

**Docket Nos. UE-240006 and UG-240007 (Consolidated) -
Vol. IV**

WUTC v. Avista Corporation d/b/a Avista Utilities

October 1, 2024



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BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,)
Complainant,)
DOCKETS UE-240006,)
UG-240007)
vs.)
(Consolidated))
AVISTA CORPORATION, d/b/a)
AVISTA UTILITIES,)
PAGES 372 - 479)
Respondent.)

EVIDENTIARY HEARING - VOL. IV

October 1, 2024

BEFORE ADMINISTRATIVE LAW JUDGES

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Washington Utilities and Transportation Commission
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1 REPORTED FROM THURSTON COUNTY, WASHINGTON
2 Tuesday, October 1, 2024; 9:11 a.m.

3 * * *

4 JUDGE BROWN: All right. So based on where
5 we left off yesterday, we will now pick up with AWEC
6 Witness Mullins. Is he available?

7 ATTY MOSER: He is, Your Honor, he should be
8 on Zoom now.

9 JUDGE BROWN: Ah, I see him now.

10 MR. MULLINS: Can you hear me?

11 JUDGE BROWN: Yes. Good morning. How are
12 you?

13 MR. MULLINS: Very well. Thank you,
14 Judge Brown.

15 JUDGE BROWN: Very good. Will you raise your
16 right hand.

17 (Witness duly sworn.)

18 JUDGE BROWN: All right.

19 You may proceed.

20 ATTY MOSER: Thank you, Your Honor.

21 DIRECT EXAMINATION

22 BY ATTY MOSER:

23 **Q Good morning, Mr. Mullins. Can you please state and**
24 **spell your name for the record.**
25

1 A For most of it. Not the very last witness.

2 **Q Were you present for Mr. Bonfield's cross?**

3 A I was not present for Mr. Bonfield's cross.

4 **Q Okay. Got it.**

5 **Do you agree that the CCA may cause certain**
6 **thermal resources to be more expensive to use to supply**
7 **power to customers?**

8 A As a general statement, I guess maybe, maybe not. So,
9 you know, the CCA is designed to, I guess, reduce or
10 eliminate the cost burden of purchasing allowances for
11 resources used to serve loads. And so, from that --
12 that perspective, it's -- the design is that it's
13 not -- not to increase the costs.

14 **Q But hypothetically, utility could go over their no-cost**
15 **allowances; isn't that correct?**

16 A I guess I'm not 100 percent sure what -- what you mean
17 by "go over." You know, they -- there was a formula in
18 the rule and a certain number of allowances allocated
19 to serve customers' loads. They may -- may be that
20 there are more -- that there are fewer or more
21 emissions than those allowances, although there's
22 potentially a true-up process for how those get
23 resolved.

24 So I guess I don't have a great answer to your
25 question.

1 A My name is Bradley Mullins. Last name's spelled
2 M-U-L-L-I-N-S.

3 **Q And how are you employed?**

4 A I am the principal of MW Analytics, a consulting firm
5 that represents large customers around the West.

6 **Q And on whose behalf are you appearing in this case?**

7 A The Alliance of Western Energy Consumers.

8 **Q Thank you.**

9 ATTY MOSER: And given that his prefiled
10 testimony and exhibits have already been admitted, I
11 believe this witness is available for cross.

12 JUDGE BROWN: I believe, Staff, you have
13 questions.

14 ATTY STRAUSS: Good morning, Your Honor.
15 Josephine Strauss representing Staff.

16 JUDGE BROWN: Good morning.

17 CROSS-EXAMINATION

18 BY ATTY STRAUSS:

19 **Q Good morning, Mr. Mullins. Just a few quick questions.**
20 **First, are you aware that the Commission's policy**
21 **statement in U-230161 was rescinded on August 19, 2024?**

22 A I was aware of that, yes.

23 **Q Just making sure. Were you listening to yesterday's**
24 **hearing?**
25

1 **Q So I guess my question more is -- there is the**
2 **possibility that a utility's emissions could exceed**
3 **their no-cost allowances?**

4 A Potentially, yeah.

5 **Q Thank you. And you agree that Avista's current method**
6 **of determining dispatch of thermal resources does not**
7 **include the costs? The CCA may contribute to the use**
8 **of these resources; correct?**

9 A I would not agree with that. So for Boulder Park,
10 which is located in Washington, it does include that --
11 that cost.

12 For resources located outside of Washington, those
13 resources only have a compliance obligation when the
14 power is imported into Washington. And so, in terms of
15 the dispatch costs, those -- those do not have a -- you
16 know, a phantom allowance adder included on them. And
17 that's appropriate because if those resources are not
18 used to serve customers' load, then they'll have to
19 acquire power elsewhere, which will be, you know,
20 potentially unspecified power which will also carry,
21 you know, the same or similar obligation.

22 So I guess I would -- to your question, I don't
23 agree with that general statement.

24 **Q Okay. But for the thermal resources that do not**
25 **include the cost of the CCA in its dispatch**

1 methodology, if those resources are dispatched and do
2 not include that cost, there is the possibility that
3 they could be uneconomically dispatched. Isn't that
4 true?

5 A Well, not necessarily. So if the -- so, for example,
6 if -- maybe Coyote Springs is a good example. If power
7 from Coyote Springs, which is not located in
8 Washington, is sold outside of Washington, there is
9 no -- there's no compliance obligation there. So
10 that -- it would be appropriate to dispatch it without
11 any -- any compliance adder or anything --

12 Q So I'm talking about power that's dispatched to
13 Washington. If power is dispatched to Washington from
14 a thermal resource and that thermal resource does not
15 include a CCA cost adder, then there is the possibility
16 that that thermal resource could be uneconomically
17 dispatched; isn't that correct?

18 A Well, the alternative -- so generally, no. Because the
19 alternative is market power. And market power --
20 unspecified power also has a compliance obligation.
21 And, in fact, it's actually slightly higher than a gas
22 plant, at least in the way that the no-cost allowances
23 were designed.

24 And so, your -- it is a correct comparison to
25 include it without because both market purchases and

1 A Correct.

2 Q And you agree there is the possibility that Avista may
3 not be allocated enough no-cost emission allowances to
4 cover all emissions from its thermal resources;
5 correct?

6 A It's always a possibility. But the -- I mean, I think
7 the way that it's designed now is -- it's really -- the
8 allowance is necessary to serve Avista's load. So it's
9 not so much dependent on dispatch so that -- at least,
10 you know, my understanding is -- market sales aren't
11 included in that; so those are kind of a separate
12 calculation.

13 So since it's really, you know, based on the load,
14 it's really just what percentage of resources are being
15 used to serve that load -- whether it's, you know,
16 hydro, gas, coal, or unspecified power or renewables.

17 Q But you agree there is the possibility that Avista may
18 not be allocated enough no-cost allowances to cover its
19 emissions? There is that possibility; correct?

20 A It's always possible, certainly. And then, you know,
21 they might have to go out and buy allowances. But I
22 think the design of the program was that they weren't
23 going to have to do that. And I think the -- you know,
24 the allowances were distributed in a manner so that
25 that wouldn't happen.

1 the power that's being generated -- one or the other
2 has to have an allowance. And so, you know, including
3 it -- dispatching without is the correct method.

4 Q So your opinion is that the only alternative to the
5 dispatch of these thermal resources is unspecified
6 market power?

7 A That is the -- I mean -- so here we're talking about
8 the model; right? So the model is dispatching
9 resources against, you know, certain -- certain market
10 prices, and so that's the comparison being made.

11 Q You agree that the emission allowance allocation under
12 the CCA is in the purview of the Department of Ecology;
13 correct?

14 A Maybe not entirely. So I think that there are certain
15 inputs like the CEIP filings that inform that process.
16 But generally, it's the -- it's Ecology that's --
17 that's issuing the allowances.

18 Q Okay. So you agree that Ecology is the Washington
19 agency that dispa -- assigns the allocation of no-cost
20 allowances?

21 A I agree that they allocate the allowances based on
22 information that potentially falls under this
23 commission's purview as well.

24 Q And you agree that Ecology's methodology for
25 determining allowances is subject to change; correct?

1 So that's the -- it may be possible, but it was --
2 I think that would be unintended.

3 Q So in a scenario -- in a hypothetical scenario where
4 Avista is not allocated enough emission allowances,
5 including the price of CCA compliance in the dispatch
6 has the potential to reduce CCA costs that could appear
7 in a true-up later; isn't that correct?

8 A You're going to have to repeat that question.

9 Q Okay. So in a scenario where Avista is not allocated
10 enough emission allowances, if the price of a CCA
11 allowance is included in dispatch, then the potential
12 for a true-up later decreases?

13 A So I -- there's kind of three pieces to that. So kind
14 of start with the end.

15 So the true-up; right? So, you know, there some
16 sort of mention of a true-up in the rule. We don't
17 know what form that's going to take or if there --
18 there will be a true-up and how that will --

19 Q So let me rephrase my question because I think I'm
20 making it too broad.

21 So in a scenario where Avista's not allocated
22 enough emission allowances, if the price of CCA
23 compliance is included in the cost of dispatch, that
24 reduces the possibility that, later, when they're
25 coming back to recover costs from the Commission, the

1 **price of CCA compliance is potentially less?**
 2 A You know, not -- I guess not necessarily. So...
 3 **Q So you disagree that --**
 4 A It would depend on --
 5 **Q -- sorry.**
 6 A Go ahead.
 7 **Q Please complete your answer.**
 8 A Oh, I was just going to say, you know, it would depend
 9 on a lot of factors. So I think the, you know -- as it
 10 stands today, you know, it was designed to give them
 11 enough -- enough allowances so that they -- you know,
 12 that they wouldn't be short. I think --
 13 **Q So I'm not talking about design today. I'm talking**
 14 **about the hypothetical situation where they do not have**
 15 **enough allowances to cover emissions.**
 16 A So as it's -- right. So as it's designed today, they
 17 are supposed to have -- or will have enough allowances
 18 to cover their -- their emissions. You know, in the
 19 hypothetical where the rule wasn't written that way and
 20 they were given, you know, less -- less allowances than
 21 their emissions, then, you know, I think there's going
 22 to be a cost -- a cost either way. So...
 23 **Q But if that cost is already included in the cost of**
 24 **dispatch, would that impact their dispatch of thermal**
 25 **resources if those resources are now more expensive to**

1 A Yeah. I think it's just a hypothetical where -- was
 2 it -- 25 percent overrun would result in annual costs
 3 of \$30 million.
 4 **Q Okay. And you agree that there is a possibility that**
 5 **some or all of these costs could be determined prudent**
 6 **by the Commission during review; correct?**
 7 A The -- so the overrun costs would, I guess, necessarily
 8 be evaluated for prudence by the Commission. They
 9 could determine it to be prudent or not depending on
 10 their evaluation.
 11 **Q So you agree there's a possibility that those costs**
 12 **could be determined prudent?**
 13 A Certainly, it could be -- yeah. It could go -- either
 14 way, it would depend on the Commission's, you know,
 15 evaluation of those -- of the facts and circumstances.
 16 **Q And if those costs are determined prudent, you agree**
 17 **that 30 million extra costs would significantly impact**
 18 **rates?**
 19 A Yeah. It would -- 30 million in costs is material to
 20 Avista.
 21 **Q And you testify that the Commission should not conduct**
 22 **an annual review of the CCA costs; correct?**
 23 A Correct.
 24 **Q Okay. And you're more in favor of a review over the**
 25 **four-year compliance period; correct?**

1 **dispatch because of the cost of compliance with the**
 2 **CCA?**
 3 A Sorry. You're going to have to repeat that one again
 4 as well.
 5 **Q It's okay. I'll move on.**
 6 **You agree that prudence is not determined through**
 7 **a hindsight lens; correct?**
 8 A As a general principle, yes.
 9 **Q You agree it's determined based on analysis of what the**
 10 **utility knew or should have known at the time of the**
 11 **decision; correct?**
 12 A As a general principle, yeah.
 13 **Q So I want to refer to Mr. Wilson's testimony, his**
 14 **response testimony, Exhibit 1TCr, starting at page 27,**
 15 **line 11 and going through page 28, line 3. Let me know**
 16 **when you're there.**
 17 COMMISSIONER RENDAHL: Would you mind
 18 repeating that reference.
 19 ATTY STRAUSS: Absolutely. Sorry. JDW-1TCr,
 20 page 27, line 11.
 21 THE WITNESS: Okay.
 22 **Q BY ATTY STRAUSS: So Mr. Wilson refers to a potential**
 23 **bad case scenario, which you also reference in your**
 24 **testimony. And this example talks about the potential**
 25 **costs of \$30 million annually; correct?**

1 A Yeah. That's correct. You know, so in terms of
 2 whether there's, you know, this hypothetical where
 3 there's an overrun or not -- which, you know, I think
 4 it would seem kind of unlikely. But in that case, you
 5 know, we really won't know, you know, holistically
 6 until the -- you know, until we look at the full
 7 compliance period. So it would be -- it would be hard
 8 to consider it year by year.
 9 **Q But we've already talked about -- that prudence is**
 10 **determined not in hindsight but based on when the**
 11 **decision is made. So a decision made Year 4 is not**
 12 **going to impact decisions made Year 1; correct?**
 13 A So yeah. As a general principle, you know, prudence
 14 evaluations don't consider hindsight. But, you know,
 15 prudence evaluations inherently occur after the fact;
 16 right? So the fact that we're, you know, always
 17 looking backwards isn't -- isn't, you know, contrary to
 18 not considering hindsight and looking at what, you
 19 know, folks should have known at the time decisions
 20 were made.
 21 **Q But decisions made in Year 1 would be evaluated based**
 22 **on the information known in Year 1, and decisions made**
 23 **in Year 4 would be evaluated based on the information**
 24 **known in Year 4; correct?**
 25 A So in terms of the -- what the company did and what

1 they -- you know, the actions that they took, it would
 2 be based on, you know, information they had at the --
 3 at the time.
 4 **Q Okay. So a review that was happening every four years**
 5 **would then contemplate potential prudence in costs that**
 6 **accumulated over those four years; correct?**
 7 A Correct. And, you know, it would have to evaluate, you
 8 know, kind of the -- that period of time.
 9 **Q Yeah. So if they have a bad case one, maybe two years,**
 10 **you're looking at potentially \$60 million at the end of**
 11 **that four years, assuming just one or two bad years.**
 12 A I wouldn't -- I mean, I wouldn't necessarily agree with
 13 that. I mean, so this is just, like, a hypothetical
 14 situation --
 15 **Q So I'm talking about this hypothetical in this**
 16 **hypothetical world.**
 17 A Oh -- well, so I wouldn't -- yeah. So I don't agree
 18 with the hypothetical. So I think the way it's
 19 designed today, it's designed to give, you know, all --
 20 you know, cover all the costs and eliminate the cost
 21 burden of the program. That's -- that's the purpose.
 22 And, you know, to the extent that there are, you
 23 know, issues with allowances, we really won't know
 24 that. You really can't say there's an issue until the
 25 end of the compliance period. I mean, it may be that

1 responsibility versus -- you know, certainly the
 2 Commission should focus on the costs and the recovery
 3 of those costs and whether they're prudent. But at the
 4 end of the day, if there's -- if a utility, you know,
 5 doesn't meet its obligations under the CCA in terms of
 6 allowances, that's the -- that's Ecology's area to
 7 enforce. So it's -- that's what that paragraph is
 8 saying.
 9 **Q BY ATTY STRAUSS: Okay. But you agree it is the**
 10 **Commission's job to regulate rates; correct?**
 11 A Correct.
 12 **Q And if prudently incurred, CCA costs are costs that can**
 13 **be recovered through rates; correct?**
 14 A Generally, yes.
 15 **Q And you agree that it's the Commission's job to ensure**
 16 **that utilities are properly considering costs that may**
 17 **be associated with compliance with Washington state**
 18 **laws; correct?**
 19 A As a general principle, yes.
 20 **Q Thank you. That's all my questions.**
 21 JUDGE BROWN: Is there any redirect?
 22 ATTY MOSER: Okay. I always have trouble
 23 with this mic. Yes, thank you, Your Honor. I do have
 24 a few questions.
 25 JUDGE BROWN: All right. Proceed.

