

BEFORE THE WASHINGTON STATE UTILITIES AND
TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION,)
)
Complainant,)
)
-v-) DOCKET NOS.
) UE-160228 & UG-160229
) (Consolidated)
AVISTA CORPORATION, D/B/A)
AVISTA UTILITIES,)
)
Respondent.)

EVIDENTIARY HEARING, VOLUME IV

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ADMINISTRATIVE LAW JUDGE DENNIS J. MOSS

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1 OLYMPIA, WASHINGTON; October 12, 2016

2 9:31 a.m.

3
4 JUDGE MOSS: Let's be on the record.

5 Good morning, everybody. My name is Dennis Moss. I'm
6 an administrative law judge with the Washington
7 Utilities and Transportation Commission. We are here
8 today in the matter styled Washington Utilities and
9 Transportation Commission against Avista Corporation,
10 Dockets UE-160228 and UG-160229 (Consolidated).

11 Most of you have appeared -- at least appeared
12 before me in one capacity or another. I welcome those
13 of you who have not.

14 Ms. Gafken, I welcome you for the first time
15 in your new capacity as a public counsel for the state
16 of Washington. Nice to have you with us this morning.

17 I don't think I really have anything in the
18 way of opening comments concerning this case. It's,
19 of course, a general rate case proceeding. We're all
20 familiar with what that portends. I think we'll just
21 launch right into the appearances, and we need only do
22 the short form of appearances today. So we'll begin
23 with the Company.

24 MR. MEYER: Thank you, Judge Moss.

25 David Meyer for Avista.

1 JUDGE MOSS: And we'll just go around
2 the room.

3 MR. COWELL: Thank you, Your Honor.
4 Jesse Cowell on behalf of the Industrial Customers of
5 Northwest Utilities.

6 MR. BROOKS: Good morning, Your Honor.
7 Tommy Brooks, Cable Huston, for the Northwest
8 Industrial Gas Users.

9 JUDGE MOSS: And, Mr. Brooks, I'm so
10 glad to see you sitting in front of me today instead
11 of off to the side so I won't overlook you at any
12 point in the hearing, I hope.

13 Energy Project.

14 MR. ROSEMAN: Good morning, Your Honor.
15 I'm Ronald Roseman on behalf of the Energy Project.

16 MS. GAFKEN: Good morning. Lisa
17 Gafken, Assistant Attorney General, appearing on
18 behalf of Public Counsel.

19 MS. CAMERON-RULKOWSKI: Good morning.
20 Jennifer Cameron-Rulkowski, Assistant Attorney
21 General, and with me I have Andrew O'Connell,
22 Assistant Attorney General, and Brett Shearer,
23 Assistant Attorney General, appearing on behalf of
24 Staff.

25 JUDGE MOSS: Okay. And I see

1 Mr. Shearer sitting out there. Will you be conducting
2 everything from here, or will he be participating from
3 up front here?

4 MS. CAMERON-RULKOWSKI: We will be
5 playing some musical chairs.

6 JUDGE MOSS: Okay. That is my point,
7 in fact. I do, of course, require you to be up here
8 when we're actually involved so that we can get the
9 microphone to pick up everything that's said.

10 I will remind the parties to speak slowly,
11 something I cautioned myself about earlier in talking
12 to our court reporter, and I told her that she has the
13 freedom to interrupt you if you talk too fast. If
14 that happens, please keep it in mind.

15 Our plan for the hearing we have an order of
16 witnesses to which the parties agreed, so we'll follow
17 that order unless it's necessary to depart for some
18 reason, availability or some other good reason. We
19 are going to have a panel tomorrow at 10:00 on the
20 telephone. We'll have the cost of capital witnesses,
21 McKenzie, Parcell, and Gorman, for questions from the
22 Bench. There's no cross designated for them.

23 We'll take at least one break this morning and
24 one this afternoon, more if I or other members of the
25 Bench need it, or if the poor court reporter indicates

1 she needs to take a break, we'll do that. The rest of
2 you will just have to suffer silently. We'll set the
3 time for starting tomorrow at the end of the day
4 depending on where we are.

5 Now, the one preliminary matter I have is the
6 question whether we can stipulate all of the prefiled
7 exhibits, testimony, and so forth or whether there are
8 some as to which parties have objections.

9 Mr. Meyer?

10 MR. MEYER: Avista has no objection,
11 and we ask that they all be admitted.

12 JUDGE MOSS: Anybody?

13 MS. CAMERON-RULKOWSKI: Staff
14 stipulates to the entry of all of the exhibits except
15 for CSH-13CX, which is a cross-exhibit directed to
16 Mr. Hancock from Public Counsel.

17 JUDGE MOSS: All right. And
18 Mr. Hancock, as I recall, is designated for
19 cross-examination. So when we get to that exhibit, we
20 will take up the objection at that time.

21 Anything else?

22 MR. MEYER: Just a couple of other
23 preliminary matters.

24 JUDGE MOSS: Let me get through with
25 this first.

1 With the exception of that one exhibit we have
2 just identified, all of the prefiled testimonies and
3 exhibits will be admitted as marked, and we will
4 provide the exhibit list to the court reporter.

5 All right. Go ahead, Mr. Meyer.

6 MR. MEYER: Thank you. Actually, that
7 revised exhibit list was one thing I had a question
8 on.

9 JUDGE MOSS: All right.

10 MR. MEYER: We did a couple of things
11 in the last two days. By now you should have received
12 a couple of revised pages of Ms. Andrews.

13 JUDGE MOSS: We did.

14 MR. MEYER: And so that has been filed
15 and distributed.

16 We also revised both the Norwood and Andrews
17 testimony to remove the AMI deferral discussion, and
18 that has been received; correct?

19 JUDGE MOSS: Yes.

20 MR. MEYER: So will the revised exhibit
21 list when it's republished that will show that those
22 two bits of testimony have been revised?

23 JUDGE MOSS: When we do the final at
24 the end of the hearing, we'll indicate, in some
25 fashion or another, that those are the revised forms.

1 And thank you for reminding me. I should have said
2 that. It is the most recent revised form of any given
3 exhibit that will be admitted as evidence in the
4 record.

5 MR. MEYER: And we -- as per your
6 instructions, we've distributed hard copies of those
7 two bits of testimony, not only five hard copies to
8 the filing center, but also one to each party of
9 record.

10 JUDGE MOSS: Great.

11 MR. MEYER: So I think we've taken care
12 of that piece.

13 Let's see. The only other thing I would
14 mention is to extend my thanks and appreciation to the
15 Commission for looking over the cross list determining
16 which witnesses could be excused. It greatly helped
17 our planning purposes and so we had an idea of how we
18 could efficiently work it from our end. So thank you
19 for doing that.

20 And also thanks to the parties. This, I
21 think, has gone, at least from my point of view,
22 particularly well, a smooth prehearing lead-up into
23 this whole process. The parties were great providing
24 not only an order of witnesses but their time
25 estimates, so thank you.

1 JUDGE MOSS: We appreciate your
2 remarks.

3 Is there anything else preliminary? Yes, I
4 see some.

5 MR. COWELL: Thank you, Your Honor.
6 One item in regards to the witness order, the parties
7 have discussed allowing Mr. Stephens on behalf of ICNU
8 to be cross-examined after all of the Company
9 cross-examination in recognition of travel issues, and
10 I believe that there was agreement among the parties
11 on that. Someone can correct me if I'm wrong.

12 JUDGE MOSS: Meaning immediately after?

13 MR. COWELL: Right.

14 MS. GAFKEN: That's correct with
15 respect to Public Counsel.

16 MS. CAMERON-RULKOWSKI: Also with
17 respect to Staff.

18 JUDGE MOSS: All right. Everybody is
19 playing nice in our sandbox. I always like that.
20 We'll move Mr. Stephens up then.

21 Anything else?

22 MR. BROOKS: Your Honor.

23 JUDGE MOSS: Go ahead, Mr. Brooks.

24 MR. BROOKS: Would it be helpful to the
25 Bench we have some revisions to our cross estimates

1 and a couple witnesses that we no longer have
2 questions for. I don't know if, for planning
3 purposes, it would be good for you to know that we
4 have taken some people off the list?

5 JUDGE MOSS: Sure. Go ahead and tell
6 me.

7 MR. BROOKS: We no longer have
8 questions for Mr. Norwood nor for Mr. Ehrbar, and we
9 also no longer have questions for Mr. Ball. And then
10 the final change is we've -- our estimate for
11 Mr. Hancock is we are only going to need about five
12 minutes.

13 JUDGE MOSS: All right. Okay. Anybody
14 else have a preliminary matter for me?

15 MS. CAMERON-RULKOWSKI: Yes, Your
16 Honor. We also have a reduction to our
17 cross-examination estimates. Staff will no longer
18 need to cross-examine Mr. Norwood or Ms. Andrews.

19 JUDGE MOSS: All right.

20 MS. CAMERON-RULKOWSKI: And, in
21 addition, Staff will not have cross for Mr. Stephens.

22 JUDGE MOSS: All right.

23 MS. CAMERON-RULKOWSKI: And then I have
24 one other issue, which is that Staff recently
25 supplemented discovery responses to ICNU, and two of

1 these responses are part of cross-exhibits. And we --
2 I haven't had a chance to speak to Mr. Cowell, but we
3 do have those corrected responses available if -- and
4 we can decide if we want to do those corrections on
5 the record or if you'd like to provide copies. We're
6 open to taking care of that however you'd prefer.

7 JUDGE MOSS: Why don't we talk at the
8 break. All right?

9 MS. CAMERON-RULKOWSKI: Certainly.

10 JUDGE MOSS: Ms. Gafken, did you have
11 something as well?

12 MS. GAFKEN: I do. And I guess it's
13 good that I went after Ms. Cameron-Rulkowski because I
14 have a different something. My issue is the public
15 comment exhibit, and I wanted to propose a due date
16 for that.

17 JUDGE MOSS: Okay.

18 MS. GAFKEN: We typically do these
19 about a week after the hearing, and so I would propose
20 that the due date for that be October 21, so next
21 Friday, if that's acceptable to the Bench.

22 JUDGE MOSS: That's acceptable to the
23 Bench. Anybody else have a problem with it? All
24 right. Very good. October 21, it is.

25 MS. GAFKEN: What would you like to

1 designate it as?

2 JUDGE MOSS: Do we normally designate
3 that as a Bench exhibit or Public Counsel exhibit?

4 MS. GAFKEN: It's been done both ways.

5 JUDGE MOSS: We'll make it a Bench
6 exhibit. What number will it be?

7 JUDGE PEARSON: BR-4.

8 JUDGE MOSS: All right. BR-4.

9 And I am remiss in not having acknowledged
10 Judge Rayne Pearson's presence on the Bench with me
11 today. She's working with me in this case. This is
12 her first general rate case, and so I'm proud to have
13 her here and pleased to have her here. And she's also
14 sufficiently capable with all this modern technology
15 that I'm sitting up here with no books today. That's
16 our goal is to be a paperless workplace, and so we're
17 moving in that direction.

18 Yes, Mr. Meyer, if not for her, I'd have all
19 that in front of me too. All right. Very good.

20 Anything else? Mr. Roseman?

21 All right. Fine.

22 Then I think we're ready to go. Let's call
23 Mr. Norwood up to the stand, please.

24

25

EXAMINATION BY MEYER / NORWOOD

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1 KELLY O. NORWOOD, witness herein, having been
2 first duly sworn on oath,
3 was examined and testified
4 as follows:

E X A M I N A T I O N

7 BY MR. MEYER:

8 Q Mr. Norwood, for the record, please state your
9 name.

10 A Yes. Kelly O. Norwood.

11 Q And have you prepared rebuttal testimony that
12 has been filed and admitted? It has been marked as
13 Exhibit KON-1T?

14 A Yes.

15 Q Do you have any changes to make to that other
16 than the revisions that were provided to the
17 Commission and all parties yesterday?

18 A No.

19 MR. MEYER: So having had that exhibit
20 entered as revised, he is available for cross.

21 JUDGE MOSS: All right. Thank you very
22 much. And let's see. We have the first -- I'm just
23 going to use my list unless somebody wants a different
24 order. We'll start with Public Counsel for
25 Mr. Norwood since Staff has waived cross.

EXAMINATION BY GAFKEN / NORWOOD

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E X A M I N A T I O N

1
2 BY MS. GAFKEN:

3 Q Good morning, Mr. Norwood.

4 A Good morning, Ms. Gafken.

5 Q Would you please turn to your rebuttal
6 testimony, which is KON-1T, and go to page 11.

7 A I have it.

8 Q And refer to Table 3.

9 JUDGE MOSS: Excuse me for
10 interrupting. We have an indication through our
11 magical e-mail up here that some parties who are
12 listening in are having a hard time hearing. So if
13 people could be sure they're speaking directly into
14 the mike and perhaps elevate their voice slightly,
15 that will perhaps alleviate that problem.

16 Go ahead. And I'm sorry for the interruption.

17 BY MS. GAFKEN:

18 Q There you set out Avista's ROE for electric,
19 national gas, and total Washington jurisdiction;
20 correct?

21 A That's correct.

22 Q Is it Avista's position that the Commission
23 should evaluate Avista's recent earned rates of return
24 on equity on a combined basis for both electric and
25 national gas operations?

EXAMINATION BY GAFKEN / NORWOOD**80**

1 A I think they should look at the combined. I
2 think they should also look at them individually.

3 **Q And when setting the ROE and setting rates for**
4 **each service, what should the Commission consider?**

5 A They should consider what's appropriate for
6 the electric business as well as the gas business,
7 and, generally, they do that. They look at the
8 revenue requirements separately, electric and then
9 natural gas.

10 **Q Would you please turn to -- stay with the same**
11 **exhibit, Exhibit KON-1T, and turn to page 7, Table 1.**

12 A I have it.

13 **Q There you set out the positions advocated for**
14 **by Public Counsel, ICNU, and Commission Staff in**
15 **Avista's 2012, 2014, and 2015 general rate cases;**
16 **correct?**

17 A Yes.

18 **Q And just for the record, the electric**
19 **dockets -- I won't go through both the consolidated**
20 **dockets for those cases, but the electric dockets were**
21 **UE-1120436, UE-140188, and UE-150204. Does that sound**
22 **correct?**

23 A I will accept that.

24 **Q Subject to check?**

25 A Yes.

EXAMINATION BY GAFKEN / NORWOOD

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1 Q Table 1 also shows the revenue requirement
2 authorized by the Commission in each of those cases;
3 correct?

4 A That's correct.

5 Q And in your testimony, you conclude that the
6 Commission determined that the positions of Public
7 Counsel and ICNU were not reasonable based on the
8 amounts authorized versus the amounts advocated for;
9 correct?

10 A Either implicitly or explicitly, yes.

11 Q In Avista's 2012 general rate case, which set
12 the rates for the 2013 rate year, Avista sought a
13 revenue requirement of, approximately, \$41 million;
14 correct?

15 A I will accept that subject to check.

16 Q And in Avista's 2014 general rate case, which
17 set rates for the 2015 rate year, Avista sought a
18 revenue requirement of, approximately, \$18.2 million;
19 correct?

20 A Are you saying -- when you say Avista set a
21 revenue --

22 Q Sought.

23 A -- is that Avista's request?

24 Q Yes.

25 A Okay. I will accept that subject to check,

EXAMINATION BY GAFKEN / NORWOOD

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1 but I think it's important to consider what happens
2 during the course of the case. In every rate case we
3 file, we provide updated information to all the
4 parties. So what's relevant really is what is the
5 need for rate relief at the end of the case when the
6 Commission makes its decision versus a decision is
7 made.

8 Because things change over the course of the
9 case up or down, and this Commission has determined in
10 the past that they want to see the updated information
11 so long as the parties have time to review that
12 information. So that's the relevant comparison.

13 **Q But, Mr. Norwood, Avista has a litigated**
14 **position in each one of these general rate cases;**
15 **isn't that correct?**

16 A Yes. We filed what we need at the beginning
17 of the case, but we provide updated information along
18 the way, which is important.

19 **Q Right. And even the updated position is a**
20 **litigated position?**

21 A Yes. Unless there's a settlement, that's
22 correct.

23 **Q And that position, even the updated position**
24 **at the end of the case, is, oftentimes, different than**
25 **what the Commission ultimately orders in their -- in**

EXAMINATION BY COWELL / NORWOOD**83**

1 **the final order?**

2 A Generally, yes.

3 Q **And Avista's 2015 general rate case, which set**
4 **rates for the 2016 rate year, Avista sought a revenue**
5 **requirement of, approximately, \$33 million; correct?**

6 A Yes, it did.

7 Q **Do you agree that Avista bears the burden of**
8 **proof in this case and all general rate cases to**
9 **demonstrate that the rate request is fair, just,**
10 **reasonable, and sufficient?**

11 A Yes. At the beginning of the case and as the
12 case progresses, the burden is on Avista to
13 demonstrate the need for rate relief whether it goes
14 up or down during the pendency of the case.

15 MS. GAFKEN: Thank you. I have no
16 further questions.

17 JUDGE MOSS: Thank you very much,
18 Ms. Gafken.

19 And ICNU has some questions, I believe.
20 Mr. Cowell.

21 MR. COWELL: Thank you, Your Honor.

E X A M I N A T I O N

22 BY MR. COWELL:

23 Q **Good morning, Mr. Norwood.**

24 A Good morning.

EXAMINATION BY COWELL / NORWOOD

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1 Q Mr. Norwood, if we could start at page 6 of
2 your rebuttal testimony.

3 A I have it.

4 Q On behalf of the Company, you asked that the
5 Commission consider revenue adjustment proposals
6 within the context of several criteria on this page;
7 right?

8 A Yes.

9 Q First, you testified that non-Company
10 proposals in prior rate cases have been demonstrated
11 to be unreasonable; right?

12 A Yes.

13 Q In particular, you singled out ICNU and Public
14 Counsel for proposals, quote, dramatically different
15 from the end results ordered by the Commission;
16 correct?

17 A Yes. And I provided numbers to demonstrate
18 what the proposals were versus what was ordered at the
19 end of the case.

20 Q Right. And we'll go into that a little bit
21 here. And if you'd please turn to Cross-Exhibit
22 KON-2CX, please, page 1 of the exhibit.

23 A I have it.

24 Q Okay. Now, in the first sentence of the
25 Company's response to ICNU Data Request 179 Subpart B,

EXAMINATION BY COWELL / NORWOOD**85**

1 the Company agrees that Avista originally filed for a
2 33.2 million electric increase in the last general
3 rate case as discussed in your cross with Ms. Gafken;
4 correct?

5 A That's correct.

6 Q As Vice President of State Regulation, can you
7 describe the level of involvement you have personally
8 in the Company's original filing of a general electric
9 rate case?

10 A I'm very involved in the development of the
11 revenue requirement. I work closely with Ms. Andrews
12 as she gathers all the adjustments to the rate case.
13 So I am very familiar with all the adjustments that
14 are reflected in the case as well as the policy issues
15 that are included in the case. So I'm very familiar
16 with the initial revenue requirement filed by the
17 Company.

18 Q Now, would it be fair to say, Mr. Norwood,
19 that the company has access to the information it
20 needs to justify an electric rate increase at the time
21 it makes an original general rate case filing?

22 A Absolutely.

23 Q So staying here on page 1 of this
24 cross-exhibit, if you'd look to the first sentence of
25 the response to ICNU Data Request 179 Subpart C, here

EXAMINATION BY COWELL / NORWOOD

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1 the Company agrees that the Commission approved an
2 electric revenue reduction of 8.1 million in the last
3 general rate case; right?

4 A That's correct.

5 Q And the first sentence of the next paragraph
6 in the Company's response, still Subpart C here, this
7 is now on the second page of this cross-exhibit,
8 beginning at the first full paragraph, the Company
9 agrees that the Commission's authorized electric
10 revenue reduction was 41.3 million below Avista's
11 original request; right?

12 A The key word is "original request." As we
13 progress through a case, the Commission and the
14 parties expect us to provide updated information. The
15 relevant comparison here is at the time the Commission
16 made the decision what was the Company's proposal.

17 And as we all know, natural gas prices fell
18 considerably last year, and that was reflected in the
19 case. We had a settlement agreement where we agreed
20 to certain changes, the Nine Mile project as an
21 example. As we got into that project, it took more
22 time to complete; and because that shifted to 2016,
23 that reduced our need for rate relief.

24 So when we file a case, we file a request
25 based on the known information at the time. As things

EXAMINATION BY COWELL / NORWOOD

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1 change, we provide all that information. So it was a
2 good thing for everyone that things changed last year,
3 which reduced our need for rate relief. So the
4 relevant consideration is at the time the Commission
5 ordered an \$8 million rate reduction, Avista's
6 proposal was a reduction of 5.7. It was very close.

7 At the same time, you had ICNU and Public
8 Counsel -- I don't have the numbers in front of me,
9 but it was -- ICNU was \$29.7 million reduction and
10 Public Counsel had a \$42 million reduction. So at the
11 time that the decision was made, there was a dramatic
12 difference between where the Company was at, where the
13 Commission landed, and where those parties were.
14 That's the relevant comparison.

15 **Q Right. So bearing in mind the figure you just**
16 **quoted for ICNU's proposed revenue reduction in the**
17 **last case, if you could, please turn to page 3 of this**
18 **cross-exhibit.**

19 A I'm there.

20 **Q And in response to Subpart B in ICNU Data**
21 **Request 181, the Company confirms the difference**
22 **between ICNU's proposal and the electric revenue**
23 **requirement decrease approved by the Commission in the**
24 **last general rate case was 21.6 million; right?**

25 A Yes.

EXAMINATION BY COWELL / NORWOOD

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1 Q Now, subject to check, in the Company's last
2 rate case, would you agree that Avista's original
3 proposal was 19.7 million further away from the
4 Commission's authorized revenue level than was ICNU's
5 proposal?

6 A I didn't follow all of that.

7 Q 33.2 million --

8 A Our original request.

9 Q -- your original proposal.

10 A Versus?

11 Q Authorized level of 8.1 million reduction
12 compared with ICNU proposed reduction of
13 29.6 million -- .7 million.

14 So my question is: Would you agree that
15 Avista's original proposal was \$19.7 million further
16 away from the Commission's authorized electric revenue
17 level in comparison to where ICNU's proposal was in
18 that case? Subject to check, does that sound about in
19 the ballpark?

20 A I'm assuming what you're doing is taking the
21 8 million negative and the 33 million positive --

22 Q Comparing the differences --

23 A -- that's 41 million --

24 JUDGE MOSS: Let's remind ourselves to
25 just talk one at a time. The court reporter can't get

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1 both of you at once.

2 A I'm sorry. I didn't follow your math, and the
3 math doesn't add up for me. But we've already covered
4 the ground that Avista originally asked for an
5 increase of 33. The Commission ordered 8.1, so I'll
6 accept that.

7 Q We can move on.

8 Now, same page, in response to Subpart C and D
9 of ICNU Data Request 181, the Company confirms that an
10 electric revenue proposal that varies by 21.6 million
11 from an amount ultimately authorized by the Commission
12 is, in the Company's understanding, dramatically
13 different and not reasonable; right?

14 A Absolutely. If you convert that into return
15 on equity, the Commission ordered a 9.5 percent ROE.
16 This would translate into a difference of, roughly,
17 200 basis points. If we were to have an opportunity
18 to earn 7.5 percent, I think the rating agencies,
19 investors, and others would consider that a dramatic
20 change.

21 Q Sure. And I do want to follow up with ROE a
22 little bit later.

23 In your opinion, Mr. Norwood, do non-Company
24 parties in a general rate proceeding have the same,
25 less, or more information about the Company's revenue

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1 **requirement than Avista itself?**

2 A You said the parties in the rate proceeding?

3 **Q In a general rate proceeding have the same,**
4 **less, or more information than Avista regarding the**
5 **Company's revenue requirement?**

6 A Well, we provide all the information that's
7 relevant to the case to the parties. In direct case,
8 we respond to discovery. So, you know, I'm not sure
9 where you're going with a question, but all the
10 information surrounding the revenue requirements is
11 provided to all the parties.

12 **Q Okay. Just looking for your opinion on that**
13 **question. Same, less, or more?**

14 A I think we're all focused on the same
15 information as it relates to the requested revenue
16 increase.

17 **Q Could you please turn to page 2 of your**
18 **rebuttal testimony.**

19 A Page 2, I'm there.

20 **Q Okay. You provided a block quote here on this**
21 **page from Staff witness Mr. Hancock regarding his**
22 **support for changing the cycle of rate filings; right?**

23 A Yes.

24 **Q Do you agree generally with Mr. Hancock's**
25 **statements in that block quote?**

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1 A Yes.

2 Q Okay. In that portion of testimony you
3 quoted, Mr. Hancock states that, in the second
4 sentence of that block quote: Intervening Parties
5 would likely be better able to represent their
6 constituents and provide deeper analysis and
7 commentary to the Commission in its efforts to produce
8 outcomes in the public interest. Did I read that
9 correctly?

10 A Yes.

11 Q Specifically, do you agree that changing the
12 cycle of Avista rate case files would allow
13 Intervening Parties in the Company's future general
14 rate cases to provide deeper analysis than Intervening
15 Parties have historically been able to provide in
16 company rate cases?

17 A That's really the view of Commission Staff,
18 and it's based on the workload they have and their
19 approach to a rate case. So this is Mr. Hancock's
20 representation with regard to that piece of this
21 quote.

22 So I can't comment on whether -- what factors
23 go into what would allow Intervening Parties or the
24 Staff in terms of more time and to dig deeper. They
25 certainly have the opportunity over the course of an

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1 11-month proceeding to ask discovery. They've been
2 over to our offices a couple of times to audit
3 information, so I would leave that to Mr. Hancock as
4 to what he's getting at right there.

5 **Q Right. And we've designated some cross time**
6 **for him, and I can ask him about it. But because you**
7 **quoted it, I'm just asking for your opinion on that**
8 **because you chose to provide this as a block quote.**

9 A I would defer to Mr. Hancock on what he meant
10 by that portion of the quote.

11 **Q Okay. Let me try to state this concept**
12 **another way.**

13 **There's room for improvement in regard to**
14 **Intervener analysis of Company-proposed revenue**
15 **requirement that changing the cycle of Avista filings**
16 **will facilitate or promote in your opinion? Would**
17 **that be accurate?**

18 A No. I think the Interveners and Staff would
19 have to speak for themselves as to whether they need
20 more information or a different approach. So I will
21 not try to attempt to speak for Interveners or Staff
22 with regard to that topic.

23 **Q Let's turn back, please, to your**
24 **cross-exhibit, page 2, KON-2CX, page 2.**

25 A I'm there.

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1 Q The very last sentence of the Company's
2 response states in the last clause, quote, who had --
3 who also had all information when deciding the
4 Company's case.

5 And my question to you is: Who does the "who"
6 here refer to?

7 A The Commission.

8 Q To the Commission. Okay. Thank you. If we
9 could turn back to page 5 of your rebuttal testimony.

10 A I'm there.

11 Q Okay. The last sentence of the first full
12 paragraph states: A mechanistic application of inputs
13 to a model, along with logical arguments that on the
14 surface may appear to be reasonable, will not
15 necessarily produce reasonable end results.

16 Does this statement refer to Mr. Mullins'
17 attrition study on behalf of ICNU?

18 A It is a general statement, and so in this
19 case, yes. I would say yes. And Ms. Andrews and
20 Mr. -- Dr. Forsyth have addressed some of the
21 mechanics that he's employed, which, in our view, are
22 not appropriate.

23 Q Now, sticking here with this statement in your
24 testimony, did you intentionally mean to emphasize the
25 phrases "mechanistic application of inputs" and "on

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1 the surface" by underlining them?

2 A Yes.

3 Q Now, when you testified that an attrition
4 analysis is emphatically mechanistic and includes
5 logical arguments that may appear reasonable on the
6 surface, do you mean to say that such analysis is
7 arbitrary?

8 A Absolutely not. In other places in my
9 testimony, I emphasize that you shouldn't just apply
10 mechanics to numbers. You should do the studies, and
11 then after you do the studies, you should consider all
12 other evidence in the case to see whether your outcome
13 or your end result is representative of what's going
14 to happen during the rate-effected period.

15 Q Now, have you reviewed or are you familiar
16 with Mr. Mullins' updated revenue requirement
17 calculations provided in his cross-answering
18 testimony?

19 A I read his cross-answering testimony.

20 Q Would you agree that Mr. Mullins' updated
21 attrition allowance model supports an electric revenue
22 sufficiency of 1.0 million for Avista?

23 A I'll accept your number subject to check.

24 Q Now, based on the Company's discovery
25 response, we talked about this defining the

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1 **dramatically different phrase that was used. Would**
2 **you agree that ICNU's attrition-based proposal in this**
3 **case is dramatically different from the**
4 **\$29.7 million electric revenue sufficiency that ICNU**
5 **proposed in the last general rate case?**

6 A This is a different case. We have a different
7 starting point, a different set of data. If you're
8 asking whether ICNU's proposal in this case is
9 dramatically different than what Avista has
10 demonstrated in terms of a need for rate relief, I
11 would say, yes, it is dramatically different and
12 dramatically low.

13 Q Right. And just to confirm as we had talked
14 about on page 3 of your cross-exhibit, Avista had said
15 that a \$21.6 million difference was dramatically
16 different. That was the threshold confirmed; correct?

17 A Dramatically different from what the
18 Commission ordered, and after the fact, if you look at
19 it, it shows that what the Commission ordered was in
20 line with what was needed.

21 Q Okay. Would you also agree that ICNU
22 conducted an attrition study analysis in this
23 proceeding while it did not in the last general rate
24 case?

25 A Yes.

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1 **Q** Would you agree that the 1.0 million electric
2 revenue decrease proposed by Mr. Mullins based on
3 attrition modeling in this case is over \$7 million
4 higher than the \$8.1 million end result authorized by
5 the Commission in the last general rate case also
6 based on attrition models?

7 **A** That's completely irrelevant, completely
8 different set of circumstances, different set of
9 investment. There's no reason to compare those two
10 numbers. They're not comparable. What's relevant is
11 what is the evidence in this case.

12 And if you look at his application of the
13 attrition methodology, his selective use of many years
14 for one escalator and a few years for others, his end
15 result isn't reasonable when you compare it to other
16 proposals in this case.

17 **Q** Okay. I think you just answered my next
18 question. But to confirm, it's your position that
19 ICNU's proposed end result of electric revenue of
20 \$1.0 million decrease is unreasonable?

21 **A** Correct.

22 **Q** Could you please turn to page 6 of your
23 rebuttal testimony.

24 **A** I'm there.

25 **Q** Beginning at line 25, you request that the

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1 Commission consider revenue adjustment proposals in
2 this proceeding within the context of evidence
3 pertaining to no evidence of a self-fulfilling
4 prophecy; right?

