

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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<p>106</p> <p>1 BEFORE THE WASHINGTON 2 UTILITIES AND TRANSPORTATION COMMISSION</p> <hr/> <p>4 WASHINGTON UTILITIES AND) 5 TRANSPORTATION COMMISSION,) 6 Complainant,) Docket Nos. UE-170485 7 vs.) and UG-170486 8) (Consolidated) 9 AVISTA CORPORATION, d/b/a) 10 AVISTA UTILITIES,) 11 Respondent.)</p> <hr/> <p>12 VOLUME IV 13 EVIDENTIARY HEARING 14 PAGES 106 - 324 15 ADMINISTRATIVE LAW JUDGES 16 MARGUERITE E. FRIEDLANDER and RAYNE PEARSON</p> <hr/> <p>17 9:05 A.M. 18 January 16, 2018</p> <p>19 Washington Utilities and Transportation Commission 1300 South Evergreen Park Drive Southwest Olympia, Washington 98504-7250</p> <p>20 REPORTED BY: ANITA W. SELF, RPR, CCR #3032</p> <p>21 Buell Realtime Reporting, LLC 1325 Fourth Avenue 22 Suite 1840 Seattle, Washington 98101 23 206.287.9066 Seattle 360.534.9066 Olympia 24 800.846.6989 National 25 www.buellrealtime.com</p>	<p>108</p> <p>1 A P P E A R A N C E S</p> <p>2 FOR PUBLIC COUNSEL:</p> <p>3 LISA W. GAFKEN 4 Assistant Attorney General 800 5th Avenue, Suite 2000, TB-14 5 Seattle, Washington 98104 206.464.6595 6 lisa4w@atg.wa.gov</p> <p>7</p> <p>8 FOR INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES:</p> <p>9 PATRICK J. OSHIE 10 RILEY PECK Davison Van Cleve, PC 333 SW Taylor, Suite 400 11 Portland, Oregon 97204 503.241.7242 12 pjo@dvclaw.com</p> <p>13 FOR NORTHWEST INDUSTRIAL GAS USERS:</p> <p>14 CHAD M. STOKES 15 Cable Huston 1001 SW Fifth Avenue, Suite 2000 16 Portland, Oregon 97204-1136 503.224.3092 17 cstokes@cablehuston.com</p> <p>18 FOR THE ENERGY PROJECT:</p> <p>19 SIMON J. FFITCH 20 Attorney at Law 321 High School Road NE, Suite D3 21 Box 383 Bainbridge Island, Washington 98110 22 206.669.8197 simon@ffitchlaw.com</p> <p>23 ***** 24 25</p>
<p>107</p> <p>1 A P P E A R A N C E S</p> <p>2 ADMINISTRATIVE LAW JUDGES:</p> <p>3 MARGUERITE E. FRIEDLANDER 4 RAYNE PEARSON Washington Utilities and 5 Transportation Commission 1300 So. Evergreen Park Drive SW 6 P.O. Box 47250 Olympia, Washington 98504 360.664.1285 7 mfreidla@utc.wa.gov</p> <p>8 WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION:</p> <p>9 CHAIRMAN DAVID W. DANNER 10 COMMISSIONER ANN E. RENDAHL COMMISSIONER JAY BALASBAS 11 1300 S. Evergreen Park Drive SW P.O. Box 47250 12 Olympia, Washington 98504 360.664.1160</p> <p>13 FOR WASHINGTON UTILITIES AND TRANSPORTATION 14 COMMISSION:</p> <p>15 CHRISTOPHER CASEY 16 JENNIFER CAMERON-RULKOWSKI with BRETT SHEARER, ANDREW J. O'CONNELL, 17 JULIAN BEATTIE and JEFF ROBERSON Assistant Attorneys General 1400 So. Evergreen Park Drive SW 18 P.O. Box 40128 Olympia, Washington 98504 360.664.1189 19 360.664.1186 ccasey@utc.wa.gov 20 jcameron@utc.wa.gov</p> <p>21 FOR AVISTA CORPORATION:</p> <p>22 DAVID J. MEYER 23 VP and Chief Counsel for Regulatory Affairs 1411 E. Mission Avenue Spokane, Washington 99203 24 509.495.4316 david.meyer@avistacorp.com</p> <p>25 (Continued...)</p>	<p>109</p> <p>1 EVIDENTIARY HEARING 2 VOLUME IV: INDEX</p> <p>3 WITNESSES: PAGE</p> <p>4 SCOTT L. MORRIS 129 Direct Examination by Mr. Meyer</p> <p>5 ELIZABETH M. ANDREWS 131 6 Direct Examination by Mr. Meyer 133 Cross-Examination by Mr. Shearer 136 7 Cross-Examination by Ms. Gafken 139 Examination by Commissioner Rendahl 145 8 Examination by Chairman Danner 148 Examination by Commissioner Balasbas 155 9 Redirect Examination by Mr. Meyer 156</p> <p>10 KAREN K. SCHUH 159 11 Direct Examination by Mr. Meyer 161 Cross-Examination by Mr. Stokes</p> <p>12 HEATHER L. ROSENTRATER 166 Direct Examination by Mr. Meyer</p> <p>13 CLINT G. KALICH 168 14 Direct Examination by Mr. Meyer 169 Cross-Examination by Ms. Gafken 185 15 Redirect Examination by Mr. Meyer 188 Examination by Chairman Danner 192 16 Examination by Commissioner Rendahl</p> <p>17 WILLIAM G. JOHNSON 195 18 Direct Examination by Mr. Meyer 196 Examination by Commissioner Balasbas 19 Redirect Examination by Mr. Meyer 199</p> <p>20 KEVIN J. CHRISTIE 205 21 Direct Examination by Mr. Meyer 206 Cross-Examination by Mr. O'Connell 217 22 Cross-Examination by Ms. Gafken 219 Examination by Chairman Danner</p> <p>23 PATRICK D. EHRBAR 223 24 Direct Examination by Mr. Meyer 224 Cross-Examination by Ms. Gafken</p> <p>25 SCOTT J. KINNEY 227 Direct Examination by Mr. Meyer Examination by Chairman Danner 228</p>

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<p>111</p> <p>1 EVIDENTIARY HEARING VOLUME IV: INDEX</p> <p>2</p> <p>3 WITNESSES: PAGE</p> <p>4 RACHEL S. WILSON Examination by Commissioner Rendahl 304</p> <p>6 BRADLEY G. MULLINS Direct Examination by Mr. Oshie 307 Examination by Commissioner Rendahl 309</p> <p>8 SHAWN M. COLLINS Direct Examination by Mr. fitch 312 Cross-Examination by Ms. Gafken 313 Examination by Chairman Danner 316 Redirect Examination by Mr. fitch 317</p> <p>10</p> <p>11</p> <p>12 EXHIBIT INDEX</p> <p>13</p> <p>14 EXHIBITS FOR IDENTIFICATION ADMITTED</p> <p>15 All proffered exhibits (excluding MMT-13C) 119</p> <p>16</p> <p>17 * * * * *</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>	<p>113</p> <p>1 We'll just have a little bit of an extended recess.</p> <p>2 And let's begin with appearances, starting</p> <p>3 with Mr. Meyer.</p> <p>4 MR. MEYER: Thank you, your Honor. David</p> <p>5 Meyer appearing for Avista, and I've provided my</p> <p>6 particulars to the court reporter.</p> <p>7 JUDGE FRIEDLANDER: Thank you.</p> <p>8 Ms. Cameron-Rulkowski and Mr. Casey.</p> <p>9 MR. CASEY: Christopher Casey for</p> <p>10 Commission staff.</p> <p>11 MS. CAMERON-RULKOWSKI: Jennifer</p> <p>12 Cameron-Rulkowski for Commission staff, and we also</p> <p>13 have a number of other AAGs appearing with us, and I</p> <p>14 believe that they are -- have filed notices of</p> <p>15 appearance.</p> <p>16 MR. CASEY: Yes.</p> <p>17 JUDGE FRIEDLANDER: All right. Thank you.</p> <p>18 And appearing today on behalf of Public</p> <p>19 Counsel?</p> <p>20 MS. GAFKEN: Good morning. Lisa Gafken,</p> <p>21 Assistant Attorney General, appearing on behalf of</p> <p>22 Public Counsel.</p> <p>23 JUDGE FRIEDLANDER: Thank you.</p> <p>24 And Mr. Oshie?</p> <p>25 MR. OSHIE: Thank you, your Honor.</p>

<p style="text-align: center;">114</p> <p>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,</p>	<p style="text-align: center;">116</p> <p>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</p>
<p style="text-align: center;">115</p> <p>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</p>	<p style="text-align: center;">117</p> <p>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.</p>

<p>118</p> <p>1 JUDGE FRIEDLANDER: Okay. Thank you.</p> <p>2 Mr. Casey?</p> <p>3 MR. CASEY: And so we understand ICNU's</p> <p>4 technical objection. We're simply interested in, you</p> <p>5 know, having a complete record. We are -- we would be</p> <p>6 okay with getting this in in other procedural ways, so</p> <p>7 we could make this a cross-exhibit for Mr. Stephens,</p> <p>8 or we could maintain our objection, have Mr. Oshie lay</p> <p>9 a foundation for the exhibit with our witness, and she</p> <p>10 would be able to talk about it then.</p> <p>11 We just felt like this would be an easy</p> <p>12 way to get in the record that we are working towards</p> <p>13 scheduling further meetings in the generic proceeding.</p> <p>14 JUDGE FRIEDLANDER: Okay. And I'm going</p> <p>15 to go ahead and deny the request to supplement the</p> <p>16 response, but encourage you to pursue other procedural</p> <p>17 venues to bring this information forward, because I'm</p> <p>18 not sure supplementing someone else's cross is even</p> <p>19 allowed.</p> <p>20 MR. CASEY: Well, this is just -- sorry,</p> <p>21 your Honor.</p> <p>22 JUDGE FRIEDLANDER: I know. I know. I</p> <p>23 can anticipate what you're going to say. I understand</p> <p>24 that you're supplementing a response to a DR, but it</p> <p>25 was raised as a cross-exhibit. So, in addition, I</p>	<p>120</p> <p>1 We'll take a brief recess since it is prior to 9:30.</p> <p>2 Mr. Meyer?</p> <p>3 MR. MEYER: Just as we reconvene and we</p> <p>4 talk about yet another exhibit that we'll discuss with</p> <p>5 all of you, and if it's admitted, let's just make sure</p> <p>6 that that hits the exhibit list that's finally</p> <p>7 published. Okay? Because it's not on there now, of</p> <p>8 course.</p> <p>9 JUDGE FRIEDLANDER: Certainly.</p> <p>10 MR. MEYER: Thank you.</p> <p>11 JUDGE FRIEDLANDER: Yeah, absolutely. All</p> <p>12 right. Then --</p> <p>13 MS. GAFKEN: I do have one thing that --</p> <p>14 JUDGE FRIEDLANDER: Yes.</p> <p>15 MS. GAFKEN: -- I recalled.</p> <p>16 So I will have some cross directed to</p> <p>17 Mr. Ehrbar. The Company has asked that I direct some</p> <p>18 of my questions that I had for Mr. Christie to</p> <p>19 Mr. Ehrbar. That was a possibility all along, but</p> <p>20 that was confirmed this morning. I just wanted to --</p> <p>21 I won't have very much cross, I think five minutes.</p> <p>22 JUDGE FRIEDLANDER: Right. And I think in</p> <p>23 planning, I did take that into account because it was</p> <p>24 a possibility.</p> <p>25 MS. GAFKEN: Um-hmm.</p>
<p>119</p> <p>1 would say that there probably are more appropriate</p> <p>2 avenues to pursue getting the information in, and I'm</p> <p>3 going to deny the request to supplement the response.</p> <p>4 So is there any other preliminary matter</p> <p>5 that we need to address before we talk about admission</p> <p>6 of the exhibits? All right.</p> <p>7 So let's talk about the admission of</p> <p>8 exhibits. Does anyone have an objection to admitting</p> <p>9 them en masse at this point, including cross, all</p> <p>10 pre-filed exhibits?</p> <p>11 MR. MEYER: Avista does not.</p> <p>12 JUDGE FRIEDLANDER: Okay. Thank you.</p> <p>13 Staff? Public Counsel?</p> <p>14 MS. GAFKEN: Public Counsel has no</p> <p>15 objection.</p> <p>16 JUDGE FRIEDLANDER: Okay. Thank you.</p> <p>17 Energy Project?</p> <p>18 MR. FFITCH: No objection, your Honor.</p> <p>19 JUDGE FRIEDLANDER: Okay. Thank you.</p> <p>20 MR. OSHIE: No objection, your Honor.</p> <p>21 MR. CASEY: No objections from Staff.</p> <p>22 JUDGE FRIEDLANDER: All right. Thank you.</p> <p>23 Then they are so admitted.</p> <p>24 (All exhibits admitted.)</p> <p>25 JUDGE FRIEDLANDER: And -- all right.</p>	<p>121</p> <p>1 JUDGE FRIEDLANDER: And so that's fine.</p> <p>2 MS. GAFKEN: Okay.</p> <p>3 JUDGE FRIEDLANDER: That's not a problem.</p> <p>4 MS. GAFKEN: Okay. Thank you.</p> <p>5 JUDGE FRIEDLANDER: All right. Thank you.</p> <p>6 When we come back on the record,</p> <p>7 Mr. Meyer, if you would please let us know what the</p> <p>8 situation is with the exhibit.</p> <p>9 MR. MEYER: Certainly.</p> <p>10 JUDGE FRIEDLANDER: And I believe since</p> <p>11 it's confidential, we'll try to stay away from</p> <p>12 actually discussing the substance of the exhibit;</p> <p>13 otherwise, we'll have to close the bridge line.</p> <p>14 MR. MEYER: Surely. But even as -- even</p> <p>15 as we discussed, I'd like to have essentially a bench</p> <p>16 conference with commissioners included off the bridge</p> <p>17 line so I can explain the nature of this confidential</p> <p>18 exhibit.</p> <p>19 JUDGE FRIEDLANDER: Okay.</p> <p>20 MR. MEYER: And then explain how we can</p> <p>21 work our way around it with follow-on questions in an</p> <p>22 open hearing.</p> <p>23 JUDGE FRIEDLANDER: Okay.</p> <p>24 MR. MEYER: Okay.</p> <p>25 JUDGE FRIEDLANDER: All right. Thank you.</p>