1 one year's high, one year's low, and you won't really
 2 know until the end because it's -- you know, they
 3 comply with the compliance period as -- as a whole.
 4 And so, that's really where that recommendation is
 5 coming from, you know. And granted that, you know, you
 6 do have to consider, you know, facts and circumstances
 7 at the time decisions are made.
 8 **Q Fair enough.**
 9 **In your cross-answering testimony -- and I'm just**
 10 **going to paraphrase this, but it's at BGM-18 -- -8T --**
 11 **sorry -- page 12, lines 3 through 9. You say, "It's**
 12 **not the Commission's place to enforce compliance with**
 13 **the CCA"; is that correct?**
 14 ATTY MOSER: Sorry. What page?
 15 ATTY STRAUSS: Page 12, line 3 to 9.
 16 THE WITNESS: No. So in terms of -- yeah.
 17 So this says that, just kind of as a general principle,
 18 you know, it's usually not good for the Commission to
 19 be, you know, micromanaging dispatch decisions for
 20 the -- for the utilities. You know, prudence reviews
 21 are appropriate, but that -- you know, those just
 22 day-to-day decisions should be on the utility.
 23 And in terms of the CCA itself and the -- you
 24 know, the actual compliance with the CCA, that's the --
 25 you know, that is the -- that's Ecology's

1 REDIRECT EXAMINATION
 2 BY ATTY MOSER:
 3 **Q Mr. Mullins, kind of earlier in your discussion -- or**
 4 **in your cross, there was a question about -- if Avista**
 5 **includes allowances in dispatch, the impacts of that.**
 6 **And I want to follow up on that line of questioning.**
 7 **So if Avista includes allowances in power costs**
 8 **dispatch, so in modeling, that has an upward -- that**
 9 **puts upward rate pressure on power costs; right?**
 10 **Because it's changing the resource dispatch?**
 11 A Well, so they already do include CCA costs for
 12 Boulder Park. So just to make that clear. But if they
 13 were to expand that and include the dispatch costs and
 14 out-of-state resources, that would -- yeah, that would
 15 certainly increase costs, you know, relative to how
 16 those resources will dispatch in the -- in markets.
 17 **Q Okay. So from a -- from just a power cost modeling**
 18 **perspective, power costs would go up, and emissions**
 19 **would go down; is that correct?**
 20 A Power costs will go up. I'm not sure that emissions
 21 will go down. Because, you know, if you reduce a
 22 generation from a -- you know, an out-of-state thermal
 23 plant, you still have to buy or -- or net power's
 24 still -- you know, it goes somewhere. So, you know, it
 25 may be that, instead of getting power from

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1 Coyote Springs, that power comes from an unspecified
2 source which, you know, potentially has a higher
3 emission value than Coyote Springs. So it will
4 certainly increase costs. Emissions equation, I think,
5 is somewhat -- somewhat more murky.

6 **Q Okay. So there's emissions that we consider for
7 purposes of dispatch, and then there's emissions that
8 actually result from actual operations. And there's a
9 distinction there; is that right?**

10 A Yes. Yeah. Absolutely. So -- and, you know, in this
11 case, we're really concerned with, you know, setting
12 the baseline for net powers costs, not -- you know,
13 really setting any principles for how -- or at least,
14 you know, my testimony's focused on -- more on the
15 baseline, not necessarily, you know, setting any
16 principles about how they should or should not manage
17 those out-of-state resources.

18 And I think there's, you know, a big difference
19 between sort of the -- you know, the practice --
20 dispatch and practice versus, you know, what we're
21 modeling here today. Because it's -- the model today
22 is more of a theoretical exercise to get a baseline as
23 opposed to, you know, what actually happens and the
24 actual obligations that occur under the CCA.

25 **Q And so, if the Commission sets that baseline higher**

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1 **than actual emissions that materialize from operations,
2 does that mean that customers have then overpaid for
3 power costs?**

4 A I mean, potentially. So, I mean, I guess there's, you
5 know, kind of the questions from -- Staff, I think,
6 seem to think that there's sort of a -- you know, sort
7 of an offsetting benefit to applying dispatch to
8 out-of-state resources that would, you know,
9 potentially offset that -- that higher cost. So I
10 think that's kind of an implicit in Staff -- kind of
11 what Staff's recommendation is.

12 If you increase power costs today by 20 million or
13 70 million, depending on how it's done, you know, later
14 we're going to save, you know, more than \$70 million or
15 \$20 million. And, you know, I'm not -- I'm not so sure
16 it, you know, will really work that -- work that way.

17 **Q Okay. And then, are you aware whether Ecology has
18 issued any formal or public guidance on how the true-up
19 will function at this time?**

20 A I -- yeah. I am not. There's sort of a vague mention
21 to it in -- in a rule. But at this point, it's really
22 unclear as to, you know, how that process will -- will
23 occur.

24 **Q Okay. And at the very beginning of your questioning
25 with Ms. Strauss, she asked you about the Commission's**

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1 **policy statement and then referenced that it had been
2 rescinded. Do you remember that?**

3 A Yep.

4 **Q Okay. And as part of that docket, is it your
5 understanding that the Commission is looking -- or the
6 intention of that is for the Commission to develop a
7 uniform approach to CCA implementation across all
8 utilities?**

9 A Yeah. Yeah. And I think it's -- it's a pretty
10 complicated issue, especially, you know, when you deal
11 with the out-of-state resources and how -- how they
12 impact, you know, free allowances. So I think
13 that's -- would probably be a good thing, to have some
14 more kind of robust discussion and also to get more
15 certainty from Ecology as to how some of those aspects
16 of the rule will work.

17 **Q Thank you. I have no further questions.**

18 JUDGE BROWN: Any questions? No? All right.
19 And you are excused. Thank you.

20 THE WITNESS: All right. Thank you.

21 JUDGE BROWN: Next I believe we have
22 witnesses from Staff.

23 ATTY ROBERSON: I believe there are no bench
24 questions for Ms. Atitsogbe. So Ms. Erdahl would be
25 next.

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1 JUDGE BROWN: Yes. Exactly. Thank you.

2 MS. ERDAHL: Good morning.

3 JUDGE BROWN: Good morning. Will you raise
4 your right hand.

5 (Witness duly sworn.)

6 JUDGE BROWN: You may proceed.

7
8 DIRECT EXAMINATION

9 BY ATTY ROBERSON:

10 **Q Good morning. Would you please state your name and
11 spell your last name for the record.**

12 A Good morning. Betty Erdahl, on behalf of Staff.
13 E-R-D-A-H-L.

14 **Q And are you the same Betty Erdahl who submitted
15 Exhibits BAE-1T through BAE-10?**

16 A Yes.

17 ATTY ROBERSON: I believe there are no cross
18 questions; so Ms. Erdahl's available for questions from
19 the bench.

20 CHAIR DANNER: Well, good morning.

21 THE WITNESS: Good morning.

22 CHAIR DANNER: So you were in the room
23 yesterday when we had some discussions with Ms. Andrews
24 about provisional plant?

25 THE WITNESS: Correct.

6 (Pages 392 to 395)

1 CHAIR DANNER: And I wanted to get your
2 sense -- are you comfortable that each project is
3 provided adequate scrutiny and that you understand the
4 purpose and the timing and the necessity for each
5 project?

6 THE WITNESS: Yes. Staff analyzes what's
7 filed in the case, and we take a look at what's been
8 approved in a prior case as far as what they're filing
9 in the next GRC, their multi-year rate plan. And the
10 provisional plant's looked at on a threshold prudence
11 level. And once the company files its annual review at
12 the end of the year, a few months following the end of
13 the rate year, then we would do a final review of the
14 provisional plant.

15 CHAIR DANNER: She couldn't come up with a
16 sa- -- an example yesterday. Do you have an example of
17 provisional plant and how you would scrutinize that? I
18 mean, she was talking about -- we have thousands of
19 pages. And so, assuming that you have the time to look
20 through those thousands of pages -- I mean, I'm trying
21 to get a sense of a case where the forecasts are lower
22 and the actual costs come in higher. That concerns me.
23 And I'm just trying to get a sense of your ability to
24 scrutinize the filings to make sure that we're treating
25 these provisional plant numbers correctly.

1 the multi-year rate plan rejected partly for that
2 reason as there is a resource constraint issue. Some
3 time was definitely spent on it, but we would like more
4 time and resources.

5 CHAIR DANNER: Okay.
6 Do you have any questions?

7 COMMISSIONER RENDAHL: Sure.

8 So following along the same line of questioning to
9 Ms. Andrews yesterday, was Staff concerned with the
10 introduction of new business cases at the time of the
11 provisional plant review filing?

12 THE WITNESS: So during the GRC?

13 COMMISSIONER RENDAHL: No. The provisional
14 plant review process --

15 THE WITNESS: Oh, the retrospective --

16 COMMISSIONER RENDAHL: -- for 2022 and 2023.
17 So is that a concern that Staff has?

18 THE WITNESS: We have seen some projects
19 overestimated in the plant reviews. And that's caused
20 us to be a little concerned about -- we support a
21 provisional portfolio basis review; so there's some
22 flexibility for the company to switch gears if they
23 need to depending on their business needs.

24 But on the other hand, we have seen some projects
25 in the past, I believe both for PSE and Avista, where

1 THE WITNESS: That's understandable, and
2 that's something Staff has looked at and been concerned
3 about in the annual plant review. I did not review
4 plant in this case. I'm sorry. I did not go back and
5 look at that after yesterday's questioning.

6 I want to use AMI as an example. I don't know. I
7 mean, provisional plant is put in during the rate case.
8 When we look at the review, the annual review, Staff
9 actually goes back and looks at what was filed in the
10 rate case as provisional. And the company does provide
11 a lot of support in the general rate case and in the
12 plant review so we can see what was provided and looked
13 at in the rate case. And then we can also look at --
14 "Here's what you actually did during this year. Here's
15 what you spent of the provisional plant."

16 Now, if they overestimate, we're recommending
17 refunds on a portfolio basis. So money that wasn't
18 spent on something like AMI, if we use that as an
19 example, they might have spent the money somewhere
20 else, which raises a different concern. We don't want
21 companies overestimating provisional plant.

22 CHAIR DANNER: Okay. And then, the question
23 about whether your team has the time and resources to
24 review these projects, you're confident that you do?

25 THE WITNESS: Well, actually, we would like

1 what was estimated in the provisional review -- or the
2 provisional filing -- what was actually spent wasn't
3 the same amount, and it was off by quite a bit. So
4 then they use that money. They -- you know, they were
5 afforded the flexibility to spend that money somewhere
6 else.

7 So Staff feels like we're kind of learning how to
8 work through these multi-year rate plans. And while
9 we're not recommending a project-by-project review
10 or -- like, in the Northwest Natural case, I think
11 eight projects were approved provisionally. That was
12 really nice. It was easy for Staff to go back and look
13 at just those eight projects.

14 But then, fast-forward to 2022, rate cases and the
15 provisional reviews following that for both PSE and
16 Avista, there's a lot of projects. And some of them
17 were pretty far off from the estimates that were
18 originally filed. However, they spent the money
19 somewhere else, and they did support that. It's
20 just -- we're unsure about a blanket approval of
21 provisional plant. We don't want -- I think the
22 question is -- how do we not overestimate plant?