5 A Correct.

6 Q Now, in support of this position, looking at
7 the last sentence of this paragraph beginning on
8 line 34, you testify that Avista's operating costs
9 also reflect recent and continuing efforts to partner
10 with customers, and skipping ahead a little bit, to
11 provide new products, services, and information for
12 customers toward an energy-efficient and low-carbon
13 future; right?

14 A Yes.

15 Q First, what does it mean to you to partner
16 with customers in the context of providing new
17 products toward an energy-efficient future?

18 A There's a number of examples we can talk
19 about. The Commission recently approved our electric
20 vehicle pilot program where we're partnering with
21 vendors and our customers related to electric
22 vehicles. That's an ongoing program.

23 We, last year, started a program related to --
24 it's home heating and ventilation, HVAC, filters,
25 which provides the opportunity for customers to sign

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1 up for reminders or to have filters delivered to their
2 house on a regular basis. We're looking at the
3 advanced metering infrastructure, which is going to
4 allow us to gather more information and provide more
5 information to customers.

6 So these are just a few of the items that
7 we're doing to partner with customers to help them
8 manage their energy use, give them more information,
9 which will address energy efficiency as well as
10 carbon, and all those things cost money. And we're
11 being very transparent with all those programs with
12 all the parties.

13 **Q And I know that there are other company**
14 **witnesses more focused upon AMI. But as you mentioned**
15 **it, is it your understanding that the AMI program**
16 **would swap out industrial customer meters?**

17 A I'll defer to Ms. Rosentrater on the answer to
18 that question.

19 **Q Okay. And I know she's not scheduled to**
20 **appear, but I think the record is fine with that.**
21 **I'll leave it at that.**

22 **In your view, does an energy-efficient future**
23 **for Avista include demand response programs?**

24 A I believe it does. We addressed that in the
25 last integrated resource plan. I think what they

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1 found there is that may be a while before we engage
2 significantly in that, but we're certainly interested
3 in that. So I believe that is a part of our future.

4 **Q Okay. Now, based on the evidence in this**
5 **proceeding, do you believe that Avista could support a**
6 **claim of recent and continuing efforts to partner with**
7 **industrial customers in developing new demand**
8 **responses products or services?**

9 A Yes. I have actually been directly involved
10 in one -- with one of ICNU's customers in looking at a
11 possible demand response program. In fact, we have
12 talked with that particular customer two or three
13 times over the last five years to try to figure out a
14 way where we could compensate them for temporarily
15 shutting down their process, which would provide
16 capacity for us for some period of time.

17 We, at this point, have not been able to reach
18 agreement partly because the value of capacity at this
19 point in time is relatively low, and also that
20 particular customer has a limited opportunity to stay
21 down for very many hours. But we have talked with
22 that customer a number of times.

23 **Q And is it your understanding that ICNU has**
24 **proposed a demand response program in this proceeding?**

25 A Yes. And we have looked at that. And for --

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1 based on the value of capacity, the amount of hours
2 that they would be able to shut down is very limited
3 value to that particular proposal.

4 Q Okay. Could you please turn to page 13 of
5 your rebuttal testimony, and I'd ask that you take a
6 moment to review your testimony between page 13,
7 line 19, through page 14, line 3. And let me know
8 when you're ready.

9 A I've read it.

10 Q Okay. Now, starting on page 14, line 1, you
11 testify that if the Commission had ordered revenue
12 adjustments in line with those proposed by non-Company
13 parties in the 2015 general rate case, Avista would be
14 experiencing significant under-earnings during 2016;
15 right?

16 A Correct.

17 Q Now, based upon your own reasoning here, would
18 you agree that Avista would be experiencing
19 significant over-earnings during 2016 if the
20 Commission had ordered revenue adjustments in line
21 with the \$33.2 million electric increase that Avista
22 originally proposed in the last rate case?

23 A That's irrelevant. Our proposal at the time
24 the Commission issued its order was for a revenue
25 decrease of \$5.7 million. The Commission ordered a

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1 decrease of 8.1, which was very close.

2 Q Okay. Would you please turn to page 24 of
3 your rebuttal testimony.

4 A I'm there.

5 Q Okay. Lines 1 through 4 here, you state here
6 that in the last three general rate cases, including
7 for rate year 2016, both the Company and Staff
8 developed attrition analyses; right?

9 A That's correct.

10 Q But you also testified that the Commission did
11 not approve specific attrition studies or
12 methodologies in any of these cases; correct?

13 A Especially in the cases that developed rates
14 for 2013 to '15. In the Commission's last order, they
15 did have some discussion around the number of years to
16 include in an attrition analysis, so they spent more
17 time with it in the most recent case.

18 Q Now, if I could direct your attention to
19 line 3, I'm just going to read this last sentence.
20 Although the Commission did not approve specific
21 attrition studies or methodologies, attrition analyses
22 were the underlying foundation.

23 So should there be any revision to that
24 sentence based on what you just stated?

25 A Probably because the Commission in this last

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1 order, Order 05 and Dockets UE-150204 and the gas
2 docket, the Commission actually did approve a specific
3 attrition adjustment, so that should probably be
4 clarified.

5 Q But to try to dial this in a little bit more,
6 is it your understanding that they approved a specific
7 study or methodology?

8 A I'd have to revisit the order to see whether
9 they specifically approved a methodology or a study.

10 Q Okay. Next page, please, page 25, beginning
11 at line 23 --

12 A I'm there.

13 Q -- you go on to testify here that it is
14 critically important for the Commission to use
15 informed judgment in exercising broad discretion to
16 establish rates based on specific facts and
17 circumstances in this case; right?

18 A Correct.

19 Q If I put your testimony together, would you
20 agree that the Commission should review attrition
21 studies and methodology in this case even if different
22 from Company or Staff analyses in prior cases based on
23 the specific facts in this record?

24 A Yes.

25 MR. COWELL: Okay. Thank you,

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1 Mr. Norwood.

2 No further questions, Your Honor.

3 JUDGE MOSS: Thank you, Mr. Norwood and
4 Mr. Cowell.

5 I believe that completes the parties'
6 cross-examination of Mr. Norwood, but there may be
7 some questions from the Bench. So let me ask if
8 that's the case.

9 All right. Commissioner Jones, apparently,
10 has some questions.

11 COMMISSIONER JONES: Yes, I do, Judge.

E X A M I N A T I O N

12
13 BY COMMISSIONER JONES:

14 Q Good morning, Mr. Norwood.

15 A Good morning.

16 Q Good to see you here again.

17 A Thank you.

18 Q A few questions. This could be a question for
19 Ms. Andrews. It's in her Exhibit EMA-6T, but it deals
20 with the cost of debt.

21 A Yes.

22 Q Do you want to answer that question, or should
23 Ms. Andrews? It's really a question for Mr. Thies, I
24 think, your CFO.

25 A Let me give it a shot. I did review some of

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1 the debt information before coming today.

2 Q Okay. Let me -- well, why don't you give me
3 the -- I have a few specific issues, but why don't you
4 give me an overview of that issuance first, please,
5 and why it should be included in this case.

6 A What was the reference again, if you would,
7 please?

8 Q It's EMA-6T, page 14, lines 3 through 9, so
9 I'll just let you get there. It's labeled Cost of
10 Debt Update.

11 A And the page reference again? I'm sorry.

12 Q Fourteen.

13 A Thank you.

14 Q And it describes an FMB, first mortgage bond,
15 due in 2051 private placement --

16 A Yes, if you give me just a moment --

17 Q -- and all-in rate of 5.63 percent.

18 A Okay. I've read that, and I'm familiar with
19 that issuance. We had \$90 million of short-term -- I
20 see a three-year debt that matured in September of
21 2016. We actually negotiated an extension -- a
22 short-term piece of debt to get us through December.

23 And so the 175 million of debt that will be
24 issued in December of this year is to replace the
25 90 million that matured in addition to issuing

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1 additional debt to cover our capital expenditures that
2 we need. So that is something that we knew at the
3 time we filed the case we were planning to issue debt.
4 It was actually 150 million at the time. We upped it
5 to 175, 175 million, in the end.

6 **Q Has this cost of debt update information been**
7 **provided to the parties -- to Staff, ICNU, Public**
8 **Counsel?**

9 A I'm going to defer that to Ms. Andrews. She
10 would know when this information was provided.

11 **Q I can ask her later.**

12 **Why should it be included in this case? This**
13 **is an issuance in December of 2016.**

14 A Yes. It will be in place during the rate
15 period. We did provide estimates during the case. In
16 September, I think, is when we priced the -- priced
17 this debt even though it will be issued in December.
18 So I think sometime in September is when we provided
19 it, but I don't remember the date.

20 **Q You have a BBB rating as a corporate credit**
21 **rating with S & P, don't you?**

22 A That's correct.

23 **Q Do you happen to know -- you could provide**
24 **this for the record maybe -- what your last issuance**
25 **of an FMB, a first mortgage bond, was and the interest**

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1 rate and the terms on that?

2 A If I can take just a moment, I think I have
3 that.

4 Q Well, you can provide it for the record. You
5 don't need to take the time now.

6 A Okay. We can provide that.

7 Q My question to you -- and maybe this is better
8 for Mr. Thies or Ms. Andrews -- the interest rate
9 seems a bit high. The Federal Reserve, as you know --
10 and we'll get into this tomorrow --

11 A Yes.

12 Q -- with the cost of capital witnesses, but
13 interest rates short-term are below 1 percent?

14 A Yes.

15 Q If you look at nationally recognized numbers
16 for a BBB, BBB-plus companies, it's in the high fours,
17 low fives. And so that's the nature of my question.

18 A Right. The last issuance that I remember was
19 in the mid-4 percent range, roughly 4 1/2 percent for
20 a 30-year money. This is for a 35-year money. And so
21 this interest rate of 5.6 percent reflects a coupon
22 rate, which was 3.6 percent, I believe. And when you
23 include in that the cost to issue and we had some
24 hedges where we had hedged a portion of the issuance,
25 then the all-in rate is 5.6 percent.

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1 COMMISSIONER JONES: Well, Judge, maybe
2 we should make a Bench request here. I would like to
3 know at least what the all-in rate is and what the
4 components are above the coupon rate and the terms of
5 that placement.

6 JUDGE MOSS: If that information is not
7 otherwise readily available, I suppose we can make it
8 a Bench request.

9 MR. MEYER: That would be No. 4.

10 MR. NORWOOD: Five, I think.

11 JUDGE MOSS: Five.

12 BY COMMISSIONER JONES:

13 **Q** Okay. Moving on to the next topic,
14 **Mr. Norwood, if you could, turn to page 6 of your**
15 **testimony. Wait a minute. Yeah, page 6. And I think**
16 **Mr. Pepple asked you a few questions on lines 25**
17 **through 35 on this, quote, self-fulfilling prophecy.**
18 **I just want to ask you a few high-level questions and**
19 **a few internal questions about the drivers of cap X,**
20 **capital expenditures, in this case.**

21 **Could you just list them for me, the top**
22 **three, top four. Is it aging infrastructure? Is it**
23 **reliability? Is it AMI? Is it outage management?**
24 **Just go over -- and, again, you are not the asset**
25 **manager in the company; right?**

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1 A No. But I'm very familiar with what we're
2 spending money on.

3 Q Okay. I'll get to that in a minute about how
4 you internally look at these things. Give me your --
5 if you could, prioritize what the drivers are.

6 A And Ms. Rosentrater would have additional
7 details on some of these. In terms of the primary
8 drivers, right now we are working on our Spokane River
9 projects. So in Mr. Kinney's testimony, he talked
10 about Post Falls projects, which we recently completed
11 upgrading the headgates there -- not the headgates,
12 but the spillway. That was 100 years old.

13 Little Falls, we're spending lots of money
14 there. It's, basically, a 100-year-old project.
15 We're replacing equipment there. And the Nine Mile
16 project where a couple of those units have been out of
17 service for some period of time, and so we are
18 spending a lot of money on those three Spokane River
19 projects.

20 Q Stop there for a minute.

21 A Okay.

22 Q So is that aging infrastructure is it a WEC or
23 FERC requirement, or is it a reliability issue or just
24 general aging infrastructure?

25 A It's a combination of things. When we

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1 relicensed the Spokane River projects, part of the
2 requirement to receiving the license was to redo the
3 spillway for Post Falls and also do some of the
4 upgrades at Nine Mile. That is part of the driver.
5 The other part of the driver is, as I mentioned, much
6 of that is 100 years old, so it was aging
7 infrastructure and time to replace it going forward.

8 **Q Okay. Thank you.**

9 **A And so other components --**

10 **Q Moving on to other asset management --**

11 **JUDGE MOSS: Let me interrupt here and**
12 **remind everyone that we need to have people talking**
13 **one at a time so the court reporter can get everything**
14 **down. It's nice to be conversational, but we can't**
15 **interrupt each other.**

16 **COMMISSIONER JONES: Thank you, Judge.**

17 **A So one thing that we've explained in this case**
18 **is that in recent years we've developed asset**
19 **management plans. We have those plans related to**
20 **transmission and distribution, and so what we were**
21 **doing now is systematically going through our system**
22 **to replace the assets and, basically, optimize the**
23 **useful life of them to optimize capital investment but**
24 **also O & M.**

25 **So we're spending a lot of money**

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1 systematically going through our distribution system,
2 transmission system, and, again, this is really an
3 aging infrastructure and a reliability issue. As we
4 mentioned in our testimony, we believe our reliability
5 is at the right level; but in order to maintain that
6 reliability, we need to invest in our system in order
7 to preserve that. So there's a lot of money we're
8 investing related to, basically, our asset management
9 programs.

10 You've mentioned AMI. As we look forward for
11 '17 and '18, there's a significant amount of dollars
12 that are going into that system in '17 and '18.

13 **Q Are there any specific issues in this case**
14 **related to the large outage in November of 2015 that**
15 **you experienced and that we were briefed on at the**
16 **Commission?**

17 A We had a wind storm in November of '17.

18 MR. MEYER: Not '17.

19 A I'm sorry. I think it was November 17, so
20 thank you. November of 2015. Thank you.

21 MR. MEYER: Unless you're aware of
22 something I'm not.

23 MR. NORWOOD: No. Thank you.

24 A So in this case we incurred additional
25 expenses. I'll talk about expense and capital.

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1 Ms. Andrews removed the additional expense from this
2 case, and so that is not built into rates going
3 forward. But with regard to capital, we spent the
4 number that comes to mind is 20 to 25 million
5 rebuilding our system. So that is a capital addition
6 that is reflected in our rate -- in this rate case.
7 And, of course, that will be depreciated over the life
8 of those assets.

9 **Q Would you talk a little bit about the process**
10 **in the company to approve the asset management program**
11 **and the metrics you use in the need to terminations?**
12 **I see the chief operating officer, Mr. Vermillion, is**
13 **in the audience.**

14 A Yes.

15 **Q I assume he is involved. Your CFO is**
16 **involved. You're involved. Describe that process, if**
17 **you would.**

18 A And I'm going to tell you what I can.
19 Ms. Rosentrater is more directly involved in those
20 specific asset management plans, but each department
21 actually has asset management plans related to their
22 area of expertise. Each year they submit what they
23 need in terms of capital investment for their area of
24 responsibility.

25 We have what's called a capital planning

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1 group, CPG, and it's made up of directors for
2 generation, transmission, distribution, ISIT. And so
3 all the requests go into that group, and then they
4 prioritize what is going to be spent in the next year.
5 And they actually develop a five-year plan, but
6 because the requests in the past have been more than
7 what the board has limited the capital investment to
8 be, some of those projects are deferred to later
9 periods of time.

10 **Q Thank you. Moving on to ROE and ROR for a**
11 **minute, could you turn to page 8 of your testimony.**

12 A I'm there.

13 **Q On lines 6 through 14, you have a description**
14 **of that. Let me see. Could you read lines 12 and 13**
15 **about your actual earned ROR?**

16 A We know now after the fact that Avista earned
17 an ROR of 7.33 percent towards electric operations for
18 that 2015 rate year, which was almost identical to the
19 authorized ROR of 7.32 percent.

20 **Q And is this based on the CBR, the Commission**
21 **Basis Report, numbers?**

22 A It is.

23 **Q So, Mr. Norwood, what's wrong with this**
24 **picture in terms of what the Commission authorized in**
25 **Order 05 and going forward? In this case you're**

EXAMINATION BY COMMISSIONER JONES / NORW 113

1 asking for 7.68 percent or 7.64. I don't know, but
2 reading this, you seem to be fairly content with what
3 we did in Order 05 with our authorized ROR of
4 7.32 percent. Because you actually earned only one
5 basis point more. So what's wrong with that picture?

6 A I guess I don't see anything wrong with this
7 picture. The Commission in that order approved an ROR
8 at 7.32. At that point, the decision is made.
9 Commission deems that as being the right place. After
10 the fact, I think it is important to look at what was
11 the earned return after the fact compared to what was
12 ordered by the Commission. If the Commission had
13 given us a higher ROR, then we, likely, would have
14 earned closer to that.

15 Q Sure. And that translates, roughly, to a
16 9.5 percent ROE, does it not?

17 A That's correct.

18 Q Could you turn to page 13 of your testimony
19 where you get into the natural gas earnings that seem
20 to be a little bit higher. I just have one quick
21 question on that. Are you there? Can you see lines 1
22 through 10?

23 A I have that.

24 Q So why -- natural gas -- gas operations ROE
25 have been relatively low for 2012 to 2014, which you

EXAMINATION BY COMMISSIONER JONES / NORW 114

1 point out in your table.

2 A They have been.

3 Q I'm just a little perplexed as to why the ROE
4 for gas shot up to 10.2 percent?

5 A Yes. And I had the same questions. So I
6 asked Ms. Knox and Ms. Andrews to look at that, and
7 what they found in this particular instance is each
8 year at the end of the year, we look at our
9 allocations, not only between states, but between
10 jurisdictions, electric and natural gas.

11 So at the end of '15, the allocations actually
12 shifted costs away from gas to electric just a little
13 bit. And when you do that, then your expenses
14 actually go down when you're measuring the
15 after-the-fact results. So that's the primary reason
16 why this return is higher than what was authorized.

17 So the other thing to keep in mind with
18 natural gas is the rate base is very low. So it
19 doesn't take many dollars to shift the impact on ROE
20 changes. In fact, 10 basis points on ROE for the
21 natural gas business is about \$145,000. It doesn't
22 take much movement to cause the ROE to move.

23 Q So it's both based on, to summarize, the
24 allocation between the three different jurisdictions
25 and the relatively small rate base for natural gas?

EXAMINATION BY COMMISSIONER JONES / NORW 115

1 A That's correct.

2 Q Turn to page 17 of your testimony, please.
3 This relates to load growth.

4 A I'm there.

5 Q Let me ask you this: Mr. Norwood, why did you
6 quote Mr. Hancock so much in your rebuttal testimony?

7 A I thought he did a great job on most of what
8 he recommended and what he did.

9 Q You have many quotes of Mr. Hancock. So in
10 lines 11 through 15, you say that revenue growth is
11 flat. And Mr. Hancock mentions this at length in his
12 testimony as well.

13 Do you happen to know, according to your last
14 IRP, what your load forecasts are for natural gas and
15 electricity for the rate-effected year?

16 A I don't, but Mr. Forsyth is a witness. He's
17 in the room. He's the one that actually does the load
18 forecast and the customer forecast, so he could give
19 you details of that.

20 Q Do you know if it's more or less than
21 1 percent?

22 A My understanding is it's -- I don't know for
23 sure, but I think the sales growth, I believe, is less
24 than 1 percent. Customer growth may be close to 1,
25 maybe slightly over, but I will defer to Dr. Forsyth.

EXAMINATION BY COMMISSIONER JONES / NORW 116

1 Q Okay. I'll ask him. And, finally, I think
2 it's this -- on the role of attrition, this is not
3 geared to a specific page number, but I just want to
4 be clear that you support the way the Commission
5 ordered an attrition adjustment to be calculated in
6 Order 05, don't you?

7 A We support an attrition adjustment, but I
8 think, as I mentioned, I think it's important to --
9 let me step back. We've provided a modified test year
10 study, and Staff and Avista has concluded that's not
11 sufficient. So then we both moved on to attrition
12 analysis, and both Staff and Avista used the same
13 escalation period of '07 to '15. We both included
14 after-attrition adjustments.

15 So the point here is, yes, I believe
16 attrition, in this instance, is necessary, but, again,
17 we need to look at the after-the-fact results of that
18 to see when we're done with the analysis is it really
19 reflective of what's going to happen in the
20 rate-effected period.

21 Q Right. No. And I'm not trying to talk over
22 you, but I'm trying to get at the question of how you
23 calculated compared to -- both Staff and you run a
24 modified historical test year with pro forma capital
25 additions; right?

EXAMINATION BY COMMISSIONER JONES / NORW 117

1 A Yes.

2 Q And both Staff and you run an attrition
3 adjustment that complements that is added to as an
4 adjustment at the bottom once you calculate the
5 revenue deficiency. You do it the same way; right?

6 A In a very -- I would say a very similar way.
7 That's the same model and same escalation period as I
8 mentioned, but the major differences are Staff has a
9 different O & M escalator, which is one of the big
10 differences.

11 Q I know that. Yeah. I'm not asking that
12 question. So but some of the parties in this case --
13 I think I read some testimony that said you have to do
14 either/or. You have to do either a modified
15 historical test year with pro forma capital additions
16 or you do a broad attrition adjustment?

17 A Well, certainly, the Commission has the
18 discretion to use the tools in front of them. And so
19 in our view, the attrition analysis that we presented,
20 very similar to Staff, is the appropriate one to use
21 in this case.

22 Q And just, finally, why do you object to a more
23 granular look at O & M that Mr. Hancock does? You do
24 it -- maybe this is addressed more to Ms. Andrews.
25 You just are sticking to this position that you should

EXAMINATION BY COMMISSIONER JONES / NORW 118

1 **do it on a broad company-wide O & M basis?**

2 A Actually, in Ms. Andrews' response testimony,
3 she makes the point that we actually don't object to
4 looking at it more granular. In fact, Ms. Andrews
5 replicated Mr. Hancock's study where you take each of
6 the components that he isolated. If you do that, you
7 can look at the changes for each of those categories.

8 But then if you were to use the escalators
9 based on that trend for each of those categories, you
10 actually end up in the very same place. And
11 Ms. Andrews mentioned that in her response testimony
12 if we do our analysis the same way Mr. Hancock did, I
13 think she makes the point that the rate base number is
14 within, like, \$55,000.

15 We're not opposed at all to looking at it more
16 granular. If you're going to do that, you need to
17 look at some of the data to see if it has, for
18 example, kink points that we talked about in the last
19 case and in this case to make sure you're using the
20 proper escalators. If you look at Mr. Hancock's study
21 and Ms. Andrews' study, one used more granular. One
22 used more of an aggregate, but they both ended up with
23 the same starting place before you apply your
24 escalators.

25 COMMISSIONER JONES: That's all I have.

1 Thank you, Mr. Norwood.

2 E X A M I N A T I O N

3 BY CHAIRMAN DANNER:

4 Q I just want to clarify because it was my
5 understanding in the last case that the authorized ROR
6 was 7.29, not 7.32. Maybe we can take a look at that.

7 A Now that you say that, I believe that is
8 correct. It was a prior case, I believe, where there
9 was a 7.32.

10 CHAIRMAN DANNER: That's it.

11 E X A M I N A T I O N

12 BY JUDGE MOSS:

13 Q All right. Well, I won't prolong this for
14 you, Mr. Norwood. I just have a quick question. You
15 mentioned the 10 basis points on the gas side
16 represents, approximately, 145,000. What is it on the
17 electric side?

18 A On the electric side, it's 1.1 million.
19 That's a revenue requirement number in both cases.

20 JUDGE MOSS: Thank you.

21 COMMISSIONER JONES: Judge, just to be
22 clear there, that's ROE, not ROR.

23 MR. NORWOOD: Thank you. That's
24 correct. Return on equity.

25 JUDGE MOSS: Right. Thank you. I just

EXAMINATION BY MEYER / ANDREWS

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1 wanted the comparable numbers.

2 Thank you very much, Mr. Norwood. I believe
3 that completes your examination today, so you may step
4 down subject to recall, if needed. Thank you very
5 much.

6 Let's take our morning break. We'll break
7 until 10:45, and we'll have Ms. Andrews when we come
8 back. So she should be perhaps ready with her books
9 and so forth.

10 (A break was taken from 10:35 a.m. to
11 10:49 a.m.)

12 JUDGE MOSS: All right. Let's be back
13 on the record. Ms. Andrews, welcome.

14
15 ELIZABETH M. ANDREWS, witness herein, having been
16 first duly sworn on oath,
17 was examined and testified
18 as follows:

19
20 JUDGE MOSS: Please be seated.

21 Mr. Meyer, your witness.

22 MR. MEYER: Thank you, Your Honor.

23 E X A M I N A T I O N

24 BY MR. MEYER:

25 Q Ms. Andrews, for the record, please state your

EXAMINATION BY MEYER / ANDREWS**121**

1 **name.**

2 A Elizabeth M. Andrews.

3 **Q And have you prepared and prefiled and have**
4 **had admitted Exhibits EMA-1T all the way through**
5 **EMA-11?**

6 A Yes, I have.

7 **Q And I understand that you previously provided**
8 **two corrected pages to that exhibit?**

9 A Correct.

10 **Q Do you have beyond that any other corrections?**

11 A Just the two pages and then the additional on
12 AMI.

13 **Q So no further edits?**

14 A No.

15 MR. MEYER: So with that, the witness
16 is available.

17 JUDGE MOSS: Ms. Andrews, I'm going to
18 ask you to observe your counsel there whose mouth is
19 only inches from his microphone as is mine. And,
20 unfortunately, it's necessary, as they say in the
21 business, to swallow the mike. I'll ask you to do
22 that so it does pick up your voice clearly for those
23 who are listening on the bridge line and for the
24 benefit of those in the room as well.

25 MS. ANDREWS: Is that better?

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1 JUDGE MOSS: That's better. Thank you
2 very much. It's a little unnatural. All right.

3 MS. ANDREWS: I'm also so short. I can
4 barely reach the floor.

5 JUDGE MOSS: I understand completely.
6 I've shrunk quite a bit over the years. I'm getting
7 short myself.

8 All right. With that then, we'll go again
9 with Public Counsel, Ms. Gafken.

10 MS. GAFKEN: Thank you. And I think
11 the estimate on the sheet says 25 minutes. I'm not
12 going to take 25 minutes this morning.

13 JUDGE MOSS: I'll hold you to that.

14 E X A M I N A T I O N

15 BY MS. GAFKEN:

16 Q Good morning, Ms. Andrews.

17 A Good morning.

18 Q Would you please turn to your rebuttal
19 testimony, which is Exhibit EMA-6T, and turn to
20 page 50.

21 A I'm there.

22 Q I'd like to -- I'm sorry. Let me start that
23 again. I'd like you to turn to lines 1 and 2 on
24 page 50. There you state that Mr. Watkins expressed
25 that certain numbers included expenses when they

EXAMINATION BY GAFKEN / ANDREWS

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1 actually included both expenses and capitalized labor
2 costs; correct?

3 A Correct.

4 Q You go on to point to Avista's response to
5 Public Counsel Data Request No. 10, which was the
6 source of Mr. Watkins' table; correct?

7 A Correct.

8 Q Do you have a copy of Mr. Watkins' testimony
9 with you?

10 A Yes, I do.

11 Q Okay. Would you access his testimony, which
12 is Exhibit GAW-1T, and turn to page 15.

13 A Fifteen, page 15?

14 Q Page 15. And, let's see, lines 7 and 8.

15 A Yes.

16 Q There do you see that Table 11 provides
17 Avista's Washington electric operations total salary
18 and wages, including capitalized labor?

19 A Yes.

20 Q And on page 16 of Exhibit GAW-1T is Table 12,
21 which is the table that you were referring to in your
22 testimony; correct?

23 A Yes, I believe that's true.

24 Q And Table 12, the source of those
25 calculations, came from Table 11. Is that your

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1 understanding?

2 A That's my understanding.

3 Q Okay. And in the revised testimony that
4 Public Counsel filed, do you see the word "expenses"
5 has been stricken?

6 A Yes, I do.

7 Q That was a typo, but it was clear on
8 page 11 -- or I'm sorry. On page 15 that the
9 capitalized labor costs were included in those
10 numbers?

11 A Yes.

12 MR. MEYER: A little closer.

13 MS. ANDREWS: Sorry.

14 Q I have the same with these things.

15 And also Avista's response to Public Counsel
16 Data Request No. 10 is included as Mr. Watkins'
17 Exhibit GAW-8; correct?

18 A I believe so.

19 Q So that data request is in the record?

20 A Yes.

21 Q Would you please turn back to your rebuttal
22 testimony, Exhibit EMA-6T, and turn to page 51,
23 lines 21 to 22. There you state that there are
24 understandable circumstances driving the higher growth
25 and costs for the data evaluated by Mr. Watkins if

EXAMINATION BY GAFKEN / ANDREWS

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1 only one were to ask; correct?

2 A Correct.

3 Q Are you familiar with the Commission's order
4 in Avista's last general rate case in Dockets
5 UE-150204 and UG-150205?

6 A Yes, I believe so.

7 Q Are you familiar with the Commission's Order
8 No. 5 from -- I'm sorry. That's the same question.
9 Are you familiar with the requirements set forth in
10 Order 5 that the utilities requesting an attrition
11 adjustment must demonstrate that the cause of the
12 mismatch between revenues, rate base, and expenses is
13 not within the utilities' control?

14 A Could you repeat that, please?

15 Q Sure. Are you familiar with the requirements
16 set forth in Order 5 that utilities requesting an
17 attrition adjustment must demonstrate that the cause
18 of the mismatch between revenues, rate base, and
19 expenses is not within the utilities' control?

20 A Yes, I am.

21 Q So it's fair to say, then, that the place to
22 explain the growth in Avista's cost is in Avista's
23 direct case; correct?

24 A Yes. And that's not exactly what I was
25 referring to when I was talking about this particular

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1 sentence. What I was referring to is Mr. Watkins
2 should have asked questions about really understanding
3 the data that he was using and that they -- the
4 underlying information, which was provided in our
5 case, would have explained things like storms, which
6 was described in our testimony, or other factors that
7 would be increasing labor expenses or O & M expenses.