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<p>1 We'll -- Mr. Casey?</p> <p>2 MR. CASEY: I was -- I'm just wondering</p> <p>3 when the other parties are going to be able to see</p> <p>4 this exhibit. Can we see it prior to --</p> <p>5 MR. MEYER: You can see it right now.</p> <p>6 MR. CASEY: All right. Thank you.</p> <p>7 JUDGE FRIEDLANDER: So let's go off the</p> <p>8 record for distribution of that, the revised exhibit,</p> <p>9 and then we'll also grab the commissioners and be</p> <p>10 right back on the record.</p> <p>11 Thank you.</p> <p>12 (A break was taken from</p> <p>13 9:17 a.m. to 9:56 a.m.)</p> <p>14 JUDGE FRIEDLANDER: All right. I think we</p> <p>15 can go back on the record now. I'd like to introduce</p> <p>16 Chairman Danner, Commissioner Rendahl and Commissioner</p> <p>17 Balasbas.</p> <p>18 We will begin -- first of all, we have a</p> <p>19 new exhibit that was provided to us. I won't go into</p> <p>20 a lot of detail, but it's been marked MTT-13C, and my</p> <p>21 understanding is that, Mr. Meyer, you will introduce</p> <p>22 that exhibit when we get to Mr. Thies's testimony on</p> <p>23 the stand with his introduction, and then you will</p> <p>24 request admission at that point.</p> <p>25 MR. MEYER: Yes.</p>	<p>1 MS. GAFKEN: I'm not anticipating anything</p> <p>2 to go into the confidential realm. I guess it depends</p> <p>3 on Mr. Thies's answers, and we could always defer</p> <p>4 until the morning session if something does come up.</p> <p>5 But I'm not anticipating anything from Public Counsel.</p> <p>6 JUDGE FRIEDLANDER: Okay.</p> <p>7 MR. MEYER: Well, we can put him on today</p> <p>8 and bring him back tomorrow. He will be here.</p> <p>9 JUDGE FRIEDLANDER: Okay. If he's going</p> <p>10 to be here anyway, why don't we just plan on having</p> <p>11 his testimony tomorrow morning in its entirety, and</p> <p>12 we'll just do all the cross at once.</p> <p>13 Does that work?</p> <p>14 COMMISSIONER RENDAHL: That's fine.</p> <p>15 JUDGE FRIEDLANDER: Okay. All right.</p> <p>16 Then we'll do that.</p> <p>17 The other thing was, because Exhibit</p> <p>18 MTT-13C was only recently provided to the Commission</p> <p>19 and to the parties, I think it would be a good idea</p> <p>20 that we hold another session, a hearing, if you will,</p> <p>21 on the responses that we get, the response we've</p> <p>22 already gotten to the bench request, and any replies</p> <p>23 that we get to -- from the parties on January 26th.</p> <p>24 And we have a couple of dates that we can propose to</p> <p>25 the parties.</p>
<p>123</p> <p>1 JUDGE FRIEDLANDER: Okay. What I'm</p> <p>2 thinking is that, because there could be some</p> <p>3 potential for confidential information discussed</p> <p>4 relating to both the new exhibit and potentially other</p> <p>5 exhibits regarding -- that Mr. Thies has sponsored, it</p> <p>6 would be a good idea to potentially -- to plan on</p> <p>7 having a confidential session early tomorrow morning</p> <p>8 right when we begin, and that way any questions, cross</p> <p>9 or otherwise, for him can be reserved for the morning</p> <p>10 of tomorrow. And that way we'll have a confidential</p> <p>11 session.</p> <p>12 MR. MEYER: Would you prefer, then, to</p> <p>13 just take Mr. Thies in his entirety tomorrow</p> <p>14 morning --</p> <p>15 JUDGE FRIEDLANDER: You know --</p> <p>16 MR. MEYER: -- or what's your preference?</p> <p>17 JUDGE FRIEDLANDER: I think there are --</p> <p>18 you know, honestly, let's talk to the parties because</p> <p>19 they know whether their cross is going to get into</p> <p>20 confidential information.</p> <p>21 MS. CAMERON-RULKOWSKI: Your Honor, Staff</p> <p>22 does have a couple of questions which may elicit</p> <p>23 confidential responses from Mr. Thies. It's very</p> <p>24 short.</p> <p>25 JUDGE FRIEDLANDER: Okay.</p>	<p>125</p> <p>1 So far it looks like -- and I'm</p> <p>2 anticipating we should just reserve a half a day,</p> <p>3 because we don't know how extensive this may be. So</p> <p>4 we've got as four potential dates January 30th in the</p> <p>5 afternoon, 1:30 to 5; February 1st, again, 1:30 to 5;</p> <p>6 and then we get into February -- later February with</p> <p>7 February 20th and the 22nd, both again in the</p> <p>8 afternoons.</p> <p>9 So if all of you would prepare to let us</p> <p>10 know tomorrow morning if any of those dates would work</p> <p>11 so that we can elicit some, you know, additional</p> <p>12 information at that time. We'll have -- everyone by</p> <p>13 then should have had some -- a chance to explore with</p> <p>14 the Company if they need additional information, and</p> <p>15 then we'll have more opportunity to question</p> <p>16 Mr. Thies.</p> <p>17 COMMISSIONER RENDAHL: Does it make sense</p> <p>18 to have it after the earnings call, which is what</p> <p>19 date?</p> <p>20 JUDGE FRIEDLANDER: Mid-February.</p> <p>21 MR. MEYER: Mid-February.</p> <p>22 COMMISSIONER RENDAHL: Or does it matter?</p> <p>23 MR. MEYER: I don't think it matters</p> <p>24 because we could do it, if need be, in a confidential</p> <p>25 session. And just so I'm clear on the scope of this,</p>

<p>126</p> <p>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.</p>	<p>128</p> <p>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</p>
<p>127</p> <p>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</p>	<p>DIRECT EXAMINATION BY MR. MEYER / MORRIS 129</p> <p>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?</p>

<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / MORRIS 130</p> <p>1 A. Chairman and CEO.</p> <p>2 Q. And have you prepared and pre-filed with this</p> <p>3 Commission exhibits that have been marked as SLM-1T,</p> <p>4 SLM-2, -3, -4, -5 and SLM-6T?</p> <p>5 A. I have.</p> <p>6 Q. And were those prepared by you or under your</p> <p>7 direction and supervision?</p> <p>8 A. Yes.</p> <p>9 Q. And is the information contained therein true</p> <p>10 and correct to the best of your knowledge?</p> <p>11 A. Yes.</p> <p>12 MR. MEYER: With that, Mr. Morris is</p> <p>13 available for any questioning.</p> <p>14 JUDGE FRIEDLANDER: Okay. Thank you.</p> <p>15 Are there any cross-examination questions?</p> <p>16 MR. MEYER: And I should move the</p> <p>17 admission at this time of those.</p> <p>18 JUDGE FRIEDLANDER: Okay. Thank you. And</p> <p>19 I think we've admitted the exhibits en masse.</p> <p>20 MR. MEYER: As well as all the pre-filed</p> <p>21 direct and rebuttal?</p> <p>22 JUDGE FRIEDLANDER: Yes.</p> <p>23 MR. MEYER: Excellent. Thank you.</p> <p>24 JUDGE FRIEDLANDER: All of the pre-filed</p> <p>25 exhibits have been admitted with the exception of</p>	<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / ANDREWS 132</p> <p>1 name and your employer?</p> <p>2 A. Elizabeth M. Andrews, and Avista Corporation.</p> <p>3 Elizabeth M. Andrews, and I work for Avista</p> <p>4 Corporation.</p> <p>5 Q. Thank you.</p> <p>6 And what is your position with the company?</p> <p>7 A. Manager of revenue requirements -- senior</p> <p>8 manager of revenue requirements.</p> <p>9 Q. Thank you.</p> <p>10 Have you prepared and pre-filed both direct</p> <p>11 and rebuttal exhibits?</p> <p>12 A. Yes, I have.</p> <p>13 Q. And have those been marked for identification</p> <p>14 as EMA-1T, as well as EMA-2 through -9, and then</p> <p>15 EMA-10T, as well as Exhibits EMA-11 through -16?</p> <p>16 A. Yes.</p> <p>17 Q. And were those prepared by you or under your</p> <p>18 supervision?</p> <p>19 A. Yes, they were.</p> <p>20 Q. Is the information true and correct to the</p> <p>21 best of your knowledge?</p> <p>22 A. Yes, they are.</p> <p>23 MR. MEYER: Thank you. And she's</p> <p>24 available for cross.</p> <p>25 JUDGE FRIEDLANDER: Thank you.</p>
<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / ANDREWS 131</p> <p>1 MTT-13C.</p> <p>2 Are there any bench or Commissioner</p> <p>3 questions at this time?</p> <p>4 All right. Thank you.</p> <p>5 THE WITNESS: Thank you. Gee-whiz.</p> <p>6 Thanks.</p> <p>7 JUDGE FRIEDLANDER: And --</p> <p>8 MR. MEYER: Easiest day you'll ever have.</p> <p>9 THE WITNESS: Yeah, pretty intense.</p> <p>10 JUDGE FRIEDLANDER: Thank you.</p> <p>11 And if you'll call the next witness.</p> <p>12 MR. MEYER: Next witness is -- since we're</p> <p>13 skipping over Mr. Thies, it will be Elizabeth Andrews.</p> <p>14 JUDGE FRIEDLANDER: Thank you.</p> <p>15</p> <p>16 ELIZABETH M. ANDREWS, witness herein, having been</p> <p>17 first duly sworn on oath,</p> <p>18 was examined and testified</p> <p>19 as follows:</p> <p>20</p> <p>21 JUDGE FRIEDLANDER: Thank you. You can be</p> <p>22 seated.</p> <p>23 DIRECT EXAMINATION</p> <p>24 BY MR. MEYER:</p> <p>25 Q. For the record, would you please state your</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. SHEARER / ANDREWS 133</p> <p>1 And who on Staff will be crossing</p> <p>2 Ms. Andrews?</p> <p>3 All right. Thank you.</p> <p>4 MR. SHEARER: Good morning. Brett</p> <p>5 Shearer, S-H-E-A-R-E-R, on behalf of Staff.</p> <p>6 CROSS-EXAMINATION</p> <p>7 BY MR. SHEARER:</p> <p>8 Q. Good morning, Ms. Andrews.</p> <p>9 A. Good morning.</p> <p>10 Q. Now, you are one of the company witnesses who</p> <p>11 testified to the pro forma capital additions; is that</p> <p>12 correct?</p> <p>13 A. Correct.</p> <p>14 Q. And your testimony discusses Avista's</p> <p>15 proposal on rebuttal called a functionalized approach</p> <p>16 for those pro forma capital additions, correct?</p> <p>17 A. That's correct.</p> <p>18 Q. And as part of that proposal, you discuss</p> <p>19 Mr. Cooper Wright's testimony from the recent PSE</p> <p>20 general rate case; is that correct?</p> <p>21 A. Yes.</p> <p>22 Q. And you recognize and have had a chance to</p> <p>23 review the cross-exhibit Staff filed for you in this</p> <p>24 case, which is Mr. Wright's testimony in Docket</p> <p>25 170033, correct?</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MR. SHEARER / ANDREWS 134</p> <p>1 A. I have.</p> <p>2 Q. Well, let's turn to page two, beginning at</p> <p>3 line 15, and it continues on to page three.</p> <p>4 MR. MEYER: Which exhibit?</p> <p>5 MR. SHEARER: Lines 1 and 2. This is</p> <p>6 Staff's cross-exhibit.</p> <p>7 MR. MEYER: Okay. Thanks.</p> <p>8 MR. SHEARER: The one and only.</p> <p>9 THE WITNESS: Sorry. Page what?</p> <p>10 BY MR. SHEARER:</p> <p>11 Q. Page two.</p> <p>12 A. Page two, the table of contents?</p> <p>13 Q. No. I meant page two, ECW-1T, page two.</p> <p>14 A. I'm sorry. Which exhibit? Are you talking</p> <p>15 about from Mr. Wright's testimony?</p> <p>16 Q. Yes. I'm talking Wright's -- I was referring</p> <p>17 to Mr. Wright's numbering, I'm sorry, from that</p> <p>18 document.</p> <p>19 A. That's no longer on this --</p> <p>20 COMMISSIONER RENDAHL: If you can refer to</p> <p>21 the upper right-hand corner designation --</p> <p>22 MR. SHEARER: That's my mistake.</p> <p>23 COMMISSIONER RENDAHL: -- that will --</p> <p>24 MR. SHEARER. I apologize.</p> <p>25 BY MR. SHEARER:</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 136</p> <p>1 JUDGE FRIEDLANDER: Thank you.</p> <p>2 Ms. Gafken?</p> <p>3 MS. GAFKEN: Yes, thank you.</p> <p>4 CROSS-EXAMINATION</p> <p>5 BY MS. GAFKEN:</p> <p>6 Q. Good morning, Ms. Andrews.</p> <p>7 A. Good morning.</p> <p>8 Q. Would you please turn to your rebuttal</p> <p>9 testimony, Exhibit EMA-10T, page five, lines 6 through</p> <p>10 12?</p> <p>11 A. Page five, 6 through 12?</p> <p>12 Q. Correct.</p> <p>13 A. Okay.</p> <p>14 Q. There you characterize the effect of other</p> <p>15 parties' revenue requirement recommendations as</p> <p>16 resulting in an inability for Avista to earn its</p> <p>17 authorized rate of return, correct?</p> <p>18 A. That's correct.</p> <p>19 Q. Your testimony assumes that all of Avista's</p> <p>20 recommendations are accepted, but that the revenue</p> <p>21 requirement proposed by the other parties is adopted;</p> <p>22 is that correct?</p> <p>23 A. I'm assuming what we're expecting for the rate</p> <p>24 year period, yes. So basically what we have proposed,</p> <p>25 and then, yes, if the other parties were accepted, the</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MR. SHEARER / ANDREWS 135</p> <p>1 Q. It will be two pages after that under Scope</p> <p>2 and Summary of Testimony.</p> <p>3 A. Makes more sense. Thank you.</p> <p>4 Q. There we are. Page four.</p> <p>5 A. Yes. I'm there. Sorry.</p> <p>6 Q. Okay.</p> <p>7 Now, as you review that, how many pro forma</p> <p>8 capital projects did Mr. Wright review in that case?</p> <p>9 A. I'm not sure if it's -- you know, I'm just</p> <p>10 going to say a half dozen. I'm not completely sure.</p> <p>11 Q. Will you accept five?</p> <p>12 A. Fine.</p> <p>13 Q. That's what I count.</p> <p>14 A. Okay. Fine.</p> <p>15 Q. Is that okay?</p> <p>16 A. Yep.</p> <p>17 Q. All right.</p> <p>18 And can you tell me how many of those</p> <p>19 projects that Mr. Wright supported were actually in</p> <p>20 service at the time of his testimony?</p> <p>21 A. I don't recall. They might have all been.</p> <p>22 I'm not sure.</p> <p>23 Q. Okay. Thank you.</p> <p>24 MR. SHEARER: I have no further questions,</p> <p>25 your Honor.</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 137</p> <p>1 difference of the rate of return that -- or the ROE</p> <p>2 that would be experienced during that time, yes.</p> <p>3 Q. A party's revenue requirement proposal would</p> <p>4 simply give Avista the opportunity to earn the return</p> <p>5 on equity recommended by that party given their other</p> <p>6 expense and rate base adjustments, correct?</p> <p>7 A. That may be true, but regardless, I think</p> <p>8 whether it would be a 9.1 or a 9.9 as proposed by the</p> <p>9 Company, these level of returns are obviously</p> <p>10 significantly less than that.</p> <p>11 Q. But the levels of return in your testimony at</p> <p>12 page five, lines 6 through 12, assumes that Avista's</p> <p>13 assumptions and recommendations are adopted.</p> <p>14 A. We're actually looking at the level of capital</p> <p>15 and the level of expense, so it's really in -- you</p> <p>16 could even compare that into really 9.5 ROE, however</p> <p>17 you wanted to look at it. This is the level of</p> <p>18 expense and the level of rate base, actually. What is</p> <p>19 the -- the level of rate base and the level of net</p> <p>20 income, what -- how do those compare to what we expect</p> <p>21 in the rate year? So it's regardless of whether</p> <p>22 you're talking about a 9.9 ROE or not.</p> <p>23 Q. Are you talking about actual versus</p> <p>24 authorized?</p> <p>25 A. I'm talking about an expectation that, for</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 138</p> <p>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,</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 140</p> <p>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.</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 139</p> <p>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?</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 141</p> <p>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</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 142</p> <p>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</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 144</p> <p>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</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / ANDREWS 143</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / ANDREW145</p> <p>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?</p>

