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	62	1	64 FOR AVISTA CORPORATION, D/B/A AVISTA U	TILITIES:
	BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION	2		
		3	Vice President and Chief Counsel for Regulatory and Governmental Affairs	
	WASHINGTON UTILITIES AND) TRANSPORTATION COMMISSION,)	4	David J. Meyer, Esq. Vice President and Chief Counsel for Regulatory and Governmental Affairs 1411 East Mission Avenue, MSC-27 PO Box 3727 Spokane, WA 99220 509,495,4316 david meyer@avistacorp.com	
		5	509,495,4316 david.meyer@avistacorp.com	
) DOCKET NOS -v-), UE-160228 & UG-160229	6	FOR INDUSTRIAL CUSTOMERS OF NORTHWE	EST UTILITIES:
	Complainant,) DOCKET NOS. -v-) UE-160228 & UG-160229) (Consolidated) AVISTA CORPORATION, D/B/A AVISTA UTILITIES,)	7	Jesse E. Cowell, Esq.	
	Respondent.)	9	Jesse E. Cowell, Esq DAVISON VAN CLEVE 333 Southwest Taylor Suite 400 Portland, OR 97204 503,241.7242 jec@dvclaw.com	
		10	Portland, OR 97204 503,241,7242	
		11		
	EVIDENTIARY HEARING, VOLUME IV PAGES 62 - 303	12	FOR THE NORTHWEST INDUSTRIAL GAS USE	ERS:
		13	Tommy Brooks, Esg. CABLE HUSTON, LLP 1001 Southwest Fifth Avenue Suite 2000	
		14	Suite 2000 Portland. OR 97204	
	ADMINISTRATIVE LAW JUDGE DENNIS J. MOSS	15	Portland, OR 97204 503.224.3092 tbrooks@cablehuston.com	
		16 17	FOR THE ENERGY PROJECT:	
	9:31 A.M.	18	Ronald Roseman, Esq. 2011 14th Avenue East	
	OCTOBER 12, 2016	19	Ronald Roseman, Esq. 2011 14th Avenue East Seattle, WA 98112 206.324.8792	
		20	ronaldroseman@comcast.net	
	Washington Utilities and Transportation Commission	21		
	Washington Utilities and Transportation Commission 1300 South Evergreen Park Drive Southwest, Room 206 Olympia, Washington 98504-7250	22		
		23		
	REPORTED BY: Nancy M. Kottenstette, RPR, CCR 3377	24		
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1	KAREN K. SCHUH	1	OLYMPIA, WASHINGTON; October 12, 2016
2		2	9:31 a.m.
3		3	
4		4	JUDGE MOSS: Let's be on the record.
5		5	Good morning, everybody. My name is Dennis Moss. I'm
6		6	an administrative law judge with the Washington
7		7	Utilities and Transportation Commission. We are here
8		8	today in the matter styled Washington Utilities and
9		9	Transportation Commission against Avista Corporation,
10	JENNIFER S. SMITH	10	Dockets UE-160228 and UG-160229 (Consolidated).
11	EXAMINATION	11	Most of you have appeared at least appeared
12		12	before me in one capacity or another. I welcome those
13		13	
14		14	Ms. Gafken, I welcome you for the first time
15		15	in your new capacity as a public counsel for the state
16		16	of Washington. Nice to have you with us this morning.
17	EXAMINATION	17	I don't think I really have anything in the
18		18	way of opening comments concerning this case. It's,
19		19	of course, a general rate case proceeding. We're all
20		20	
21	Questions By Commissioner Rendahl: 229	21	launch right into the appearances, and we need only do
22		22	the short form of appearances today. So we'll begin
23		23	with the Company.
24		24	MR. MEYER: Thank you, Judge Moss.
25		25	David Meyer for Avista.
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	67		69
1	DAVID NIGHTINGALE	1	JUDGE MOSS: And we'll just go around
2		2	the room.
3		3	MR. COWELL: Thank you, Your Honor.
4		4	Jesse Cowell on behalf of the Industrial Customers of
5		5	Northwest Utilities.
6		6	MR. BROOKS: Good morning, Your Honor.
7		7	Tommy Brooks, Cable Huston, for the Northwest
8		8	Industrial Gas Users.
9	TARA L. KNOX	9	JUDGE MOSS: And, Mr. Brooks, I'm so
LO	EXAMINATION	10	glad to see you sitting in front of me today instead
1	Questions By Mr. Meyer: 253	11	of off to the side so I won't overlook you at any
12		12	point in the hearing, I hope.
13		13	Energy Project.
	PATRICK EHRBAR	14	MR. ROSEMAN: Good morning, Your Honor.
14			I'm Ronald Roseman on behalf of the Energy Project.
14 15	EXAMINATION	15	
14 15 16	EXAMINATION Questions By Mr. Meyer: 270	16	MS. GAFKEN: Good morning. Lisa
14 15 16 17	EXAMINATIONQuestions By Mr. Meyer:270Questions By Ms. Gafken:271	16 17	Gafken, Assistant Attorney General, appearing on
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1	Mr. Shearer sitting out there. Will you be conducting	1	With the exception of that one exhibit we have
2	everything from here, or will he be participating from	2	just identified, all of the prefiled testimonies and
3	up front here?	3	exhibits will be admitted as marked, and we will
4	MS. CAMERON-RULKOWSKI: We will be	4	provide the exhibit list to the court reporter.
5	playing some musical chairs.	5	All right. Go ahead, Mr. Meyer.
6	JUDGE MOSS: Okay. That is my point,	6	MR. MEYER: Thank you. Actually, that
7	in fact. I do, of course, require you to be up here	7	revised exhibit list was one thing I had a question
8	when we're actually involved so that we can get the	8	on.
9	microphone to pick up everything that's said.	9	JUDGE MOSS: All right.
10	I will remind the parties to speak slowly,	10	MR. MEYER: We did a couple of things
11	something I cautioned myself about earlier in talking	11	in the last two days. By now you should have received
12	to our court reporter, and I told her that she has the	12	a couple of revised pages of Ms. Andrews.
13	freedom to interrupt you if you talk too fast. If	13	JUDGE MOSS: We did.
14	that happens, please keep it in mind.	14	MR. MEYER: And so that has been filed
15	Our plan for the hearing we have an order of	15	and distributed.
16	witnesses to which the parties agreed, so we'll follow	16	We also revised both the Norwood and Andrews
17	that order unless it's necessary to depart for some	17	testimony to remove the AMI deferral discussion, and
18	reason, availability or some other good reason. We	18	that has been received; correct?
19	are going to have a panel tomorrow at 10:00 on the	19	JUDGE MOSS: Yes.
20	telephone. We'll have the cost of capital witnesses,	20	MR. MEYER: So will the revised exhibit
21	McKenzie, Parcell, and Gorman, for questions from the	21	list when it's republished that will show that those
22	Bench. There's no cross designated for them.	22	two bits of testimony have been revised?
23	We'll take at least one break this morning and	23	JUDGE MOSS: When we do the final at
24	one this afternoon, more if I or other members of the	24	the end of the hearing, we'll indicate, in some
25	Bench need it, or if the poor court reporter indicates	25	fashion or another, that those are the revised forms.
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	71		73
1	_	1	
1 2	71		73
	71 she needs to take a break, we'll do that. The rest of		73 And thank you for reminding me. I should have said
2	71 she needs to take a break, we'll do that. The rest of you will just have to suffer silently. We'll set the	2	73 And thank you for reminding me. I should have said that. It is the most recent revised form of any given
2	71 she needs to take a break, we'll do that. The rest of you will just have to suffer silently. We'll set the time for starting tomorrow at the end of the day	2 3	73 And thank you for reminding me. I should have said that. It is the most recent revised form of any given exhibit that will be admitted as evidence in the
2 3 4	71 she needs to take a break, we'll do that. The rest of you will just have to suffer silently. We'll set the time for starting tomorrow at the end of the day depending on where we are.	2 3 4 5	73 And thank you for reminding me. I should have said that. It is the most recent revised form of any given exhibit that will be admitted as evidence in the record.
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	Page 74		Page 76
1		1	76
1 2	JUDGE MOSS: We appreciate your remarks.	1 2	these responses are part of cross-exhibits. And we
∠ 3	Is there anything else preliminary? Yes, I	3	I haven't had a chance to speak to Mr. Cowell, but we do have those corrected responses available if and
4	see some.	4	we can decide if we want to do those corrections on
- 5		5	the record or if you'd like to provide copies. We're
	MR. COWELL: Thank you, Your Honor. One item in regards to the witness order, the parties		open to taking care of that however you'd prefer.
6 7	have discussed allowing Mr. Stephens on behalf of ICNU	6 7	JUDGE MOSS: Why don't we talk at the
8	to be cross-examined after all of the Company	8	break. All right?
9	cross-examination in recognition of travel issues, and	9	MS. CAMERON-RULKOWSKI: Certainly.
10	I believe that there was agreement among the parties	10	JUDGE MOSS: Ms. Gafken, did you have
11	on that. Someone can correct me if I'm wrong.	11	something as well?
12	JUDGE MOSS: Meaning immediately after?	12	MS. GAFKEN: I do. And I guess it's
13	MR. COWELL: Right.	13	good that I went after Ms. Cameron-Rulkowski because I
14	MS. GAFKEN: That's correct with	14	have a different something. My issue is the public
14 15	respect to Public Counsel.	15	comment exhibit, and I wanted to propose a due date
16	MS. CAMERON-RULKOWSKI: Also with	16	for that.
17	respect to Staff.	17	JUDGE MOSS: Okay.
18	JUDGE MOSS: All right. Everybody is	18	MS. GAFKEN: We typically do these
19	playing nice in our sandbox. I always like that.	19	about a week after the hearing, and so I would propose
20	We'll move Mr. Stephens up then.	20	that the due date for that be October 21, so next
20	Anything else?	20	Friday, if that's acceptable to the Bench.
21	MR. BROOKS: Your Honor.	22	JUDGE MOSS: That's acceptable to the
22	JUDGE MOSS: Go ahead, Mr. Brooks.	23	Bench. Anybody else have a problem with it? All
23	MR. BROOKS: Would it be helpful to the	24	right. Very good. October 21, it is.
25	Bench we have some revisions to our cross estimates	25	MS. GAFKEN: What would you like to
	Page 75	2.5	Page 77
	raye 75		raye / /
	75		-
1	75 and a couple witnesses that we no longer have	1	77
1 2	and a couple witnesses that we no longer have		77 designate it as?
	and a couple witnesses that we no longer have questions for. I don't know if, for planning	1 2 3	77 designate it as? JUDGE MOSS: Do we normally designate
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	Page 78		Page 80
	EXAMINATION BY MEYER / NORWOOD 78		EXAMINATION BY GAFKEN / NORWOOD 80
1	KELLY O. NORWOOD, witness herein, having been	1	A I think they should look at the combined. I
2	first duly sworn on oath,	2	think they should also look at them individually.
3	was examined and testified	3	Q And when setting the ROE and setting rates for
4	as follows:	4	each service, what should the Commission consider?
5		5	A They should consider what's appropriate for
6	EXAMINATION	6	the electric business as well as the gas business,
7	BY MR. MEYER:	7	and, generally, they do that. They look at the
8	Q Mr. Norwood, for the record, please state your	8	revenue requirements separately, electric and then
9	name.	9	natural gas.
10	A Yes. Kelly O. Norwood.	10	Q Would you please turn to stay with the same
11	Q And have you prepared rebuttal testimony that	11	exhibit, Exhibit KON-1T, and turn to page 7, Table 1.
12	has been filed and admitted? It has been marked as	12	A I have it.
13	Exhibit KON-1T?	13	Q There you set out the positions advocated for
14	A Yes.	14	by Public Counsel, ICNU, and Commission Staff in
15	Q Do you have any changes to make to that other	15	Avista's 2012, 2014, and 2015 general rate cases;
16	than the revisions that were provided to the	16	correct?
17	Commission and all parties yesterday?	17	A Yes.
18	A No.	18	Q And just for the record, the electric
19	MR. MEYER: So having had that exhibit	19	dockets I won't go through both the consolidated
20	entered as revised, he is available for cross.	20	dockets for those cases, but the electric dockets were
21	JUDGE MOSS: All right. Thank you very	21	UE-1120436, UE-140188, and UE-150204. Does that sound
22		22	correct?
23	going to use my list unless somebody wants a different	23	A I will accept that.
24	order. We'll start with Public Counsel for	24	Q Subject to check?
25	Mr. Norwood since Staff has waived cross.	25	A Yes.
	Page 79		Page 81
	EXAMINATION BY GAFKEN / NORWOOD 79		EXAMINATION BY GAFKEN / NORWOOD 81
1	EXAMINATION BY GALKEN / NORWOOD 79	1	Q Table 1 also shows the revenue requirement
2	BY MS. GAFKEN:	2	authorized by the Commission in each of those cases;
3	Q Good morning, Mr. Norwood.	3	correct?
4	A Good morning, Ms. Gafken.	4	A That's correct.
5	Q Would you please turn to your rebuttal	5	Q And in your testimony, you conclude that the
6	testimony, which is KON-1T, and go to page 11.	6	Commission determined that the positions of Public
7	A I have it.	7	Counsel and ICNU were not reasonable based on the
8	Q And refer to Table 3.	8	amounts authorized versus the amounts advocated for;
9	JUDGE MOSS: Excuse me for	9	correct?
10		10	A Either implicitly or explicitly, yes.
11	magical e-mail up here that some parties who are	11	Q In Avista's 2012 general rate case, which set
12	listening in are having a hard time hearing. So if	12	the rates for the 2013 rate year, Avista sought a
13	people could be sure they're speaking directly into	13	revenue requirement of, approximately, \$41 million;
14	the mike and perhaps elevate their voice slightly,	14	correct?
15		15	A I will accept that subject to check.
16		1-0	Q And in Avista's 2014 general rate case, which
	Go ahead And I'm sorry for the interruption	16	
17	Go ahead. And I'm sorry for the interruption. BY MS_GAEKEN [.]	16 17	-
17 18	BY MS. GAFKEN:	17	set rates for the 2015 rate year, Avista sought a
18	BY MS. GAFKEN: Q There you set out Avista's ROE for electric,	17 18	set rates for the 2015 rate year, Avista sought a revenue requirement of, approximately, \$18.2 million;
18 19	BY MS. GAFKEN: Q There you set out Avista's ROE for electric, national gas, and total Washington jurisdiction;	17 18 19	set rates for the 2015 rate year, Avista sought a revenue requirement of, approximately, \$18.2 million; correct?
18 19 20	BY MS. GAFKEN: Q There you set out Avista's ROE for electric, national gas, and total Washington jurisdiction; correct?	17 18 19 20	set rates for the 2015 rate year, Avista sought a revenue requirement of, approximately, \$18.2 million; correct? A Are you saying when you say Avista set a
18 19 20 21	BY MS. GAFKEN: Q There you set out Avista's ROE for electric, national gas, and total Washington jurisdiction; correct? A That's correct.	17 18 19 20 21	set rates for the 2015 rate year, Avista sought a revenue requirement of, approximately, \$18.2 million; correct? A Are you saying when you say Avista set a revenue
18 19 20 21 22	BY MS. GAFKEN: Q There you set out Avista's ROE for electric, national gas, and total Washington jurisdiction; correct? A That's correct. Q Is it Avista's position that the Commission	17 18 19 20 21 22	set rates for the 2015 rate year, Avista sought a revenue requirement of, approximately, \$18.2 million; correct? A Are you saying when you say Avista set a revenue Q Sought.
18 19 20 21 22 23	BY MS. GAFKEN: Q There you set out Avista's ROE for electric, national gas, and total Washington jurisdiction; correct? A That's correct. Q Is it Avista's position that the Commission should evaluate Avista's recent earned rates of return	17 18 19 20 21 22 23	<pre>set rates for the 2015 rate year, Avista sought a revenue requirement of, approximately, \$18.2 million; correct? A Are you saying when you say Avista set a revenue Q Sought. A is that Avista's request?</pre>
18 19 20 21 22	BY MS. GAFKEN: Q There you set out Avista's ROE for electric, national gas, and total Washington jurisdiction; correct? A That's correct. Q Is it Avista's position that the Commission should evaluate Avista's recent earned rates of return on equity on a combined basis for both electric and	17 18 19 20 21 22	set rates for the 2015 rate year, Avista sought a revenue requirement of, approximately, \$18.2 million; correct? A Are you saying when you say Avista set a revenue Q Sought.

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	Page 82		Page 84
	EXAMINATION BY GAFKEN / NORWOOD 82		EXAMINATION BY COWELL / NORWOOD 84
1	but I think it's important to consider what happens	1	Q Mr. Norwood, if we could start at page 6 of
2	during the course of the case. In every rate case we	2	your rebuttal testimony.
3	file, we provide updated information to all the	3	A I have it.
4	parties. So what's relevant really is what is the	4	Q On behalf of the Company, you asked that the
5	need for rate relief at the end of the case when the	5	Commission consider revenue adjustment proposals
6	Commission makes its decision versus a decision is	6	within the context of several criteria on this page;
7	made.	7	right?
8	Because things change over the course of the	8	A Yes.
9	case up or down, and this Commission has determined in	9	Q First, you testified that non-Company
10	the past that they want to see the updated information	10	proposals in prior rate cases have been demonstrated
11	so long as the parties have time to review that	11	to be unreasonable; right?
12	information. So that's the relevant comparison.	12	A Yes.
13	Q But, Mr. Norwood, Avista has a litigated	13	Q In particular, you singled out ICNU and Public
14	position in each one of these general rate cases;	14	Counsel for proposals, quote, dramatically different
15	isn't that correct?	15	from the end results ordered by the Commission;
16	A Yes. We filed what we need at the beginning	16	correct?
17	of the case, but we provide updated information along	17	A Yes. And I provided numbers to demonstrate
18	the way, which is important.	18	what the proposals were versus what was ordered at the
19	Q Right. And even the updated position is a	19	end of the case.
20	litigated position?	20	Q Right. And we'll go into that a little bit
21	A Yes. Unless there's a settlement, that's	21	here. And if you'd please turn to Cross-Exhibit
22	correct.	22	KON-2CX, please, page 1 of the exhibit.
23	Q And that position, even the updated position	23	A I have it.
24	at the end of the case, is, oftentimes, different than	24	Q Okay. Now, in the first sentence of the
25	what the Commission ultimately orders in their in	25	Company's response to ICNU Data Request 179 Subpart B,
	Page 83		Page 85
	Page 83 EXAMINATION BY COWELL / NORWOOD 83		Page 85 EXAMINATION BY COWELL / NORWOOD 85
1		1	EXAMINATION BY COWELL / NORWOOD 85
1 2	EXAMINATION BY COWELL / NORWOOD 83	1 2	EXAMINATION BY COWELL / NORWOOD 85
	EXAMINATION BY COWELL / NORWOOD 83 the final order?		EXAMINATION BY COWELL / NORWOOD 85 the Company agrees that Avista originally filed for a
2	EXAMINATION BY COWELL / NORWOOD 83 the final order? A Generally, yes.	2	EXAMINATION BY COWELL / NORWOOD 85 the Company agrees that Avista originally filed for a 33.2 million electric increase in the last general
2 3	EXAMINATION BY COWELL / NORWOOD 83 the final order? A Generally, yes. Q And Avista's 2015 general rate case, which set	2 3	EXAMINATION BY COWELL / NORWOOD 85 the Company agrees that Avista originally filed for a 33.2 million electric increase in the last general rate case as discussed in your cross with Ms. Gafken;
2 3 4	EXAMINATION BY COWELL / NORWOOD83the final order?AGenerally, yes.QAnd Avista's 2015 general rate case, which setrates for the 2016 rate year, Avista sought a revenue	2 3 4	EXAMINATION BY COWELL / NORWOOD 85 the Company agrees that Avista originally filed for a 33.2 million electric increase in the last general rate case as discussed in your cross with Ms. Gafken; correct?