8 **Q And you did describe the November storm in**
9 **your rebuttal testimony.**

10 A Correct.

11 **Q And you do recall that we asked an informal**
12 **follow-up question in July on the labor costs?**

13 A Yes.

14 MS. GAFKEN: Okay. I have no further
15 questions.

16 JUDGE MOSS: All right. Thank you.
17 You were good to your word, Ms. Gafken.

18 We have from -- the Northwest Industrial Gas
19 Users, apparently, have a couple of questions.

E X A M I N A T I O N

21 BY MR. BROOKS:

22 **Q Good morning, Ms. Andrews.**

23 A Good morning.

24 **Q I'd like to start with your Rebuttal Exhibit**
25 **EMA-6T, and if you could, please turn to page 39.**

EXAMINATION BY BROOKS / ANDREWS**127**

1 **JUDGE MOSS: While you're doing that,**
2 **I'm going to ask that whoever is on the bridge line**
3 **please mute their phone.**

4 A Yes, I'm there.

5 **Q On line 6 you referred to this idea of a kink**
6 **point, and I wanted to explore that idea. And there's**
7 **a footnote that's Footnote 46. Could you please read**
8 **the first sentence of that footnote?**

9 A Yes. It says a kink point is a point in which
10 the data in a series has a definite kink in the data
11 series up or down from previous data points that
12 should be recognized if a linear regression analysis
13 is used.

14 **Q What is your definition of a definite kink?**

15 A Well, I think if you look at some of the
16 specific granular areas that either Mr. Mullins or
17 Mr. Hancock had provided within their exhibits,
18 specifically Mr. Mullins with your witness, you can
19 see specific where the data pitches upward and changes
20 significantly from the previous years.

21 **Q So if you take any given point, how long**
22 **before and after that point how much data do you need**
23 **to determine if a kink exists at that point?**

24 A Well, this question may be better for
25 Dr. Forsyth who is a little bit more -- but you can

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1 tell within the data -- you can actually have even
2 more than one kink point. Dr. Forsyth can speak to
3 the fact that you can actually have multiple kink
4 points in a data series.

5 In the case of what Mr. Mullins had included
6 in his model, you can see in several instances -- and
7 both Dr. Forsyth and I speak to it as far as
8 determining the revenue requirements associated with
9 it -- you can see the data itself where it pitches up.
10 I think a few examples he gave showed a pitch-up in
11 2009, for example.

12 **Q When you're looking at the data and you can**
13 **see this kink, is it visible looking just one year on**
14 **either side of a point?**

15 A I think for me who's not a statistician for me
16 you can see -- specifically, Mr. Mullins you can
17 see -- you can visually see it, but Dr. Forsyth could
18 speak better to how you can actually look at the data.
19 Sometimes it's not as clear. But you can look at the
20 data and determine where those kink points exist.

21 **Q I will ask him some questions. Since you**
22 **testified about there being a definite kink, I want to**
23 **explore that with you.**

24 A That's fine.

25 **Q What about if you look two years on the other**

EXAMINATION BY BROOKS / ANDREWS**129**

1 **side of a point, is it possible to see that much of**
2 **kink with that much information?**

3 A Yes, you can -- as Mr. Mullins did use various
4 data periods, for Staff and Avista, we used 2007 to
5 '15. Because as we testified to last year, there was
6 definite kink points in that beyond 2007 with the
7 granular data that we used. And it is correct that as
8 you provide different granular data you might have
9 different kink points than that.

10 Q **Sticking with page 39 -- and I'm looking at**
11 **line 9 now and the sentence that begins there -- you**
12 **testified that linear regression is used when**
13 **historical data, quote, appears linear; correct?**

14 A Yes.

15 Q **How do you determine when a data set appears**
16 **linear?**

17 A Well, you would have to -- I mean, obviously,
18 appearance -- I used appearance for these -- both this
19 example and the next pages is talking about nonlinear
20 and the specific kink points. You also need to
21 analyze that data, which we did internally in our
22 company. I had Dr. Forsyth review our analysis to
23 make sure that the appropriate linear and nonlinear
24 analysis was done between both our electric and gas
25 models.

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1 **Q** **Does the data appear linear only when all the**
2 **points actually fall on the line, or is there some**
3 **tolerance there?**

4 A I'm sure there's some tolerance, but
5 Dr. Forsyth would be better to answer that question.

6 **Q** **I'd like to get your opinion on it. Is there**
7 **room for applying informed judgment about whether or**
8 **not the data set is linear or not?**

9 A I think you could analyze the data. Like I
10 said, I had Dr. Forsyth analyze the specific data for
11 the linear models, and they did appear to be linear on
12 the electric side. And on the gas side, many of them
13 appeared nonlinear. That's why we went with that
14 approach.

15 You can look at some of the -- just going to
16 think about some of the disaggregated data that
17 Mr. Mullins used, you can see that there are many
18 categories that he -- cross categories that he
19 disaggregated. And you see points all over the place,
20 but what I would suggest is that what happens in many
21 of the instances of disaggregating the data is you
22 have multiple categories that either were not material
23 or the change was not material.

24 And so I think that they tended to just
25 distract from the true cost categories that are

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1 causing the growth in our costs. And so what you can
2 see on those cost categories that are really driving
3 our attrition increases or the need for attrition
4 tended to be linear and fairly close to the line, and
5 on the gas side, you can see this growth in expenses
6 over time.

7 Q Since you relied on Dr. Forsyth's statistical
8 analysis of whether or not something was linear, I'd
9 like to get back to just your view of it when you said
10 you reviewed, for example, Mr. Mullins' graphs. Did
11 you base this concept of linearity -- I don't know if
12 that's a word -- of it being linear, on that
13 statistical analysis or on your view of how the graph
14 looked, for example?

15 A I looked at it, but, like I said, I relied on
16 Dr. Forsyth to go through his analysis. And I relied
17 on -- that's why he sponsored testimony around linear
18 regression because he is a doctorate and has more
19 information on this than I do.

20 Q Thank you. Could you turn to page 40 of the
21 same testimony.

22 A Yes.

23 Q And I'm specifically looking at Figure 3. And
24 can you describe what this figure depicts?

25 A Yes. And as it says, it is a picture that is

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1 directly out of Dr. Forsyth's testimony. And so it
2 shows that from 2000 to 2009 it was fairly linear, and
3 then it pitches up. There's a direct kink point which
4 you can see within this data.

5 **Q Does Avista's attrition analysis use a trend**
6 **line that starts in 2007, or does it evolve and**
7 **sometimes use a trend line that starts in 2009?**

8 A No. We use 2007 to 2015 because our
9 aggregated data that is -- there is clearly a kink
10 point -- I mean, there's, clearly, a kink point
11 starting in 2007, and that's why we are using 2007 to
12 '15 consistent with the last year's case that the
13 Commission approved.

14 **Q So if the data set did appear this way**
15 **because, for example, the Commission used the**
16 **disaggregated data, would Avista's trend line take**
17 **into account that kink point in 2009?**

18 A Yes.

19 **Q How so?**

20 A Well, if you disaggregate the data, then you
21 would have to use -- you would have to recognize a
22 kink point, just as Dr. Forsyth explained in his
23 testimony, about where that kink point would exist.

24 **Q Would Avista's attrition analysis then have to**
25 **be adjusted to capture this kink point since you did**

EXAMINATION BY BROOKS / ANDREWS**133**

1 **not disaggregate the data?**

2 A No. Actually, you could -- you could do 2007
3 to '15 and you would just have to recognize the kink
4 point at the 2009 period if you disaggregated the
5 data.

6 **Q My question is about under Avista's existing**
7 **model that does not disaggregate the data. How would**
8 **that kink point get captured?**

9 A As I mentioned, as you disaggregate the data,
10 then there may be various -- the kink points may vary
11 between the years. But on an aggregated basis when
12 you look at our data, the kink point existed at 2007,
13 and that is what we reflected.

14 **Q Still using this as an example, what would**
15 **happen to that trend line if you -- if it started at**
16 **the 2007 period instead of 2009? Would it be**
17 **shallower or steeper?**

18 A Well, I was looking at it aggregated data --
19 I'm sorry. Yeah, aggregated data and at that
20 aggregated data because you have -- you have various
21 components that, like I said, may vary. In the
22 aggregate, the kink point existed 2007. So I wouldn't
23 reflect a kink point in '09, because that's not what
24 the aggregated data shows. If you're going to
25 disaggregate the data, you may very well have varying

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1 time periods. That's not what we did, and that's not
2 what I think is necessary.

3 Q I'd like to turn to page 45 of your testimony.
4 Beginning on page 9, you refer to the Commission's
5 order in Avista's prior rate case; correct?

6 A I'm sorry. You said beginning on page 9?

7 Q I'm sorry. Page 45, line 9.

8 A Okay. Sorry. Okay. Say that again.

9 Q On this line -- beginning on this line, you
10 refer to the Commission's order in Avista's prior rate
11 case.

12 A Correct.

13 Q What historical time period did the Commission
14 ultimately adopt as the basis for the attrition
15 analysis in that case?

16 A 2007 to 2014.

17 Q Is it true in that case that Avista on
18 rebuttal adopted Staff's attrition analysis with some
19 changes?

20 A Some changes, correct.

21 Q Was one of those changes that Staff had urged
22 the Commission to look at a 2009 to 2014 period,
23 whereas, Avista wanted to look at the 2007 to 2014
24 period?

25 A That's correct. And the Commission approved

EXAMINATION BY BROOKS / ANDREWS

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1 the 2007 to '14 time period.

2 **Q Did the Commission have any evidence or**
3 **arguments in front of it other than those two**
4 **competing time periods, for example, that the**
5 **historical period should be longer and go back prior**
6 **to 2007?**

7 A Well, Dr. Forsyth had included in testimony
8 discussing how the 2000 to 2007 time period used in
9 the aggregated basis had -- because of that kink
10 point, that that data period did not appear to be
11 relevant. That what was important is what were we
12 expecting to occur during the rate period and that
13 level of increase from '7 to '15, that level of slope
14 that was occurring, was what we were expecting to go
15 on a forward basis.

16 **Q Did any other party offer a time frame or did**
17 **Avista advocate for a longer time frame than 2007?**

18 A No. Because as I said, we had Dr. Forsyth's
19 testimony explaining that the 2007 to the 2014 time
20 period was the appropriate time frame.

21 MR. BROOKS: Thank you. That's all the
22 questions I have.

23 JUDGE MOSS: Thank you, Mr. Brooks.

24 And that completes examination by parties. Do
25 we have questions from the Bench? Commissioner Jones.

EXAMINATION BY COMMISSIONER JONES / ANDR 136

1 EXAMINATION

2 BY COMMISSIONER JONES:

3 Q Just a couple, Ms. Andrews. So you heard my
4 exchange with Mr. Norwood over the application of
5 modified historical test year --

6 A Yes.

7 Q -- attrition adjustment.

8 Do you have anything to add that -- was that a
9 correct characterization of Staff's position and your
10 position?

11 A I'm having a little trouble recalling the
12 specific testimony. I'm sorry.

13 Q Okay. There is some testimony --

14 A I was paying attention.

15 Q Sorry. We're not supposed to talk over each
16 other.

17 There is some testimony in the case that says
18 either you use a modified historical test year with
19 pro forma capital additions or you use a broad
20 attrition adjustment.

21 A Yes, I understand.

22 Q Avista does not agree with that; right?

23 A Well, we provided both a modified historical
24 test period, but as we noted in testimony, it's not --
25 we recognize it is not sufficient to cover our costs,

EXAMINATION BY COMMISSIONER JONES / ANDR 137

1 both in expense and capital, during a rate year. So
2 we also provided an attrition study to provide support
3 to this Commission on what level we do expect during
4 the rate year.

5 So I believe, in a way, they complement each
6 other. Because you can see that using a modified
7 historical test period isn't sufficient, and so I look
8 as the attrition adjustment -- or the attrition study
9 as -- you know, I believe last -- I believe in the
10 prior case the Commission approved an attrition
11 allowance.

12 And so they looked at the modified historical
13 test period, came up with a result, and then there was
14 an attrition allowance that adjusted from there to the
15 revenue requirement approved by this Commission, and I
16 think we're taking the same approach, both the Staff
17 and I.

18 Q So, again, my question to Mr. Norwood and to
19 you is more the way you calculate modified historical
20 test period as a complement with an attrition
21 adjustment.

22 Ms. Swan does it in her adjustment,
23 adjustment 4.8, in her attachment, and I think you do
24 it in your analysis. You do it the same way; right?

25 A We do. Yes, we do.

EXAMINATION BY COMMISSIONER JONES / ANDR 138

1 Q And just I'd like to get a sense of the bottom
2 nine numbers on rebuttal just so I'm clear. Turn to
3 page 10, please. I'd like to first go to electric
4 revenue requirement.

5 A You said page 11?

6 Q No. Ten, Table 4.

7 A Okay. Yes, I'm there.

8 Q So just so I understand what your final ask of
9 the Commission is, you're asking in revenue
10 requirement 40,101,000 in 2017, 10,485,000 in 2018,
11 for a total of 55,086,000?

12 A Actually, we are asking 38.568, so our direct
13 case was slightly lower than this.

14 Q I know that, yeah.

15 A So what we're actually asking for -- and we do
16 state here -- does it say it? Updated revenue
17 requirement is provided for informational purposes
18 more from the standpoint of the total. And the
19 Company is not requesting a higher increase than what
20 we had originally filed.

21 Q So what are you asking for, electric, please?
22 Give me a number.

23 A So we are asking for 38,568,000.

24 Q 38,568,000.

25 A So if you actually want to go up to the Avista

EXAMINATION BY COMMISSIONER JONES / ANDR 139

1 filed at the very top line --

2 **Q Where is that?**

3 A -- line 3 of that table --

4 **Q There it is.**

5 A -- that's really what we're asking for. We
6 have made adjustments, and we would hope that they
7 would be reflected as you make your decision --

8 **Q Yes.**

9 A -- probably downward.

10 **Q And you heard me ask some questions on your**
11 **Item Sub C on the update cost of debt, so I think that**
12 **is an issue in play. But your ask is that number --**
13 **that line Avista filed on top, so 38,568,000 plus**
14 **10,301,000 for a total of 48,869,000 over the**
15 **18 months?**

16 A Yes. We do believe that we have supported a
17 higher level, but, obviously, we cannot ask, without
18 resetting the clock, a higher amount.

19 **Q Good. And let's go to the gas page. Where is**
20 **that?**

21 A That's page --

22 **Q Let me see.**

23 A Page 15.

24 **Q Okay.**

25 A Table 5.

EXAMINATION BY COMMISSIONER JONES / ANDR 140

1 Q I want to be clear on this. So you are asking
2 for -- I know you're asking for certain adjustments on
3 rebuttal, but your ask is Avista filed 4,397,000 plus
4 941,000 for a total of 5,338,000?

5 A That's correct.

6 COMMISSIONER JONES: Okay. Thank you.
7 That's all I have, Judge.

8 JUDGE MOSS: Thank you. Nothing
9 further from the Bench?

10 Ms. Andrews, that was mercifully short from
11 your perspective, I'm sure.

12 MS. ANDREWS: I'm totally fine with
13 that.

14 JUDGE MOSS: We appreciate your
15 testimony today, and we will let you step down from
16 the witness stand there subject to recall, if needed.

17 And I believe our next witness is Forsyth,
18 Dr. Forsyth.

19
20 GRANT DOUGLAS FORSYTH, witness herein, having been
21 first duly sworn on oath,
22 was examined and testified
23 as follows:
24

25 JUDGE MOSS: Mr. Meyer.

1 While Mr. Meyer is finding the place there,
2 Dr. Forsyth, I just have to ask is "kink point" a
3 technical term in the statistics world?

4 DR. FORSYTH: It was the term that I
5 came up with that would least confuse people from the
6 statistical world.

7 JUDGE MOSS: Thank you very much. I
8 didn't remember learning it in statistics. I was just
9 curious.

10 DR. FORSYTH: I'm aware that not
11 everybody loves what I do.

12 JUDGE MOSS: Nor what I do.

13 Mr. Meyer, are you ready now?

14 MR. MEYER: I am. Thank you.

15 JUDGE MOSS: Please proceed.

16 E X A M I N A T I O N

17 BY MR. MEYER:

18 **Q Dr. Forsyth, for the record, please state your**
19 **name.**

20 A Grant Douglas Forsyth.

21 **Q And have you prepared two exhibits marked as**
22 **GDF-1T and GDF-2 that were prepared by you and**
23 **admitted into the record?**

24 A I have --

25 **Q GDF-1T and GDF-2?**

EXAMINATION BY GAFKEN / FORSYTH**142**

1 A Yes, that's correct.

2 Q You have a slight revision to one of those?

3 A Yes, if I can call the attention to everybody
4 to GDF-1T, page 10, Table No. 2.

5 Q Let's let everybody get there. All right.

6 A All right. Table No. 2 the -- if you look at
7 the first column in Table No. 2, it says Mullins gas
8 expenditure category. It should be gas and electric.
9 It's a combined. It includes an analysis or examples
10 from both Mr. Mullins' gas and electric analysis.

11 Q Do those complete your corrections?

12 A That is correct.

13 MR. MEYER: Thank you, Dr. Forsyth. He
14 is available.

15 JUDGE MOSS: All right. Very good.

16 Ms. Gafken.

17 E X A M I N A T I O N

18 BY MS. GAFKEN:

19 Q Good morning, Dr. Forsyth.

20 A Good morning.

21 Q Would you please turn to your rebuttal
22 testimony, which is Exhibit GDF-1T, and turn to
23 page 14, line 23.

24 A Just to confirm, GDF-1T, page 14, line 23?

25 Q Correct.

EXAMINATION BY GAFKEN / FORSYTH**143**

1 A Okay.

2 Q There you state that Mr. Watkins refers to the
3 Customer Price Index for all urban customers; correct?

4 A Consumer Price Index, that's correct.

5 Q By urban, are you referring to the
6 metropolitan statistical areas?

7 A That's correct. So the way the Consumer Price
8 Index is calculated is it is a collection of prices
9 from urban areas across the United States. So it
10 represents the prices being paid by urban consumers.

11 Q And, again, the urban consumers in
12 metropolitan statistical areas?

13 A Yeah. Predominantly, the price collections
14 will be coming from metropolitan areas.

15 Q Do you know what the percentage of the
16 American public is covered in the metropolitan
17 statistical area and thus included in the Consumer
18 Price Index?

19 A I do not know that number.

20 Q Would you please turn to Cross-Exhibit
21 GDF-3CX.

22 A Yes. I'm there.

23 Q Do you recognize Cross-Exhibit GDF-3CX as a
24 depiction of metropolitan statistical areas in the
25 state of Washington?

EXAMINATION BY GAFKEN / FORSYTH**144**

1 A Yes. And, for clarification, both
2 metropolitan and the distinction also between
3 micropolitan, so it includes both.

4 **Q Okay. Right. Is Spokane in a metropolitan**
5 **statistical area?**

6 A It is.

7 **Q Okay.**

8 A And for the record, that area has recently
9 changed. It used to be just Spokane, the county of
10 Spokane. And just recently we have been added to
11 Stephens and Pend Oreille as the new definition of the
12 Spokane/Spokane Valley metropolitan statistical area.

13 **Q So that larger green area is a new drawing of**
14 **the metropolitan statistical area?**

15 A That's correct. Up until, I believe it was,
16 perhaps last year, it was just Spokane County; but
17 because of worker flows, it now includes Stevens and
18 Pend Oreille as part of that MSA.

19 MS. GAFKEN: Okay. Thank you. I have
20 no further questions.

21 JUDGE MOSS: Thank you, Ms. Gafken.

22 I think we do have some questions from the
23 Northwest Industrial Gas Users again, Mr. Brooks.

24 MR. BROOKS: Before we begin, Your
25 Honor, I just wanted to alert you -- and I've talked

EXAMINATION BY BROOKS / FORSYTH

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1 to Mr. Meyer about it -- that some of my questions are
2 going to be referencing an exhibit that's not in
3 Dr. Forsyth's testimony but was Mr. Mullins's
4 testimony. And it is Exhibit BGM-4 that he refers to
5 in his testimony.

6 JUDGE MOSS: Do you have a copy of that
7 with you, Dr. Forsyth?

8 DR. FORSYTH: I do.

9 JUDGE MOSS: Then we should be able to
10 proceed smoothly.

11 MR. BROOKS: Thank you.

E X A M I N A T I O N

12 BY MR. BROOKS:

13 **Q We will not begin there however. Dr. Forsyth,**
14 **could you turn to your testimony, which is GDF-1T, and**
15 **specifically on page 6.**

16 A Yes.

17 **Q Referring to line 19, which is just beneath**
18 **the figure, here you explain why kink points are**
19 **meaningful. Could you please read those two lines.**

20 A Yes. Starting at line 19?

21 **Q Correct.**

22 A The regression line is insufficient for
23 explaining the pre or post kink trend. Regardless of
24 the time period under analysis, sharp changes in
25

EXAMINATION BY BROOKS / FORSYTH

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1 growth need to be controlled for to accurately
2 describe expenditure trends.

3 **Q Does Avista's attrition analysis consider any**
4 **sharp changes in growth that have occurred since 2007?**

5 And I mean consider or reflect.

6 A Well, the original analysis that was done in
7 the previous rate case, the majority of kink points
8 occurred in that 2007 time period. So there's a
9 little bit of a distinction between what was done
10 previously and what was done in this rate case in
11 terms of my rebuttal testimony because of the
12 disaggregation that occurred by both Staff and
13 Mr. Mullins. And so as Ms. Andrews pointed out, it
14 tends to shift the kink points around a little bit
15 when you're disaggregating that data into more
16 categories.

17 **Q For Avista's attrition analysis and not**
18 **responding to the other parties' attrition analyses,**
19 **does Avista's attrition analysis do that?**

20 A No. I believe it starts all in 2007 as I
21 recall.

22 **Q Thank you. Could you please turn to page 7 of**
23 **your testimony.**

24 A Yes.

25 **Q I'd like to walk through the example here from**

EXAMINATION BY BROOKS / FORSYTH**147**

1 **Mr. Mullins's testimony that you've highlighted in**
2 **Figure 3.**

3 A Yes.

4 Q **Where is the kink point on this graph?**

5 A I estimate it to be at 2009 via statistical
6 analysis.

7 Q **And using that statistical analysis, do you**
8 **need a certain number of years before and after that**
9 **point to understand if a kink point has occurred?**

10 A The kink point would be measured through a
11 shift coefficient in the regression analysis, and you
12 would identify it by the strength of the statistical
13 test on that shift coefficient.

14 Q **Is that strength stronger if you have more**
15 **data on either side of the point?**

16 A The statistical test is adjusted for the
17 sample size, so there is a sample size adjustment for
18 the statistical test. So in my particular case -- and
19 I believe the regression analysis that is described in
20 Figure No. 3 is actually discussed in my Exhibit
21 GDF-2.

22 Q **Would you be comfortable applying that**
23 **analysis in determining that there was a kink if there**
24 **were only three years of data, so one year and a year**
25 **on either side of it?**

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1 A It would depend on the strength of the test.
2 In other words, I would need to look at what we call
3 the T statistic, how large is that T statistic. And
4 if you go to, if I may, GDF page 2 of 2 -- this is
5 GDF-2, page 2. If you look at Table 1(a), if you go
6 down to what's called the year dummy and it has an
7 alpha 3 beside it --

8 **Q Was there a comma after that "year"?**

9 A Sorry. Statistical talk here.

10 As applied, just for background, dummy is a 01
11 variable, but it's being used to adjust the slope for
12 the time period under analysis. You can see the
13 T statistic is 22.76. Anything over a value of two,
14 we would consider statistically significant.

15 **Q So it would be possible with three years to**
16 **get a value that is over two?**

17 A It would be difficult, because, again, this
18 statistical test is adjusted for the sample size. And
19 so the smaller your sample size, the higher the
20 threshold. So for the type of -- the amount of data
21 that we have available for the current analysis that
22 was done using Table 1(a), roughly, a value greater
23 than two. Now, as your sample size shrinks, the
24 threshold becomes a little bit higher for determining
25 statistical significance.

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1 **Q** **Is the opposite true then that as your sample**
2 **increases the threshold gets smaller --**

3 A Yes.

4 **Q** **-- and it's easier to achieve?**

5 A Yes. But the amount that it declines as your
6 sample size gets larger doesn't decline very much.
7 There's a certain point where you've reached that
8 statistical efficiency level.

9 **Q** **Can you give a generic assessment of how many**
10 **years you need to maybe likely get over that point on**
11 **a regular basis?**

12 A No. I would have to consider the specific
13 data set before I could comment on that.

14 **Q** **Thank you.**

15 **Would you agree that the primary driver of**
16 **Avista's request for an attrition adjustment is an**
17 **increase in the rate of plant additions?**

18 A I didn't precisely look at that. That would
19 be a question for Ms. Andrews.

20 **Q** **Could you turn to page 4 of your testimony.**

21 A Yes.

22 **Q** **Beginning on line 6, you describe your**
23 **testimony in the prior 2015 rate case; is that**
24 **correct?**

25 A Yes.

EXAMINATION BY BROOKS / FORSYTH

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1 **Q** And the footnote that occurs on line 9 that is
2 at the bottom of the page, you referenced how the
3 Commission viewed your testimony; correct?

4 A I'll need to review this footnote. Just a
5 minute.

6 Yes. And just for a reference, the original
7 attrition methodology suggested by the Company was not
8 regression analysis. There was a compounding approach
9 originally suggested, and as I recall, we adopted
10 Staff's recommendation of a regression approach.

11 **Q** So I'd like to refer to the portion of that
12 footnote that says that the kink point in 2007 that is
13 showing an increase in the rate of plant additions and
14 that that was the basis for the kink point in your
15 testimony?

16 A Yes. But it was -- it wasn't the only data
17 series I looked at. I looked at the other series as
18 well. Now, keep in mind, this was the more aggregated
19 series. The disaggregated series we've been
20 discussing in the other testimony, and 2007 seemed to
21 be an approximate location for the kink points in that
22 aggregated series.

23 **Q** And that was based on the -- largely based,
24 though, on the increase in the rate of plant
25 additions?

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1 A Not only. I mean, I did consider each series
2 individually, and so on average, 2007 appeared to be a
3 switch point for the Company's expenditure behavior.

4 Q Were you in the room earlier when Mr. Norwood
5 was being questioned and he talked about the driver of
6 attritions and -- of attrition and the aging
7 infrastructure and reliability?

8 A Yes.

9 Q Was his answer incomplete?

10 A No, I don't think it was incomplete.

11 Q Did you review all of Mr. Mullins's testimony?

12 A I focused primarily on the testimony related
13 to the regression analysis, because that was where my
14 technical expertise was needed.

15 Q This is where I want to refer to BGM-4, and
16 this is an exhibit to Mr. Mullins's testimony that you
17 then cited in your testimony; is that correct?

18 A I'm going to have to just -- let me write this
19 down. Would you repeat that again?

20 Q It is BGM-4, and the specific graph that I
21 believe you put into your testimony is from page 15 of
22 that exhibit.

23 A Oh, yes. Right. So this is -- yes, okay.

24 Q Maybe it's page 16.

25 A Well, I have BGM-4 here, page 15 of 19 of

EXAMINATION BY BROOKS / FORSYTH

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1 this.

2 Q Yes. That's the one.

3 A Okay.

4 Q If you were to accept the idea of
5 disaggregating data and some of these costs, would you
6 agree that there was a kink point that existed here in
7 2009?

8 A Yes. And for the record, I believe this is
9 the same series that we have just been discussing in
10 my testimony.

11 Q Thank you. Could you turn the page to page 16
12 on that same testimony of Mr. Mullins.

13 A Yes.

14 Q When you viewed this data, did you see a kink
15 point in that?

16 A No. This is -- this is what we would refer to
17 as a step, which is slightly different than a kink
18 point. This gets into a technical detail.

19 So in the context of my testimony, a kink
20 point is a change in slope. This is what I would
21 describe as a step in expenditures. Okay. So it's a
22 little bit different.

23 Now, you would still handle it with what we
24 call dummy variables, but what you would show is,
25 effectively, an expenditure, a regression, that's got

EXAMINATION BY BROOKS / FORSYTH

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1 a dummy variable for, let's say, the 2009-forward
2 period, which would control for that step up.

3 **Q Is a step a sharp change in the expense or the**
4 **data that you're looking at?**

5 A Yes. But it's -- it can be -- in this
6 particular case, it's a one-time step based on the
7 available data.

8 **Q Could you please turn to page 10 back on your**
9 **testimony.**

10 A Okay.

11 **Q On line 5 you speak to the Commission's**
12 **decision in Avista's prior rate case; correct?**

13 A That's correct.

14 **Q What historical time period did the Commission**
15 **ultimately adopt as the basis for the escalation**
16 **factors in that case?**

17 A 2007 to '14 or '13. I can't remember what the
18 end year was off the top of my head.

19 **Q It began in 2007?**

20 A Yes.

21 **Q Do you know -- do you recall if Avista in that**
22 **case had adopted Staff's proposal and on rebuttal**
23 **adopted the same attrition model with some slight**
24 **changes?**

25 A As I recall, there was -- we adopted the

EXAMINATION BY COMMISSIONER JONES / FORS 154

1 regression approach. And as I recall, there may have
2 been a difference between the 2007-forward period and
3 what Staff had provided, but I can't recall precisely.

4 **Q Do you know if any other parties presented**
5 **evidence or argument to the Commission that the data**
6 **set should go prior to 2007?**

7 A There may have been, but I cannot recall
8 precisely.

9 MR. BROOKS: Thank you. That's all the
10 questions I have.

11 JUDGE MOSS: Thank you, Mr. Brooks.

12 All right. That completes the questions from
13 the parties. Do we have anything from the Bench for
14 Dr. Forsyth?

15 COMMISSIONER JONES: Yes, Judge.

16 JUDGE MOSS: Commissioner Jones.

17 E X A M I N A T I O N

18 BY COMMISSIONER JONES:

19 **Q Good morning, Dr. Forsyth.**

20 A Good morning.

21 **Q Good to see you again.**

22 A Thank you.

23 **Q Since I'm from the Spokane area, I have to ask**
24 **you a question about this MSA, the metropolitan**
25 **statistical area. My recollection was that**

EXAMINATION BY COMMISSIONER JONES / FORS 155

1 **Coeur d'Alene, Idaho, was going to be included by the**
2 **Bureau of Census or not at some point. What happened**
3 **with that?**

4 A Well, the story is somewhat complicated. Now,
5 I will say that if you go to someplace like the Bureau
6 of Labor Statistics, you can get Spokane and Kootenai,
7 which is in Idaho, Kootenai County. They do have it
8 as a combined statistical area, which is a special
9 designation. But there was, I believe, if I recall
10 correctly, some political resistance to Kootenai being
11 absorbed into the Spokane MSA area.

12 Q I'm familiar with that political controversy.
13 Some people like the borders drawn at state lines.

14 So when did -- in response to a question
15 earlier, I think, from Ms. Gafken, you said
16 Pend Oreille and Stevens Counties were included in the
17 MSA for Spokane. When did that occur?