<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / ANDREW146</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / ANDREWS 148</p> <p>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</p>
<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / ANDREW147</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / ANDREWS 149</p> <p>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...</p>

<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / ANDREWS 150</p> <p>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?</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / ANDREWS 152</p> <p>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</p>
<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / ANDREWS 151</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / ANDREWS 153</p> <p>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</p>

<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / ANDREWS 154</p> <p>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 ///</p>	<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / ANDREWS156</p> <p>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.</p>
<p style="text-align: center;">EXAMINATION BY COMMISSIONER BALASBAS / ANDREW155</p> <p>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.</p>	<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / ANDREWS157</p> <p>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</p>

<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / ANDREWS158</p> <p>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.</p>	<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / SCHUH 160</p> <p>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.</p>
<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / SCHUH 159</p> <p>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</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. STOKES / SCHUH 161</p> <p>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</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MR. STOKES / SCHUH 162</p> <p>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.</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. STOKES / SCHUH 164</p> <p>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.</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MR. STOKES / SCHUH 163</p> <p>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.</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. STOKES / SCHUH 165</p> <p>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.</p>

<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / ROSENTRATE166</p> <p>1 Is there any redirect?</p> <p>2 MR. MEYER: There is no redirect. Thank</p> <p>3 you.</p> <p>4 JUDGE FRIEDLANDER: All right.</p> <p>5 And are there any Commissioner questions?</p> <p>6 All right. Thank you. Thank you so much</p> <p>7 for your testimony, and the witness is excused.</p> <p>8 MR. MEYER: Call to the stand</p> <p>9 Ms. Rosentrater.</p> <p>10</p> <p>11 HEATHER L. ROSENTRATER, witness herein, having been</p> <p>12 first duly sworn on oath,</p> <p>13 was examined and testified</p> <p>14 as follows:</p> <p>15</p> <p>16 JUDGE FRIEDLANDER: Thank you. You can be</p> <p>17 seated.</p> <p style="text-align: center;">DIRECT EXAMINATION</p> <p>18 BY MR. MEYER:</p> <p>19 Q. All set?</p> <p>20 A. Yep.</p> <p>21 Q. Okay.</p> <p>22 For the record, please state your name and</p> <p>23 your employer.</p> <p>24 A. Heather Rosentrater with Avista.</p>	<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / KALICH 168</p> <p>1 CHAIRMAN DANNER: No.</p> <p>2 JUDGE FRIEDLANDER: I assume no redirect,</p> <p>3 so I guess --</p> <p>4 MR. MEYER: Is it just me or are you</p> <p>5 having trouble keeping up too?</p> <p>6 JUDGE FRIEDLANDER: Yeah, yeah. All</p> <p>7 right. Then with that, thank you anyway.</p> <p>8 MR. MEYER: Okay. I show next in line for</p> <p>9 cross, Mr. Kalich.</p> <p>10 JUDGE FRIEDLANDER: That's what I have as</p> <p>11 well. And Public Counsel has reserved some time.</p> <p>12 MS. GAFKEN: Yes.</p> <p>13 JUDGE FRIEDLANDER: All right. I think</p> <p>14 that's what I'm going to have to do. I'll just check</p> <p>15 at the last minute.</p> <p>16</p> <p>17 CLINT G. KALICH, witness herein, having been</p> <p>18 first duly sworn on oath,</p> <p>19 was examined and testified</p> <p>20 as follows:</p> <p>21</p> <p>22 JUDGE FRIEDLANDER: Thank you. You can be</p> <p>23 seated.</p> <p style="text-align: center;">DIRECT EXAMINATION</p> <p>24 BY MR. MEYER:</p>
<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / ROSENTRATE167</p> <p>1 Q. And what is your position with Avista?</p> <p>2 A. Vice president of energy delivery.</p> <p>3 Q. And have you prepared and pre-filed testimony</p> <p>4 and exhibits?</p> <p>5 A. Yes.</p> <p>6 Q. And have those been marked at HLR-1T through</p> <p>7 HLR-7T?</p> <p>8 A. Yes.</p> <p>9 Q. The information is true and correct?</p> <p>10 A. Yes.</p> <p>11 Q. Any changes?</p> <p>12 A. No.</p> <p>13 MR. MEYER: With that, she's available --</p> <p>14 with that, she's available for cross.</p> <p>15 JUDGE FRIEDLANDER: Thank you.</p> <p>16 I believe we have the Northwest Industrial</p> <p>17 Gas Users on my sheet.</p> <p>18 MR. STOKES: We've waived cross.</p> <p>19 JUDGE FRIEDLANDER: Okay.</p> <p>20 MR. STOKES: Thank you.</p> <p>21 JUDGE FRIEDLANDER: ICNU has waived as</p> <p>22 well?</p> <p>23 MR. OSHIE: (Nods head.)</p> <p>24 JUDGE FRIEDLANDER: So are there any bench</p> <p>25 or Commissioner questions?</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 169</p> <p>1 Q. All set?</p> <p>2 A. I am.</p> <p>3 Q. For the record, please state your name and</p> <p>4 your employer.</p> <p>5 A. Clint Kalich with Avista Corporation.</p> <p>6 Q. And what is your title?</p> <p>7 A. I'm the manager of resource planning and power</p> <p>8 supply analyses.</p> <p>9 Q. And as such, have you prepared and pre-filed</p> <p>10 testimony and exhibits?</p> <p>11 A. Yes, I have.</p> <p>12 Q. And are they marked as CGK-1T through CGK-5?</p> <p>13 A. Yes.</p> <p>14 Q. Do you have any changes to make to those?</p> <p>15 A. I do not.</p> <p>16 Q. You might get a little closer to the mic,</p> <p>17 just a little bit. Thanks.</p> <p>18 MR. MEYER: With that, he's available for</p> <p>19 cross.</p> <p>20 JUDGE FRIEDLANDER: Thank you.</p> <p>21 Ms. Gafken?</p> <p>22 MS. GAFKEN: Thank you.</p> <p style="text-align: center;">CROSS-EXAMINATION</p> <p>24 BY MS. GAFKEN:</p> <p>25 Q. Good morning, Mr. Kalich.</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 170</p> <p>1 A. Good morning.</p> <p>2 Q. When modeling, the adjustments will</p> <p>3 generally -- the adjustments made will generally</p> <p>4 affect the outcome produced by the model; is that</p> <p>5 correct?</p> <p>6 A. Specifically, I guess which adjustments are</p> <p>7 you asking about?</p> <p>8 Q. So --</p> <p>9 A. Adjustments to the Aurora model itself, the</p> <p>10 power supply model?</p> <p>11 Q. That's a good clarification. And I am</p> <p>12 talking about when you're using the Aurora model in</p> <p>13 modeling the power costs.</p> <p>14 And I'm asking a general question to start</p> <p>15 with. So adjustments that are made and assumptions</p> <p>16 that are made will generally affect the outcome</p> <p>17 produced by the model; is that correct?</p> <p>18 A. Over the many years we've used this model here</p> <p>19 before the Commission, going back I think as far as</p> <p>20 2000, we've gone through a number of proceedings and</p> <p>21 worked with parties around the table here today and</p> <p>22 have identified methodologies in which we change data</p> <p>23 that will ultimately drive the results of the power</p> <p>24 supply model and, yes, then the data that goes into</p> <p>25 the model will affect the ultimate outcome and the</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 172</p> <p>1 cases ago where we'll match the forward natural gas</p> <p>2 and electricity prices -- and one of the key</p> <p>3 components is -- that would affect that across the</p> <p>4 region is the load shape, for example.</p> <p>5 So I'm not sure if I understood your question</p> <p>6 completely, except to say that certainly a more</p> <p>7 seasoned analyst is able to more efficiently work the</p> <p>8 model and understand the impacts of one change on how</p> <p>9 the model might behave.</p> <p>10 Q. So to make it maybe a little more in lay</p> <p>11 terms, somebody who is familiar with the model and has</p> <p>12 worked with it for a number of years would know to</p> <p>13 toggle things on and off depending on what other</p> <p>14 changes they're making within the model; is that</p> <p>15 accurate?</p> <p>16 A. You could look at it that way, or you could</p> <p>17 view it as having a more depth of understanding of how</p> <p>18 fundamentals work in the marketplace. So, for</p> <p>19 example, if you increase loads across the region, you</p> <p>20 would expect to have to dispatch higher-cost</p> <p>21 resources, and, therefore, market prices would rise.</p> <p>22 So I think it might be less about specifically</p> <p>23 which buttons to push or which values to change, and</p> <p>24 more of an understanding fundamentally how the</p> <p>25 marketplace operates and ultimately how this industry</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 171</p> <p>1 power supply costs that go into the case.</p> <p>2 Q. Okay.</p> <p>3 I think you answered the question yes; is</p> <p>4 that correct?</p> <p>5 A. Yes.</p> <p>6 Q. Thank you.</p> <p>7 Again, I'm staying in the general sphere. We</p> <p>8 can talk about specifics in a bit.</p> <p>9 When making adjustments, isn't it true that a</p> <p>10 modeler who is familiar with the model will know to</p> <p>11 make adjustments based on the assumptions in order to</p> <p>12 make sure that the results are correct, so when you</p> <p>13 make an adjustment, there may need to be other</p> <p>14 adjustments that are made; is that accurate?</p> <p>15 A. It is true that if you end up with a more</p> <p>16 experienced analyst doing the work, you will arrive at</p> <p>17 a result more efficiently. There are a number of</p> <p>18 modifications made to the model, and one of the</p> <p>19 examples is discussed in testimony, both in my</p> <p>20 testimony and some of the intervenors in the cases,</p> <p>21 loads, for example.</p> <p>22 So to the extent you have a more seasoned</p> <p>23 analyst, they would be more efficient at making that</p> <p>24 data fit, which is one of the key components of the</p> <p>25 case -- which, again, was a methodology agreed to many</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 173</p> <p>1 standard model emulates the marketplace.</p> <p>2 Q. In your rebuttal testimony, you describe the</p> <p>3 alternate model runs requested of Avista by Staff and</p> <p>4 Public Counsel. In running the model, Avista limited</p> <p>5 its adjustments to the specific items requested by</p> <p>6 Staff and Public Counsel; is that correct?</p> <p>7 A. Could you please provide the cite for that? I</p> <p>8 can certainly pull my rebuttal out, but --</p> <p>9 Q. I don't have a specific cite, but you do talk</p> <p>10 about a number of runs that were asked for by</p> <p>11 Mr. Gomez, and then the one run that was asked for by</p> <p>12 Ms. Wilson for Public Counsel.</p> <p>13 Do you generally recall that?</p> <p>14 A. We -- yes. In my rebuttal testimony, there</p> <p>15 was discussion of some of the requests by both Public</p> <p>16 Counsel and Staff in their data requests, yes.</p> <p>17 Q. And when those data requests came in, did</p> <p>18 Avista limit its suggested adjustments to the Aurora</p> <p>19 model, to the specific items requested of it by the</p> <p>20 parties?</p> <p>21 A. The simple answer is yes. I don't think there</p> <p>22 were any other adjustments necessary to illustrate the</p> <p>23 impact of those -- those requests or recommendation of</p> <p>24 either Staff or Public Counsel.</p> <p>25 Q. Now I do have a cite for you, switching</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 174</p> <p>1 gears.</p> <p>2 Would you please turn to Cross-Exhibit</p> <p>3 CGK-10X?</p> <p>4 A. And unfortunately, in my packet, I didn't have</p> <p>5 any numbering. So might you be able to give me a</p> <p>6 little more information? I have -- think I have them</p> <p>7 all.</p> <p>8 Q. It's the US Energy Information Administration</p> <p>9 article.</p> <p>10 A. Okay. Yes, I have it. Thank you.</p> <p>11 Q. Are you familiar with the United States</p> <p>12 Energy Information Administration?</p> <p>13 A. Yes, I am.</p> <p>14 Q. Are you familiar with the concept of a</p> <p>15 dispatch curve?</p> <p>16 A. Yes, I am.</p> <p>17 Q. Would you agree that a dispatch curve</p> <p>18 represents the order in which units are dispatched to</p> <p>19 meet power demand in a given time interval?</p> <p>20 A. At a high level, absolutely. Certainly,</p> <p>21 that's a basic theoretical, fundamental discussion,</p> <p>22 but operating a power system is quite a bit more</p> <p>23 complex than simply lining up a supply and demand</p> <p>24 curve like we would do on an economics course.</p> <p>25 Q. And I think we may get into some of the more</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 176</p> <p>1 So if you assume infinite flexibility</p> <p>2 associated with all of your resources, this type of a</p> <p>3 graphic could be represented as something that would</p> <p>4 be a reasonable, accurate representation.</p> <p>5 Unfortunately, you cannot always dispatch a least cost</p> <p>6 resource for various physical reasons or decisions</p> <p>7 that you made in the past. It's a very intertemporal</p> <p>8 problem.</p> <p>9 Q. So understanding that things on the ground</p> <p>10 may be slightly different than theory, but I do want</p> <p>11 to establish kind of the basic premise first.</p> <p>12 So all things being equal, would you agree</p> <p>13 that a plant with the lowest variable operating costs</p> <p>14 are [sic] generally dispatched first, and plant with</p> <p>15 higher variable operating costs are [sic] brought</p> <p>16 online sequentially as energy -- electricity demand</p> <p>17 increases?</p> <p>18 A. Yes, as a generalization.</p> <p>19 Q. In a dispatch curve, the variable operating</p> <p>20 costs are essentially the same as fuel costs; is that</p> <p>21 correct?</p> <p>22 A. The variable costs -- fuel is a significant</p> <p>23 component, but there's also wear and tear associated</p> <p>24 with a project. So just like in your car, it won't</p> <p>25 run infinitely. Every time you start it and drive it,</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 175</p> <p>1 specifics, but right now I'm staying at the general</p> <p>2 level and then we'll dive down.</p> <p>3 A. Um-hmm.</p> <p>4 Q. Do you recognize the chart on page 1 of</p> <p>5 Cross-Exhibit CGK-10X as a hypothetical dispatch</p> <p>6 curve?</p> <p>7 A. Yes, and I think -- yeah, that's what they</p> <p>8 illustrated, so --</p> <p>9 (Court reporter clarification.)</p> <p>10 A. I was agreeing, yes.</p> <p>11 Q. Would you agree that the plant with the</p> <p>12 lowest variable operating costs are [sic] generally</p> <p>13 dispatched first and plant with higher variable</p> <p>14 operating costs are [sic] brought online sequentially</p> <p>15 as electricity demand increases, all things being</p> <p>16 equal?</p> <p>17 A. The power supply dispatch is quite a bit more</p> <p>18 complicated than is represented in this two-page</p> <p>19 document. In fact, we have dozens of staff that are</p> <p>20 necessary to dispatch our system, if you ignore the</p> <p>21 obligations of ancillary services and simply want to</p> <p>22 dispatch a resource that doesn't have a ramp rate,</p> <p>23 that doesn't have a period of time over which it must</p> <p>24 be offline once it's shut off before you can restart</p> <p>25 it.</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 177</p> <p>1 you're going to wear that engine out and will have</p> <p>2 costs associated with either repair or replacement.</p> <p>3 Further to that, you can have substantial</p> <p>4 costs associated with startup. Those can be</p> <p>5 aggressive wear and tear on your equipment and/or</p> <p>6 incremental fuel subject -- caused by the heating up</p> <p>7 of the mass of the engine prior to being able to bring</p> <p>8 it online to produce electrical energy.</p> <p>9 Q. What percentage of the variable operating</p> <p>10 costs would you estimate is related to fuel costs?</p> <p>11 A. In which plants are you referring to?</p> <p>12 Q. I'm still dealing with general --</p> <p>13 A. It does vary substantially depending on the --</p> <p>14 hydro, for example, has near zero fuel cost, whereas</p> <p>15 an inefficient oil fire facility would be</p> <p>16 substantially all, or greatly fuel costs.</p> <p>17 Q. So I'm not sure that you've answered the</p> <p>18 question that I'm trying to get at.</p> <p>19 You described variable operating costs as</p> <p>20 including a significant component of fuel cost, and</p> <p>21 then you went on to describe a whole bunch of other</p> <p>22 things that could be included and --</p> <p>23 A. Um-hmm.</p> <p>24 Q. -- acknowledging that fuel cost is not the</p> <p>25 only component of variable operating costs.</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 178</p> <p>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</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 180</p> <p>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</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 179</p> <p>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.</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 181</p> <p>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.</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 182</p> <p>1 Q. Well, let's take January --</p> <p>2 A. Yes.</p> <p>3 Q. -- on the table.</p> <p>4 According to Table 3 on page 11 of Exhibit</p> <p>5 CGK-3T, your adjustment would result in a load from</p> <p>6 January being 10 percent higher than before your</p> <p>7 adjustment; is that correct?</p> <p>8 A. Yes.</p> <p>9 Q. If you'd turn back to the hypothetical</p> <p>10 dispatch curve shown in Cross-Exhibit CGK-10X, isn't</p> <p>11 it true that in a given hour of the day, increasing</p> <p>12 the load by 10 percent causes additional generators to</p> <p>13 come online that -- to meet that additional electric</p> <p>14 load?</p> <p>15 A. Yes. It moves up the resource stack and would</p> <p>16 dispatch a higher-cost resource in the actual stack</p> <p>17 itself.</p> <p>18 Q. Okay.</p> <p>19 The Aurora model produces an electricity</p> <p>20 price for every hour of the year; is that correct?</p> <p>21 A. It does, yes.</p> <p>22 Q. And the price produced is specific to the day</p> <p>23 and hour in which it occurred, correct?</p> <p>24 A. That occurred within the model run, yes.</p> <p>25 Q. Mid-C electricity futures from ICE are not</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 184</p> <p>1 have seen some of the off-peak prices go negative, but</p> <p>2 that could just be poor memory on my part.</p> <p>3 Q. Do you recall providing data responses along</p> <p>4 these lines asking about the data and Avista providing</p> <p>5 the data?</p> <p>6 MR. MEYER: Do you have a specific DR in</p> <p>7 mind?</p> <p>8 MS. GAFKEN: I do. I think it's Public</p> <p>9 Counsel Data Request 11.</p> <p>10 BY MS. GAFKEN:</p> <p>11 Q. The reason I'm bringing that up is that I</p> <p>12 think there is a way to check -- to answer the</p> <p>13 question subject to check.</p> <p>14 A. Okay. Well, I don't have that DR in front of</p> <p>15 me. I could certainly look at the response and</p> <p>16 provide you an answer.</p> <p>17 MR. MEYER: Let's make it easy. We'll</p> <p>18 accept it subject to check, and then during the lunch</p> <p>19 hour we'll get into the DRs and tell you otherwise.</p> <p>20 Okay?</p> <p>21 MS. GAFKEN: Okay.</p> <p>22 BY MS. GAFKEN:</p> <p>23 Q. So the question there is that the data</p> <p>24 contained no negative prices for electricity futures</p> <p>25 at Mid-C?</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / KALICH 183</p> <p>1 assigned to a specific hour of the year, but are</p> <p>2 specific to the day and whether it's peak or off-peak</p> <p>3 periods of that day; is that correct?</p> <p>4 A. That's right. The ICE prices are, you know,</p> <p>5 flat like you suggested, so the on- and off-peak</p> <p>6 spreads, um-hmm.</p> <p>7 Q. And with respect to the data that you used to</p> <p>8 calculate your three-month averages -- and I'm not</p> <p>9 asking to go into the data specifically -- but -- so</p> <p>10 with respect to the data that you used to calculate</p> <p>11 your three-month averages, are -- there are certain</p> <p>12 days of the year on which there were no contracts for</p> <p>13 electricity futures at Mid-C; is that correct?</p> <p>14 A. I can't testify to that today. I don't have</p> <p>15 that data in front of me. But subject to check, I</p> <p>16 would expect there would be periodic days where some</p> <p>17 of the -- especially the further-out months would not</p> <p>18 transact for that day.</p> <p>19 Q. And this may be another subject to check</p> <p>20 question, but additionally, the data contained no</p> <p>21 negative prices for electricity futures at Mid-C; is</p> <p>22 that correct?</p> <p>23 A. I don't think I can even answer that subject</p> <p>24 to check at this point. The only reason I say that is</p> <p>25 that my memory -- I do believe at certain times we</p>	<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / KALICH 185</p> <p>1 A. I think that certainly is a possibility.</p> <p>2 MS. GAFKEN: Okay. Thank you. I have no</p> <p>3 further questions.</p> <p>4 JUDGE FRIEDLANDER: Okay. Thank you.</p> <p>5 Any redirect?</p> <p>6 MR. MEYER: Oh, yes, just one or two.</p> <p>7 REDIRECT EXAMINATION</p> <p>8 BY MR. MEYER:</p> <p>9 Q. You mentioned early on in response to a</p> <p>10 cross-examination question that time was spent working</p> <p>11 with parties over the years on the modeling inputs.</p> <p>12 What did you mean by that?</p> <p>13 A. In this case for the first time in my</p> <p>14 experience, the power supply model has come under</p> <p>15 question by a few parties to this case with some</p> <p>16 pretty large concerns expressed in the testimony.</p> <p>17 There were -- appeared to be concerns that we</p> <p>18 were changing methodologies or doing something</p> <p>19 different with the data than we've done in the past,</p> <p>20 and what I meant by that was the methodologies have</p> <p>21 not changed, and, in fact, the methodologies have been</p> <p>22 approved by this Commission in previous proceedings.</p> <p>23 But more importantly, looking back at</p> <p>24 witnesses that represented ICNU, so you're talking</p> <p>25 about Don Schoenbeck and actually Brad Mullins here</p>

