10 Q. Ms. Gafken asked you a number of questions
11 about high-efficiency rebates that you presented in
12 your responsive testimony.

13 Could you turn back to page 14 of JES-1T,
14 please?

15 **A. Yes.**

16 Q. Now, considering what is high-efficiency, do
17 you know what equipment would qualify as
18 high-efficiency for purposes of these rebates?

19 **A. Offhand, I do not.**

20 Q. You responded to Mr. ffitich's question about
21 the options that are presented for low-income funding
22 of fuel conversions, and you stated that Staff doesn't
23 have a preference for the options that you have
24 identified. Does that mean that Staff would accept
25 proposals or ideas on either of those options?

EXAMINATION BY COMMISSIONER RENDAHL / SNYDER276

1 **A. Staff would accept proposals on those options**
2 **or additional options if someone else had another**
3 **idea.**

4 Q. Thank you, Ms. Snyder.

5 MR. O'CONNELL: No more questions,
6 your Honor.

7 JUDGE FRIEDLANDER: Thank you.

8 Are there any Commissioner questions?
9 Commissioner Rendahl?

10 EXAMINATION

11 BY COMMISSIONER RENDAHL:

12 Q. Good afternoon, Ms. Snyder.

13 **A. Good afternoon.**

14 Q. In your testimony you -- in JES-1T at page
15 24, lines 4 through 9, you indicate that Staff
16 supports continuing to allow the community action
17 partners to fund low-income fuel conversions when it
18 is in the best interest of the customer.

19 If the Commission were to require Avista to
20 stop funding fuel conversions through electric rates,
21 do you believe there's sufficient funding from gas
22 customers for CAP agencies to continue serving
23 low-income customers who seek electric to gas fuel
24 conversions?

25 **A. It's my understanding that there is a single**

EXAM BY CHAIR DANNER & COMM. BALASBAS / SNYDE277

1 pot of money for Avista's low-income CAP agencies to
2 use, and whether they use that for electric or gas is
3 not prescribed.

4 Q. So in the questions from Mr. ffitich, if, in
5 fact, a certain amount was devoted solely to this
6 project, then that amount would have to be increased
7 at least through LIRAP or other funding?

8 **A. Correct.**

9 **COMMISSIONER RENDAHL: Okay. Thank you.**

10 **EXAMINATION**

11 **BY CHAIRMAN DANNER:**

12 Q. So if I could just follow up on that.

13 So it would be -- he was talking about a
14 \$296,000 hit. That's, in fact, what we would see if
15 it's not replaced by another source?

16 **A. I believe so. That's the -- just the number**
17 **out of Avista's annual conservation plan of what they**
18 **spend on low-income fuel conversions currently.**

19 **CHAIRMAN DANNER: All right. Thank you.**

20 **JUDGE FRIEDLANDER: Sure.**

21 **EXAMINATION**

22 **BY COMMISSIONER BALASBAS:**

23 Q. Good afternoon, Ms. Snyder.

24 **A. Good afternoon.**

25 Q. In your testimony, we've spent some time on

1 the issue of continuing to provide fuel conversions
2 for low-income customers. Other than the
3 characteristic of the customer being low-income, why
4 does Staff believe that those fuel conversions should
5 continue to be funded by the electric conservation
6 rider?

7 **A. So it really is the income. Staff believes**
8 **that the economics of natural gas combined with the**
9 **LEAP program really provides significant incentives**
10 **for non low-income customers to switch on their own**
11 **without electric customers paying. Low-income**
12 **customers obviously do not have the same type of**
13 **ability to make up for capital costs or to finance**
14 **these types of conversion themselves.**

15 Q. So it is Staff's position, then, that support
16 from general ratepayers for fuel conversions should
17 only be provided for low-income customers and not all
18 customers?

19 **A. Correct.**

20 Q. And in your testimony, you mentioned that one
21 of your arguments as to why the fuel conversion should
22 not continue to be funded from the electric rider is
23 due to the size of the fuel conversion program from
24 the Company.

25 What is Staff's threshold, or what is too big

1 in the electric rider?

2 **A. So this is not something that Staff has**
3 **fleshed out necessarily. It actually comes from a**
4 **fairly recent-ish order for the rulemaking adoption --**
5 **I don't know the docket number right off my head --**
6 **but that there's a preference not to fund**
7 **non-conservation items from the -- a preference of the**
8 **Commission not to fund non-conservation items through**
9 **the conservation rider.**

10 **In the past we have allowed quite a few**
11 **different programs to be funded through there, but**
12 **they've always been small, not really affected**
13 **conservation rates.**

14 Q. So how did you characterize small?

15 **A. So the way I would characterize small is a**
16 **small enough percentage to not really affect that**
17 **conservation rate. This program is approaching --**
18 **it's over a quarter of the program, it's approaching**
19 **the halfway mark, depending on how you slice it.**

20 Q. So then would you argue that anything over a
21 certain percentage of the size of the program, then,
22 would be considered too big for purposes of funding in
23 the rider?

24 **A. I could argue that. I don't think Staff has**
25 **had that conversation about where that threshold would**

REDIRECT EXAMINATION BY MR. O'CONNELL / SNYDE280

1 be. But I'm sure if Staff had that conversation, we
2 could come up with a percentage that we were likely to
3 agree upon.

4 COMMISSIONER BALASBAS: Thank you.

5 JUDGE FRIEDLANDER: Thank you.

6 MR. O'CONNELL: Your Honor, can I ask
7 maybe if Ms. Snyder would remember that docket if she
8 heard it, that Mr. -- sorry -- Commissioner Balasbas
9 had inquired about?

10 JUDGE FRIEDLANDER: That's fine.

11 REDIRECT EXAMINATION

12 BY MR. O'CONNELL:

13 Q. Ms. Snyder, if you heard that docket number,
14 would it strike your memory?

15 **A. I believe it would. I had it written down**
16 **somewhere not too long ago.**

