BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-22

DIRECT TESTIMONY OF

JEFF A. SCHLECT

REPRESENTING AVISTA CORPORATION
Direct Testimony of Jeff A. Schlect
Avista Corporation
Docket No. UE-22______

I. INTRODUCTION

Q. Please state your name, employer and business address.
A. My name is Jeff A. Schlect. I am employed by Avista Corporation as Senior Manager, FERC Policy and Transmission Services. My business address is 1411 East Mission, Spokane, Washington.

Q. Please briefly describe your educational background and professional experience.
A. I am a 1988 graduate of Washington State University with a degree in Electrical Engineering. I spent five years with Puget Sound Energy in distribution engineering and operations positions prior to joining the Company in 1993 as a Transmission Planning Engineer. Over the past 28 years, in addition to stints in Customer Service and Power Supply, I have worked primarily in the Transmission Operations area with responsibilities covering Federal Energy Regulatory Commission (FERC) transmission policy and compliance with open access transmission regulations, transmission contracts, transmission and generation interconnection processes, and regional transmission policy coordination. I have authored testimony in Bonneville Power Administration (BPA) power and transmission rate proceedings, testimony in general rate cases in Washington and Idaho, and provided comment before the U.S. Senate Subcommittee on Water and Power. In my current role I have responsibility for all transmission revenue and expenses and provide support to the Company’s transmission capital planning process.

Q. What is the scope of your testimony?
A. My testimony presents Avista’s transmission revenues and expenses included in the Company’s request for rate relief effective in December 2022. A table of contents for my testimony is as follows:

Direct Testimony of Jeff A. Schlect
Avista Corporation
Docket No. UE-22______
Q. Are you sponsoring any exhibits?
A. Yes. Exh. JAS-2 provides the transmission expense and revenue during the rate effective period. Additionally, supporting workpapers for each of the expense and revenue items will be provided to the Parties shortly after this case is filed with the Commission.

II. TRANSMISSION EXPENSES

Q. Please describe any adjustments to the twelve-months-ended September 30, 2021 test year transmission expenses, to arrive at transmission expenses included in this case effective in December 2022.
A. Over the past several years there have been revisions to the organizational structures through which Avista acquires certain functional services required by mandatory federal reliability standards and Federal Energy Regulatory Commission (FERC) transmission planning requirements. The Company now acquires Reliability Coordination Services from RC West, a functional arm under the California Independent System Operator, and participates in NorthernGrid in compliance with FERC regional transmission planning requirements. These revised structures were in place throughout the 2020-2021 test year. The Company foresees no substantive adjustments to these and other transmission expenses during the rate periods. Accordingly, no adjustments have been made in this filing to incorporate changes in transmission expenses from the 2020-2021 test year to that used in this case.
effective in December 2022. As outlined in Exh. JAS-2, I have provided certain major
transmission expenses from the 2020-2021 test period totaling approximately $1.074 million
(system). These expenses are expected to effectively remain the same.

III. TRANSMISSION REVENUES

Q. Please summarize the adjustments to 2020-2021 test year transmission
revenues to arrive at transmission revenues included in this case.

A. Adjustments have been made in this filing to incorporate updated information
for transmission revenue from the 2020-2021 test year to that used in this case. These
adjustments include: (i) the application of increased transmission rates that apply to long-term
transmission service agreements under the Company’s Open Access Transmission Tariff and
(ii) additional long-term firm transmission service agreements recently entered into by the
Company.

As outlined in Exh. JAS-2, I have provided the expected changes in transmission
revenues from the 2020-2021 test year.¹ Company witness Ms. Andrews has pro formed the
transmission revenues within the revenue requirement in this case, increasing transmission
revenues by a net $10,245,000 (system), or Washington share of approximately $6.8 million,

¹ Transmission Revenues (FERC Account 456 other Electric Revenue) are included and tracked as a part of the
Company’s Energy Recovery Mechanism (ERM). The total transmission revenue shown in Exh. JAS-2 of
$31.205 million is therefore included in Company witness Mr. Kalich Exh. CGK-6 reflecting the proposed ERM
net base power supply expense, offset by transmission revenues, representing the proposed “Total Authorized
Expense” on a system (Washington and Idaho) basis. Washington’s share of the net power supply revenues and
expenses is equal to approximately 65.54% of the system total, based on the Production /Transmission (P/T)
ratio updated annually in December, excluding certain direct assigned revenues.
Q. Are you proposing any adjustments to transmission revenues effective in Rate Year 2?