<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / KALICH 186</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KALICH 188</p> <p>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</p>
<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / KALICH 187</p> <p>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.</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KALICH 189</p> <p>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.</p>

<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KALICH 190</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / KALICH192</p> <p>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</p>
<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KALICH 191</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / KALICH193</p> <p>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</p>

<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / KALICH194</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER BALASBAS / JOHNSO196</p> <p>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.</p>
<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / JOHNSON 195</p> <p>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?</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER BALASBAS / JOHNSO197</p> <p>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</p>

<p style="text-align: center;">EXAMINATION BY COMMISSIONER BALASBAS / JOHNSO198</p> <p>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 ///</p>	<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / JOHNSON200</p> <p>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</p>
<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / JOHNSON199</p> <p>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?</p>	<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / JOHNSON201</p> <p>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,</p>

<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / JOHNSON202</p> <p>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</p>	<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / JOHNSON204</p> <p>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</p>
<p style="text-align: center;">REDIRECT EXAMINATION BY MR. MEYER / JOHNSON203</p> <p>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.</p>	<p style="text-align: center;">DIRECT EXAMINATION OF KEVIN J. CHRISTIE / MEY205</p> <p>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</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI206</p> <p>1 correct?</p> <p>2 A. It is.</p> <p>3 MR. MEYER: With that, Mr. Christie's</p> <p>4 available.</p> <p>5 JUDGE FRIEDLANDER: All right. Thank you.</p> <p>6 CHAIRMAN DANNER: Just a clarification</p> <p>7 that the job title you just gave us orally does not --</p> <p>8 is different than the one that's in your testimony.</p> <p>9 It says you're the vice president of customer</p> <p>10 solutions. Can I just clarify, what is your title?</p> <p>11 THE WITNESS: Yes. It's the one I just</p> <p>12 shared. There was a change January 1.</p> <p>13 CHAIRMAN DANNER: All right. Thank you.</p> <p>14 JUDGE FRIEDLANDER: All right.</p> <p>15 Staff?</p> <p>16 MR. O'CONNELL: Thank you, your Honor. My</p> <p>17 name's Andrew O'Connell, Assistant Attorney General,</p> <p>18 for Staff.</p> <p>19 CROSS-EXAMINATION</p> <p>20 BY MR. O'CONNELL:</p> <p>21 Q. Good morning, Mr. Christie.</p> <p>22 A. Good morning.</p> <p>23 Q. To start, I'd like to ask you a few questions</p> <p>24 regarding Cross-Exhibits KJC-3X and -4X.</p> <p>25 Do you have copies of those with you?</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI208</p> <p>1 customer would enjoy by converting to natural gas is</p> <p>2 two-thirds. So in other words, the cost to the</p> <p>3 customer would be a little more than \$500, \$567 for</p> <p>4 gas, but \$1,544 for electric.</p> <p>5 Q. Thank you.</p> <p>6 And what I'd like to do is ask you some</p> <p>7 questions about the data underlying those final</p> <p>8 numbers.</p> <p>9 A. Okay.</p> <p>10 Q. So I'd like to ask you, the data request says</p> <p>11 that you looked at what the average residential</p> <p>12 customer is. How did you determine what was the</p> <p>13 average residential customer?</p> <p>14 A. Can you point out where that statement is</p> <p>15 made?</p> <p>16 Q. Sure.</p> <p>17 If you look to your response on page 1, the</p> <p>18 second sentence, you say [as read], The example shown</p> <p>19 in the calculator is for an average residential</p> <p>20 customer with a 2,000 foot square [sic] home.</p> <p>21 So can you explain, please, how you</p> <p>22 approached the idea of coming up with data for the</p> <p>23 average residential home?</p> <p>24 A. Well, I think what was meant there is average</p> <p>25 being a residential -- a customer in the Spokane area,</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI207</p> <p>1 A. I do.</p> <p>2 JUDGE FRIEDLANDER: If we could just pause</p> <p>3 for a minute while the bench gets the copies as well.</p> <p>4 All right.</p> <p>5 MR. O'CONNELL: Thank you.</p> <p>6 BY MR. O'CONNELL:</p> <p>7 Q. Let's start with KJC-3X. You're familiar</p> <p>8 with the data contained in this exhibit, correct?</p> <p>9 A. I am.</p> <p>10 Q. Okay.</p> <p>11 Did you rely on this information, the</p> <p>12 information provided in this data request, when you</p> <p>13 were preparing your cross-answer testimony?</p> <p>14 A. I did.</p> <p>15 Q. Okay.</p> <p>16 So the data here compares what an average</p> <p>17 residential customer would pay to heat their home with</p> <p>18 electricity versus natural gas, correct?</p> <p>19 A. Correct.</p> <p>20 Q. And the conclusion in this data request</p> <p>21 response is that it's just less than \$1,000</p> <p>22 difference, right?</p> <p>23 A. The conclusion in this response relates to a</p> <p>24 home that is 2,000 square feet, and for a home</p> <p>25 approximately 2,000 square feet, the savings a</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI209</p> <p>1 not a specific calculation related to all of our</p> <p>2 customers, but more related to the 2,000-square-foot</p> <p>3 home.</p> <p>4 Q. And is a 2,000-square-foot home a reasonable</p> <p>5 approximation for what the average residential</p> <p>6 customer would have?</p> <p>7 A. I believe that it's a reasonable approximation</p> <p>8 for our service territory in Washington.</p> <p>9 Q. Okay.</p> <p>10 Later in your response you say that the</p> <p>11 example assumes 14,308 kilowatts of -- kilowatt hours</p> <p>12 of annual usage. Can you explain that number and how</p> <p>13 you made that assumption?</p> <p>14 A. No, I would need some assistance in</p> <p>15 determining where that number came from exactly.</p> <p>16 Q. Okay.</p> <p>17 Do you believe --</p> <p>18 A. So we can get that for you.</p> <p>19 MR. MEYER: Go ahead.</p> <p>20 BY MR. O'CONNELL:</p> <p>21 Q. So my understanding is that your response to</p> <p>22 this data request was a presentation of what the</p> <p>23 average residential home used for heating and</p> <p>24 whether -- presented a calculation as to how expensive</p> <p>25 it would be to heat that home for -- using electricity</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI210</p> <p>1 versus natural gas.</p> <p>2 A. Yeah.</p> <p>3 Q. And what I'd like to explore is how you came</p> <p>4 up with thinking about what is the average residential</p> <p>5 home. So was the 14,000 kilowatt hours a reasonable</p> <p>6 approximation of what the average residential customer</p> <p>7 uses per year?</p> <p>8 A. I believe the 14,308 approximates what a</p> <p>9 customer would use that had a 2,000-square-foot home.</p> <p>10 Q. And do you think that the Commission can rely</p> <p>11 upon that information as a solid assumption when</p> <p>12 considering how much an average residential customer</p> <p>13 might save between using natural gas and electricity?</p> <p>14 A. I do. Although this is a representation of a</p> <p>15 2,000-square-foot home, it is true that there's a --</p> <p>16 call it a sliding scale. If the home was smaller,</p> <p>17 there would be less savings enjoyed, but still</p> <p>18 significant; if the home was larger, potentially more</p> <p>19 savings.</p> <p>20 Q. Okay.</p> <p>21 So you believe that these metrics are the</p> <p>22 correct ones to use, right?</p> <p>23 A. Use for what purpose?</p> <p>24 Q. For the purpose of determining the difference</p> <p>25 between the cost for an average residential customer</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI212</p> <p>1 to this data request?</p> <p>2 A. There must be more to your question, because I</p> <p>3 would say that we assumed on one hand the electric</p> <p>4 heat versus natural gas high-efficiency furnace.</p> <p>5 Q. Okay.</p> <p>6 Was there a particular efficiency that you</p> <p>7 assumed for electricity?</p> <p>8 A. I believe it was 90 percent -- oh, I'm</p> <p>9 sorry -- 100 percent for electricity, 90 percent for</p> <p>10 gas.</p> <p>11 Q. Thank you.</p> <p>12 And now those efficiencies, they do vary</p> <p>13 depending on the equipment, correct?</p> <p>14 A. That's correct.</p> <p>15 Q. Okay.</p> <p>16 But you -- did you choose the 100 percent</p> <p>17 efficiency for electricity and 90 percent for natural</p> <p>18 gas because those are middle-of-the-road assumptions?</p> <p>19 A. No. We chose those numbers because they --</p> <p>20 the 100 percent is a fact for electric -- let me</p> <p>21 rephrase.</p> <p>22 We chose those assumptions because the</p> <p>23 90 percent on gas is the -- is the reasonable</p> <p>24 approximation of what our customers are installing or</p> <p>25 have installed.</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI211</p> <p>1 to heat their home for one year using natural gas</p> <p>2 versus using electricity?</p> <p>3 A. For a 2,000-square-foot home with that</p> <p>4 assumption, yes.</p> <p>5 MR. MEYER: Excuse me. If it helps, I'm</p> <p>6 advised there is a DR response to DR 309, which might</p> <p>7 provide some additional information. Do you have</p> <p>8 that?</p> <p>9 MR. O'CONNELL: I would like to get to</p> <p>10 that in just a moment.</p> <p>11 MR. MEYER: Okay. So -- very good.</p> <p>12 JUDGE FRIEDLANDER: And does that have an</p> <p>13 exhibit number? Has that been filed?</p> <p>14 MR. O'CONNELL: It does. It has. It is</p> <p>15 Cross-Exhibit KJC-7 -- sorry, 6X. And I would like to</p> <p>16 talk about that briefly. My understanding is that the</p> <p>17 assumptions are the same, but I would like to ask that</p> <p>18 question once we get to that exhibit.</p> <p>19 JUDGE FRIEDLANDER: That's fine. Thank</p> <p>20 you.</p> <p>21 MR. O'CONNELL: Thank you, your Honor.</p> <p>22 BY MR. O'CONNELL:</p> <p>23 Q. Do you know what equipment -- assumptions</p> <p>24 were used as far as what equipment was used to heat</p> <p>25 the home, the 2,000-square-foot home in your response</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI213</p> <p>1 On the electric side, I'm not an engineer, but</p> <p>2 I believe that that is more of a fixture instead of</p> <p>3 variable at 100 percent, and it's -- it would yield</p> <p>4 the best comparison for electric.</p> <p>5 So if it were lower, it would worsen the</p> <p>6 electric efficiency, therefore, lower the economics</p> <p>7 and make the differential even bigger.</p> <p>8 Q. Okay.</p> <p>9 So do you believe this is a good snapshot if</p> <p>10 we're looking now what the average residential</p> <p>11 customer might see as far as a change in their bill?</p> <p>12 A. If this -- if the residential customer is a</p> <p>13 2,000-square-foot home, these assumptions, then yes.</p> <p>14 If it is a smaller home, the savings would be a little</p> <p>15 bit less. If it was a larger home, it could be more.</p> <p>16 Q. Okay.</p> <p>17 I'd like to turn to KJC-4X.</p> <p>18 A. Okay. I'm there.</p> <p>19 Q. Now, this data request and response compares</p> <p>20 the cost of heating with the natural gas furnace as</p> <p>21 compared to a heat pump, an electric heat pump,</p> <p>22 correct?</p> <p>23 A. Correct.</p> <p>24 Q. The temperature range you used in your</p> <p>25 response is from 52 degrees Fahrenheit to negative 12</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI214</p> <p>1 and a half degrees Fahrenheit, right?</p> <p>2 A. That is correct.</p> <p>3 Q. Why did you choose that temperature range?</p> <p>4 A. That is the series of temperature bins that we</p> <p>5 tend to see in our service territory.</p> <p>6 Q. Okay.</p> <p>7 And you also used a residential heat pump in</p> <p>8 the Spokane area that has a Seasonal Energy Efficiency</p> <p>9 Ratio, SEER, value of 16. Is that a -- why did you</p> <p>10 choose that SEER value?</p> <p>11 A. I do not have that off the top of my head.</p> <p>12 Q. Is that a reasonable, middle-of-the-road</p> <p>13 assumption to make for an average residential</p> <p>14 customer?</p> <p>15 A. Thank you. I'm told it is.</p> <p>16 Q. Okay.</p> <p>17 Now, at the end of this response, you note</p> <p>18 that the electric heat pump, the cost to heat 100,000</p> <p>19 BTUs of heat with that would cost between \$1.20 and</p> <p>20 \$2.95. Does that correspond to the temperature range</p> <p>21 that we just talked about?</p> <p>22 A. Yes, it does.</p> <p>23 Q. And at the time you provided this response,</p> <p>24 it was -- it would cost \$0.94 for 100,000 BTUs of heat</p> <p>25 delivered from the burning of natural gas, correct?</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI216</p> <p>1 Q. Sure.</p> <p>2 The cost of heating with natural gas here in</p> <p>3 the first part of your response is less than it was in</p> <p>4 Exhibit 3X, correct?</p> <p>5 A. That is correct.</p> <p>6 Q. Okay.</p> <p>7 So with the update information, that means</p> <p>8 that there's -- it would be slightly greater than</p> <p>9 \$1,000 difference between an average residential</p> <p>10 customer heating their home with natural gas than with</p> <p>11 electricity.</p> <p>12 A. That is correct.</p> <p>13 Q. So this \$1,000 difference between heating an</p> <p>14 average residential customer's home with electricity</p> <p>15 as compared to natural gas, do you think that's an</p> <p>16 important difference for your average customer?</p> <p>17 A. I absolutely do. If you're a customer and you</p> <p>18 can experience more than a two-thirds' reduction in</p> <p>19 your -- in your heating expense, and especially given</p> <p>20 our climate and our demographics of our customers,</p> <p>21 many of our customers would find that tremendously</p> <p>22 valuable.</p> <p>23 MR. O'CONNELL: Thank you, Mr. Christie.</p> <p>24 I have no more questions.</p> <p>25 JUDGE FRIEDLANDER: Thank you.</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MR. O'CONNELL / CHRISTI215</p> <p>1 A. That is correct.</p> <p>2 Q. Okay.</p> <p>3 If you could, I'd like to now switch to</p> <p>4 Exhibit KJC-6X.</p> <p>5 A. Okay. I'm there.</p> <p>6 Q. Staff asked that Avista update the numbers</p> <p>7 from Exhibit 3X and 4X considering its purchased gas</p> <p>8 adjustment. Does this response provide those numbers?</p> <p>9 A. Yes, it does.</p> <p>10 Q. Were all of the assumptions the same for</p> <p>11 preparing this data as it was for the data contained</p> <p>12 in 3X and 4X?</p> <p>13 A. I believe so, but for the change in the gas</p> <p>14 price.</p> <p>15 Q. And the gas price decreased, correct?</p> <p>16 A. That is correct.</p> <p>17 Q. I see in the second half of your response, it</p> <p>18 says it's now \$0.88 per 100,000 BTUs of heat</p> <p>19 delivered, correct?</p> <p>20 A. That is correct.</p> <p>21 Q. And also in the first part of your response,</p> <p>22 I see that the cost to heat natural gas is lower in --</p> <p>23 with this update than it was in Exhibit 3X; is that</p> <p>24 correct?</p> <p>25 A. Can I have you repeat that?</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / CHRISTIE 217</p> <p>1 Ms. Gafken?</p> <p>2 MS. GAFKEN: Thank you.</p> <p>3 I just wanted to note that the</p> <p>4 cross-exhibit that we've designated for Mr. Christie</p> <p>5 will now be redesignated for Mr. Ehrbar. I just</p> <p>6 wanted to make sure that that was clear.</p> <p>7 JUDGE FRIEDLANDER: So --</p> <p>8 MS. GAFKEN: And so I only have a few</p> <p>9 questions for you, Mr. Christie.</p> <p>10 JUDGE FRIEDLANDER: Now, you're talking</p> <p>11 about KJC-11X will now be designated for the witness,</p> <p>12 Patrick Ehrbar?</p> <p>13 MS. GAFKEN: Yes, please.</p> <p>14 JUDGE FRIEDLANDER: Thank you.</p> <p>15 MS. GAFKEN: Thank you.</p> <p>16 CROSS-EXAMINATION</p> <p>17 BY MS. GAFKEN:</p> <p>18 Q. Mr. Christie, would you agree with the</p> <p>19 characterization that when an electric customer</p> <p>20 switches its heating source from electric to natural</p> <p>21 gas, a customer's energy burden decreases?</p> <p>22 A. I would.</p> <p>23 Q. What's the purpose of using an average</p> <p>24 residential customer in the analysis?</p> <p>25 A. I think perhaps we're sticking to the word</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / CHRISTIE 218</p> <p>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.</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / CHRISTIE 220</p> <p>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,</p>
<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / CHRISTIE 219</p> <p>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</p>	<p style="text-align: center;">221</p> <p>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.</p>