17 Q. Is it Docket 131723?

18 **A. That sounds correct.**

19 MR. O'CONNELL: Thank you, your Honor.

20 JUDGE FRIEDLANDER: What a coincidence.

21 Thank you.

22 So with that, the witness is excused.

23 Thank you so much for your testimony.

24 I believe we have three more Staff
25 witnesses, four more Staff witnesses, and we have

REDIRECT EXAMINATION BY MR. O'CONNELL / SNYDE281

1 Mr. McGuire coming up next. Do we need a break? And
2 does Avista still have questions for Mr. McGuire?

3 MR. MEYER: We do not.

4 JUDGE FRIEDLANDER: You do not. All
5 right. How about Mr. Gomez?

6 MR. MEYER: We do not.

7 JUDGE FRIEDLANDER: Well, that's quick.

8 Ms. White?

9 MR. MEYER: We do. Sorry. It's just
10 literally two questions.

11 JUDGE FRIEDLANDER: Gotcha. All right.
12 Then let's do that and we'll take a break afterwards.

13 MR. MEYER: Okay.

14 JUDGE FRIEDLANDER: And who on behalf of
15 Staff will be introducing Ms. White?

16 MR. CASEY: I can.

17 JUDGE FRIEDLANDER: All right. Thank you.

18

19 AMY I. WHITE, witness herein, having been

20 first duly sworn on oath,

21 was examined and testified

22 as follows:

23

24 JUDGE FRIEDLANDER: Thank you. You can be
25 seated.

1 DIRECT EXAMINATION

2 BY MR. CASEY:

3 Q. Ms. White, how are you employed?

4 **A. I'm a regulatory analyst employed by the**
5 **Utilities and Transportation Commission.**

6 Q. And was it in that capacity that you prepared
7 exhibits and testimony for the proceeding today?

8 **A. Yes.**

9 Q. And for the record, are those exhibits and
10 testimony AIW-1T and then AIW-2 through -7?

11 **A. Yes.**

12 Q. And do you have any changes or corrections to
13 that testimony or exhibits?

14 **A. There is one correction that the Company will**
15 **specify.**

16 Q. Okay.

17 And --

18 JUDGE FRIEDLANDER: Wait. I'm confused.
19 There's a correction that the Company will specify?

20 MR. MEYER: Excuse me.

21 JUDGE FRIEDLANDER: Sure.

22 MR. MEYER: We've discussed this with her
23 beforehand, and there are two or three agreed-upon Qs
24 and As that will clear up something.

25 JUDGE FRIEDLANDER: Okay. Okay. All

1 right. Just a little out of the ordinary to have
2 another party correcting an opposing witness's
3 testimony. But that's fine, at least agreed in a
4 sense.

5 BY MR. CASEY:

6 Q. So that aside, if you were asked the
7 questions set forth in your pre-filed testimony today,
8 would your answers be the same?

9 **A. Yes, they would be the same.**

10 MR. CASEY: Ms. White is available for
11 cross-examination and questions from the bench.

12 JUDGE FRIEDLANDER: Thank you.

13 Mr. Meyer?

14 MR. MEYER: Yes.

15 CROSS-EXAMINATION

16 BY MR. MEYER:

17 Q. Question: Ms. White, have you reviewed
18 Ms. Andrews' rebuttal testimony regarding the pro
19 forma electric property tax adjustment?

20 **A. Yes, I have done so.**

21 Q. Do you agree with her assertion that in your
22 Exhibit AIW-T [sic], double-counting of reduction to
23 Montana assessed values occurred resulting in an
24 understatement of pro forma property tax expense for
25 production-related property in Montana?

1 **A. I do agree with her testimony.**

2 Q. And lastly, do you further agree that the
3 Company's rebuttal pro forma property tax adjustment
4 is correct?

5 **A. I do agree with that, correct.**

6 MR. MEYER: Okay. Thank you. That's all
7 I have.

8 JUDGE FRIEDLANDER: Okay. Thank you.
9 I assume there's no redirect?

10 MR. CASEY: No, your Honor. Thank you.

11 JUDGE FRIEDLANDER: Thank you.

12 And any questions from the commissioners?

13 Thank you.

14 EXAMINATION

15 BY CHAIRMAN DANNER:

16 Q. So wait a minute. Just so I'm clear, are
17 there any changes that we need to make to your
18 testimony, or how do we --

19 **A. For the matter of the pro forma electric**
20 **expense, the Company's amount is correct. And I don't**
21 **have that amount right at my --**

22 EXAMINATION

23 BY COMMISSIONER RENDAHL:

24 Q. So just to clarify, if you look at page 4 of
25 your testimony --

1 **A. Page 4, yes.**

2 Q. -- it seems to reflect this issue.

3 **A. It does.**

4 Q. So there would be -- so instead of looking at
5 the numbers that you include on page 6 and 16 and
6 17 -- or I guess it would be -- you say it's for
7 electric, so the 573,000 would not be correct, and we
8 would have to look to Ms. Andrews' testimony for that
9 amount?

10 **A. Yeah, the Montana amount is updated to -- the**
11 **Montana amount is updated to 10 -- it's \$10,710, I**
12 **believe it is. Oh, golly.**

13 Q. I guess the only question I'm asking is that
14 \$573,000 amount on line 16 would be modified to
15 reflect this change from Ms. Andrews' testimony?

16 **A. Correct.**

17 **COMMISSIONER RENDAHL: Okay. Thank you.**

18 **CHAIRMAN DANNER: That's all I need.**

19 **Thank you.**

20 **JUDGE FRIEDLANDER: Thank you.**

21 **And with that, the witness is excused.**

22 **Thank you for your testimony.**

23 **All right. 10, 15? 15? All right.**

24 **We'll say 15 and be back at 3:10. And we're off the**
25 **record.**

1 (A break was taken from
2 2:53 p.m. to 3:14 p.m.)

3 JUDGE FRIEDLANDER: All right. Then we'll
4 be on the record. And I believe Ms. O'Connell is the
5 next witness.

6 And before we begin with that, though, I
7 should say Mr. Meyer has an update on that information
8 regarding the definition of Sustenance in the Colstrip
9 Units 3 and 4 projects.

10 MR. MEYER: I do. I think there are two
11 pieces of information that would be responsive, one of
12 which is already in the record, and it is a
13 confidential exhibit, KBS-11C. And that has a
14 detailed -- and it's a Kathi Scanlan exhibit, of
15 course, and it has a detailed listing of Colstrip
16 expenditure items.

17 That, however, does not answer the Chair's
18 questions specifically about what -- what do you mean
19 by sustenance. So in that regard, we will be happy to
20 answer Bench Request No. 6, do so by Friday, defining
21 the term "Sustenance" as we've used it.

22 Is that fair?

23 CHAIRMAN DANNER: Yeah. Actually, I
24 think, insofar as they are four categories, you might
25 give definitions just in case the obvious English

1 language definition is not precise.

2 MR. MEYER: Okay. We'll do that. Thank
3 you.

4 JUDGE FRIEDLANDER: All right. Thank you.

5 And so is it Ms. Cameron-Rulkowski who
6 will be -- Mr. Casey, you look like you have a
7 question.

8 MR. CASEY: I was just wondering which
9 Staff witness, because we had passed over -- do you
10 want to do Mr. Gomez now or do you want to do
11 Ms. O'Connell now?