23 COMMISSIONER RENDAHL: So would you accept,
24 subject to check, that in the company's 2023
25 provisional plant filing, Avista reported 123 total

1 projects with 21 of those being new business cases that
 2 weren't included in the 2022 GRC?
 3 THE WITNESS: Subject to check.
 4 COMMISSIONER RENDAHL: Okay. And so, is this
 5 a significant deviation from the first year of the
 6 two-year rate plan?
 7 THE WITNESS: Oh, as far as having that many
 8 more projects, yes. I'm not sure what the dollar
 9 amounts are --
 10 (Reporter requests clarification.)
 11 THE WITNESS: I'm not sure what the dollar
 12 amounts are that -- the dollar impact of those
 13 projects.
 14 COMMISSIONER RENDAHL: Okay.
 15 So do you think these alternative projects merit
 16 the same level of scrutiny from Staff and other parties
 17 as would be performed during a full adjudicative
 18 proceeding rather than the compliance process?
 19 THE WITNESS: The intent is to look at
 20 prudence in their review, which is one of the reasons
 21 we're asking for six months instead of four months. So
 22 yes, it's important that we look at all those projects.
 23 COMMISSIONER RENDAHL: Okay.
 24 So do you find any merit in AWEC's claim that the
 25 utility's spending to its approved budget? Which --

1 guess just one more question.
 2 So the company's 2022 general rate case was a
 3 two-year rate plan with this case being filed shortly
 4 after the end of the first rate year and a test year
 5 that reflects capital additions through June of 2023,
 6 which is only six months into the rate -- into
 7 Rate Year 1.
 8 Do you have any concerns that a portion of that
 9 plant is effectively being picked up in the test year
 10 without commissioners reviewing testimony and evidence
 11 to support the business cases and level of investment
 12 that overlap?
 13 THE WITNESS: No. I mean, in the -- we would
 14 be looking at the business cases in each case, each
 15 opportunity that we get, whether it's in a GRC or a
 16 plant review or in the next GRC.
 17 COMMISSIONER RENDAHL: Okay. Thank you.
 18 CHAIR DANNER: All right. Well, thank you
 19 very much. I also wanted to ask you about wildfire
 20 expense balancing account.
 21 You identify certain costs that you believe are
 22 strictly and exclusively related to the mitigation of
 23 wildfire risk. And I just want to clarify. Do you --
 24 are you proposing that these types of costs be the only
 25 costs included in any future wildfire balancing

1 your review of the 2022 and 2023 provisional plant does
 2 indicate the company's exceeded the level of rate base
 3 approved in the 2022 settlement.
 4 THE WITNESS: I don't know. I mean, again, I
 5 think it's valuable to review plant on a portfolio
 6 basis because there needs to be some flexibility. And
 7 if we have multi-year rate plans in effect, it gets
 8 more difficult as you go further out to know what the
 9 plant needs are. Things change. Sometimes a company
 10 can't actually invest where they plan to. Maybe
 11 there's a delay.
 12 So I guess, to me, that weighs on the side of --
 13 the costs that are being recovered are reasonable even
 14 if they spend the money on other projects. Although I
 15 guess it does cause some concern if certain plants --
 16 overestimated by 30 or 50 percent and they're large
 17 projects. That seem -- it feels like it's this
 18 blanket, you know, windfall of money to spend somewhere
 19 else. If it's not spent on plant, it would be
 20 redundant, though; so it is being spent on plant that's
 21 used and useful.
 22 COMMISSIONER RENDAHL: Okay. So your concern
 23 is with the overestimation and then the result of that?
 24 THE WITNESS: Mm-hmm. Yeah.
 25 COMMISSIONER RENDAHL: Okay. Thank you. I

1 account? Or that the balancing account should be
 2 phased out completely?
 3 THE WITNESS: Well, we're recommending
 4 phasing out the balancing account. But so far, just
 5 starting with costs that overlap with other efforts,
 6 which would be the storm damage and grid hardening.
 7 And then, maybe in the next rate case, we could look at
 8 whether or not -- the amounts that are related to
 9 wildfire only, whether or not that's prudent to roll
 10 into base rates or not.
 11 CHAIR DANNER: Okay. That's what I was going
 12 to ask you was if -- if you're proposing to phase it
 13 out, when would that be? And so, you don't really have
 14 a hard date? You just say, "Let's look at it in the
 15 future GRC" --
 16 THE WITNESS: Yeah. I'm not sure how
 17 material it would be.
 18 CHAIR DANNER: All right. Thank you. That's
 19 all I have. Thank you very much.
 20 THE WITNESS: Thank you.
 21 JUDGE BROWN: Is there any redirect?
 22 You may be excused. Thank you.
 23 Will you present your next witness, Staff.
 24 ATTY ROBERSON: Staff calls
 25 Kristen Hillstead.

1 JUDGE BROWN: Good morning.
 2 MS. HILLSTEAD: Good morning.
 3 JUDGE BROWN: Ah, thank you.
 4 (Witness duly sworn.)
 5 JUDGE BROWN: You may proceed.
 6 ATTY ROBERSON: Thank you.

DIRECT EXAMINATION

BY ATTY ROBERSON:

Q Good morning. Would you state your name and spell your last name for the record.

A Kristen Hillstead, H-I-L-L-S-T-E-A-D.

Q And are you the same Kristen Hillstead that submitted Exhibits KMH-1T through Exhibit KMH-16C?

A Yes.

ATTY ROBERSON: And I believe there's cross from Public Counsel.

CROSS-EXAMINATION

BY ATTY ROBINSON O'NEILL:

Q Good morning, Ms. Hillstead.

A Good morning.

Q We had a chance to talk briefly yesterday. I want to ask you about the operations and maintenance budget.

A Okay.

Q Initially in the filing, Avista asked to inflate their costs by a percentage. I think it was over 6 percent that they calculated based on prior -- looking at prior years; is that right?

A Yes.

Q And Staff's recommendation was to deny that -- that inflation -- or percentage; correct?

A Correct.

Q And why is that?

A Because it's an unknown and -- didn't think it was a reasonable escalation considering some of the trends of the O&M where some of them were going up and some were going down. So Staff thought it would be best to just not include an escalation factor.

Q So is the objection that the data that they presented was conflicting? Or is it that you just opposed inflation -- an inflation measure at all?

A We just -- yeah. We didn't accept the inflationary component.

Q Okay. What -- and your counter-proposal was to move the test year from -- the year ending June of '23 to the year ending December of '23?

A Correct.

Q And the advantage of that is what?

A They're actually known and measurable expenses.

Q When you shifted the operating and maintenance expenses, did you -- I mean, you didn't shift their capital expenditures from their test year, did you?

A No, I did not.

Q Are you concerned that shifting the op- -- I mean, those expenses are linked -- operations and maintenance and capital projects. Are you concerned that shifting part of the rate case would result in a distortion?

A No.

Q It resulted in a \$6 million addition to the operation and maintenance cost to shift the costs forward one year -- or six months, rather.

What was -- do you know the source of that initial \$6 million?

A It was the data request for -- Public Counsel's data request through 97. It was the actual.

Q But do you know what was the -- why was there \$6 million more in that addition -- when you shifted forward 6 months? Do you know?

A Because it was the actual -- there were actual expenses.

Q You didn't track down what was the source of that additional \$6 million from operations in the last part of '23?

A It was -- basically, they had taken their 6 months.

And I compared the -- what they filed initially and then when they rolled it forward to the end of December. And it was the 6 million on the electric side.

Q Right. You didn't go line by line and figure out what the changes were?

A No.

Q Okay. Public Counsel's proposal was to reduce the rate of inflation to what we expect inflation to be. Do you have a position on that? On Public Counsel's proposal?

A No.

Q You don't have a position? Or you don't like it?

A Don't have a position. Sorry.

Q What -- on rebuttal of this, to change their proposal where they both shift the year six months forward and then apply an inflation rate -- when you proposed the six-month shifting forward, was that intended to be alternative -- like, an exclusive alternative to adding an inflation rate?

A Can you restate that, please.

Q Well, they're doing both. They're both shifting and they're inflating. That seems like a worse scenario than either just inflating or shifting.

A We just shift -- we just took the end of the year. We did not include any escalation -- or don't support an

1 escalation.
 2 **Q Okay. That's all the questions I have for you.**
 3 A Oh, thank you.
 4 JUDGE BROWN: Is there any redirect?
 5 ATTY ROBERSON: There is not.
 6 JUDGE BROWN: Questions from the bench?
 7 CHAIR DANNER: I do have a question for you.
 8 Good morning.
 9 THE WITNESS: Good morning.
 10 CHAIR DANNER: Referring to your response
 11 testimony, you state that Staff would support an
 12 inclusion of the union wage increase in Year 1 once the
 13 contract is ratified. And since your testimony was
 14 filed, the company has provided a revised adjustment on
 15 ratification of the union contract.
 16 Do you agree with the company's revised proposal
 17 for Rate Year 1?
 18 THE WITNESS: Yes.
 19 CHAIR DANNER: Okay. And if the Commission
 20 were to grant a multi-year rate plan, what are your
 21 thoughts on the post-adjustment to union and nonunion
 22 wages for Rate Year 2 using the board-approved minimum
 23 pay increases for 2026?
 24 THE WITNESS: I would support what would be
 25 known, as long as that union contract would -- or the

1 ATTY STRAUSS: Sorry about that.
 2 **Q BY ATTY STRAUSS: Mr. Wilson, could you please state**
 3 **your name and spell your last for the record.**
 4 A John D. Wilson, W-I-L-S-O-N.
 5 **Q And where are you currently employed?**
 6 A I am currently employed at Grid Strategies where I'm
 7 vice president.
 8 **Q Do you have any changes or corrections you need to make**
 9 **to your testimony or any exhibits?**
 10 A Yes, I do. There was a -- the version of exit --
 11 excuse me -- let me pull that exhibit number up.
 12 Exhibit 28C that was filed was not the final exhibit
 13 prepared, and so I need to correct that for the record.
 14 It did not have any -- the error in the filing did not
 15 have any material impact on the testimony. But it
 16 would be confusing for someone who was trying to
 17 cross-reference Table 1 back to Exhibit 28C.
 18 And the correction is in cell -- is in the --
 19 Tab DR230COMPREV. And it is cell K33. And that
 20 number -- that cell should be filled in with a zero.
 21 And once that's done, then the exhibit is corrected and
 22 the results match up with my testimony.
 23 **Q Thank you.**
 24 ATTY STRAUSS: The witness is ready for
 25 cross-examination.

1 board had approved the increases for the nonunion and
 2 any contract that would be signed.
 3 CHAIR DANNER: Okay.
 4 THE WITNESS: With approved wage increases.
 5 CHAIR DANNER: Okay. Thank you. I just
 6 wanted some clarification on that. Appreciate it.
 7 COMMISSIONER RENDAHL: And I have no
 8 questions.
 9 Thank you.
 10 JUDGE BROWN: Is there anything from Staff?
 11 ATTY ROBERSON: I believe Staff's next
 12 witness is Mr. Wilson; so we can call him now.
 13 JUDGE BROWN: All right.
 14 Thank you. And you're excused.
 15
 16 DIRECT EXAMINATION
 17 BY ATTY STRAUSS:
 18 **Q Good morning, Mr. Wilson. Could you please state your**
 19 **name and spell your last for the record.**
 20 A John D. Wilson, W-I-L-S-O-N.
 21 **Q And where are you currently employed?**
 22 JUDGE BROWN: Before you proceed, I have to
 23 swear you in. So would you raise your right hand.
 24 (Witness duly sworn.)
 25 JUDGE BROWN: Thank you. Now...

1 CROSS-EXAMINATION
 2 BY ATTY MOSER:
 3 **Q Good morning, Mr. Wilson. How are you?**
 4 A Fine, thank you.
 5 **Q Okay. And just because I'm catching up a little bit on**
 6 **your correction, can you just explain what that change**
 7 **does to this table?**
 8 A Well, it doesn't change anything in my testimony.
 9 Again, it was just a -- I don't actually know how this
 10 particular -- the misfiled version of the spreadsheet
 11 was created. But that cell referenced should be a zero
 12 because that's part of just calculating up the
 13 non-itemized costs associated with the company's model
 14 run. And for some reason, there was a formula there
 15 that was similar to one in another row, and so it must
 16 have gotten copied in inadvertently somehow. But I did
 17 not use that.
 18 And so, when that correction is made, then the
 19 table in the comparison tab matches up with Table 1 of
 20 my testimony. And that's the version that should have
 21 been filed. So there's nothing substantive about it.
 22 It just -- somehow that error crept in there, and I'm
 23 not sure where or how that happened.
 24 **Q Okay. Thank you. Okay. So it sounds like we're --**
 25 **we're ready to go.**

1 Can I please have you turn to your cross-answering
2 testimony on page -- well, Table 1.

3 A 1. I have that in front of me. Go ahead.

4 Q Great. And if I look at the bottom of this table, I'm
5 seeing two adjustments related to the CCA. And the
6 first one is "include CCA allowance price and dispatch
7 market purchases." And that's a 21.6, roughly,
8 million-dollar increase to Avista's net power costs;
9 correct?

10 A Correct.

11 Q Okay. And I just want to make sure that I understand
12 how that number is calculated and what it means. So
13 I'm going to describe it to you, and if you can correct
14 my understanding if it's incorrect, that'd be great.

15 A Okay.

16 Q So my understanding is that this adjustment applies a
17 \$38.09 allowance price for all unit dispatch and power
18 purchase decisions without distinguishing between
19 retail load and wholesale load. Do I have that
20 correct?

21 A (No audible response.)

22 Q So we're not talking about direct CCA compliance costs
23 here. We're just considering those in the dispatch
24 of -- any economic dispatch for power costs forecast
25 purposes?

1 that sentence just for -- to clarify things for the
2 Commission.

3 So this is based on the company's model run using
4 the price that was just quoted, about \$38 per ton. And
5 the model run produces an emission estimate. And based
6 on that, relative to the -- Avista's proposal filed in
7 its direct case, the emissions are reduced by
8 18 percent using that market price.

9 Q BY ATTY MOSER: Okay. And now if I can have you turn
10 to your direct testimony, page 28.

11 A Okay. I'm there.

12 Q And then, starting on line 2, you describe how
13 PacifiCorp includes CCA costs and rates; is that
14 correct? It actually goes on to the next page as well.
15 Oh, I'm sorry.

16 A Yes.

17 Q Okay. And is it your understanding that PacifiCorp
18 does not include CCA costs for all unit dispatch and
19 power purchase decisions without distinguishing between
20 retail load and wholesale load?

21 A I'm sorry. You -- was your question about PacifiCorp
22 or Avista? I've lost that part of the question.

23 Q I'm sorry. It's about PacifiCorp. I'm trying to
24 understand your understanding of how PacifiCorp
25 forecasts CCA costs and its power costs.

1 A That's correct.

2 Q Okay. And then, this also -- if we turn a couple of
3 pages, if you need to -- would result in an 18 percent
4 reduction in emissions for power cost run, as you've
5 proposed here; is that correct?

6 A Can you direct me to that.

7 Q Yeah. It's on your page 13, lines 4 and 5.

8 A Okay.

9 ATTY MEYER: Of which exhibit?

10 THE WITNESS: Yes. That's correct.

11 ATTY MOSER: I'm sorry. I'm still on his

12 cross exhib- -- yeah.

13 Q BY ATTY MOSER: Although now I'm going to move us to
14 your direct testimony, please.

15 A Okay.

16 Q And at page 20- --

17 CHAIR DANNER: I'm sorry. Just a moment.
18 The last citation you said was page 13?

19 ATTY MOSER: Well, let's see if I read that
20 too fast. Yes. Page 13.

21 CHAIR DANNER: Of his cross-answering --

22 ATTY MOSER: Of his cross-answering
23 testimony, the corrected cross-answering testimony,
24 pages -- I'm sorry -- lines 4 and 5.

25 THE WITNESS: Yeah. So I can elaborate on

1 A I have not done a full review of PacifiCorp's CCA
2 allowance costs. I know that Mr. Mullins's testimony
3 discusses that, and I don't have any disagreements with
4 his interpretation of that. My point here was that CCA
5 allowance costs are included in Chehalis dispatch
6 costs, and Avista is not doing so.

7 Q Well, would you agree that Avista includes CCA dispatch
8 costs as a shadow price for its Boulder Park facility?

9 A Yes. That's dated on line 5 of my testimony, right
10 there where you're quoting.

11 Q Okay. But your proposal goes beyond just including CCA
12 costs for -- CCA costs for dispatch on plants that are
13 located within the state of Washington; correct? We're
14 talking about all dispatch and market purchases?

15 A That's correct.

16 Q Okay.

17 A That's correct -- I think, the CCA law, yes.

18 Q Okay. So if your proposal is adopted in this case, it
19 would result in a discrepancy between the way that
20 PacifiCorp forecasts its CCA compliance obligations and
21 the way that Avista does; is that right?