A. No, the Company is not. As described by Mr. Kalich, the Company will incorporate any adjustments to transmission revenues in its evaluation of expected 2024 net power supply costs during 2023 and, if filed by the Company, will include these in a 60-day update to be effective in Rate Year 2.

Q. Would you please describe the adjustments to 2020-2021 test year transmission revenues to arrive at transmission revenues included in this case effective in Rate Year 1?

A. Yes. Each revenue item described below is at a system level and is included in Exh. JAS-2. Table No. 1 provides a detailed summary of the changes in transmission revenues, as well as a listing of transmission revenues not changing at this time. An explanation of each follows the table.

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2 As discussed by Ms. Andrews, transmission revenues are adjusted from the 2020-2021 historical test period level of $20.960 million to the pro forma level of $31.205 million in two adjustments – an overall increase of $10.245 million on a system basis, or $6.8 million Washington share. First, actual transmission revenues are restated downward from $20.960 million to the current authorized transmission revenue of $15.149 million in restating Adjustment 2.18 (Authorized Power Supply). Second, in Pro Forma adjustment 3.00T (Pro Forma Transmission Revenues/Expenses), transmission revenues are adjusted upward from current authorized $15.149 million to the proposed authorized level of $31.205 million. The net impact of both adjustments total a net increase of $10.245 million ($6.793 million Washington share).
### Table No. 1: Transmission Revenue Adjustment

<table>
<thead>
<tr>
<th>System</th>
<th>Revenue Adjustment - 2023 Rate Period</th>
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<tr>
<td>OASIS (Non-Firm and ST Firm)</td>
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</table>

**Total Transmission Revenue Adjustment** $ 10,245

(1) Represents the change in revenue above or below the 2020-2021 historical test year level.
The Company provides transmission service to wholesale customers under the jurisdiction of the FERC. The components of what has traditionally been known as “wheeling” service include: (i) transmission service over the Company’s transmission facilities that are operated at or above 115kV, (ii) operations and maintenance (O&M) charges associated with Company transmission assets for which an interconnection customer provided contributions in aid to construction, (iii) ancillary services (generation-related services that are required to be offered in conjunction with transmission service), and (iv) low-voltage wheeling services over substation and distribution facilities that are operated below 115kV.

**OASIS Non-Firm and Short-Term Firm Transmission Service** (-$1,562,000) – OASIS is an acronym for Open Access Same-time Information System. This is the system used by electric transmission providers for selling available transmission capacity to eligible customers. The terms and conditions under which the Company sells its transmission capacity via its OASIS are pursuant to FERC regulations and Avista’s Open Access Transmission Tariff. Consistent with prior Avista general rate cases, the Company calculates its rate year adjustments using a three-year average of actual OASIS Non-Firm and Short-Term Firm revenue. OASIS transmission revenue may vary significantly depending upon a number of factors, including current wholesale power market conditions, forced or planned generation resource outage situations in the region, the current load-resource balance status of regional load-serving entities, and the availability of parallel transmission paths for prospective transmission customers.

The use of a three-year average is intended to strike a balance in mitigating both long-term and short-term impacts to OASIS revenue. A three-year period is intended to be long enough to mitigate the impacts of non-substantial temporary operational conditions (for generation and transmission) that may occur during a given year, and short-enough so as to
not dilute the impacts of long-term transmission and generation topography changes (e.g., major transmission projects which may impact the availability of the Company’s transmission capacity or competing transmission paths, and major generation projects which may impact the load-resource balance needs of prospective transmission customers). While volatility in OASIS revenue from year-to-year can be expected, if there are known events or factors that occurred during the period that would cause the average to not be representative of future expectations, then adjustments may be made to the three-year average methodology. For example, the Company experienced several months of higher-than-normal OASIS revenues between November 2018 and March 2019 and from November 2019 through December 2019 due to the loss of a major natural gas transportation pipeline in western British Columbia. It is apparent that the impact of this event upon the dispatch of generation resources in the region facilitated increased short-term use of the Company’s transmission system.

