

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

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

**October 1, 2024**



1325 Fourth Avenue, Suite 1840 Seattle, Washington 98101  
Bellingham | Everett | Tacoma | Olympia | Yakima | Spokane  
Seattle 206.287.9066 Tacoma 253.235.0111 Eastern Washington 509.624.3261

[www.buellrealtime.com](http://www.buellrealtime.com)  
email: [info@buellrealtime.com](mailto:info@buellrealtime.com)

BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

---

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

---

EVIDENTIARY HEARING - VOL. IV

October 1, 2024

BEFORE ADMINISTRATIVE LAW JUDGES

JAMES E. BROWN II & CONNOR THOMPSON

---

Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, Washington 98503

REPORTED BY: Stephanie C. Rhinehart, RPR, CCR No. 22013531

## APPEARANCES

ADMINISTRATIVE LAW JUDGES: JAMES E. BROWN II  
CONNOR THOMPSON

WUTC COMMISSIONER: ANN RENDAHL

WUTC CHAIR: DAVID W. DANNER

## FOR THE RESPONDENT, AVISTA CORPORATION:

DAVID J. MEYER  
Avista Corporation  
P.O. Box 3727  
Spokane, WA 99220  
(509) 495-8620  
david.meyer@avistacorp.com

## FOR COMMISSION STAFF:

JEFF ROBERSON,  
JOSEPHINE STRAUSS  
Office of the Attorney General  
P.O. Box 40128  
Olympia, WA 98504  
(360) 664-1188  
(360) 586-7777  
jeff.roberson@atg.wa.gov  
josephine.strauss@atg.wa.gov

## FOR PUBLIC COUNSEL:

TAD ROBINSON O'NEILL  
Washington Attorney General's Office  
800 Fifth Avenue, Suite 2000  
Seattle, WA 98104  
(206) 464-6595  
tad.oneill@atg.wa.gov

## 1 APPEARANCES (cont.)

## 2 FOR AWEC:

3 TYLER C. PEPPLE,  
4 SOMMER MOSER  
Davison Van Cleve, P.C.  
5 1750 Southwest Harbor Way, Suite 450  
Portland, OR 97201  
6 (503) 241-7242  
tcp@dvclaw.com  
7 sjm@dvclaw.com

## 8 FOR THE ENERGY PROJECT:

9 YOCHI ZAKAI  
Shute, Mihaly & Weinberger LLP  
10 396 Hayes Street  
San Francisco, CA 94102  
11 (415) 552-7272  
yzakai@smwlaw.com

## 12 FOR NW ENERGY COALITION:

13 MICHAEL P. GOETZ (by videoconference)  
14 NW Energy Coalition  
811 First Avenue, Suite 305  
15 Seattle, WA 98104  
(206) 621-0094  
16 mike@nwenergy.org

## 17 FOR THE SIERRA CLUB:

18 GLORIA SMITH (by videoconference)  
The Sierra Club  
19 2101 Webster Street, Suite 1300  
Oakland, CA 94612  
20 (415) 977-5532  
gloria.smith@sierraclub.org

## 21 FOR WALMART, INC.:

22 JUSTINA A. CAVIGLIA (by videoconference)  
23 Parsons Behle & Latimer  
50 West Liberty Street, Suite 750  
24 Reno, NV 89501  
(775) 323-1601  
25 jcaviglia@parsonsbehle.com

INDEX OF PROCEEDINGS

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

WITNESS: BRADLEY MULLINS

Direct Examination by Atty Moser . . . . .	376
Cross-examination by Atty Strauss . . . . .	377
Redirect Examination by Atty Moser . . . . .	391

WITNESS: BETTY ERDAHL

Direct Examination by Atty Roberson . . . . .	395
Questions from Chair Danner . . . . .	395
Questions from Commissioner Rendahl . . . . .	398
Questions from Chair Danner . . . . .	402

WITNESS: KRISTEN HILLSTEAD

Direct Examination by Atty Roberson . . . . .	404
Cross-examination by Atty Robinson O'Neill . . . . .	404
Questions from Chair Danner . . . . .	408

WITNESS: JOHN WILSON

Direct Examination by Atty Strauss . . . . .	409
Cross-examination by Atty Moser . . . . .	411