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Page 85 EXAMINATION BY COWELL / NORWOOD Page 85 I the Company agrees that the Commission approved an electric revenue reduction 06.1 million in the last electric revenue reduction 06.1 million in the last eneral rate case, oright? Q. Now, subject to check, in the Company's last at case, would you agree that Avista's original proposal was 13.7 million further away from the Garminsion's authorized the commission approved is now on the scond page of this cross-swithit, eggees that the Commission's authorized electric revenue reduction was 41.3 million below Avista's original request; right? A light Avista's original request. I orginal request; right? Garminsion's authorized revenue level than was ICNU's proposal? A Undoriginal proposal. I orginal request; right? Garminsion's authorized revenue factor or gargers that the Commission and the Company's proposal. A Versus? I orginal request; right? Garminsion's authorized revenue factor or gargers that the Commission and the Company's proposal. A Versus? I orginal request; right? M as we alk how, natural gas prices fail that case? Subject to check, on there ICNU's proposal was 13.7 million reduction of that case? Subject to check choes that sound about in the balapar? I based on the known information at the time. As things A I'm assuming what you're doing is taking the dimit reduced our need for rate relief. I based on the known information as the the the Commission is ordered as 8 million rate relief. No there is work for the cases, were file a request I'm assuming what you're doin			<i>.</i>	-
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 17 last case, if you could, please turn to page 3 of this 17 last case, if you could, please turn to page 3 of this cross-exhibit. A I'm there. Q And in response to Subpart B in ICNU Data Request 181, the Company confirms the difference between ICNU's proposal and the electric revenue requirement decrease approved by the Commission in the last general rate case was 21.6 million; right? 17 200 basis points. If we were to have an opportunity 20 basis points. If we were to have an opportunity to earn 7.5 percent, I think the rating agencies, investors, and others would consider that a dramatic change. Q Sure. And I do want to follow up with ROE a little bit later. In your opinion, Mr. Norwood, do non-Company parties in a general rate proceeding have the same, 				
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25 A res. 25 Iess, or more information about the Company's revenue				
	25	A YES.	25	less, or more information about the Company's revenue

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1	EXAMINATION BY COWELL / NORWOOD 90	1	EXAMINATION BY COWELL / NORWOOD 92
1	requirement than Avista itself?	1	11-month proceeding to ask discovery. They've been
2	A You said the parties in the rate proceeding?	2	over to our offices a couple of times to audit
3	Q In a general rate proceeding have the same,	3	information, so I would leave that to Mr. Hancock as
4	less, or more information than Avista regarding the	4	to what he's getting at right there.
5	Company's revenue requirement?	5	Q Right. And we've designated some cross time
6	A Well, we provide all the information that's	6	for him, and I can ask him about it. But because you
7	relevant to the case to the parties. In direct case,	7	quoted it, I'm just asking for your opinion on that
8	we respond to discovery. So, you know, I'm not sure	8	because you chose to provide this as a block quote.
9	where you're going with a question, but all the	9	A I would defer to Mr. Hancock on what he meant
10	information surrounding the revenue requirements is provided to all the parties.	10	by that portion of the quote.
11			Q Okay. Let me try to state this concept another way.
12	Q Okay. Just looking for your opinion on that question. Same, less, or more?	12 13	-
13 14	A I think we're all focused on the same	14	There's room for improvement in regard to Intervener analysis of Company-proposed revenue
14	information as it relates to the requested revenue	15	requirement that changing the cycle of Avista filings
16	increase.	16	will facilitate or promote in your opinion? Would
17	Q Could you please turn to page 2 of your	17	that be accurate?
18	rebuttal testimony.	18	A No. I think the Interveners and Staff would
19	A Page 2, I'm there.	19	have to speak for themselves as to whether they need
20	Q Okay. You provided a block quote here on this	20	more information or a different approach. So I will
		20	
21 22	page from Staff witness Mr. Hancock regarding his support for changing the cycle of rate filings; right?	21	not try to attempt to speak for Interveners or Staff with regard to that topic.
22	A Yes.	22	Q Let's turn back, please, to your
23 24	Q Do you agree generally with Mr. Hancock's	23	cross-exhibit, page 2, KON-2CX, page 2.
24	statements in that block quote?	25	A I'm there.
	Page 91	2.5	Page 93
	EXAMINATION BY COWELL / NORWOOD 91		EXAMINATION BY COWELL / NORWOOD 93
1	A Yes.	1	Q The very last sentence of the Company's
2	Q Okay. In that portion of testimony you	2	response states in the last clause, quote, who had
2	quoted, Mr. Hancock states that, in the second	3	who also had all information when deciding the
4	sentence of that block quote: Intervening Parties	4	Company's case.
5	would likely be better able to represent their	5	And my question to you is: Who does the "who"
6	constituents and provide deeper analysis and	6	here refer to?
7	commentary to the Commission in its efforts to produce	7	A The Commission.
8	outcomes in the public interest. Did I read that	8	Q To the Commission. Okay. Thank you. If we
9	correctly?	9	could turn back to page 5 of your rebuttal testimony.
10	A Yes.	10	A I'm there.
11	Q Specifically, do you agree that changing the	11	Q Okay. The last sentence of the first full
12	cycle of Avista rate case files would allow	12	paragraph states: A mechanistic application of inputs
13	Intervening Parties in the Company's future general	13	to a model, along with logical arguments that on the
14	rate cases to provide deeper analysis than Intervening	14	surface may appear to be reasonable, will not
15	Parties have historically been able to provide in	15	necessarily produce reasonable end results.
16	company rate cases?	16	Does this statement refer to Mr. Mullins'
17	A That's really the view of Commission Staff,	17	attrition study on behalf of ICNU?
18	and it's based on the workload they have and their	18	A It is a general statement, and so in this
19	approach to a rate case. So this is Mr. Hancock's	19	case, yes. I would say yes. And Ms. Andrews and
20	representation with regard to that piece of this	20	Mr Dr. Forsyth have addressed some of the
21	quote.	21	mechanics that he's employed, which, in our view, are
22	So I can't comment on whether what factors	22	not appropriate.
23	go into what would allow Intervening Parties or the	23	Q Now, sticking here with this statement in your
24	Staff in terms of more time and to dig deeper. They	24	testimony, did you intentionally mean to emphasize the
25		25	phrases "mechanistic application of inputs" and "on
		1	

Page 94 Page 94 EXAMINATION BY COWELL / NORWOOD 94 EXAMINATION BY COWELL / NORWOOD 96 A Yes. A Would you agroe that the 1.0 million electric revenue darces proposed by Mr. Mullins based on analysis is arguments that may appear reasonable on the analysis is arguments that may appear reasonable on the sufface do you ment to asy that such analysis is a different such analysis is arbitrary. Iteration modeling in this case is over 37 million entres/s no reason to compare those two investments that may appear reasonable on the complexity interes/s no reason to compare those two investments. You should on the studies, and investment. There's no reason to compare those two investments. There's no reason to compare those two investment there's no reason to compare those two investment there's no reason to compare those two investment the support and investment the appearent to compare those two investment the support and investhe sup			-	
1 be surface" by underlining them? 1 Q Would you agree that the 1.0 million electric revenue decrease proposed by Mr. Mullins based on a attrition modeling in this case is over \$7 million 1 A Now, when you testified that an attrition adapting in this case is over \$7 million antition modeling in this case is over \$7 million 1 A Absolutely not. In other places in my it is completely intervant. Completely it is completely intervant. Completely 2 A Absolutely not. In other places in my it is the after you of the studies, you should on this tast and it is the after you of the studies, you should consider all it matter you do the studies, you should consider all 10 there vidence in the case to see wheeth you contomet on your end result is representative of whit's going it is is adilation methodology, his selective use of many years 10 A Now, have you reviewed or are you familiar it is the adilation methodology, his selective use of many years it on appearation the set of end in this case. 11 A Now, have you are viewed or are you familiar it is this case. it on the secolor on a familian of end is the is a secolor on a familian end result of electric revenue of the secolor on a familian end result of electric revenue of the secolor on a familian end result of electric revenue of the secolor on a familian end result of electric revenue of the secolor on a familian end result of electric revenue of the secolor on a familian end result of electric revenue of the secolor on a familia		Page 94		Page 96
2 A Yes. 3 Q Now, when you to still off that an altrition analysis is emphatically mechanistic and includes is surface, do you ment to say that such analysis is anytrary? 2 4 A.Assolutely not. In other places in my estimation and includes you ment to say that such analysis is anytrary? 3 A.Assolutely not. In other places in my estimation and includes you have to surplace the you should consider all then after you do the studes, you should consider all then after you do the studes, you should consider all then after you do the studes, you should consider all then after you do the studes, you should consider all then after you do the studes, you should consider all then after you do the studes, you should consider all the after events its representative of what's going to happen during the rate-effected paried. A. That's completely irrelevant, compare those two in numbers. They're not comparable. What's relevant is in this case. 10 Q. Now, have you reviewed or are you familiar using the state of the case. And if you lock at his application that is case. 11 Calculations provide in his cross-answering testimony? A. If laccept your number subject to check. Q. Now, based on the Company's discovery is still to confirm. It's your position that is case. 12 A Thild accept your number subject to check. Q. Now, based on the Company's discovery is still proceeding within the context of evidence of a self-fulfilling to revidence of the self there there and is the state and in the state area? 13 G. Toron was the state defferent state state and a tittie state and the state an				
3 Now, when you testified that an attrition 3 4 analysis is emphatically mechanistic and includes 1 5 logical arguments that may appear reasonable on the surface, do you meen to say that such analysis is 7 antires, do you meen to say that such analysis is higher than the \$8.1 million and result authorized by 8 A Absolutely not. In other places in my 8 9 lestimony, 1 emphasize back you should on thist such analysis is 1 10 mechanics to numbers. You should oth estudies, and 1 11 then after you do the studies, you should consider all 11 12 other evidence in the case to see wheth you compare it to other 11 13 ory our and result is representative of what's going 13 14 that is the evidence in this case. 14 15 Q Now, have you roviewed or are you familiar 15 16 calculations provided in his cross-answering 15 17 calculations provided in his cross-answering 16 18 testimory? 10 Q Now, have you rovimower subject to check. 10 14 attrition andiowance model supports an electric revenue 10				
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5 Iogical arguments that may appear reasonable on the surface, do you mean to say that such analysis is arbitrar? 5 the Commission in the last general rate case also based on attrition models? 8 A Absolutely not. In other places in my bestimony. I emphasize that you should not his stapply to mechanics to numbers. You should do the studies, and then after you do the studies, you should consider all then after you do the studies, you should consider all then after you do the studies, you should consider all then after you do the studies, you should consider all then after you do the studies, you should consider all then after you do the studies, you should consider all then after you do the studies, you should consider all then after you do the studies, you should consider all the vith MK. Willins' updated to happen during the rate-effected period. A If you look at his application of the the vith MK. Willins' updated the vith MK. Willins' updated the stammer you rowiwed or are you familiar tatificien allowance model supports an electric revenue after that allowance model supports an electric revenue after that allowance model supports an electric revenue that thick allowance model supports an electric revenue that the last general rate case? Now, have you rowiwed or are you familiar the last defining the tatificien allowance model supports an electric revenue after that the studies were studifierent that allowance model to check. Now, have you rowiwed or rate relief. 2 A That's adifferent phrase that was used. Would you agree that ICNU's artition-based proposal in this case is dramatically different hat allowance dramatically different han what Avista has disting point, a different set of data. If you're as asking whether ICNU's proposal in this case is dramatically different han what Avista has di				-
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Page 98 Page 100 EXAMINATION BY COWELL / NORWOOD 98 1 up for reminders of have filtes delivered to their 2 house on a regular bass. We're looking atter 3 advanced metering infrastructure, which is going 10 4 advanced metering infrastructure, which is going 10 5 bottes ear eight a few of the items that 6 we're doing the partner with customers to help them 7 we're doing the partner with customers to help them 8 manage their energy use, give them more information, 9 with will adress energy effortency as well as 10 catoon, and all those things cost money. And we're 12 being very transparent with all these programs with 14 we're doing out industrial customer meters? 16 would sava out industrial customer meters? 17 A I'l defer to Ms. Resentrater on the answer to 18 hat guestion. 19 apper. 10 apper. you view, does an onergy-efficient future 10 apper. 11 believe it at that. 12 all their to Ms. Resentrater on the answer to 13 hat your understanding that the All programs? 14 apper. 15 of Avista include demand response programs? 16 appeset to think. Resentrater on the answer to <tr< th=""><th></th><th></th><th>и. IV</th><th>· · ·</th></tr<>			и. IV	· · ·
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2 Instead on an ergular basis. We're looking at the advanced metering infrastructure, which is going to allow us to gather more information and provide more information to customers. 2 Inst they would be able to shu down in very limited value to that particular proposal. 3 Information to customers. 0				
a advanced medering infrastructure, which is going to allow us to gather more information and provide more information to customers. a Okay. Could you plasse turn to page 13 of your rebuttal testimony, and 1'd ask that you take a b So these are just a few of the items that a Omer to review your testimony botween page 13, inter 31, thorough page 14, line 13, thorough page 14, line 13, thorough page 14, line 13, thorough page 14, line 14, thorough page 14, line 14	1		1	
4 0 Oksy. Could you please turn to page 13 of your robuttal tastimony, and 1'd ask that you take a moment to review your testimony between page 13, iline 19, through page 14, line 3. And let me know when you're ready. 7 were doing to partner with outstomers to help them 1 9 which will address energy efficiency as well as in a different energy use, gost more, And were is a carbon, and all hose things cost more, And were is the page 14, line 3. And let me know with those programs with it is the page 14, line 3. And is three are other company in parties in the 2015 general rate case, Avista would be experiencing significant under-earnings during 2016; right? 10 O kay. Now, starting on page 14, line 1, you take a goat in the your understanding that the All program 10 O kay. Now, starting on page 14, line 1, you take a goat in the 2015 general rate case, Avista would be experiencing significant under-earnings during 2016; right? 11 It is to would swap out industrial customer meters? 1 11 O Casy. And I know she's not scheduled to appace, but thicks. 1 12 industrial include demand response programs? 2 A. Correct. 13 In and schedule domand response programs? 2 A. The fast metersent. 14 Ibleve tit ats. 10 2 Fast includy ou please turn to page 24 of your robuttal tastimony. 14 Iblevice tit doss. A while before we engag	2		2	
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2 Q Okay. Let me - well, why don'y ou give me double of attribun adjustment, so that should probably be double. 2 Q Okay. Let me - well, why don'y ou give me double of attribun adjustment, so that should probably be double. 3 datified. 3 the - have a few specific issues, but why don'y ou give me an overview of that issuance first, please, and why it should be included in this case. 5 Q. But to try to dial this in a little bit more, is is it your understanding that they approved a specific for a study. 4 A Mark was the reference again. If you would, please? 7 A I'rit have to revisit the order to see whether is isopedically approved a methodology or a study. 9 I'' isopedically approved a methodology or a study. 10 Q Okay. Next page, please, page 25, beginning it at line 23 - icriumstances in this case; right? 1 A And it describes an FMB, first mortgage bond, icriumstances in this case; right? 11 A ord it issuence in this case; right? 1 A And it describes an FMB, first mortgage bond, icriumstances in this case; right? 12 A ('f' pu ug' we''') is a a mort - icriumstance in this record? 2 A case, we had S90 million of short-term -1 13 a ('f') pu ug' we'') is a a mort - icriumstance in this record? 2 A res, 'criumstance in this record? 14 A ('f') pu ug' we'') is a calcular, epotieted an extension - a 1 A for the calcular ep	_			
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1	rate and the terms on that?	1	A No. But I'm very familiar with what we're
2	A If I can take just a moment, I think I have	2	spending money on.
3	that.	3	Q Okay. I'll get to that in a minute about how
4	Q Well, you can provide it for the record. You	4	you internally look at these things. Give me your
5	don't need to take the time now.	5	if you could, prioritize what the drivers are.
6	A Okay. We can provide that.	6	A And Ms. Rosentrater would have additional
7	Q My question to you and maybe this is better	7	details on some of these. In terms of the primary
8	for Mr. Thies or Ms. Andrews the interest rate	8	drivers, right now we are working on our Spokane River
9	seems a bit high. The Federal Reserve, as you know	9	projects. So in Mr. Kinney's testimony, he talked
10	and we'll get into this tomorrow	10	about Post Falls projects, which we recently completed
11	A Yes.	11	upgrading the headgates there not the headgates,
12	Q with the cost of capital witnesses, but	12	but the spillway. That was 100 years old.
13	interest rates short-term are below 1 percent?	13	Little Falls, we're spending lots of money
14	A Yes.	14	there. It's, basically, a 100-year-old project.
15	Q If you look at nationally recognized numbers	15	We're replacing equipment there. And the Nine Mile
16	for a BBB, BBB-plus companies, it's in the high fours,	16	project where a couple of those units have been out of
17	low fives. And so that's the nature of my question.	17	service for some period of time, and so we are
18	A Right. The last issuance that I remember was	18	spending a lot of money on those three Spokane River
19	in the mid-4 percent range, roughly 4 1/2 percent for	19	projects.
20	a 30-year money. This is for a 35-year money. And so	20	Q Stop there for a minute.
21	this interest rate of 5.6 percent reflects a coupon	21	A Okay.
22	rate, which was 3.6 percent, I believe. And when you	22	Q So is that aging infrastructure is it a WEC or
23	include in that the cost to issue and we had some	23	FERC requirement, or is it a reliability issue or just
24	hedges where we had hedged a portion of the issuance,	24	general aging infrastructure?
25	then the all-in rate is 5.6 percent.	25	A It's a combination of things. When we
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	EXAMINATION BY COMMISSIONER JONES / NORW 107		EXAMINATION BY COMMISSIONER JONES / NORW 109
1	COMMISSIONER JONES: Well, Judge, maybe	1	relicensed the Spokane River projects, part of the
2	we should make a Bench request here. I would like to	2	requirement to receiving the license was to redo the
3	know at least what the all-in rate is and what the	3	spillway for Post Falls and also do some of the
4	components are above the coupon rate and the terms of	4	upgrades at Nine Mile. That is part of the driver.
5	that placement.	5	The other part of the driver is, as I mentioned, much
6	JUDGE MOSS: If that information is not	6	of that is 100 years old, so it was aging
7	otherwise readily available, I suppose we can make it	7	infrastructure and time to replace it going forward.
8	a Bench request.	8	Q Okay. Thank you.
9	MR. MEYER: That would be No. 4.	9	A And so other components
10	MR. NORWOOD: Five, I think.	10	Q Moving on to other asset management
11	JUDGE MOSS: Five.	11	JUDGE MOSS: Let me interrupt here and
12	BY COMMISSIONER JONES:	12	remind everyone that we need to have people talking
13	Q Okay. Moving on to the next topic,	13	one at a time so the court reporter can get everything
14	Mr. Norwood, if you could, turn to page 6 of your	14	down. It's nice to be conversational, but we can't
15	testimony. Wait a minute. Yeah, page 6. And I think	15	interrupt each other.
16	Mr. Pepple asked you a few questions on lines 25	16	COMMISSIONER JONES: Thank you, Judge.
17	through 35 on this, quote, self-fulfilling prophecy.	17	A So one thing that we've explained in this case
18	I just want to ask you a few high-level questions and	18	is that in recent years we've developed asset
19	a few internal questions about the drivers of cap X,	19	management plans. We have those plans related to
20	capital expenditures, in this case.	20	transmission and distribution, and so what we were
21	Could you just list them for me, the top	21	doing now is systematically going through our system
22	three, top four. Is it aging infrastructure? Is it	22	to replace the assets and, basically, optimize the
23	reliability? Is it AMI? Is it outage management?	23	useful life of them to optimize capital investment but
24	Just go over and, again, you are not the asset	24	also O & M. So we're spending a lot of money
25	manager in the company; right?	25	

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	EXAMINATION BY COMMISSIONER JONES / NORW 110		EXAMINATION BY COMMISSIONER JONES / NORW 112
1	systematically going through our distribution system,	1	group, CPG, and it's made up of directors for
2	transmission system, and, again, this is really an	2	generation, transmission, distribution, ISIT. And so
3	aging infrastructure and a reliability issue. As we	3	all the requests go into that group, and then they
4	mentioned in our testimony, we believe our reliability	4	prioritize what is going to be spent in the next year.