12 JUDGE FRIEDLANDER: I was planning on
13 calling or having Staff call Ms. O'Connell, but we can
14 certainly go with Mr. Gomez. If he's available right
15 now, we can call him up to the stand.

16 MR. CASEY: Okay.

17

18 DAVID C. GOMEZ, witness herein, having been
19 first duly sworn on oath,
20 was examined and testified
21 as follows:

22

23 JUDGE FRIEDLANDER: Thank you. You can be
24 seated.

25 ///

1 DIRECT EXAMINATION

2 BY MS. CAMERON-RULKOWSKI:

3 Q. Good afternoon, Mr. Gomez.

4 **A. Good afternoon.**

5 Q. Please state your name for the record.

6 **A. David Carlos Gomez.**

7 Q. Where are you employed?

8 **A. Utilities and Transportation Commission, State**
9 **of Washington.**

10 Q. What position do you hold with the
11 Commission?

12 **A. I'm assistant power supply manager. That's**
13 **it.**

14 Q. Are you the same Mr. Gomez who authored
15 pre-filed responsive testimony on behalf of Staff?

16 **A. Yes, I am.**

17 Q. I would ask you to please direct your
18 attention to Exhibits CRM-1T through C -- I'm sorry --
19 Exhibits DCG-1CT through DCG-16?

20 **A. Yes.**

21 Q. Do these documents constitute the testimony
22 and supporting exhibits that you prepared on behalf of
23 Staff in response to Avista's pre-filed direct
24 testimony?

25 **A. They do.**

EXAMINATION BY COMMISSIONER BALASBAS / GOMEZ289

1 Q. Are there any corrections that need to be
2 made to these documents?

3 **A. No, there are not.**

4 Q. If I asked you the questions in your
5 testimony today, would your answers be the same?

6 **A. Yes.**

7 MS. CAMERON-RULKOWSKI: Mr. Gomez is
8 available for cross-examination and questions from the
9 bench.

10 JUDGE FRIEDLANDER: Thank you.

11 And I believe all the parties have waived
12 cross, so we will go right into Commissioner
13 questions.

14 EXAMINATION

15 BY COMMISSIONER BALASBAS:

16 Q. Good afternoon, Mr. Gomez.

17 **A. Good afternoon, Commissioner.**

18 Q. In your testimony, you meant -- and I want to
19 ask you some questions along the lines that I asked
20 Mr. Johnson from the Company this morning regarding
21 the power cost baseline and the ERM.

22 Starting with the power cost baseline, would
23 you -- would you agree that the Company has changed
24 its baseline too frequently?

25 **A. Yes.**

EXAMINATION BY COMMISSIONER BALASBAS / GOMEZ290

1 Q. Why?

2 **A. Well, I think it's borne out by the credit**
3 **deferral balances. One only need to look at the most**
4 **recent rejected case to see that the proposed increase**
5 **not happening has not resulted in any kind of harm to**
6 **the Company. It has, in fact, continued to result in**
7 **credit deferral balances, although this year it will**
8 **be well within the deadband.**

9 Q. Do you believe that the -- do you believe
10 that the frequent changing of the baseline has
11 rendered or created problems for how the ERM is
12 supposed to work?

13 **A. Yes.**

14 Q. Would you agree that it might be time to
15 think about starting over with the ERM?

16 **A. Not with the ERM mechanism itself; the**
17 **problems are with the Company's forecasts. The ERM**
18 **mechanism itself, I believe, is still valid and still**
19 **a good tool.**

20 Q. So you believe the way the mechanism is
21 constructed with the deadbands and the sharing
22 mechanisms is still valid?

23 **A. Yes.**

24 Q. So then would you argue that it may be time
25 to zero it out and start using it again as it was

1 intended?

2 **A. Well, I think that the mechanism is able to do**
3 **that now without any modifications or changes. Again,**
4 **we simply need to address the Company's power cost**
5 **forecasting, which is, I think, at the heart of the**
6 **problem.**

7 Q. And my last question is, back to the power
8 cost baseline, what do you believe is an appropriate
9 frequency for changing the power cost baseline?

10 **A. I believe that the baseline will tell us when**
11 **it's time. The mechanism itself will indicate, I**
12 **believe, when there's changes. And the Company is in**
13 **the best position, because it understands its system,**
14 **to be able to accurately look into the future and do**
15 **that, and I think the Company is capable. The problem**
16 **is that the Company's approach and methodology is**
17 **fundamentally flawed and, hence, why we're getting**
18 **inaccurate results, and why the performance of the ERM**
19 **is inconsistent with the intent that the Commission**
20 **had implemented with the ERM to begin with.**

21 **COMMISSIONER BALASBAS: Thank you.**

22 **JUDGE FRIEDLANDER: Thank you.**

23 **And did Commission staff -- oh, I'm sorry.**

24 **Commissioner Rendahl?**

25 **///**

EXAMINATION BY COMMISSIONER RENDAHL / GOMEZ292

1 EXAMINATION

2 BY COMMISSIONER RENDAHL:

3 Q. I just have another question, but on an
4 unrelated issue, somewhat unrelated.

5 So in his rebuttal testimony, Mr. Kalich
6 argues that you and the other intervening witnesses
7 had adequate training and access to operate the Aurora
8 model and produce your own power cost models.

9 Do you agree with that assessment?

10 **A. I agree with that assessment, but there's**
11 **certainly a reason why we didn't run the model, or at**
12 **least why I didn't choose to run the model.**

13 Q. So what prevented you, or why did you choose
14 not to operate the model?

15 **A. Well, I think that, in looking at the model,**
16 **the basic fundamental inputs and variables, the model**
17 **itself is -- has so many changes that are undocumented**
18 **and problems with it that any result or any alternate**
19 **revenue requirement or power cost baseline number that**
20 **Staff would create would probably be inaccurate also.**

21 **So rather than perpetuate inaccurate forecasts**
22 **by offering an alternative, I think that the**
23 **recommendation Commission staff has made, which is to**
24 **leave the baseline alone, is probably the safest, and**
25 **that considering where the ERM baseline currently is**

EXAMINATION BY COMMISSIONER RENDAHL / GOMEZ293

1 and where the credit deferral balances are and where
2 we're going to finish this year.

3 Q. So if the -- you believe the Aurora model is
4 flawed and we should --

5 **A. Not the Aurora model; the way the Company's**
6 **using it. Excuse me, Commissioner.**

7 Q. Thank you for clarifying.

8 And you ask us to keep the baseline as it is
9 with no update. What do you recommend we do going
10 forward in terms of how the Company is using the
11 Aurora model? How do we address this going forward so
12 this isn't a recurring issue in rate cases?