22 A It would update the Avista costs. It would update the
23 Avista dispatch to be compliant with what I understand
24 to be the intent of Ecology on implementation of the
25 CCA. And it would be my expectation that other

1 utilities would need to act accordingly. And I don't
 2 believe any of the utilities are 100 percent fully
 3 compliant with the interpretation of the CCA that I
 4 understand Ecology has.
 5 **Q And can -- are you aware that PacifiCorp had a general**
 6 **rate case last year?**
 7 **Oh, I think I -- we lost your audio.**
 8 A Is my audio back?
 9 **Q Yes. Sorry. Maybe there just a little bit of a delay.**
 10 A And I did -- I did participate in that proceeding, I
 11 believe.
 12 **Q And did you propose -- or are you aware that Staff**
 13 **proposed an adjustment or -- similar to your**
 14 **\$21.6 million adjustment proposed for Avista here?**
 15 A No. We didn't engage this issue in that case.
 16 **Q Okay. And now I'm going to direct you to -- AWEC**
 17 **Cross Exhibit -- I believe it's JDW-36X. But that's**
 18 **your direct testimony in PSE's rate case.**
 19 A Actually, if you give me just a moment to pull that
 20 up --
 21 **Q Of course.**
 22 A -- cross examination exhibits; so I'll have to go to
 23 that --
 24 (Reporter requests clarification.)
 25 JUDGE THOMPSON: Mr. Wilson, when you're

1 **Q BY ATTY MOSER: Great. And can I direct you to page --**
 2 **it's 22 of your testimony and, I think, 25 of the**
 3 **exhibit.**
 4 A Okay.
 5 **Q And starting on line 13, you -- there's a section**
 6 **related to realtime dispatch and the Commission -- oh,**
 7 **sorry. I'm in the wrong place in my question.**
 8 **In this Q&A, you confirm that PSE does not include**
 9 **emission -- an emissions costs adder in dispatch**
 10 **decisions for natural gas and coal generation resources**
 11 **when serving retail electric demand; is that correct?**
 12 A That's correct.
 13 **Q Okay. And then you go on to the next Q&A -- and that's**
 14 **starting on page 23 of your testimony -- and you**
 15 **discuss the uncertainty in Ecology's true-up process;**
 16 **is that correct?**
 17 A That's correct.
 18 **Q And then, if we skip over to page 25, there's a Q&A**
 19 **starting on line 1. And there you conclude that, given**
 20 **an inconsistency in Ecology's positions, it is not**
 21 **clear-cut that PSE should include CCA cost in retail**
 22 **dispatch; is that correct?**
 23 A I'm sorry. Where does it say it is not clear? Were
 24 you quoting me there? Or were you summarizing?
 25 **Q Let's see. Well, I think you say, "Given the**

1 speaking, could you attempt to speak into the
 2 microphone as much as possible. I think the audio is
 3 cutting in and out a little bit on our end. I don't
 4 know if there's anything that you can do on your end.
 5 THE WITNESS: Yes. Thank you. I'll take
 6 some steps if you just give me a moment.
 7 And before I do that, could you repeat -- the
 8 request was for my direct testimony in the PSE case?
 9 **Q BY ATTY MOSER: It is. And that was marked -- it's an**
 10 **AWEC cross exhibit, and it was marked as JDW-36X.**
 11 A Thank you. And I'm switching my audio to a different
 12 microphone.
 13 JUDGE THOMPSON: Thank you. Please take your
 14 time.
 15 THE WITNESS: Is that any better? Are you
 16 hearing me? Is that any better?
 17 (Reporter requests clarification.)
 18 JUDGE THOMPSON: Okay. I'm just getting
 19 feedback from the court reporter, and it sounds like
 20 this is -- this is better.
 21 (Reporter clarification.)
 22 JUDGE THOMPSON: Just as good. Okay. So we
 23 can go ahead and proceed, and I'll jump in if we need.
 24 THE WITNESS: Great. Thank you. Okay. I
 25 have the testimony up, and I'm ready to proceed.

1 **inconsistency in Ecology's position, it is important to**
 2 **obtain clarification." And then I believe you conclude**
 3 **that you cannot advise the Commission that Ecology's**
 4 **position is clear or that the recent federal court**
 5 **decision constrains Ecology from expecting**
 6 **allowances -- allowance costs to be considered in**
 7 **dispatch decisions.**
 8 A Yes. That's my testimony. And for a little bit of
 9 context for the Commissioners, this testimony would
 10 have been included in my testimony file -- this
 11 material -- excuse me -- would have been included in my
 12 Avista cross-answer testimony. But the Commission
 13 issued the policy statement on the CCA, and so we
 14 removed this portion of the testimony from the draft
 15 that I was going to file and substituted in what was
 16 filed, which was a discussion of the Commission's
 17 policy statement.
 18 Later, the Commission issue -- rescinded the
 19 policy statement, and so we removed all of the
 20 testimony related to the policy statement from the
 21 testimony. So I'm -- certainly, the general line of
 22 reasoning that is in the PSE testimony, I do agree
 23 would apply to the Avista case as well.
 24 **Q And so, I guess, just to understand that a little**
 25 **further, your conclusion is that -- and I believe your**

1 **recommendation for PSE is that there should be a CCA --**
 2 **you don't have an equivalent adjustment that you're**
 3 **recommending -- an equivalent adjustment to the**
 4 **\$21.6 million adjustment you are recommending for**
 5 **Avista in PSE?**

6 A No. That's not correct. If you go to page 26 of that
 7 same testimony, lines 6 through 8, there is a
 8 recommended adjustment there for emissions.

9 **Q So your testimony is that the Commission doesn't have**
 10 **enough information and you don't have enough**
 11 **information from Ecology to make a recommendation on**
 12 **whether this is prudent, but you nevertheless**
 13 **recommended that the Commission include this**
 14 **adjustment?**

15 A That's correct. Yes. I think that the -- you know, it
 16 is a complicated situation, and it's unfortunate. But,
 17 you know, there's -- let me back up and explain the
 18 lack of clarity for the Commission since this testimony
 19 is -- while it was probably riveting to read at the
 20 time that it was submitted, it may not be in the
 21 Commissioners' minds.

22 So there's two sets of facts here. One is that I
 23 conducted an interview with Ecology staff and asked
 24 them to explain this confusing situation to me. And if
 25 they walked it through, they made it very clear in that

1 Ecology's position has evolved since 2022 and they are
 2 now feeling that it is time for this activity to take
 3 place, or whether there was some misunderstanding --
 4 and I can't explain what that misunderstanding might
 5 have been because I felt very certain about what
 6 Ecology staff were saying to me in the interview I
 7 conducted.

8 So, you know, we've got a set of -- a written
 9 statement kind of buried in the back of a large -- of a
 10 large document that is suggesting it's not time yet to
 11 do this. And then, later, staff saying, "This is how
 12 we think" -- Ecology staff saying, "This is how we
 13 think things ought to operate."

14 And then the third factor I considered is sort of
 15 the overall economic efficiency gains from a prudence
 16 point of view. And that factor is that, when Avista is
 17 dispatching its plants, it has the option to dispatch a
 18 plant that is going to incur an emissions cost. It has
 19 the option to purchase power on the market that does
 20 not require it to impose an emission cost.

21 And -- or -- and if it chooses not to impose that
 22 emissions cost, then it has the opportunity to sell
 23 allowances and, of course, buy allowances and take on
 24 that emissions costs. So from an economic efficiency
 25 point of view, there's really hardly any argument to be

1 interview that they expected the utilities to include
 2 CCA allowance costs in dispatch decisions, among other
 3 facts. And I can go through those, if asked.

4 The other statement is -- let me find that in the
 5 PSE -- in 2022. And this begins back on page 18 of my
 6 PSE testimony. I don't remember the cross-examination
 7 exhibit number, but it's the one you've been referring
 8 to. It's a statement of the -- concise explanatory
 9 statement.

10 And this statement, it says, "Ecology believes
 11 that, in the short term, the importance of not creating
 12 a disincentive to the creation or submission of an
 13 accurate emissions forecast outweighs the valid ideal
 14 here" -- "suggested" -- "the valid ideal suggested here
 15 of creating an economics incentive to reduce more than
 16 is required by CETA," C-E-T-A.

17 So what I interpret here is that, in 2022, for the
 18 emissions forecast purpose, Ecology said, "We don't
 19 want to add in the emissions costs in the dispatch
 20 decision for right now." But the ideal -- the economic
 21 incentive to reduce more than is required by CETA is
 22 the ideal.

23 And so, this is somewhat consistent with the
 24 interview I had with Ecology staff, which took place
 25 later than this. So what I'm unclear about is whether

1 made against this.

2 And so, I really still think that, in spite of the
 3 confusion and certainly understandable lack of clarity
 4 on the part of various parties in this position as to
 5 when and how Ecology is going to proceed, I do think
 6 that the prudent activity, given the tac- -- or the
 7 emissions -- the requirement is for that fee to be
 8 included in dispatch costs just as the costs of SO2
 9 compliance -- just as the cost of NOx compliance,
 10 et cetera -- is included in dispatch costs.

11 And I think it would be a mistake for a utility to
 12 operate as if no such cost exists and then come back
 13 several years later and find out that, well, such a
 14 cost did exist, and then bring that cost to customers
 15 much later after the fact and say, "Hey, look, it was
 16 very confusing. We didn't know at the time. We
 17 weren't certain at the time. And now we have to pay
 18 that cost; so please" -- you know, "we're going to ask
 19 for that in rates."

20 And that creates all kinds of prudence review
 21 issues that I think can be avoided. So I hope that
 22 that extensive background there clarifies my statement
 23 that you were asking about.

24 **Q It was very extensive. Thank you. But at the heart of**
 25 **it, it's based on an informal interview that you had**

1 with Ecology staff; correct?
 2 A It's based -- I would say at the heart of it -- is
 3 based on all three factors that I just went over.
 4 **Q Okay.**
 5 A And I'm sure you don't want me to review those again.
 6 **Q We're so lucky to have a transcript in this proceeding;**
 7 **so I don't think you have to. Thank you, though.**
 8 **But you're not aware of any formal guidance that**
 9 **Ecology has issued on this point; is that correct?**
 10 A Much to all of our regret, no.
 11 **Q Yeah. That would make everyone's job a lot easier,**
 12 **wouldn't it?**
 13 **So now I'm going to have you refer to AWEC**
 14 **Cross Exhibit 37X and 38X. And that's the Commission's**
 15 **policy statement and then the letter rescinding that**
 16 **policy statement, just to orient you.**
 17 A Okay. Do I need to pull those up? I didn't have the
 18 cross-examination exhibits in the...
 19 **Q I don't think so. I -- are you familiar with the**
 20 **documents?**
 21 A Generally speaking.
 22 **Q Okay. Well, I'm happy to give you a moment if that**
 23 **would be helpful.**
 24 A I think I can find them pretty quick here.
 25 **Q Okay.**

1 A I see it.
 2 **Q Okay. So isn't it more appropriate for the Commission**
 3 **to address this policy issue in a policy statement? Or**
 4 **rules that would be broadly applicable to all**
 5 **utilities?**
 6 A I think which is more appropriate is a decision for the
 7 Commission. It's my job in this proceeding to provide
 8 the Staff's review of the power costs and to ensure
 9 that the forecast is as accurate as possible and is --
 10 I -- with my recommendation, the Staff has adopted the
 11 position that including dispatch costs in the forecast
 12 is the most prudent action that could be taken in order
 13 to reasonably reflect the actual power costs that are
 14 likely to be incurred in the rate year. And that is
 15 not a matter that can wait for another proceeding since
 16 the power cost forecast is before us today.
 17 **Q Okay. I'm going to have you now turn back to your**
 18 **cross-answering testimony.**
 19 A Okay.
 20 **Q And then, again, page 7, Table 1, I want to spend a few**
 21 **minutes just talking about this second adjustment, the**
 22 **CCA allowance costs for market sales.**
 23 A Okay.
 24 **Q And here, this is just a CCA allowance adder for the**
 25 **anticipated allowance costs that Staff believes Avista**

1 A Okay. I've got the notice, and I've got the order.
 2 Okay.
 3 **Q Okay. And then, on page 6 of the policy statement,**
 4 **there's just a section that's -- and starting in**
 5 **paragraph 19, it talks about realtime dispatch.**
 6 A Okay.
 7 **Q And it's just -- here, the Commission discusses the use**
 8 **of social cost of greenhouse gases and CCA costs and**
 9 **realtime utility dispatch operations; is that correct?**
 10 A Yes.
 11 **Q Okay. But then, if we turn to the cross exhibit -- the**
 12 **next cross exhibit, the rescission letter -- which is**
 13 **just one page...**
 14 A So I have two documents. I have a notice rescinding
 15 the policy statement and then an order.
 16 **Q I'm just talking about the notice rescinding the policy**
 17 **statement.**
 18 A Okay.
 19 **Q And just in that bottom paragraph, it says, "Notice is**
 20 **given that the Commission withdraws the August 15th,**
 21 **2024 policy statement for further consideration. The**
 22 **Commission will continue to consider input from**
 23 **interested parties and will issue further notices,**
 24 **policy statements, or draft rules in this docket as**
 25 **appropriate." Do you see that?**

1 **would need to acquire for wholesale sales; correct?**
 2 A Based on Avista's calculations of those emissions, yes.
 3 **Q Right.**
 4 COMMISSIONER RENDAHL: And what page are we
 5 on? Excuse me.
 6 ATTY MOSER: Excuse me. I was referring to
 7 page 7, just that same Table 1. It's the last
 8 adjustment in that table.
 9 CHAIR DANNER: And that's on page 11?
 10 ATTY MOSER: I'm sorry. I...
 11 CHAIR DANNER: The document that I have -- so
 12 I'm just trying to...
 13 ATTY MOSER: Oh, okay. Yeah.
 14 CHAIR DANNER: Go ahead.
 15 ATTY MOSER: I think this is the up- -- maybe
 16 we have a page discrepancy. This is the revised
 17 cross-answering. Is that what you guys have?
 18 COMMISSIONER RENDAHL: I'm just trying to
 19 find it.
 20 ATTY MOSER: Okay. Sorry. Table 1 might be
 21 more helpful than a page number.
 22 COMMISSIONER RENDAHL: And which exhibit is
 23 this? Sorry.
 24 ATTY MOSER: Wilson's cross-answering
 25 testimony.

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1 COMMISSIONER RENDAHL: And page 11 or 7...
 2 ATTY MOSER: Oh. I think that the Table that
 3 I'm looking at is only in the revised version of
 4 testimony.