5	is at the right level; but in order to maintain that	5	And they actually develop a five-year plan, but
6	reliability, we need to invest in our system in order	6	because the requests in the past have been more than
7	to preserve that. So there's a lot of money we're	7	what the board has limited the capital investment to
8	investing related to, basically, our asset management	8	be, some of those projects are deferred to later
9	programs.	9	periods of time.
10	You've mentioned AMI. As we look forward for	10	Q Thank you. Moving on to ROE and ROR for a
11	'17 and '18, there's a significant amount of dollars	11	minute, could you turn to page 8 of your testimony.
12	that are going into that system in '17 and '18.	12	A I'm there.
13	Q Are there any specific issues in this case	13	Q On lines 6 through 14, you have a description
14	related to the large outage in November of 2015 that	14	of that. Let me see. Could you read lines 12 and 13
15	you experienced and that we were briefed on at the	15	about your actual earned ROR?
16	Commission?	16	A We know now after the fact that Avista earned
17	A We had a wind storm in November of '17.	17	an ROR of 7.33 percent towards electric operations for
18	MR. MEYER: Not '17.	18	that 2015 rate year, which was almost identical to the
19	A I'm sorry. I think it was November 17, so	19	authorized ROR of 7.32 percent.
20	thank you. November of 2015. Thank you.	20	Q And is this based on the CBR, the Commission
21	MR. MEYER: Unless you're aware of	21	Basis Report, numbers?
22	something I'm not.	22	A It is.
23	MR. NORWOOD: No. Thank you.	23	Q So, Mr. Norwood, what's wrong with this
24	A So in this case we incurred additional	24	picture in terms of what the Commission authorized in
25	expenses. I'll talk about expense and capital.	25	Order 05 and going forward? In this case you're
	Page 111		Page 113
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	Page 114 EXAMINATION BY COMMISSIONER JONES / NORW 114		Page 2 EXAMINATION BY COMMISSIONER JONES / NORW	
1	point out in your table.	1	Q Okay. I'll ask him. And, finally, I think	110
2	A They have been.	2	it's this on the role of attrition, this is not	
3	Q I'm just a little perplexed as to why the ROE	3	geared to a specific page number, but I just want to	
4	for gas shot up to 10.2 percent?	4	be clear that you support the way the Commission	
5	A Yes. And I had the same questions. So I	5	ordered an attrition adjustment to be calculated in	
6	asked Ms. Knox and Ms. Andrews to look at that, and	6	Order 05, don't you?	
7	what they found in this particular instance is each	7	A We support an attrition adjustment, but I	
8	year at the end of the year, we look at our	8	think, as I mentioned, I think it's important to	
9	allocations, not only between states, but between	9	let me step back. We've provided a modified test year	
10	jurisdictions, electric and natural gas.	10	study, and Staff and Avista has concluded that's not	
11	So at the end of '15, the allocations actually	11	sufficient. So then we both moved on to attrition	
12	shifted costs away from gas to electric just a little	12	analysis, and both Staff and Avista used the same	
13	bit. And when you do that, then your expenses	13	escalation period of '07 to '15. We both included	
14	actually go down when you're measuring the	14	after-attrition adjustments.	
15	after-the-fact results. So that's the primary reason	15	So the point here is, yes, I believe	
16	why this return is higher than what was authorized.	16	attrition, in this instance, is necessary, but, again,	
17	So the other thing to keep in mind with	17	we need to look at the after-the-fact results of that	
18	natural gas is the rate base is very low. So it	18	to see when we're done with the analysis is it really	
19	doesn't take many dollars to shift the impact on ROE	19	reflective of what's going to happen in the	
20	changes. In fact, 10 basis points on ROE for the	20	rate-effected period.	
20	natural gas business is about \$145,000. It doesn't	20	Q Right. No. And I'm not trying to talk over	
21	take much movement to cause the ROE to move.	22	you, but I'm trying to get at the question of how you	
23	Q So it's both based on, to summarize, the	23	calculated compared to both Staff and you run a	
24	allocation between the three different jurisdictions	24	modified historical test year with pro forma capital	
25	and the relatively small rate base for natural gas?	25	additions; right?	
	Page 115	23	Page	117
	rage 115		r age	117
	EXAMINATION BY COMMISSIONER JONES / NORW 115		EXAMINATION BY COMMISSIONER JONES / NORW	117
1	EXAMINATION BY COMMISSIONER JONES / NORW 115 A That's correct	1	EXAMINATION BY COMMISSIONER JONES / NORW	117
1	A That's correct.	1	A Yes.	117
2	A That's correct.Q Turn to page 17 of your testimony, please.	2	A Yes. Q And both Staff and you run an attrition	117
2 3	A That's correct.Q Turn to page 17 of your testimony, please.This relates to load growth.	2 3	A Yes. Q And both Staff and you run an attrition adjustment that complements that is added to as an	117
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-	EXAMINATION BY COMMISSIONER JONES / NORW 118		EXAMINATION BY MEYER / ANDREWS 120
1	do it on a broad company-wide O & M basis?	1	wanted the comparable numbers.
2	A Actually, in Ms. Andrews' response testimony,	2	Thank you very much, Mr. Norwood. I believe
3	she makes the point that we actually don't object to	3	that completes your examination today, so you may step
4	looking at it more granular. In fact, Ms. Andrews	4	down subject to recall, if needed. Thank you very
5	replicated Mr. Hancock's study where you take each of	5	much.
6	the components that he isolated. If you do that, you	6	Let's take our morning break. We'll break
7	can look at the changes for each of those categories.	7	until 10:45, and we'll have Ms. Andrews when we come
8	But then if you were to use the escalators	8	back. So she should be perhaps ready with her books
9	based on that trend for each of those categories, you	9	and so forth.
10	actually end up in the very same place. And	10	(A break was taken from 10:35 a.m. to
11	Ms. Andrews mentioned that in her response testimony	11	10:49 a.m.)
12	if we do our analysis the same way Mr. Hancock did, I	12	JUDGE MOSS: All right. Let's be back
13	think she makes the point that the rate base number is	13	on the record. Ms. Andrews, welcome.
14	within, like, \$55,000.	14	
15	We're not opposed at all to looking at it more	15	ELIZABETH M. ANDREWS, witness herein, having been
16	granular. If you're going to do that, you need to	16	first duly sworn on oath,
17	look at some of the data to see if it has, for	17	was examined and testified
18	example, kink points that we talked about in the last	18	as follows:
19	case and in this case to make sure you're using the	19	
20	proper escalators. If you look at Mr. Hancock's study	20	JUDGE MOSS: Please be seated.
21	and Ms. Andrews' study, one used more granular. One	21	Mr. Meyer, your witness.
22	used more of an aggregate, but they both ended up with	22	MR. MEYER: Thank you, Your Honor.
23	the same starting place before you apply your	23	EXAMINATION
24	escalators.	24	BY MR. MEYER:
25	COMMISSIONER JONES: That's all I have.	25	Q Ms. Andrews, for the record, please state your
		120	
			Page 121
	EXAMINATION BY CHAIRMAN DANNER & JUDGE MOSS / 1190D		
1	EXAMINATION BY CHAIRMAN DANNER & JUDGE MOSS / 1190D	1	EXAMINATION BY MEYER / ANDREWS 121
1	Thank you, Mr. Norwood.	1	EXAMINATION BY MEYER / ANDREWS 121 name.
2	Thank you, Mr. Norwood. E X A M I N A T I O N	2	EXAMINATION BY MEYER / ANDREWS 121 name. A Elizabeth M. Andrews.
2 3	Thank you, Mr. Norwood. E X A M I N A T I O N BY CHAIRMAN DANNER:	2 3	EXAMINATION BY MEYER / ANDREWS 121 name. A Elizabeth M. Andrews. Q And have you prepared and prefiled and have
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Page 122 Page 122 EXAMINATION BY CAFKEN / ANDREWS 122 JUDGE MOSS: That's better. Thank you MS. ANDREWS: I'm also as short. I can MS. ANDREWS: I'm also as short. I can By gray ruch. It's a little unmatural. All right. A That's my understanding. JUDGE MOSS: I understand completely. I have shrunk quite ab tover the years. I'm getting Short myself. A Mark my understanding. MS. CAFKEN: Thank you. And it think I he estimates y 25 minutes. I'm not MS. CAFKEN: Thank you. And it think JUDGE MOSS: TI hold you to that. BY MS. CAFKEN: Thank you. And it think JUDGE MOSS: TI hold you to that. BY MS. CAFKEN: A Good morning. JUDGE MOSS: TI hold you to that. BY MS. CAFKEN: A That's my understanding. JUDGE MOSS: TI hold you to that. BY MS. CAFKEN: A Good morning. C A Good morning. JUDGE MOSS: TI hold you to that. Jage 50. A Thet's my understanding. JUDGE MOSS: TI hold you that. By age 10. By age		cket Nos. UE-160228 and UG-160229 (Consolidated) - Vo		
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	EXAMINATION BY BROOKS / ANDREWS 126		EXAMINATION BY BROOKS / ANDREWS 128
1	sentence. What I was referring to is Mr. Watkins	1	tell within the data you can actually have even
2	should have asked questions about really understanding	2	more than one kink point. Dr. Forsyth can speak to
3	the data that he was using and that they the	3	the fact that you can actually have multiple kink
4	underlying information, which was provided in our	4	points in a data series.
5	case, would have explained things like storms, which	5	In the case of what Mr. Mullins had included
б	was described in our testimony, or other factors that	6	in his model, you can see in several instances and
7	would be increasing labor expenses or O & M expenses.	7	both Dr. Forsyth and I speak to it as far as
8	Q And you did describe the November storm in	8	determining the revenue requirements associated with
9	your rebuttal testimony.	9	it you can see the data itself where it pitches up.
10	A Correct.	10	I think a few examples he gave showed a pitch-up in
11	Q And you do recall that we asked an informal	11	2009, for example.
12	follow-up question in July on the labor costs?	12	Q When you're looking at the data and you can
13	A Yes.	13	see this kink, is it visible looking just one year on
14	MS. GAFKEN: Okay. I have no further	14	either side of a point?
15	questions.	15	A I think for me who's not a statistician for me
16	JUDGE MOSS: All right. Thank you.	16	you can see specifically, Mr. Mullins you can
17	You were good to your word, Ms. Gafken.	17	see you can visually see it, but Dr. Forsyth could
18	We have from the Northwest Industrial Gas	18	speak better to how you can actually look at the data.
19	Users, apparently, have a couple of questions.	19	Sometimes it's not as clear. But you can look at the
20	EXAMINATION	20	data and determine where those kink points exist.
21	BY MR. BROOKS:	21	Q I will ask him some questions. Since you
22	Q Good morning, Ms. Andrews.	22	testified about there being a definite kink, I want to
23	A Good morning.	23	explore that with you.
24	Q I'd like to start with your Rebuttal Exhibit	24	A That's fine.
	-	25	Q What about if you look two years on the other
25	EWA-DT. AND II VOU COULD. DIEASE LUTTI LO DADE 33.		
25	EMA-6T, and if you could, please turn to page 39.	25	
25	Page 127	25	Page 129
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1	Q Does the data appear linear only when all the	1	directly out of Dr. Forsyth's testimony. And so it
2	points actually fall on the line, or is there some	2	shows that from 2000 to 2009 it was fairly linear, and
3	tolerance there?	3	then it pitches up. There's a direct kink point which
4	A I'm sure there's some tolerance, but	4	you can see within this data.
5	Dr. Forsyth would be better to answer that question.	5	Q Does Avista's attrition analysis use a trend
б	Q I'd like to get your opinion on it. Is there	6	line that starts in 2007, or does it evolve and
7	room for applying informed judgment about whether or	7	sometimes use a trend line that starts in 2009?
8	not the data set is linear or not?	8	A No. We use 2007 to 2015 because our
9	A I think you could analyze the data. Like I	9	aggregated data that is there is clearly a kink
10	said, I had Dr. Forsyth analyze the specific data for	10	point I mean, there's, clearly, a kink point
11	the linear models, and they did appear to be linear on	11	starting in 2007, and that's why we are using 2007 to
12	the electric side. And on the gas side, many of them	12	'15 consistent with the last year's case that the
13	appeared nonlinear. That's why we went with that	13	Commission approved.
14	approach.	14	Q So if the data set did appear this way
15	You can look at some of the just going to	15	because, for example, the Commission used the
16	think about some of the disaggregated data that	16	disaggregated data, would Avista's trend line take
17	Mr. Mullins used, you can see that there are many	17	into account that kink point in 2009?
18	categories that he cross categories that he	18	A Yes.
19	disaggregated. And you see points all over the place,	19	Q How so?
20	but what I would suggest is that what happens in many	20	A Well, if you disaggregate the data, then you
21	of the instances of disaggregating the data is you	21	would have to use you would have to recognize a
22	have multiple categories that either were not material	22	kink point, just as Dr. Forsyth explained in his
23	or the change was not material.	23	testimony, about where that kink point would exist.
24	And so I think that they tended to just	24	Q Would Avista's attrition analysis then have to
25	distract from the true cost categories that are	25	be adjusted to capture this kink point since you did
	Page 131		Page 133
	EXAMINATION BY BROOKS / ANDREWS 131		EXAMINATION BY BROOKS / ANDREWS 133
1	causing the growth in our costs. And so what you can	1	not disaggregate the data?
2	see on those cost categories that are really driving		
-		2	A No. Actually, you could you could do 2007
3	our attrition increases or the need for attrition	2 3	to '15 and you would just have to recognize the kink
	our attrition increases or the need for attrition tended to be linear and fairly close to the line, and	3 4	
	our attrition increases or the need for attrition		to '15 and you would just have to recognize the kink point at the 2009 period if you disaggregated the data.
3 4 5 6	our attrition increases or the need for attrition tended to be linear and fairly close to the line, and on the gas side, you can see this growth in expenses over time.	3 4	to '15 and you would just have to recognize the kink point at the 2009 period if you disaggregated the data. Q My question is about under Avista's existing
3 4 5	our attrition increases or the need for attrition tended to be linear and fairly close to the line, and on the gas side, you can see this growth in expenses over time. Q Since you relied on Dr. Forsyth's statistical	3 4 5 6 7	to '15 and you would just have to recognize the kink point at the 2009 period if you disaggregated the data. Q My question is about under Avista's existing model that does not disaggregate the data. How would
3 4 5 6 7 8	our attrition increases or the need for attrition tended to be linear and fairly close to the line, and on the gas side, you can see this growth in expenses over time. Q Since you relied on Dr. Forsyth's statistical analysis of whether or not something was linear, I'd	3 4 5 6 7 8	to '15 and you would just have to recognize the kink point at the 2009 period if you disaggregated the data. Q My question is about under Avista's existing model that does not disaggregate the data. How would that kink point get captured?
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	Page 134		Page 136
	EXAMINATION BY BROOKS / ANDREWS 134		EXAMINATION BY COMMISSIONER JONES / ANDR 136
1	time periods. That's not what we did, and that's not	1	EXAMINATION
2	what I think is necessary.	2	BY COMMISSIONER JONES:
3	Q I'd like to turn to page 45 of your testimony.	3	Q Just a couple, Ms. Andrews. So you heard my
4	Beginning on page 9, you refer to the Commission's	4	exchange with Mr. Norwood over the application of
5	order in Avista's prior rate case; correct?	5	modified historical test year
6	A I'm sorry. You said beginning on page 9?	6	A Yes.
7	Q I'm sorry. Page 45, line 9.	7	Q attrition adjustment.
8	A Okay. Sorry. Okay. Say that again.	8	Do you have anything to add that was that a
9	Q On this line beginning on this line, you	9	correct characterization of Staff's position and your
10	refer to the Commission's order in Avista's prior rate	10	position?
11	case.	11	A I'm having a little trouble recalling the
12	A Correct.	12	specific testimony. I'm sorry.
13	Q What historical time period did the Commission	13	Q Okay. There is some testimony
14	ultimately adopt as the basis for the attrition	14	A I was paying attention.
15	analysis in that case?	15	Q Sorry. We're not supposed to talk over each
16	A 2007 to 2014.	16	other.
17	Q Is it true in that case that Avista on	17	There is some testimony in the case that says
18	rebuttal adopted Staff's attrition analysis with some	18	either you use a modified historical test year with
19	changes?	19	pro forma capital additions or you use a broad
20	A Some changes, correct.	20	attrition adjustment.
21	Q Was one of those changes that Staff had urged	21	A Yes, I understand.
22	the Commission to look at a 2009 to 2014 period,	22	Q Avista does not agree with that; right?
23	whereas, Avista wanted to look at the 2007 to 2014	23	A Well, we provided both a modified historical
24	period?	24	test period, but as we noted in testimony, it's not
25	A That's correct. And the Commission approved	25	we recognize it is not sufficient to cover our costs,
	Page 135		Page 137
	i age 100		raye 137
	EXAMINATION BY BROOKS / ANDREWS 135		EXAMINATION BY COMMISSIONER JONES / ANDR 137
1		1	
1 2	EXAMINATION BY BROOKS / ANDREWS 135	1 2	EXAMINATION BY COMMISSIONER JONES / ANDR 137
	EXAMINATION BY BROOKS / ANDREWS 135 the 2007 to '14 time period.		EXAMINATION BY COMMISSIONER JONES / ANDR 137 both in expense and capital, during a rate year. So
2	EXAMINATION BY BROOKS / ANDREWS 135 the 2007 to '14 time period. Q Did the Commission have any evidence or	2	EXAMINATION BY COMMISSIONER JONES / ANDR 137 both in expense and capital, during a rate year. So we also provided an attrition study to provide support
2	EXAMINATION BY BROOKS / ANDREWS 135 the 2007 to '14 time period. Q Did the Commission have any evidence or arguments in front of it other than those two	2	EXAMINATION BY COMMISSIONER JONES / ANDR 137 both in expense and capital, during a rate year. So we also provided an attrition study to provide support to this Commission on what level we do expect during
2 3 4	EXAMINATION BY BROOKS / ANDREWS 135 the 2007 to '14 time period. Q Did the Commission have any evidence or arguments in front of it other than those two competing time periods, for example, that the	2 3 4	EXAMINATION BY COMMISSIONER JONES / ANDR 137 both in expense and capital, during a rate year. So we also provided an attrition study to provide support to this Commission on what level we do expect during the rate year. So I believe, in a way, they complement each other. Because you can see that using a modified
2 3 4 5	EXAMINATION BY BROOKS / ANDREWS 135 the 2007 to '14 time period. Q Did the Commission have any evidence or arguments in front of it other than those two competing time periods, for example, that the historical period should be longer and go back prior	2 3 4 5	EXAMINATION BY COMMISSIONER JONES / ANDR 137 both in expense and capital, during a rate year. So we also provided an attrition study to provide support to this Commission on what level we do expect during the rate year. So I believe, in a way, they complement each
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	EXAMINATION BY COMMISSIONER JONES / ANDR 138		EXAMINATION BY COMMISSIONER JONES / ANDR 140
1	Q And just I'd like to get a sense of the bottom	1	Q I want to be clear on this. So you are asking
2	nine numbers on rebuttal just so I'm clear. Turn to	2	for I know you're asking for certain adjustments on
3	page 10, please. I'd like to first go to electric	3	rebuttal, but your ask is Avista filed 4,397,000 plus
4	revenue requirement.	4	941,000 for a total of 5,338,000?
5	A You said page 11?	5	A That's correct.
6	Q No. Ten, Table 4.	6	COMMISSIONER JONES: Okay. Thank you.
7	A Okay. Yes, I'm there.	7	That's all I have, Judge.
8	Q So just so I understand what your final ask of	8	JUDGE MOSS: Thank you. Nothing
9	the Commission is, you're asking in revenue	9	further from the Bench?