WITNESS: CHARLEE THOMPSON

Questions from Chair Danner . . . . .	453
---------------------------------------	-----

WITNESS: DAVID DISMUKES

Direct Examination by Atty Robinson O'Neill . . . . .	458
Cross-examination by Atty Pepple . . . . .	459
Redirect Examination by Atty Robinson O'Neill. . . . .	464

WITNESS: ROBERT EARLE

Direct Examination by Atty Robinson O'Neill . . . . .	468
Cross-examination by Atty Strauss . . . . .	468
Redirect Examination by Atty Robinson O'Neill. . . . .	473

\* \* \*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

REPORTED FROM THURSTON COUNTY, WASHINGTON

Tuesday, October 1, 2024; 9:11 a.m.

\* \* \*

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

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

JUDGE BROWN: Ah, I see him now.

MR. MULLINS: Can you hear me?

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

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

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

(Witness duly sworn.)

JUDGE BROWN: All right.

You may proceed.

ATTY MOSER: Thank you, Your Honor.

DIRECT EXAMINATION

BY ATTY MOSER:

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

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

18 CROSS-EXAMINATION

19 BY ATTY STRAUSS:

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

23 A I was aware of that, yes.

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

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 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 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 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           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           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. 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 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           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 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.

## REDIRECT EXAMINATION

1  
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

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

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

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.



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.

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 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 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 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 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 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 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.

7

8 DIRECT EXAMINATION

9 BY ATTY ROBERSON:

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

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

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

15 A Yes.

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

18

19 CROSS-EXAMINATION

20 BY ATTY ROBINSON O'NEILL:

21 Q Good morning, Ms. Hillstead.

22 A Good morning.

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

25 A Okay.

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

5 A Yes.

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

8 A Correct.

9 Q And why is that?

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

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

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

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

23 A Correct.

24 Q And the advantage of that is what?

25 A They're actually known and measurable expenses.

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

4 A No, I did not.

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

9 A No.

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

13 What was -- do you know the source of that initial  
14 \$6 million?

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

17 Q But do you know what was the -- why was there  
18 \$6 million more in that addition -- when you shifted  
19 forward 6 months? Do you know?

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

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

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

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

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

7       A     No.

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

11      A     No.

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

13      A     Don't have a position. Sorry.

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

20      A     Can you restate that, please.

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

24      A     We just shift -- we just took the end of the year. We  
25          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 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                   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 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 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           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 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 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 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 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 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 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 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 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 rescision 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 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 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.

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.

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?

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

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?

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?

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

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.



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

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 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 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 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?

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

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

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.



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

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

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

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

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

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           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 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           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 NWECC  
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 NWEA Witness Charlee Thompson.

25 Good morning.

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 NWECA 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 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 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           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 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 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           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 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 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 PEPPLE: 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 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 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 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           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           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 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           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 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 "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           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  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

ATTY MEYER: Thank you. Appreciate it.

JUDGE BROWN: And thank you for reminding me that we didn't have reply briefs on the proceed- -- on the prehearing conference order establishing the procedural schedule.

So we'll look at 70 as the absolute limit.

Are there any other questions from the parties? And is there anything else we need to address before we adjourn?

Okay. Thank you to all of the parties, representatives, and witnesses. We are adjourned and off the record.

(Proceedings adjourned at 11:53 a.m.)

\* \* \*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25


CERTIFICATE OF SHORTHAND REPORTER

STATE OF OREGON            )  
  )    ss.  
COUNTY OF MULTNOMAH    )

This is to certify that I, Stephanie C. Rhinehart, a Washington Certified Court Reporter, Oregon Certified Shorthand Reporter, and Registered Professional Reporter reported the within and foregoing proceedings; said proceedings taken before me on the date herein set forth; and that I was authorized to and did report said proceedings.

I further certify that the foregoing transcript is a true and correct record of the proceedings; that said proceedings were taken by me stenographically and thereafter reduced to typewriting under my supervision; and that I am neither counsel for, related to, nor employed by any of the parties to this case and have no interest, financial or otherwise, in its outcome.

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of October, 2024.

  
\_\_\_\_\_  
/s/Stephanie C. Rhinehart, RPR  
Washington CCR No. 22013531  
Expires 05/26/2025  
Oregon CSR No. 22-0014  
Expires 09/25/2025