18 A That would have, I think, come fully into play
19 this year in 2016.

20 Q And what is the population density and the per
21 capita income in Stevens and Pend Oreille compared to
22 Spokane? I think population density is quite a bit
23 less, and the rates of poverty are quite a bit higher
24 or higher than in Spokane County; right?

25 A That's correct. So Spokane -- I mean, Stevens

EXAMINATION BY COMMISSIONER JONES / FORS 156

1 and Pend Oreille Counties are quite rural. Even
2 though they are now part of our MSA, if you were to
3 travel through these counties, you would see quite
4 distinctly they're very rural. And, yes, they tend to
5 have a lower income level as well.

6 Q Okay. Kink points, thank you, Judge Moss, for
7 asking that question. I think it clarifies the record
8 or muddies it. I did not take statistics in college,
9 but I found your analysis interesting. And I think I
10 understand it.

11 My last questions regard your analysis versus
12 Mr. Hancock's electric attrition and natural gas
13 attrition model analysis. On page 3 of your
14 testimony, lines 9 through 10, can you go to page 3
15 just so we're following your record here?

16 A Okay. So I am at page 3 of my testimony.

17 Q Yeah. Lines 9 through 10, there you state you
18 agree, generally, with Mr. Hancock's O & M trended
19 analysis except -- and you think his -- excuse me.
20 Strike that.

21 You found his electric analysis to be
22 reasonable, but you have a difference on O & M trended
23 analysis; right?

24 A Correct. And I believe, if I remember
25 correctly, this is connected to the use of a weighted

EXAMINATION BY COMMISSIONER JONES / FORS 157

1 average for O & M.

2 Q Yes. He used a 50/50, 50 percent/50 percent,
3 weighted average. And what did you use?

4 A It was also 50/50 but with company-specific
5 data only.

6 Q So you did not use what he used, the ECI, the
7 Employment Cost Index, from the Bureau of Labor
8 Statistics; right?

9 A Yes. And if I remember correctly, it was a
10 combination of the Employment Cost Index and also the
11 PPI for utilities, which is a Producer Price Index.

12 Q Other than that, you found his electric
13 attrition analysis reasonable?

14 A That's correct.

15 Q And he used linear regression analysis; right?

16 A Yes. As I recall, predominantly, yes.

17 Q Let's move to natural gas. What about the
18 natural gas analysis? He used -- what is it called?
19 Polynomial or quadratic analysis? And you used linear
20 regression analysis; is that correct?

21 A No. I believe on the gas side, there was the
22 potential -- I need to look just for a minute.

23 Q Yeah. I think that could be page 11 of your
24 testimony you talk about his inconsistency of
25 application for Mr. Hancock.

EXAMINATION BY COMMISSIONER JONES / FORS 158

1 A Yes. There were -- in several instances,
2 Mr. Hancock would apply linear regression to data to
3 me was not clearly linear, meaning that a linear line
4 was perhaps not completely the appropriate
5 specification for explaining the behavior of the data.

6 So in some cases, perhaps a nonlinear line
7 would have been a better fit for the data or perhaps
8 the use, again, of a kink point to take into account a
9 shift in the pattern of growth.

10 Q So I'm trying to -- I think I'm coming to an
11 understanding of your differences with Mr. Hancock,
12 which you get into on page 11, lines 11 through 21,
13 but it's -- your disagreements with Mr. Hancock's
14 analysis relate more to the inconsistency --

15 A That's right.

16 Q -- of his approach of linear and nonlinear?

17 A That's correct.

18 Q Lastly, you heard my questions on load growth?

19 A Yes.

20 Q I don't have the IRP in front of me,
21 unfortunately, and I don't recall my last review of
22 that. But do you have some numbers both on housing
23 starts, the number of now -- I do admit we just
24 changed our line extension policy on natural gas. It
25 could change, but this is historical data. Do you

EXAMINATION BY COMMISSIONER JONES / FORS 159

1 **have some information, high-level, for load growth and**
2 **therms and kilowatt hours and housing starts?**

3 A So this would be -- these numbers I'm about to
4 give you would be what I would consider systemwide, so
5 system for electric, systemwide for all our service
6 area, and the same for gas.

7 And so right now customer growth is probably,
8 on the electric side, around 1 to 1.1 percent per
9 year.

10 **Q Okay.**

11 A And that number will track very closely with
12 population growth, which is probably one of the key
13 drivers in my forecast model that we use for the
14 revenue and earnings model at Avista.

15 **Q And by population growth, what's the data**
16 **source for that? Is that the Bureau of Census or what**
17 **data source do you use for population growth?**

18 A For the historical data, I will use -- yes,
19 from the U.S. Census. Sometimes I will pull the data
20 from the Bureau of Economic Analysis, but they are
21 pulling their population data from the U.S. Census.
22 So it almost always tracks back to the U.S. Census.

23 **Q So you don't use the state OFM data?**

24 A Sometimes I will. For this reason is because
25 of the delay in release of the U.S. Census data. I

EXAMINATION BY COMMISSIONER JONES / FORS 160

1 will sometimes use the OFM data to fill in maybe the
2 most recent year to fill in the numbers I need to do
3 the forecast, so I will refer to them periodically.

4 **Q Okay. That's electric side. What about the**
5 **gas side, therm use?**

6 A So --

7 **Q Systemwide is fine.**

8 A So for the electric load growth is in the
9 neighborhood of .6 to .7 percent.

10 **Q Excuse me. .6 to .7?**

11 A Yeah. That's the electric load growth.

12 **Q So on that point, you're a statistician.**
13 **Mr. Hancock I don't know if -- I think he studies**
14 **statistics. I don't know about Mr. Norwood.**

15 **But in their testimonies, they talk about flat**
16 **load growth for electric. Is that close enough?**

17 A Yeah.

18 **Q Flat?**

19 A It's pretty low. And, remember, these numbers
20 are based on -- partly, it's recent history of growth,
21 but, partly, it's also what my forecast model says.
22 And there's a statistical variance in there. It could
23 be as low as zero and maybe as high as .8 percent, so
24 I'm trying to give you kind of the central range.

25 **Q Thank you. Okay. For natural gas?**

EXAMINATION BY CHAIRMAN DANNER / FORSYT 161

1 A For gas customer growth is right now around
2 1.3 percent. Now, an important feature of gas for
3 customer growth is that it will often exceed
4 population growth by a small spread. The reason for
5 that is you have households that have not had gas
6 deciding to retrofit with gas, and that will give you
7 some customer growth above population growth. And
8 that goes into play with the new extension here.

9 Q Got it. Those are all the questions, Doctor.
10 Do you want to say --

11 A On gas load growth --

12 Q I'm sorry. Load growth.

13 A -- it's probably in the neighborhood of, I
14 want to say, 1 to 1.2 percent load growth, and that is
15 systemwide.

16 Q So that includes southern Oregon, Idaho, and
17 your service territory in Washington?

18 A That's correct.

19 COMMISSIONER JONES: Thank you. That's
20 all I have.

E X A M I N A T I O N

22 BY CHAIRMAN DANNER:

23 Q Good morning.

24 A Good morning.

25 Q Dr. Forsyth, I wanted to ask you: You take

EXAMINATION BY CHAIRMAN DANNER / FORSYT 162

1 issue with Mr. Watkins' use of the Producer Price
2 Index and the Consumer Price Index, and I want to just
3 ask you briefly about that. Indices are
4 approximations. Of course, you know, just like when
5 Adrian McKenzie uses a proxy group, it's an
6 approximation. And here what your objections are,
7 well, PPI, for example, it's not just the utility
8 services that Avista provides, but also has steam,
9 water, and sewage.

10 So the question I have is: Are they really
11 going to be that different? They are -- they're all
12 utilities. I mean, are they going to come out with
13 different results if you take one out, or are they
14 going to be close enough?

15 A Well, that's the uncertainty, and that's the
16 discomfort. Because we don't actually -- I don't
17 personally have any knowledge as to whether or not
18 that is a good -- I mean, in other words, if you take
19 them out or put them in, will it make a big
20 difference? That's the problem. We don't know. We
21 don't have good evidence as to that fact.

22 So because I don't know exactly how a sewage
23 utility or a water utility is going to behave, I can't
24 be sure that it doesn't matter that they're left in.

25 Q And there's no -- there's no discussion by --

EXAMINATION BY CHAIRMAN DANNER / FORSYT 163

1 when they're putting the PPI together, they,
2 obviously, group these because they think they are
3 like industries?

4 A Right. But even in the case of the PPI, they
5 do have a PPI connected to generation distribution and
6 transmission. The problem is that includes all types
7 of utilities, not just fully integrated utilities like
8 Avista. It would include also distribution-only
9 companies or transmission-only companies. Again, it's
10 a mix of companies that we cannot be sure that are
11 really like Avista.

12 Q All right. But you don't know that they're
13 far apart either?

14 A Correct.

15 Q You're just saying as an approximation we
16 don't know if it's a close approximation or too far
17 away?

18 A That's correct.

19 Q So with regard to the Consumer Price Index, it
20 sounds like your concern is that it's urban, so it's
21 not including the rural areas, even though the MSA now
22 includes those rural areas?

23 A Yeah. I would say that's one concern, but I
24 think the bigger concern simply reflects it's a
25 business-to-consumer price index. It's measuring

EXAMINATION BY CHAIRMAN DANNER / FORSYT 164

1 prices business-to-consumer transactions, not
2 business-to-business transactions, and they can be
3 quite different.

4 Q Well, how different can they be? They're all
5 made of the same commodities, and they're all made of
6 the same components. I mean --

7 A Actually, if you were to -- you know, if you
8 look at over time the Producer Price Index and the
9 Consumer Price Index, there are periods where they
10 behave not necessarily that similar.

11 Q And so the inclusion of the services that are
12 purchased by businesses, you think, skews this down?
13 Skews it up?

14 A Not sure.

15 Q Okay. So you just say don't use indices at
16 all? We need to find absolute data here?

17 A I would say company-specific data is going to
18 be more representative of what's really happening to
19 Avista than these indexes.

20 Q And wouldn't it be strange if the
21 company-specific data were to be substantially
22 different than these indices? Wouldn't you expect
23 them to be consistent?

24 A Not necessarily. I mean, I think it would
25 depend on the company -- what the company is

EXAMINATION BY CHAIRMAN DANNER / FORSYTH 165

1 individually going through at that time. It may be
2 quite different than what's being experienced in this
3 aggregate sense.

4 **Q Have you looked at comparisons in the past**
5 **between what these indices have indicated and what the**
6 **Company's actual businesses have been? You can sort**
7 **of go back in time and true them up and see how they**
8 **compare with one another?**

9 A I specifically have not done that analysis.

10 CHAIRMAN DANNER: All right. Thank
11 you. That's all I have.

12 JUDGE MOSS: It doesn't appear there's
13 anything further from the Bench.

14 Dr. Forsyth, we thank you for being here
15 today. You may step down subject to recall, if
16 needed.

17 I think we can -- Mr. Meyer?

18 MR. MEYER: That's fine.

19 JUDGE MOSS: I was just going to say I
20 think we can probably get through the next couple
21 witnesses before the noon break.

22 MR. MEYER: Sure. Terrible flashbacks
23 from my college years, so thanks.

24 DR. FORSYTH: I get that a lot.

25 JUDGE MOSS: At least we don't have

1 Mr. Byers here anymore to ask about heteroscedasticity
2 or something like that.

3 MR. MEYER: Next up is Witness Schuh,
4 please.

5 MS. GAFKEN: Your Honor, I think I'm
6 the only party that has questions or had questions for
7 Ms. Schuh, and I no longer have questions for
8 Ms. Schuh.

9 JUDGE MOSS: All right. Thank you,
10 Ms. Gafken.

11 Does the Bench have questions for Ms. Schuh?

12 COMMISSIONER JONES: I have one.

13 JUDGE MOSS: Then she'll have to come
14 to the stand.

15
16 KAREN K. SCHUH, witness herein, having been
17 first duly sworn on oath,
18 was examined and testified
19 as follows:

20
21 JUDGE MOSS: Mr. Meyer, your witness.

22 E X A M I N A T I O N

23 BY MR. MEYER:

24 Q Thank you. Are you all set?

25 A Corrections?

EXAMINATION BY MEYER / SCHUH

167

1 Q For the record, please state your name.

2 A Karen K. Schuh.

3 Q And you've filed and had admitted several
4 exhibits beginning with KKS-1T and continuing through
5 KKS-8T; correct?

6 A Correct.

7 Q Do you have any changes to make to any of
8 those?

9 A I just have one minor change.

10 Q To which exhibit, which page?

11 A KKS-8T.

12 Q That is your rebuttal, prefiled rebuttal;
13 correct?

14 A Page 11.

15 Q Page 11. Is your mike on?

16 A There.

17 Q Okay. And move it a little closer to you as
18 well.

19 So page 11?

20 A Yes.

21 Q And what's your edit there?

22 A Line 10, million is in 2017 and 6.1 million --
23 so that 2018 should be 2017.

24 Q Make sure everybody is there. I don't think
25 everybody is there yet.

EXAMINATION BY COMMISSIONER JONES / SCH 168

1 **CHAIRMAN DANNER:** No, I'm not there
2 yet.

3 **COMMISSIONER RENDAHL:** What page and
4 what line are we on, please?

5 MS. SCHUH: Page 11, line 10.

6 **COMMISSIONER RENDAHL:** So the first
7 reference to 2018 should be 2017, is that --

8 MS. SCHUH: Correct.

9 **MR. MEYER:** Okay. So she's available
10 for cross.

11 **JUDGE MOSS:** All right. Fine. And
12 since we're not going to have any cross, I think we'll
13 go directly to Commissioner Jones.

E X A M I N A T I O N

14
15 **BY COMMISSIONER JONES:**

16 **Q** Thank you. Good morning, Ms. Schuh.

17 **A** Good morning.

18 **Q** Good to have you here. I'll have one question
19 on the Colstrip Thermal Capital project. It's page 15
20 of KKS-1T, and then I'll have a couple others about
21 the central office and the work building. So tell me
22 when you're there.

23 **A** I'm sorry. What was the first reference?
24 KKS-1?

25 **Q** KKS-1T, page 15. It's Table 1, and there's a

EXAMINATION BY COMMISSIONER JONES / SCH 169

1 line item called "Colstrip Thermal Capital." Are you
2 there?

3 A All right. I'm there.

4 Q And the amount you're requesting is 12,292,000
5 in 2016; right?

6 A I've got 12,432,000 in 2017.

7 Q Okay. We're looking at different numbers.
8 Okay. You have what?

9 A 12,432,000.

10 Q Oh, okay. I'm not referring to the
11 cross-check study. I'm just referring to modified
12 historical test year, so the modified historical test
13 year pro forma addition was 12,292,000; right?

14 A Yes. I'm there. Sorry.

15 Q So how familiar are you with Colstrip Units 3
16 and 4 and planned outages and capital project
17 additions at Colstrip? Is this your area of
18 expertise, Mr. Kinney, or somebody else?

19 A It's really Mr. Kinney's.

20 Q If I have questions of what the purpose of
21 these projects are -- let me see. What page of your
22 testimony is that on?

23 A I think the details of the Colstrip
24 information is included in Mr. Kinney's testimony.

25 Q Is Mr. Kinney here?

EXAMINATION BY COMMISSIONER JONES / SCH 170

1 MR. MEYER: He is not. We can
2 certainly respond to a Bench request if there's
3 specifics. Right now we're just pulling up his direct
4 testimony and perhaps can direct you to --

5 COMMISSIONER JONES: I have that. It's
6 in SKJ-1T, page 13. I'm ahead of you, Mr. Meyer.

7 MR. MEYER: It's page 13, lines 4-12.

8 COMMISSIONER JONES: Right. So I have
9 a few questions on this. Instead of a Bench request,
10 could you make him available maybe after lunch?

11 MR. MEYER: We can have him call in.

12 COMMISSIONER JONES: Let's do that.

13 MR. MEYER: Just so we're clear, your
14 interest is primarily on Colstrip capital additions?

15 COMMISSIONER JONES: Yes, and trying to
16 get a better sense of your 10 and 15 percent shares,
17 but, more specifically, what kind of projects they are
18 if -- what the replacement schedule is, just a few
19 detail questions about that if he could get ready on
20 that.

21 MR. MEYER: We'll do that, and we'll
22 have him call in on the bridge line whenever we
23 reconvene.

24 JUDGE MOSS: We're going to take a
25 break until 1:30. I'll lay out my full plan in a

EXAMINATION BY COMMISSIONER JONES / SCH 171

1 minute, but about 1:30.

2 BY COMMISSIONER JONES:

3 Q And then just one question I have. Page 22, I
4 don't know, could you turn to page 22 on the central
5 office facility?

6 A I'm there.

7 Q Okay. Can you -- I've read this. I don't
8 totally understand the need for this. Maybe you could
9 give me a high-level explanation of why you need to
10 spend the \$2.9 million. Did you do some studies, some
11 time-in-motion studies, to figure out the need for
12 this? What was the basis for committing to the
13 central office --

14 CHAIRMAN DANNER: I'm sorry.

15 Commissioner, what page are you on?

16 COMMISSIONER JONES: Page 22. That's
17 KKS-1T, Dave.

18 CHAIRMAN DANNER: I'm sorry.

19 COMMISSIONER JONES: I'm not in Kinney
20 anymore. I'm back to Schuh, KKS-1T.

21 BY COMMISSIONER JONES:

22 Q So could you answer my question?

23 A Yes. I was waiting for him to get there.

24 Q The two commissioners are sharing Commissioner
25 Rendahl's version. You're fine.

EXAMINATION BY COMMISSIONER JONES / SCH 172

1 A It's my understanding from our facilities
2 department that the parking garage has -- we've done
3 significant analysis around that to determine the need
4 for that as well as, you know, incorporating the fleet
5 portion of that.

6 Q Okay. So it appears to be an aging issue?
7 The fleet garage is over 50 years old, so you need a
8 new garage?

9 A Correct.

10 Q Okay. All right. Well, if that's your
11 explanation, I'll take it as is.

12 A Without further -- I mean, that's the most
13 detail I could probably give you myself without having
14 someone else answer.

15 Q Who's responsible for this at a senior
16 management level? Is this Ms. Rosentrater, or is it
17 somebody else in asset management?

18 A Yes, Ms. Rosentrater.

19 Q Ms. Rosentrater?

20 A Yes.

21 Q So we could -- I could ask her a question
22 later on this afternoon.

23 MR. MEYER: Great. Thank you.

24 COMMISSIONER JONES: That's all I have.

25 JUDGE MOSS: With that, Ms. Schuh,

1 we're going to allow you to step down from the witness
2 stand. Thank you for your testimony. We'll not try
3 to move on with another witness until after the
4 luncheon break at which time we will have Mr. Kinney
5 on the phone as you offered up, Mr. Meyer, and then
6 we'll move back to Smith after that.

7 MR. MEYER: Is there, in fact, cross
8 for Ms. Smith?

9 MS. CAMERON-RULKOWSKI: Yes, there is.

10 I had one other matter. I hadn't brought it
11 up earlier because it didn't seem like it was going to
12 be an issue, but Mr. Nightingale is available today
13 only. And I anticipate that we should get to him and
14 it should be just fine, but I did want to bring that
15 up.

16 JUDGE MOSS: I don't think we're going
17 to have any problem reaching Mr. Nightingale today,
18 but remind me later if it looks like we're running out
19 of time.

20 MS. CAMERON-RULKOWSKI: Thank you, Your
21 Honor.

22 JUDGE MOSS: Let's take our luncheon
23 recess, and we will take the 90 minutes until 1:30.

24 (A luncheon recess was taken from
25 11:56 a.m. to 1:35 p.m.)

1 JUDGE MOSS: Let's be on the record.
2 And, Mr. Kinney, I'm just going to ask you there in
3 place to -- I have to swear you in.
4

5 SCOTT KINNEY, (via conference call),
6 witness herein, having been
7 first duly sworn on oath,
8 was examined and testified
9 as follows:
10

11 JUDGE MOSS: Thank you very much. I
12 believe that Commissioner Jones may have a question or
13 two for you, Mr. Kinney, and so I'll turn the floor
14 over to him.

15 COMMISSIONER JONES: Thank you, Judge
16 Moss.

17 E X A M I N A T I O N

18 BY COMMISSIONER JONES:

19 Q Hello, Mr. Kinney. Good afternoon.

20 A Hello.

21 Q I just have a question on the Colstrip capital
22 additions that's included in your testimony SJK-1T.

23 And I think on page 13, if you could get there,
24 there's a very brief description of what the additions
25 are going to be used for. Are you there?

EXAMINATION BY COMMISSIONER JONES / KEN 175

1 A I am.

2 Q So before we get to more specific questions,
3 can you just describe your percentage ownership in
4 Units 3 and 4 and the conditions in the joint
5 ownership and operating agreement that commit you to
6 spend this capital expenditures on repairs and things?

7 A Okay. So we are 15 percent owners of Units 3
8 and 4, and we are allowed to vote based on our
9 ownership share on the capital budgeting and other
10 projects that happen at the plants. So we do that at
11 the owners meetings, and projects are approved based
12 on the majority of the participants voting for
13 approval.

14 Q Our staff have run some numbers here based on
15 your percentage ownership in this proposed capital
16 addition, and the total cost of the project appears to
17 be in the range of 180 million to 272 million.

18 Can you comment on the total cost of the
19 project and what it is going to be used for? I would
20 imagine this is a planned outage that happens every
21 two or three years, and there is equipment upgrades
22 and other things going on. Could you provide some
23 more specifics?

24 A Yes. My understanding that numbers you
25 indicated on the total projects are a little bit high,

EXAMINATION BY COMMISSIONER JONES / KEN 176

1 but as far as specifics on the projects, the projects
2 were completed, for the most part, during the outage
3 that takes place in May and June.

4 Some of the bigger projects that were done
5 during this outage are overhauls of the turbines, the
6 generator, and other substation equipment, such as the
7 transformer and switchgear. Most of that is based on
8 the maintenance recommendations from the unit -- or
9 the equipment manufacturers. So we follow that
10 maintenance cycle.

11 There was also some projects related to some
12 of the new requirements out there around emissions and
13 other environmental areas, primarily NOx reductions
14 and also the combustion residuals.

15 **Q So on the environmental side, there is some**
16 **money being spent for NOx reductions and what we call**
17 **CCR, the coal combustion residuals, and that's**
18 **pursuant to EPA regulations; right?**

19 A Yes.

20 **Q So the work was done during the May/June**
21 **outage in the spring of this year. And so the work is**
22 **done, and the plants -- from a used and useful**
23 **perspective, the plants -- the refurbished plants are**
24 **in service after the capital additions and the**
25 **maintenance that was done; is that correct?**

EXAMINATION BY COMMISSIONER JONES / KEN 177

1 A That is correct.

2 Q I think that is -- I think that is all the
3 questions I have on this. There's nothing related to
4 transmission from Colstrip or any transmission
5 upgrades or anything like that. It's all generation
6 related; right?

7 A As far as my testimony, yes.

8 Q And the other plant owners, pursuant to the
9 agreement, have all agreed to contribute their
10 proportional share to these maintenance and capital
11 upgrades; right?

12 A Yes, they have.

13 Q And this has nothing to do with the
14 catastrophic rotor replacement on Unit 3 that occurred
15 two or three years ago. All the work on that has been
16 finished; right?

17 A Correct.

18 COMMISSIONER JONES: Thank you. Those
19 are all my questions.

20 JUDGE MOSS: Thank you, Mr. Kinney. We
21 appreciate you appearing by telephone today and giving
22 your testimony, and you can go about your business, I
23 believe. We'll call you again if we need you, but I
24 don't think that's likely.

25 Let's have Ms. Smith, please.

1 MR. MEYER: May I just offer, if it's
2 of interest, there was a Staff data request that
3 addressed some of this, and it does provide some
4 numbers on two of the items that Mr. Kinney spoke of.
5 One was the coal combustion residual thing and the
6 other was the NOX reduction equipment. We made extra
7 copies. We can introduce it into the record if you so
8 please.

9 COMMISSIONER JONES: Yes, please.

10 JUDGE MOSS: I think that's going to be
11 Bench Exhibit 6.

12 MR. MEYER: Let me hand it out.

13 JUDGE MOSS: Thank you, Mr. Meyer.

14
15 JENNIFER S. SMITH, witness herein, having been
16 first duly sworn on oath,
17 was examined and testified
18 as follows:

19
20 E X A M I N A T I O N

21 BY MR. MEYER:

22 Q Are you ready?

23 A I'm ready.

24 Q For the record, please state your name.

25 A My name is Jennifer S. Smith.

1 **Q** Have you prepared both direct and rebuttal
2 **testimony?**

3 A Yes, I have.

4 **Q** And have these been marked and admitted as
5 **JSS-1T all the way through JSS-6?**

6 A Yes.

7 **Q** Any changes to make to any of those?

8 A No, I do not have any changes.

9 MR. MEYER: The witness is available.

10 JUDGE MOSS: Thank you, Mr. Meyer.

11 Ms. Cameron-Rulkowski, will you be doing the
12 questioning?

13 MS. CAMERON-RULKOWSKI: Yes, Your
14 Honor.

15 JUDGE MOSS: Please proceed.

16 MS. CAMERON-RULKOWSKI: Thank you, Your
17 Honor.

18 E X A M I N A T I O N

19 BY MS. CAMERON-RULKOWSKI:

20 **Q** Good afternoon, Ms. Smith.

21 A Hi.

22 **Q** I'd like to ask you to refer to your rebuttal
23 **testimony, please, which is Exhibit JSS-4T, and then**
24 **when you've got that in front of you, please turn to**
25 **page 6.**

1 A Okay.

2 Q Thank you. I'm hoping we get something
3 cleared up. Please refer to Table 3, and on the
4 left -- on the left side of that table, it says
5 "Avista updates to modified test year without
6 agreement of parties."

7 A Yes.

8 Q And then down there, do you see Line K?

9 A Yes.

10 Q And that's pro forma capital - incremental
11 December 2015?

12 A Yes.

13 Q All right. And doesn't this table imply that
14 parties other than Avista, namely, Staff, did not use
15 updated data for their 2015 post test year capital
16 additions?

17 A Can you repeat the question one more time?

18 Q Sure. Does this table --

19 JUDGE MOSS: Your microphone,
20 apparently, is not turned on.

21 MS. SMITH: There we go. I think it's
22 on now.

23 Q With this table, do you mean to say that
24 parties other than Avista, namely, Staff, did not use
25 updated data for their 2015 post test year capital

1 **additions?**

2 A No. This table, Items A through L, are
3 updates that we made upon our rebuttal case where
4 there was not specific agreement through, I guess,
5 response testimony from the other parties to specific
6 adjustments made to our original filing.

7 **Q All right. So with respect to the 2015 post**
8 **test year capital additions, do you agree that Staff**
9 **uses, essentially, the same numbers as the Company?**

10 A Yes. And let me walk you through kind of what
11 we're seeing here. If you go to Joanna Huang's
12 Exhibit JH-2, page 10 --

13 **Q That's exactly where I wanted to point you, so**
14 **please proceed.**

15 A In Column 3.09, they have an adjustment for
16 rate base, which is twenty-one six zero nine.

17 **Q Which line are you looking at?**

18 A It's line 49.

19 **Q Thank you.**

20 A Okay. And you can see the twenty-one six zero
21 nine was what they proposed in their adjustment on
22 response.

23 COMMISSIONER RENDAHL: I'm sorry to
24 interrupt you. This is JH-2?

25 MS. SMITH: JH-2, page 10.

1 **Q Line 49?**

2 A Line 49 in Column 3.09, third column.

3 So Staff is proposing the rate base adjustment
4 of the twenty-one six zero nine there. When Avista
5 filed our original adjustment, we had a total of --
6 let me walk you to the page. Exhibit JSS-2 -- you
7 know what, let me change that. Let's look at JSS-5,
8 which is our rebuttal exhibit, page 10, Column 3.09.

9 During the discovery process -- Column 3.09
10 shows the eighteen three zero seven, which was our
11 original position that we filed within JSS-2. During
12 the discovery process, Staff identified -- or we
13 updated the 3.09 adjustment to reflect changes in
14 accumulated appreciation, I believe, retirements, and
15 then one other item, which Ms. Schuh can speak to the
16 specifics if you need. But our adjustment, 3.09(i)
17 reflects those updates to the original adjustment. So
18 the sum of the eighteen three zero seven and the
19 3,302,000 really is the same as what Staff has
20 proposed in JH-2.

21 **Q That's exactly the clarification that I was**
22 **seeking. And so this shows that --**

23 A It is the same.

24 **Q -- the Company and Staff are using the same**
25 **numbers for the 2015 post test year capital additions;**

EXAMINATION BY COMMISSIONER RENDAHL / SM 183

1 **correct?**

2 A Yes.

3 **Q Thank you.**

4 A Sorry if I took too long to get there.

5 **Q And this would be -- I should just add this**
6 **would be with the exception of the debt interest**
7 **calculation?**

8 A Yes. That's correct.

9 MS. CAMERON-RULKOWSKI: Thank you. I
10 have no further questions.

11 JUDGE MOSS: Thank you. Anything from
12 the Bench?

13 COMMISSIONER JONES: No.

14 JUDGE MOSS: All right. Ms. Smith,
15 thank you very much for being here today and
16 clarifying --

17 COMMISSIONER JONES: Judge Moss.

18 JUDGE MOSS: Oh, I'm sorry.
19 Commissioner Rendahl has a question. I didn't pick up
20 on that.

21 E X A M I N A T I O N
22 BY COMMISSIONER RENDAHL:

23 **Q Good afternoon. I want to clarify the issue**
24 **of the pipeline safety labor expense, if you don't**
25 **mind. And so I think if you look at your rebuttal**

EXAMINATION BY COMMISSIONER RENDAHL / SM 184

1 testimony, JSS-4T, on page 17 and lines 11 through 17,
2 so you're responding to Staff's proposed adjustment to
3 decrease these labor expenses. Do you need me to tell
4 you the --

5 A Page 17.

6 Q Page 17, lines 11 through 17. Do you see
7 that?

8 A Yes.

9 Q Okay. So in this part of your testimony,
10 you're responding to Staff's proposed adjustment to
11 decrease the labor expenses for the FTEs relating to
12 implementing the recommended practice by American
13 Petroleum Institute.

14 A Yes.

15 Q So it looks like there are four positions at
16 issue here that were originally proposed to serve
17 Washington. The QA/QC program administrator position
18 is not addressed in your rebuttal testimony. And so
19 is that position serving Washington -- the Washington
20 service territory? Can you tell us the status of that
21 position?