13 **A. Well, the first thing is that the Company**
14 **actually has to use the model. I think, in reading**
15 **Ms. Wilson's testimony and my observation also, you**
16 **will find, is that the Company uses the model to**
17 **extrapolate a result based on a target value or a**
18 **target price in the market.**

19 **And so it -- if you look at the data requests**
20 **that I've included as exhibits in my testimony, you**
21 **will see that the Company even says that the values**
22 **within the model don't matter because we're shaping**
23 **the model to the external forecasts of quarterly Mid-C**
24 **power costs.**

25 **So what the Company needs to do is to bring**

1 all of the calculations within the model, explain its
2 adjustments, what it's doing within the model so that
3 Staff can follow.

4 Mr. Kalich likes to reference the past
5 agreements and what was agreed to, but those were all
6 in settlement, and there's not any information or
7 background for current staff to look at the current
8 situation we have with the growth of credit deferral
9 balances and do something about it.

10 So the move for -- the Company is the one that
11 owns moving forward, and it knows what it needs to do,
12 and then Staff can audit those values and offer a
13 recommendation to the Commission.

14 COMMISSIONER RENDAHL: Okay. Thank you.

15 EXAMINATION

16 BY CHAIRMAN DANNER:

17 Q. So Mr. Gomez, did you communicate -- before
18 the filing of this rate case, have you communicated
19 with the Company your problems either with the Aurora
20 model itself or how the Company's using it?

21 **A. Well, if you -- if you recall, or if you'll**
22 **look, Commissioner, you'll see that we had to request**
23 **supplemental testimony. The Company had filed in its**
24 **initial filing verbatim testimony from a power cost**
25 **standpoint that it filed for years.**

1 So in looking at that, and considering myself
2 looking back in the '16 case that had been rejected,
3 Staff endeavored to do a very thorough examination in
4 this case in order to offer its recommendation to the
5 Commission.

6 Q. Okay.

7 But in terms of communication to the Company
8 before this rate case was filed, there had been no
9 communication with them that we think either this --
10 either the Aurora model itself or the Company's
11 implementation of it was -- was sort of flawed
12 generically, that they weren't using it right or that
13 the model itself was flawed?

14 **A. Well, there's been very little time where**
15 **we've not been litigants, where we're not -- we've had**
16 **back-to-back, year-to-year rate cases, and when the**
17 **cases finish, we usually have something else to do.**

18 **And the Company in this case, the reason why**
19 **Staff said we're going to look at things a lot closer,**
20 **or we want to look at things a lot closer with regards**
21 **to the modeling is the Commission's decision to reject**
22 **the last case. And we were concerned you were going**
23 **to do -- going to accept verbatim testimony from the**
24 **Company and then, you know, say everything looks good**
25 **and then go forward with the Company's recommendation**

1 and then just have the credit deferral problem grow
2 even larger.

3 Q. Okay.

4 **A. So the answer is no.**

5 Q. Yeah. Thank you.

6 **A. I know it took a while. Forgive me,
7 Commissioner.**

8 **JUDGE FRIEDLANDER: Okay. Thank you.**

9 **I believe that's it. Did you have any
10 redirect? No redirect from Staff?**

11 MS. CAMERON-RULKOWSKI: No.

12 JUDGE FRIEDLANDER: Thank you.

13 With that, the witness is excused. Thank
14 you for your testimony.

15 I do not believe that we had any
16 Commissioner questions for Mr. McGuire, so we'll have
17 Staff call to the stand Ms. O'Connell.

18
19 ELIZABETH C. O'CONNELL, witness herein, having been
20 first duly sworn on oath,
21 was examined and testified
22 as follows:

23
24 JUDGE FRIEDLANDER: Thank you. You can be
25 seated.

1 DIRECT EXAMINATION

2 BY MR. ROBERSON:

3 Q. Good afternoon.

4 Could you state your name and spell it for
5 the record?

6 **A. My name is Elizabeth O'Connell. It's spells**
7 **O-C-O-N-N-E-L-L.**

8 Q. And are you the same Elizabeth O'Connell who
9 filed testimony and exhibits in this docket -- these
10 dockets?

11 **A. I am.**

12 Q. And if you were asked the questions asked in
13 your testimony today, would your answers be the same?

14 **A. They would.**

15 Q. Do you have any changes or additions to your
16 testimony?

17 **A. I don't.**

18 MR. ROBERSON: With that, the witness is
19 available for cross.

20 JUDGE FRIEDLANDER: Thank you.

21 Ms. Gafken?

22 MS. GAFKEN: Thank you.

23 CROSS-EXAMINATION

24 BY MS. GAFKEN:

25 Q. Good afternoon, Ms. O'Connell.

1 **A. Good afternoon.**

2 Q. Would you please turn to your cross-answering
3 testimony, Exhibit ECO-16, and go to page 19, lines 1
4 through 4.

5 **A. Excuse me. Page --**

6 Q. Sure. Page 19, lines 1 through 4.

7 **A. I'm there.**

8 Q. There you testify that in the event that a
9 rate plan is approved in this case, the Commission
10 could adjust rate spread for years two and three after
11 the generic cost of service docket, correct?

12 **A. Correct.**

13 Q. For the purposes of the next few questions,
14 please assume that a rate plan is adopted in this
15 proceeding.

16 What process do you envision will be used to
17 adjust Avista's rate spread for years two and three
18 once the generic docket is completed?

19 **A. Um, I wouldn't -- I wouldn't speculate on what
20 the process will be or the result of the generic will
21 be. The Commission certainly has the ability and the
22 jurisdiction to make any changes that it desires to do
23 after a decision is taken in the generic proceeding.**

24 Q. Would a new cost-of-service study be required
25 before adjustments would be made to Avista's rate

1 spread?

2 **A. Like I said, I don't know if the generic**
3 **proceeding will come up with something that requires**
4 **something like in the -- something similar to what**
5 **you're describing right now.**

6 Q. Okay.

7 So your statement on page 19 was more of a
8 general statement that the Commission could change the
9 rate spread in years two and three if it felt that
10 that was appropriate?

11 **A. That is correct.**

12 Q. If the Commission does not order a rate plan
13 for Avista, would a new general rate case be required
14 before rate spread could be addressed following the
15 conclusion of the generic proceeding?

16 **A. Can you restate that question?**

17 Q. Sure.

18 If there is no rate plan that comes out of
19 this case, would a new general rate case be required
20 before Avista's rate spread could be adjusted?