10	requirement 40,101,000 in 2017, 10,485,000 in 2018,	10	Ms. Andrews, that was mercifully short from
11	for a total of 55,086,000?	11	your perspective, I'm sure.
12	A Actually, we are asking 38.568, so our direct	12	MS. ANDREWS: I'm totally fine with
13	case was slightly lower than this.	13	that.
14	Q I know that, yeah.	14	JUDGE MOSS: We appreciate your
15	A So what we're actually asking for and we do	15	testimony today, and we will let you step down from
16		16	the witness stand there subject to recall, if needed.
17	requirement is provided for informational purposes	17	And I believe our next witness is Forsyth,
18	more from the standpoint of the total. And the	18	Dr. Forsyth.
19	Company is not requesting a higher increase than what	19	
20	we had originally filed.	20	GRANT DOUGLAS FORSYTH, witness herein, having been
21	Q So what are you asking for, electric, please?	21	first duly sworn on oath,
22	Give me a number.	22	was examined and testified
23	A So we are asking for 38,568,000.	23	as follows:
24		24	
25	A So if you actually want to go up to the Avista	25	JUDGE MOSS: Mr. Meyer.
	Page 139	10	Page 141
	EXAMINATION BY COMMISSIONER JONES / ANDR 139		141
1		1	While Mr. Meyer is finding the place there,
2			Dr. Forsyth, I just have to ask is "kink point" a
	A line 3 of that table	2	
3 4		3	technical term in the statistics world?
		4	DR. FORSYTH: It was the term that I
5	A that's really what we're asking for. We		came up with that would least confuse people from the
6		6	statistical world.
7	would be reflected as you make your decision	7	JUDGE MOSS: Thank you very much. I
8	Q Yes.	8	didn't remember learning it in statistics. I was just
9	A probably downward.	9	curious.
10		10	DR. FORSYTH: I'm aware that not
	Q And you heard me ask some questions on your		
11	Item Sub C on the update cost of debt, so I think that	11	everybody loves what I do.
12	Item Sub C on the update cost of debt, so I think that is an issue in play. But your ask is that number	11 12	everybody loves what I do. JUDGE MOSS: Nor what I do.
12 13	Item Sub C on the update cost of debt, so I think that is an issue in play. But your ask is that number that line Avista filed on top, so 38,568,000 plus	11 12 13	everybody loves what I do. JUDGE MOSS: Nor what I do. Mr. Meyer, are you ready now?
12 13 14	Item Sub C on the update cost of debt, so I think that is an issue in play. But your ask is that number that line Avista filed on top, so 38,568,000 plus 10,301,000 for a total of 48,869,000 over the	11 12 13 14	everybody loves what I do. JUDGE MOSS: Nor what I do. Mr. Meyer, are you ready now? MR. MEYER: I am. Thank you.
12 13 14 15	Item Sub C on the update cost of debt, so I think that is an issue in play. But your ask is that number that line Avista filed on top, so 38,568,000 plus 10,301,000 for a total of 48,869,000 over the 18 months?	11 12 13 14 15	everybody loves what I do. JUDGE MOSS: Nor what I do. Mr. Meyer, are you ready now? MR. MEYER: I am. Thank you. JUDGE MOSS: Please proceed.
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	Page 142		Page 144
	EXAMINATION BY GAFKEN / FORSYTH 142		EXAMINATION BY GAFKEN / FORSYTH 144
1	A Yes, that's correct.	1	A Yes. And, for clarification, both
2	· · · · · · · · · · · · · · · · · · ·	2	metropolitan and the distinction also between
3		3	micropolitan, so it includes both.
4	, , , , , , , , , , , , , , , , , , , ,	4	Q Okay. Right. Is Spokane in a metropolitan
5		5	statistical area?
6		6	A It is.
7	the first column in Table No. 2, it says Mullins gas	7	Q Okay.
8	expenditure category. It should be gas and electric.	8	A And for the record, that area has recently
9	It's a combined. It includes an analysis or examples	9	changed. It used to be just Spokane, the county of
10	from both Mr. Mullins' gas and electric analysis.	10	Spokane. And just recently we have been added to
11	Q Do those complete your corrections?	11	Stephens and Pend Oreille as the new definition of the
12		12	Spokane/Spokane Valley metropolitan statistical area.
13	MR. MEYER: Thank you, Dr. Forsyth. He	13	Q So that larger green area is a new drawing of
14		14	
15		15	A That's correct. Up until, I believe it was,
16		16	perhaps last year, it was just Spokane County; but
17		17	because of worker flows, it now includes Stevens and
18		18	Pend Oreille as part of that MSA.
19	3,,	19	MS. GAFKEN: Okay. Thank you. I have
20	A Good morning.	20	no further questions.
21	Q Would you please turn to your rebuttal	21	JUDGE MOSS: Thank you, Ms. Gafken.
22		22	I think we do have some questions from the
23	page 14, line 23.	23	Northwest Industrial Gas Users again, Mr. Brooks.
24	A Just to confirm, GDF-1T, page 14, line 23?	24	MR. BROOKS: Before we begin, Your
25	Q Correct.	25	Honor, I just wanted to alert you and I've talked
	Page 143		Page 145
	Page 143 EXAMINATION BY GAFKEN / FORSYTH 143		Page 145 EXAMINATION BY BROOKS / FORSYTH 145
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	Page 146		Page 148
	EXAMINATION BY BROOKS / FORSYTH 146		EXAMINATION BY BROOKS / FORSYTH 148
1	growth need to be controlled for to accurately	1	A It would depend on the strength of the test.
2	describe expenditure trends.	2	In other words, I would need to look at what we call
3	Q Does Avista's attrition analysis consider any	3	the T statistic, how large is that T statistic. And
4	sharp changes in growth that have occurred since 2007?	4	if you go to, if I may, GDF page 2 of 2 this is
5	And I mean consider or reflect.	5	GDF-2, page 2. If you look at Table 1(a), if you go
6	A Well, the original analysis that was done in	6	down to what's called the year dummy and it has an
7	the previous rate case, the majority of kink points	7	alpha 3 beside it
8	occurred in that 2007 time period. So there's a	8	Q Was there a comma after that "year"?
9	little bit of a distinction between what was done	9	A Sorry. Statistical talk here.
10		10	As applied, just for background, dummy is a 01
11		11	variable, but it's being used to adjust the slope for
12		12	the time period under analysis. You can see the
13		13	T statistic is 22.76. Anything over a value of two,
14	· ·	14	we would consider statistically significant.
15		15	Q So it would be possible with three years to
16		16	get a value that is over two?
17	-	17	A It would be difficult, because, again, this
18		18	statistical test is adjusted for the sample size. And
19	does Avista's attrition analysis do that?	19	so the smaller your sample size, the higher the
20	A No. I believe it starts all in 2007 as I	20	threshold. So for the type of the amount of data
21		21	that we have available for the current analysis that
22 23		22 23	was done using Table 1(a), roughly, a value greater than two. Now, as your sample size shrinks, the
23 24		24	threshold becomes a little bit higher for determining
25		25	statistical significance.
25	Page 147	25	Page 149
	EXAMINATION BY BROOKS / FORSYTH 147		EXAMINATION BY BROOKS / FORSYTH 149
1		1	Q Is the opposite true then that as your sample
2		2	increases the threshold gets smaller
3		3	A Yes.
4		4	Q and it's easier to achieve?
5	A I estimate it to be at 2009 via statistical	5	A Yes. But the amount that it declines as your
6	analysis.	6	sample size gets larger doesn't decline very much.
7		7	There's a certain point where you've reached that
8	need a certain number of years before and after that	8	statistical efficiency level.
9	point to understand if a kink point has occurred?	9	Q Can you give a generic assessment of how many
10		10	years you need to maybe likely get over that point on
11		11	a regular basis?
12		12	A No. I would have to consider the specific
13		13	data set before I could comment on that.
14		14	Q Thank you.
15		15	Would you agree that the primary driver of
16		16	Avista's request for an attrition adjustment is an
17		17	increase in the rate of plant additions?
18		18	A I didn't precisely look at that. That would
19	I believe the regression analysis that is described in	19	be a question for Ms. Andrews.
20	Figure No. 3 is actually discussed in my Exhibit	20	Q Could you turn to page 4 of your testimony.
21		21	A Yes. O Beginning on line 6 you describe your
22		22	Q Beginning on line 6, you describe your
23 24		23 24	testimony in the prior 2015 rate case; is that correct?
24 25	on either side of it?	24	A Yes.

	cket Nos. UE-160228 and UG-160229 (Consolidated) - Vo	<u>, i</u>	• •
	Page 150		Page 152
	EXAMINATION BY BROOKS / FORSYTH 150		EXAMINATION BY BROOKS / FORSYTH 152
1	Q And the footnote that occurs on line 9 that is	1	this.
2	at the bottom of the page, you referenced how the	2	Q Yes. That's the one.
3	Commission viewed your testimony; correct?	3	A Okay.
4	A I'll need to review this footnote. Just a	4	Q If you were to accept the idea of
5	minute.	5	disaggregating data and some of these costs, would you
6	Yes. And just for a reference, the original	6	agree that there was a kink point that existed here in
7	attrition methodology suggested by the Company was not	7	2009?
8	regression analysis. There was a compounding approach	8	A Yes. And for the record, I believe this is
9	originally suggested, and as I recall, we adopted	9	the same series that we have just been discussing in
10	Staff's recommendation of a regression approach.	10	my testimony.
11	Q So I'd like to refer to the portion of that	11	Q Thank you. Could you turn the page to page 16
12	footnote that says that the kink point in 2007 that is	12	on that same testimony of Mr. Mullins.
13	showing an increase in the rate of plant additions and	13	A Yes.
14	that that was the basis for the kink point in your	14	Q When you viewed this data, did you see a kink
15	testimony?	15	point in that?
16	A Yes. But it was it wasn't the only data	16	A No. This is this is what we would refer to
17	series I looked at. I looked at the other series as	17	as a step, which is slightly different than a kink
18	well. Now, keep in mind, this was the more aggregated	18	point. This gets into a technical detail.
19	series. The disaggregated series we've been	19	So in the context of my testimony, a kink
20	discussing in the other testimony, and 2007 seemed to	20	point is a change in slope. This is what I would
21	be an approximate location for the kink points in that	21	describe as a step in expenditures. Okay. So it's a
22	aggregated series.	22	little bit different.
23	Q And that was based on the largely based,	23	Now, you would still handle it with what we
24		24	call dummy variables, but what you would show is,
25		25	effectively, an expenditure, a regression, that's got
	Page 151		Page 153
	EXAMINATION BY BROOKS / FORSYTH 151		EXAMINATION BY BROOKS / FORSYTH 153
1	A Not only. I mean, I did consider each series	1	
1		1 2	a dummy variable for, let's say, the 2009-forward
2			period, which would control for that step up.
3	individually, and so on average, 2007 appeared to be a		$\mathbf{O}_{\mathbf{A}}$ is a stan a sharp change in the expanse or the
1	switch point for the Company's expenditure behavior.	3	Q Is a step a sharp change in the expense or the
4	switch point for the Company's expenditure behavior. Q Were you in the room earlier when Mr. Norwood	3 4	data that you're looking at?
5	switch point for the Company's expenditure behavior. Q Were you in the room earlier when Mr. Norwood was being questioned and he talked about the driver of	3 4 5	data that you're looking at? A Yes. But it's it can be in this
4 5 6 7	switch point for the Company's expenditure behavior. Q Were you in the room earlier when Mr. Norwood was being questioned and he talked about the driver of attritions and of attrition and the aging	3 4 5 6	data that you're looking at? A Yes. But it's it can be in this particular case, it's a one-time step based on the
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-	EXAMINATION BY COMMISSIONER JONES / FORS 154		EXAMINATION BY COMMISSIONER JONES / FORS 156
1	regression approach. And as I recall, there may have	1	and Pend Oreille Counties are quite rural. Even
2	been a difference between the 2007-forward period and	2	though they are now part of our MSA, if you were to
3	what Staff had provided, but I can't recall precisely.	3	travel through these counties, you would see quite
4	Q Do you know if any other parties presented	4	distinctly they're very rural. And, yes, they tend to
5	evidence or argument to the Commission that the data	5	have a lower income level as well.
6	set should go prior to 2007?	6	Q Okay. Kink points, thank you, Judge Moss, for
7	A There may have been, but I cannot recall	7	asking that question. I think it clarifies the record
8	precisely.	8	or muddies it. I did not take statistics in college,
9	MR. BROOKS: Thank you. That's all the	9	but I found your analysis interesting. And I think I
10	questions I have.	10	understand it.
11	JUDGE MOSS: Thank you, Mr. Brooks.	11	My last questions regard your analysis versus
12	All right. That completes the questions from	12	Mr. Hancock's electric attrition and natural gas
13	the parties. Do we have anything from the Bench for	13	attrition model analysis. On page 3 of your
14	Dr. Forsyth?	14	testimony, lines 9 through 10, can you go to page 3
15	COMMISSIONER JONES: Yes, Judge.	15	just so we're following your record here?
16	JUDGE MOSS: Commissioner Jones.	16	A Okay. So I am at page 3 of my testimony.
17	EXAMINATION	17	Q Yeah. Lines 9 through 10, there you state you
18	BY COMMISSIONER JONES:	18	agree, generally, with Mr. Hancock's O & M trended
19	Q Good morning, Dr. Forsyth.	19	analysis except and you think his excuse me.
20	A Good morning.	20	Strike that.
21	Q Good to see you again.	21	You found his electric analysis to be
22	A Thank you.	22	reasonable, but you have a difference on O & M trended
23	Q Since I'm from the Spokane area, I have to ask	23	analysis; right?
24	you a question about this MSA, the metropolitan	24	A Correct. And I believe, if I remember
25	statistical area. My recollection was that	25	correctly, this is connected to the use of a weighted
	Page 155		Page 157
	EXAMINATION BY COMMISSIONER JONES / FORS 155		EXAMINATION BY COMMISSIONER JONES / FORS 157
1	Coeur d'Alene, Idaho, was going to be included by the	1	average for O & M.
1 2	Coeur d'Alene, Idaho, was going to be included by the Bureau of Census or not at some point. What happened	1 2	average for O & M. Q Yes. He used a 50/50, 50 percent/50 percent,
2	Bureau of Census or not at some point. What happened	2	Q Yes. He used a 50/50, 50 percent/50 percent,
2 3	Bureau of Census or not at some point. What happened with that?	2 3	Q Yes. He used a 50/50, 50 percent/50 percent, weighted average. And what did you use?
2 3 4	Bureau of Census or not at some point. What happenedwith that?A Well, the story is somewhat complicated. Now,	2 3 4	 Q Yes. He used a 50/50, 50 percent/50 percent, weighted average. And what did you use? A It was also 50/50 but with company-specific
2 3 4 5	Bureau of Census or not at some point. What happenedwith that?A Well, the story is somewhat complicated. Now,I will say that if you go to someplace like the Bureau	2 3 4 5	Q Yes. He used a 50/50, 50 percent/50 percent, weighted average. And what did you use? A It was also 50/50 but with company-specific data only.
2 3 4 5 6	Bureau of Census or not at some point. What happened with that? A Well, the story is somewhat complicated. Now, I will say that if you go to someplace like the Bureau of Labor Statistics, you can get Spokane and Kootenai,	2 3 4 5 6	 Q Yes. He used a 50/50, 50 percent/50 percent, weighted average. And what did you use? A It was also 50/50 but with company-specific data only. Q So you did not use what he used, the ECI, the
2 3 4 5 6 7	Bureau of Census or not at some point. What happened with that? A Well, the story is somewhat complicated. Now, I will say that if you go to someplace like the Bureau of Labor Statistics, you can get Spokane and Kootenai, which is in Idaho, Kootenai County. They do have it	2 3 4 5 6 7	 Q Yes. He used a 50/50, 50 percent/50 percent, weighted average. And what did you use? A It was also 50/50 but with company-specific data only. Q So you did not use what he used, the ECI, the Employment Cost Index, from the Bureau of Labor
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1	EXAMINATION BY COMMISSIONER JONES / FORS 158	1	EXAMINATION BY COMMISSIONER JONES / FORS 160
1	A Yes. There were in several instances,	1	will sometimes use the OFM data to fill in maybe the
2	Mr. Hancock would apply linear regression to data to	2	most recent year to fill in the numbers I need to do
3	me was not clearly linear, meaning that a linear line	3	the forecast, so I will refer to them periodically.
4	was perhaps not completely the appropriate	4	Q Okay. That's electric side. What about the
5	specification for explaining the behavior of the data.	5	gas side, therm use?
6	So in some cases, perhaps a nonlinear line	6	A So
7	would have been a better fit for the data or perhaps	7	Q Systemwide is fine.
8	the use, again, of a kink point to take into account a	8	A So for the electric load growth is in the
9	shift in the pattern of growth.	9	neighborhood of .6 to .7 percent.
10	Q So I'm trying to I think I'm coming to an	10	Q Excuse me6 to .7?
11	understanding of your differences with Mr. Hancock,	11	A Yeah. That's the electric load growth.
12	which you get into on page 11, lines 11 through 21,	12	Q So on that point, you're a statistician.
13	but it's your disagreements with Mr. Hancock's	13	Mr. Hancock I don't know if I think he studies
14	analysis relate more to the inconsistency	14	statistics. I don't know about Mr. Norwood.
15	A That's right.	15	But in their testimonies, they talk about flat
16	Q of his approach of linear and nonlinear?	16	load growth for electric. Is that close enough?
17	A That's correct.	17	A Yeah.
18	Q Lastly, you heard my questions on load growth?	18	Q Flat?
19	A Yes.	19	A It's pretty low. And, remember, these numbers
20	Q I don't have the IRP in front of me,	20	are based on partly, it's recent history of growth,
21	unfortunately, and I don't recall my last review of	21	but, partly, it's also what my forecast model says.
22	that. But do you have some numbers both on housing	22	And there's a statistical variance in there. It could
23	starts, the number of now I do admit we just	23	be as low as zero and maybe as high as .8 percent, so
24	changed our line extension policy on natural gas. It	24	I'm trying to give you kind of the central range.
25	could change, but this is historical data. Do you	25	Q Thank you. Okay. For natural gas?
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	EXAMINATION BY COMMISSIONER JONES / FORS 159		EXAMINATION BY CHAIRMAN DANNER / FORSYT 161
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-	EXAMINATION BY CHAIRMAN DANNER / FORSYT 162	1	EXAMINATION BY CHAIRMAN DANNER / FORSYT 164
1	issue with Mr. Watkins' use of the Producer Price	1	prices business-to-consumer transactions, not
2	Index and the Consumer Price Index, and I want to just	2	business-to-business transactions, and they can be
3	ask you briefly about that. Indices are	3	quite different.
4	approximations. Of course, you know, just like when	4	Q Well, how different can they be? They're all
5	Adrian McKenzie uses a proxy group, it's an	5	made of the same commodities, and they're all made of
6	approximation. And here what your objections are,	6	the same components. I mean
7	well, PPI, for example, it's not just the utility	7	A Actually, if you were to you know, if you
8	services that Avista provides, but also has steam,	8	look at over time the Producer Price Index and the
9	water, and sewage.	9	Consumer Price Index, there are periods where they
10	So the question I have is: Are they really	10	behave not necessarily that similar.
11	going to be that different? They are they're all	11	Q And so the inclusion of the services that are
12	utilities. I mean, are they going to come out with	12	purchased by businesses, you think, skews this down?
13	different results if you take one out, or are they	13	Skews it up?
14	going to be close enough?	14	A Not sure.
15	A Well, that's the uncertainty, and that's the	15	Q Okay. So you just say don't use indices at
16	discomfort. Because we don't actually I don't	16	all? We need to find absolute data here?
17	personally have any knowledge as to whether or not	17	A I would say company-specific data is going to
18	that is a good I mean, in other words, if you take	18	be more representative of what's really happening to
19	them out or put them in, will it make a big	19	Avista than these indexes.
20	difference? That's the problem. We don't know. We	20	Q And wouldn't it be strange if the
21	don't have good evidence as to that fact.	21	company-specific data were to be substantially
22	So because I don't know exactly how a sewage	22	different than these indices? Wouldn't you expect
23	utility or a water utility is going to behave, I can't	23	them to be consistent?