5 CHAIR DANNER: All right. So we have that
 6 electronically. We also have paper binders. And I
 7 think we're dealing with the discrepancy.

8 ATTY MOSER: Sure. Yeah.

9 CHAIR DANNER: Would you tell us -- give us
 10 the number of the exhibit, and we will --

11 ATTY MOSER: Yes. It's JDW-24CTr.

12 CHAIR DANNER: All right. Thank you. We
 13 have that.

14 COMMISSIONER RENDAHL: Okay. I'm there.

15 ATTY MOSER: Okay.

16 **Q BY ATTY MOSER: And so, the adjustment that I'm**
 17 **referring to is that last adjustment, the CCA allowance**
 18 **cost for market sales. It's a \$43.1 million adjustment**
 19 **and increase to Avista's net power costs.**

20 A That's correct. And just given the conversation we
 21 just had, perhaps I should take just a brief moment to
 22 orient everyone to the table.

23 These are the system cost adjustments. And the
 24 first one is to exclude the portfolio error adjustment,
 25 which has been subject of a lot of testimony.

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1 Following that are a number of corrections, most of
 2 which the company has accepted. And then, the last two
 3 are the ones we've been talking about. So the first
 4 one is the -- including the CCA allowance price in the
 5 dispatch. And that's the 21.6 million you referenced
 6 earlier. And then, the next one is the actually CCA
 7 allowance cost for market sales, which is 43.1 million.

8 And what was not included are any CCA allowance
 9 costs for retail sales because those are offset by the
 10 no-cost allowances. And I'm assuming but not
 11 guaranteeing that Ecology would -- its true-up process
 12 would grant sufficient no-cost allowances to cover the
 13 retail sales. So that is the underlying structure to
 14 this table. And the result is a very small increase in
 15 net power costs -- or net power expenses for --
 16 relative to the company's original proposal.

17 **Q Is it your testimony that a \$44 million increase is a**
 18 **small increase to net power costs?**

19 A No. It's the \$360,000 number --

20 **Q Oh.**

21 A -- that I was referring to as small.

22 **Q That's net of all of your adjustments, which also**
 23 **includes removal of the portfolio --**

24 A That's correct.

25 **Q -- error forecast adjustment?**

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1 A Yes. That's correct.

2 **Q All right. Got you. Thank you.**

3 A Yeah. I'm not testifying that 43 million is small.
 4 That's a large cost.

5 And that's kind of the issue here, if I can
 6 elaborate. You know, Avista has not included this
 7 \$43 million in here, but I do believe that it will be
 8 incurred. And right now it's my understanding that
 9 these costs are being deferred and -- as part of a
 10 deferral mechanism in a prior rate case. And Avista
 11 assumes that that will continue.

12 And it's our opinion that it is more in the
 13 customer's interest, if those costs are incurred, that
 14 they be recovered closer to the time at which they're
 15 incurred as opposed to deferred and then a large amount
 16 added up and added to customers' bills in the future
 17 for several years of cumulated -- of accumulated costs.

18 **Q So I want to -- you actually led me to my next**
 19 **question, which -- it's always nice when that works**
 20 **out. I want to go back to a statement that you just**
 21 **made, which is that -- you believe that Avista will**
 22 **incur CCA compliance cost obligation for all of its**
 23 **wholesale sales; is that correct? Did I just hear that**
 24 **correctly?**

25 A I don't believe it's all of its wholesale sales. So

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1 let me see if I can very quickly direct you to where I
 2 calculate that and walk you through that. Give me just
 3 a moment here to follow -- to trace my formulas here.

4 **Q And, Mr. Wilson, I just want to say you don't need**
 5 **to -- I can ask my question without the specific**
 6 **number. I'm asking on more of a general policy basis.**

7 A I understand. And that's where I'm coming to, yeah.

8 So the emissions calculation is performed in
 9 Exhibit 28C. And it's a -- this is a confidential
 10 portion of the exhibit. It's conducted on an hourly
 11 basis; so the emissions are totaled up on an hourly
 12 basis. And the emissions include -- for -- they're
 13 distinguished first by serving load and then by serving
 14 the market. And there are zero emissions resources
 15 that conserve the market -- Colstrip, market purchases,
 16 and then gas. And that totals up for the emissions.

17 So there is a distinction made by the company in
 18 its calculation of emissions depending on the
 19 classification of the emissions. It's not down to the
 20 individual plant level, but it is at the -- sort of the
 21 emissions -- well, actually, I take that back. I think
 22 all of those can then be traced back -- yeah. They can
 23 each be traced back to the individual plant.

24 So does that answer your question? Or are you
 25 looking for something more specific than that?

15 (Pages 428 to 431)

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1 **Q I would ask you a slightly different question.**
 2 A Okay.
 3 **Q Which -- I guess, just to get us a little reoriented,**
 4 **you're proposing this \$43.1 million adjustment because**
 5 **you believe that direct costs associated with Avista's**
 6 **anticipated obligation to purchase allowances for**
 7 **market sales is not otherwise included in rates; right?**
 8 **That's --**
 9 A That's correct.
 10 **Q -- why we have this adjustment? Okay.**
 11 A Yes.
 12 **Q So now can I please turn you back to your direct**
 13 **testimony, which is JDW-1TC. And I'm looking at**
 14 **page 18.**
 15 A Yes.
 16 **Q And starting on line 1, you have a Q&A here. And I**
 17 **believe, in this Q&A, you conclude that there's a**
 18 **difference between Ecology's allocation of no-cost**
 19 **allowances and then how Avista could use those**
 20 **allowances; is that correct?**
 21 A That's correct. Mm-hmm.
 22 **Q And so, you concede that it's possible that Avista**
 23 **could have enough allowances to cover some or all of**
 24 **its wholesale sales? Based on the no-cost allowances**
 25 **allocated by Ecology, it's possible?**

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1 A Well, following your witness Mr. Mullins's approach to
 2 this, I would view it as entirely unlikely that Ecology
 3 would allocate enough no-cost allowances to cover all
 4 of the emissions associated with wholesale load. But
 5 it is not prohibited from using some surplus of no-cost
 6 allowances to cover emissions associated with wholesale
 7 load.
 8 **Q But just from a rules perspective, it's possible -- I**
 9 **mean, there's no restriction currently on using no-cost**
 10 **allowances to cover more than retail load? You would**
 11 **agree with that?**
 12 A That's exactly what I said in lines 5 through 7, yes.
 13 There is no prohibition on it and no specific cap.
 14 **Q Okay. And do you have witness -- Avista**
 15 **Witness Kinney's testimony in front of you? His**
 16 **rebuttal testimony? And that's Exhibit SJK-17T.**
 17 A Yes, I do.
 18 **Q Okay. And then, let's see. I neglected to include a**
 19 **line number for myself; so...**
 20 A Well, what's the page number so we can get there?
 21 **Q Sorry. I'm looking. There's a -- do you have it**
 22 **electronically?**
 23 A I do.
 24 **Q Maybe you can help me with a control find.**
 25 A All right. I'm always happy to help out a

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1 cross-examining attorney.
 2 **Q Thank you so much. It's so nice when we can be so nice**
 3 **to each other.**
 4 A I try to set a model.
 5 **Q Yeah. So if you search -- the sentence that I'm**
 6 **looking for is "Even if Avista is not given..."**
 7 A Okay.
 8 **Q Page 33, I'm hearing. Great.**
 9 A Page 33, line 2.
 10 **Q 33, line 2. Thank you so much for helping me out.**
 11 **So just to continue that, "Even if Avista's not**
 12 **given no-cost allowances for wholesale transactions,**
 13 **the company has multiple ways to mitigate allowance**
 14 **requirements associated with these sales."**
 15 **That's Mr. Kinney's testimony; is that correct?**
 16 A I read that here, yes.
 17 **Q Okay. So then, wouldn't you agree that inclusion in**
 18 **rates of allowance costs for wholesale transactions**
 19 **could result in an over-collection of CCA compliance**
 20 **costs from Avista if the company is able to mitigate**
 21 **allowance requirements for wholesale sales?**
 22 A I -- let me see if he explains what he means by
 23 "mitigate allowance requirements." I remember reading
 24 this and thinking this was a pretty unsupported
 25 statement. But let me confirm that.

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1 Okay. So I think what he's referring to is this
 2 next paragraph where he talks about the "wheel-through"
 3 transactions. And this is a legitimate point, that
 4 16 percent of the wholesale transactions are
 5 wheel-through transactions. And so, I did not adjust
 6 for that 16 percent figure in my calculations that were
 7 submitted as part of my cross-answer testimony because,
 8 of course, I did not have the availability of
 9 Mr. Kinney's testimony at that time, as you can
 10 understand.
 11 So that would be a reasonable adjustment to make,
 12 that -- that 16 percent could reduce the wholesale
 13 sales obligation. But I don't think I see anything
 14 else here that allows it to get to a zero point. And I
 15 do think that those costs will be incurred overall.
 16 **Q Even if it can't get to a zero point, it could be**
 17 **mitigated?**
 18 A Well, I think that word "mitigated" sounds like there's
 19 some sort of, you know, Wizard of Oz behind the curtain
 20 trick that can reduce things. And I think what -- it's
 21 not really mitigation to say -- and so, I don't think
 22 that's a good choice of words by Mr. Kinney, with due
 23 respect. I think that what he's saying is --
 24 16 percent of the wholesale transactions are exempt
 25 from CCA obligations, and so those should not be

16 (Pages 432 to 435)

1 included in an estimate.
 2 And if I had the opportunity to submit additional
 3 evidence, I would take that 16 percent and apply it --
 4 I guess I would -- what I would like to do is do a DR
 5 request and see if I can get that on an hourly basis.
 6 But even if it's on an annual basis, you could go
 7 through and just simply take 16 percent of those
 8 emissions and, in some fashion -- so you might -- you
 9 might just reduce that cost by 16 percent or you might
 10 reduce classes of emissions by 16 percent and see how
 11 that worked out the cost. It might work out to the
 12 same number. I haven't performed that calculation.
 13 But that would be a -- I wouldn't call that a
 14 mitigation as much as a correction to reflect a
 15 reasonable historical standard that there are going to
 16 be wholesale transactions that are exempt from CCA
 17 costs.
 18 And that's kind of my point here, also -- is that
 19 by not including the CCA allowance cost in these
 20 dispatch decisions, essentially, you're creating a sale
 21 to an exempt customer the same as you are to a customer
 22 for whom that cost is incurred.
 23 So if, for example, Avista received an offer from
 24 an exempt customer to pay \$42 for the power and it also
 25 received an offer from a Washington customer to buy

1 **if the company is making sales that are uneconomic to**
 2 **customers, the Commission would have the ability to**
 3 **review that as part of power cost proceedings, for**
 4 **example; isn't that right?**
 5 A I agree with that statement, but I think the
 6 distinction you're making between operational and
 7 forecast is missing the point I'm making.
 8 So the point I'm making here is that, in the
 9 forecasts, the -- we're trying to get the most accurate
 10 baseline forecast possible. That is the scope of the
 11 work that Staff assigned to me, and that's the work
 12 I've performed, and so my goal is not the make the
 13 costs too high or too low. And so, you know, it's
 14 important that these dispatch costs be included in
 15 the -- in this -- wholesale sales, which are going to
 16 be affected by this.
 17 So, for example, if Avista is selling power to
 18 Idaho or selling power to California from its plants,
 19 then, ideally, its dispatch price would not include a
 20 CCA allowance cost. But conversely, when it is selling
 21 to a Washington customer, then it should. And if its
 22 Aurora model can't handle that distinction, then it's
 23 going to need to make approximations to estimate the
 24 likely share of system sales to those different
 25 jurisdictions and then include the appropriate forecast

1 that power for \$38 but -- let me flip that around. So
 2 received the \$38 offer from the exempt customer -- say,
 3 in California -- and a nonexempt customer in
 4 Washington -- and that offer was from 42 -- then I
 5 might say, well, 42's more than 38. Let's sell this
 6 power to this wholesale customer for \$42.
 7 But in doing so, because they have not considered
 8 the CCA allowance cost in the dispatch price, they have
 9 incurred on customer's behalf that CCA allowance cost
 10 of, say, \$38. And so now, instead of a \$42 revenue to
 11 the customers, they get \$4 in revenue to the customers
 12 because they have to pay that \$38. And you could
 13 change the dispatch costs however you like.
 14 **Q Well -- okay. I think for forecast purposes, it's my**
 15 **understanding -- and you can correct me if this is not**
 16 **your understanding -- that the model is going -- once**
 17 **you include the CCA cost that the company will incur as**
 18 **a shadow price for its dispatch for Boulder Park, that**
 19 **the model will not choose to make uneconomic wholesale**
 20 **sales as part of the power cost run. And that's on a**
 21 **forecast basis; is that your understanding?**
 22 A Yes. That's correct. So the -- go ahead with your
 23 question, yeah.
 24 **Q Well, and so then I think your response was really**
 25 **speaking to an operational basis, which -- in realtime,**

1 for CCA allowance costs that would be incurred for its
 2 sales to CCA jurisdictional customers.
 3 **Q Now, are you aware at this time whether the company's**
 4 **Aurora model has that functionality?**
 5 A I don't recall asking that question on discovery.
 6 **Q Okay. Thank you.**
 7 **But to your sort of broader point, I'm really**
 8 **trying to understand where there are a lot of**
 9 **unknowns -- there are a lot of unknowns still in CCA**
 10 **implementation; right? I mean, as you testified, we**
 11 **don't know how the true-up is going to function. We**
 12 **don't know how Avista may or may not be able to**
 13 **mitigate its no-cost allowance -- its CCA obligations**
 14 **through other means. We don't even know if the CCA is**
 15 **going to be here because there's a valid initiative**
 16 **that would repeal it currently before Washington voters**
 17 **November 1st; right?**
 18 A Well, those were three different things. Could you
 19 walk me through those separately?
 20 **Q Well, I'm just trying to understand if you agree that**
 21 **there is considerable unknown and, therefore, risk to**
 22 **the Commission making decisions in this case -- because**
 23 **we don't know, like, large aspects of CCA**
 24 **implementation, including whether the CCA is going to**
 25 **be here. Would you agree?**

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1 A Again, there was a lot there. Are you asking me if the
2 Commission should or shouldn't make decisions?
3 **Q I'm asking you if you view these unknowns as risks.**
4 A Okay. Well, why don't you walk me through them
5 individually.
6 **Q Okay. If the Commission sets rates right now, with
7 your recommendation, there's going to be about a
8 \$65 million increase to power costs. But the CCA, if
9 it's repealed, then those costs would not actually be
10 cost-incurred, potentially, by Avista, and so customers
11 would be overpaying \$65 million. Would you agree?**
12 A Yes. I would agree that, if those facts occur, then
13 the rates would be set too high. And, in fact, if that
14 were the case, I would hope that the Commission would
15 immediately reopen rates and try to make adjustments.
16 I've seen -- I don't know whether that is something
17 that can be done in Washington, but I've seen
18 commissions in other jurisdictions respond to major
19 policy changes, you know, with targeted action.
20 **Q And then, we've also heard you testify that Avista may
21 be able to use no-cost allowances to cover some or all
22 of its wholesale sales with -- you've already made a
23 correction or accepted a 16 percent change to your
24 recommendation. That number could be different; it
25 could be higher -- that they wouldn't be able to**