21 **A. I'm unsure on how to answer that. After this**
22 **general rate case is concluded and rates are provided**
23 **for the rate year, the Company can file for a new**
24 **general rate case once it -- once it desires to make a**
25 **new adjustment. And like Mr. Meyer was describing**

CROSS-EXAMINATION BY MS. GAFKEN / O'CONNELL300

1 earlier today, they would do that in advance. So it
2 would take place once -- I'm sorry -- once that the
3 current general rate case -- rate plan is -- rate
4 plan -- I'm sorry -- rate year is concluded.

5 Q. If Avista's rate spread is adjusted following
6 the conclusion of the generic proceeding using
7 whatever process might be used, would you anticipate
8 that the concepts of gradualism and appearance of
9 fairness would still apply?

10 **A. I would, yes.**

11 MS. GAFKEN: All right. I have no further
12 questions. Thank you.

13 JUDGE FRIEDLANDER: Thank you.

14 Is there any redirect from Staff?

15 MR. ROBERSON: One second, your Honor.

16 JUDGE FRIEDLANDER: Sure.

17 MR. ROBERSON: We have no redirect. Thank
18 you.

19 JUDGE FRIEDLANDER: All right. Thank you.

20 Are there any Commissioner questions?

21 All right. Thank you for your testimony.

22 The witness is excused. That's right. You'll be back
23 tomorrow.

24 THE WITNESS: Thank you for the
25 clarification.

DIRECT EXAMINATION BY MS. GAFKEN / GARRETT 301

1 JUDGE FRIEDLANDER: All right. So I have
2 conferred with Ms. Gafken and I believe that -- yeah,
3 Mr. Garrett is here today.

4 MS. GAFKEN: Mr. Garrett is here today,
5 Ms. Wilson is also on the bridge line, as I understand
6 it, and then Ms. Colamonici will be here tomorrow.

7 JUDGE FRIEDLANDER: Okay. Thank you.
8 So we'll go ahead, and if you'll call
9 Mr. Garrett to the stand.

10

11 MARK E. GARRETT, witness herein, having been
12 first duly sworn on oath,
13 was examined and testified
14 as follows:

15

16 JUDGE FRIEDLANDER: Thank you. You can be
17 seated.

18 THE WITNESS: Thank you.

19 DIRECT EXAMINATION

20 BY MS. GAFKEN:

21 Q. Good afternoon.

22 Would you please state your name and spell
23 your last name for the record?

24 **A. Mark Garrett, G-A-R-R-E-T-T.**

25 Q. Are you the same Mark Garrett that filed

DIRECT EXAMINATION BY MS. GAFKEN / GARRETT 302

1 testimony and exhibits on behalf of Public Counsel?

2 **A. I am.**

3 Q. Those exhibits have already been entered into
4 the record, but they are MEG-1T with Exhibits MEG-2
5 through -12 and MEG-13; is that correct?

6 **A. That's right.**

7 Q. Do you have any changes or corrections to
8 your exhibits --

9 **A. No.**

10 Q. -- or testimony?

11 **A. I do not.**

12 MS. GAFKEN: Mr. Garrett's available for
13 cross and questions from the bench.

14 JUDGE FRIEDLANDER: Thank you.

15 Mr. Meyer?

16 MR. MEYER: No cross.

17 JUDGE FRIEDLANDER: Okay.

18 Staff?

19 MR. CASEY: I believe we have no cross.

20 JUDGE FRIEDLANDER: Thank you.

21 Commissioner questions?

22 Doesn't look like it. All right. All

23 right. Thank you.

24 I swore you in so we could tell you that
25 we have no questions.

1 THE WITNESS: Thank you very much.

2 JUDGE FRIEDLANDER: Thank you. Okay.

3 So we do have Ms. Wilson available, then,
4 by telephone. She is on the bridge line; is that
5 correct?

6 MS. GAFKEN: That's my understanding. I
7 guess if I could just ask if she's there.

8 JUDGE FRIEDLANDER: Sure.

9 MS. GAFKEN: Ms. Wilson?

10 MS. WILSON (via bridge line): Yes, I'm
11 here.

12 JUDGE FRIEDLANDER: Thank you.

13 And I know the parties have waived cross.

14 Do we have Commissioner questions for
15 Ms. Wilson?

16 COMMISSIONER RENDAHL: Yes. This is
17 Commissioner Rendahl. Can you hear me?

18 MS. WILSON: Yes, I can.

19 JUDGE FRIEDLANDER: How about I'll swear
20 her in first.

21 COMMISSIONER RENDAHL: That's a good idea.

22 JUDGE FRIEDLANDER: You can stand or sit.

23 It doesn't matter to me.

24 MS. WILSON: Okay. Do I raise my right
25 hand as well?

EXAMINATION BY COMMISSIONER RENDAHL / WILSON304

1 JUDGE FRIEDLANDER: Please do just for
2 form.

3
4 RACHEL S. WILSON, witness herein, having been
5 first duly sworn on oath,
6 was examined and testified
7 as follows:

8
9 JUDGE FRIEDLANDER: Okay. Thank you. You
10 can be seated.

11 EXAMINATION
12 BY COMMISSIONER RENDAHL:

13 Q. Okay. Good afternoon, Ms. Wilson.

14 **A. Good afternoon.**

15 Q. So while this question refers to your
16 testimony, I'm not sure you need it, but I will give
17 you the reference I'm referring to. It's in your --

18 **A. Okay.**

19 Q. -- response testimony, RSW-1CT, at page 18,
20 lines 16 through 21. Let me know when you've got
21 that.

22 **A. So I actually -- I'm sorry. I don't have it
23 in front of me.**

24 Q. Okay.

25 Well, then, we'll go with the question

1 because I think you'll know what I'm talking about.

2 **A. Okay.**

3 Q. Okay.

4 In your testimony at that location, you
5 discuss that Avista should return to a
6 fundamentals-based approach to production cost
7 modeling.

8 Do you remember that testimony?

9 **A. I do.**

10 Q. Okay.

11 So when you make that recommendation, can you
12 give us a more detailed description of what you mean
13 by that?

14 **A. As I understand it, and the way that**
15 **Mr. Kalich confirmed earlier, when Avista has done its**
16 **Aurora modeling in this rate case, it uses as an input**
17 **the electricity forward price forecast that comes from**
18 **the Intercontinental Exchange, or ICE. And in that**
19 **way, rather than allowing Aurora to utilize all of its**
20 **input information to generate a price forecast for**
21 **electricity, by using those market forwards, Avista**
22 **uses the electricity prices as an input value rather**
23 **than an output.**

24 **And so when I say that I recommend that Avista**
25 **return to a fundamental-based use of the Aurora model,**

EXAMINATION BY COMMISSIONER RENDAHL / WILSON306

1 that means allowing the model to generate that output
2 price forecast rather than using it as an input value.