<p>222</p> <p>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</p>	<p>CROSS-EXAMINATION BY MS. GAFKEN / EHRBAR 224</p> <p>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?</p>
<p>DIRECT EXAMINATION BY MR. MEYER / EHRBAR 223</p> <p>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</p>	<p>CROSS-EXAMINATION BY MS. GAFKEN / EHRBAR 225</p> <p>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?</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / EHRBAR 226</p> <p>1 A. Correct.</p> <p>2 Q. And the nonresidential column also includes</p> <p>3 small commercial customers served through Schedule 11,</p> <p>4 commercial customers served through Schedule 21,</p> <p>5 pumping customers served on Schedule 31 and street and</p> <p>6 light area -- I'm sorry -- street and area light</p> <p>7 customers?</p> <p>8 A. That is correct.</p> <p>9 MS. GAFKEN: Thank you. That's all I</p> <p>10 have.</p> <p>11 JUDGE FRIEDLANDER: Thank you.</p> <p>12 Any redirect?</p> <p>13 MR. MEYER: No. I can't think of any.</p> <p>14 JUDGE FRIEDLANDER: Okay. Thank you.</p> <p>15 Commissioner questions? Okay.</p> <p>16 I believe that the witness is excused.</p> <p>17 Thank you for your testimony.</p> <p>18 THE WITNESS: Thank you.</p> <p>19 JUDGE FRIEDLANDER: Okay. So at this time</p> <p>20 I did offer the opportunity for parties to provide</p> <p>21 additional -- I shouldn't say additional -- first-time</p> <p>22 testimony on the residential multifamily fuel</p> <p>23 conversion recommendation that Staff made.</p> <p>24 Is there any party who wishes to provide</p> <p>25 such testimony?</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KINNEY 228</p> <p>1 A. Yes, it is.</p> <p>2 MR. MEYER: Thank you. He's available for</p> <p>3 cross.</p> <p>4 JUDGE FRIEDLANDER: Thank you. I don't</p> <p>5 believe anyone has cross for him, so we'll open it up</p> <p>6 to bench questions.</p> <p>7 CHAIRMAN DANNER: All right. Thank you</p> <p>8 very much.</p> <p>9 EXAMINATION</p> <p>10 BY CHAIRMAN DANNER:</p> <p>11 Q. Good afternoon, Mr. Kinney. Could you -- do</p> <p>12 you have your direct testimony in front of you? Could</p> <p>13 you turn to page 25?</p> <p>14 A. Okay.</p> <p>15 Q. All right.</p> <p>16 So I want to ask you, on lines 3 through 20,</p> <p>17 you've identified Colstrip Thermal Capital 2017, '18,</p> <p>18 '19, '21, '20. It looks like there's several millions</p> <p>19 of dollars of investment there, capital expenditures</p> <p>20 associated with Units 3 and 4, and you say that Avista</p> <p>21 is 15 percent of that and 10 percent of share of</p> <p>22 common facilities, which means this is a project of</p> <p>23 hundreds of millions of dollars. And I'm just</p> <p>24 wondering if you could explain what that project is,</p> <p>25 or what is going on there with this large capital</p>
<p style="text-align: center;">DIRECT EXAMINATION BY MR. MEYER / KINNEY 227</p> <p>1 MS. GAFKEN: No.</p> <p>2 JUDGE FRIEDLANDER: All right. Then that</p> <p>3 was quick.</p> <p>4 Let's go ahead and call to the stand</p> <p>5 Mr. Kinney.</p> <p>6 MR. MEYER: Thank you. Mr. Scott Kinney.</p> <p>7</p> <p>8 SCOTT J. KINNEY, witness herein, having been</p> <p>9 first duly sworn on oath,</p> <p>10 was examined and testified</p> <p>11 as follows:</p> <p>12</p> <p>13 JUDGE FRIEDLANDER: Thank you. You can be</p> <p>14 seated.</p> <p>15 DIRECT EXAMINATION</p> <p>16 BY MR. MEYER:</p> <p>17 Q. Mr. Kinney, for the record, your name and</p> <p>18 employer, please?</p> <p>19 A. Scott Kinney, Avista Corp.</p> <p>20 Q. What is your title?</p> <p>21 A. Director of power supply.</p> <p>22 Q. And have you prepared and pre-filed exhibits</p> <p>23 marked as SJK-1T through SJK-5T?</p> <p>24 A. Yes, I have.</p> <p>25 Q. Is the information true and correct?</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KINNEY 229</p> <p>1 project.</p> <p>2 A. Yes. Thank you. There's not any one specific</p> <p>3 project. It's every three years, each of the Units 3</p> <p>4 and 4 go through extensive upgrades or maintenance</p> <p>5 projects for potential upgrades, and so those --</p> <p>6 what's -- the dollars there characterizes the bucket</p> <p>7 of projects, so the total amount of projects that will</p> <p>8 be completed for that specific year when there's an</p> <p>9 outage that's scheduled.</p> <p>10 So Unit 3 will be done one year, then Unit 4</p> <p>11 is done the next year, then there's a year where</p> <p>12 there's minor maintenance and projects scheduled. And</p> <p>13 so that cycle completes itself every three years.</p> <p>14 Q. And so, as you may know, on some of the other</p> <p>15 utilities, they're bringing in depreciation rates,</p> <p>16 they're looking at closure dates on these facilities.</p> <p>17 Are these upgrades or maintenance projects,</p> <p>18 are these assuming sort of a continued life of</p> <p>19 Colstrip? Are we making investments into the future</p> <p>20 that may be going beyond the useful life of the plant?</p> <p>21 A. These particular projects, I do not believe</p> <p>22 would go beyond the useful life of the plant, but I</p> <p>23 would have to check with -- to make sure, so I can't</p> <p>24 answer that completely. But from what I know right</p> <p>25 now, what was in these years' projects, they would not</p>

<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KINNEY 230</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KINNEY 232</p> <p>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 Sustainance 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</p>
<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KINNEY 231</p> <p>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?</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KINNEY 233</p> <p>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 Sustainance 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</p>

<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / KINNEY 234</p> <p>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</p>	<p style="text-align: center;">236</p> <p>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</p>
<p style="text-align: center;">235</p> <p>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.</p>	<p style="text-align: center;">DIRECT EXAMINATION BY MR. BEATTIE / HANCOCK237</p> <p>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),</p>