24	be sure that it doesn't matter that they're left in.	24	A Not necessarily. I mean, I think it would
25	Q And there's no there's no discussion by	25	depend on the company what the company is
	Page 163		Page 165
	- 0		6
	EXAMINATION BY CHAIRMAN DANNER / FORSYT 163		EXAMINATION BY CHAIRMAN DANNER / FORSYT 165
1		1	C C
1 2	EXAMINATION BY CHAIRMAN DANNER / FORSYT 163	1 2	EXAMINATION BY CHAIRMAN DANNER / FORSYT 165
	EXAMINATION BY CHAIRMAN DANNER / FORSYT 163 when they're putting the PPI together, they,		EXAMINATION BY CHAIRMAN DANNER / FORSYT 165 individually going through at that time. It may be
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2 3	EXAMINATION BY CHAIRMAN DANNER / FORSYT 163 when they're putting the PPI together, they, obviously, group these because they think they are like industries?	2 3	EXAMINATION BY CHAIRMAN DANNER / FORSYT 165 individually going through at that time. It may be quite different than what's being experienced in this aggregate sense.
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	cket Nos. UE-160228 and UG-160229 (Consolidated) - Vo	л. IX	/ WUTC v. Avista Corporation, d/b/a Avista Utilities
	Page 166		Page 168
	166		EXAMINATION BY COMMISSIONER JONES / SCH 168
1	Mr. Byers here anymore to ask about heteroscedasticity	1	CHAIRMAN DANNER: No, I'm not there
2	or something like that.	2	yet.
3	MR. MEYER: Next up is Witness Schuh,	3	COMMISSIONER RENDAHL: What page and
4	please.	4	what line are we on, please?
5	MS. GAFKEN: Your Honor, I think I'm	5	MS. SCHUH: Page 11, line 10.
6	the only party that has questions or had questions for	6	COMMISSIONER RENDAHL: So the first
7	Ms. Schuh, and I no longer have questions for	7	reference to 2018 should be 2017, is that
8	Ms. Schuh.	8	MS. SCHUH: Correct.
9	JUDGE MOSS: All right. Thank you,	9	MR. MEYER: Okay. So she's available
10	Ms. Gafken.	10	for cross.
11	Does the Bench have questions for Ms. Schuh?	11	JUDGE MOSS: All right. Fine. And
12	COMMISSIONER JONES: I have one.	12	since we're not going to have any cross, I think we'll
13	JUDGE MOSS: Then she'll have to come	13	go directly to Commissioner Jones.
14	to the stand.	14	EXAMINATION
	to the stand.		BY COMMISSIONER JONES:
15		15	
16	KAREN K. SCHUH, witness herein, having been	16	Q Thank you. Good morning, Ms. Schuh.
17	first duly sworn on oath,	17	A Good morning.
18	was examined and testified	18	Q Good to have you here. I'll have one question
19	as follows:	19	on the Colstrip Thermal Capital project. It's page 15
20		20	of KKS-1T, and then I'll have a couple others about
21	JUDGE MOSS: Mr. Meyer, your witness.	21	the central office and the work building. So tell me
22	EXAMINATION	22	when you're there.
23	BY MR. MEYER:	23	A I'm sorry. What was the first reference?
24	Q Thank you. Are you all set?	24	KKS-1?
25	A Corrections?	25	Q KKS-1T, page 15. It's Table 1, and there's a
	Page 167		
	Fage 107		Page 169
	EXAMINATION BY MEYER / SCHUH 167		EXAMINATION BY COMMISSIONER JONES / SCH 169
1	Q For the record, please state your name.	1	line item called "Colstrip Thermal Capital." Are you
1 2	Q For the record, please state your name.A Karen K. Schuh.	1 2	line item called "Colstrip Thermal Capital." Are you there?
	Q For the record, please state your name.	1 2 3	line item called "Colstrip Thermal Capital." Are you
2	Q For the record, please state your name.A Karen K. Schuh.		line item called "Colstrip Thermal Capital." Are you there?
2 3	 Q For the record, please state your name. A Karen K. Schuh. Q And you've filed and had admitted several 	3	line item called "Colstrip Thermal Capital." Are you there? A All right. I'm there.
2 3	 Q For the record, please state your name. A Karen K. Schuh. Q And you've filed and had admitted several exhibits beginning with KKS-1T and continuing through 	3 4	line item called "Colstrip Thermal Capital." Are you there? A All right. I'm there. Q And the amount you're requesting is 12,292,000
2 3 4 5	 Q For the record, please state your name. A Karen K. Schuh. Q And you've filed and had admitted several exhibits beginning with KKS-1T and continuing through KKS-8T; correct? A Correct. 	3 4 5	<pre>line item called "Colstrip Thermal Capital." Are you there? A All right. I'm there. Q And the amount you're requesting is 12,292,000 in 2016; right? A I've got 12,432,000 in 2017.</pre>
2 3 4 5 6 7	 Q For the record, please state your name. A Karen K. Schuh. Q And you've filed and had admitted several exhibits beginning with KKS-1T and continuing through KKS-8T; correct? A Correct. Q Do you have any changes to make to any of 	3 4 5 6 7	<pre>line item called "Colstrip Thermal Capital." Are you there? A All right. I'm there. Q And the amount you're requesting is 12,292,000 in 2016; right? A I've got 12,432,000 in 2017. Q Okay. We're looking at different numbers.</pre>
2 3 4 5 6 7 8	 Q For the record, please state your name. A Karen K. Schuh. Q And you've filed and had admitted several exhibits beginning with KKS-1T and continuing through KKS-8T; correct? A Correct. Q Do you have any changes to make to any of those? 	3 4 5 6 7 8	<pre>line item called "Colstrip Thermal Capital." Are you there?</pre>
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	Page 170		Page 172
	EXAMINATION BY COMMISSIONER JONES / SCH 170		EXAMINATION BY COMMISSIONER JONES / SCH 172
1	MR. MEYER: He is not. We can	1	A It's my understanding from our facilities
2	certainly respond to a Bench request if there's	2	department that the parking garage has we've done
3	specifics. Right now we're just pulling up his direct	3	significant analysis around that to determine the need
4	testimony and perhaps can direct you to	4	for that as well as, you know, incorporating the fleet
5	COMMISSIONER JONES: I have that. It's	5	portion of that.
6	in SKJ-1T, page 13. I'm ahead of you, Mr. Meyer.	6	Q Okay. So it appears to be an aging issue?
7	MR. MEYER: It's page 13, lines 4-12.	7	The fleet garage is over 50 years old, so you need a
8	COMMISSIONER JONES: Right. So I have	8	new garage?
9	a few questions on this. Instead of a Bench request,	9	A Correct.
10	could you make him available maybe after lunch?	10	Q Okay. All right. Well, if that's your
11	MR. MEYER: We can have him call in.	11	explanation, I'll take it as is.
12	COMMISSIONER JONES: Let's do that.	12	A Without further I mean, that's the most
13	MR. MEYER: Just so we're clear, your	13	detail I could probably give you myself without having
14	interest is primarily on Colstrip capital additions?	14	someone else answer.
15	COMMISSIONER JONES: Yes, and trying to	15	Q Who's responsible for this at a senior
16	get a better sense of your 10 and 15 percent shares,	16	management level? Is this Ms. Rosentrater, or is it
17	but, more specifically, what kind of projects they are	17	somebody else in asset management?
18	if what the replacement schedule is, just a few	18	A Yes, Ms. Rosentrater.
19	detail questions about that if he could get ready on	19	Q Ms. Rosentrater?
20	that.	20	A Yes.
21	MR. MEYER: We'll do that, and we'll	21	Q So we could I could ask her a question
22	have him call in on the bridge line whenever we	22	later on this afternoon.
23	reconvene.	23	MR. MEYER: Great. Thank you.
24	JUDGE MOSS: We're going to take a	24	COMMISSIONER JONES: That's all I have.
25	break until 1:30. I'll lay out my full plan in a	25	JUDGE MOSS: With that, Ms. Schuh,
25			
	Page 171		Page 173
1	Page 171	1	Page 173
	Page 171 EXAMINATION BY COMMISSIONER JONES / SCH 171		Page 173 173
1	Page 171 EXAMINATION BY COMMISSIONER JONES / SCH 171 minute, but about 1:30.	1	Page 173 173 we're going to allow you to step down from the witness
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1 2 3	Page 171 EXAMINATION BY COMMISSIONER JONES / SCH 171 minute, but about 1:30. BY COMMISSIONER JONES: Q And then just one question I have. Page 22, I	1 2 3	Page 173 173 we're going to allow you to step down from the witness stand. Thank you for your testimony. We'll not try to move on with another witness until after the
1 2 3 4	Page 171 EXAMINATION BY COMMISSIONER JONES / SCH 171 minute, but about 1:30. BY COMMISSIONER JONES: Q And then just one question I have. Page 22, I don't know, could you turn to page 22 on the central	1 2 3 4	Page 173 173 we're going to allow you to step down from the witness stand. Thank you for your testimony. We'll not try to move on with another witness until after the luncheon break at which time we will have Mr. Kinney
1 2 3 4 5	Page 171 EXAMINATION BY COMMISSIONER JONES / SCH 171 minute, but about 1:30. BY COMMISSIONER JONES: Q And then just one question I have. Page 22, I don't know, could you turn to page 22 on the central office facility?	1 2 3 4 5	Page 173 173 we're going to allow you to step down from the witness stand. Thank you for your testimony. We'll not try to move on with another witness until after the luncheon break at which time we will have Mr. Kinney on the phone as you offered up, Mr. Meyer, and then
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	Page 174		Page 176
	174		EXAMINATION BY COMMISSIONER JONES / KEN 176
1	JUDGE MOSS: Let's be on the record.	1	but as far as specifics on the projects, the projects
2	And, Mr. Kinney, I'm just going to ask you there in	2	were completed, for the most part, during the outage
3	place to I have to swear you in.	3	that takes place in May and June.
4		4	Some of the bigger projects that were done
5	SCOTT KINNEY, (via conference call),	5	during this outage are overhauls of the turbines, the
6	witness herein, having been	6	generator, and other substation equipment, such as the
7	first duly sworn on oath,	7	transformer and switchgear. Most of that is based on
8	was examined and testified	8	the maintenance recommendations from the unit or
9	as follows:	9	the equipment manufacturers. So we follow that
10		10	maintenance cycle.
11	JUDGE MOSS: Thank you very much. I	11	There was also some projects related to some
12	believe that Commissioner Jones may have a question or	12	of the new requirements out there around emissions and
13	two for you, Mr. Kinney, and so I'll turn the floor	13	other environmental areas, primarily NOx reductions
14	over to him.	14	and also the combustion residuals.
15	COMMISSIONER JONES: Thank you, Judge	15	Q So on the environmental side, there is some
16		16	money being spent for NOx reductions and what we call
17	EXAMINATION	17	CCR, the coal combustion residuals, and that's
18	BY COMMISSIONER JONES:	18	pursuant to EPA regulations; right?
19	Q Hello, Mr. Kinney. Good afternoon.	19	A Yes.
20	A Hello.	20	Q So the work was done during the May/June
20 21		20	outage in the spring of this year. And so the work is
	Q I just have a question on the Colstrip capital	21	
22	, , , , , , , , , , , , , , , , , , ,		done, and the plants from a used and useful perspective, the plants the refurbished plants are
23	And I think on page 13, if you could get there, there's a very brief description of what the additions	23 24	in service after the capital additions and the
24	are going to be used for. Are you there?	24	maintenance that was done; is that correct?
25		25	
1	EXAMINATION BY COMMISSIONER JONES / KEN 175	-	EXAMINATION BY COMMISSIONER JONES / KEN 177
1	A lam.	1	A That is correct.
2	Q So before we get to more specific questions,	2	Q I think that is I think that is all the
3	can you just describe your percentage ownership in	3	questions I have on this. There's nothing related to
4	Units 3 and 4 and the conditions in the joint	4	transmission from Colstrip or any transmission
5	ownership and operating agreement that commit you to	5	upgrades or anything like that. It's all generation
6	spend this capital expenditures on repairs and things?	6	related; right?
7	A Okay. So we are 15 percent owners of Units 3	7	A As far as my testimony, yes.
8	and 4, and we are allowed to vote based on our	8	Q And the other plant owners, pursuant to the
9	ownership share on the capital budgeting and other	9	agreement, have all agreed to contribute their
10	projects that happen at the plants. So we do that at	10	proportional share to these maintenance and capital
11	the owners meetings, and projects are approved based	11	upgrades; right?
12	on the majority of the participants voting for	12	A Yes, they have.
13	approval.	13	Q And this has nothing to do with the
14	Q Our staff have run some numbers here based on your percentage ownership in this proposed capital	14	catastrophic rotor replacement on Unit 3 that occurred
15		15	two or three years ago. All the work on that has been
16	addition, and the total cost of the project appears to	16	finished; right? A Correct.
17	be in the range of 180 million to 272 million.	17	
18	Can you comment on the total cost of the	18	COMMISSIONER JONES: Thank you. Those
19	project and what it is going to be used for? I would imagine this is a planned outage that happens every	19 20	are all my questions. JUDGE MOSS: Thank you, Mr. Kinney. We
20 21	two or three years, and there is equipment upgrades	20	appreciate you appearing by telephone today and giving
21	and other things going on. Could you provide some	22	your testimony, and you can go about your business, I
22	more specifics?	22	
23	A Yes. My understanding that numbers you	23	believe. We'll call you again if we need you, but I don't think that's likely.
24		141	
	indicated on the total projects are a little bit high.	25	Let's have Ms. Smith, please.

	cket Nos. UE-160228 and UG-160229 (Consolidated) - Vo	/i. i ·	•
	Page 178	1	Page 180
1	178 MR MEXED: May Livet offer if it's	1	A Okay.
1 2	MR. MEYER: May I just offer, if it's of interest, there was a Staff data request that	2	Q Thank you. I'm hoping we get something
3	addressed some of this, and it does provide some	3	cleared up. Please refer to Table 3, and on the
4	numbers on two of the items that Mr. Kinney spoke of.	4	left on the left side of that table, it says
5	One was the coal combustion residual thing and the	5	"Avista updates to modified test year without
6	other was the NOX reduction equipment. We made extra	6	agreement of parties."
7	copies. We can introduce it into the record if you so	7	A Yes.
8	please.	8	Q And then down there, do you see Line K?
9	COMMISSIONER JONES: Yes, please.	9	A Yes.
10	JUDGE MOSS: I think that's going to be	10	Q And that's pro forma capital - incremental
11	Bench Exhibit 6.	11	December 2015?
12	MR. MEYER: Let me hand it out.	12	A Yes.
13	JUDGE MOSS: Thank you, Mr. Meyer.	13	Q All right. And doesn't this table imply that
14		14	parties other than Avista, namely, Staff, did not use
15	JENNIFER S. SMITH, witness herein, having been	15	updated data for their 2015 post test year capital
16	first duly sworn on oath,	16	additions?
17	was examined and testified	17	A Can you repeat the question one more time?
18	as follows:	18	Q Sure. Does this table
19		19	JUDGE MOSS: Your microphone,
20	EXAMINATION	20	apparently, is not turned on.
21	BY MR. MEYER:	21	MS. SMITH: There we go. I think it's
22	Q Are you ready?	22	on now.
23	A I'm ready.	23	Q With this table, do you mean to say that
24	Q For the record, please state your name.	24	parties other than Avista, namely, Staff, did not use
25	A My name is Jennifer S. Smith.	25	updated data for their 2015 post test year capital
	Page 179	1	Page 181
_	C C		
1	Q Have you prepared both direct and rebuttal	1	additions?
2	Q Have you prepared both direct and rebuttal testimony?	2	additions? A No. This table, Items A through L, are
2 3	Q Have you prepared both direct and rebuttal testimony? A Yes, I have.	2 3	additions? A No. This table, Items A through L, are updates that we made upon our rebuttal case where
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25 mind. And so I think if you look at your rebuttal 25 JUDGE MOSS: I think Ms. Rosentrater	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	EXAMINATION BY COMMISSIONER RENDAHL / SM 183 correct? A Yes. Q Thank you. A Sorry if I took too long to get there. Q And this would be I should just add this would be with the exception of the debt interest calculation? A Yes. That's correct. MS. CAMERON-RULKOWSKI: Thank you. I have no further questions. JUDGE MOSS: Thank you. Anything from the Bench? COMMISSIONER JONES: No. JUDGE MOSS: All right. Ms. Smith, thank you very much for being here today and clarifying COMMISSIONER JONES: Judge Moss. JUDGE MOSS: Oh, I'm sorry. Commissioner Rendahl has a question. I didn't pick up on that. E X A M I N A T I O N BY COMMISSIONER RENDAHL:	2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	EXAMINATION BY COMMISSIONER RENDAHL / SM 185 position. A Yes, I believe the QA/QC program administrator position we did not address. I think that was an oversight of the Company. When you look at the difference in the proposal of the adjustment, it's that \$5,000 amount. Q Okay. That may be something we submit a Bench request on at this point. I'm not requesting it, but you may see one. CHAIRMAN DANNER: Why don't we? COMMISSIONER RENDAHL: If you can complete the information on the QA/QC program administrator position and the status of that position in Washington, that would be helpful. MS. SMITH: I'll do that. COMMISSIONER RENDAHL: And that will be Bench Request 7; right? JUDGE PEARSON: Yes. JUDGE MOSS: I feel hardly needed. Ms. Smith, you may be COMMISSIONER RENDAHL: You have trained us so well, Judge Moss.
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	186		EXAMINATION BY GAFKEN / ROSENTRATER 188
	would be next.	1	Q Conservation voltage reduction generally
	MR. MEYER: This may take just a	2	reduces energy and peak demand; correct?
2 3 r	minute. Ms. Rosentrater has quite a number of	3	A It reduces losses on the system, and it
	materials, as you can imagine.	4	increases efficiency of customers' equipment in
1 r 5	JUDGE MOSS: We will be patient.	5	general.
5	JODGE MOSS. We will be patient.	6	Q Does it I'm not sure if it well, let me
	HEATHER L. ROSENTRATER, witness herein, having been	7	ask this: So does it also does it reduce energy
3	first duly sworn on oath,	8	and peak demand?
3	was examined and testified	9	A It reduces energy demand and peak demand.
)	as follows:	10	Q Okay. This reduction of energy and peak
		11	demand generally provides a system benefit; is that
2	JUDGE MOSS: Be seated.	12	right?
	MS. ROSENTRATER: The mike is on.	13	_
3			A System and customer benefit.Q Is it fair to say that the conservation
	Okay. JUDGE MOSS: Thank you for checking.	14	-
5	MR. MEYER: Now I'm not ready. Sorry.	15 16	voltage reduction benefit assumed by Avista in its AMI analysis is a system benefit?
	Way too fast. Okay.	10	A It has system benefits and customer benefits.
3	EXAMINATION	18	Customers' equipment, generally, operates more
	BY MR. MEYER:	19	efficiently at a lower voltage.
, -	Q For the record, please state your name.	20	Q Are there other system benefits compared to
	A Heather L. Rosentrater.	20	benefits that accrue only to the residential class
	Q And you've had several exhibits marked and	21	assumed in Avista's AMI analysis?
	admitted beginning with HLR-1T all the way through		A So your question you said other benefits
	HLR-9T; is that correct?	23 24	
1 5	A Yes, that's correct.	24	that are only so I wouldn't consider CVR to only be a residential benefit. So can you repeat or restate
_		25	
	Page 187 EXAMINATION BY GAFKEN / ROSENTRATER 187		Page 189 EXAMINATION BY GAFKEN / ROSENTRATER 189
		1	
	Q Any changes to make to any page of any exhibit?	1 2	the question, I guess?