3 COMMISSIONER RENDAHL: Okay. Thank you.
4 I think that's a good explanation. That's what I
5 needed.

6 I don't know if my colleagues have any
7 questions. I don't believe so.

8 THE WITNESS: Okay.

9 JUDGE FRIEDLANDER: All right. Then thank
10 you. Unless Public Counsel has any redirect on that
11 very short exchange.

12 MS. GAFKEN: No, I do not.

13 JUDGE FRIEDLANDER: Okay. Thank you,
14 then, Ms. Wilson. You are excused. Thank you very
15 much for your testimony.

16 THE WITNESS: Thank you so much. Have a
17 good rest of your day.

18 JUDGE FRIEDLANDER: Thank you. You too.

19 COMMISSIONER RENDAHL: You too.

20 THE WITNESS: Bye.

21 JUDGE FRIEDLANDER: All right.

22 So I have, Ms. Gafken, that Ms. Colamonic
23 is available tomorrow?

24 MS. GAFKEN: That's correct.

25 JUDGE FRIEDLANDER: All right.

DIRECT EXAMINATION BY MR. OSHIE / MULLINS 307

1 So perhaps, then, if we can call to the
2 stand Mr. Mullins?

3 MR. OSHIE: Certainly, your Honor.

4 So ICNU would like to call Mr. Bradley
5 Mullins to the stand.

6
7 BRADLEY G. MULLINS, witness herein, having been
8 first duly sworn on oath,
9 was examined and testified
10 as follows:

11
12 JUDGE FRIEDLANDER: Thank you. You can be
13 seated.

14 DIRECT EXAMINATION

15 BY MR. OSHIE:

16 Q. Mr. Mullins, are you the same Bradley G.
17 Mullins that filed testimony in this case and the
18 exhibits listed BGM-1T through BGM-9T?

19 **A. I am.**

20 Q. Thank you.

21 Do you have any corrections to your
22 testimony?

23 **A. I do have one correction on page 20 of my**
24 **testimony.**

25 Q. Would you please describe to the Commission

1 what you wish to have corrected to your testimony?

2 **A. So Exhibit BGM-5 to my testimony, there was a**
3 **small error in that, and we will file an errata to**
4 **correct that. But for the time being, I'll just**
5 **provide the redline of my -- the numbers in my**
6 **testimony.**

7 **So on page 20, line 14, the -- the number**
8 **164,285 should be corrected to 147,470. The number**
9 **161,562 should be corrected to 143,828. On line 22,**
10 **the number 5,053,041 should be corrected to 5,200,310.**

11 **And then continuing on line 23, the number**
12 **4,968,868 should be corrected to 5,130,410.**

13 **And we will file redlines containing all of**
14 **that along with a revised Exhibit 5.**

15 **JUDGE FRIEDLANDER: Okay. Thank you.**

16 **CHAIRMAN DANNER: The percentages all stay**
17 **the same?**

18 **THE WITNESS: Oh, actually, apologies.**

19 **So the percentages on lines 14 and 16 --**
20 **or sorry -- on line 14 remain the same. The -- on**
21 **line 23, it does impact the percentages.**

22 **So the percentage there that's 97 percent,**
23 **that goes to 1.01 -- oh, sorry, I did this wrong.**

24 **So the -- on line 23, the 97 percent goes**
25 **to 1.01. On line 22, so going up one line, that**

EXAMINATION BY COMMISSIONER RENDAHL / MULLIN309

1 changes to 1.04, so very, very slight, slight changes.

2 BY MR. OSHIE:

3 Q. And that completes the changes that you would
4 have for your testimony, Mr. Mullins?

5 **A. Correct.**

6 MR. OSHIE: And your Honor, just to be
7 clear, and I think the bench already understands this,
8 but for general revenue requirement questions,
9 Mr. Mullins is representing both ICNU and NWIGU. And
10 for gas-specific questions, they would be referred
11 to -- that would relate, then, to NWIGU's testimony,
12 and for the electric side, ICNU.

13 JUDGE FRIEDLANDER: Great. Thank you.
14 Thank you for the clarification.

15 MR. OSHIE: So Mr. Mullins is tendered for
16 cross. Thank you.

17 JUDGE FRIEDLANDER: Mr. Meyer?

18 MR. MEYER: We have no cross.

19 MR. CASEY: Staff also has no cross.

20 COMMISSIONER RENDAHL: That was exciting.

21 JUDGE FRIEDLANDER: Are there any
22 Commissioner questions?

23 EXAMINATION

24 BY COMMISSIONER RENDAHL:

25 Q. Mr. Mullins, were you in the hearing room

1 when I asked a question of Mr. Gomez about the Aurora
2 model?

3 **A. Yes.**

4 Q. So I believe I asked him whether you agreed
5 with the Company's -- Mr. Kalich's assessment that the
6 witnesses who addressed this model had adequate
7 training and access to operate the Aurora model and
8 produce your own power cost model.

9 So do you agree with that assessment?

10 **A. Yes. I mean, we have access to the model.**
11 **We're able to go in and look at all of the inputs to**
12 **the model.**

13 **And I think the -- you know, the issue that**
14 **I've run into, and maybe to kind of get the record**
15 **straight on this point, you know, we've contested --**
16 **"we" being ICNU -- have contested Avista's power cost**
17 **calculations at least as far back as I've been doing**
18 **this.**

19 **And we've been contesting them for the very**
20 **reason that's being discussed in this hearing room**
21 **today, that, you know, really it's a -- you know, they**
22 **force the model to tie to the future power prices.**

23 **And so, you know, we haven't thought that to be a very**
24 **appropriate thing. We think the model should just --**
25 **it should operate on a sort of fundamental basis, and**

EXAMINATION BY COMMISSIONER RENDAHL / MULLIN311

1 there shouldn't be an end target that we force the
2 model to tie to.

3 And so all of, you know, that information is
4 available in the model, and I know Mr. Gomez dug
5 through the inputs to the model, I dug through the
6 inputs to the model, and so you can figure all of that
7 out without doing a model run to -- you know, to
8 calculate a difference.