<p style="text-align: center;">DIRECT EXAMINATION BY MR. BEATTIE / HANCOCK238</p> <p>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?</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 240</p> <p>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.</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 239</p> <p>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.</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 241</p> <p>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</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 242</p> <p>1 to year two to develop year three.</p> <p>2 Q. Is it true that because the escalation rates</p> <p>3 were not applied to determine rates in year one,</p> <p>4 Staff's position is that the analysis used to</p> <p>5 determine rates under the proposed rate plan are not</p> <p>6 based on attrition? Is the difference application to</p> <p>7 year one?</p> <p>8 A. I'm sorry. Could you restate the question?</p> <p>9 Q. Sure.</p> <p>10 Is it true that because the escalation rates</p> <p>11 were not applied to determine rates in year one,</p> <p>12 Staff's position is that the analysis used to</p> <p>13 determine rates under the proposed rate plan is not</p> <p>14 based on attrition?</p> <p>15 A. That's correct. I wouldn't characterize</p> <p>16 Staff's case as having any attrition adjustments.</p> <p>17 Q. But mechanically, the analysis is similar to</p> <p>18 an attrition adjustment, isn't it, the analysis that</p> <p>19 was done in this case versus what Staff would call an</p> <p>20 attrition adjustment?</p> <p>21 A. I would dispute that. An attrition -- in an</p> <p>22 attrition case, what we've done in the recent past is</p> <p>23 find whether there would be a shortfall or not for the</p> <p>24 rate year, for the first year of rates in this case</p> <p>25 using an attrition study. And if there was a</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 244</p> <p>1 rate plan.</p> <p>2 Q. But the utility isn't actually prohibited,</p> <p>3 are they, from filing a new rate case during that time</p> <p>4 period?</p> <p>5 A. I think that's getting into legal matters that</p> <p>6 I don't have an appreciation of.</p> <p>7 Q. Okay.</p> <p>8 MR. MEYER: May I just interject here,</p> <p>9 because I was frankly confused by the colloquy back</p> <p>10 and forth. I just want to make sure the record is</p> <p>11 clear about what the Company is proposing, because I</p> <p>12 thought the question was asked whether the Company --</p> <p>13 and this was asked of a previous witness, Ms. Andrews,</p> <p>14 I believe, too.</p> <p>15 Can -- during this three-year rate plan,</p> <p>16 okay, it will expire at some point in 2020 after it</p> <p>17 runs its course. Now, what will take its place when</p> <p>18 it runs its course, well, maybe there will be another</p> <p>19 filing that would be effective then after it runs its</p> <p>20 course, and can the Company file in advance to make</p> <p>21 sure that other filing is -- becomes effective after</p> <p>22 the three-year plan.</p> <p>23 Is that --</p> <p>24 MS. GAFKEN: That's not what I was asking.</p> <p>25 MR. MEYER: I just want to make sure the</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 243</p> <p>1 short-- a significant shortfall between the revenue</p> <p>2 requirement produced by a modified historical test</p> <p>3 year with limited pro forma adjustments and what the</p> <p>4 attrition study produced, then the gap between the two</p> <p>5 would be fulfilled by an attrition adjustment of equal</p> <p>6 size.</p> <p>7 But that's not what's happening in Staff's</p> <p>8 rate plan. There's no adjustment to the year one</p> <p>9 rates. There's simply the year one rates that are</p> <p>10 produced by modified historical test year.</p> <p>11 Q. In your opinion, a multiyear rate plan would</p> <p>12 reduce continuous rate cases filed by the utility,</p> <p>13 correct?</p> <p>14 A. Yes.</p> <p>15 Q. Would you agree that establishing a multiyear</p> <p>16 rate plan would not eliminate Avista's ability to file</p> <p>17 for relief during the effective period of the rate</p> <p>18 plan?</p> <p>19 A. So I understand, your question is whether I</p> <p>20 believe the Company would be prohibited from filing</p> <p>21 for rate changes during the course of the rate plan?</p> <p>22 Q. That's a fair restatement.</p> <p>23 A. Yes. The rate plan would be established with</p> <p>24 the understanding that there would be no opportunity</p> <p>25 to petition for a rate change during the period of the</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / HANCOCK 245</p> <p>1 record is clear about whether we're forever foreclosed</p> <p>2 during the back-end of this three-year rate plan for</p> <p>3 making another filing, not to become effective until</p> <p>4 after the three-year period elapses, just so the</p> <p>5 record is clear. Okay?</p> <p>6 JUDGE FRIEDLANDER: Thank you.</p> <p>7 Did you -- I'm sorry, Mr. Hancock.</p> <p>8 THE WITNESS: Go ahead, Judge. I'm sorry.</p> <p>9 JUDGE FRIEDLANDER: I was just going to</p> <p>10 say that if you would want to rephrase, Ms. Gafken,</p> <p>11 then I would allow it.</p> <p>12 MS. GAFKEN: I thought the questioning and</p> <p>13 answering was clear, but -- and if Mr. Meyers [sic]</p> <p>14 has a different argument, he's free to make that on</p> <p>15 brief.</p> <p>16 JUDGE FRIEDLANDER: That's fine.</p> <p>17 MS. GAFKEN: But for my purposes, the</p> <p>18 questioning and the answers received from the witness</p> <p>19 were clear.</p> <p>20 JUDGE FRIEDLANDER: That's fine. We'll</p> <p>21 continue.</p> <p>22 MS. GAFKEN: I have no further questions</p> <p>23 for Mr. Hancock.</p> <p>24 JUDGE FRIEDLANDER: All right. Thank you.</p> <p>25 I have Mr. ffitch.</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MR. OSHIE / HANCOCK 246</p> <p>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</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. OSHIE / HANCOCK 248</p> <p>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.</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MR. OSHIE / HANCOCK 247</p> <p>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</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. OSHIE / HANCOCK 249</p> <p>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.</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MR. MEYER / HANCOCK 250</p> <p>1 JUDGE FRIEDLANDER: Okay.</p> <p>2 CROSS-EXAMINATION</p> <p>3 BY MR. MEYER:</p> <p>4 Q. So Mr. Hancock, you did testify in the</p> <p>5 Company's 2016 rate case, the very last rate case</p> <p>6 before this one?</p> <p>7 A. Yes.</p> <p>8 Q. Okay.</p> <p>9 And in that case, and I don't have the</p> <p>10 entirety of your testimony, but let me read a passage</p> <p>11 from your testimony and then you're free to, you know,</p> <p>12 be provided with the balance of it, but I think for</p> <p>13 purposes of this question, maybe that will trigger</p> <p>14 your memory.</p> <p>15 In that case, you testified in your Exhibit</p> <p>16 CSH-1T, page 3, lines 10 through 16 as follows: Staff</p> <p>17 recommends the Commission include an attrition</p> <p>18 adjustment to the modified historical test year</p> <p>19 analysis based on the attrition studies I present.</p> <p>20 Staff witness, Ms. Joanna Huang, presents Staff's</p> <p>21 calculation of the revenue requirements for Avista's</p> <p>22 electric and natural gas services, which incorporates</p> <p>23 by attrition adjustment. Staff's analysis indicates</p> <p>24 that, absent an attrition adjustment, Avista will</p> <p>25 likely experience attrition, and that the forces</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. MEYER / HANCOCK 252</p> <p>1 A. Correct.</p> <p>2 Q. Okay.</p> <p>3 So in that case, Staff started with a pro</p> <p>4 formed test period, correct?</p> <p>5 A. Correct.</p> <p>6 Q. And in this case, in order to establish year</p> <p>7 one, so it's apples to apples, year one in this case,</p> <p>8 Staff -- Staff, through witness Scanlan, also employed</p> <p>9 a modified historical test period, correct?</p> <p>10 A. Yes.</p> <p>11 Q. Okay.</p> <p>12 And in this case, witness Scanlan, in</p> <p>13 modifying that historical test period, reached out and</p> <p>14 captured 7 out of 121 projects that are in service in</p> <p>15 2017; is that correct? Subject to check.</p> <p>16 A. As I understand it, she testified to some of</p> <p>17 the projects. I don't know the numbers or whether or</p> <p>18 not they're in service right now or not.</p> <p>19 Q. Okay.</p> <p>20 But in this case, unlike the last case,</p> <p>21 Staff's approach, would you agree, in setting year</p> <p>22 one's revenue requirement starts with a very limited</p> <p>23 pro forma approach and ends with a very limited pro</p> <p>24 forma approach without any filling the gap with an</p> <p>25 attrition adjustment; is that correct?</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MR. MEYER / HANCOCK 251</p> <p>1 driving attrition are more likely than not outside of</p> <p>2 the Company's control.</p> <p>3 Would you accept that that's a fair reading</p> <p>4 subject to check?</p> <p>5 A. Yes.</p> <p>6 MR. CASEY: Objection.</p> <p>7 BY MR. MEYER:</p> <p>8 Q. So in that -- in that --</p> <p>9 MR. CASEY: I have an objection to the</p> <p>10 question. You're asking about testimony from a prior</p> <p>11 case? I think we're here to talk about testimony from</p> <p>12 this case.</p> <p>13 MR. MEYER: I think if you'll wait for the</p> <p>14 next series of questions, it will all become clear.</p> <p>15 JUDGE FRIEDLANDER: I'll allow it, and</p> <p>16 please voice the objection before the witness answers.</p> <p>17 Thank you.</p> <p>18 Go ahead.</p> <p>19 MR. MEYER: All right.</p> <p>20 BY MR. MEYER:</p> <p>21 Q. So that was the position of Staff in the last</p> <p>22 case.</p> <p>23 And do you recall that, in the last case, at</p> <p>24 issue was not a three-year rate period but, rather,</p> <p>25 setting rates for a prospective rate year, correct?</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. MEYER / HANCOCK 253</p> <p>1 A. Yes. For year one in this case, Staff's year</p> <p>2 one revenue requirement recommendation is simply just</p> <p>3 Staff's modified historical test year with limited pro</p> <p>4 forma adjustments.</p> <p>5 Q. Okay.</p> <p>6 So there wasn't any analysis to determine in</p> <p>7 this case whether there was a gap that needed to be</p> <p>8 filled because a modified limited pro forming did the</p> <p>9 job or not, correct?</p> <p>10 A. Correct.</p> <p>11 Q. Okay.</p> <p>12 So is it true that if you don't set the base</p> <p>13 year, year one of the three-year plan, correctly, that</p> <p>14 given how you've approached the escalation for years</p> <p>15 two and three, that, by definition, you will escalate</p> <p>16 from a base that is too low and years two and three</p> <p>17 will correspondingly be too low as well, so you will</p> <p>18 compound the problem?</p> <p>19 A. I would disagree with that.</p> <p>20 Q. Well, doesn't it follow, just as a matter of</p> <p>21 math, if you got the base year wrong, years two and</p> <p>22 three have to be wrong by definition with whatever</p> <p>23 escalation rate you approve?</p> <p>24 A. No. I think the difference here is due to a</p> <p>25 difference of philosophy. Last case, Staff sought an</p>

<p style="text-align: center;">REDIRECT EXAMINATION BY MR. BEATTIE / HANCOC254</p> <p>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?</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / HANCOC256</p> <p>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</p>
<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / HANCOC255</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / HANCOC257</p> <p>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.</p>

<p style="text-align: center;">DIRECT EXAMINATION BY MR. SHEARER / SCANLAN258</p> <p>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?</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / SCANLAN 260</p> <p>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</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / SCANLAN 259</p> <p>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?</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER BALASBAS / SCANLA261</p> <p>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</p>

<p style="text-align: center;">EXAMINATION BY COMMISSIONER BALASBAS / SCANLA262</p> <p>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.</p>	<p style="text-align: center;">DIRECT EXAMINATION BY MR. O'CONNELL / SNYDER264</p> <p>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?</p>
<p style="text-align: center;">EXAMINATION BY COMMISSIONER BALASBAS / SCANLA263</p> <p>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.</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / SNYDER 265</p> <p>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</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / SNYDER 266</p> <p>1 electric customers.</p> <p>2 Q. But wasn't one of Staff's concerns that the</p> <p>3 incentive programs offered by Avista, and I thought</p> <p>4 that included LEAP, would benefit non-electric</p> <p>5 customers?</p> <p>6 A. So Staff's concerns -- I think you mean</p> <p>7 outside of Avista's electric service territory?</p> <p>8 Q. Correct.</p> <p>9 A. Staff's concerns are more about the -- when it</p> <p>10 comes to outside the service territory, I think they</p> <p>11 have the regular line extension program and the</p> <p>12 natural gas DSM program available to customers who</p> <p>13 switch over. And Staff's concerns there are more</p> <p>14 about the implication of the multiple incentives</p> <p>15 rather than the direct incentive availability.</p> <p>16 Q. The rebates under the fuel conversion program</p> <p>17 were increased in 2014, correct?</p> <p>18 A. I believe so.</p> <p>19 Q. And LEAP was established in 2016?</p> <p>20 A. Once again, I believe so.</p> <p>21 Q. Avista also has rebates related to</p> <p>22 high-efficiency appliances in addition to the rebates</p> <p>23 available under LEAP and the fuel conversion program,</p> <p>24 correct?</p> <p>25 A. Correct.</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / SNYDER 268</p> <p>1 conversion program.</p> <p>2 Q. Would you agree that the intent of the fuel</p> <p>3 conversion program is to reduce electricity</p> <p>4 consumption and transfer people to a more efficient</p> <p>5 fuel source for heating?</p> <p>6 A. I believe that that is part of the intent. I</p> <p>7 believe that throughout the history of the fuel</p> <p>8 conversion program, it has also served as a way to</p> <p>9 increase access to natural gas.</p> <p>10 Q. Would you agree that the intent of providing</p> <p>11 rebates for high-efficiency appliances is to encourage</p> <p>12 acquisition of high-efficiency appliances?</p> <p>13 A. I would.</p> <p>14 Q. Would it be fair to say that the multiple</p> <p>15 programs offered by Avista are related but they don't</p> <p>16 have the exact same purpose?</p> <p>17 A. They largely overlap. They are not exactly</p> <p>18 the same, but they do benefit the same customers.</p> <p>19 Q. Would it be fair to say that the programs are</p> <p>20 related but they don't do the same thing?</p> <p>21 A. I think it would be fair to say that they</p> <p>22 don't do exactly the same thing, yes.</p> <p>23 Q. Would you please turn to Cross-Exhibit</p> <p>24 JES-15X?</p> <p>25 A. This is Data Request No. 7?</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / SNYDER 267</p> <p>1 Q. And customers qualify for the appliance</p> <p>2 rebate only if they acquire high-efficiency</p> <p>3 appliances, correct?</p> <p>4 A. Do you mean by appliance rebate -- there's</p> <p>5 several different types of appliance rebates. Do you</p> <p>6 mean the appliance rebate through the gas DSM program?</p> <p>7 Q. I believe so. And I was just looking to see</p> <p>8 if I had the quote. There's a chart in your Exhibit</p> <p>9 JES-1T, page 14, that lists a number of the rebates.</p> <p>10 A. So when you're referring to the appliance</p> <p>11 rebates, are you referring specifically to the natural</p> <p>12 gas DSM high-efficiency natural gas/boiler and natural</p> <p>13 gas tankless water heater that I have listed there?</p> <p>14 Q. Yes.</p> <p>15 A. Yes. So those are both through the gas DSM</p> <p>16 rider.</p> <p>17 Could you restate the question one more time?</p> <p>18 Q. Yes.</p> <p>19 So my question was, the customers qualify for</p> <p>20 the appliance rebates listed in your chart there only</p> <p>21 if they acquire high-efficiency appliances, not just</p> <p>22 natural gas appliances, correct?</p> <p>23 A. Correct. I think all incentives that I</p> <p>24 discuss in my testimony require high-efficiency</p> <p>25 appliances with the exception of the residential fuel</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. FFITCH / SNYDER 269</p> <p>1 Q. Correct.</p> <p>2 A. Yes.</p> <p>3 Q. Data Request No. 7 asked about Staff's view</p> <p>4 that the fuel conversion program may distort interfuel</p> <p>5 competition. Is it fair to say that more analysis is</p> <p>6 needed before one can conclusively state that there's</p> <p>7 distortion of interfuel competition?</p> <p>8 A. Yes. I believe Staff actually says that Staff</p> <p>9 does not assert it has found distortion because an</p> <p>10 analysis has not been done.</p> <p>11 MS. GAFKEN: Thank you. That concludes my</p> <p>12 questions.</p> <p>13 JUDGE FRIEDLANDER: Thank you.</p> <p>14 We have next Mr. ffitc.</p> <p>15 MR. FFITCH: Thank you, your Honor.</p> <p>16 CROSS-EXAMINATION</p> <p>17 BY MR. FFITCH:</p> <p>18 Q. Good afternoon, Ms. Snyder.</p> <p>19 A. Good afternoon.</p> <p>20 Q. Pardon me. Can you please turn to your</p> <p>21 Cross-Exhibit JES-14X.</p> <p>22 A. I'm not sure that I have that one in front of</p> <p>23 me.</p> <p>24 Q. Perhaps your counsel can assist you with</p> <p>25 that. It's Energy Project Data Request No. 4.</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MR. FFITCH / SNYDER 270</p> <p>1 A. I have it.</p> <p>2 Q. Thank you.</p> <p>3 Now, you've testified in this case that Staff</p> <p>4 sees no reason not to allow community action agencies</p> <p>5 to fund low-income fuel conversion; isn't that right?</p> <p>6 A. That's correct.</p> <p>7 Q. And consistent with part B of the answer to</p> <p>8 this data request, you would agree that the budget for</p> <p>9 low-income fuel conversion for 2018/2019 is 296,000,</p> <p>10 right?</p> <p>11 A. I would say that might be the lower end. I'm</p> <p>12 not sure if that includes all the overhead</p> <p>13 administration or not.</p> <p>14 Q. Okay.</p> <p>15 But that is the figure that is presented in</p> <p>16 Avista's biannual conservation program filing for</p> <p>17 this --</p> <p>18 A. Correct.</p> <p>19 Q. -- for this function? Thank you.</p> <p>20 Now, however, Staff is proposing, as I</p> <p>21 understand it in this docket, that fuel conversion</p> <p>22 would be funded from the LIRAP, or Low Income Rate</p> <p>23 Assistance Program, tariff; isn't that correct?</p> <p>24 A. Staff has made a number of proposed options.</p> <p>25 Staff does not have a preference about this being</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. OSHIE / SNYDER 272</p> <p>1 So to hold LIRAP funding harmless, you would</p> <p>2 have to have an increase of net LIRAP funding of</p> <p>3 \$296,000, correct?</p> <p>4 A. If you were to go with that option, that is</p> <p>5 correct.</p> <p>6 MR. FFITCH: All right. Those are all the</p> <p>7 questions I have. Thank you, your Honor.</p> <p>8 JUDGE FRIEDLANDER: Thank you.</p> <p>9 Mr. Oshie?</p> <p>10 MR. OSHIE: Thank you, your Honor.</p> <p>11 CROSS-EXAMINATION</p> <p>12 BY MR. OSHIE:</p> <p>13 Q. Good afternoon, Ms. Snyder.</p> <p>14 A. Good afternoon.</p> <p>15 Q. I have a few questions. Let me get the mic</p> <p>16 in a place where it's not going to provide feedback.</p> <p>17 And going back to your rebuttal testimony,</p> <p>18 cross-answering testimony, 12T, I'm not sure you'll</p> <p>19 need it but it's -- that's where the questions will</p> <p>20 be -- at least in part will be coming from.</p> <p>21 So Staff opposes ICNU's recommendation to</p> <p>22 allow Avista's Schedule 25 customers the option to</p> <p>23 self-direct the implementation of conservation</p> <p>24 programs; is that correct?</p> <p>25 A. Staff does not outright oppose that option.</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MR. FFITCH / SNYDER 271</p> <p>1 funded through LIRAP or through weatherization.</p> <p>2 Q. Okay.</p> <p>3 So I -- maybe just to kind of clarify that,</p> <p>4 you've identified at least two options. One is to</p> <p>5 continue funding low-income fuel conversion as it is</p> <p>6 currently through the conservation tariff rider --</p> <p>7 A. Correct.</p> <p>8 Q. -- or to move it over to Schedule 92/192, the</p> <p>9 LIRAP tariff?</p> <p>10 A. Correct. Those are both options that we've</p> <p>11 identified.</p> <p>12 Q. All right.</p> <p>13 Would you agree that this \$296,000 budget</p> <p>14 amount for low-income fuel conversion is not currently</p> <p>15 included in the LIRAP budget?</p> <p>16 A. I would agree with that.</p> <p>17 Q. So that if LIRAP funding were to be for fuel</p> <p>18 conversion -- pardon me. I'll start again.</p> <p>19 So if low-income fuel conversion funding were</p> <p>20 to be moved over to LIRAP, that would, in effect --</p> <p>21 all other things being equal, that would, in effect,</p> <p>22 be a \$296,000 reduction in LIRAP funding?</p> <p>23 A. If there was not funding allocated for that</p> <p>24 purpose, then yes.</p> <p>25 Q. All right.</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MR. OSHIE / SNYDER 273</p> <p>1 Staff believes that that option should go to the</p> <p>2 advisory group and be discussed there. It may or may</p> <p>3 not be a good option. I don't have enough details to</p> <p>4 make a recommendation.</p> <p>5 Q. Do you agree that the Commission has approved</p> <p>6 a self-directed program already for large user</p> <p>7 customers of Puget Sound Energy?</p> <p>8 A. Yes, they have.</p> <p>9 Q. And PSE's program's tariff is Schedule 258?</p> <p>10 A. It is.</p> <p>11 Q. Are you familiar with the PSE self-directed</p> <p>12 program?</p> <p>13 A. I am reasonably familiar. I believe PSE says</p> <p>14 they won't talk about it with at least three people in</p> <p>15 the room, so I hesitate to dive into it too deeply.</p> <p>16 Q. Well, would you agree that PSE's</p> <p>17 self-directed program includes both special contract</p> <p>18 customers and those customers that take service under</p> <p>19 Schedules 40, 46 and 49?</p> <p>20 A. Yes.</p> <p>21 Q. And you would agree that PSE's program allows</p> <p>22 Schedule 258 customers to propose measures that meet</p> <p>23 the Company's cost-effectiveness standard for energy</p> <p>24 efficiency or energy savings, correct?</p> <p>25 A. Yes.</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MR. OSHIE / SNYDER 274</p> <p>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,</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / SNYDER276</p> <p>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</p>
<p style="text-align: center;">REDIRECT EXAMINATION BY MR. O'CONNELL / SNYDE275</p> <p>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. ffitc'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?</p>	<p style="text-align: center;">EXAM BY CHAIR DANNER & COMM. BALASBAS / SNYDE277</p> <p>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. ffitc, 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</p>