2			Q Sure. So the assumption in my question is that CVR is not just a residential benefit. And my
	A I do have one change. In my direct testimony,	3	question is whether there are other benefits in
	HLR-1T, on page 25. Q So just stop and let everybody get there.	4	Avista's business case, other benefits that are
		5	assumed in the business case, that are also not solely
	HLR-1T, page 25.	6	
7	A Twenty-five.		residential A Oh.
3	Q Okay.	8 9	Q benefits.
	A On line 15, please strike the 216.9 number,		A Okay. I appreciate that. Thank you.
	and replace with 215.2. And that is all I have.	10 11	So I would say the majority of the benefits
	MR. MEYER: All right. And she is available for cross.	12	are not just residential benefits. The reduction in
3 	JUDGE MOSS: All right. Thank you very	13	the meter reading costs that we recognize are the
	much. And I believe here we have cross-examination by	14	majority of those are residential benefits, but
5 5		15	because we plan to keep the MV90, at this point,
		16	meters for the industrial customers. But for the
	BY MS. GAFKEN:	17	commercial customers, the meter reading costs will be
3	Q Thank you. Good afternoon.	18	reduced because their meters will be replaced.
1	A Good afternoon.	19	In general, we believe that some of the
)	Q Under Avista's analysis, Avista has assumed	20	benefits are weighed more heavily towards residential,
	certain benefits related to AMI; correct?	21	and some are weighed more heavily towards industrial.
2	A Correct.	22	So, in general, we have considered just broad value
3	Q Those benefits include benefits related to	23	for the benefits.
4 4	conservation voltage reduction?	24	Q Do you have any particular examples, or are
4	A Yes.		you thinking more generally when you talk about some

00	cket Nos. UE-160228 and UG-160229 (Consolidated) - Vo	<u></u>	, , , , , , , , , , , , , , , , , , ,
	Page 190		Page 192
	EXAMINATION BY GAFKEN / ROSENTRATER 190		EXAMINATION BY GAFKEN / ROSENTRATER 192
1	of the benefits that weigh more heavily one way or	1	Q Okay. Do you recall reviewing others? You
2	another?	2	just don't recall which ones, or is California kind of
3	A Yeah. I can give you another example. One of	3	the extent of the ones other states that you've
4	the examples is with our outage our reduced outage	4	reviewed?
5	numbers. We leveraged the Lawrence Berkeley study and	5	A So I haven't reviewed formal orders. I've
6	the ICE calculator to identify the value of those	6	seen, I guess, through publications and articles
7	outage reduction benefits.	7	references to orders. So I haven't read verbatim the
8	And the there's two ways that they were	8	orders themselves.
9	valued. One is the direct cost estimation survey for	9	Q Do you know whether any state regulator has
10	the commercial and industrial customers and using the	10	approved AMI deployment based on a business case that
11	value of service for the residential customers, and	11	includes benefits derived from the Department of
12	looking at all of that, only about 3.6 percent of the	12	Energy interruption calculator that Avista uses in its
13	value associated to that benefit stream is related to	13	business case to input customer benefits from reduced
14	residential. And the remaining over 96 percent is	14	outage duration?
15	commercial and industrial using that direct cost	15	A I don't have I'm not familiar with I'm
16	estimation survey.	16	not familiar with any that have, I guess.
17	Q Would you please turn to your rebuttal	17	MR. MEYER: I'm sorry. I want to make
18	testimony, which is Exhibit HLR-9T, and go to page 4,	18	sure you understand the question. So can the question
19	and I'd like you to turn your attention to	19	be repeated just so the witness has this in mind?
20	Illustration 2 on the map of the United States there.	20	Q Right. And I am only asking about your
21	Illustration 2 is a map prepared by the Edison	21	understanding and your knowledge. And so if you don't
22	Foundation depicting smart meter deployment by state	22	recall, that's a perfectly acceptable answer too.
23	as of 2015; correct?	23	A Okay.
24	A Correct.	24	MS. GAFKEN: So, Mr. Meyer, did you
25	Q Are you familiar with the regulatory decisions	25	want me to ask that question again?
	Page 191		Page 193
1	EXAMINATION BY GAFKEN / ROSENTRATER 191	1	EXAMINATION BY GAFKEN / ROSENTRATER 193
1		1	EXAMINATION BY GAFKEN / ROSENTRATER 193 MR. MEYER: So is your answer that you
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1	regulators have relied on reports relying on specific	1	grants and our smart grid demonstration projects. NEA
2	monetary benefits derived from a utilities estimated	2	was the third party who or Navigant who did
3	reduction of storm expenses that are attributed to	3	analysis for us and confirmed the methodology that we
4	AMI?	4	were using and the energy efficiency that we expected
5	A I know the reports that we used, but I don't	5	to receive from what we did.
6	know if those reports have been used by other	6	Q I do have one other question about what you
7	regulators to approve the AMI business cases.	7	reviewed in terms of looking at what other states have
8	Q Do you know whether other state regulators	8	approved or looked at.
9	have approved AMI deployment based on a business case	9	Are you aware of any other state regulator
10	that includes the reduction of kilowatt usage results	10	approving AMI deployment based on a business case that
11	based on conservation voltage reduction programs that	11	did not include any demand response or time-varying
12	are attributed to AMI alone?	12	rate program designed to reduce capacity and energy
13	A I'm not familiar with they have used that	13	costs?
14	in their business cases.	14	MR. MEYER: If you know.
15	Q Okay. We can switch gears now. With respect	15	A I wouldn't be able to cite a specific one, no,
	to ICE, reduction of storm expenses, and conservation		at this point.
16		16 17	Q Avista has not proposed demand response or any
17	voltage, the benefit calculations presented by Avista		
18	are primarily based on Avista's own internal views of how to calculate these benefits. Is that a fair	18	time-varying rate program in this proceeding and did
19		19	not consider such programs in its business case; is
20	statement?	20	that correct?
21	A I don't no. I wouldn't say that. In terms	21	A We considered that this creates a foundation
22	of the three categories you gave, we're using the ICE	22	to allow us to provide those programs to our customers
23	calculator, the outage reductions and what was the	23	in the future. So in terms of not wanting to pick a
24	third one?	24	technology that would be obsolete in the future and
25	Q ICE, reduction in storm expenses, and	25	not allow those types of programs to be to use the
	5 405		
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-	EXAMINATION BY GAFKEN / ROSENTRATER 198		EXAMINATION BY GAFKEN / ROSENTRATER 200
1	IRP in the future as well as our biennial conservation	1	curious about, the tracking piece. But then I'm also
2	plan required through I-937.	2	curious about whether the benefits, the customer
3	Q But does Avista have a current need to reduce	3	benefits, would then also be imputed in future AMI
4	peak load usage?	4	cost recovery. So the one that you just talked about,
5	A Not this year. From a generation perspective,	5	the third-party evaluation, that cost is that cost
6	each feeder has different characteristics that can	6	embedded in this cost here?
7	benefit in different ways from peak load reductions.	7	A Not in the case, but in our overall project
8	Q Sure. Avista's proposal regarding AMI does	8	cost that has been approved over the five years, it's
9	not include an enforceable promise that the benefits	9	included in that cost.
10	assumed in its business case will actually	10	Q Okay. So that would come in a later case?
11	materialize, does it?	11	A Uh-huh.
12	A We think that, given the information we have	12	Q Do you agree that it would be necessary to
13	at this point, it's very realistic to achieve the	13	have an approved methodology in place to determine the
14	benefits that we have, but, no, we don't have a to	14	baseline cost for the operational categories and to
15	state exactly what you said.	15	measure the impact of AMI on those costs?
16	Q Would you please turn to your rebuttal	16	A Our intent is to work with the Commission
17	testimony, Exhibit HLR-9T, and turn to page 33. And	17	Staff and other stakeholders to determine appropriate
18	once you're there, turn to lines 23 to 24.	18	reporting for all of the benefit areas.
19	A Okay. I'm there.	19	Q But that sounds to me like it's more of a
20	Q Okay. There you identify a summary of the	20	future process rather than something that's already in
21	value of the customer benefits that were quantified in	21	place?
22	the Company's original business case as an item that	22	A Correct.
23	Avista would include in a report prepared within	23	Q And so Avista has not proposed a specific
24	18 months after full deployment of AMI; correct?	24	methodology in this proceeding for determining the
25	A Correct.	25	baseline level of cost and the impact that AMI has on
	Page 199		Page 201
	EXAMINATION BY GAFKEN / ROSENTRATER 199		EXAMINATION BY GAFKEN / ROSENTRATER 201
1	Q Does Avista intend to track and report each of	1	the baseline cost; correct?
2	the benefit categories in its business case to the	2	A I'm not sure I'm on the baseline can you
3	Commission to determine if the predicted benefits	3	repeat your question?
4	conform to the actual benefits realized upon	4	Q Let me unpack it a little bit. There are kind
5	deployment?	5	of two components in there.
6	A We do plan as this states, we do plan to	6	So in this case, Avista has not proposed a
7	provide a report within 18 months of full deployment	7	specific methodology for determining the baseline
8	on each of the benefit areas.	8	level of costs; correct?
9	Q Okay. With respect to the benefits that would	9	A Baseline level of costs for determining the
10	be tracked and reported, are you referring to	10	level of costs?
11	operational benefits?	11	MR. MEYER: Do you understand the
12	A Our expectation would be to find some way to	12	question was meant by baseline level of costs?
13	report on all of the benefits.	13	MS. ROSENTRATER: No. I'm not sure I
14	Q Including customer benefits?	14	understand.
15	A Yes.	15	A The because we've been talking about the
16	Q How would customer benefits be tracked?	16	benefits for the projects, so sorry. You're switching
17	A I know we have in terms of energy	17	over to the costs of the project?
	efficiency, we have third parties that we work with to	18	Q Well, there would be benefits and in order to
18		1	measure the benefits well, let me back up.
18 19	help validate energy efficiency for our customer	19	
		19 20	How would we measure the benefits?
19	help validate energy efficiency for our customer programs that we provide. So we have the cost of that		How would we measure the benefits?
19 20	help validate energy efficiency for our customer programs that we provide. So we have the cost of that kind of third-party analysis included in the business	20	How would we measure the benefits? JUDGE MOSS: Let me interrupt for a
19 20 21	help validate energy efficiency for our customer programs that we provide. So we have the cost of that	20 21	How would we measure the benefits? JUDGE MOSS: Let me interrupt for a second. I'm sorry. There are people on the bridge
19 20 21 22	help validate energy efficiency for our customer programs that we provide. So we have the cost of that kind of third-party analysis included in the business case. Did you have other areas you specifically were interested in?	20 21 22	How would we measure the benefits? JUDGE MOSS: Let me interrupt for a second. I'm sorry. There are people on the bridge line who have not muted their call function, and you
19 20 21 22 23	help validate energy efficiency for our customer programs that we provide. So we have the cost of that kind of third-party analysis included in the business case. Did you have other areas you specifically were	20 21 22 23	How would we measure the benefits? JUDGE MOSS: Let me interrupt for a second. I'm sorry. There are people on the bridge

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	EXAMINATION BY GAFKEN / ROSENTRATER 202		EXAMINATION BY GAFKEN / ROSENTRATER 204
1	Go ahead.	1	A Absolutely.
2	Q So I had asked let me back up. We were	2	Q Is that an illustration of what we've been
3	talking about a methodology to measure the benefits,	3	talking about in terms of developing the methodology
4	and you had testified that Avista had planned to work	4	of measuring the benefit?
5	with parties to develop a methodology. My basic	5	A Right. Something that we can agree to
6	question is confirming that Avista has not proposed a	6	recognizing that, again, some are easier to quantity
7	methodology to measure the benefits?	7	and measure and some, exactly like this one, are much
8	A In terms of the specifics around how they	8	more challenging.
9	would be measured, each one would be how we would	9	We recognize that there is a benefit to our
10	measure it would need to be considered based on the	10	customers. When we were managing our storm last year,
11	type of benefit. There's some that are easier to	11	we had crews that were going to customers that already
12	measure because the costs just go away, and so you	12	had their power back on because we didn't know that
13	can, for the most part, look at what was budgeted with	13	they had their power back on. And it was a huge
14	an escalator and note that those costs no longer	14	frustration for our crews, for our customers, for us.
15	exist.	15	And so we recognize that if we can see which customers
16	Some are more challenging to measure and	16	have power and which don't, we can manage the storm
17	report out on. For CVR we have a protocol one that's	17	much more efficiently. So we know there's value
18	included in the Navigant report. There's other	18	there, but tracking that improvement is challenging.
19	methodologies that you can use for CVR. The protocol	19	Q And at this time Avista is not able to measure
20	one, I believe, has you're required to turn off the	20	and track this particular benefit, is it? Is that a
21	CVR and then turn it back on. So you're actually	21	fair statement?
22	missing some of the benefit of the CVR for the	22	A We don't have the benefit yet. So our plan is
23	customers when you're doing the validation.	23	to work together, again, to come up with something
24	And so there's other methodologies that could	24	that we can agree to that would track in some way the
25	possibly be used that wouldn't reduce the amount of	25	benefit that we would receive.
	Page 203		Page 205
	EXAMINATION BY GAFKEN / ROSENTRATER 203		EXAMINATION BY COMMISSIONER JONES / ROSENT 205
1	energy efficiency that we're providing on our system	1	Q Switching gears just a bit, with respect to
2	and to our customers. So I think for each benefit	2	the avoided customer outage losses derived by the ICE
3	area, we would need to partner with the Commission	3	calculator, would you agree that these amounts will
4	staff and other stakeholders to ensure that we all are	4	not offset AMI costs in Avista's revenue requirement?
5	supportive of how we do those measurements for each	5	A Correct.
6	benefit area.	6	MS. GAFKEN: Okay. I think I can stop
7	Q And with CVR, there's also the issue of	7	
8			there. The remaining of my questions were really
	separating out the benefits that you would receive	8	foundational questions with respect to the exhibits,
9	separating out the benefits that you would receive from CVR generally and benefits that would potentially		foundational questions with respect to the exhibits, but they're already in the record. So I can stop.
9 10	from CVR generally and benefits that would potentially be attributed to AMI?	8	foundational questions with respect to the exhibits, but they're already in the record. So I can stop. JUDGE MOSS: All right. Thank you very
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10 11 12 13 14 15 16 17 18 19 20 21 22	from CVR generally and benefits that would potentially be attributed to AMI? A Incremental based on the AMI, yes. Q Would you please turn to Cross-Exhibit HLR-11CX. A All right. Q I think this might be just an illustration of what we've been talking about in terms of the methodology. Do you recognize Cross-Exhibit HLR-11CX as Avista's Washington AMI business case relating to outage restoration efficiencies? A Yes, I do. Q And on page 3 of Cross-Exhibit HLR-11CX under the heading "Key Metrics," the discussion in that box talks about measuring and tracking this benefit being	8 9 10 11 12 13 14 15 16 17 18 19 20 21 22	foundational questions with respect to the exhibits, but they're already in the record. So I can stop. JUDGE MOSS: All right. Thank you very much. And nobody else designated cross, so I'll ask if there are questions from the Bench? COMMISSIONER JONES: Yes, I do, Judge Moss. Thank you. E X A M I N A T I O N BY COMMISSIONER JONES: Q Good afternoon, Ms. Rosentrater. A Good afternoon. Q I'm going to pick up on some of Ms. Gafken's questions, but, first, let me go to the contracts. In your testimony, you state that there are five vendor contracts; correct?
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	Page 206		Page 208
	EXAMINATION BY COMMISSIONER JONES / ROSENT 206		EXAMINATION BY COMMISSIONER JONES / ROSENT 208
1	A With Itron.	1	Idaho and Oregon, the entire cost, because the MDM,
2	Q And those are in the Nightingale exhibits or	2	the Meter Data Management system, is allocated to
3	the cross-exhibits?	3	Washington, Idaho, and Oregon. But the rest of the
4	A Yes.	4	costs are Washington-only costs. So I think I
5	Q Okay. Just if you could, specify for me for	5	misspoke when I said the 215.2 was the Washington
6	the record and list the date contract was signed with	6	only. I believe that's the full present value of the
7	vendor. So you have one with Oracle on Meter Data	7	project.
8	Management system; right?	8	Q Systemwide?
9	A Yes.	9	A Systemwide.
10	Q Approximately, when was that signed?	10	Q So that is a difference of, by my math,
11	A I will let me get to the	11	26.5 million?
12	Q Sure.	12	A Correct.
13	COMMISSIONER JONES: Do you have that?	13	Q And you include in the project cost estimate
14	MR. MEYER: We do. It's here. And may	14	life cycle a contingency of 20 million?
15	I suggest that we return to that in a few minutes, and	15	A Approximately, 20.8.
16	I'll have support staff get dates for each of those	16	Q 20.8. Okay.
17	five contracts.	17	Let's go let's turn to the outage
18	BY COMMISSIONER JONES:	18	restoration issues. I think the best thing to do is
19	Q But the largest contract of all of those is	19	to go to page 43. Would you go there, page 43 of the
20	Itron, and the Itron contract was signed on	20	business case. Again, that's HLR-3.
21	A It was	21	A Okay.
22	Q September 30 of 2016; right?	22	Q So the ICE calculator which has been
23	A Correct.	23	criticized by Ms. Alexander and, frankly, by others in
24	JUDGE MOSS: For the benefit of the	24	the industry. So how do you respond to criticisms of
25	court reporter, let's try very hard to only have one	25	the ICE calculator that it uses older data and does
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	EXAMINATION BY COMMISSIONER JONES / ROSENT 207		Page 209 EXAMINATION BY COMMISSIONER JONES / ROSENT 209
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1 2	EXAMINATION BY COMMISSIONER JONES / ROSENT 207	1 2	EXAMINATION BY COMMISSIONER JONES / ROSENT 209
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	EXAMINATION BY COMMISSIONER JONES / ROSENT 210		EXAMINATION BY COMMISSIONER JONES / ROSENT 212
1	contingent methodology, we that's why we did the	1	Q So overall you are asserting an overall
2	sensitivity analysis, recognizing it could be lower or	2	10 percent improvement in outage management; correct?
3	higher.	3	A The
4	We do know that there was talking to the	4	Q And just as a second sub question, you're
5	author actually of the Lawrence Berkeley study, know	5	using 5.9 percent actual, but I read that as being
6	that Puget was included in the study, so there is	6	actual power restoration, O & M expenses.
7	representation in the Northwest. We did what we felt	7	A Correct. The reference here is not related
8	the best we could using that. And, again, with the	8	to the benefit isn't related to the outage a
9	area that was in question of the accuracy only being	9	shorter outage for a customer. It's related to the
10	3.6 percent of that overall category, we felt	10	storm event being shorter based on this information,
11	comfortable applying that value.	11	10 percent shorter, and that the value would be
12	Q Okay. Just to clarify, could you turn to	12	related to the costs of being able to shorten that, so
13	page 44 of that same exhibit. Are you there?	13	the labor costs and the transportation costs, not any
14	So when it says at the top Outage Management,	14	of the equipment costs, because all of the equipment
15	Avoided Customer Outage Losses, levelized annual	15	to fix the outages would still be relevant. You would
16	value, that's the benefit 3.5 million annual; 70.1	16	just be more efficient in how you're managing your
17	life cycle? Is that residential or C & I, commercial	17	crews as I was talking about earlier.
18	and industrial, or every customer?	18	You're able to not have them go to customers
19	A It's both together, but 96 percent of the	19	that already have power. You're able to not have them
20	actual value is attributed to the industrial and	20	break down and leave and go somewhere else when
21	commercial.	21	somebody still doesn't have power that's nearby. It's
22	Q That's all.	22	based on the more efficient management of those storm
23	2015, you said you updated. You didn't answer	23	events.