22 A Give me one second.

23 Q It's not clear from your testimony.

24 A Which position was it you were speaking to?

25 Q That is the QA/QC program administrator

EXAMINATION BY COMMISSIONER RENDAHL / SM 185

1 **position.**

2 A Yes, I believe the QA/QC program administrator
3 position we did not address. I think that was an
4 oversight of the Company. When you look at the
5 difference in the proposal of the adjustment, it's
6 that \$5,000 amount.

7 Q Okay. That may be something we submit a Bench
8 request on at this point. I'm not requesting it, but
9 you may see one.

10 CHAIRMAN DANNER: Why don't we?

11 COMMISSIONER RENDAHL: If you can
12 complete the information on the QA/QC program
13 administrator position and the status of that position
14 in Washington, that would be helpful.

15 MS. SMITH: I'll do that.

16 COMMISSIONER RENDAHL: And that will be
17 Bench Request 7; right?

18 JUDGE PEARSON: Yes.

19 JUDGE MOSS: I feel hardly needed.

20 Ms. Smith, you may be --

21 COMMISSIONER RENDAHL: You have trained
22 us so well, Judge Moss.

23 JUDGE MOSS: Thank you very much.

24 MS. SMITH: Thank you.

25 JUDGE MOSS: I think Ms. Rosentrater

1 would be next.

2 MR. MEYER: This may take just a
3 minute. Ms. Rosentrater has quite a number of
4 materials, as you can imagine.

5 JUDGE MOSS: We will be patient.

6

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

11

12 JUDGE MOSS: Be seated.

13 MS. ROSENTRATER: The mike is on.

14 Okay.

15 JUDGE MOSS: Thank you for checking.

16 MR. MEYER: Now I'm not ready. Sorry.

17 Way too fast. Okay.

18

E X A M I N A T I O N

19 BY MR. MEYER:

20 Q For the record, please state your name.

21 A Heather L. Rosentrater.

22 Q And you've had several exhibits marked and
23 admitted beginning with HLR-1T all the way through
24 HLR-9T; is that correct?

25 A Yes, that's correct.

EXAMINATION BY GAFKEN / ROSENTRATER 187

1 **Q Any changes to make to any page of any**
2 **exhibit?**

3 A I do have one change. In my direct testimony,
4 HLR-1T, on page 25.

5 **Q So just stop and let everybody get there.**
6 **HLR-1T, page 25.**

7 A Twenty-five.

8 **Q Okay.**

9 A On line 15, please strike the 216.9 number,
10 and replace with 215.2. And that is all I have.

11 MR. MEYER: All right. And she is
12 available for cross.

13 JUDGE MOSS: All right. Thank you very
14 much. And I believe here we have cross-examination by
15 Public Counsel.

16 E X A M I N A T I O N

17 BY MS. GAFKEN:

18 **Q Thank you. Good afternoon.**

19 A Good afternoon.

20 **Q Under Avista's analysis, Avista has assumed**
21 **certain benefits related to AMI; correct?**

22 A Correct.

23 **Q Those benefits include benefits related to**
24 **conservation voltage reduction?**

25 A Yes.

EXAMINATION BY GAFKEN / ROSENTRATER 188

1 **Q Conservation voltage reduction generally**
2 **reduces energy and peak demand; correct?**

3 A It reduces losses on the system, and it
4 increases efficiency of customers' equipment in
5 general.

6 **Q Does it -- I'm not sure if it -- well, let me**
7 **ask this: So does it also -- does it reduce energy**
8 **and peak demand?**

9 A It reduces energy demand and peak demand.

10 **Q Okay. This reduction of energy and peak**
11 **demand generally provides a system benefit; is that**
12 **right?**

13 A System and customer benefit.

14 **Q Is it fair to say that the conservation**
15 **voltage reduction benefit assumed by Avista in its AMI**
16 **analysis is a system benefit?**

17 A It has system benefits and customer benefits.
18 Customers' equipment, generally, operates more
19 efficiently at a lower voltage.

20 **Q Are there other system benefits compared to**
21 **benefits that accrue only to the residential class**
22 **assumed in Avista's AMI analysis?**

23 A So your question -- you said other benefits
24 that are only -- so I wouldn't consider CVR to only be
25 a residential benefit. So can you repeat or restate

EXAMINATION BY GAFKEN / ROSENTRATER 189

1 the question, I guess?

2 Q Sure. So the assumption in my question is
3 that CVR is not just a residential benefit. And my
4 question is whether there are other benefits in
5 Avista's business case, other benefits that are
6 assumed in the business case, that are also not solely
7 residential --

8 A Oh.

9 Q -- benefits.

10 A Okay. I appreciate that. Thank you.

11 So I would say the majority of the benefits
12 are not just residential benefits. The reduction in
13 the meter reading costs that we recognize are -- the
14 majority of those are residential benefits, but --
15 because we plan to keep the MV90, at this point,
16 meters for the industrial customers. But for the
17 commercial customers, the meter reading costs will be
18 reduced because their meters will be replaced.

19 In general, we believe that some of the
20 benefits are weighed more heavily towards residential,
21 and some are weighed more heavily towards industrial.
22 So, in general, we have considered just broad value
23 for the benefits.

24 Q Do you have any particular examples, or are
25 you thinking more generally when you talk about some

EXAMINATION BY GAFKEN / ROSENTRATER 190

1 **of the benefits that weigh more heavily one way or**
2 **another?**

3 A Yeah. I can give you another example. One of
4 the examples is with our outage -- our reduced outage
5 numbers. We leveraged the Lawrence Berkeley study and
6 the ICE calculator to identify the value of those
7 outage reduction benefits.

8 And the -- there's two ways that they were
9 valued. One is the direct cost estimation survey for
10 the commercial and industrial customers and using the
11 value of service for the residential customers, and
12 looking at all of that, only about 3.6 percent of the
13 value associated to that benefit stream is related to
14 residential. And the remaining over 96 percent is
15 commercial and industrial using that direct cost
16 estimation survey.

17 **Q Would you please turn to your rebuttal**
18 **testimony, which is Exhibit HLR-9T, and go to page 4,**
19 **and I'd like you to turn your attention to**
20 **Illustration 2 on the map of the United States there.**
21 **Illustration 2 is a map prepared by the Edison**
22 **Foundation depicting smart meter deployment by state**
23 **as of 2015; correct?**

24 A Correct.

25 **Q Are you familiar with the regulatory decisions**

EXAMINATION BY GAFKEN / ROSENTRATER 191

1 that resulted in smart meter deployment depicted in
2 **Illustration 2?**

3 A Some of them. I'm not familiar with the
4 entire across the nation, but I'm familiar with some
5 of the states.

6 Q Okay. Let's walk through them by color, and
7 to the extent that you recall or are familiar with the
8 decisions, let's see how far we get. And I'm only
9 asking for your recollection. We'll see how we do.

10 Let's start with the red states. Have you
11 reviewed regulatory decisions that resulted in smart
12 meter deployment in the red states with 50 to
13 100 percent deployment?

14 A So I'm probably -- I don't have the -- in
15 terms of that kind of explanation, I wouldn't be able
16 to talk to you in that kind of generalities.

17 Q Why don't I ask it this way: Do you recall
18 reviewing any particular state or any particular
19 jurisdiction's orders regarding smart meter
20 deployment?

21 A I'm familiar with some of them. I don't have
22 them memorized, but I know that I'm familiar with
23 California and some of the orders that through the
24 years have been implemented there. But I don't have
25 others memorized.

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1 Q Okay. Do you recall reviewing others? You
2 just don't recall which ones, or is California kind of
3 the extent of the ones -- other states that you've
4 reviewed?

5 A So I haven't reviewed formal orders. I've
6 seen, I guess, through publications and articles
7 references to orders. So I haven't read verbatim the
8 orders themselves.

9 Q Do you know whether any state regulator has
10 approved AMI deployment based on a business case that
11 includes benefits derived from the Department of
12 Energy interruption calculator that Avista uses in its
13 business case to input customer benefits from reduced
14 outage duration?

15 A I don't have -- I'm not familiar with -- I'm
16 not familiar with any that have, I guess.

17 MR. MEYER: I'm sorry. I want to make
18 sure you understand the question. So can the question
19 be repeated just so the witness has this in mind?

20 Q Right. And I am only asking about your
21 understanding and your knowledge. And so if you don't
22 recall, that's a perfectly acceptable answer too.

23 A Okay.

24 MS. GAFKEN: So, Mr. Meyer, did you
25 want me to ask that question again?

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1 MR. MEYER: So is your answer that you
2 don't recall?

3 A I think the more appropriate answer would be
4 that I don't recall.

5 Q I have two other questions that are similar,
6 and I do want to walk through them.

7 A Uh-huh.

8 Q Do you know of any other state regulator that
9 has approved AMI deployment based on a business case
10 that has included specific monetary benefits derived
11 from the utilities estimated reduction of storm
12 expenses attributed to AMI?

13 A So I know that when we did our business case
14 and we were looking to identify a value, recognizing
15 that there are some uncertainty in the numbers, we
16 tried to find what we thought would be the most likely
17 realistic value for us. And so we used reports that
18 are available in the industry, but recognizing that
19 our situation is not always going to be like others,
20 our subject matter experts used those reports to
21 inform based on our situation.

22 And I know that we did use reports, but I'm
23 not familiar as to whether those reports have been
24 used in other business cases for AMI.

25 Q Are you familiar with whether other state

EXAMINATION BY GAFKEN / ROSENTRATER 194

1 regulators have relied on reports relying on specific
2 monetary benefits derived from a utilities estimated
3 reduction of storm expenses that are attributed to
4 **AMI?**

5 A I know the reports that we used, but I don't
6 know if those reports have been used by other
7 regulators to approve the AMI business cases.

8 Q Do you know whether other state regulators
9 have approved AMI deployment based on a business case
10 that includes the reduction of kilowatt usage results
11 based on conservation voltage reduction programs that
12 are attributed to AMI alone?

13 A I'm not familiar with -- they have used that
14 in their business cases.

15 Q Okay. We can switch gears now. With respect
16 to ICE, reduction of storm expenses, and conservation
17 voltage, the benefit calculations presented by Avista
18 are primarily based on Avista's own internal views of
19 how to calculate these benefits. Is that a fair
20 **statement?**

21 A I don't -- no. I wouldn't say that. In terms
22 of the three categories you gave, we're using the ICE
23 calculator, the outage reductions -- and what was the
24 third one?

25 Q ICE, reduction in storm expenses, and

EXAMINATION BY GAFKEN / ROSENTRATER 195

1 **conservation voltage reduction.**

2 A Conservation voltage reduction. We used
3 several studies that informed our internal subject
4 matter experts in how they determined the
5 appropriateness of how to apply those benefits on our
6 system, so we were informed by the reports.

7 I know our subject matter experts are familiar
8 with the Lawrence Berkeley reports that are -- that is
9 how the ICE calculator is created and tried to look at
10 how applicable those were for our area and what the --
11 what the gaps were.

12 And that is one of the reasons that we also
13 did a sensitivity analysis on each of our benefits to
14 recognize that there might not be a perfect fit with
15 the reports that are available to apply to us, and so
16 we looked at the likelihood and the variability of
17 each of the benefit areas and applied a low end and a
18 high end based on our knowledge and based on those
19 outside reports informing our internal experts and how
20 they would apply it for our situation.

21 And we have, you know, for the -- I know we
22 used the ICE calculator. We used two reports for the
23 outage or the storm reduction, and then we used our --
24 we had a third party do evaluation on our CVR that we
25 implemented as part of our smart grid investment

EXAMINATION BY GAFKEN / ROSENTRATER 196

1 grants and our smart grid demonstration projects. NEA
2 was the third party who -- or Navigant who did
3 analysis for us and confirmed the methodology that we
4 were using and the energy efficiency that we expected
5 to receive from what we did.

6 Q I do have one other question about what you
7 reviewed in terms of looking at what other states have
8 approved or looked at.

9 Are you aware of any other state regulator
10 approving AMI deployment based on a business case that
11 did not include any demand response or time-varying
12 rate program designed to reduce capacity and energy
13 costs?

14 MR. MEYER: If you know.

15 A I wouldn't be able to cite a specific one, no,
16 at this point.

17 Q Avista has not proposed demand response or any
18 time-varying rate program in this proceeding and did
19 not consider such programs in its business case; is
20 that correct?

21 A We considered that this creates a foundation
22 to allow us to provide those programs to our customers
23 in the future. So in terms of not wanting to pick a
24 technology that would be obsolete in the future and
25 not allow those types of programs to be -- to use the

EXAMINATION BY GAFKEN / ROSENTRATER 197

1 technology, we did consider it. But we haven't
2 included the benefits of those or the full costs of
3 those programs in our current business case.

4 **Q And Avista does not propose any program that**
5 **is specifically designed to use the hourly interval**
6 **usage information that is provided by AMI, does it?**

7 A We do in terms of our web portal and for our
8 customers to be able to view hourly and actually
9 five-minute interval data from the meters.

10 **Q There's no additional program beyond that?**

11 A No, not for customers. That's what you're
12 specifically asking about?

13 **Q Yes.**

14 A Were you -- okay.

15 **Q Avista does not currently have a documented**
16 **need to reduce peak load usage on its system, does it?**

17 A We are currently going through our IRP, and it
18 doesn't show up this year the need for peak reduction.
19 But I believe in a couple years, it does. I don't
20 have the exact year.

21 However, we do have a requirement through
22 Initiative 937 to do all conservation that's cost
23 effective for our customers. So we believe that the
24 energy efficiency that we gain through this program
25 meets that criteria, and we'll be putting it into our

EXAMINATION BY GAFKEN / ROSENTRATER 198

1 IRP in the future as well as our biennial conservation
2 plan required through I-937.

3 **Q But does Avista have a current need to reduce**
4 **peak load usage?**

5 A Not this year. From a generation perspective,
6 each feeder has different characteristics that can
7 benefit in different ways from peak load reductions.

8 **Q Sure. Avista's proposal regarding AMI does**
9 **not include an enforceable promise that the benefits**
10 **assumed in its business case will actually**
11 **materialize, does it?**

12 A We think that, given the information we have
13 at this point, it's very realistic to achieve the
14 benefits that we have, but, no, we don't have a -- to
15 state exactly what you said.

16 **Q Would you please turn to your rebuttal**
17 **testimony, Exhibit HLR-9T, and turn to page 33. And**
18 **once you're there, turn to lines 23 to 24.**

19 A Okay. I'm there.

20 **Q Okay. There you identify a summary of the**
21 **value of the customer benefits that were quantified in**
22 **the Company's original business case as an item that**
23 **Avista would include in a report prepared within**
24 **18 months after full deployment of AMI; correct?**

25 A Correct.

EXAMINATION BY GAFKEN / ROSENTRATER 199

1 **Q Does Avista intend to track and report each of**
2 **the benefit categories in its business case to the**
3 **Commission to determine if the predicted benefits**
4 **conform to the actual benefits realized upon**
5 **deployment?**

6 A We do plan -- as this states, we do plan to
7 provide a report within 18 months of full deployment
8 on each of the benefit areas.

9 **Q Okay. With respect to the benefits that would**
10 **be tracked and reported, are you referring to**
11 **operational benefits?**

12 A Our expectation would be to find some way to
13 report on all of the benefits.

14 **Q Including customer benefits?**

15 A Yes.

16 **Q How would customer benefits be tracked?**

17 A I know we have -- in terms of energy
18 efficiency, we have third parties that we work with to
19 help validate energy efficiency for our customer
20 programs that we provide. So we have the cost of that
21 kind of third-party analysis included in the business
22 case. Did you have other areas you specifically were
23 interested in?

24 **Q I don't have the areas spelled out, and you**
25 **kind of answered the second component that I was**

EXAMINATION BY GAFKEN / ROSENTRATER 200

1 curious about, the tracking piece. But then I'm also
2 curious about whether the benefits, the customer
3 benefits, would then also be imputed in future AMI
4 cost recovery. So the one that you just talked about,
5 the third-party evaluation, that cost -- is that cost
6 embedded in this cost here?

7 A Not in the case, but in our overall project
8 cost that has been approved over the five years, it's
9 included in that cost.

10 Q Okay. So that would come in a later case?

11 A Uh-huh.

12 Q Do you agree that it would be necessary to
13 have an approved methodology in place to determine the
14 baseline cost for the operational categories and to
15 measure the impact of AMI on those costs?

16 A Our intent is to work with the Commission
17 Staff and other stakeholders to determine appropriate
18 reporting for all of the benefit areas.

19 Q But that sounds to me like it's more of a
20 future process rather than something that's already in
21 place?

22 A Correct.

23 Q And so Avista has not proposed a specific
24 methodology in this proceeding for determining the
25 baseline level of cost and the impact that AMI has on

EXAMINATION BY GAFKEN / ROSENTRATER 201

1 **the baseline cost; correct?**

2 A I'm not sure I'm -- on the baseline -- can you
3 repeat your question?

4 Q Let me unpack it a little bit. There are kind
5 of two components in there.

6 So in this case, Avista has not proposed a
7 specific methodology for determining the baseline
8 level of costs; correct?

9 A Baseline level of costs for determining the
10 level of costs?

11 MR. MEYER: Do you understand the
12 question was meant by baseline level of costs?

13 MS. ROSENTRATER: No. I'm not sure I
14 understand.

15 A The -- because we've been talking about the
16 benefits for the projects, so sorry. You're switching
17 over to the costs of the project?

18 Q Well, there would be benefits and in order to
19 measure the benefits -- well, let me back up.

20 How would we measure the benefits?

21 JUDGE MOSS: Let me interrupt for a
22 second. I'm sorry. There are people on the bridge
23 line who have not muted their call function, and you
24 need to do that. We can hear you in the hearing room,
25 and it's disruptive. Please do that.

EXAMINATION BY GAFKEN / ROSENTRATER 202

1 Go ahead.

2 Q So I had asked -- let me back up. We were
3 talking about a methodology to measure the benefits,
4 and you had testified that Avista had planned to work
5 with parties to develop a methodology. My basic
6 question is confirming that Avista has not proposed a
7 methodology to measure the benefits?

8 A In terms of the specifics around how they
9 would be measured, each one would be -- how we would
10 measure it would need to be considered based on the
11 type of benefit. There's some that are easier to
12 measure because the costs just go away, and so you
13 can, for the most part, look at what was budgeted with
14 an escalator and note that those costs no longer
15 exist.

16 Some are more challenging to measure and
17 report out on. For CVR we have a protocol one that's
18 included in the Navigant report. There's other
19 methodologies that you can use for CVR. The protocol
20 one, I believe, has -- you're required to turn off the
21 CVR and then turn it back on. So you're actually
22 missing some of the benefit of the CVR for the
23 customers when you're doing the validation.

24 And so there's other methodologies that could
25 possibly be used that wouldn't reduce the amount of

EXAMINATION BY GAFKEN / ROSENTRATER 203

1 energy efficiency that we're providing on our system
2 and to our customers. So I think for each benefit
3 area, we would need to partner with the Commission
4 staff and other stakeholders to ensure that we all are
5 supportive of how we do those measurements for each
6 benefit area.

7 Q And with CVR, there's also the issue of
8 separating out the benefits that you would receive
9 from CVR generally and benefits that would potentially
10 be attributed to AMI?

11 A Incremental based on the AMI, yes.

12 Q Would you please turn to Cross-Exhibit
13 HLR-11CX.

14 A All right.

15 Q I think this might be just an illustration of
16 what we've been talking about in terms of the
17 methodology.

18 Do you recognize Cross-Exhibit HLR-11CX as
19 Avista's Washington AMI business case relating to
20 outage restoration efficiencies?

21 A Yes, I do.

22 Q And on page 3 of Cross-Exhibit HLR-11CX under
23 the heading "Key Metrics," the discussion in that box
24 talks about measuring and tracking this benefit being
25 a challenge?

EXAMINATION BY GAFKEN / ROSENTRATER 204

1 A Absolutely.

2 Q Is that an illustration of what we've been
3 talking about in terms of developing the methodology
4 of measuring the benefit?

5 A Right. Something that we can agree to
6 recognizing that, again, some are easier to quantity
7 and measure and some, exactly like this one, are much
8 more challenging.

9 We recognize that there is a benefit to our
10 customers. When we were managing our storm last year,
11 we had crews that were going to customers that already
12 had their power back on because we didn't know that
13 they had their power back on. And it was a huge
14 frustration for our crews, for our customers, for us.
15 And so we recognize that if we can see which customers
16 have power and which don't, we can manage the storm
17 much more efficiently. So we know there's value
18 there, but tracking that improvement is challenging.

19 Q And at this time Avista is not able to measure
20 and track this particular benefit, is it? Is that a
21 fair statement?

22 A We don't have the benefit yet. So our plan is
23 to work together, again, to come up with something
24 that we can agree to that would track in some way the
25 benefit that we would receive.

EXAMINATION BY COMMISSIONER JONES / ROSENT 205

1 Q Switching gears just a bit, with respect to
2 the avoided customer outage losses derived by the ICE
3 calculator, would you agree that these amounts will
4 not offset AMI costs in Avista's revenue requirement?

5 A Correct.

6 MS. GAFKEN: Okay. I think I can stop
7 there. The remaining of my questions were really
8 foundational questions with respect to the exhibits,
9 but they're already in the record. So I can stop.

10 JUDGE MOSS: All right. Thank you very
11 much. And nobody else designated cross, so I'll ask
12 if there are questions from the Bench?

13 COMMISSIONER JONES: Yes, I do, Judge
14 Moss. Thank you.

15 EXAMINATION
16 BY COMMISSIONER JONES:

17 Q Good afternoon, Ms. Rosentrater.

18 A Good afternoon.

19 Q I'm going to pick up on some of Ms. Gafken's
20 questions, but, first, let me go to the contracts. In
21 your testimony, you state that there are five vendor
22 contracts; correct?

23 A That's been updated. At the end of September,
24 we have six now.

25 Q Six?

EXAMINATION BY COMMISSIONER JONES / ROSENT 206

1 A With Itron.

2 Q And those are in the Nightingale exhibits or
3 the cross-exhibits?

4 A Yes.

5 Q Okay. Just if you could, specify for me for
6 the record and list the date contract was signed with
7 vendor. So you have one with Oracle on Meter Data
8 Management system; right?

9 A Yes.

10 Q Approximately, when was that signed?

11 A I will -- let me get to the --

12 Q Sure.

13 COMMISSIONER JONES: Do you have that?

14 MR. MEYER: We do. It's here. And may
15 I suggest that we return to that in a few minutes, and
16 I'll have support staff get dates for each of those
17 five contracts.

18 BY COMMISSIONER JONES:

19 Q But the largest contract of all of those is
20 Itron, and the Itron contract was signed on --

21 A It was --

22 Q -- September 30 of 2016; right?

23 A Correct.

24 JUDGE MOSS: For the benefit of the
25 court reporter, let's try very hard to only have one

EXAMINATION BY COMMISSIONER JONES / ROSENT 207

1 person talking at a time. Thanks.

2 COMMISSIONER JONES: Thank you, Judge.

3 Q The total project cost that you've included
4 that you just stated for the record, again, is
5 215.2 million; correct?

6 A The 215.2 million is the present value of the
7 total life cycle cost including the capital and the
8 expense for Washington's portion.

9 Q And you might want to go to page 10 of your
10 business case, HLR-3. Could you turn to there. Let's
11 just make sure we're all at the same point in the
12 record. HLR-3, page 10, are you there?

13 A Yes.

14 Q So I just want to make sure this is your final
15 and best estimate of the total quantified benefits.
16 Again, these are only quantified benefits, right, not
17 the unquantified benefits; correct?

18 A Correct.

19 Q So the total quantified benefits are
20 241.7 million?

21 A Correct.

22 Q And the total project cost life cycle are
23 215.2?

24 A Yes. And I apologize. I spoke incorrectly
25 about the 215.2, I believe, is for the Washington and

EXAMINATION BY COMMISSIONER JONES / ROSENT 208

1 Idaho and Oregon, the entire cost, because the MDM,
2 the Meter Data Management system, is allocated to
3 Washington, Idaho, and Oregon. But the rest of the
4 costs are Washington-only costs. So I think I
5 misspoke when I said the 215.2 was the Washington
6 only. I believe that's the full present value of the
7 project.

8 Q Systemwide?

9 A Systemwide.

10 Q So that is a difference of, by my math,
11 26.5 million?

12 A Correct.

13 Q And you include in the project cost estimate
14 life cycle a contingency of 20 million?

15 A Approximately, 20.8.

16 Q 20.8. Okay.

17 Let's go -- let's turn to the outage
18 restoration issues. I think the best thing to do is
19 to go to page 43. Would you go there, page 43 of the
20 business case. Again, that's HLR-3.

21 A Okay.

22 Q So the ICE calculator which has been
23 criticized by Ms. Alexander and, frankly, by others in
24 the industry. So how do you respond to criticisms of
25 the ICE calculator that it uses older data and does

EXAMINATION BY COMMISSIONER JONES / ROSENT 209

1 **not respond to a long duration outage?**

2 A I know that, in general, the discussion in
3 Public Counsel on the Energy Project's testimony, the
4 concerns have been with the methodology of the value
5 of service or the contingent -- that method of
6 determining value for the outages for our customer.

7 And our analysis, in looking at it, also
8 recognizes challenges with that methodology as well.
9 We, again, recognize that that's -- was the
10 methodology used for the residential customers asking
11 how much they would be willing to pay to have shorter
12 outages. And the -- for our business case, it's a
13 very small portion of our business case because of
14 the -- that entire category. It's about 3.6 percent
15 of that value is associated with the residential
16 benefits that have used that methodology.

17 What we believe is a stronger correlation
18 methodology is the direct cost estimation survey that
19 was used with the commercial and industrial customers,
20 and that is over 96 percent of the value.

21 **Q I see.**

22 A So we didn't see discussion around concern
23 with the direct cost estimation survey. And since
24 that was the majority of the area of that value, we --
25 again, looking at the value of service or the

EXAMINATION BY COMMISSIONER JONES / ROSENT 210

1 contingent methodology, we -- that's why we did the
2 sensitivity analysis, recognizing it could be lower or
3 higher.

4 We do know that there was -- talking to the
5 author actually of the Lawrence Berkeley study, know
6 that Puget was included in the study, so there is
7 representation in the Northwest. We did what we felt
8 the best we could using that. And, again, with the
9 area that was in question of the accuracy only being
10 3.6 percent of that overall category, we felt
11 comfortable applying that value.

12 **Q Okay. Just to clarify, could you turn to**
13 **page 44 of that same exhibit. Are you there?**

14 **So when it says at the top Outage Management,**
15 **Avoided Customer Outage Losses, levelized annual**
16 **value, that's the benefit -- 3.5 million annual; 70.1**
17 **life cycle? Is that residential or C & I, commercial**
18 **and industrial, or every customer?**

19 **A** It's both together, but 96 percent of the
20 actual value is attributed to the industrial and
21 commercial.

22 **Q That's all.**

23 **2015, you said you updated. You didn't answer**
24 **my question on how you updated the Lawrence Berkeley**
25 **ICE calculator for in 2015. Did you do that? Did**

EXAMINATION BY COMMISSIONER JONES / ROSENT 211

1 **Lawrence Berkeley do that?**

2 A Lawrence Berkeley updated their study, and I
3 believe both the 2009 and the 2015 are in exhibits.

4 **Q Okay. And then you also used Avista**
5 **customer-specific data to optimize the outage**
6 **calculations or not?**

7 A I think we used our Avista-specific data to
8 determine what to plug into the calculator based on
9 our queries of the outage -- the outage numbers that
10 we could be -- we could reduce and plug those into the
11 calculator and cross-checked the outcome based on our
12 asset management and how we looked at the value of
13 outage reductions to customers in the past.

14 **Q And then I think I understand that now.**

15 **In your rebuttal testimony -- and this is**
16 **on -- the exhibit is mixed up, the HLR-NT. Do you**
17 **have your rebuttal testimony in front of you too?**

18 A The 9T?

19 **Q 9T.**

20 A Yes.

21 **Q Turn to page 19 and 20. I just want to**
22 **clarify the percentage improvement numbers here that**
23 **you say in response to Ms. Alexander. So are you**
24 **there?**

25 A Yes, I am.

EXAMINATION BY COMMISSIONER JONES / ROSENT 212

1 Q So overall you are asserting an overall
2 10 percent improvement in outage management; correct?

3 A The --

4 Q And just as a second sub question, you're
5 using 5.9 percent actual, but I read that as being
6 actual power restoration, O & M expenses.

7 A Correct. The reference here is not related
8 to -- the benefit isn't related to the outage -- a
9 shorter outage for a customer. It's related to the
10 storm event being shorter based on this information,
11 10 percent shorter, and that the value would be
12 related to the costs of being able to shorten that, so
13 the labor costs and the transportation costs, not any
14 of the equipment costs, because all of the equipment
15 to fix the outages would still be relevant. You would
16 just be more efficient in how you're managing your
17 crews as I was talking about earlier.

18 You're able to not have them go to customers
19 that already have power. You're able to not have them
20 break down and leave and go somewhere else when
21 somebody still doesn't have power that's nearby. It's
22 based on the more efficient management of those storm
23 events.

24 Q So that example you quoted before -- because
25 under the current meters that you have, a customer has

EXAMINATION BY COMMISSIONER JONES / ROSENT 213

1 to call you, call the customer call center, to say
2 they're out of power; right?

3 A Correct.

4 Q So you have no ability to see if that end
5 user, that customer, doesn't have electric power?

6 A Right. Or when they get power restored, we --
7 it's challenging during a storm event to fully keep
8 track of all of that.

9 Q So I'm just trying to get an actual example
10 here. So you mentioned the crews that had to go to
11 houses who already had their power restored. That is
12 a frustration for the crews, for management. That's
13 an expense that would be improved by 5.9 percent?
14 That's what that would apply to?

15 A Exactly.

16 Q And in terms of the overall system, the
17 overall power outage, like the November 2015 wind
18 storm, was how many days?

19 A Ten days.

20 Q So what you're saying, if you apply the
21 10 percent to 10 days, you might have -- you might be
22 a day shorter, a day and a half shorter?

23 A Exactly. That's the expectation, yes.

24 Q That clarifies it. Okay.

25 Let's go to conservation voltage reduction. I

EXAMINATION BY COMMISSIONER JONES / ROSENT 214

1 think you were asked some questions on that. I'm
2 trying to find it in your business case. It is the
3 largest benefit category in your business case,
4 correct, energy efficiency and CVR?

5 A It's, I believe --

6 Q I apologize. On page 5 of the business case,
7 meter reading and meter salvage is the biggest
8 benefit.

9 A Correct.

10 Q Energy efficiency is No. 2 at 127?

11 A Right.

12 Q Okay. But it's still a large number; right?

13 A Yes.

14 Q So let's get to this issue of I-937 and your
15 BCPs. Here for years now, because of your smart grid
16 investment grant and the upgrades in Spokane to the
17 feeders and employment, you have been claiming CVR for
18 your reports; right?