9 COMMISSIONER RENDAHL: Thank you.

10 JUDGE FRIEDLANDER: Thank you.

11 Any other Commissioner questions?

12 All right. Thank you.

13 No redirect, I assume, Mr. Oshie?

14 MR. OSHIE: No redirect, your Honor. And
15 we will file the errata as soon as possible.

16 JUDGE FRIEDLANDER: Thank you. Appreciate
17 it.

18 And with that, the witness is excused.
19 Thank you for your testimony until I guess you're
20 coming back on the panel.

21 All right. Do we have Mr. Collins
22 available?

23 MR. FFITCH: We do, your Honor.

24 ///

25 ///

DIRECT EXAMINATION BY MR. FFITCH / COLLINS 312

1 SHAWN M. COLLINS, witness herein, having been
2 first duly sworn on oath,
3 was examined and testified
4 as follows:

5
6 JUDGE FRIEDLANDER: Thank you. You can be
7 seated.

8 DIRECT EXAMINATION

9 BY MR. FFITCH:

10 Q. Good afternoon, Mr. Collins.

11 **A. Good afternoon.**

12 Q. Can you please state your name for the
13 record.

14 **A. My name is Shawn Collins, S-H-A-W-N.**

15 Q. And by whom are you employed?

16 **A. I'm employed by the Opportunity Council as
17 director of The Energy Project.**

18 Q. And are you the same Shawn Collins who filed
19 initial response testimony marked SMC-1T, testimony in
20 support of a settlement marked SMC-3T, and
21 cross-answering testimony marked SMC-4T in this
22 proceeding?

23 **A. Yes, I am.**

24 Q. And do you have any changes or corrections to
25 that testimony?

CROSS-EXAMINATION BY MS. GAFKEN / COLLINS 313

1 **A. No, I do not.**

2 MR. FFITCH: Your Honor, those have been
3 stipulated for admission into the record, and
4 Mr. Collins is available for cross-examination and
5 questions from the bench.

6 JUDGE FRIEDLANDER: Thank you.

7 Ms. Gafken?

8 CROSS-EXAMINATION

9 BY MS. GAFKEN:

10 Q. Good afternoon, Mr. Collins.

11 **A. Good afternoon.**

12 Q. Would you please turn to your cross-answering
13 testimony, Exhibit SMC-4T, and go to page 9, lines 11
14 through 14?

15 **A. I'm there.**

16 Q. There you testify that fuel conversions are
17 often included in the scope of work for weatherization
18 projects due to an assessment of improved
19 affordability for the household, correct?

20 **A. That is correct.**

21 Q. Would you please explain what is meant by
22 assessment of improved affordability for the
23 household?

24 **A. Sure. So the process for evaluating the**
25 **installed measures in low-income energy efficiency**

CROSS-EXAMINATION BY MS. GAFKEN / COLLINS 314

1 projects consists of generally savings-to-investment
2 ratio analysis for direct measures.

3 That calculation is not conducted on
4 conversion programs. We utilize just a general
5 affordability type of calculation, just looking at the
6 actual energy costs of a kilowatt compared to a therm.

7 So we evaluate to ensure that the household
8 consumes at least 8,000 kilowatt hours a year and is,
9 therefore, a primarily electric heating customer for
10 Avista, and then evaluate the heating needs of that
11 particular home and determine whether the thermal
12 efficiency of a gas furnace would be more effective
13 than, say, electric.

14 Q. So affordability in terms of the customer
15 who's needing to heat their space?

16 **A. Correct, the resident of the home.**

17 Q. The concept of improved affordability is not
18 limited to low-income customers; is that correct?

19 **A. I would agree with that.**

20 Q. Improved affordability to the extent that
21 fuel conversion would make energy use more affordable
22 applies to general population households as well,
23 correct?

24 **A. When compared to electric heat, gas heat would**
25 **be, at this point in time, I think more affordable**

CROSS-EXAMINATION BY MS. GAFKEN / COLLINS 315

1 depending on the amount of energy consumed by the
2 household.

3 Q. Would you please turn to your cross-answering
4 testimony, Exhibit SMC-4T, and go to page 10, lines 5
5 through 6?

6 **A. I'm there.**

7 Q. There you testify that the fuel conversion
8 program provides an option to reduce the energy burden
9 of low-income households; is that correct?

10 **A. That is correct.**

11 Q. To the extent that fuel conversion reduces
12 the energy burden of low-income households, would it
13 be fair to say that fuel conversion would also reduce
14 the energy burden of general population households?

15 **A. I would say that that is -- that could be**
16 **applied to general population in terms of the extent**
17 **to which the percentage of a household's income is**
18 **paid toward energy bills, if that is reduced, then**
19 **that would improve their energy burden.**

20 MS. GAFKEN: Thank you. That's all of my
21 questions.

22 JUDGE FRIEDLANDER: Thank you.

23 Are there any Commissioner questions?

24 CHAIRMAN DANNER: Yeah, I have one.

25 ///

1 EXAMINATION

2 BY CHAIRMAN DANNER:

3 Q. So you say in your testimony that you think
4 that a multiyear rate plan is not appropriate right
5 now because of the pending merger proceeding and you'd
6 like that to be closed up. You don't really explain
7 why that would be preferable. What are the risks if
8 we go ahead when that proceeding is out there?

9 **A. It's The Energy Project's view that the merits**
10 **and the needs of the new company should be considered**
11 **once that company takes ownership of Avista and should**
12 **be evaluated on those operations and expenses as**
13 **opposed to those that exist now with the current**
14 **ownership structure.**

15 Q. So in that case, you would say, let's just do
16 a -- just do a regular rate case, no multiyear rate
17 plan, then at the conclusion of that proceeding,
18 whether a merger has been approved or not, at that
19 time would be the appropriate time to pick up where we
20 left off?

21 **A. That would be our recommended course of**
22 **action, yes.**

23 Q. So you believe that the numbers could
24 significantly change, their needs going out could be
25 significantly changed, or you're just trying to make

REDIRECT EXAMINATION BY MR. FFITCH / COLLINS317

1 this as conservative as possible this time around?