<p style="text-align: center;">EXAM BY CHAIR DANNER & COMM. BALASBAS / SNYDE278</p> <p>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</p>	<p style="text-align: center;">REDIRECT EXAMINATION BY MR. O'CONNELL / SNYDE280</p> <p>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</p>
<p style="text-align: center;">EXAM BY CHAIR DANNER & COMM. BALASBAS / SNYDE279</p> <p>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</p>	<p style="text-align: center;">REDIRECT EXAMINATION BY MR. O'CONNELL / SNYDE281</p> <p>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.</p>

<p style="text-align: center;">DIRECT EXAMINATION BY MR. CASEY / WHITE 282</p> <p>1 DIRECT EXAMINATION</p> <p>2 BY MR. CASEY:</p> <p>3 Q. Ms. White, how are you employed?</p> <p>4 A. I'm a regulatory analyst employed by the</p> <p>5 Utilities and Transportation Commission.</p> <p>6 Q. And was it in that capacity that you prepared</p> <p>7 exhibits and testimony for the proceeding today?</p> <p>8 A. Yes.</p> <p>9 Q. And for the record, are those exhibits and</p> <p>10 testimony AIW-1T and then AIW-2 through -7?</p> <p>11 A. Yes.</p> <p>12 Q. And do you have any changes or corrections to</p> <p>13 that testimony or exhibits?</p> <p>14 A. There is one correction that the Company will</p> <p>15 specify.</p> <p>16 Q. Okay.</p> <p>17 And --</p> <p>18 JUDGE FRIEDLANDER: Wait. I'm confused.</p> <p>19 There's a correction that the Company will specify?</p> <p>20 MR. MEYER: Excuse me.</p> <p>21 JUDGE FRIEDLANDER: Sure.</p> <p>22 MR. MEYER: We've discussed this with her</p> <p>23 beforehand, and there are two or three agreed-upon Qs</p> <p>24 and As that will clear up something.</p> <p>25 JUDGE FRIEDLANDER: Okay. Okay. All</p>	<p style="text-align: center;">EXAM BY CHAIR DANNER & COMM. RENDAHL / WHITE284</p> <p>1 A. I do agree with her testimony.</p> <p>2 Q. And lastly, do you further agree that the</p> <p>3 Company's rebuttal pro forma property tax adjustment</p> <p>4 is correct?</p> <p>5 A. I do agree with that, correct.</p> <p>6 MR. MEYER: Okay. Thank you. That's all</p> <p>7 I have.</p> <p>8 JUDGE FRIEDLANDER: Okay. Thank you.</p> <p>9 I assume there's no redirect?</p> <p>10 MR. CASEY: No, your Honor. Thank you.</p> <p>11 JUDGE FRIEDLANDER: Thank you.</p> <p>12 And any questions from the commissioners?</p> <p>13 Thank you.</p> <p style="text-align: center;">EXAMINATION</p> <p>14 BY CHAIRMAN DANNER:</p> <p>15 Q. So wait a minute. Just so I'm clear, are</p> <p>16 there any changes that we need to make to your</p> <p>17 testimony, or how do we --</p> <p>18 A. For the matter of the pro forma electric</p> <p>19 expense, the Company's amount is correct. And I don't</p> <p>20 have that amount right at my --</p> <p style="text-align: center;">EXAMINATION</p> <p>21 BY COMMISSIONER RENDAHL:</p> <p>22 Q. So just to clarify, if you look at page 4 of</p> <p>23 your testimony --</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MR. MEYER / WHITE 283</p> <p>1 right. Just a little out of the ordinary to have</p> <p>2 another party correcting an opposing witness's</p> <p>3 testimony. But that's fine, at least agreed in a</p> <p>4 sense.</p> <p>5 BY MR. CASEY:</p> <p>6 Q. So that aside, if you were asked the</p> <p>7 questions set forth in your pre-filed testimony today,</p> <p>8 would your answers be the same?</p> <p>9 A. Yes, they would be the same.</p> <p>10 MR. CASEY: Ms. White is available for</p> <p>11 cross-examination and questions from the bench.</p> <p>12 JUDGE FRIEDLANDER: Thank you.</p> <p>13 Mr. Meyer?</p> <p>14 MR. MEYER: Yes.</p> <p style="text-align: center;">CROSS-EXAMINATION</p> <p>15 BY MR. MEYER:</p> <p>16 Q. Question: Ms. White, have you reviewed</p> <p>17 Ms. Andrews' rebuttal testimony regarding the pro</p> <p>18 forma electric property tax adjustment?</p> <p>19 A. Yes, I have done so.</p> <p>20 Q. Do you agree with her assertion that in your</p> <p>21 Exhibit AIW-T [sic], double-counting of reduction to</p> <p>22 Montana assessed values occurred resulting in an</p> <p>23 understatement of pro forma property tax expense for</p> <p>24 production-related property in Montana?</p> <p>25</p>	<p style="text-align: center;">EXAM BY CHAIR DANNER & COMM. RENDAHL / WHITE285</p> <p>1 A. Page 4, yes.</p> <p>2 Q. -- it seems to reflect this issue.</p> <p>3 A. It does.</p> <p>4 Q. So there would be -- so instead of looking at</p> <p>5 the numbers that you include on page 6 and 16 and</p> <p>6 17 -- or I guess it would be -- you say it's for</p> <p>7 electric, so the 573,000 would not be correct, and we</p> <p>8 would have to look to Ms. Andrews' testimony for that</p> <p>9 amount?</p> <p>10 A. Yeah, the Montana amount is updated to -- the</p> <p>11 Montana amount is updated to 10 -- it's \$10,710, I</p> <p>12 believe it is. Oh, golly.</p> <p>13 Q. I guess the only question I'm asking is that</p> <p>14 \$573,000 amount on line 16 would be modified to</p> <p>15 reflect this change from Ms. Andrews' testimony?</p> <p>16 A. Correct.</p> <p>17 COMMISSIONER RENDAHL: Okay. Thank you.</p> <p>18 CHAIRMAN DANNER: That's all I need.</p> <p>19 Thank you.</p> <p>20 JUDGE FRIEDLANDER: Thank you.</p> <p>21 And with that, the witness is excused.</p> <p>22 Thank you for your testimony.</p> <p>23 All right. 10, 15? 15? All right.</p> <p>24 We'll say 15 and be back at 3:10. And we're off the</p> <p>25 record.</p>

<p>286</p> <p>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</p>	<p>DIRECT EXAM BY MS. CAMERON-RULKOWSKI / GOMEZ288</p> <p>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.</p>
<p>287</p> <p>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 ///</p>	<p>EXAMINATION BY COMMISSIONER BALASBAS / GOMEZ289</p> <p>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.</p>

<p style="text-align: center;">EXAMINATION BY COMMISSIONER BALASBAS / GOMEZ290</p> <p>1 Q. Why?</p> <p>2 A. Well, I think it's borne out by the credit</p> <p>3 deferral balances. One only need to look at the most</p> <p>4 recent rejected case to see that the proposed increase</p> <p>5 not happening has not resulted in any kind of harm to</p> <p>6 the Company. It has, in fact, continued to result in</p> <p>7 credit deferral balances, although this year it will</p> <p>8 be well within the deadband.</p> <p>9 Q. Do you believe that the -- do you believe</p> <p>10 that the frequent changing of the baseline has</p> <p>11 rendered or created problems for how the ERM is</p> <p>12 supposed to work?</p> <p>13 A. Yes.</p> <p>14 Q. Would you agree that it might be time to</p> <p>15 think about starting over with the ERM?</p> <p>16 A. Not with the ERM mechanism itself; the</p> <p>17 problems are with the Company's forecasts. The ERM</p> <p>18 mechanism itself, I believe, is still valid and still</p> <p>19 a good tool.</p> <p>20 Q. So you believe the way the mechanism is</p> <p>21 constructed with the deadbands and the sharing</p> <p>22 mechanisms is still valid?</p> <p>23 A. Yes.</p> <p>24 Q. So then would you argue that it may be time</p> <p>25 to zero it out and start using it again as it was</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / GOMEZ292</p> <p>1 EXAMINATION</p> <p>2 BY COMMISSIONER RENDAHL:</p> <p>3 Q. I just have another question, but on an</p> <p>4 unrelated issue, somewhat unrelated.</p> <p>5 So in his rebuttal testimony, Mr. Kalich</p> <p>6 argues that you and the other intervening witnesses</p> <p>7 had adequate training and access to operate the Aurora</p> <p>8 model and produce your own power cost models.</p> <p>9 Do you agree with that assessment?</p> <p>10 A. I agree with that assessment, but there's</p> <p>11 certainly a reason why we didn't run the model, or at</p> <p>12 least why I didn't choose to run the model.</p> <p>13 Q. So what prevented you, or why did you choose</p> <p>14 not to operate the model?</p> <p>15 A. Well, I think that, in looking at the model,</p> <p>16 the basic fundamental inputs and variables, the model</p> <p>17 itself is -- has so many changes that are undocumented</p> <p>18 and problems with it that any result or any alternate</p> <p>19 revenue requirement or power cost baseline number that</p> <p>20 Staff would create would probably be inaccurate also.</p> <p>21 So rather than perpetuate inaccurate forecasts</p> <p>22 by offering an alternative, I think that the</p> <p>23 recommendation Commission staff has made, which is to</p> <p>24 leave the baseline alone, is probably the safest, and</p> <p>25 that considering where the ERM baseline currently is</p>
<p style="text-align: center;">EXAMINATION BY COMMISSIONER BALASBAS / GOMEZ291</p> <p>1 intended?</p> <p>2 A. Well, I think that the mechanism is able to do</p> <p>3 that now without any modifications or changes. Again,</p> <p>4 we simply need to address the Company's power cost</p> <p>5 forecasting, which is, I think, at the heart of the</p> <p>6 problem.</p> <p>7 Q. And my last question is, back to the power</p> <p>8 cost baseline, what do you believe is an appropriate</p> <p>9 frequency for changing the power cost baseline?</p> <p>10 A. I believe that the baseline will tell us when</p> <p>11 it's time. The mechanism itself will indicate, I</p> <p>12 believe, when there's changes. And the Company is in</p> <p>13 the best position, because it understands its system,</p> <p>14 to be able to accurately look into the future and do</p> <p>15 that, and I think the Company is capable. The problem</p> <p>16 is that the Company's approach and methodology is</p> <p>17 fundamentally flawed and, hence, why we're getting</p> <p>18 inaccurate results, and why the performance of the ERM</p> <p>19 is inconsistent with the intent that the Commission</p> <p>20 had implemented with the ERM to begin with.</p> <p>21 COMMISSIONER BALASBAS: Thank you.</p> <p>22 JUDGE FRIEDLANDER: Thank you.</p> <p>23 And did Commission staff -- oh, I'm sorry.</p> <p>24 Commissioner Rendahl?</p> <p>25 ///</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / GOMEZ293</p> <p>1 and where the credit deferral balances are and where</p> <p>2 we're going to finish this year.</p> <p>3 Q. So if the -- you believe the Aurora model is</p> <p>4 flawed and we should --</p> <p>5 A. Not the Aurora model; the way the Company's</p> <p>6 using it. Excuse me, Commissioner.</p> <p>7 Q. Thank you for clarifying.</p> <p>8 And you ask us to keep the baseline as it is</p> <p>9 with no update. What do you recommend we do going</p> <p>10 forward in terms of how the Company is using the</p> <p>11 Aurora model? How do we address this going forward so</p> <p>12 this isn't a recurring issue in rate cases?</p> <p>13 A. Well, the first thing is that the Company</p> <p>14 actually has to use the model. I think, in reading</p> <p>15 Ms. Wilson's testimony and my observation also, you</p> <p>16 will find, is that the Company uses the model to</p> <p>17 extrapolate a result based on a target value or a</p> <p>18 target price in the market.</p> <p>19 And so it -- if you look at the data requests</p> <p>20 that I've included as exhibits in my testimony, you</p> <p>21 will see that the Company even says that the values</p> <p>22 within the model don't matter because we're shaping</p> <p>23 the model to the external forecasts of quarterly Mid-C</p> <p>24 power costs.</p> <p>25 So what the Company needs to do is to bring</p>