In this filing, the Company is using a three-year average for the time period of October 2018 through September 2021. To mitigate the anomalous impacts of the gas pipeline outage, in calculating its three-year average the Company has adjusted the revenue in each of the impacted months by using the maximum revenue in each such month during the three-years prior to the gas pipeline outage. While the use of a maximum revenue amount from the prior three-year period may overstate the monthly revenue that would likely have occurred absent the gas pipeline restriction, in the context of calculating a three-year average this is expected to yield a reasonable result. Accordingly, the OASIS revenue for the 2020-2021 test year was $6.654 million and the adjusted three-year average calculated for the 2023-2024 rate period is $5.092 million, or a reduction of $1,562,000.

Bonneville Power Administration – Transmission (+$2,232,000) – The Company provides Network Integration Transmission Service to the Bonneville Power Administration Direct Testimony of Jeff A. Schlect Avista Corporation Docket No. UE-22
(BPA) under a series of thirteen agreements serving BPA’s utility customers connected to the Company’s transmission system. Network Service revenue is based upon a rolling 12-month average of BPA’s loads. Also impacting Network Service revenue is the applicability of any long-term firm point-to-point transmission service, for which the Company has entered into three new agreements that will apply during the rate period. BPA Network Service revenue was $6.381 million for the 2020-2021 test year. Based upon a three-year average from October 2018 through September 2021 and adjusted to reflect the Company’s updated transmission rates and new long-term firm transmission service agreements, the Company expects BPA Network Service revenue to be $8.613 million during the 2023-2024 rate period.

**Consolidated Irrigation District – Transmission** (+$1,000) – The Company provides Long-Term Firm Point-to-Point Transmission Service to the Consolidated Irrigation District under a new agreement effective October 1, 2021 through September 30, 2026. Consolidated Irrigation transmission revenue was $32,000 for the 2020-2021 test year and, reflecting both the new agreement and the Company’s updated transmission rates, the Company expects this revenue to be $33,000 per year during the 2023-2024 rate period, or an increase of $1,000.

**East Greenacres Irrigation District – Transmission** (+$4,000) – The Company provides Long-Term Firm Point-to-Point Transmission Service to East Greenacres Irrigation District under an agreement effective through September 30, 2024. The Company expects a follow-on agreement to be executed with comparable terms. East Greenacres transmission revenue was $11,000 for the 2020-2021 test year and, reflecting the Company’s updated transmission rates, the Company expects this revenue to be $15,000 per year during the 2023-2024 rate period, or an increase of $4,000.

**Grant County PUD – Transmission** (-$1,000) – The Company provides long-term transmission service to Grant County PUD for service to its Coulee City and Wilson Creek
loads connected to the Company’s transmission system. Revenue under the Power Transfer Agreement varies according to Grant PUD’s actual loads and was $29,000 for the 2020-2021 test year. Based upon a three-year average from October 2018 through September 2021, the Company expects this revenue to be $28,000 per year during the 2023-2024 rate period, or a decrease of $1,000.

Spokane Tribe of Indians – Transmission (+$7,000) – The Company provides Long-Term Firm Point-to-Point Transmission Service to the Spokane Tribe of Indians under an agreement that became effective January 1, 2020 and will be effective through December 31, 2024. The Company expects a follow-on agreement to be executed with comparable terms. Spokane Tribe transmission revenue was $18,000 for the 2020-2021 test year and, reflecting the Company’s updated transmission rates, the Company expects this revenue to be $25,000 per year during the 2023-2024 rate period, or an increase of $7,000.