19 A Correct.

20 Q So I just want to make sure that the
21 additional savings that you claim here, this
22 2 percent, is going to be incremental to what you've
23 already achieved.

24 A That's exactly what it is.

25 Q Now, put on your electrical engineering hat

EXAMINATION BY COMMISSIONER JONES / ROSENT 215

1 for a minute here, because I have a difficult time
2 understanding this a little bit. But here in your
3 business case on pages 44 -- especially on page 45,
4 you talk about why the customer level voltage data is
5 going to be more accurate and will be the basis for
6 that 2 percent overall savings; right?

7 So could you just try to summarize that at
8 least for the Bench or for me as to how that, more
9 precisely, why that voltage level data is so important
10 for the savings?

11 A Right. And I can actually -- we have a visual
12 that I think is somewhat helpful in my rebuttal. I
13 can --

14 Q It's in your rebuttal testimony. Okay.

15 A Yes. So it's HLR-9T and it's page 23.

16 Q Okay. I'm there.

17 A So we -- over the last year, we've been using
18 our Pullman areas as a pilot to help determine what
19 the opportunity around incremental energy efficiency
20 is related to having realtime voltage with the
21 customer at the customer's level.

22 And you can see that the top left area is
23 areas of circuit that do not have CVR turned on, and
24 if you look at the legend, you can see that the darker
25 green means that there's higher voltage there.

EXAMINATION BY COMMISSIONER JONES / ROSENT 216

1 However, there's still some red areas, pockets of red
2 or orange, and so we have -- we're still conservative
3 in terms of where we set the voltage for our current
4 CVR because we're modeling the downstream voltage at
5 the customer.

6 And recognizing that some areas have lower
7 voltages are, again, conservative and where we bring
8 the voltage down to and still do get some customer
9 calls regarding the voltage and go in and need to
10 correct those situations as we're trying to achieve
11 energy efficiency on our system.

12 However, we have tools that if we knew where
13 those endpoints are that we're not enabling the entire
14 feeder to be as optimized as possible, we could go and
15 remediate those specific areas and raise the voltage.
16 There are secondary line devices that you can install
17 to raise a certain area's voltage. And this -- the
18 AMI system will allow us to identify those customers
19 that are lower than others and be able to raise their
20 voltage, and we have the costs associated with raising
21 their voltage, the equipment costs that would be
22 needed to raise the voltage in those areas included in
23 our project costs.

24 So really the only way that we're able to
25 reduce the voltage an additional 2 volts to get an

EXAMINATION BY COMMISSIONER JONES / ROSENT 217

1 additional 2 percent is to understand where those low
2 points of voltage are on our system that's enabled
3 through AMI.

4 Q Okay. You went way beyond me and my
5 knowledge, but that is an interesting photograph.
6 Thank you.

7 And I have visited the Pullman project. I
8 think all three of us have, so we kind of get it, but
9 it's -- so you stand by your assertion --

10 A Yes.

11 Q -- that 2 percent is conservatively
12 achievable?

13 A Realistic, yes.

14 Q Since we're on that right now, why don't you
15 turn the page to -- since you're on the photo 23,
16 let's go to disconnections, page 30 of your rebuttal.
17 Are you there, line 22? I want to talk about
18 disconnections, remote disconnect capability.

19 A Uh-huh, I'm there.

20 Q So here you disagree with Ms. Alexander, I
21 think, in her testimony. Because this relates to the
22 value or the frequency of remote disconnects that AMI
23 would certainly enable -- I mean, technically, it will
24 enable a large number of remote disconnects; right?

25 So let me ask you this: Did you run a

EXAMINATION BY COMMISSIONER JONES / ROSENT 218

1 sensitivity of AMI -- maybe you did, and I didn't see
2 it -- not taking into account any of the values of
3 this capability of AMI, meaning disconnects?

4 A No, we didn't. We feel that it's -- we have
5 conducted the remote disconnects and the remote
6 reconnects in Pullman and haven't had any complaints
7 from our customers there. We actually have customers
8 that really appreciate the speed of the reconnect
9 from -- on average before, a reconnect, on average,
10 could be 14 hours, and they're getting it within
11 4 minutes.

12 So we feel that we're still needing the rules
13 from the Commission in operating that way in Pullman
14 and would like to expand that with this project.

15 Q Okay. Sorry. I'm jumping around here. Back
16 to the business case, so my next line of questions is
17 what you're actually asking for in this case in terms
18 of an after-attrition adjustment for AMI. So I think
19 the best place to go to would be the business case,
20 page 4. Again, this is HLR-3.

21 So before we get to the actual after-attrition
22 adjustment, I'm going to ask you just to see if these
23 tables are accurate on capital expenditures. Are you
24 there on page 4?

25 A Yes.

EXAMINATION BY COMMISSIONER JONES / ROSENT 219

1 Q You're the overall manager of this project and
2 have total authority over both capital and O & M
3 expenditures; right?

4 A Yes. I'm the overall sponsor.

5 Q So could you go over to the line 2016. I just
6 want to be clear about how much money you've already
7 expended in capital. So the first column is Meter
8 Data Management. I think this is the Oracle contract;
9 right?

10 A Correct.

11 Q So have you expended already \$9.3 million?

12 A I think it would be helpful to reference I
13 think one of --

14 MS. ROSENTRATER: Is it, David,
15 cross-reference --

16 MR. MEYER: I think it is -- it is --
17 where the witness is going is to draw your attention
18 to our response to Staff Exhibit 178-C. It is a
19 cross-exhibit for Mr. Nightingale, and it's marked as
20 DN-3CXC. I think it will take you maybe right to
21 where you want to go.

22 And what we're referring to here -- a lot of
23 it is confidential, but what we're talking about at
24 this level is not. And I think the first two or three
25 pages of that cross-exhibit we're not on yellow paper,

EXAMINATION BY COMMISSIONER JONES / ROSENT 220

1 and they were just high-level summaries for
2 attachments. Would that be helpful?

3 COMMISSIONER RENDAHL: Which exhibit?
4 2-CXC or 3-CXC?

5 MR. MEYER: 3-CXC.

6 COMMISSIONER RENDAHL: And is there a
7 particular attachment that is not confidential?

8 MR. MEYER: Yes. The first 1, 2, 3, 4
9 pages -- 3 pages, which really is the heart of the
10 response, are not confidential. It's all the hundreds
11 of pages attached to it that are. So we can freely
12 talk about the first three pages of this.

13 MS. ROSENTRATER: Well, I don't know if
14 we can. It has the costs -- I think some of the costs
15 are --

16 MR. MEYER: May we be off the record?

17 JUDGE MOSS: All right. Let's be off
18 the record.

19 (A break was taken from 2:43 p.m. to
20 2:45 p.m.)

21 JUDGE MOSS: Let's be on the record,
22 and let's talk one at a time since we are.

23 MR. MEYER: I would like to distribute
24 the first three pages of a response by the Company to
25 Staff Data Request 178-C. That entire response has

EXAMINATION BY COMMISSIONER JONES / ROSENT 221

1 been marked for identification as Exhibit DN-3CXC. So
2 if I may approach?

3 JUDGE MOSS: Yes, you may.

4 MR. MEYER: I am sorry that these are
5 not stapled, and I think we might have enough to go
6 around. So I think we're tracking.

7 COMMISSIONER JONES: Are we ready to
8 go?

9 MS. ROSENTRATER: Yes.

10 COMMISSIONER RENDAHL: May I clarify
11 one? On the last page, there is a column that is
12 highlighted in gray. That does not mean it is
13 confidential; correct?

14 MR. MEYER: Correct.

15 COMMISSIONER RENDAHL: Thank you.

16 BY COMMISSIONER JONES:

17 Q Ms. Rosentrater, I'm not going to get into
18 this level of detail. It sounds like there will be
19 cross from Mr. Meyer for Mr. Nightingale later. From
20 your standpoint as the overall project sponsor, I kind
21 of want to get a better sense of where the capital has
22 been spent to date --

23 A Uh-huh.

24 Q -- with Oracle and some of the contracts that
25 have been signed. You said you signed six contracts.

EXAMINATION BY COMMISSIONER JONES / ROSENT 222

1 It doesn't sound like the contract with Itron has
2 resulted in any meter deployment until September of
3 2017; correct?

4 A Correct.

5 Q Let's put that aside. I'm just trying to get
6 a sense of how much has been spent. In your business
7 case, most of the capital spend was going to be on
8 data meter management, Head-End systems, and collector
9 infrastructure for this year; right?

10 A For this year. And this DN-3CXC has the most
11 up-to-date information of what has been spent this
12 year. And to date on the first page through 8/2016,
13 you can see that through that time systemwide we had
14 spent \$10 million to date, 6.8 in Washington.

15 So that's the most up-to-date information with
16 the majority of it having been spent for the Meter
17 Data Management system. We just kicked off the work
18 for the Head-End system on Monday of this week.

19 Q So most of the work to date has been for Meter
20 Data Management, and that is with Oracle?

21 A Correct. And with Trinity. Our Trinity is
22 our software integration, and they're taking the lead
23 on installing the Oracle Meter Data Management system
24 with us.

25 Q And then you said you started work on which

EXAMINATION BY COMMISSIONER JONES / ROSENT 223

1 system this week on Monday?

2 A The Head-End system with Itron.

3 Q So Itron is doing the Head-End system. Okay.
4 Thank you.

5 And your estimate, if we go all the way
6 through December of this year, the capital spend
7 systemwide will be 29.3 million?

8 A Correct.

9 Q It will be simple, and we'll end with this.
10 So what are you asking for -- this could be a
11 Ms. Andrews question. But with the after-attrition
12 adjustment, I think it's on page 3 of 4 here.

13 A Correct.

14 Q I have, according to my notes after reading
15 Ms. Andrews' rebuttal testimony, that you were going
16 to be asking for an attrition adjustment electric of
17 3.8 and gas of 1.1 for a total of 4.9 million
18 attrition adjustment. So is that reflected in this
19 4.9 million at the bottom?

20 A Yes, exactly.

21 Q So that is your ask. That is your number that
22 you're asking the Commission to do?

23 A Correct.

24 Q With an after-attrition adjustment. Okay. No
25 more pain. I think it's as simple as that.

EXAMINATION BY COMMISSIONER JONES / ROSENT 224

1 Just one more question -- line of questioning.
2 I've done my quantified benefits. I'm going to go
3 unquantified.

4 A Okay.

5 Q So in the business case, you list, I think, on
6 page --

7 A Page 7.

8 Q Yeah. You list the unquantified benefits;
9 right?

10 A Yes.

11 Q And I'm going to ask a few questions about the
12 demand response, and I'm not going to ask about all
13 these because it would take a long time to get through
14 it. I'm interested personally in all of these
15 unquantified future opportunities, but I don't think
16 they are ripe right now. But demand response is
17 because ICNU's witnesses made a proposal in this case
18 for a demand response; right?

19 A I'm not familiar. I haven't -- I'm not
20 familiar with that program request.

21 Q Then I won't ask you about that request. But
22 as an engineer and as a sponsor of this project, if
23 Avista starts doing more with demand response earlier
24 than you think or according to the current plan --
25 because your winter capacity is not until -- deficit

EXAMINATION BY COMMISSIONER JONES / ROSENT 225

1 until winter of 2021, I think, but if we do more now,
2 how would you go about putting a methodology in place
3 both for residential and commercial and industrial
4 customers to measure demand response benefits?

5 A I'm not an expert in that area. I see a lot
6 of -- personally from my engineering perspective, I
7 see a lot of opportunity and system benefits related
8 to specific locations. So from a resource
9 perspective, you stated based on our IRP when we go
10 shore up; but based on where we're at in the system
11 and different feeders and other characteristics of the
12 system, there's other benefits to demand response
13 beyond the resource benefit.

14 So I think there's work that can be done to
15 leverage the system benefits and the resource benefits
16 to apply or to create a program and to apply a value.

17 COMMISSIONER JONES: Mr. Meyer, who
18 would be the better person to ask on demand response
19 issues? Maybe a little bit later on?

20 MR. MEYER: Yes. I have just the
21 person, Mr. Ehrbar.

22 COMMISSIONER JONES: Those are all my
23 questions, Ms. Rosentrater. Thank you.

24 MR. MEYER: I do have a few clean-up
25 for you before we move on to the next, Commissioner.

EXAMINATION BY COMMISSIONER JONES / ROSENT 226

1 There was a question we do have the information on
2 contract dates for you. I will hand that information
3 to the witness to read into the record, but probably
4 the best way to do it is start by referring back to
5 that very same Cross-Exhibit DN-3CXC that I just
6 handed out.

7 COMMISSIONER JONES: Yes, I'm there.

8 MR. MEYER: There is a list on page 2
9 of 3 of contractors. That does not include Itron, so
10 pencil in Itron, if you will, and then we're going to
11 give you contract dates for each of these or I should
12 say the witness will. Give me a moment.

13 Again, these dates that she is going to give
14 you are not in the same order as I think the
15 contractors are listed, but you can make that clear.

16 MS. ROSENTRATER: Okay. So these are
17 the six contracts that have been signed to date
18 starting with the Boreas Group who helped us put
19 together the RFP for the meters, and it was signed on
20 9/17/2015. The Oracle contract was signed on
21 3/28/2016. The Trinity Consulting contract was signed
22 on 3/28/2016. The Hanna & Associates contract is
23 helping with our outreach and communication plan was
24 signed on 5/6/2016. The SmartMark contract who is
25 also helping with customer outreach was signed on

EXAMINATION BY COMMISSIONER JONES / ROSENT 227

1 7/18/2016.

2 COMMISSIONER JONES: And then Itron, as
3 I stated before, was signed on September 30, 2016;
4 right?

5 MS. ROSENTRATER: Right. That's
6 correct.

7 COMMISSIONER JONES: Okay. Thank you.

8 MR. MEYER: Okay. And then there was
9 one other entirely unrelated issue that you had
10 raised, I think, before the lunch hour, and that had
11 to do with some parking garages and service garage,
12 employee parking. And I think we have some additional
13 information to share there if you're interested.

14 COMMISSIONER JONES: Since I asked
15 that, if you're most responsible or familiar with
16 that, why don't you answer that question about what
17 metrics, what studies did you do, why is it necessary.

18 MS. ROSENTRATER: So I think you
19 referenced the 2016 number of the 2.99 million, and
20 even the 2017 number, the 8.979 as listed here, those
21 numbers, just to be clear, are the plant that will be
22 in service in 2016 and 2017. We don't plan to have
23 the employee parking garage be in service in those
24 years, so it's not included in those numbers.

25 We do have a business case related to the

EXAMINATION BY COMMISSIONER JONES / ROSENT 228

1 employee parking garage based on safety and cost
2 versus benefit, but, again, those aren't included in
3 these numbers. The main portion of the 2016 number is
4 actually a road reroute to bring our campus together
5 and to move the -- to enable us to move the fleet
6 garage building to our more operational portion of our
7 campus.

8 For safety purposes, we're trying to separate,
9 as much as we can, the operations portions from the
10 office portions of our functions from a safety
11 perspective. The other reasons we're moving the fleet
12 building are to enable it to work on our larger line
13 trucks as well as work on our natural gas vehicles.
14 Currently, the garage that we have at our Mission
15 campus, the ceilings are not high enough from a
16 regulations law perspective, code perspective to be
17 able to maintain our natural gas vehicles.

18 Our garage out at our Dollar Road facility,
19 which is our gas operations building, does have garage
20 space that is higher; however, we have a significant
21 portion of our fleet that is natural gas. And so
22 having that availability to work on them at the
23 Mission campus would be beneficial as well.

24 So there's a couple different drivers of
25 moving that fleet building to the operations area of

EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 229

1 campus, and, again, the first step of that is to
2 reroute the road that splits up the property that we
3 own.

4 COMMISSIONER JONES: Good. No parking
5 garage for employees in 2016?

6 MS. ROSENTRATER: Correct.

7 COMMISSIONER JONES: Thank you.

8 JUDGE MOSS: Go ahead, Commissioner
9 Rendahl.

10 COMMISSIONER RENDAHL: I have just a
11 few.

12 E X A M I N A T I O N

13 BY COMMISSIONER RENDAHL:

14 **Q And this is on your rebuttal testimony,**
15 **HLR-9T. If you'll go to page 32 and on lines 28 and**
16 **29, this is relating to the opt-out, and I realize**
17 **this testimony has to do with annual reporting.**

18 A Uh-huh.

19 **Q And since you just read out all the contracts,**
20 **my question had to do with what is the status of**
21 **development of your opt-out program?**

22 A I know Linda Gervais has been working with
23 Consumer Staff and Energy Staff to put together a
24 proposal for what the opt-out offering would look
25 like. We agree that's a very important piece of our

EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 230

1 program.

2 Q So when you say Consumer and Energy Staff,
3 that's the UTC Consumer and Energy Staff?

4 A Yes.

5 Q And do you have an estimate of when that might
6 be brought forward?

7 A I don't.

8 Q Okay. So that was that question. And then
9 going to page 36 of HLR-9T and looking at the
10 discussion about the SAIDI and SAIFI issues, you say
11 that distribution capital investments generally are
12 made so that we can maintain our overall system
13 reliability and, therefore, the company may not
14 necessarily see improvements to SAIFI or SAIDI.

15 So since the company justified many of the
16 adjustments and requests in this case based on the
17 need to maintain its SAIDI and SAIFI and you say here
18 we can't necessarily see that to maintain reliability,
19 how would you expect us to measure the benefit to the
20 system, the benefit to the customers of these
21 reliability claims, and the expenses for reliability?

22 A We do have trending analysis that shows where
23 our reliability was trending towards. We also have
24 information on a per feeder basis that internally we
25 look at improvements around reliability and outage

EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 231

1 reductions on those feeders that have been focused on
2 for our grid modernization program, specifically on
3 our distribution system. And so that's -- those are
4 some ways that we look at the improvements that are
5 being made.

6 **Q Have you begun to work with our staff at all**
7 **on the evaluation of reliability? I know in the last**
8 **rate case there was discussion about such an effort.**
9 **Have you begun working with our staff on those issues**
10 **at all?**

11 A I know that we meet regularly, I think, once a
12 year to look at our outage information, and we provide
13 a report on our -- on our feeder-by-feeder reliability
14 information, but I'm not aware of activity beyond that
15 that's occurring.

16 **Q Is there anything in the record that the**
17 **company has provided, either through a response to a**
18 **data request or an exhibit, that relates to this type**
19 **of data that you're talking about?**

20 MR. MEYER: Just one minute. May we
21 just confer?

22 COMMISSIONER RENDAHL: If the witness
23 does not know, she can say she does not know.

24 A I do not know.

25 COMMISSIONER RENDAHL: That's it.

EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 232

1 Thanks.

2 JUDGE MOSS: All right.

3 CHAIRMAN DANNER: I just want to ask
4 one question.

5 JUDGE MOSS: Microphone.

6 CHAIRMAN DANNER: I just want to ask
7 one question.

8 E X A M I N A T I O N

9 BY CHAIRMAN DANNER:

10 Q With regard to the final report -- and this is
11 in your rebuttal testimony on 33 where you list the
12 elements of the final report. This is going to be in
13 mid-year 2021 or '22. It's 18 months after.

14 And yet you say that you're going to have a
15 summary of the value of benefits that were quantified
16 in the original business case, but, I mean, you are --
17 this is after you've made this decision to go forward
18 but before the end of the life cycle. So you're
19 still, in some ways, still looking at projections
20 going forward; right?

21 Is this merely a refinement of projections
22 going forward, or what is the -- what is the purpose
23 of the report? What does it get us? Since you've
24 already pulled the trigger, if you will, what's the
25 benefit of the report in your mind?

EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 233

1 A I think just validation about are we truly
2 achieving the benefits that we expected to achieve,
3 and I -- I think we'll be looking at other areas of
4 benefit. As well as we continue to move forward and
5 understand the technology abilities better, there will
6 be other benefits that aren't currently in our
7 business case that we'll be identifying as well, so I
8 think it's prudent. It's a --

9 Q But you term it a final report. So if this is
10 going to be an iterative process, is it just a
11 periodic report? Will there be reports coming after
12 that date? What is the magic of mid-year 2021?

13 A I think based on the entire system, it will
14 have been rolled out systemwide, so we'll be able to
15 see 12 months' worth of a final systemwide benefit
16 result. And I think this is our recommendation, and
17 we're definitely open to continuing to discuss what
18 would meet other's interests in terms of reporting.

19 Q Okay. So this was -- so in other words, the
20 date was chosen simply because you have completed the
21 deployment, and you need some time to do a report.
22 So --

23 A Well, you'd want a full 12 months of the full
24 system being in place and live to get a full year's
25 worth of benefit.

EXAMINATION BY MEYER / ROSENTRATER 234

1 Q Okay. So there's really nothing final about
2 the final report?

3 A Right.

4 CHAIRMAN DANNER: All right. Okay.
5 Thank you.

6 JUDGE MOSS: All right. I haven't been
7 doing this today, but I will ask if the Bench
8 questions have prompted any thought from you,
9 Ms. Gafken, that you wish to follow up on.

10 MS. GAFKEN: I have no follow-up
11 questions, but I will note that Ms. Alexander,
12 although we're not doing the Skype appearance, she is
13 on the phone if there's any questions that the Bench
14 might have for her.

15 JUDGE MOSS: If we get to that point,
16 we'll let -- Mr. Meyer, do you have anything?

17 MR. MEYER: It does, and, in fact, this
18 might be more efficient for me to proceed briefly with
19 this witness on redirect. And it might save on some
20 questioning of Mr. Nightingale.

21 JUDGE MOSS: Let's do that.

22 EXAMINATION

23 BY MR. MEYER:

24 Q Would you turn now back to that portion of
25 Exhibit DN-3CXC. That's the three-page document I

EXAMINATION BY MEYER / ROSENTRATER 235

1 handed out, and it's the front pages of a much larger
2 exhibit when you have that in front of you. All
3 right.

4 Now, you were asked, I believe, by
5 Commissioner Jones about what portion of AMI was
6 included within the Company's after-attrition
7 adjustment. Do you recall that?

8 A Yes.

9 Q And you directed the Commission's attention to
10 page 3 of 3. That's Table No. 2. There was a shaded
11 box there; correct?

12 A Correct.

13 Q And I believe the number that you pointed to,
14 in particular, was a gross transfer to plant number
15 for both Washington electric and Washington natural
16 gas combined, Washington total of 17.9 million; is
17 that correct?

18 A Yes.

19 Q Okay. So that 17.9 million consists of half a
20 dozen particular projects, does it not?

21 A About that, yes.

22 Q Yes. Could you very briefly describe what
23 each of those six projects are?

24 A Yes. So we have the Meter Data Management
25 system that will be in service in 2017, the Head-End

EXAMINATION BY MEYER / ROSENTRATER 236

1 system that will be in service in 2017, the collector
2 infrastructure, a portion of it, that will precede the
3 meters that are deployed, and the meters themselves
4 will start to be deployed in 2017 as well as Data
5 Analytics systems will be installed prior to the meter
6 deployment as well.

7 **Q And with respect to each of those six items,**
8 **is it your testimony that --**

9 **CHAIRMAN DANNER: I have four.**

10 MR. MEYER: I cut you short. Thank
11 you.

12 A There's the Data Analytics, the Meter Data
13 Management, Head-End system, the collector system, the
14 meter deployment, but there's gas and electric meter
15 deployment. So that would be the five and six.

16 COMMISSIONER RENDAHL: So all right.
17 Meter Data Management, Head-End, collector system,
18 meters, data analytics. What am I missing?

19 MS. ROSENTRATER: The electric and gas
20 meters are separate.

21 COMMISSIONER RENDAHL: So break it out
22 into two.

23 MS. ROSENTRATER: The gas modules.

24 MR. MEYER: May I suggest that if it
25 benefits the record we do have just a one-page

EXAMINATION BY MEYER / ROSENTRATER 237

1 breakout of that. If you so choose, we could mark
2 that as an exhibit.

3 JUDGE MOSS: Which one are we on?

4 JUDGE PEARSON: Eight.

5 JUDGE MOSS: That will be Bench
6 Exhibit 8, I think. Or nine. We'll call it 8.

7 MR. MEYER: We do not have copies of
8 it, but we'll make copies right now. And perhaps
9 before I do further cross of Mr. Nightingale, you'll
10 have it in front of you. But at least let me furnish
11 the one copy I have.

12 JUDGE MOSS: We'll take a break after
13 this witness.

14 BY MR. MEYER:

15 Q So just, lastly, then the 17.9 million
16 reflects, as I think you characterized it, transfers
17 to items of plant that will be in service during 2017;
18 is that correct?

19 A Correct.

20 Q And as such, will each of these five or six
21 different items be useful for customers in that
22 period?

23 A Yes.

24 Q And that is true irrespective of whether AMI
25 is fully deployed prior to 2021; is that correct?

EXAMINATION BY MEYER / ROSENTRATER**238**

1 A Correct.

2 MR. MEYER: All right. So thank you.
3 That's all I have for this witness.

4 JUDGE MOSS: I think that's all the
5 questions for you, Ms. Rosentrater. We appreciate you
6 being here today and giving your testimony, and we can
7 let you step down subject to recall, if needed.

8 And we will take our afternoon break at this
9 time. Let's be back at 3:20, and Mr. Nightingale will
10 then be on the stand.

11 (A break was taken from 3:10 p.m. to
12 3:28 p.m.)

13 JUDGE MOSS: Let's be back on the
14 record.

15
16 DAVID NIGHTINGALE, witness herein, having been
17 first duly sworn on oath,
18 was examined and testified
19 as follows:

20
21 JUDGE MOSS: Ms. Cameron-Rulkowski,
22 your witness.

23 MS. CAMERON-RULKOWSKI: Thank you, Your
24 Honor.

25

E X A M I N A T I O N

BY MS. CAMERON-RULKOWSKI:

Q Good afternoon, Mr. Nightingale.

A Good afternoon.

Q Can you state your name and spell your last name for the record.

A David Nightingale, N-I-G-H-T-I-N-G-A-L-E.

Q Please direct your attention to Exhibit DN-1T. Is this the testimony that you prepared on behalf of Staff in response to Avista's prefiled testimony?

A Yes.

Q And are there any corrections that need to be made to this exhibit?

A No.

MS. CAMERON-RULKOWSKI: Mr. Nightingale is available for cross-examination and questions from the Bench.

JUDGE MOSS: All right. And your testimony has previously been admitted, so we have Mr. Meyer.

E X A M I N A T I O N

BY MR. MEYER:

Q Yes. I'll try and be short and to the point. And to that end, I would like to hand to the witness what has just been marked as Bench Exhibit 8 --

EXAMINATION BY MEYER / NIGHTINGALE 240

1 JUDGE MOSS: All right. Thank you.

2 Q -- so he has that in front of him. And I
3 believe -- I see the witness also has a copy of
4 Exhibit DN-3CXC about which we've had some
5 examination.

6 JUDGE MOSS: Very well.

7 Q Okay. If those two documents are in front of
8 you, we can proceed. Is it your position,
9 Mr. Nightingale, that because AMI has not yet been
10 placed into service that it is -- it is premature for
11 the Commission to make a prudence determination?

12 A Yes.

13 Q Would you agree that Avista is currently
14 incurring both operating expenses and capital
15 investment associated with AMI?

16 A Yes, my understanding from the testimony I've
17 reviewed and as well as what you just provided.

18 Q So let's turn to what I just provided, which
19 is Exhibit DN-3CXC.

20 MS. CAMERON-RULKOWSKI: I'm going to --
21 I may object because Mr. Nightingale -- this is a
22 document that comes from the Company, and it's not
23 something that Mr. Nightingale prepared. And
24 Ms. Rosentrater was just on the stand, so I'm not sure
25 what you're expecting -- what you're going to ask, but

EXAMINATION BY MEYER / NIGHTINGALE 241

1 I'm just giving you a heads-up.

2 MR. MEYER: All right. The exhibit is
3 admitted -- has been admitted, and there has been some
4 examination around that. So I want to test this
5 witness's understanding of that exhibit and the
6 numbers in that exhibit.

7 JUDGE MOSS: As I understand what was
8 just said, there's no objection.

9 MR. MEYER: Correct.

10 JUDGE MOSS: Let's go forward.

11 MR. MEYER: Thank you.

12 BY MR. MEYER:

13 Q So let's turn first to page 1 of that exhibit,
14 Table No. 1. And would you agree, subject to check,
15 that the Company is expecting to spend, approximately,
16 70.5 million gross capital spend for both Washington
17 electric and Washington natural gas AMI during and
18 through 2017? Is that what is shown on this exhibit?

19 MS. CAMERON-RULKOWSKI: Objection.

20 This witness, Mr. Nightingale, did not produce this
21 document, did not create this document. And if
22 Mr. Meyer wants to ask questions about the numbers on
23 the document, then they should be addressed to a
24 Company witness. It states on this document that the
25 witness that this -- that this discovery response

EXAMINATION BY MEYER / NIGHTINGALE 242

1 should be -- the witness sponsoring this discovery
2 request is Ms. Rosentrater. She is available today.

3 JUDGE MOSS: Why don't you lay a little
4 foundation, Mr. Meyer.

5 MR. MEYER: Surely.

6 BY MR. MEYER:

7 Q I'll just ask it even more directly. How much
8 do you believe the Company is expecting to spend on
9 AMI through 2017?

10 A I don't know -- I can't tell you off the top
11 of my head.

12 Q Okay. And yet you're taking the position that
13 in this proceeding there should be no recovery of
14 revenue requirement associated with any AMI
15 investment; is that correct?

16 A Yes. That's right. It is premature for
17 recovery of cost of that investment.

18 Q Is it your understanding that the Company is
19 seeking to recover through its after-attrition
20 adjustment approximately \$17.9 million of investment
21 related to AMI?

22 A I didn't testify on that matter. That was --
23 that would be an accounting witness you'd probably
24 want to ask that question to.

25 Q And yet you are the one witness that is

EXAMINATION BY MEYER / NIGHTINGALE 243

1 **speaking to whether or not there should be any cost**
2 **recovery of AMI in this docket; isn't that correct?**

3 A I am -- I testified about the ripeness of the
4 issue to be considered and the issue, I believe, based
5 on, as much as anything, the last rate case where
6 there was very explicit direction from the
7 Commissioners that said, quote -- and this is from my
8 testimony, page 4, last line starts and goes on to
9 page 5, the Company must place new plant in service
10 for its ratepayers before the Commission will opine on
11 the prudence of this decision. And the idea is
12 decision to place that plant in service and to spend
13 the monies.