24	my question on how you updated the Lawrence Berkeley	24	Q So that example you quoted before because
25	ICE calculator for in 2015. Did you do that? Did	25	under the current meters that you have, a customer has
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	Page 211 EXAMINATION BY COMMISSIONER JONES / ROSENT 211		Page 213 EXAMINATION BY COMMISSIONER JONES / ROSENT 213
1	EXAMINATION BY COMMISSIONER JONES / ROSENT 211	1	•
1 2	EXAMINATION BY COMMISSIONER JONES / ROSENT 211	1 2	EXAMINATION BY COMMISSIONER JONES / ROSENT 213
	EXAMINATION BY COMMISSIONER JONES / ROSENT 211 Lawrence Berkeley do that?		EXAMINATION BY COMMISSIONER JONES / ROSENT 213 to call you, call the customer call center, to say
2	EXAMINATION BY COMMISSIONER JONES / ROSENT 211 Lawrence Berkeley do that? A Lawrence Berkeley updated their study, and I	2	EXAMINATION BY COMMISSIONER JONES / ROSENT 213 to call you, call the customer call center, to say they're out of power; right? A Correct. Q So you have no ability to see if that end
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2 3 4	EXAMINATION BY COMMISSIONER JONES / ROSENT 211 Lawrence Berkeley do that? A Lawrence Berkeley updated their study, and I believe both the 2009 and the 2015 are in exhibits. Q Okay. And then you also used Avista customer-specific data to optimize the outage calculations or not?	2 3 4	EXAMINATION BY COMMISSIONER JONES / ROSENT 213 to call you, call the customer call center, to say they're out of power; right? A Correct. Q So you have no ability to see if that end user, that customer, doesn't have electric power? A Right. Or when they get power restored, we
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	EXAMINATION BY COMMISSIONER JONES / ROSENT 214		EXAMINATION BY COMMISSIONER JONES / ROSENT 216
1	think you were asked some questions on that. I'm	1	However, there's still some red areas, pockets of red
2	trying to find it in your business case. It is the	2	or orange, and so we have we're still conservative
3	largest benefit category in your business case,	3	in terms of where we set the voltage for our current
4	correct, energy efficiency and CVR?	4	CVR because we're modeling the downstream voltage at
5	A It's, I believe	5	the customer.
6	Q I apologize. On page 5 of the business case,	6	And recognizing that some areas have lower
7	meter reading and meter salvage is the biggest	7	voltages are, again, conservative and where we bring
8	benefit.	8	the voltage down to and still do get some customer
9	A Correct.	9	calls regarding the voltage and go in and need to
10	Q Energy efficiency is No. 2 at 127?	10	correct those situations as we're trying to achieve
11	A Right.	11	energy efficiency on our system.
12	Q Okay. But it's still a large number; right?	12	However, we have tools that if we knew where
13	A Yes.	13	those endpoints are that we're not enabling the entire
14	Q So let's get to this issue of I-937 and your	14	feeder to be as optimized as possible, we could go and
15	BCPs. Here for years now, because of your smart grid	15	remediate those specific areas and raise the voltage.
16	investment grant and the upgrades in Spokane to the	16	There are secondary line devices that you can install
17	feeders and employment, you have been claiming CVR for	17	to raise a certain area's voltage. And this the
18	your reports; right?	18	AMI system will allow us to identify those customers
19	A Correct.	19	that are lower than others and be able to raise their
20	Q So I just want to make sure that the	20	voltage, and we have the costs associated with raising
21	additional savings that you claim here, this	21	their voltage, the equipment costs that would be
22	2 percent, is going to be incremental to what you've	22	needed to raise the voltage in those areas included in
23	already achieved.	23	our project costs.
24	A That's exactly what it is.	24	So really the only way that we're able to
25	Q Now, put on your electrical engineering hat	25	reduce the voltage an additional 2 volts to get an
	Page 215		Page 217
	EXAMINATION BY COMMISSIONER JONES / ROSENT 215		EXAMINATION BY COMMISSIONER JONES / ROSENT 217
	EXAMINATION BY COMMISSIONER JONES / ROSENT 215		EXAMINATION BY COMMISSIONER JONES / ROSENT 217
1	for a minute here, because I have a difficult time	1	additional 2 percent is to understand where those low
1 2		1 2	
	for a minute here, because I have a difficult time		additional 2 percent is to understand where those low
2	for a minute here, because I have a difficult time understanding this a little bit. But here in your	2	additional 2 percent is to understand where those low points of voltage are on our system that's enabled
2 3	for a minute here, because I have a difficult time understanding this a little bit. But here in your business case on pages 44 especially on page 45,	2 3	additional 2 percent is to understand where those low points of voltage are on our system that's enabled through AMI. Q Okay. You went way beyond me and my
2 3 4	for a minute here, because I have a difficult time understanding this a little bit. But here in your business case on pages 44 especially on page 45, you talk about why the customer level voltage data is	2 3 4	additional 2 percent is to understand where those low points of voltage are on our system that's enabled through AMI.
2 3 4 5	for a minute here, because I have a difficult time understanding this a little bit. But here in your business case on pages 44 especially on page 45, you talk about why the customer level voltage data is going to be more accurate and will be the basis for	2 3 4 5	additional 2 percent is to understand where those low points of voltage are on our system that's enabled through AMI. Q Okay. You went way beyond me and my knowledge, but that is an interesting photograph. Thank you.
2 3 4 5 6	for a minute here, because I have a difficult time understanding this a little bit. But here in your business case on pages 44 especially on page 45, you talk about why the customer level voltage data is going to be more accurate and will be the basis for that 2 percent overall savings; right? So could you just try to summarize that at	2 3 4 5 6	additional 2 percent is to understand where those low points of voltage are on our system that's enabled through AMI. Q Okay. You went way beyond me and my knowledge, but that is an interesting photograph. Thank you. And I have visited the Pullman project. I
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	Page 218		Page 220
	EXAMINATION BY COMMISSIONER JONES / ROSENT 218		EXAMINATION BY COMMISSIONER JONES / ROSENT 220
1	sensitivity of AMI maybe you did, and I didn't see	1	and they were just high-level summaries for
2	it not taking into account any of the values of	2	attachments. Would that be helpful?
3	this capability of AMI, meaning disconnects?	3	COMMISSIONER RENDAHL: Which exhibit?
4	A No, we didn't. We feel that it's we have	4	2-CXC or 3-CXC?
5	conducted the remote disconnects and the remote	5	MR. MEYER: 3-CXC.
6	reconnects in Pullman and haven't had any complaints	6	COMMISSIONER RENDAHL: And is there a
7	from our customers there. We actually have customers	7	particular attachment that is not confidential?
8	that really appreciate the speed of the reconnect	8	MR. MEYER: Yes. The first 1, 2, 3, 4
9	from on average before, a reconnect, on average,	9	pages 3 pages, which really is the heart of the
10	could be 14 hours, and they're getting it within	10	response, are not confidential. It's all the hundreds
11	4 minutes.	11	of pages attached to it that are. So we can freely
12	So we feel that we're still needing the rules	12	talk about the first three pages of this.
13	from the Commission in operating that way in Pullman	13	MS. ROSENTRATER: Well, I don't know if
14	and would like to expand that with this project.	14	we can. It has the costs I think some of the costs
15	Q Okay. Sorry. I'm jumping around here. Back	15	are
16	to the business case, so my next line of questions is	16	MR. MEYER: May we be off the record?
17	what you're actually asking for in this case in terms	17	JUDGE MOSS: All right. Let's be off
18	of an after-attrition adjustment for AMI. So I think	18	the record.
19	the best place to go to would be the business case,	19	(A break was taken from 2:43 p.m. to
20	page 4. Again, this is HLR-3.	20	2:45 p.m.)
21	So before we get to the actual after-attrition	21	JUDGE MOSS: Let's be on the record,
22	adjustment, I'm going to ask you just to see if these	22	and let's talk one at a time since we are.
23	tables are accurate on capital expenditures. Are you	23	MR. MEYER: I would like to distribute
24	there on page 4?	24	the first three pages of a response by the Company to
25	A Yes.	25	Staff Data Request 178-C. That entire response has
	Page 219		Page 221
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1	EXAMINATION BY COMMISSIONER JONES / ROSENT 219	1	EXAMINATION BY COMMISSIONER JONES / ROSENT 221
1	EXAMINATION BY COMMISSIONER JONES / ROSENT 219 Q You're the overall manager of this project and	1	EXAMINATION BY COMMISSIONER JONES / ROSENT 221 been marked for identification as Exhibit DN-3CXC. So
2	EXAMINATION BY COMMISSIONER JONES / ROSENT 219 Q You're the overall manager of this project and have total authority over both capital and O & M	2	EXAMINATION BY COMMISSIONER JONES / ROSENT 221 been marked for identification as Exhibit DN-3CXC. So if I may approach?
2 3	EXAMINATION BY COMMISSIONER JONES / ROSENT 219 Q You're the overall manager of this project and have total authority over both capital and O & M expenditures; right?	2	EXAMINATION BY COMMISSIONER JONES / ROSENT 221 been marked for identification as Exhibit DN-3CXC. So if I may approach? JUDGE MOSS: Yes, you may.
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	EXAMINATION BY COMMISSIONER JONES / ROSENT 222		EXAMINATION BY COMMISSIONER JONES / ROSENT 224
1	It doesn't sound like the contract with Itron has	1	Just one more question line of questioning.
2	resulted in any meter deployment until September of	2	I've done my quantified benefits. I'm going to go
3	2017; correct?	3	unquantified.
4	A Correct.	4	A Okay.
5	Q Let's put that aside. I'm just trying to get	5	Q So in the business case, you list, I think, on
6	a sense of how much has been spent. In your business	6	page
7	case, most of the capital spend was going to be on	7	A Page 7.
8	data meter management, Head-End systems, and collector	8	Q Yeah. You list the unquantified benefits;
9	infrastructure for this year; right?	9	right?
10	A For this year. And this DN-3CXC has the most	10	A Yes.
11	up-to-date information of what has been spent this	11	Q And I'm going to ask a few questions about the
12	year. And to date on the first page through 8/2016,	12	demand response, and I'm not going to ask about all
13	you can see that through that time systemwide we had	13	these because it would take a long time to get through
14	spent \$10 million to date, 6.8 in Washington.	14	it. I'm interested personally in all of these
15	So that's the most up-to-date information with	15	unquantified future opportunities, but I don't think
16	the majority of it having been spent for the Meter	16	they are ripe right now. But demand response is
17	Data Management system. We just kicked off the work	17	because ICNU's witnesses made a proposal in this case
18	for the Head-End system on Monday of this week.	18	for a demand response; right?
19	Q So most of the work to date has been for Meter	19	A I'm not familiar. I haven't I'm not
20	Data Management, and that is with Oracle?	20	familiar with that program request.
21	A Correct. And with Trinity. Our Trinity is	21	Q Then I won't ask you about that request. But
22	our software integration, and they're taking the lead	22	as an engineer and as a sponsor of this project, if
23	on installing the Oracle Meter Data Management system	23	Avista starts doing more with demand response earlier
24	with us.	24	than you think or according to the current plan
25	Q And then you said you started work on which	25	because your winter capacity is not until deficit
	Page 223		Page 225
	Page 223 EXAMINATION BY COMMISSIONER JONES / ROSENT 223		Page 225 EXAMINATION BY COMMISSIONER JONES / ROSENT 225
1	•	1	EXAMINATION BY COMMISSIONER JONES / ROSENT 225
1	EXAMINATION BY COMMISSIONER JONES / ROSENT 223	1	EXAMINATION BY COMMISSIONER JONES / ROSENT 225
	EXAMINATION BY COMMISSIONER JONES / ROSENT 223 system this week on Monday?		EXAMINATION BY COMMISSIONER JONES / ROSENT 225 until winter of 2021, I think, but if we do more now,
2	EXAMINATION BY COMMISSIONER JONES / ROSENT 223 system this week on Monday? A The Head-End system with Itron.	2	EXAMINATION BY COMMISSIONER JONES / ROSENT 225 until winter of 2021, I think, but if we do more now, how would you go about putting a methodology in place
2 3	EXAMINATION BY COMMISSIONER JONES / ROSENT 223 system this week on Monday? A The Head-End system with Itron. Q So Itron is doing the Head-End system. Okay.	2 3	EXAMINATION BY COMMISSIONER JONES / ROSENT 225 until winter of 2021, I think, but if we do more now, how would you go about putting a methodology in place both for residential and commercial and industrial
2 3 4	EXAMINATION BY COMMISSIONER JONES / ROSENT 223 system this week on Monday? A The Head-End system with Itron. Q So Itron is doing the Head-End system. Okay. Thank you.	2 3 4	EXAMINATION BY COMMISSIONER JONES / ROSENT 225 until winter of 2021, I think, but if we do more now, how would you go about putting a methodology in place both for residential and commercial and industrial customers to measure demand response benefits?
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	Page 226 EXAMINATION BY COMMISSIONER JONES / ROSENT 226		Page 228 EXAMINATION BY COMMISSIONER JONES / ROSENT 228
1	There was a question we do have the information on	1	employee parking garage based on safety and cost
1 2	contract dates for you. I will hand that information	2	versus benefit, but, again, those aren't included in
3	to the witness to read into the record, but probably	3	these numbers. The main portion of the 2016 number is
4	the best way to do it is start by referring back to	4	actually a road reroute to bring our campus together
5	that very same Cross-Exhibit DN-3CXC that I just	5	and to move the to enable us to move the fleet
6	handed out.	6	garage building to our more operational portion of our
7	COMMISSIONER JONES: Yes, I'm there.	7	campus.
, 8	MR. MEYER: There is a list on page 2	8	For safety purposes, we're trying to separate,
9	of 3 of contractors. That does not include Itron, so	9	as much as we can, the operations portions from the
10	pencil in Itron, if you will, and then we're going to	10	office portions of our functions from a safety
11	give you contract dates for each of these or I should	11	perspective. The other reasons we're moving the fleet
12	say the witness will. Give me a moment.	12	building are to enable it to work on our larger line
13	Again, these dates that she is going to give	13	trucks as well as work on our natural gas vehicles.
14	you are not in the same order as I think the	14	Currently, the garage that we have at our Mission
15	contractors are listed, but you can make that clear.	15	campus, the ceilings are not high enough from a
16	MS. ROSENTRATER: Okay. So these are	16	regulations law perspective, code perspective to be
17	the six contracts that have been signed to date	17	able to maintain our natural gas vehicles.
18	starting with the Boreas Group who helped us put	18	Our garage out at our Dollar Road facility,
19	together the RFP for the meters, and it was signed on	19	which is our gas operations building, does have garage
20	9/17/2015. The Oracle contract was signed on	20	space that is higher; however, we have a significant
21	3/28/2016. The Trinity Consulting contract was signed	21	portion of our fleet that is natural gas. And so
22	on 3/28/2016. The Hanna & Associates contract is	22	having that availability to work on them at the
23	helping with our outreach and communication plan was	23	Mission campus would be beneficial as well.
24	signed on 5/6/2016. The SmartMark contract who is	24	So there's a couple different drivers of
25	also helping with customer outreach was signed on	25	moving that fleet building to the operations area of
	Page 227		Page 229
	Page 227 EXAMINATION BY COMMISSIONER JONES / ROSENT 227		Page 229 EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 229
1	-	1	-
1 2	EXAMINATION BY COMMISSIONER JONES / ROSENT 227	1 2	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 229
	EXAMINATION BY COMMISSIONER JONES / ROSENT 227 7/18/2016.		EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 229 campus, and, again, the first step of that is to
2	EXAMINATION BY COMMISSIONER JONES / ROSENT 227 7/18/2016. COMMISSIONER JONES: And then Itron, as	2	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 229 campus, and, again, the first step of that is to reroute the road that splits up the property that we
2 3	EXAMINATION BY COMMISSIONER JONES / ROSENT 227 7/18/2016. COMMISSIONER JONES: And then Itron, as I stated before, was signed on September 30, 2016;	2	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 229 campus, and, again, the first step of that is to reroute the road that splits up the property that we own.
2 3 4	EXAMINATION BY COMMISSIONER JONES / ROSENT 227 7/18/2016. COMMISSIONER JONES: And then Itron, as I stated before, was signed on September 30, 2016; right?	2 3 4	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 229 campus, and, again, the first step of that is to reroute the road that splits up the property that we own. COMMISSIONER JONES: Good. No parking
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	Page 230		Page 232
	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 230		EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 232
1	program.	1	Thanks.
2	Q So when you say Consumer and Energy Staff,	2	JUDGE MOSS: All right.
3	that's the UTC Consumer and Energy Staff?	3	CHAIRMAN DANNER: I just want to ask
4	A Yes.	4	one question.
5	Q And do you have an estimate of when that might	5	JUDGE MOSS: Microphone.
6	be brought forward?	6	CHAIRMAN DANNER: I just want to ask
7	A I don't.	7	one question.
8	Q Okay. So that was that question. And then	8	EXAMINATION
9	going to page 36 of HLR-9T and looking at the	9	BY CHAIRMAN DANNER:
10	discussion about the SAIDI and SAIFI issues, you say	10	Q With regard to the final report and this is
11	that distribution capital investments generally are	11	in your rebuttal testimony on 33 where you list the
12	made so that we can maintain our overall system	12	elements of the final report. This is going to be in
13	reliability and, therefore, the company may not	13	mid-year 2021 or '22. It's 18 months after.
14	necessarily see improvements to SAIFI or SAIDI.	14	And yet you say that you're going to have a
15	So since the company justified many of the	15	
16	adjustments and requests in this case based on the	16	in the original business case, but, I mean, you are
17	need to maintain its SAIDI and SAIFI and you say here	17	this is after you've made this decision to go forward
18	we can't necessarily see that to maintain reliability,	18	but before the end of the life cycle. So you're
19	how would you expect us to measure the benefit to the	19	still, in some ways, still looking at projections
20	system, the benefit to the customers of these	20	going forward; right?
21	reliability claims, and the expenses for reliability?	21	Is this merely a refinement of projections
22	A We do have trending analysis that shows where	22	going forward, or what is the what is the purpose
23	our reliability was trending towards. We also have	23	of the report? What does it get us? Since you've
24	information on a per feeder basis that internally we	24	already pulled the trigger, if you will, what's the
25	look at improvements around reliability and outage	25	benefit of the report in your mind?
	Page 231	20	
	Page 231 EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 231		Page 233
1	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 231		Page 233 EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 233
1	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 231 reductions on those feeders that have been focused on	1	Page 233 EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 233 A I think just validation about are we truly
2	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 231 reductions on those feeders that have been focused on for our grid modernization program, specifically on	1 2	Page 233 EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 233 A I think just validation about are we truly achieving the benefits that we expected to achieve,
2 3	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 231 reductions on those feeders that have been focused on for our grid modernization program, specifically on our distribution system. And so that's those are	1 2 3	Page 233 EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 233 A I think just validation about are we truly achieving the benefits that we expected to achieve, and I I think we'll be looking at other areas of
2 3 4	EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 231 reductions on those feeders that have been focused on for our grid modernization program, specifically on our distribution system. And so that's those are some ways that we look at the improvements that are	1 2 3 4	Page 233 EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 233 A I think just validation about are we truly achieving the benefits that we expected to achieve, and I I think we'll be looking at other areas of benefit. As well as we continue to move forward and
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	Page 234		Page 236
	EXAMINATION BY MEYER / ROSENTRATER 234		EXAMINATION BY MEYER / ROSENTRATER 236
1	Q Okay. So there's really nothing final about	1	system that will be in service in 2017, the collector
2	the final report?	2	infrastructure, a portion of it, that will precede the
3	A Right.	3	meters that are deployed, and the meters themselves
4	CHAIRMAN DANNER: All right. Okay.	4	will start to be deployed in 2017 as well as Data
5	Thank you.	5	Analytics systems will be installed prior to the meter
6	JUDGE MOSS: All right. I haven't been	6	deployment as well.
7	doing this today, but I will ask if the Bench	7	Q And with respect to each of those six items,
8	questions have prompted any thought from you,	8	is it your testimony that
9	Ms. Gafken, that you wish to follow up on.	9	CHAIRMAN DANNER: I have four.
10	MS. GAFKEN: I have no follow-up	10	MR. MEYER: I cut you short. Thank
11	questions, but I will note that Ms. Alexander,	11	you.