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1 **mitigate -- it's possible; right?**
2 A That's correct that there's uncertainty around that
3 number. Again, I'm not going to accept the word
4 "mitigate." I think that the ratio of jurisdictional
5 to non-jurisdictional sales is an uncertainty. That's
6 part of the entire net power expense process -- is that
7 there is uncertainty around any number of variables and
8 costs in this. And I think we heard extensive
9 testimony from the company's witnesses as to how
10 perilous they view the uncertainty.
11 My view is that there's a lot of it that can be
12 managed from their end, but I think there's also a lot
13 that is simply a degree of uncertainty that results in
14 power cost variability that has to be addressed through
15 the ERM. And that certainly forms the basis of my
16 recommendations as to revisions to the ERM. But I know
17 that's not the subject of your question.
18 **Q Thank you.**
19 **But you fundamentally agree that, if the
20 Commission adopts your recommendation, your recommended
21 adjustments in this case, and then Avista's actual
22 compliance obligations under the CCA are either
23 mitigated or lower, customers will have paid more in
24 rates than Avista's obligations; right?**
25 A I think what you're asking me is -- if the costs are

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1 lower than forecasts, then customers will have paid
2 more than the costs. And if that was your question,
3 the answer is yes.
4 **Q And they could be lower because the true-up could
5 function -- well, we don't know how the true-up is
6 going to function, but it could function in a way
7 that's more favorable than you're anticipating; is that
8 right?**
9 A Well, I think the true-up is an interesting question
10 because -- so from an economic point of view, in a way,
11 the true-up is irrelevant from the point of view of
12 operational and, therefore, forecast operations
13 thinking.
14 So if Ecology is granting one no-cost allowance
15 or, you know, all the allowances that Avista needs
16 minus one, they still have to transact in the market,
17 you know, anywhere in that range. And if -- you know,
18 transacting in the market, even transacting in the
19 market by simply holding pad and keeping the allowances
20 and deciding that they are not worth selling at the
21 prices that are being offered, they are making an
22 economic decision to dispatch plants or not dispatch
23 plants versus sell or not sell or buy or not buy.
24 Those are all economic decisions that the utility makes
25 on an ongoing basis.

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1 So I don't agree that the true-up itself affects
2 that. What it does affect is the net cost of
3 allowances for retail sales. And in this case, as I
4 mentioned earlier in summarizing Table 1, I have
5 assumed that the no-cost allowances will be exactly
6 sufficient to supply the needs of Avista for its retail
7 sales.
8 I think that assumption itself is probably wrong.
9 It will probably end up being somewhat more or somewhat
10 less. That's what Ecology has said. I think they've
11 said that in writing, that they're not likely to match
12 it up exactly. But certainly, that's what they said to
13 me in the interview that I did. And the point there
14 wasn't that they were going to be tweaking the -- the
15 point was they were not going to be tweaking those
16 numbers down to the tenth of a ton to match it up
17 exactly. They were going to be issuing the allowances,
18 and they expected that they would be -- whatever the
19 target that they were setting was, they would probably
20 be a little bit higher or a little bit low of whatever
21 they meant to hit. Hopefully that makes sense.
22 So I don't view the true-up as material a risk for
23 the factors that are in our net power cost forecast,
24 even though the quantity of no-cost allowances is
25 certainly going to affect net power expenses in the

18 (Pages 440 to 443)

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1 end.
 2 **Q But you are recommending that the Commission increase**
 3 **Avista's net power costs by about \$65 million, an**
 4 **increase that Avista has not asked for but they are**
 5 **saying they can mitigate or they believe can**
 6 **mitigate -- we don't -- I understand you're -- don't**
 7 **like the term "mitigate." But that is a certain cost**
 8 **and power cost that you're asking the Commission to**
 9 **approve now while, at the same time, recognizing the**
 10 **level of uncertainty and risk that is associated with**
 11 **this program.**

12 **And I'm trying to understand why Staff is asking**
 13 **the Commission to increase rates over the risks that**
 14 **we're seeing. I'm genuinely trying to understand why**
 15 **Staff is falling on that side of the line.**

16 **A** So I will break it down into the two components.
 17 First, the 21.6 million in Table 1 on page 7 of
 18 Exhibit JDW-24CTR. So that 21 million is including the
 19 CCA allowance price. And I've explained the reasons
 20 why I think that that is a prudent action to do. And
 21 if the Commission accepts the recommendation and
 22 includes -- directs that the power forecast and also
 23 the operations include a CCA allowance price, then that
 24 is going to require Avista to operate its plants in
 25 accordance with what I view as economic principles

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1 around the CCA allowance price.

2 The main risk with that is the initiative that you
 3 mentioned. And if the Commission wants to defer that
 4 decision and allow dispatch without an allowance
 5 price -- until that is decided or until some other
 6 date, then the result is going to be potential dispatch
 7 that results in a requirement for more allowances and
 8 even higher costs. So instead of 21 million -- and
 9 I'll just speculate here -- it might be 30 million or
 10 40 million in allowance prices that eventually have to
 11 be recovered from customers.

12 So yes, it is an additional cost now, but it's
 13 because Avista omitted it from their filing, not
 14 because it is a cost that we are sort of adding to
 15 customers. It is a cost that results from the
 16 regulations that have been -- or the laws that have
 17 been adopted by Washington and the regulations so far
 18 as they've been detailed. They're in place. And that
 19 cost should be allotted to customers.

20 The second one -- the CCA allowance cost, the
 21 43 million, which is the one that might be reduced to
 22 16 percent or thereabouts -- that cost is a cost that
 23 is currently being deferred due to a rate case
 24 settlement that is no longer in effect. And that may
 25 be the reason that it -- incidentally, that it wasn't

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1 included in our PacifiCorp case. I can't remember
 2 that.

3 And that amount is already -- cost that is being
 4 sort of built up and deferred, presumably with carrying
 5 cost. And so that, again, is not a new cost that is
 6 being invented here by Staff and being added to
 7 customer's bills. It's a cost that exists and will be
 8 collected from customers. It is not a question of if
 9 it will be collected; it is a question of when it will
 10 be collected and how much will be collected.

11 And based on the information I had at the time
 12 that I filed this testimony, I came up with the best
 13 estimate I could as to what that cost would be. I've
 14 acknowledged that this 16 percent from Mr. Kinney would
 15 be a reasonable adjustment to that. But other than
 16 that, I think that that is the cost that will be
 17 incurred and will be eventually collected from
 18 customers.

19 And whether the Commission decides that it should
 20 be collected through rates now in this case or whether
 21 it should be deferred and collected in the future with
 22 carrying costs is kind of the decision that is before
 23 it. And I don't think the Commission can avoid that
 24 decision, unfortunately.

25 **Q Okay. I have just a few more questions for you, and**

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1 **it's going to require us to shift gears a little bit to**
 2 **a slightly different CCA topic.**

3 **Can I take you to your direct testimony at**
 4 **page 32.**

5 **A** I am there.

6 **Q Okay. And then, starting on line 1 -- so this section**
 7 **is just a summary of your recommendations for the**
 8 **Commission on CCA costs. And then, starting on line 1,**
 9 **page 32, you said, "Avista should buy and sell" --**
 10 **"should sell and buy allowances in a prudent manner to**
 11 **minimize NPE. This will require new risk management**
 12 **policies and practices and potentially additional staff**
 13 **to manage the carbon allowance portfolio"; correct?**

14 **A** Correct.

15 **Q Okay. So I'm just trying to understand kind of the**
 16 **timing and the procedural expectations that Staff has**
 17 **around this recommendation. Is this something that**
 18 **Avista should do now?**

19 **A** Yes. It's something that it should do now. Go ahead
 20 with your question.

21 **Q Well, and is it your understanding that the CCA allows**
 22 **a utility to deposit no-cost allowances for compliance?**

23 **A** I'm not sure what you mean by that. There's specific
 24 rules that Ecology has set out on when allowances need
 25 to be deposited -- maybe, the legal term, I've

19 (Pages 444 to 447)

1 forgotten -- but, you know, sort of presented for
 2 compliance. And I don't have those rules at the front
 3 of my mind. Happy to review them with you, if you'd
 4 like to open them.
 5 **Q No. That's okay. Just -- would you -- I guess, is it**
 6 **your understanding that -- for the first compliance**
 7 **period, a utility has the option to sell no-cost**
 8 **allowances or deposit them for compliance? Both of**
 9 **those options exist for the first compliance period.**
 10 A Subject to check, I'll accept your representation of
 11 the rules. That sounds -- that sounds like what I
 12 recall. But I don't have it in front of me; so I can't
 13 confirm it exactly.
 14 **Q Okay. Well, subject to check, assuming that I'm**
 15 **correct, wouldn't it also be prudent, then, for Avista**
 16 **to deposit for compliance its no-cost allowances rather**
 17 **than buying and selling them? It's possible that that**
 18 **could be a prudent action?**
 19 A Yes. It's possible that that -- there's lots of
 20 possibilities here. So I can give an example from
 21 experience.
 22 One of my other clients is a Canadian province,
 23 Nova Scotia. And the utility there was -- participated
 24 in a cap-and-trade program very similar to
 25 Washington's. And I can't disclose the details of this

1 outcome of that.
 2 So making sort of the wrong call on the
 3 availability of resources is a risk management
 4 decision -- and one can evaluate the prudence of
 5 whether that -- they had the right information or the
 6 wrong information at the time. But those were the kind
 7 of decisions that I've seen actually play out in
 8 reality. And so, there's a lot packed into these two
 9 sentences here that are very important for the
 10 Commission to consider. So I'm glad you've drawn
 11 attention to that.
 12 **Q I'm always happy to help. Just one last question.**
 13 **For these new risk management policies and**
 14 **practices, is that something that Staff is looking for**
 15 **the company to file with the Commission? Or is there a**
 16 **particular process that Staff had contemplated with**
 17 **respect to that recommendation?**
 18 A Well, I think -- not in this case -- in at least one
 19 proceeding that I've worked for the Staff on, we've
 20 recommended that the Commission review that utility's
 21 hedging practices on an annual basis -- or -- excuse
 22 me -- not on an annual basis but -- in requiring annual
 23 filing, I think, is the way we put it. And that would
 24 include updates to the risk management policies and
 25 practices of the utilities.

1 because they're confidential, but there was a price
 2 range over which those carbon allowances could trade.
 3 And the -- let's just say the price range was, say, \$20
 4 a ton to \$60 a ton and that there was sort of
 5 guardrails on both sides of that.
 6 And what happened was -- the utility, early in the
 7 trading period, based on its expectation that certain
 8 renewable energy resources would come online, was
 9 trading emission allowances towards the lower end of
 10 the range. And then later, when it realized that
 11 certain renewable energy resources were not going to
 12 come online, it started trading at the very high end of
 13 the range.
 14 And so, that's the kind of risk management in
 15 policy and practice that has to be put in place.
 16 That's what I mean by buying and selling in a prudent
 17 manner and making risk management decisions. And, you
 18 know, if that utility had, for example, anticipated
 19 the -- the fact that its renewable energy resources
 20 would not come online in a timely manner early in the
 21 process, it could have bought more allowances at the
 22 lower price. It could have dispatched its fleet based
 23 on a marginal price that was at the higher end of the
 24 range earlier, and it would have ended up costing the
 25 customers less in the long run than the eventual

1 So I think this would be part of the same
 2 oversight that the Commission would have over fuel
 3 costs hedging, over just all the different kinds of
 4 risk management concerns.
 5 **Q Okay. Thank you. I have no further questions.**
 6 JUDGE BROWN: Any redirect?
 7 ATTY STRAUSS: No redirect, Your Honor.
 8 JUDGE BROWN: Anything from the bench?
 9 All right. You are excused. Thank you.
 10 THE WITNESS: Thank you.
 11 JUDGE BROWN: All right. At this time I want
 12 to get an idea where everyone is because we have a few
 13 witnesses, actually, left. And so, I wanted to know if
 14 anyone wants to take a break now or push through. And
 15 if that's the case, then the next witness will be NVEC
 16 Witness Charlee Thompson.
 17 COMMISSIONER RENDAHL: I think we should take
 18 a break.
 19 JUDGE BROWN: All right. So we'll take a
 20 ten-minute break and reconvene at 11:16.
 21 ATTY ROBINSON O'NEILL: After -- I'm
 22 presuming after Ms. Thompson we would do Public
 23 Counsel's two -- and there's no time from the parties
 24 for Ms. Thompson. Does the Commission anticipate
 25 having more than 45 minutes for Charlee --

1 JUDGE BROWN: Oh, no.
 2 ATTY ROBINSON O'NEILL: -- so that I should
 3 have my witnesses available after lunch? Or should I
 4 have them ready at 11:30, 11:45?
 5 CHAIR DANNER: Our questions for Charlee
 6 Thompson will be very brief.
 7 ATTY ROBINSON O'NEILL: Okay. So I'll have
 8 them available after the break.
 9 JUDGE BROWN: Yeah.
 10 ATTY PEPPLER: Judge, just one more point of
 11 order --
 12 JUDGE BROWN: Yeah.
 13 ATTY PEPPLER: -- I think we noted there may
 14 have been some bench questions for Dr. Kaufman. Is
 15 there -- I just wanted to check in on that.
 16 JUDGE BROWN: No.
 17 ATTY PEPPLER: Okay.
 18 JUDGE BROWN: There are none.
 19 ATTY PEPPLER: Okay. Thank you.
 20 JUDGE BROWN: All right. So we'll reconvene
 21 in ten minutes, and we are off the record.
 22 (Break in proceedings at 11:06 a.m.)
 23 JUDGE BROWN: At this time, we would like to
 24 call NWECC Witness Charlee Thompson.
 25 Good morning.