Seattle and Tacoma – Main Canal Transmission (+$134,000) – The Company provides Long-Term Firm Point-to-Point Transmission Service to the City of Seattle and Tacoma Power, under agreements effective through October 31, 2026, to transfer output from the Main Canal hydroelectric project, net of local Grant County PUD load service, to the Company’s transmission interconnections with Grant County PUD. Service is provided during the eight months of the year (March through October) in which the Main Canal project operates, and the agreements include a three-year ratchet demand provision. Revenues under these agreements totaled $370,000 during the 2020-2021 test year and, reflecting the Company’s updated transmission rates, the Company expects this revenue to be $504,000 per year during the 2023-2024 rate period, or an increase of $134,000.

Seattle and Tacoma – Summer Falls Transmission ($0) – The Company provides long-term use-of-facilities transmission service to the City of Seattle and Tacoma Power, under
agreements effective through October 31, 2024, to transfer output from the Summer Falls hydroelectric project across the Company’s Stratford Switching Station facilities to the Company’s Stratford interconnection with Grant County PUD. The Company expects follow-on agreements to be executed with comparable terms. Charges under these use-of-facilities arrangements are based upon the Company’s investment in its Stratford Switching Station and are not impacted by the Company’s transmission service rates under its Open Access Transmission Tariff. Revenues under these two agreements totaled $180,000 in the 2020-2021 test year and the Company expects there will be no change during the 2023-2024 rate period.

**PacifiCorp – Dry Gulch Transmission (+$41,000)** – The Company provides long-term transmission service under a use-of-facilities agreement with PacifiCorp for use of the Company’s Dry Gulch Substation. The agreement includes a twelve-month rolling ratchet provision and revenue is based upon actual PacifiCorp use. Revenue under the Dry Gulch agreement was $229,000 during the 2020-2021 test year. Based upon a three-year average from October 2018 through September 2021, the Company expects this revenue to be $270,000 per year during the 2023-2024 rate period, or an increase of $41,000.

**City of Spokane – Waste to Energy Transmission ($0)** – The City of Spokane pays a use-of-facilities charge for the ongoing use of its interconnection to the Company’s transmission system. Use-of-facilities charges were $28,000 for the 2020-2021 test year and the Company expects there to be no change during the 2023-2024 rate period.

**Stimson Lumber PURPA ($0)** – Low-voltage facilities associated with the Company’s Plummer Substation are dedicated for use by Stimson Lumber under a PURPA arrangement. Low-voltage use-of-facilities revenue was $8,000 for the 2020-2021 test year and the Company expects there to be no change during the 2023-2024 rate period.
Hydro Tech Systems PURPA ($0) – Low-voltage facilities in the Company’s Greenwood Substation are dedicated for use by the Meyers Falls generation project under a PURPA arrangement. Low-voltage use-of-facilities revenue was $6,000 during the 2020-2021 test year and the Company expects there to be no change during the 2023-2024 rate period.

Deep Creek PURPA ($0) – The Company owns and operates low voltage facilities that are dedicated for use by the Deep Creek generation project under a PURPA arrangement. Low-voltage use-of-facilities revenue was less than $1,000 during the 2020-2021 test year and the Company expects there to be no change during the 2023-2024 rate period.

Kootenai Electric Cooperative – Transmission (+$27,000) – The Company provides Long-Term Firm Point-to-Point Transmission Service to Kootenai Electric Cooperative under an agreement effective through March 31, 2024, to transfer the output of the Fighting Creek generation project. The Company expects this agreement to be assigned to another entity purchasing the Fighting Creek project. Transmission revenue was $72,000 for the 2020-2021 test year and, reflecting the Company’s updated transmission rates, the Company expects this revenue to be $99,000 per year during the 2023-2024 rate period, or an increase of $27,000.

Idaho Power 1 – Transmission (+$2,298,000) – The Company provides Long-Term Firm Point-to-Point Transmission Service to Idaho Power under a new agreement effective May 1, 2021 through April 30, 2026. Transmission revenue was $1.0 million for the 2020-2021 test year and, reflecting the Company’s updated transmission rates, the Company expects this revenue to be $3.298 million per year during the 2023-2024 rate period, or an increase of $2.298 million.