14 Q Would you turn now to Bench -- response to
15 **Bench Request No. 8. Do you have that before you?**

16 A Yes, I do.

17 Q **And on its face, does that purport to show the**
18 **six different cost categories associated with AMI**
19 **plant that will be transferred to plant in service by**
20 **the Company during 2017?**

21 A That appears to be projections for those to
22 happen in the future, yes.

23 Q **And did the Company provide to Staff and all**
24 **of the parties as part of its initial filing its work**
25 **papers to that filing details surrounding each of**

EXAMINATION BY MEYER / NIGHTINGALE**244**

1 **these categories?**

2 A Yes.

3 **Q And did you have a chance to review that**
4 **information?**

5 A Yes, I did.

6 **Q And have you or any other staff member**
7 **challenged the prudence of any of those six cost**
8 **categories in this case? And if so, show me where.**

9 A There was no testimony on Staff regarding the
10 prudence of any of these projected expenditures.

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

13 JUDGE MOSS: Thank you, Mr. Meyer. I'm
14 not sure what we want to do with this data response
15 request. It is a response to a Staff data request to
16 the Company. It was, apparently, Ms. Cheesman,
17 apparently, requested it. Ms. Rosentrater,
18 apparently, answered it. If you want to have
19 Ms. Rosentrater back on the stand --

20 MR. MEYER: No. The evidence -- the
21 exhibit is already in the record.

22 JUDGE MOSS: This wasn't reserved?

23 MR. MEYER: No, no. This was part of
24 the initial group of exhibits.

25 JUDGE MOSS: Fine. Then any objection

EXAMINATION BY COMMISSIONER JONES / NIGHTI 245

1 to it has been waived, so we'll just move on with it
2 from there.

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

5 JUDGE MOSS: Thank you.

6 Now, let's see. That will take care of our
7 cross-examination.

8 Do we have questions from the Bench?

9 CHAIRMAN DANNER: No.

10 COMMISSIONER JONES: Just a couple.

11 E X A M I N A T I O N

12 BY COMMISSIONER JONES:

13 Q On page 7 of your testimony, Mr. Nightingale,
14 you talk about the Company -- lines 13 through 16.
15 Are you there?

16 A Yes, sir.

17 Q Executed five contracts to start preparing for
18 deployment of AMI. Couple questions. Did you read
19 those contracts?

20 A I did not read the contracts word for word,
21 no. I am aware that they are there.

22 Q Second question is: You heard my line of
23 questioning. Did you read the business case report
24 HLR-3 that I asked --

25 A Yes, I did.

EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 246

1 Q -- a lot of questions of -- so you read that?

2 A Yes, I did.

3 Q So on page 4 you heard some of my questions on
4 the spend rate in 2016, the capital spend rate. Did
5 that prompt some questions on your part about further
6 analysis on that sort of capital expenditure? Or is
7 your testimony just is it's premature?

8 A My testimony, essentially, is it's premature.

9 COMMISSIONER JONES: Okay. That's all
10 I have.

11 JUDGE MOSS: Anything else? Apparently
12 not.

13 Mr. Nightingale, that was mercifully brief, I
14 must say. You may step down.

15 MS. CAMERON-RULKOWSKI: Your Honor, I
16 do have some redirect if you'd entertain that.

17 JUDGE MOSS: All right. Go ahead.

18 MS. CAMERON-RULKOWSKI: Thank you, Your
19 Honor.

20 E X A M I N A T I O N

21 BY MS. CAMERON-RULKOWSKI:

22 Q Mr. Nightingale, Mr. Meyer asked you some
23 questions about Bench Request 8. And why is it that
24 you did not address the prudence of each of those cost
25 items?

EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 247

1 A Well, this is projected or you may call it
2 speculative as far as these expenditures. They've not
3 happened yet. They may or may not happen. There's
4 contracts for most of these; however, the -- actually,
5 the meter deployment part, there's not even a contract
6 that has been signed for the meter deployment, the
7 actual installation of the meters that they now last
8 week or a couple weeks ago actually have a contract
9 for the actual purchase of the meters and the modules
10 for the gas meters.

11 So it's not -- there's nothing there to assure
12 that there's going to be meters installed on the
13 particular schedule that they have outlined in their
14 testimony. It's -- it may happen. It may not.
15 They've already been delayed a few months since the
16 initial testimony until now. Things can happen in
17 contracting. A counter party can fail to deliver.
18 There can be defects with the equipment.

19 Some years ago my understanding is that there
20 was a Coyote Springs gas plant that was approved, and
21 shortly before it was supposed to be going into
22 service, then the ratepayers ended up paying for it
23 for a substantial number of months before it became in
24 service because the transformer failed before they got
25 it on line.

EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 248

1 So it's just simply premature to make a
2 determination on something we hope is going to happen.
3 It would be great if it did. That's not how prudence
4 has traditionally been determined, and I think for a
5 good reason.

6 **Q And so when would you expect to consider these**
7 **types of items in a prudence review?**

8 A It would be at some point after they're
9 installed and in service, and as Ms. Rosentrater
10 indicated in her testimony, looking back where you can
11 actually quantify the benefits, you know they're
12 installed, you know what's been the benefits as well
13 as the costs, and the actual costs too.

14 I mean, contracts on the cost side here, there
15 could be cost overruns. That's not unusual, and so a
16 balancing of the costs and benefits after the fact
17 looking backwards is a standard way of looking at
18 these type of investments.

19 **Q When you're speaking of looking back and**
20 **installation, does that mean that this analysis would**
21 **be done after all of the meters are installed or at**
22 **some other point in time?**

23 A The nature of this particular capital
24 investment is not like a plant where you have it
25 100 percent going into service on a date of

EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 249

1 completion; however, it's a large capital spend with a
2 long life. But it's a five-year or perhaps six-year
3 deployment depending on how it actually goes.

4 I don't see a reason why it wouldn't be
5 possible to come in before 2021 or '22 where they've
6 got all the data for all the meters installed and come
7 in and get partial recovery for what they can show is
8 beneficial installed up to that point in time in a
9 future rate case.

10 **Q And the contracts that came up in testimony**
11 **earlier, do you believe that the contracts are**
12 **relevant at this time?**

13 A Not now.

14 **Q And could you explain why not?**

15 A It just dwells on the same point I made about
16 these are speculative legal arrangements. They
17 haven't played themselves out to actually demonstrate
18 anything as far as prudence determination going
19 forward and also just practically.

20 I mean, you want to be able to have something
21 installed and come back and see how it's performing.
22 If it -- I mean, I am -- I think that it will probably
23 be beneficial, but I don't know. And the facts need
24 to speak for themselves afterwards.

25 MS. CAMERON-RULKOWSKI: Thank you,

EXAMINATION BY MEYER / NIGHTINGALE 250

1 Mr. Nightingale.

2 MR. MEYER: Your Honor, that redirect
3 actually elicited a response that requires just a
4 couple of follow-up questions.

5 JUDGE MOSS: All right. Go ahead.

E X A M I N A T I O N

6
7 BY MR. MEYER:

8 Q All right. So I believe I heard you respond
9 to your counsel that even with respect to these six
10 items that we should wait, not necessarily until 2021
11 where there's been full deployment, but perhaps for a
12 few years to see how it plays out. Is that a rough
13 characterization of your testimony?

14 A I think that would be a reasonable approach,
15 not the only approach, but --

16 Q Let's see where that takes us. Would you
17 agree that the revenue requirement associated strictly
18 with those, just those six items as shown in the
19 cross-examination exhibit that I referred you to, is
20 approximately \$5 million per year? Is that your
21 understanding what that exhibit shows?

22 A I haven't made a calculation. I don't know.

23 Q Would you accept that subject to check?

24 A Sure.

25 Q So if the Commission were to take your advice

EXAMINATION BY MEYER / NIGHTINGALE 251

1 and wait for perhaps a couple of years, is the
2 practical effect that the Company will have been
3 denied approximately \$5 million of revenue requirement
4 each year associated with those six specific items?

5 A Again, I did not testify here on the
6 accounting.

7 Q Does it follow what I asked? Does that
8 follow?

9 A Excuse me. Can you ask again?

10 Q Surely. If the Commission takes your
11 recommendation and waits for perhaps a year or two and
12 let it play out, isn't it a fact that the Company will
13 have been denied approximately \$5 million of revenue
14 requirement per year associated with just these six
15 items? Does it follow?

16 A If you don't look at it then; however, my --

17 Q Just answer does that follow, yes or no, and
18 then you can explain.

19 A I don't know if it does or not, but I can
20 explain.

21 Q So you don't know what the impact would be on
22 the Company's revenue requirement impact? Is that
23 your testimony?

24 A I don't think I can really give you a
25 yes-or-no answer on that, but I would like to explain.

EXAMINATION BY MEYER / NIGHTINGALE 252

1 Q Wouldn't it be important to know that before
2 you take a position?

3 A This is very hypothetical, so --

4 Q Not to the Company. 5 million is real.
5 Wouldn't it be important for you to know that before
6 taking a position?

7 MS. CAMERON-RULKOWSKI: Objection. I
8 believe counsel is testifying.

9 MR. MEYER: I'm still looking for an
10 answer. I'm sorry.

11 JUDGE MOSS: Overruled. Go ahead. If
12 you can answer it, you can. If you can't, just say
13 so.

14 A Can you ask again, please?

15 Q Wouldn't it be important for you to know
16 whether there would be a \$5 million revenue impact to
17 the Company per year if the Commission were to take
18 your recommendation and not address these six items
19 for a few years?

20 A Okay. The first part of your question,
21 wouldn't it be important for me to know about that
22 kind of impact, yes. I'm answering yes to that part
23 of the question.

24 MR. MEYER: Okay. Thank you. That's
25 all I have.

EXAMINATION BY MEYER / KNOX

253

1 JUDGE MOSS: All right. Thank you.

2 Are we finished?

3 COMMISSIONER JONES: Yes.

4 JUDGE MOSS: Apparently, we are
5 finished. Mr. Nightingale, I released you prematurely
6 before, but now you're free to go.

7 MR. NIGHTINGALE: I'm all about being
8 premature, you know.

9 JUDGE MOSS: Poor choice of words on my
10 part.

11

12 TARA L. KNOX, witness herein, having been
13 first duly sworn on oath,
14 was examined and testified
15 as follows:

16

17 JUDGE MOSS: Mr. Meyer, when you're
18 ready.

19 MR. MEYER: I am ready.

20 E X A M I N A T I O N

21 BY MR. MEYER:

22 Q For the record, please state your name.

23 A My name is Tara L. Knox.

24 Q Have you prepared exhibits that have been
25 admitted marked as Exhibits TLK-1T through TLK-4T?

EXAMINATION BY COWELL / KNOX**254**

1 A Yes, I have.

2 Q Do you have any changes?

3 A No, I do not.

4 MR. MEYER: So with that, the witness
5 is available.

6 JUDGE MOSS: All right. And it appears
7 that ICNU is the only party with some cross. Go
8 ahead.

9 MR. COWELL: Thank you, Your Honor.

10 E X A M I N A T I O N

11 BY MR. COWELL:

12 Q Good afternoon, Ms. Knox.

13 A Good afternoon.

14 Q Ms. Knox, you've been employed with Avista's
15 State Regulation department for 25 years; is that
16 correct?

17 A Yes. Twenty-five and a half.

18 Q And given your experience, you now hold the
19 position of Senior Regulatory Analyst in the Company's
20 State Regulation department; right?

21 A That's true.

22 Q In your rebuttal testimony -- and maybe let's
23 turn to that now, TLK-4T.

24 A Is there a particular page?

25 Q Let's start on page 1.

EXAMINATION BY COWELL / KNOX

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1 A Okay.

2 Q Now, in your rebuttal testimony, after a brief
3 introduction section, the rest of your testimony is
4 devoted to the issue of electric cost of service;
5 correct?

6 A Yes.

7 Q And the first specific topic you address is in
8 regard to Mr. Ball's concerns about the precision of
9 the Company's cost of service study spanning pages 1
10 and 2; right?

11 A Yes.

12 Q I'd like to ask a few questions on a
13 particular portion of your testimony here. And if we
14 could turn to page 2, starting at line 3, you state
15 that from a methodological standpoint, precision and
16 accuracy are in the eye of the beholder. Depending on
17 their point of view, one party may believe a
18 particular approach is fair and reasonable while
19 another party may prefer a different approach. And
20 both parties may find support for their point of view
21 in the literature.

22 Now, have you developed this position based on
23 your many years of service in the Company's regulation
24 department?

25 A Partly and also in reading the Electric

EXAMINATION BY COWELL / KNOX

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1 Utility Cost Allocation Manual that was put out by
2 NARUC in 1992. When you -- this was an update of -- I
3 think the initial one came out in '75, and the update
4 would put forward, you know, different cost
5 categories.

6 And then it talks about there's this option
7 here or this option here or this option there. And,
8 basically, it doesn't seem to give us strong opinion
9 on how one might be better than the other only that
10 these are options that commissions all over the
11 country have approved in one state or another.

12 **Q Okay. Thank you. Now, again, in your**
13 **experience, is it a rare occurrence that one party may**
14 **believe a particular approach is fair and reasonable**
15 **while another party in the same proceeding may prefer**
16 **a different approach?**

17 A I believe in every case that has gone to have
18 the full testimony put out that there's always been at
19 least one party that had another point of view from
20 the Company's point of view, and sometimes there would
21 be three or four points of view put forward.

22 **Q Okay. Fair enough. And if we could look at**
23 **the same page, page 2, line 8, in this particular**
24 **case, you testify that Avista has presented what it**
25 **believes is a fair representation of the cost to serve**

EXAMINATION BY COWELL / KNOX**257**

1 each customer group.

2 In your view, is it possible for a non-Company
3 party to also present what it believes is a fair
4 representation of cost of service even if Avista and
5 other parties do not agree?

6 A I think it can. One of the things that -- you
7 know, it's kind of a matter of degree. One of the
8 things that I've noticed, particularly in our
9 Washington jurisdictions, for whatever reasons, we
10 have seen over time that whether you do the Company's
11 method or an alternative method or -- I believe in
12 1999, I presented five different methods to show that
13 if you go to an extreme and I think it was making
14 A & G 100 percent energy and then making A & G
15 100 percent customer.

16 And I showed that no matter how you did it
17 this relationship of, basically, the -- excuse me.
18 The relationship we have is that the residential
19 customer group is under-recovering the cost to serve
20 them, and Schedule 11 and Schedule 21 are
21 over-recovering the cost to serve them and that this
22 relationship held true even if you took the allocation
23 methodologies to extreme.

24 And, you know, at that point in time, I say I
25 had five different studies that I put before the

EXAMINATION BY COWELL / KNOX

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1 Commission, and the Company's was right in the middle.
2 So I guess I've lost track of exactly what the
3 question was.

4 Q I think you sufficiently answered. But just
5 for the record, do you recall was that a 1999 general
6 rate case? Was it a special investigation?

7 A That was the 991606. That was the electric
8 docket, and UG-991607 was the gas docket.

9 Q Similar question, do you believe that the
10 Company can simultaneously support a different
11 approach and the exact same methodological issue with
12 both approaches still being fair and reasonable?

13 A Yes.

14 Q So in this case you do not agree with
15 Mr. Stephens' testifying on behalf of ICNU that the
16 peak credit methodology should -- or excuse me. That
17 should not be applied to transmission costs; is that
18 correct?

19 A Yes. That is a policy decision within the
20 Washington jurisdiction.

21 Q Okay. If you could, please turn to
22 Cross-Exhibit TLK-6CX, and this exhibit contains
23 excerpts from your direct testimony and an exhibit
24 that you sponsored in Idaho Public Utilities
25 Commission case AVUE-1603; is that right?

EXAMINATION BY COWELL / KNOX

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1 A Yes.

2 Q And subject to check, would you agree that
3 these excerpts were filed on May 26 of this year?

4 A That sounds right.

5 Q And that Idaho proceeding is ongoing; right?

6 A Yes, it is.

7 Q And in that case, Avista is seeking authority
8 to increase its electric rates in Idaho; right?

9 A Yes.

10 Q Now, if you please turn to page 3 of that
11 cross-exhibit, which is page 2 of the actual Idaho
12 direct testimony that you filed, you explain that your
13 testimony covers the Company's electric cost of
14 service study performed for the Idaho proceeding here;
15 right?

16 A Yes.

17 Q Okay. Next page, please, page 4 of the
18 cross-exhibit, and beginning on line 21, you
19 testified: I believe the base case cost of service
20 study presented in this case is a fair representation
21 of the cost to serve each customer group.

22 You use that same "fair representation" phrase
23 in your rebuttal testimony in this proceeding; right?

24 A Yes, I do.

25 Q Next page, page 5, beginning line 21, you

EXAMINATION BY COWELL / KNOX

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1 state that Schedule 2 of your Exhibit 12 in the Idaho
2 case explains the basic concepts involved in
3 performing an electric cost of service study; correct?

4 A Yes, that's true.

5 Q If you please jump ahead to the last page,
6 page 10 of this exhibit, this page is labeled
7 Exhibit 12, Schedule 2, which you had testified as
8 explaining the basic concepts involved in performing
9 an electric cost of service study; right?

10 A That's true.

11 Q On this same page, beginning line 2, we find
12 the explanation that transmission costs are classified
13 as 100 percent demand related due in part to the fact
14 that the facilities are designed to meet system peak
15 loads. That's what you prepared; right?

16 A That's the way we do it in Idaho.

17 Q Okay. And if you'd please turn back to page 7
18 of this cross-exhibit, page 12 of the excerpt of the
19 direct testimony, beginning line 22, you testified the
20 transmission costs are not only classified as
21 100 percent demand in Idaho, but are allocated by the
22 average of the 12-month coincident peaks, the same
23 methodology used in the last two Idaho cases; is that
24 correct?

25 A That is correct.

EXAMINATION BY COWELL / KNOX

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1 **Q So, Ms. Knox, is the 100 percent demand**
2 **classification and 12 coincident peak allocation of**
3 **transmission costs such that you're supporting in**
4 **Idaho is that more like Mr. Stephens' proposals in**
5 **this proceeding or more like your Washington proposal**
6 **in this proceeding?**

7 A Mr. Stephens' proposal is exactly this
8 proposal. One of the things I'd like to point out is
9 following on the rest of that sentence on your page 8,
10 it reflects the methodology accepted in the settlement
11 in Case No. AVUE-10-1.

12 Prior to 2010, we had applied the peak credit
13 method to transmission as well as to generation in
14 Idaho as well as Washington. In the course of the
15 settlement of that 2010 case, we elected to accept the
16 industrial customers' recommendation that we would
17 move to 100 percent demand on transmission.

18 And so at that point in time, the Idaho rates
19 were set based on this modification to the
20 methodology. And so as we proceeded in future cases
21 for -- because then you have what your rates are set
22 on, has this methodology in place, and so to continue
23 it forward, we'll maintain consistency year over year.

24 And also to kind of reduce the issues in the
25 following case, we elected to continue with

EXAMINATION BY COWELL / KNOX

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1 100 percent demand. Another thing that's interesting
2 in Idaho that's not true in Washington is other
3 investor-owned utilities in Idaho also used
4 100 percent demand for transmission.

5 **Q So to clarify, the Idaho Commission has**
6 **approved this methodology in the past two rate cases?**

7 A Right. As well as approving it for Idaho
8 Power.

9 **Q And you're also proposing that they approve it**
10 **again in this current case regardless of whether**
11 **there's a settlement?**

12 A Right. We have -- we, basically, moved to
13 that methodology in Idaho. It's, basically, the Idaho
14 methodology. There are other differences between the
15 Idaho methodology and the Washington methodology that
16 have developed over time as we put cases forward and
17 things are brought up. And when the parties elect to
18 agree on something, then, you know, we're willing to
19 change over time if everyone agrees to it.

20 You know, at this point in time, as I stated
21 in the rest of my rebuttal testimony, we have
22 continued to treat the transmission system in the same
23 manner as the generation system, which has been the
24 policy in the state of Washington since the mid-'80s.
25 And so we've carried it forward. One of the -- I

EXAMINATION BY COWELL / KNOX

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1 guess I'm not supposed to make speeches.

2 Q Well, right. In the interest of time, I'm
3 going to move on. And do you have a copy of
4 Mr. Stephens' response testimony with you?

5 A Yes.

6 Q Okay. Could you please turn -- and this is
7 RRS-1TC. If you would, please turn to page 27, and
8 we're going to start beginning line 19, page 27,
9 line 19.

10 CHAIRMAN DANNER: What was the exhibit?

11 MR. COWELL: This is Exhibit RRS-1TC,
12 Mr. Stephens' response testimony.

13 CHAIRMAN DANNER: Thank you.

14 COMMISSIONER RENDAHL: What page?

15 MR. COWELL: And then page 27 and
16 beginning on line 19.

17 A Yes.

18 Q Okay. Now, as a reason not to use the peak
19 credit method for clarification of transmission costs,
20 Mr. Stephens noted that Avista itself utilizes a 12 CP
21 billing method for network transmission services
22 specified in the Company's Section 34 of its Open
23 Access Transmission Tariff; is that correct? Did I
24 read that accurately?

25 A You read that accurately, yes.

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1 **Q** Now, if you would, please turn to
2 **Cross-Exhibit TLK-5CX. Now, does the Company's**
3 **response to ICNU Data Request 187 support**
4 **Mr. Stephens' claim about the Company's use of a 12 CP**
5 **billing method for Open Access Transmission Tariff**
6 **service?**

7 **A** It basically says that they are billed on a
8 load ratio share, which, you know, once Mr. Schlect
9 provided this to me, I went and found that section.
10 And the description of how they come about that
11 billing is, essentially, it is a demand-related
12 billing method that's based on a rolling 12-month peak
13 demands. Yeah, so it's not quite the same, but it's
14 similar.

15 **Q** Okay. Would it be fair to say it's consistent
16 **with Mr. Stephens' statement? Would it be fair to**
17 **say --**

18 **A** Yes.

19 **Q** If you please turn to page 2 of your rebuttal
20 **testimony, starting on line 11, you note Mr. Stephens'**
21 **objection to the peak credit approach and state that**
22 **you do not agree with his criticism of the peak credit**
23 **approach; is that correct?**

24 **A** On page 2 of my rebuttal?

25 **Q** Page 2 of your rebuttal testimony, so that

EXAMINATION BY COWELL / KNOX**265**

1 would be --

2 A I'm sorry. I was looking at my original.

3 Q TLK --

4 A I got to go to the right tab. Sorry.

5 Q No problem.

6 A Okay.

7 Q So we're on page 2, starting on line 11. You
8 note Mr. Stephens' objection to the peak credit
9 approach, and you state you do not agree with his
10 criticism of the peak credit approach; is that
11 correct?

12 A Yes.

13 Q All right. Now beginning on line 20 of this
14 same page and extending on to page 3, you then testify
15 that the Commission has recently weighed in on the use
16 of the peak credit methodology for all three
17 investor-owned utilities; is that accurate?

18 A I was pointing out a quote out of the Pacific
19 Power '14 case where they had stated that they have
20 long preferred the peak credit methodology and
21 consistently approved it for all the companies.

22 Q Okay. And, specifically, line 20 of your
23 testimony, the question is: Has the Commission
24 weighed in on the use of the peak credit methodology
25 in any recent cases, and you said yes; right?

EXAMINATION BY COWELL / KNOX**266**

1 A Correct. And then I took that quote.

2 Q Okay.

3 A Yeah.

4 Q So, Ms. Knox, are you saying that Avista
5 supports a one-size-fits-all approach for electric
6 cost of service methodology among all three regulated
7 utilities in Washington?

8 A Not precisely. Each of the companies do their
9 own calculation of peak credit, and I know -- I
10 believe that the Puget method is related to items in
11 their IRP, and they make some comparisons. I believe
12 it's like a hypothetical CT versus a hypothetical
13 CCCT. And then they have a certain number of hours
14 that they use for their allocation.

15 In the -- both the '99 case and the '05 case,
16 we wanted to continue using the peak credit because as
17 the theory behind it, that captures how the customer
18 makes use of the power in, you know, not doing like a
19 straight fixed variable that you might find other
20 places, but looking at how the customers are both
21 consuming energy and demand and then coming up with a
22 methodology to split it giving credit to the fixed
23 costs that are providing energy throughout the year.

24 And Avista had our way of doing it that was
25 specific to our system, and we put that in front of

EXAMINATION BY COWELL / KNOX

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1 the Commission. And they agreed that it was
2 appropriate to have slightly different methodologies
3 for the different companies.

4 Q So let me just --

5 A You can have differences among them. I think
6 it's useful for them to be similar basically, yeah.

7 Q Would you say differences within the peak
8 credit methodology or --

9 A Yes.

10 Q -- wholly -- okay. Thank you.

11 Now, Footnote 1 in your rebuttal testimony on
12 the next page, page 3, you cite the Pacific Power case
13 Order 8 in Docket UE-140762; right?

14 A Yes.

15 Q In that order, do you recall whether the
16 Commission approved the peak credit methodology or a
17 different method?

18 A I believe in that PacifiCorp one, they were
19 looking at a peak on average, and they were allowed to
20 use it for this one time. And then the Commission
21 stated how they wanted to see more documentation in
22 future cases to accept that over their preferred peak
23 credit methodology that they had used before.

24 Q And to the best of your understanding, has
25 that changed after the most recent PacifiCorp case?

EXAMINATION BY COWELL / KNOX**268**

1 A I do not know.

2 **Q In your opinion, Ms. Knox, would you describe**
3 **Avista to be more of an electric winter-peaking**
4 **utility or getting closer to being a dual**
5 **summer/winter-peaking utility?**

6 A Over the years, what we've seen is that we
7 have peaks in the winter, and we also have peaks in
8 the summer. And in unusual years, sometimes if we
9 have a particularly mild winter, it is possible that
10 the summer peaks can outstrip the winter peaks.

11 It was a few years back, but discussions I had
12 had with Mr. Kalich when I was trying to say, Well,
13 it's looks like we're dual peaking to me.

14 And he said, No, we're winter peaking.

15 And so I'm going, Well, okay. I guess I'll
16 accept that.

17 And his explanation there was it's really only
18 in those unusual circumstances where we have an
19 unusually hot summer and an unusually mild winter that
20 you could actually see the summer peaks outstripping.
21 We do see, yes, it's high in the summer if it's higher
22 in the winter generally. And so, yes, there will be
23 troughs in the other months.

24 **Q And for the record, could you identify who**
25 **Mr. Kalich is?**

EXAMINATION BY COWELL / KNOX**269**

1 A He testified to -- a Company witness Kalich.
2 He did the IRP and the Aurora model, and he is the
3 director of power supply -- no, he's not.

4 JUDGE MOSS: Excuse me. Excuse me. We
5 can't give answers to the witness. Testify to your
6 knowledge, Ms. Knox, and beyond that we can develop
7 the information in other ways. Thank you.

8 A He is a witness in the case, so you can find
9 his biographical information in there.

10 **Q Would you agree that Mr. Stephens has proposed**
11 **the use of a summer and winter peak allocation method**
12 **as a better measure of production costs than the**
13 **Company's 12 CP allocator?**

14 A He has proposed it as an other method.
15 Whether it's better or not is a matter of opinion.

16 **Q But is it your understanding he's proposed**
17 **that it's better?**

18 A Oh, yes. He thinks it's better, yes.

19 MR. COWELL: No further questions.
20 Thank you, Your Honor.

21 JUDGE MOSS: Thank you. No other
22 parties have indicated cross for Ms. Knox.

23 Any questions from the Bench? All right.

24 Ms. Knox, we've been doing this together for
25 about 20 years now. You don't often need to testify,

EXAMINATION BY MEYER / EHRBAR

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1 but --

2 MS. KNOX: I prefer it that way.

3 JUDGE MOSS: -- we appreciate you being
4 here today and giving your testimony. And you may
5 step down subject to recall, if needed.

6 MS. KNOX: Thank you.

7 JUDGE MOSS: Let's press ahead with
8 Mr. Ehrbar then.

9
10 PATRICK EHRBAR, witness herein, having been
11 first duly sworn on oath,
12 was examined and testified
13 as follows:

14
15 E X A M I N A T I O N

16 BY MR. MEYER:

17 Q All set?

18 A All set.

19 Q For the record, what is your name?

20 A My name is Patrick Ehrbar.

21 Q Have you submitted testimony that's been
22 admitted along with exhibit material marked as PDE-1T
23 all the way through PDE-8T?

24 A Yes.

25 Q Any changes?

EXAMINATION BY GAFKEN / EHRBAR**271**

1 A No.

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

4 JUDGE MOSS: All right. We have
5 questions from Public Counsel.

6 MS. GAFKEN: Yes. Thank you.

7 E X A M I N A T I O N

8 BY MS. GAFKEN:

9 Q And I don't have quite as many as indicated by
10 the time estimate, so this should be fairly quick,
11 Mr. Ehrbar.

12 Would you please turn to Cross-Exhibit
13 PDE-12CX.

14 A Okay. I'm there.

15 Q Do you recognize Cross-Exhibit PDE-12CX as
16 Avista's response to ICNU Data Request No. 10?

17 A Yes, I do.

18 Q And Avista's response to ICNU Data Request
19 No. 10 details the energy efficiency incentives paid
20 to Schedule 25 customers; is that correct?

21 A Correct.

22 Q The response notes that Avista has not
23 quantified benefits received by Schedule 25 customers
24 in terms of reduced power supply costs. Could you
25 explain what that means?

EXAMINATION BY GAFKEN / EHRBAR**272**

1 A Yes. What we included in this response were
2 just the direct rebate benefits that Schedule 25
3 customers have received. It did not include an
4 evaluation of the avoided costs benefits that also
5 accrued to Schedule 25 customers.

6 **Q The response also notes that Avista has not**
7 **quantified benefits received by Schedule 25 benefits**
8 **in terms of their use of Avista's DSM staff, and that**
9 **lists a few examples of what that use might be. Could**
10 **you elaborate on that?**

11 A Sure. Sometimes, you know, customers, whether
12 Schedule 25 or other commercial customers, will
13 request services of our DSM engineers to evaluate
14 projects. And as part of that evaluation, the
15 customers may then determine, based on that
16 evaluation, whether to proceed or don't proceed with a
17 project, but that's still work that the company does
18 on behalf of customers.

19 **Q Would you please turn to Cross-Exhibit**
20 **PDE-13CX.**

21 A I'm there.

22 **Q Do recognize Cross-Exhibit PDE-13CX as**
23 **Avista's response to ICNU Data Request No. 37?**

24 A Yes, I do.

25 **Q The column that includes nonresidential**

EXAMINATION BY COWELL / EHRBAR**273**

1 **customers includes Schedule 25 customers; correct?**

2 A That's correct.

3 **Q Who else is included in that column?**

4 A Sure. Everybody in the nonresidential -- or
5 the groups that make up the nonresidential category
6 for DSM savings and DSM calculations are our customers
7 that are served on Schedule 11, so our small
8 commercial customers; our commercial customers on
9 Schedule 21; our pumping customers on Schedule 31;
10 street and area light customers; and customers served
11 on Schedule 25.