1 Burden Assessment, or EBA, was completed in 2022, both
 2 done by Empower Dataworks. And I referred to them in
 3 testimony as LINA/EBA. And I did this because, while I
 4 know that they are two separate assessments, I see them
 5 both as similar analyses because they're both intended
 6 to shed light on the number of low income households in
 7 the utility service area, the number of energy burden
 8 households, other relevant customer information like
 9 demographics and geography, et cetera.
 10 And NWECC sees EBAs and LINAs as very much
 11 complementary to each other, and we see them both as
 12 necessary to understand the need of Avista's low income
 13 and energy burdened households. Customer needs and
 14 utility system -- the utility system that they're a
 15 part of, obviously, are dynamic. And that is why we
 16 advocate for the most recent data in LINAs and EBAs and
 17 updated customer income and usage data in LINAs and
 18 EBAs.
 19 And I think -- I guess one distinction that I
 20 would make between the two, from my understanding, is
 21 that EBAs seem broader than LINAs in that, when an EBA
 22 looks at energy burden or assesses energy burden, it's
 23 looking at the energy burden for an entire utility
 24 service area. Whereas when a LINA looks at energy
 25 burden, it's looking at a subset of that. So the

1 MS. THOMPSON: Good morning.
 2 JUDGE BROWN: All right. Can you raise your
 3 right hand.
 4 (Witness duly sworn.)
 5 JUDGE BROWN: All right. You may proceed.
 6 CHAIR DANNER: Thank you. Good morning,
 7 Charlee Thompson. This is going to be very quick.
 8 Just -- I wanted to follow up. There were some
 9 conversations that I had yesterday about the energy
 10 burden analysis and the low income needs assessment
 11 that you may have heard. And I wanted to just get
 12 your -- your views on this.
 13 Throughout the testimony, both NWECC and The Energy
 14 Project witnesses both refer to the energy burden
 15 analysis and the low income needs assessment. And
 16 they -- they referenced different years for the most
 17 recent low income needs assessment. And I just wanted
 18 to ask you how you define -- or how you would
 19 characterize the difference between an EBA and a low
 20 income needs assessment.
 21 THE WITNESS: Yes. Thank you,
 22 Commissioner Danner.
 23 In my initial testimony, I recognized that the
 24 most recent LINA was completed in 2021. And I didn't
 25 state this, but I know that the most recent Energy

1 energy burden of specifically low income customers in a
 2 utility service area.
 3 My testimony offers four recommendations for
 4 future iterations of EBAs and LINAs because I wanted my
 5 recommendations to be considered for both, depending on
 6 what data's being captured in each of those assessments
 7 currently and also in future iterations of them. But I
 8 will say, if my recommendations are more pertinent to
 9 either the LINA or the EBA as they are right now, I
 10 welcome that clarification.
 11 CHAIR DANNER: All right. And so, I'm
 12 getting a sense that you -- you are not using these
 13 reports differently? They are different reports, but
 14 they're using -- you're using them together?
 15 THE WITNESS: Correct. Yeah. And I think --
 16 oh, well, I won't speak for other advocate
 17 organizations, but we -- when we're looking for similar
 18 information -- like I said, like, just the general
 19 assessment of who's low income, who's energy burden,
 20 how does that break down --
 21 COMMISSIONER RENDAHL: Can you slow down a
 22 bit --
 23 THE WITNESS: Yes.
 24 COMMISSIONER RENDAHL: -- thank you. Sorry.
 25 The court reporter's having --

1 CHAIR DANNER: Asking us to slow down.
 2 THE WITNESS: Yeah. Yeah.
 3 And I was saying that I won't speak for other
 4 advocate organizations, but when NVEC -- when we look
 5 for information on low income customers, on energy
 6 burden customers, how that breaks down by the different
 7 utility service types, electric and gas, we -- our
 8 minds immediately go to -- let's look at the low income
 9 needs assessments and energy burden assessments. And
 10 we don't necessarily make the distinction -- like, if
 11 we have this one piece of information, we're going to
 12 look specifically and exclusively at one of these
 13 resources and not the other.
 14 So I guess the short answer to your question there
 15 was -- was yes.
 16 CHAIR DANNER: Okay. Thank you.
 17 And then, I also want to just ask you about the
 18 multi-language strategy and so forth that -- again, you
 19 heard the discussion that I had yesterday.
 20 How many times have you met with the advisory
 21 groups with the company in the last year on the
 22 multi-language strategy?
 23 THE WITNESS: Yes. Thank you.
 24 I honestly can't really speak to the
 25 multi-language strategy because, from my understanding,

1 all hear me?
 2 ATTY ROBINSON O'NEILL: You're a little bit
 3 soft. Can you either get closer to the microphone or
 4 speak more -- speak up more.
 5 DR. DISMUKES: How about now?
 6 ATTY ROBINSON O'NEILL: Much better. Thank
 7 you.
 8 Is that good?
 9 THE REPORTER: Yes.
 10 JUDGE BROWN: Will you raise your right hand.
 11 (Witness duly sworn.)
 12 JUDGE BROWN: All right. Proceed.
 13
 14 DIRECT EXAMINATION
 15 BY ATTY ROBINSON O'NEILL:
 16 **Q Mr. Dismukes, could you please spell your name for the**
 17 **record and indicate where you're employed.**
 18 A Yep. My last name is Dismukes -- D, as in "David,"
 19 -I-S, as in "Sam," -M, as in "Mary," -U-K-E-S, as in
 20 "Sam." And I am employed as a consulting economist
 21 with the Acadian Consulting Group in --
 22 **Q Did you --**
 23 **(Reporter requests clarification.)**
 24 **Q BY ATTY ROBINSON O'NEILL: Could you repeat that last**
 25 **answer. The court reporter didn't hear you.**

1 it's been in conversation more in depth in the Equity
 2 Advisory Group, or EAG, whereas I'm a member of the
 3 Energy Assistance Advisory Group, EAAG. So I know that
 4 the work has been happening. And I think, as
 5 Mr. Bonfield had mentioned yesterday, not -- I assume
 6 not all advisory group members across the EAAG and EAG
 7 necessarily knew, like, all these -- all the
 8 behind-the-scenes work that Avista is advancing and
 9 committing to on a multi-language strategy. So yeah.
 10 I don't have a specific number of --
 11 CHAIR DANNER: Okay. That's fine. That's
 12 all I need to know. I don't have any further questions
 13 for you.
 14 COMMISSIONER RENDAHL: And thank you. I
 15 don't have any further questions.
 16 CHAIR DANNER: All right. Thank you so much.
 17 THE WITNESS: Thank you.
 18 JUDGE BROWN: I think that's all -- and we
 19 will proceed to Public Counsel's witnesses at this
 20 time. And I'm showing that the first witness will be
 21 David Dismukes.
 22 ATTY ROBINSON O'NEILL: And I believe he's on
 23 the screen. Can you say something, Mr. Dismukes, to
 24 make sure we can hear you.
 25 DR. DISMUKES: Sure. Good morning. Can you

1 A Oh, I'm sorry. I'm a consulting economist with the
 2 Acadian Consulting Group in Baton Rouge, Louisiana.
 3 **Q Did you prepare testimony and rebuttal testimony that**
 4 **was filed in this case?**
 5 A Yes, sir, I did.
 6 **Q And did you prepare exhibits that were also filed in**
 7 **this case?**
 8 A Yes, sir, I did.
 9 ATTY ROBINSON O'NEILL: And those have been
 10 admitted, and so I tender the witness for
 11 cross-examination.
 12 JUDGE BROWN: AWEC.
 13 ATTY PEPPLE: Thank you, Your Honor.
 14
 15 CROSS-EXAMINATION
 16 BY ATTY PEPPLE:
 17 **Q Good morning, Dr. Dismukes.**
 18 A Good morning.
 19 **Q Just a couple questions on rate spread for you.**
 20 **You oppose AWEC's recommended rate spread; is that**
 21 **right?**
 22 A Yes, sir.
 23 **Q And my understanding of the primary reason that you**
 24 **oppose it is that it is not known what the class parity**
 25 **ratios would be following the rate increase from the**

1 **second year of Avista's last multi-year rate plan; is**
 2 **that correct?**
 3 A Yeah. I think that is correct, in part. I think there
 4 are other public policy reasons that go along with
 5 that. That's not the sole reason, but that is one of
 6 the reasons that I enumerated in my cross-answering
 7 testimony.
 8 **Q Okay. Thank you. And did you do any analysis to**
 9 **determine what the parity ratios would be if we did**
 10 **account for that second year rate increase?**
 11 A No, sir.
 12 **Q Okay. And you are aware that Avista has not done that**
 13 **analysis either; is that right?**
 14 A Yes, sir. I'm aware of that.
 15 **Q Okay. Could you turn to your cross-answering testimony**
 16 **on page 4, starting on line 15.**
 17 A Okay. I'm there.
 18 **Q Okay. And in this Q&A, it -- my understanding of what**
 19 **you were saying is that the parity ratio for the**
 20 **residential class would be closer to 1 if the second**
 21 **year of Avista's last multi-year rate plan were**
 22 **considered. Is that your position?**
 23 A Well, I don't know. I mean, generally, I would argue
 24 I -- think the way I would characterize it is that --
 25 what that ratio is, is not entirely clear or known.

1 A Yes, sir.
 2 **Q Okay. And when you were asked in discovery whether**
 3 **this portion of your testimony was intended to indicate**
 4 **that this transition would increase or decrease costs**
 5 **for residential customers relative to other classes,**
 6 **you responded that you were not taking a position on**
 7 **that issue. Do you recall that?**
 8 A Yes, sir, I do.
 9 **Q Okay. So I guess -- could you just kind of explain**
 10 **what you are trying to convey with this portion of your**
 11 **testimony.**
 12 A There's just still a number of unknowns about where
 13 utility costs, not just for Avista but for a lot of
 14 regulated utilities around the country, are going on a
 15 forward-going basis.
 16 I think -- uniformly, I think the experience to
 17 date has been that they are going up for all customer
 18 classes. And in some respects, is it becoming
 19 burdensome for -- within the residential classes for
 20 some categories of customers as well? So the point I'm
 21 trying to make for the Commission here is to keep that
 22 in mind when it's thinking about the rate spread
 23 issues.
 24 **Q Okay. So essentially, just -- the costs are going up**
 25 **for all customers in order to --**

1 Whether -- how much it would move closer to 1 and how
 2 much, I can't say. I can't -- it's not my testimony
 3 that it would be 1 or it would entirely make up its
 4 difference. It's just that it's not an accurate
 5 reflection right now because of that second year rate
 6 increase not being fully embedded in those numbers.
 7 **Q Okay.**
 8 A And you would hope -- if I can expand upon this, you
 9 would hope that, given the size of the increases to
 10 base rates that were agreed upon last time, that you
 11 would have seen some improvement. And we haven't seen
 12 that at this point, and it may be that -- the fact that
 13 there are improvements that are unobservable at this
 14 point because we just didn't have that data -- or I
 15 didn't have that data to do that.
 16 **Q Okay. So it's also possible that, if we looked at the**
 17 **second year and did a cost-of-service study including**
 18 **that information, that the parity ratios would not**
 19 **include? Is that possible?**
 20 A Yeah. It's possible. Anything could happen in those
 21 numbers, yes.
 22 **Q Okay. Then, if you look at the bottom of page 5 of**
 23 **your cross-answering testimony, you have a couple of**
 24 **Q&As that talk about the transition to renewable**
 25 **generation. Do you see that?**

1 A Correct.
 2 **Q -- yeah. Okay.**
 3 **And did you review Avista's cost-of-service study**
 4 **and rate spread when it was -- that was included in its**
 5 **initial case?**
 6 A I did at one time, yes, sir. I did include -- and
 7 clearly looked at the rate spread.
 8 (Reporter requests clarification.)
 9 **Q BY ATTY PEPPLER: Sorry. Would you mind repeating that**
 10 **answer one more time for the court reporter.**
 11 A Yes. I did look at the cost of service and the rate
 12 spread that was provided by the company.
 13 **Q And are you aware that, in their initial testimony,**
 14 **Avista recommended that residential customers receive a**
 15 **higher rate increase than other classes in the event**
 16 **that the company's full rate request was not approved?**
 17 A I do remember that. Yes, sir.
 18 **Q Okay. And Public Counsel is, of course, recommending**
 19 **that Avista not receive its full rate request. Is that**
 20 **your understanding?**
 21 A Yes, sir.
 22 **Q Okay. And did you -- you did not file any response**
 23 **testimony challenging Avista's proposed rate spread or**
 24 **any aspect of its cost-of-service study; is that true?**
 25 A That is correct. Yes, sir.

1 **Q Okay. Thank you. I have no further questions.**
2 JUDGE BROWN: Any redirect?

3
4 REDIRECT EXAMINATION

5 BY ATTY ROBINSON O'NEILL:

6 **Q When you were being questioned about the -- why you**
7 **oppose the rate spread, one of the issues was the fact**
8 **that we don't know what the impact of the second rate**
9 **year was. And then you said there were other policy**
10 **reasons that you -- that inform your recommendation.**
11 **Could you explain what those were -- or are.**

12 A Yeah. I think -- two things I would argue that are
13 somewhat related that would need to be considered in
14 thinking about these rate spread issues from a
15 residential customer perspective is -- one, what were
16 relatively large increases last time on a relative
17 basis for those customers in the settlement agreement.
18 And the fact that, as I noted in my testimony, we're
19 still not sure kind of how that is really flowing
20 through in terms of the achieved returns.

21 And the fact that -- you know, because they're
22 large -- and you take that into the context of
23 affordability issues right now for a number of
24 residential customers that are issues in Washington as
25 well as other places -- the fact that, you know, big

1 think about affordability -- I think, in the
2 affordability studies that have been done, there's
3 something like 250,000 households in Washington that
4 are struggling right now with energy affordability
5 issues. I think, if you look at the company's own
6 information relative to affordability -- I think in
7 their own assistance program there's been as much as a
8 29 1/2 percent increase in the participation of
9 households and those numbers.

10 You take all those policy issues into
11 consideration. I think that's an important factor for
12 thinking about what the ultimate rate spread should be.

13 **Q This was -- you recall when you were asked about the**
14 **initial recommendation from Avista of an equal rate**
15 **spread if their full award was given? Do you recall**
16 **that testimony?**

17 A Yes, sir.

18 **Q If there's a large increase over -- I mean they're**
19 **currently requesting 132 million total this -- in their**
20 **rebuttal case. Is the concern -- or is your concern**
21 **greater or lesser than if a smaller amount were**
22 **awarded?**

23 A These concerns would be there regardless of -- I don't
24 know where -- if there's an inflection point or a
25 number that I would say, "Oh, it would be okay to

1 picture, from a macro perspective, we've gone through a
2 period of relatively high prices and inflation.

3 When you start thinking about how those roll
4 through energy affordability numbers and statistics, I
5 think it's important to kind of keep those in mind when
6 you think about rate increases for utilities. You see
7 this not just as an issue being raised in Washington,
8 but in other states as well.

9 It is a challenging time for a lot of lower income
10 households, and I think some of the statistics really
11 mask how serious that can be for some. There was a
12 great article, I think, this last week in the
13 Wall Street Journal that was looking at how some of the
14 data indicates low income -- the lower 15th, 20th
15 percentiles have seen relatively larger increases or
16 percent increases in their income over the last couple
17 of years.