Idaho Power 2 – Transmission (+$3,298,000) – The Company will provide Long-Term Firm Point-to-Point Transmission Service to Idaho Power under a second new agreement...
effective May 1, 2022 through April 30, 2027. There was no transmission revenue under this agreement during the 2020-2021 test year and, reflecting the Company’s updated transmission rates, the Company expects this revenue to be $3.298 million per year during the 2023-2024 rate period.

Powerex – Transmission (+$4,518,000) – The Company will provide Long-Term Firm Point-to-Point Transmission Service to Powerex under a new agreement effective May 1, 2022 through April 30, 2024. There was no transmission revenue under this agreement during the 2020-2021 test year and, reflecting the Company’s updated transmission rates, the Company expects this revenue to be $4.518 million during the 2023 rate year and $1.506 million during the 2024 rate year.³

Columbia Basin Hydropower ($0) – The Company provides operations and maintenance services on the Stratford-Summer Falls 115kV Transmission Line to Columbia Basin Hydropower under a contract signed in March 2006. These services are provided for a fixed annual fee. Annual charges under this contract were $8,000 in the 2020-2021 test year and there will be no change during the 2023-2024 rate period.

Palouse Wind O&M ($0) – Per the Company’s interconnection agreement with the Palouse Wind project, the interconnection customer pays O&M fees associated with directly-assigned interconnection facilities owned and operated by the Company. O&M revenue for the 2020-2021 test year was $52,000 and the Company expects there will be no change during the 2023-2024 rate period.

Adams Neilson Solar O&M ($0) – Per the Company’s interconnection agreement with the Adams Neilson Solar project, the interconnection customer pays O&M fees associated

³ The 2024 decrease in revenue would be reflected in net power supply costs if the Company were to do a 60-day update in the fourth quarter of 2023, for Rate Year 2 effective in December 2023, as discussed by Mr. Kalich.
with directly-assigned interconnection facilities owned and operated by the Company. O&M
revenue for the 2020-2021 test year was $9,000 and the Company expects there will be no
change during the 2023-2024 rate period.

Rattlesnake Flat O&M ($49,000) – Per the Company’s interconnection agreement
with the Rattlesnake Flat Wind project, the interconnection customer began paying O&M fees
associated with directly-assigned interconnection facilities owned and operated by the
Company in July 2021. O&M revenue for the 2020-2021 test year was $14,000 and the
Company expects this revenue to be $63,000 per year during the 2023-2024 rate period, or an
increase of $49,000.

Bonneville Power Administration – Parallel Capacity Support ($0) – The Company
and BPA executed a Parallel Capacity Support Agreement effective February 1, 2017, with a
minimum term to December 31, 2026, in which the Company provides BPA with parallel
transmission capacity in support of BPA’s integration of several wind resource projects.
Revenue was $924,000 during the 2020-2021 test year and there will be no change during the
2023-2024 rate period.

Bonneville Power Administration – Ancillary Services (-$817,000) – The Company
provides Ancillary Services to BPA under its Network Integration Transmission Service
agreements. Subject to a FERC order in Docket No. EL20-36-000, BPA began self-supply of
operating reserves under the agreements in April 2021. BPA Ancillary Services revenue was
$1,845,000 during the 2020-2021 test year. Based on a three-year average of actual BPA
loads and reflecting BPA’s reduced use of Ancillary Services due to self-supply of operating
reserves, the Company expects this revenue to be approximately $1,028,000 per year during
the 2023-2024 rate period, a reduction of $817,000.
Consolidated Irrigation District – Ancillary Services ($0) – The Company provides Ancillary Services to Consolidated Irrigation District under its Long-Term Firm Point-to-Point Transmission Service agreement. Ancillary Service revenue was $11,000 for the 2020-2021 test year and the Company expects there will be no change during the 2023-2024 rate period.

East Greenacres Irrigation District – Ancillary Services ($0) – The Company provides Ancillary Services to East Greenacres Irrigation District under its Long-Term Firm Point-to-Point Transmission Service agreement. Ancillary Service revenue was $7,000 for the 2020-2021 test year and the Company expects there will be no change during the 2023-2024 rate period.