2 **A. I would say the -- at this point, the needs of**
3 **a new company are not known, and we should evaluate**
4 **those needs when this -- when the ownership structure**
5 **changes, and evaluate the Company based on that**
6 **structure.**

7 **At this point -- in this rate case, we're**
8 **looking at Avista ownership and projecting that out**
9 **into a new ownership structure that is unknown at this**
10 **point in terms of what operations may or may not look**
11 **like, which will be the result, I think, of the merger**
12 **proceeding. Our recommendation would be to evaluate**
13 **the Company as it is now and not its future potential**
14 **self.**

15 **CHAIRMAN DANNER: All right. Thank you.**

16 **JUDGE FRIEDLANDER: Thank you.**

17 **And no other questions and no redirect,**

18 **Mr. ffitch?**

19 **MR. FFITCH: Just briefly, your Honor.**

20 **REDIRECT EXAMINATION**

21 **BY MR. FFITCH:**

22 **Q. Mr. Collins, I used the term "energy burden,"**
23 **and that was included in a question from Ms. Gafken.**
24 **Could you please provide a definition of the term**
25 **"energy burden"?**

1 **A. Sure. I would consider energy burden the**
2 **percentage of a household income that is dedicated to**
3 **covering the costs of energy utility bills. And**
4 **generally speaking, within Avista service territory**
5 **and through the advisory committee and the work we're**
6 **doing there, approximately 6 percent or below is**
7 **considered an affordable energy burden for a**
8 **household, and anything above 10 percent would be very**
9 **high energy burden.**

10 MR. FFITCH: All right. Thank you.

11 No further questions, your Honor.

12 JUDGE FRIEDLANDER: Thank you.

13 And with that, the witness is excused.

14 Thank you for your testimony.

15 So I have the rest of the witnesses who
16 will now be available tomorrow, and I've got the cost
17 of service settlement panel and four witnesses that
18 will -- that will be going tomorrow as well as
19 Mr. Thies, and Robert Stephens on behalf of ICNU will
20 be going tomorrow, and Ms. Colamonici on behalf of
21 Public Counsel will go tomorrow as well.

22 Is there anyone else that I'm missing?

23 Are the cross estimates still good for all
24 of these witnesses?

25 MR. MEYER: May I inquire as to the

1 order -- the sequencing tomorrow?

2 JUDGE FRIEDLANDER: Sure. I think it
3 would be best to have Mr. Thies go first because we
4 can close the hearing room and turn off the bridge
5 line and then maybe take a short recess, get the
6 bridge line back up and running before we handle the
7 rest of the witnesses.

8 I think that after Mr. Thies we should do
9 the panel, then follow-up with Mr. Stephens, and last
10 Ms. Colamonici, if that's acceptable to the parties.

11 MR. MEYER: Surely. And as we start with
12 Mr. Thies tomorrow, there may be some cross that is
13 not confidential in nature, and so do you envision
14 starting in an open forum and then saving the other
15 stuff for last where we limit the participation?
16 What's your preference?

17 JUDGE FRIEDLANDER: That's a good
18 question.

19 CHAIRMAN DANNER: Well, I mean, I think we
20 want to keep the hearing room closed for as little as
21 possible.

22 So let me ask, Mr. Meyer, is it your
23 suggestion, then, we start with -- well, we want to
24 start with Mr. Thies, I think. Do we just want to
25 have him talk in the open, then we close down and --

1 MR. MEYER: Yes.

2 CHAIRMAN DANNER: -- he continues?

3 MR. MEYER: I think that makes sense.

4 CHAIRMAN DANNER: Okay. And then we can

5 go with the four-member panel, and I know that

6 Mr. Ehrbar was excused earlier, but you didn't mean

7 that. He'll be back tomorrow.

8 JUDGE FRIEDLANDER: That's right --

9 CHAIRMAN DANNER: Okay.

10 JUDGE FRIEDLANDER: -- exactly, as well as

11 Mr. Collins.

12 CHAIRMAN DANNER: All right. Thanks.

13 JUDGE FRIEDLANDER: And are there any --

14 Ms. Gafken?

15 MS. GAFKEN: I was just going to answer

16 your question that you had earlier about the cross

17 estimates, and Public Counsel does still have cross

18 for the witnesses that they've identified. I'm not

19 sure it will be as long as what's indicated in the

20 chart, but we do have cross.

21 JUDGE FRIEDLANDER: Okay. Thank you.

22 MR. OSHIE: Your Honor, ICNU will also

23 have likely a bit less than was listed for

24 Ms. O'Connell. I would say maybe 20 minutes.

25 JUDGE FRIEDLANDER: Okay.

1 MR. OSHIE: And probably about 15 for
2 Mr. Ehrbar on the settlement panel.

3 JUDGE FRIEDLANDER: Okay.
4 And Staff or The Energy Project,
5 Mr. Stokes?

6 MR. STOKES: No.

7 JUDGE FRIEDLANDER: And I believe,
8 Mr. Stokes, that there is no cross for the rest of the
9 witnesses available for tomorrow, right?

10 MR. STOKES: That's correct, your Honor.

11 JUDGE FRIEDLANDER: And Staff?

12 MR. CASEY: Staff does have questions, and
13 our estimates are conservative estimates.

14 JUDGE FRIEDLANDER: Okay. That's fine.
15 All right.

16 Then I think I'll ask if there are any
17 preliminary matters before we adjourn for the day and
18 recess until tomorrow morning.

19 MR. MEYER: We do owe you, as I recall, an
20 answer through Mr. Christie on the sort of bracket of
21 one-and-a-half to three times vis-à-vis the size --
22 square footage of homes, and we were going to get that
23 to you. We're still working on it, so tomorrow we'll
24 get that to you.

25 CHAIRMAN DANNER: Thank you.

1 JUDGE FRIEDLANDER: Okay. Thank you.

2 Ms. Gafken?

3 MS. GAFKEN: Since we have a few minutes,
4 I thought I would go ahead and raise this now instead
5 of waiting until the end of the proceeding, but in
6 terms of the public comment exhibit, perhaps we could
7 set a date for when that's due.

8 JUDGE FRIEDLANDER: Sure. And I think we
9 have -- since we left off with BR-6, we'll go with
10 Bench Request 7.

11 MS. GAFKEN: Okay.

12 JUDGE FRIEDLANDER: And typically, I
13 believe, we give you a week; is that correct?

14 MS. GAFKEN: That's correct.

15 JUDGE FRIEDLANDER: All right. So maybe
16 within that time, so by next Tuesday.

17 MS. GAFKEN: Usually it's by the end of
18 the proceeding, so I was going to say maybe the 24th,
19 which is Wednesday. Is that okay?

20 JUDGE FRIEDLANDER: That's fine. That's
21 fine.

22 MS. GAFKEN: Okay.

23 CHAIRMAN DANNER: How much time do you
24 think you need?

25 MS. GAFKEN: Probably not more than a

1 week, but --

2 CHAIRMAN DANNER: Okay.

3 JUDGE FRIEDLANDER: That's fine. All
4 right.

5 Is there anything else before we recess
6 for the day?

7 All right. Thank you. We'll see you back
8 at 9:00 tomorrow.

9 MR. MEYER: Thank you.

10 JUDGE FRIEDLANDER: Thank you.

11 (Hearing adjourned at 3:56 p.m.)

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