18 But when you think about that, a lot of it -- and
19 you break those numbers down -- a lot of it has to do
20 with transfer payments that have come in. So it really
21 doesn't get at the true, systemic issues of energy
22 affordability for many of those customers.

23 So when you take into context what happened in the
24 last rate case, the size of what we're looking at, as
25 had been proposed by the company in this case, you

1 deviate from that" -- from. It just depends on the
2 order and the magnitude. I would say that these
3 concerns, particularly this unique point, given what
4 happened in the last rate case and the fact that
5 there's still ongoing issues and transitions going on,
6 I would be hesitant to go further beyond, you know, a
7 uniform increase in this particular instance.

8 **Q Thank you. That's all the questions I have.**

9 JUDGE BROWN: Any questions from the bench?

10 COMMISSIONER RENDAHL: No, Your Honor.

11 JUDGE BROWN: At this time...

12 Or, rather, you are excused. Thank you.

13 THE WITNESS: Thank you, Your Honor.

14 JUDGE BROWN: Will Public Counsel call his
15 next witness.

16 ATTY ROBINSON O'NEILL: Public Counsel calls
17 Robert Earle, and I see he's on the screen.

18 Can you just verify our audio works, Mr. Earle.

19 MR. EARLE: I can hear you.

20 JUDGE BROWN: All right. Raise your right
21 hand, Mr. Earle.

22 (Witness duly sworn.)

23 JUDGE BROWN: You may proceed.

24
25 ///

1 DIRECT EXAMINATION
 2 BY ATTY ROBINSON O'NEILL:
 3 **Q Can you please state your name for the record and**
 4 **indicate where you're employed.**
 5 A My name is Robert Earle. Last name is spelled
 6 E-A-R-L-E. I'm employed by Alea IE, LLC, as the owner.
 7 **Q And did you prepare testimony in this matter?**
 8 A I did.
 9 **Q And exhibits that were filed with that testimony?**
 10 A I did.
 11 **Q And did you prepare cross-answering testimony that was**
 12 **filed in this matter?**
 13 A I did.
 14 **Q Along with exhibits?**
 15 A There were no exhibits attached to the cross-answering.
 16 **Q In any case, your testimony and your exhibits have been**
 17 **admitted; so I tender you for cross-examination.**
 18 JUDGE BROWN: And, Staff, you may proceed.
 19 ATTY STRAUSS: Thank you.

20
 21 CROSS-EXAMINATION
 22 BY ATTY STRAUSS:
 23 **Q Good morning, Mr. Earle. I just want to talk to you**
 24 **very briefly about the annual review of CCA compliance**
 25 **costs posed by Staff.**

1 that they need or dispose of allowances that they don't
 2 need.
 3 **Q Would you agree that prudence is determined by**
 4 **evaluating what the utility knew or should have known**
 5 **at the time it made its decision? Correct?**
 6 A No, I don't. I don't agree that that's necessary in
 7 this case. I don't agree that it is necessary to go
 8 back and do a traditional type of prudence analysis in
 9 terms of what the utility knew at the time, whether the
 10 plans are put into place at the time -- is necessary.
 11 What I suggest in another docket -- which we may
 12 be discussing together next week, which is the
 13 Puget Sound Energy risk-sharing mechanism docket -- I
 14 think that it is possible to construct an incentive
 15 mechanism that would provide the protection for
 16 consumers, would provide incentives for a utility to be
 17 prudent in this acquisition of allowances to meet its
 18 compliance requirements without requiring, frankly, a
 19 very burdensome annual review of what the utility knew
 20 at the time and how it knew it and whether its
 21 decisions based on that knowledge were prudent.
 22 **Q So just so I'm clear, your testimony is that -- in**
 23 **reviewing costs accumulated for CCA compliance, your**
 24 **testimony is that the Commission should not be applying**
 25 **the normal prudence standard?**

1 **A yearly compliance review comports more directly**
 2 **with the concepts of gradualism and the goal of**
 3 **avoiding rate shock; correct?**
 4 A I'm not sure I can agree with that.
 5 **Q Well, in your words, an annual review would be a useful**
 6 **tool to -- would be useful to provide guardrails; isn't**
 7 **that correct?**
 8 A I believe I said that, yes.
 9 **Q So for situations where potential costs could be high,**
 10 **annual reviews allow for a more even spread of those --**
 11 **those costs each year versus over a four-year period?**
 12 A So it could, depending on how that annual review is
 13 structured. My real concern here has been that the
 14 compliance process la- -- for compliance period, last
 15 almost five years. In fact, before compliance period
 16 begins, the utility may start to acquire allowances or
 17 it may start to figure out how to -- how to decrease
 18 its emissions.
 19 But in any event, you know, we don't really know
 20 the score until the game -- we don't know the winner
 21 until the game is over. And so, we don't really know
 22 what the cost for any given year of the compliance
 23 period is until -- until we've run through the
 24 four years of the compliance period plus the ten months
 25 where they have some opportunity to acquire allowances

1 A Well, I'm not sure what you mean by "normal prudence
 2 standard." I think that in the case -- in cases where
 3 you can construct an incentive mechanism against some
 4 benchmark, then both Staff, interveners, and the
 5 utility are all better off by -- rather than having the
 6 burden of collecting -- collecting data, going through
 7 and figuring out, well, what they knew and when did
 8 they know it and whether the decisions made on that
 9 basis were prudent or not can be avoided.
 10 And I think that everybody is better -- better off
 11 under such a situation than saying, "Well" -- like we
 12 do, for instance, with power costs, with the annual
 13 review, saying, "Well, okay. What did they trade? How
 14 did they dispatch their system?" and so on. I think,
 15 in the case of CCA allowance cost, we can make the
 16 process much simpler and much cleaner.
 17 **Q So just so I'm clear, you're proposing a mechanism for**
 18 **dealing with these costs, but you do not think that**
 19 **they need to undergo the same prudence review, what**
 20 **looks at what the company knew or should have known at**
 21 **the time it made decision to incur those costs?**
 22 A Sure. We have a market. Now, like I said, annual
 23 guardrails may be needed so that we can, you know, make
 24 sure things are going along. But I sort of -- I view
 25 that as mostly a check-in process. And -- but final

1 prudency can be determined after the compliance period
2 is over when the performance over the cost -- over the
3 period is known and it can be compared to market
4 performance.

5 **Q Fair enough. Okay. So just one last question, then.
6 And this has to do with the CCA policy statement.**

7 **You're aware that the CCA policy statement that
8 was issued on August 15th, 2024, was rescinded on
9 August 19th, 2024; correct?**

10 A I'm aware that it was rescinded. The exact date, I
11 don't remember, but I do recall it was rescinded.

12 **Q Okay. So looking at your testimony, then, on page --
13 your cross-answering testimony -- so RLE-17T -- at
14 page 6, lines 6 through 15, you agree this portion of
15 your testimony is no longer relevant; correct?**

16 A I'm sorry. Can you give that page number --

17 **Q Yeah. Absolutely.**

18 A -- please.

19 **Q Sorry. Page 6 --**

20 A Yes.

21 **Q -- lines 6 through 15.**

22 A Right. Obviously, because the -- we no longer have
23 that policy statement. It was rescinded.

24 **Q Okay. Great.**

25 ATTY STRAUSS: That's -- those are my only

1 from the bench, you are excused, Witness Earle.

2 THE WITNESS: Thank you, Your Honor.

3 JUDGE BROWN: So at this time, I think we
4 have called all of the witnesses at this point. And
5 are there any housekeeping matters before I move
6 forward?

7 ATTY ZAKAI: Your Honor, did the
8 Commissioners have questions for Witness Stokes?

9 COMMISSIONER RENDAHL: No questions.

10 JUDGE BROWN: All right. And I believe
11 yesterday we covered the issue of public comments;
12 correct?

13 ATTY ROBINSON O'NEILL: Yeah. Public Counsel
14 is in the process of preparing those and should be able
15 to file them certainly by Tuesday next week, if that's
16 acceptable to the Commissioners and to Your Honor. And
17 I'll be filing a motion, but relevant to the excerpt
18 that I presented to everybody yesterday so that you
19 have those specific comments.

20 COMMISSIONER RENDAHL: And I think we decided
21 what -- for next Tuesday during the comment hearing; is
22 that correct? I'm trying to remember. It's usually
23 one week after the hearing.

24 ATTY ROBINSON O'NEILL: Yeah. I -- it's
25 unclear to me whether I wrote "Thursday" or

1 questions for the witness.

2 JUDGE BROWN: Redirect?

3
4 REDIRECT EXAMINATION

5 BY ATTY ROBINSON O'NEILL:

6 **Q Just to be clear, Mr. Earle, the recommendation you had
7 about the potential alternative for an incentive
8 system, that's not proposed in this case; correct?**

9 A It's not -- it's not proposed in this case.

10 **Q Okay.**

11 A And I'm sorry if I misstated. It's not proposed in
12 this case. What's proposed in this case is a review --
13 a review with the -- you know, after the compliance
14 period is over. Because we don't know -- you know,
15 whatever the review consists of, we won't know, until
16 the compliance period is over, what happened.

17 Because allowances can be banked from one year to
18 be used in a future year. And a utility should take
19 into account the fact that it has this connection
20 between years in the compliance period in thinking
21 about what it does. And simply looking at a single
22 year and what they've done, I think, is a wrong-headed
23 approach.

24 **Q Thank you. I don't have any other questions.**

25 JUDGE BROWN: And hearing that there are none

1 "Tuesday" --

2 COMMISSIONER RENDAHL: Oh, okay.

3 ATTY ROBINSON O'NEILL: -- but I just
4 conferred with my staff. We're going to meet the
5 Tuesday deadline for sure.

6 COMMISSIONER RENDAHL: Excellent. Okay.
7 Thank you.

8 JUDGE BROWN: All right. At this point, we
9 are --

10 ATTY MEYER: May I...

11 JUDGE BROWN: Yes. Please.

12 ATTY MEYER: As I more often than not do, may
13 I have an extra -- may all the parties have an extra
14 10 pages instead of the 60-page limits on briefs, given
15 the breadth of the issues?

16 CHAIR DANNER: You're asking for 60 pages?

17 ATTY MEYER: 70 instead of 60. I have had
18 mixed success in this request.

19 CHAIR DANNER: We've actually already gone up
20 from 50 to 60, anticipating that you would ask for an
21 additional 10 pages.

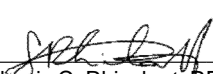
22 ATTY MEYER: You're always a step ahead.
23 Okay. Fair enough.

24 COMMISSIONER RENDAHL: Let's stay at 60.
25 There's a lot going on for all parties. Let's keep it

1 at 60. There's a lot of reading to be done over the
 2 next few months; so --
 3 ATTY MEYER: Understood. Thank you.
 4 COMMISSIONER RENDAHL: -- let's keep it
 5 there.
 6 JUDGE BROWN: Well, that was going to be the
 7 next issue I was going to address. So we have a -- we
 8 have the briefs set at 60 and reply briefs...
 9 ATTY MEYER: I don't believe, Your Honor,
 10 there were, in the procedural schedule, any reply
 11 briefs.
 12 COMMISSIONER RENDAHL: All right. I guess we
 13 were anticipating there were reply briefs. So we were
 14 thinking 30 for reply briefs, but if there are no reply
 15 briefs anticipated -- let's be off the record for a
 16 minute.
 17 (Discussion off the record.)
 18 COMMISSIONER RENDAHL: So could you repeat
 19 what you just said.
 20 JUDGE BROWN: Yes. If there are reply
 21 briefs, a 30-page limit with regard to those.
 22 Are there any further questions from the parties?
 23 Yeah. I knew it.
 24 ATTY MEYER: I understand the Commissioners
 25 are conferring about the need for reply briefs. None

1 ATTY MEYER: Thank you. Appreciate it.
 2 JUDGE BROWN: And thank you for reminding me
 3 that we didn't have reply briefs on the proceed- -- on
 4 the prehearing conference order establishing the
 5 procedural schedule.
 6 So we'll look at 70 as the absolute limit.
 7 Are there any other questions from the parties?
 8 And is there anything else we need to address before we
 9 adjourn?
 10 Okay. Thank you to all of the parties,
 11 representatives, and witnesses. We are adjourned and
 12 off the record.
 13 (Proceedings adjourned at 11:53 a.m.)
 14 * * *

1 were scheduled in the -- as we laid out the procedural
 2 schedule through the end.
 3 JUDGE BROWN: That's right. So if there
 4 are -- yeah. I expect the motion will be filed
 5 requesting such at that point with regard to replies.
 6 COMMISSIONER RENDAHL: I guess, do the
 7 parties want to have reply briefs in this proceeding?
 8 It wasn't initially anticipated.
 9 JUDGE BROWN: Yeah.
 10 COMMISSIONER RENDAHL: Again, we have a lot
 11 going on.
 12 ATTY MEYER: Avista was not.
 13 COMMISSIONER RENDAHL: Okay.
 14 JUDGE BROWN: Okay.
 15 COMMISSIONER RENDAHL: So if there are no
 16 reply briefs, I'm okay with increasing to 70. I was
 17 under the impression we had reply briefs; so I'm...
 18 CHAIR DANNER: Yeah. I'm fine with 70. I
 19 was thinking 60 and 30. But if we're not having reply
 20 briefs then, yeah, go for it.
 21 COMMISSIONER RENDAHL: But that does mean you
 22 have to file 70.
 23 ATTY MEYER: I'm going to limit it to 69, if
 24 I can do it.
 25 CHAIR DANNER: Good luck with that. Yeah.

1 CERTIFICATE OF SHORTHAND REPORTER
 2 STATE OF OREGON)
) ss.
 3 COUNTY OF MULTNOMAH)
 4
 5 This is to certify that I, Stephanie C. Rhinehart, a
 6 Washington Certified Court Reporter, Oregon Certified
 7 Shorthand Reporter, and Registered Professional Reporter
 8 reported the within and foregoing proceedings; said
 9 proceedings taken before me on the date herein set forth;
 10 and that I was authorized to and did report said
 11 proceedings.
 12 I further certify that the foregoing transcript is a
 13 true and correct record of the proceedings; that said
 14 proceedings were taken by me stenographically and thereafter
 15 reduced to typewriting under my supervision; and that I am
 16 neither counsel for, related to, nor employed by any of the
 17 parties to this case and have no interest, financial or
 18 otherwise, in its outcome.
 19 IN WITNESS WHEREOF, I have hereunto set my hand this
 20 8th day of October, 2024.
 21
 22 
 23 /s/Stephanie C. Rhinehart, RPR
 24 Washington CCR No. 22013531
 Expires 05/26/2025
 Oregon CSR No. 22-0014
 Expires 09/25/2025
 25



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