<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / GOMEZ 294</p> <p>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.</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / GOMEZ 296</p> <p>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.</p>
<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / GOMEZ 295</p> <p>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</p>	<p style="text-align: center;">DIRECT BY MR. ROBERSON & CROSS BY MS. GAFKEN / O'297NELL</p> <p>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.</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / O'CONNELL298</p> <p>1 A. Good afternoon.</p> <p>2 Q. Would you please turn to your cross-answering</p> <p>3 testimony, Exhibit ECO-16, and go to page 19, lines 1</p> <p>4 through 4.</p> <p>5 A. Excuse me. Page --</p> <p>6 Q. Sure. Page 19, lines 1 through 4.</p> <p>7 A. I'm there.</p> <p>8 Q. There you testify that in the event that a</p> <p>9 rate plan is approved in this case, the Commission</p> <p>10 could adjust rate spread for years two and three after</p> <p>11 the generic cost of service docket, correct?</p> <p>12 A. Correct.</p> <p>13 Q. For the purposes of the next few questions,</p> <p>14 please assume that a rate plan is adopted in this</p> <p>15 proceeding.</p> <p>16 What process do you envision will be used to</p> <p>17 adjust Avista's rate spread for years two and three</p> <p>18 once the generic docket is completed?</p> <p>19 A. Um, I wouldn't -- I wouldn't speculate on what</p> <p>20 the process will be or the result of the generic will</p> <p>21 be. The Commission certainly has the ability and the</p> <p>22 jurisdiction to make any changes that it desires to do</p> <p>23 after a decision is taken in the generic proceeding.</p> <p>24 Q. Would a new cost-of-service study be required</p> <p>25 before adjustments would be made to Avista's rate</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / O'CONNELL300</p> <p>1 earlier today, they would do that in advance. So it</p> <p>2 would take place once -- I'm sorry -- once that the</p> <p>3 current general rate case -- rate plan is -- rate</p> <p>4 plan -- I'm sorry -- rate year is concluded.</p> <p>5 Q. If Avista's rate spread is adjusted following</p> <p>6 the conclusion of the generic proceeding using</p> <p>7 whatever process might be used, would you anticipate</p> <p>8 that the concepts of gradualism and appearance of</p> <p>9 fairness would still apply?</p> <p>10 A. I would, yes.</p> <p>11 MS. GAFKEN: All right. I have no further</p> <p>12 questions. Thank you.</p> <p>13 JUDGE FRIEDLANDER: Thank you.</p> <p>14 Is there any redirect from Staff?</p> <p>15 MR. ROBERSON: One second, your Honor.</p> <p>16 JUDGE FRIEDLANDER: Sure.</p> <p>17 MR. ROBERSON: We have no redirect. Thank</p> <p>18 you.</p> <p>19 JUDGE FRIEDLANDER: All right. Thank you.</p> <p>20 Are there any Commissioner questions?</p> <p>21 All right. Thank you for your testimony.</p> <p>22 The witness is excused. That's right. You'll be back</p> <p>23 tomorrow.</p> <p>24 THE WITNESS: Thank you for the</p> <p>25 clarification.</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / O'CONNELL299</p> <p>1 spread?</p> <p>2 A. Like I said, I don't know if the generic</p> <p>3 proceeding will come up with something that requires</p> <p>4 something like in the -- something similar to what</p> <p>5 you're describing right now.</p> <p>6 Q. Okay.</p> <p>7 So your statement on page 19 was more of a</p> <p>8 general statement that the Commission could change the</p> <p>9 rate spread in years two and three if it felt that</p> <p>10 that was appropriate?</p> <p>11 A. That is correct.</p> <p>12 Q. If the Commission does not order a rate plan</p> <p>13 for Avista, would a new general rate case be required</p> <p>14 before rate spread could be addressed following the</p> <p>15 conclusion of the generic proceeding?</p> <p>16 A. Can you restate that question?</p> <p>17 Q. Sure.</p> <p>18 If there is no rate plan that comes out of</p> <p>19 this case, would a new general rate case be required</p> <p>20 before Avista's rate spread could be adjusted?</p> <p>21 A. I'm unsure on how to answer that. After this</p> <p>22 general rate case is concluded and rates are provided</p> <p>23 for the rate year, the Company can file for a new</p> <p>24 general rate case once it -- once it desires to make a</p> <p>25 new adjustment. And like Mr. Meyer was describing</p>	<p style="text-align: center;">DIRECT EXAMINATION BY MS. GAFKEN / GARRETT 301</p> <p>1 JUDGE FRIEDLANDER: All right. So I have</p> <p>2 conferred with Ms. Gafken and I believe that -- yeah,</p> <p>3 Mr. Garrett is here today.</p> <p>4 MS. GAFKEN: Mr. Garrett is here today,</p> <p>5 Ms. Wilson is also on the bridge line, as I understand</p> <p>6 it, and then Ms. Colamonici will be here tomorrow.</p> <p>7 JUDGE FRIEDLANDER: Okay. Thank you.</p> <p>8 So we'll go ahead, and if you'll call</p> <p>9 Mr. Garrett to the stand.</p> <p>10</p> <p>11 MARK E. GARRETT, witness herein, having been</p> <p>12 first duly sworn on oath,</p> <p>13 was examined and testified</p> <p>14 as follows:</p> <p>15</p> <p>16 JUDGE FRIEDLANDER: Thank you. You can be</p> <p>17 seated.</p> <p>18 THE WITNESS: Thank you.</p> <p>19 DIRECT EXAMINATION</p> <p>20 BY MS. GAFKEN:</p> <p>21 Q. Good afternoon.</p> <p>22 Would you please state your name and spell</p> <p>23 your last name for the record?</p> <p>24 A. Mark Garrett, G-A-R-R-E-T-T.</p> <p>25 Q. Are you the same Mark Garrett that filed</p>

<p style="text-align: center;">DIRECT EXAMINATION BY MS. GAFKEN / GARRETT 302</p> <p>1 testimony and exhibits on behalf of Public Counsel?</p> <p>2 A. I am.</p> <p>3 Q. Those exhibits have already been entered into</p> <p>4 the record, but they are MEG-1T with Exhibits MEG-2</p> <p>5 through -12 and MEG-13; is that correct?</p> <p>6 A. That's right.</p> <p>7 Q. Do you have any changes or corrections to</p> <p>8 your exhibits --</p> <p>9 A. No.</p> <p>10 Q. -- or testimony?</p> <p>11 A. I do not.</p> <p>12 MS. GAFKEN: Mr. Garrett's available for</p> <p>13 cross and questions from the bench.</p> <p>14 JUDGE FRIEDLANDER: Thank you.</p> <p>15 Mr. Meyer?</p> <p>16 MR. MEYER: No cross.</p> <p>17 JUDGE FRIEDLANDER: Okay.</p> <p>18 Staff?</p> <p>19 MR. CASEY: I believe we have no cross.</p> <p>20 JUDGE FRIEDLANDER: Thank you.</p> <p>21 Commissioner questions?</p> <p>22 Doesn't look like it. All right. All</p> <p>23 right. Thank you.</p> <p>24 I swore you in so we could tell you that</p> <p>25 we have no questions.</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / WILSON304</p> <p>1 JUDGE FRIEDLANDER: Please do just for</p> <p>2 form.</p> <p>3</p> <p>4 RACHEL S. WILSON, witness herein, having been</p> <p>5 first duly sworn on oath,</p> <p>6 was examined and testified</p> <p>7 as follows:</p> <p>8</p> <p>9 JUDGE FRIEDLANDER: Okay. Thank you. You</p> <p>10 can be seated.</p> <p>11 EXAMINATION</p> <p>12 BY COMMISSIONER RENDAHL:</p> <p>13 Q. Okay. Good afternoon, Ms. Wilson.</p> <p>14 A. Good afternoon.</p> <p>15 Q. So while this question refers to your</p> <p>16 testimony, I'm not sure you need it, but I will give</p> <p>17 you the reference I'm referring to. It's in your --</p> <p>18 A. Okay.</p> <p>19 Q. -- response testimony, RSW-1CT, at page 18,</p> <p>20 lines 16 through 21. Let me know when you've got</p> <p>21 that.</p> <p>22 A. So I actually -- I'm sorry. I don't have it</p> <p>23 in front of me.</p> <p>24 Q. Okay.</p> <p>25 Well, then, we'll go with the question</p>
<p style="text-align: center;">303</p> <p>1 THE WITNESS: Thank you very much.</p> <p>2 JUDGE FRIEDLANDER: Thank you. Okay.</p> <p>3 So we do have Ms. Wilson available, then,</p> <p>4 by telephone. She is on the bridge line; is that</p> <p>5 correct?</p> <p>6 MS. GAFKEN: That's my understanding. I</p> <p>7 guess if I could just ask if she's there.</p> <p>8 JUDGE FRIEDLANDER: Sure.</p> <p>9 MS. GAFKEN: Ms. Wilson?</p> <p>10 MS. WILSON (via bridge line): Yes, I'm</p> <p>11 here.</p> <p>12 JUDGE FRIEDLANDER: Thank you.</p> <p>13 And I know the parties have waived cross.</p> <p>14 Do we have Commissioner questions for</p> <p>15 Ms. Wilson?</p> <p>16 COMMISSIONER RENDAHL: Yes. This is</p> <p>17 Commissioner Rendahl. Can you hear me?</p> <p>18 MS. WILSON: Yes, I can.</p> <p>19 JUDGE FRIEDLANDER: How about I'll swear</p> <p>20 her in first.</p> <p>21 COMMISSIONER RENDAHL: That's a good idea.</p> <p>22 JUDGE FRIEDLANDER: You can stand or sit.</p> <p>23 It doesn't matter to me.</p> <p>24 MS. WILSON: Okay. Do I raise my right</p> <p>25 hand as well?</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / WILSON305</p> <p>1 because I think you'll know what I'm talking about.</p> <p>2 A. Okay.</p> <p>3 Q. Okay.</p> <p>4 In your testimony at that location, you</p> <p>5 discuss that Avista should return to a</p> <p>6 fundamentals-based approach to production cost</p> <p>7 modeling.</p> <p>8 Do you remember that testimony?</p> <p>9 A. I do.</p> <p>10 Q. Okay.</p> <p>11 So when you make that recommendation, can you</p> <p>12 give us a more detailed description of what you mean</p> <p>13 by that?</p> <p>14 A. As I understand it, and the way that</p> <p>15 Mr. Kalich confirmed earlier, when Avista has done its</p> <p>16 Aurora modeling in this rate case, it uses as an input</p> <p>17 the electricity forward price forecast that comes from</p> <p>18 the Intercontinental Exchange, or ICE. And in that</p> <p>19 way, rather than allowing Aurora to utilize all of its</p> <p>20 input information to generate a price forecast for</p> <p>21 electricity, by using those market forwards, Avista</p> <p>22 uses the electricity prices as an input value rather</p> <p>23 than an output.</p> <p>24 And so when I say that I recommend that Avista</p> <p>25 return to a fundamental-based use of the Aurora model,</p>

<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / WILSON306</p> <p>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. Colamonici 23 is available tomorrow? 24 MS. GAFKEN: That's correct. 25 JUDGE FRIEDLANDER: All right.</p>	<p style="text-align: center;">DIRECT EXAMINATION BY MR. OSHIE / MULLINS 308</p> <p>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</p>
<p style="text-align: center;">DIRECT EXAMINATION BY MR. OSHIE / MULLINS 307</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / MULLIN309</p> <p>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</p>

<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / MULLIN310</p> <p>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</p>	<p style="text-align: center;">DIRECT EXAMINATION BY MR. FFITCH / COLLINS 312</p> <p>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?</p>
<p style="text-align: center;">EXAMINATION BY COMMISSIONER RENDAHL / MULLIN311</p> <p>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 ///</p>	<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / COLLINS 313</p> <p>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</p>

<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / COLLINS 314</p> <p>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</p>	<p style="text-align: center;">EXAMINATION BY CHAIRMAN DANNER / COLLINS 316</p> <p>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</p>
<p style="text-align: center;">CROSS-EXAMINATION BY MS. GAFKEN / COLLINS 315</p> <p>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 ///</p>	<p style="text-align: center;">REDIRECT EXAMINATION BY MR. FFITCH / COLLINS317</p> <p>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"?</p>

<p style="text-align: center;">REDIRECT EXAMINATION BY MR. FFITCH / COLLINS318</p> <p>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.</p> <p>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</p>	<p style="text-align: center;">320</p> <p>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.</p>
<p style="text-align: center;">319</p> <p>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 --</p>	<p style="text-align: center;">321</p> <p>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.</p>

<p>322</p> <p>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</p>	<p>324</p> <p>1 CERTIFICATE 2 3 STATE OF WASHINGTON) 4) 5) 6) 7) 8) 9) 10) 11) 12) 13) 14) 15) 16) 17) 18) 19) 20) 21) 22) 23) 24) 25)</p> <p style="text-align: center;">I, ANITA W. SELF, a Certified Shorthand Reporter in and for the State of Washington, do hereby certify that the foregoing transcript is true and accurate to the best of my knowledge, skill and ability. IN WITNESS WHEREOF, I have hereunto set my hand and seal this 30th day of January, 2018.</p> <p style="text-align: center;">_____ ANITA W. SELF, RPR, CCR #3032</p>
<p>323</p> <p>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.) 12 13 -o0o- 14 15 16 17 18 19 20 21 22 23 24 25</p>	