12 MS. GAFKEN: That completes my
13 questions. I understand that all three of the
14 cross-exhibits have been entered into the record.
15 Thank you very much.

16 JUDGE MOSS: Thank you, Ms. Gafken.

17 Mr. Cowell, do you have some questions for
18 this witness?

19 MR. COWELL: Yes. Thank you, Your
20 Honor.

E X A M I N A T I O N

22 BY MR. COWELL:

23 **Q Good afternoon.**

24 A Good afternoon.

25 **Q Mr. Ehrbar, you've been working with Avista**

EXAMINATION BY COWELL / EHRBAR

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1 for nearly 20 years since 1997; right?

2 A That's correct.

3 Q And your very first assignment was as a
4 resource management analyst within the Company's
5 demand-side management or DSM department; right?

6 A That's correct.

7 Q And following that, you became a program
8 manager responsible for the Company's energy
9 efficiency offerings; right?

10 A That's correct.

11 Q Following that you have also testified that
12 you were selected to be one of the Company's key
13 account executives, which included primary contact for
14 industrial customers, including delivery of Avista's
15 site-specific energy efficiency programs; is that
16 correct?

17 A That is correct.

18 Q Now, would it be fair to say, Mr. Ehrbar, that
19 you have significant experience working directly with
20 industrial customers and on energy efficiency and DSM
21 issues on behalf of the Company?

22 A I do.

23 Q And for the past seven years, you have served
24 as a manager of rates and tariffs for the Company;
25 right?

EXAMINATION BY COWELL / EHRBAR

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1 A That's correct.

2 Q In this case, you're aware that ICNU has
3 proposed a change to the amount of funding for DSM
4 programs recovered from the third energy block of
5 Schedule 25; correct?

6 A Yes.

7 Q And in your rebuttal testimony, while not
8 agreeing that the third energy block of Schedule 25
9 should be exempt from DSM contributions, you've
10 testified that the amount of funding provided by that
11 third energy block could be reasonably adjusted;
12 correct?

13 A That is correct.

14 Q And Schedule 25 is the Company's extra large
15 general service schedule serving industrial customers;
16 right?

17 A Correct.

18 Q Now, in testifying that the amount of
19 Schedule 25 funding toward DSM programs could be
20 reasonably adjusted, would it be accurate to say that
21 you drew upon nearly all your 20 years of experience
22 at Avista working in DSM, energy efficiency,
23 industrial customer, and rate and tariff capacities?

24 A Yes. I think when we were evaluating
25 specifically as it relates to the third block of

EXAMINATION BY COWELL / EHRBAR

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1 Schedule 25 and the funding of DSM there, the Company
2 is cognizant that only one customer is served in that
3 energy block, and so, reasonably, you can -- the
4 parties can make an assertion that the level of
5 funding could be higher/could be lower based on the
6 overall benefits received. But there is a reasonable
7 viewpoint that it could be somewhat lower given the
8 effect it has on one customer.

9 **Q Now, in preparing your rebuttal testimony, did**
10 **you personally review Mr. Stephens' testimony and**
11 **exhibits on behalf of ICNU related to a proposed**
12 **reduction in DSM funding for the third energy block of**
13 **Schedule 25?**

14 **A I did.**

15 **Q Now, you've testified that this single**
16 **customer on the third energy block of Schedule 25**
17 **provides a significant amount of funding for the DSM**
18 **program; is that right?**

19 **A That is correct.**

20 **Q Now, would it be accurate to say that ICNU has**
21 **raised the issue of whether this single customer is**
22 **contributing more than its fair share of DSM funding?**

23 **A Can you repeat that?**

24 **Q Sure. Would it be accurate to say that ICNU**
25 **has raised the issue of whether this single customer**

EXAMINATION BY COWELL / EHRBAR**277**

1 is contributing more of its fair share of DSM funding?

2 A Yes.

3 Q If you would, please turn to your rebuttal
4 testimony, PDE-8T, page 15, line 2, please.

5 A Okay. I'm there.

6 MR. MEYER: What page was that?

7 MR. COWELL: That's page 15 and
8 beginning line 2.

9 Q Now, based on your experience and the
10 information you have reviewed in this case, you've
11 testified that a reasonable option in response to
12 ICNU's DSM funding proposal would be for the third
13 energy block to pay one-half of the present DSM rate
14 with funding on blocks one and two of Schedule 25 and
15 all other schedules increased to keep the overall DSM
16 funding at the same level; right?

17 A Yes. So what I said in the testimony was that
18 would be an option. We did not file to change in our
19 rebuttal testimony to make a change to the funding,
20 but that would be an option.

21 Q Understood. And you said it would be a
22 reasonable option; correct?

23 A Yes.

24 Q If you please turn to Cross-Exhibit PDE-9CX,
25 you authored this data request response; correct?

EXAMINATION BY COWELL / EHRBAR**278**

1 A That's correct.

2 Q This is ICNU Data Request 81 in which Avista
3 was asked to confirm that the Company is proposing
4 uniformed percentage increases to Schedule 25 energy
5 blocks that are higher than the Company's overall
6 proposed increases to Schedule 25; right?

7 A That is correct. That is what we proposed.

8 Q You did confirm this in the response; right?

9 A Yes.

10 Q Now, would it be accurate to say that the
11 single customer served in the third energy block of
12 Schedule 25 pays considerably more in energy charges
13 each month as compared to the monthly demand charge?

14 A I don't know that I -- I think I disagree with
15 that. One of the things that we take into account
16 when we come up with our rate design and how we spread
17 the cost to customers, the revenue requirement to rate
18 schedules, is to look at both what's happened --
19 what's happening to the cost in this case and what's
20 happened more recently in the past several rate cases.

21 In this case what we looked at for rate design
22 for Schedule 25 was what's recently happened with the
23 fixed demand charge, the first 3,000 KVA are charged
24 out at \$21,000 per month. And we made a substantial
25 increase in that effective January 2015, so

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1 recognizing that we had a made a significant move from
2 15,000 per month to 21,000 per month, we chose in this
3 case to leave it unchanged.

4 Q On a monthly basis, speaking about this single
5 customer on the third energy block, the energy charges
6 more or less than 21,000 per month?

7 A More than 21,000 per month.

8 Q Thank you. And would that be by a significant
9 margin?

10 A Yes.

11 Q Thank you. And the Company's not -- excuse
12 me.

13 Based on the Company's electric cost of
14 service study, would you agree that Schedule 25 is
15 above unity or providing more revenues to the Company
16 than the cost to serve Schedule 25?

17 A If I could check my exhibit really quick.

18 Q Sure. And, actually, we could turn to your
19 rebuttal testimony, page 8 -- your rebuttal testimony,
20 which is PDE-18 at page 4, Table 3.

21 A Yes. It shows 1.03.

22 Q Mr. Ehrbar, how many parties submitted an
23 electric cost of service study in this proceeding?

24 A Just two, as I recall Avista and ICNU.

25 Q And both parties submitting an electric cost

EXAMINATION BY COWELL / EHRBAR**280**

1 of service study found that Schedule 25 was above
2 unity; correct?

3 A That's correct.

4 Q Have you seen an electric cost of service
5 study from staff in this proceeding?

6 A No, I have not.

7 Q But do you believe that staff is generally
8 supportive of the Company's electric cost of service
9 study?

10 A I do. Staff Witness Ball alluded to the fact
11 generally that our cost of service study was
12 directionally accurate for the purpose of setting
13 rates.

14 Q Now, you do not believe that Staff's proposed
15 uniform percentage rate spread to all rate schedules
16 is appropriate; right?

17 A I don't believe a uniform spread is
18 appropriate in this case because two schedules
19 actually move further away from unity by doing that
20 versus the Company's proposed rate spread.

21 Q Is one of those Schedule 25?

22 A I would have to check. Subject to check, yes.

23 Q I'll direct you then to page 4 of your
24 rebuttal testimony.

25 A Thank you. Yes. That is correct.

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1 Q Now, considering the electric rate spread
2 proposals of Avista, Staff, and ICNU in this
3 proceeding, which proposal is least favorable to
4 industrial customers in your view?

5 A Staff's.

6 Q Considering the electric rate spread proposals
7 of Avista, Staff, and ICNU in this proceeding, which
8 proposal is most favorable to residential customers in
9 your view?

10 A Staff's.

11 Q Would it be fair to say, based on the
12 Company's electric cost of service study, that
13 residential schedules are well below unity?

14 A Yes.

15 Q So, Mr. Ehrbar, I'd like to close with a few
16 questions in the Company's responses to ICNU data
17 request. If we could start with -- do you have a copy
18 of Mr. Stephens' exhibits?

19 A Yes, I do.

20 Q Okay. If you could, please turn to Exhibit
21 RRS-11C. RRS-11C, page 8.

22 A Okay. I'm there.

23 Q Okay. Now, this is that --

24 CHAIRMAN DANNER: Wait a minute. I'm
25 not --

EXAMINATION BY COWELL / EHRBAR**282**

1 **COMMISSIONER JONES: Mr. Cowell, the**
2 **page number is in the upper right?**

3 **MR. COWELL: Correct, yes, the exhibit**
4 **page number upper right.**

5 **CHAIRMAN DANNER: Which page?**

6 **MR. COWELL: Page 8 of RRS-11C.**

7 **CHAIRMAN DANNER: Thank you.**

8 **BY MR. COWELL:**

9 **Q So this is the same exhibit, Mr. Ehrbar,**
10 **right, that Public Counsel just admitted as a**
11 **cross-exhibit; correct?**

12 **A That's correct.**

13 **Q That was in Exhibit 2 Mr. Stephens' original**
14 **response testimony; correct?**

15 **A Yes.**

16 **Q And I'm not going to get into confidential**
17 **information which follows in the following pages, but**
18 **this response is a quantification of direct incentive**
19 **benefits to Schedule 25 from 2005 to 2015 for the**
20 **Company's DSM programs; right?**

21 **A That's correct. And 2016 year to date.**

22 **Q Year to date. Correct. Now, if you turn to**
23 **Cross-Exhibit PDE-10CX, page 1 --**

24 **A Yes, yes.**

25 **Q Okay. And, again, we're looking at -- Public**

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1 Counsel has also submitted this as a cross-exhibit as
2 we've just established with Ms. Gafken; correct?

3 A Correct.

4 Q So the Company was asked to refer in this
5 request to ICNU Data Request 10 that we just looked at
6 and to provide a quantification of benefits received
7 by each other customer schedule; is that right?

8 A That's correct.

9 Q Now, would it be accurate to say that the
10 quantification provided by the company here in this
11 response was in the form of three customer segments
12 which combine various schedules rather than a
13 quantification by individual rate schedules as ICNU
14 had requested?

15 A That's correct. Because the way we manage our
16 demand-side management programs are by these segments.
17 So you have the nonresidential segment, the limited
18 income segment, and the residential segment. That's
19 how we track it for reporting purposes in our DSM
20 programs.

21 Q Fair enough. So you're just simply not able
22 to provide an apples-to-apples comparison?

23 A Correct.

24 THE REPORTER: Mr. Ehrbar, I would ask
25 that you slow down a little.

EXAMINATION BY COWELL / EHRBAR

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1 Q Page 2 of this Cross-Exhibit PDE-10CX, if you
2 turn there, is the Company's response to ICNU Data
3 Request 41; right?

4 A Yes, it is.

5 Q And the Company's response begins by stating
6 that systematic benefits to DSM programs are difficult
7 to quantify; right?

8 A Yes.

9 Q Then beginning on the second to last line, the
10 Company states that judging the equity of DSM by
11 purely comparing direct incentives -- skipping ahead a
12 little bit -- is an incomplete analysis; correct?

13 A Yes. What we were -- what I was stating
14 there -- what the Company is stating there was that
15 you shouldn't just compare how much a schedule
16 contributes to how much a schedule receives in direct
17 rebates to determine whether it's beneficial or not.

18 Q All right. And keyword -- is it a significant
19 word that you said you shouldn't just compare?

20 A Correct. You should take into account the
21 other items that do affect the cost and effectiveness
22 of our programs.

23 Q So to state this another way, by purely -- in
24 stating that purely comparing direct incentives is an
25 incomplete analysis, would it be accurate to say that

EXAMINATION BY COWELL / EHRBAR

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1 a complete analysis of DSM should factor direct
2 benefits as well as indirect benefits?

3 A That is correct.

4 Q In your opinion, Mr. Ehrbar, based on your
5 understanding of systematic benefits accruing to all
6 customers through DSM funding, would it be equitable
7 to collect all DSM funding through a single rate
8 schedule?

9 A Can you restate that?

10 Q Sure. Based on your understanding of
11 systematic benefits or indirect, if you want to say,
12 accruing to all customers through DSM funding, would
13 it be equitable, in your opinion, to collect all DSM
14 funding through a single rate schedule?

15 A All DSM funding through a single rate
16 schedule?

17 Q One rate schedule to the exclusion of all
18 others.

19 A No. It should be -- the cost related to DSM
20 programs should be paid for by all schedules --

21 Q Okay.

22 A -- those receiving the benefits of the
23 programs.

24 Q Okay. So at some point, you believe it's
25 possible for one rate schedule to be over-contributing

EXAMINATION BY COWELL / EHRBAR**286**

1 to DSM funding while other schedules are
2 under-contributing even though all customers,
3 according to your understanding, are receiving
4 systematic benefits; is that correct?

5 A Correct. The cost paid by schedules some
6 could determine to be too high, too low, but then the
7 benefits -- you have to look at the benefits, both the
8 direct and indirect, and see how they also flow to the
9 schedules for our proper analysis.

10 Q Okay. And, actually, lastly, Mr. Ehrbar, in
11 following that off of cross-examination from Public
12 Counsel, if you would, please turn to Mr. Stephens'
13 exhibit, RRS-9. RRS-9, please. And just to establish
14 some context, page 1, this is ICNU's DSM proposal to
15 resolve Schedule 91 equity issues; correct?

16 A That's correct.

17 Q And I am not going to go into confidential
18 information. If you would, please turn to page 3 of
19 this exhibit.

20 A I'm there.

21 Q So looking at lines 1 and 2, what we have here
22 is a comparison of Schedule 25 versus total company,
23 meaning all schedules in Washington, DSM contributions
24 versus direct incentives received; right?

25 A Yes. From 2005 on, that's what this shows,

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1 yes.

2 Q Okay. Now, if you would, move forward,
3 please, page 6 of this exhibit.

4 A Okay.

5 Q And this would be the third column. Do you
6 see where it says current Schedule 91 DSM revenues?

7 A I do.

8 Q Okay. Now, did ICNU break out DSM funding
9 revenue contributions by class or rate schedule in
10 this first substantive column here using the
11 information from one of your exhibits?

12 A Yes.

13 Q Next page, please. And, again, I won't be
14 going into confidential information. But would you
15 please look at -- do you see Footnote 2 there?

16 A I do.

17 Q Okay. And that's Avista's response to ICNU
18 Data Request 36; correct?

19 A Correct.

20 Q And that was submitted as a cross-exhibit by
21 Public Counsel; right?

22 A That's correct.

23 Q And you've testified that you have -- you
24 previously reviewed, in preparing your rebuttal
25 testimony, all of Mr. Stephens' testimony and

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1 exhibits; right?

2 A Yes.

3 Q So you had been aware that Mr. Stephens had
4 calculated his analyses by express citation to that
5 Company response to the ICNU data request; right?

6 MR. MEYER: Do you understand that
7 question?

8 MR. EHRBAR: I don't. That was a
9 little wordy.

10 Q Okay. So in having reviewed this exhibit, you
11 were aware that Mr. Stephens had incorporated the
12 Company's response to ICNU Data Request 36 in his
13 analysis; right?

14 A In reviewing his testimony and exhibits, I'm
15 aware specifically as it relates to this exhibit, the
16 genesis of this exhibit --

17 Q Okay.

18 A -- and what was in it.

19 Q Okay. And next page, Mr. Ehrbar, this first
20 bullet point, is it your understanding that the
21 Commission has previously approved a reduction to the
22 third energy block contributions of Schedule 25 and a
23 tariff rider?

24 A Yes. What stemmed from the 2014 Avista
25 general rate case upon settlement was to limit the

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1 funding to the low income rate assistance program to
2 just be the first and second block of -- for
3 Schedule 25. That differs, though, in our view from
4 DSM funding through Schedule 91, which is a system
5 benefit -- a system charge because of a system benefit
6 to all customers.

7 Q And in this instance, as we're looking at this
8 page, that was a complete exemption of contributions
9 from the third energy block; right?

10 A That is correct.

11 Q And in this case you've testified that a
12 reasonable option would be one-half contributions from
13 the third energy block to Schedule 91, which is also a
14 tariff rider; correct?

15 A That's correct.

16 MR. COWELL: Thank you, Mr. Ehrbar. No
17 further questions.

18 Thank you, Your Honor.

19 JUDGE MOSS: That completes counsel's
20 cross.

21 Anything from the Bench? Commissioner
22 Rendahl.

23 E X A M I N A T I O N

24 BY COMMISSIONER RENDAHL:

25 Q I just have one for you. So can you tell us

EXAMINATION BY COMMISSIONER RENDAHL / EHR 290

1 why the residential parity ratio is so out of
2 alignment? Looking back at the -- since someone said
3 you've been doing this for 20 years, you have some
4 history of this. It appears this has been an ongoing
5 issue.

6 So can you explain what's driving this issue
7 and what should be done to address it?

8 A Sure. What we've had persist over time, both
9 for Schedule 1 on the residential side and we've also
10 seen it for schedule 11 customers, the small
11 commercial customers, is this persistent either under-
12 or over-recovery of costs. And so Schedule 11, for
13 instance, is, roughly, two on the return schedule or
14 rate of return that they're providing under cost of
15 service while residential is .55.

16 MR. MEYER: Explain who Schedule 11 is.

17 A Schedule 11 is small commercial customers.

18 Q And I think you need to slow down a bit too.

19 A I do. I feel like I'm going slow. I'm very
20 energetic.

21 So our Schedule 1 customers persistently over
22 the time that I've been involved in rate spread, rate
23 design, and helping to oversee cost of service has
24 persistently been under unity. And so the Company has
25 made attempts to move them more towards unity, which

EXAMINATION BY COMMISSIONER JONES / EHRB 291

1 would have the effect of also benefiting our
2 commercial customers, our Schedule 11 customers and
3 our Schedule 21 customers.

4 In the end, it all balances out, and so the
5 under-recovery from Schedule 1 is recovered from our
6 small commercial customers and our commercial
7 customers. And so we've made attempts in our cases to
8 move towards unity, but we're also mindful of both
9 rate shock. You know, we can't make a move quickly to
10 fix residential Schedule 1, because the effect to
11 their rates would be tremendous.

12 And so we've tried to -- over time tried to
13 move there, but in some times in some cases, rates
14 have been spread on a uniform basis which doesn't help
15 the issue, uniform incentive revenue, such as Staff's
16 proposals in this case, which is why we're still
17 supportive of our original filed rate spread, which we
18 think will at least help to fix the issue. We are
19 mindful of it and have in cases and will continue in
20 cases to try to make better grounds towards fixing
21 that.

22 E X A M I N A T I O N

23 BY COMMISSIONER JONES:

24 Q Mr. Ehrbar, this is Commissioner Jones. You
25 could be the last one today, and I'm glad you have all

EXAMINATION BY COMMISSIONER JONES / EHRB 292

1 this energy. Just a couple of questions.

2 On pages 9 and 10 of your testimony, you talk
3 about a possible workshop on cost of service. And you
4 seem to be saying that you would support it or you
5 would be an active and engaged participant, but you
6 also say that Avista believes that, quote,
7 one-size-fits-all approach is not necessarily the best
8 way to go.

9 So could you explain why you think that each
10 utility is unique and those unique characteristics
11 might be best handled individually in rate cases?

12 A Sure. You know, Ms. Knox referred to it a
13 little bit earlier, just the differences between Puget
14 and Avista. When we look both on the electric side as
15 well as the natural gas side, we have -- you know, say
16 for Avista, we serve a much colder climate on the east
17 side of the state than, say, Northwest Natural down in
18 the Vancouver region or in the Puget or Cascade.

19 On the electric side, I point out in my
20 testimony the difference between being a
21 winter-peaking utility and perhaps moving towards
22 being a dual-peaking utility, which, obviously,
23 there's some testimony on already this afternoon.

24 So the utilities, while we're all serving
25 Washington customers, appear to be somewhat similar.

EXAMINATION BY COMMISSIONER JONES / EHRB 293

1 There are differences in both our customer makeup, the
2 climates we serve, and so having a boxed-in,
3 one-size-fits-all cost of service methodology, we
4 don't think it is necessarily appropriate. We still
5 want to be able to address any unique issues that
6 faces our company or the other utilities might have.

7 Q Now, on page 10, lines 19 through 25, I just
8 want to ask one question on that.

9 So if you -- if we do order a workshop
10 process, you are -- are you really stating that you
11 want DER, distributed energy resources, addressed in
12 that cost of service workshop? Because you're fully
13 cognizant of what's going on in states like Arizona
14 and Nevada and other states where this distributed
15 resource rate design issue is pretty contentious.

16 A Yes. What I was trying to point to there in
17 my testimony is if we're trying to drive towards the
18 level of precision that Mr. Ball was, you know,
19 alluding to in his testimony and driving towards the
20 precise cost of service study and precision and
21 quote/unquote precision and its results, then it
22 should logically flow that the output of those cost of
23 services studies and a more precise methodology would
24 then lead to maybe perhaps more precise cost
25 allocation between the schedules as well as then more

EXAMINATION BY COMMISSIONER JONES / EHRB 294

1 precision around rate design.

2 Q Okay. But you attend NARUC meetings
3 frequently, and you are fully aware that NARUC will
4 have a DER rate design manual out in a few weeks, in
5 November of this year, that could serve as a pretty
6 good reference manual?

7 A Yes, sir.

8 Q My last question is on RRS-10 on -- you heard
9 my question to Ms. Rosentrater before on demand
10 response. So my questions to you are twofold, and you
11 have had a chance to review RRS-10, Mr. Stephens'
12 proposal for a proposed tariff for one or several
13 large interruptible industrial customers in your
14 service territory?

15 A Yes, I have.

16 Q And what do you think of that?

17 A First, I'd point to Mr. Kalich's testimony.
18 So he provided some response to that. In general,
19 we're open -- the Company is open to demand response
20 and looking at even industrial demand response
21 programs. I believe Mr. Norwood referred to that
22 earlier as well.

23 What we would be willing to do and what we'd
24 like to do is be able to work with those customers to
25 design a program that not only works for them, but

EXAMINATION BY COMMISSIONER JONES / EHRB 295

1 also works for the Company. So it's meaningful both
2 in terms of its availability, both in terms of how
3 often we can call on it, the length that we can call
4 on it, and the price of that resource.

5 The proposal put forth in this testimony was
6 not something that was workable for the Company at
7 this time, both in terms of its availability and
8 practicality, as well as we don't really have a need
9 today for a capacity resource.

10 But as we're developing our 2017 IRP and we're
11 in the middle of the TAC process now, the Technical
12 Advisory Committee process, we are looking at the
13 demand response. And one of it is looking at
14 industrial DR.

15 **Q So you've been involved in these issues. I**
16 **think Mr. Cowell read all of your qualifications on**
17 **demand -- DSM programs, and you've been doing this a**
18 **long time; right?**

19 A Yes.

20 **Q So you heard my question to Ms. Rosentrater on**
21 **the AMI possible benefit for DR, did you not?**

22 A I did.

23 **Q Do you have any ideas? I know there's no**
24 **evidence in the record, and it is an unquantified**
25 **benefit. If the Commission does approve somehow AMI**

EXAMINATION BY COMMISSIONER JONES / EHRB 296

1 or you build it out, it seems to me you're going to
2 have to be quantifying this benefit pretty soon in the
3 future, probably sooner rather than later. So what
4 methodology or methodologies would you recommend that
5 we start looking at?

6 A I guess my first comment would be I do think
7 we need the enabling platform, the enabling
8 technology, in order to be going down this road. So
9 that's what AMI would enable.

10 As it relates to what specifically specific
11 items the Commission should look at now or in the near
12 future as it relates to DR, I think that that will be
13 informed greatly by the work that's going on by Clint
14 Kalich, the Company witness Kalich, and his group as
15 we're going through the TAC process for the IRP.

16 But I think the most critical item that we
17 need is that enabling infrastructure brought by AMI
18 both for DR as well as potential pricing programs down
19 the road.

20 Q And who at the Company is -- have you read our
21 approval of the PSE request for approval on DR that we
22 approved recently?

23 A I have not.

24 Q Is there anybody in the Company who has?

25 A That I don't know. I'm sure there is, but I

EXAMINATION BY CHAIRMAN DANNER / EHRBA 297

1 don't know off the top of my head.

2 Q Who is responsible for following what the
3 Power Council is doing on demand response
4 collaborative?

5 A In general, that's Clint Kalich and his team,
6 and there may be others without looking at Ms. Gervais
7 as to whether she's read it.

8 Q I'm looking at her right now.

9 So, basically, you're saying that if we have
10 further questions on this, we should speak to
11 Mr. Kalich?

12 A I think that would be helpful if you do have
13 further questions.

14 COMMISSIONER JONES: Okay. Thank you.

15 CHAIRMAN DANNER: And who's Clint
16 Kalich? I was just testing you.

17 MR. EHRBAR: Senior vice president.
18 We're bumping him up each time.

E X A M I N A T I O N

19 BY CHAIRMAN DANNER:

20 Q So I just want to get some clarification.
21 We're talking about the generic cost of service study,
22 and Mr. Ball will be testifying tomorrow. But I
23 just -- I think the concern, as I understood it, was
24 that we had inconsistent methodologies, and what they
25

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1 were looking at was developing a consistent
2 methodology for cost of service and cost of service
3 studies.

4 And so you're talking about the particular
5 differences that utilities have. You know, some peak
6 at different times and so forth, but wouldn't that
7 still lend itself to a consistent methodology as
8 opposed to having one-offs for every utility?

9 A To be honest, when I first came to this group
10 and started looking at cost of service, this was one
11 of the items that I said how is this not already been
12 run to ground and blessed since 1930? Some of these
13 concepts, why have they been battling since the advent
14 of utilities?

15 That being said, I think that there are unique
16 reasons that some parties might like one methodology,
17 and other parties might like a different methodology.
18 And one of the struggles that you see with the NARUC
19 manual that Ms. Knox referred to is that nobody is
20 wrong. No methodology is necessarily wrong. They all
21 have their place. They all can be supported. They're
22 all fair. It's just a matter of preference.

23 And so my thought in the cost of service
24 workshops, while we would, as I said, be very active
25 and engaged if those happen, is that I think it will

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1 be hard to reach consensus among all parties between
2 the industrial advocates, maybe the utilities in the
3 middle, the residential advocates on another side
4 trying to determine which methodology better assigns
5 cost to or away from their constituents.

6 While a single methodology among all utilities
7 in the state would be -- is a noble idea, I just don't
8 know how practical it would be going through that
9 workshop process.

10 **Q Okay. But, I mean, you've got a methodology**
11 **right now. You're out of alignment.**

12 A Yes, fair.

13 **Q It means there might be some refinements to**
14 **the methodology that are in order. Is there anything**
15 **to be gained by having uniformity among -- uniformity**
16 **but flexibility among utilities?**

17 A Uniformity with flexibility, I think, would be
18 good. Uniformity for the sake of uniformity, I don't
19 know that we're supportive necessarily of that, but if
20 there is --

21 **Q So you don't see an advantage of having**
22 **everybody playing off the same playbook?**

23 A I don't, because you don't know what's going
24 to come down the pipe, that might affect one utility
25 and not another. And if they get boxed in to just

EXAMINATION BY CHAIRMAN DANNER / EHRBA 300

1 using a single methodology that might not be
2 reasonable. Again, I'm speculating, but if there's
3 flexibility, then I think that resolves that issue.

4 Q But, I mean, there's a difference between, you
5 know, the -- things come up, obviously, and there are
6 already -- we can recognize there are differences in
7 utilities, but it seems to me in coming up with a
8 methodology, you'd want to have something that
9 recognizes that things do come up and circumstances
10 can change and there are differences among them.

11 And I'm just wondering what is the upside or
12 downside. Because, you know, so far we've just had
13 everybody doing their own thing, and, as we can see,
14 we have some alignment issues. I'm just wondering if
15 it's better to take a hard look at everyone or if it's
16 better just to have each utility go it alone, so I'm
17 still struggling with that.

18 A That's fair. I think we'd be more than
19 willing to participate if you choose to go down the
20 path of having -- bringing all the utilities together
21 to take a look at it.

22 CHAIRMAN DANNER: All right. Thank
23 you. That's all I have.

24 JUDGE MOSS: All right. I believe that
25 completes our questioning, Mr. Ehrbar. We appreciate

1 you being here and giving your testimony. You may
2 step down from the witness stand.

3 Now, we don't have much time left, and we
4 certainly don't have time left to complete either
5 Mr. Ball or Mr. Hancock based on the estimates. I
6 notice that Mr. Cowell you have tended to
7 underestimate the amount of time you need to examine
8 each witness, and I also notice that we have
9 consistent questions from the Bench.

10 What I'm proposing then is, since our
11 out-of-towers are in town anyway, why don't we start
12 at 9:00 tomorrow morning, and then we can perhaps
13 finish Mr. Ball. For him 25 minutes is indicated, and
14 I'm thinking it will take probably closer to an hour.
15 At which time, we will have our cost of capital
16 witnesses on the telephone at 10:00. And then
17 following their presentation, we can have Mr. Hancock,
18 and we'll hope that Ms. Gafken continues to follow her
19 practice of overestimating the amount of time she
20 requires. And perhaps we'll be finished by noon.

21 Does that sound good to everyone? I can't
22 promise that result, but we can at least target it.
23 All right. So that's the plan for tomorrow. We'll
24 see you all at 9:00. We'll be off the record for
25 today.

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(The proceedings adjourned at
4:53 p.m.)

* * * * *

C E R T I F I C A T E

STATE OF WASHINGTON

COUNTY OF KING

I, Nancy M. Kottenstette, a Certified Shorthand Reporter in and for the State of Washington, do hereby certify that the foregoing transcript of the proceedings on October 12, 2016, is true and accurate to the best of my knowledge, skill, and ability.

I do further certify that I am a disinterested person in this cause of action; that I am not a relative of the attorneys for any of the parties.

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 21st day of October, 2016.

Nancy M. Kottenstette, RPR, CCR