Spokane Tribe of Indians – Ancillary Services ($0) – The Company provides Ancillary Services to the Spokane Tribe of Indians under its Long-Term Firm Point-to-Point Transmission Service agreement. Ancillary Service revenue was $8,000 for the 2020-2021 test year and the Company expects there will be no change during the 2023-2024 rate period.

Kootenai Electric Cooperative – Ancillary Services (+$4,000) – The Company provides Ancillary Services to Kootenai Electric Cooperative (KEC) under its Long-Term Firm Point-to-Point Transmission Service agreement. In the event KEC curtails its Fighting Creek generation project for the entirety of a month, Ancillary Service charges do not apply. KEC curtailed its generation for a period of time during the 2020-2021 test year due to extended construction on the Company’s transmission system. No such construction is anticipated during the 2023-2024 rate period. Ancillary Service revenue was $19,000 for the 2020-2021 test year and the Company expects this revenue to be $23,000 per year during the 2023-2024 rate period, or an increase of $4,000.
Consolidated Irrigation District – Low-Voltage ($0) – The Company provides transfer service over low voltage facilities to Consolidated Irrigation District (Consolidated) under the Electric Distribution Services Agreement. A follow-on agreement is being developed with Consolidated but final charges have not yet been determined. Low-voltage charges were $89,000 during the 2020-2021 test year and the Company expects these charges to not change substantially during the 2023-2024 rate period.

East Greenacres Irrigation District – Low-Voltage ($0) – The Company provides transfer service over low voltage facilities to East Greenacres Irrigation District under the Electric Distribution Services Agreement, which became effective January 1, 2020, and will be effective through September 30, 2024. Low-voltage charges were $63,000 during the 2020-2021 test year and the Company expects charges to remain substantially the same during the 2023-2024 rate period.

Spokane Tribe of Indians – Low-Voltage ($0) – The Company provides transfer service over low voltage facilities to the Spokane Tribe of Indians under the Electric Distribution Services Agreement, which became effective January 1, 2020 and will be effective through December 31, 2024. Low-voltage charges were $25,000 during the 2020-2021 test year and the Company expects charges to remain substantially the same during the 2023-2024 rate period.

Bonneville Power Administration – Low-Voltage (+$12,000) – The Company provides transfer service over low-voltage facilities to BPA under its Network Integration Transmission Service agreements. The Company increased the low-voltage charges associated with BPA’s Hallett & White point of delivery effective June 2021. BPA low-voltage revenue was $1,768,000 during the 2020-2021 test year and the Company expects charges to be $1,780,000 per year during the 2023-2024 rate period, or an increase of $12,000.
Clearwater Paper Transmission ($0) – As part of the Company’s agreement with Clearwater Paper, the Company allocates a portion of its revenue to transmission service. Transmission revenue was $1.098 million for the 2020-2021 test year and the Company expects this revenue to be $1.485 million per year during the 2023 rate year, or an increase of $0.387 million. The agreement terminates December 31, 2023, so the Company expects no such revenue ($0) for the 2024 rate year.\(^4\) As discussed by Ms. Andrews, this increase in revenue was determined after completion of the Company’s revenue requirement, excluded from the Pro Forma Transmission 3.00T adjustment in error, and therefore was excluded from Table No. 1 above. A correction for this incremental revenue will be reflected by Ms. Andrews during the process of the case.\(^5\)

Q. Does this complete your pre-filed direct testimony?

A. Yes, it does.

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\(^4\) The 2024 decrease in revenue would be reflected in net power supply costs if the Company were to do a 60-day update in the fourth quarter of 2023, for Rate Year 2 effective in December 2023, as discussed by Mr. Kalich.

\(^5\) The net impact of the increase in Clearwater Paper Transmission revenues of $387,000 (system), or Washington share of approximately $254,000, would reduce the Company’s overall Rate Year 1 revenue requirement by approximately $265,000. Ms. Andrews will reflect this correction, as well as all other necessary updates, up or down, during the process of the case.