12	although we're not doing the Skype appearance, she is	12	A There's the Data Analytics, the Meter Data
13	on the phone if there's any questions that the Bench	13	Management, Head-End system, the collector system, the
14	might have for her.	14	meter deployment, but there's gas and electric meter
15	JUDGE MOSS: If we get to that point,	15	deployment. So that would be the five and six.
16	we'll let Mr. Meyer, do you have anything?	16	COMMISSIONER RENDAHL: So all right.
17	MR. MEYER: It does, and, in fact, this	17	Meter Data Management, Head-End, collector system,
18	might be more efficient for me to proceed briefly with	18	meters, data analytics. What am I missing?
19	this witness on redirect. And it might save on some	19	MS. ROSENTRATER: The electric and gas
20	questioning of Mr. Nightingale.	20	meters are separate.
21	JUDGE MOSS: Let's do that.	21	COMMISSIONER RENDAHL: So break it out
22	EXAMINATION	22	into two.
23	BY MR. MEYER:	23	MS. ROSENTRATER: The gas modules.
24	Q Would you turn now back to that portion of	24	MR. MEYER: May I suggest that if it
25	Exhibit DN-3CXC. That's the three-page document I	25	benefits the record we do have just a one-page
	Page 235		Page 237
	Page 235 EXAMINATION BY MEYER / ROSENTRATER 235		Page 237 EXAMINATION BY MEYER / ROSENTRATER 237
1	EXAMINATION BY MEYER / ROSENTRATER 235	1	EXAMINATION BY MEYER / ROSENTRATER 237
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1 2 3	EXAMINATION BY MEYER / ROSENTRATER 235 handed out, and it's the front pages of a much larger		EXAMINATION BY MEYER / ROSENTRATER 237 breakout of that. If you so choose, we could mark
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			Page 240
_	EXAMINATION BY MEYER / ROSENTRATER 238		EXAMINATION BY MEYER / NIGHTINGALE 240
1	A Correct.	1	JUDGE MOSS: All right. Thank you.
2	MR. MEYER: All right. So thank you.	2	Q so he has that in front of him. And I
3	That's all I have for this witness.	3	believe I see the witness also has a copy of
4	JUDGE MOSS: I think that's all the	4	Exhibit DN-3CXC about which we've had some
5	questions for you, Ms. Rosentrater. We appreciate you	5	examination.
6	being here today and giving your testimony, and we can	6	JUDGE MOSS: Very well.
7	let you step down subject to recall, if needed.	7	Q Okay. If those two documents are in front of
8	And we will take our afternoon break at this	8	you, we can proceed. Is it your position,
9	time. Let's be back at 3:20, and Mr. Nightingale will	9	Mr. Nightingale, that because AMI has not yet been
10	then be on the stand.	10	placed into service that it is it is premature for
11	(A break was taken from 3:10 p.m. to	11	the Commission to make a prudence determination?
12	3:28 p.m.)	12	A Yes.
13	JUDGE MOSS: Let's be back on the	13	Q Would you agree that Avista is currently
14	record.	14	incurring both operating expenses and capital
15		15	investment associated with AMI?
16	DAVID NIGHTINGALE, witness herein, having been	16	A Yes, my understanding from the testimony I've
17	first duly sworn on oath,	17	reviewed and as well as what you just provided.
18	was examined and testified	18	Q So let's turn to what I just provided, which
19	as follows:	19	is Exhibit DN-3CXC.
20		20	MS. CAMERON-RULKOWSKI: I'm going to
21	JUDGE MOSS: Ms. Cameron-Rulkowski,	21	I may object because Mr. Nightingale this is a
22	your witness.	22	document that comes from the Company, and it's not
23	MS. CAMERON-RULKOWSKI: Thank you, Your	23	something that Mr. Nightingale prepared. And
24	Honor.	24	Ms. Rosentrater was just on the stand, so I'm not sure
25		25	what you're expecting what you're going to ask, but
			Page 241
	EXAMINATION BY CAMERON-RULKOWSKI & MEYER / NIG 239LE		EXAMINATION BY MEYER / NIGHTINGALE 241
1	EXAMINATION	1	I'm just giving you a heads-up.
2	BY MS. CAMERON-RULKOWSKI:	2	MR. MEYER: All right. The exhibit is
3	Q Good afternoon, Mr. Nightingale.	3	admitted has been admitted, and there has been some
4	A Good afternoon.	4	examination around that. So I want to test this
5	Q Can you state your name and spell your last	5	witness's understanding of that exhibit and the
6	name for the record.	6	numbers in that exhibit.
7	A David Nightingale, N-I-G-H-T-I-N-G-A-L-E.	7	JUDGE MOSS: As I understand what was
8	Q Please direct your attention to Exhibit DN-1T.	8	just said, there's no objection.
9	Is this the testimony that you prepared on behalf of	9	MR. MEYER: Correct.
10	Staff in response to Avista's prefiled testimony?	10	JUDGE MOSS: Let's go forward.
11	A Yes.	11	MR. MEYER: Thank you.
12	Q And are there any corrections that need to be	12	BY MR. MEYER:
13	made to this exhibit?	13	Q So let's turn first to page 1 of that exhibit,
14	A No.	14	Table No. 1. And would you agree, subject to check,
15	MS. CAMERON-RULKOWSKI: Mr. Nightingale	15	that the Company is expecting to spend, approximately,
16	is available for cross-examination and questions from	16	70.5 million gross capital spend for both Washington
17	the Bench.	17	electric and Washington natural gas AMI during and
18	JUDGE MOSS: All right. And your	18	through 2017? Is that what is shown on this exhibit?
19	testimony has previously been admitted, so we have	19	MS. CAMERON-RULKOWSKI: Objection.
20	Mr. Meyer.	20	This witness, Mr. Nightingale, did not produce this
21	EXAMINATION	21	document, did not create this document. And if
22	BY MR. MEYER:	22	Mr. Meyer wants to ask questions about the numbers on
23	Q Yes. I'll try and be short and to the point.	23	the document, then they should be addressed to a
24	And to that end, I would like to hand to the witness	24	Company witness. It states on this document that the
			- •
25	what has just been marked as Bench Exhibit 8	25	witness that this that this discovery response

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	Page 242		Page 244
	EXAMINATION BY MEYER / NIGHTINGALE 242		EXAMINATION BY MEYER / NIGHTINGALE 244
1	should be the witness sponsoring this discovery	1	these categories?
2	request is Ms. Rosentrater. She is available today.	2	A Yes.
3	JUDGE MOSS: Why don't you lay a little	3	Q And did you have a chance to review that
4	foundation, Mr. Meyer.	4	information?
5	MR. MEYER: Surely.	5	A Yes, I did.
6	BY MR. MEYER:	6	Q And have you or any other staff member
7	Q I'll just ask it even more directly. How much	7	challenged the prudency of any of those six cost
8	do you believe the Company is expecting to spend on	8	categories in this case? And if so, show me where.
9	AMI through 2017?	9	A There was no testimony on Staff regarding the
10	A I don't know I can't tell you off the top	10	prudency of any of these projected expenditures.
11	of my head.	11	MR. MEYER: Thank you. That's all I
12	Q Okay. And yet you're taking the position that	12	have.
13	in this proceeding there should be no recovery of	13	JUDGE MOSS: Thank you, Mr. Meyer. I'm
14	revenue requirement associated with any AMI	14	not sure what we want to do with this data response
15	investment; is that correct?	15	request. It is a response to a Staff data request to
16	A Yes. That's right. It is premature for	16	the Company. It was, apparently, Ms. Cheesman,
17	recovery of cost of that investment.	17	apparently, requested it. Ms. Rosentrater,
18	Q Is it your understanding that the Company is	18	apparently, answered it. If you want to have
19	seeking to recover through its after-attrition	19	Ms. Rosentrater back on the stand
20	adjustment approximately \$17.9 million of investment	20	MR. MEYER: No. The evidence the
21	related to AMI?	21	exhibit is already in the record.
22	A I didn't testify on that matter. That was	22	JUDGE MOSS: This wasn't reserved?
23	that would be an accounting witness you'd probably	23	MR. MEYER: No, no. This was part of
24	want to ask that question to.	24	the initial group of exhibits.
25	Q And yet you are the one witness that is	25	JUDGE MOSS: Fine. Then any objection
	Page 243		Page 245
	EXAMINATION BY MEYER / NIGHTINGALE 243		EXAMINATION BY COMMISSIONER JONES / NIGHTI 245
1	speaking to whether or not there should be any cost	1	to it has been waived, so we'll just move on with it
2	recovery of AMI in this docket; isn't that correct?		
		2	from there.
	A Lam I testified about the ripeness of the	2	from there. MR_MEYER: Thank you_That's all I
3	A I am I testified about the ripeness of the issue to be considered and the issue. I believe based	3	MR. MEYER: Thank you. That's all I
3 4	issue to be considered and the issue, I believe, based		MR. MEYER: Thank you. That's all I have.
3 4 5	issue to be considered and the issue, I believe, based on, as much as anything, the last rate case where	3 4 5	MR. MEYER: Thank you. That's all I have. JUDGE MOSS: Thank you.
3 4	issue to be considered and the issue, I believe, based on, as much as anything, the last rate case where there was very explicit direction from the	3 4 5 6	MR. MEYER: Thank you. That's all I have. JUDGE MOSS: Thank you. Now, let's see. That will take care of our
3 4 5 6 7	issue to be considered and the issue, I believe, based on, as much as anything, the last rate case where there was very explicit direction from the Commissioners that said, quote and this is from my	3 4 5 6 7	MR. MEYER: Thank you. That's all I have. JUDGE MOSS: Thank you. Now, let's see. That will take care of our cross-examination.
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3 4 5 6 7 8	issue to be considered and the issue, I believe, based on, as much as anything, the last rate case where there was very explicit direction from the Commissioners that said, quote and this is from my testimony, page 4, last line starts and goes on to page 5, the Company must place new plant in service	3 4 5 6 7 8	MR. MEYER: Thank you. That's all I have. JUDGE MOSS: Thank you. Now, let's see. That will take care of our cross-examination. Do we have questions from the Bench? CHAIRMAN DANNER: No.
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	EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 246		EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 248
1	Q a lot of questions of so you read that?	1	So it's just simply premature to make a
2	A Yes, I did.	2	determination on something we hope is going to happen.
3	Q So on page 4 you heard some of my questions on	3	It would be great if it did. That's not how prudence
4	the spend rate in 2016, the capital spend rate. Did	4	has traditionally been determined, and I think for a
5	that prompt some questions on your part about further	5	good reason.
6	analysis on that sort of capital expenditure? Or is	6	Q And so when would you expect to consider these
7	your testimony just is it's premature?	7	types of items in a prudence review?
8	A My testimony, essentially, is it's premature.	8	A It would be at some point after they're
9	COMMISSIONER JONES: Okay. That's all	9	installed and in service, and as Ms. Rosentrater
10	I have.	10	indicated in her testimony, looking back where you can
11	JUDGE MOSS: Anything else? Apparently	11	actually quantify the benefits, you know they're
12	not.	12	installed, you know what's been the benefits as well
13	Mr. Nightingale, that was mercifully brief, I	13	as the costs, and the actual costs too.
14	must say. You may step down.	14	I mean, contracts on the cost side here, there
15	MS. CAMERON-RULKOWSKI: Your Honor, I	15	could be cost overruns. That's not unusual, and so a
16	do have some redirect if you'd entertain that.	16	balancing of the costs and benefits after the fact
17	JUDGE MOSS: All right. Go ahead.	17	looking backwards is a standard way of looking at
18	MS. CAMERON-RULKOWSKI: Thank you, Your	18	these type of investments.
19	Honor.	19	Q When you're speaking of looking back and
20	EXAMINATION	20	installation, does that mean that this analysis would
21	BY MS. CAMERON-RULKOWSKI:	21	be done after all of the meters are installed or at
22	Q Mr. Nightingale, Mr. Meyer asked you some	22	some other point in time?
23	questions about Bench Request 8. And why is it that	23	A The nature of this particular capital
24	you did not address the prudence of each of those cost	24	investment is not like a plant where you have it
25	items?	25	100 percent going into service on a date of
	Page 247		Page 249
	EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 247		EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 249
1	A Well, this is projected or you may call it	1	completion; however, it's a large capital spend with a
2	speculative as far as these expenditures. They've not	2	long life. But it's a five-year or perhaps six-year
3	happened yet. They may or may not happen. There's	3	deployment depending on how it actually goes.
4	contracts for most of these; however, the actually,	4	I don't see a reason why it wouldn't be
5	the meter deployment part, there's not even a contract	5	possible to come in before 2021 or '22 where they've
6	that has been signed for the meter deployment, the	6	got all the data for all the meters installed and come
7	actual installation of the meters that they now last	7	in and get partial recovery for what they can show is
8	week or a couple weeks ago actually have a contract	8	beneficial installed up to that point in time in a
9	for the actual purchase of the meters and the modules	9	future rate case.
10	for the gas meters.	10	Q And the contracts that came up in testimony
11	So it's not there's nothing there to assure	11	earlier, do you believe that the contracts are
12	that there's going to be meters installed on the	12	relevant at this time?
13	particular schedule that they have outlined in their	13	A Not now.
14	testimony. It's it may happen. It may not.	14	Q And could you explain why not?
15	They've already been delayed a few months since the	15	A It just dwells on the same point I made about
16	initial testimony until now. Things can happen in	16	these are speculative legal arrangements. They
17	contracting. A counter party can fail to deliver.	17	haven't played themselves out to actually demonstrate
18	There can be defects with the equipment.	18	anything as far as prudence determination going
19	Some years ago my understanding is that there	19	forward and also just practically.
20	was a Coyote Springs gas plant that was approved, and	20	I mean, you want to be able to have something
21	shortly before it was supposed to be going into	21	installed and come back and see how it's performing.
22	service, then the ratepayers ended up paying for it	22	If it I mean, I am I think that it will probably
23	for a substantial number of months before it became in	23	be beneficial, but I don't know. And the facts need
24	service because the transformer failed before they got	24	to speak for themselves afterwards.
		1	
25	it on line.	25	MS. CAMERON-RULKOWSKI: Thank you,

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	EXAMINATION BY MEYER / NIGHTINGALE 250		EXAMINATION BY MEYER / NIGHTINGALE 252
1	Mr. Nightingale.	1	Q Wouldn't it be important to know that before
2	MR. MEYER: Your Honor, that redirect	2	you take a position?
3	actually elicited a response that requires just a	3	A This is very hypothetical, so
4	couple of follow-up questions.	4	Q Not to the Company. 5 million is real.
5	JUDGE MOSS: All right. Go ahead.	5	Wouldn't it be important for you to know that before
б	EXAMINATION	6	taking a position?
7	BY MR. MEYER:	7	MS. CAMERON-RULKOWSKI: Objection. I
8	Q All right. So I believe I heard you respond	8	believe counsel is testifying.
9	to your counsel that even with respect to these six	9	MR. MEYER: I'm still looking for an
10	items that we should wait, not necessarily until 2021	10	
11	where there's been full deployment, but perhaps for a	11	JUDGE MOSS: Overruled. Go ahead. If
12	few years to see how it plays out. Is that a rough	12	you can answer it, you can. If you can't, just say
13	characterization of your testimony?	13	
14	A I think that would be a reasonable approach,	14	A Can you ask again, please?
14 15	not the only approach, but	15	Q Wouldn't it be important for you to know
15 16	Q Let's see where that takes us. Would you	15	
	-		
17 18	agree that the revenue requirement associated strictly with those just those six items as shown in the	17 18	the Company per year if the Commission were to take your recommendation and not address these six items
	with those, just those six items as shown in the		•
19	cross-examination exhibit that I referred you to, is	19	
20	approximately \$5 million per year? Is that your	20	A Okay. The first part of your question,
21	understanding what that exhibit shows?	21	wouldn't it be important for me to know about that
22	A I haven't made a calculation. I don't know.	22	kind of impact, yes. I'm answering yes to that part
23	Q Would you accept that subject to check?	23	of the question.
24	A Sure.	24	MR. MEYER: Okay. Thank you. That's
25	Q So if the Commission were to take your advice	25	
	Page 251		Page 253
	EXAMINATION BY MEYER / NIGHTINGALE 251		EXAMINATION BY MEYER / KNOX 253
1	and wait for perhaps a couple of years, is the	1	JUDGE MOSS: All right. Thank you.
2	practical effect that the Company will have been	2	Are we finished?
3	denied approximately \$5 million of revenue requirement	3	COMMISSIONER JONES: Yes.
4	each year associated with those six specific items?	4	JUDGE MOSS: Apparently, we are
5	A Again, I did not testify here on the	5	
6	accounting.	6	before, but now you're free to go.
7	Q Does it follow what I asked? Does that	7	MR. NIGHTINGALE: I'm all about being
8	follow?	8	premature, you know.
9	A Excuse me. Can you ask again?	9	JUDGE MOSS: Poor choice of words on my
10	Q Surely. If the Commission takes your	10	part.
11	recommendation and waits for perhaps a year or two and	11	
12	let it play out, isn't it a fact that the Company will	12	TARA L. KNOX, witness herein, having been
13	have been denied approximately \$5 million of revenue	13	first duly sworn on oath,
14	requirement per year associated with just these six	14	was examined and testified
15	items? Does it follow?	15	as follows:
16	A If you don't look at it then; however, my	16	
17	Q Just answer does that follow, yes or no, and	17	JUDGE MOSS: Mr. Meyer, when you're
18	then you can explain.	18	ready.
19	A I don't know if it does or not, but I can	19	MR. MEYER: I am ready.
20	explain.	20	EXAMINATION
20	Q So you don't know what the impact would be on	21	BY MR. MEYER:
21	Q Co you don't know what the impact would be on		1
	the Company's revenue requirement impact? Is that	22	Q For the record, please state your name.
21		22 23	Q For the record, please state your name.A My name is Tara L. Knox.
21 22	the Company's revenue requirement impact? Is that		
21 22 23	the Company's revenue requirement impact? Is that your testimony?	23	A My name is Tara L. Knox.Q Have you prepared exhibits that have been

	Page 254		Page 256
	EXAMINATION BY COWELL / KNOX 254		EXAMINATION BY COWELL / KNOX 256
1	A Yes, I have.	1	Utility Cost Allocation Manual that was put out by
2	Q Do you have any changes?	2	NARUC in 1992. When you this was an update of I
3	A No, I do not.	3	think the initial one came out in '75, and the update
4	MR. MEYER: So with that, the witness	4	would put forward, you know, different cost
5	is available.	5	categories.
6	JUDGE MOSS: All right. And it appears	6	And then it talks about there's this option
7	that ICNU is the only party with some cross. Go	7	here or this option here or this option there. And,
8	ahead.	8	basically, it doesn't seem to give us strong opinion
9	MR. COWELL: Thank you, Your Honor.	9	on how one might be better than the other only that
10	EXAMINATION	10	these are options that commissions all over the
11	BY MR. COWELL:	11	country have approved in one state or another.
12	Q Good afternoon, Ms. Knox.	12	Q Okay. Thank you. Now, again, in your
13	A Good afternoon.	13	experience, is it a rare occurrence that one party may
14	Q Ms. Knox, you've been employed with Avista's	14	believe a particular approach is fair and reasonable
15	State Regulation department for 25 years; is that	15	while another party in the same proceeding may prefer
16	correct?	16	a different approach?
17	A Yes. Twenty-five and a half.	17	A I believe in every case that has gone to have
18	Q And given your experience, you now hold the	18	the full testimony put out that there's always been at
19	position of Senior Regulatory Analyst in the Company's	19	least one party that had another point of view from
20	State Regulation department; right?	20	the Company's point of view, and sometimes there would
21	A That's true.	21	be three or four points of view put forward.
22	Q In your rebuttal testimony and maybe let's	22	Q Okay. Fair enough. And if we could look at
23		23	
24	A Is there a particular page?	24	case, you testify that Avista has presented what it
25	Q Let's start on page 1.	25	believes is a fair representation of the cost to serve
			-
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	Page 255 EXAMINATION BY COWELL / KNOX 255		Page 257 EXAMINATION BY COWELL / KNOX 257
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	EXAMINATION BY COWELL / KNOX 258		EXAMINATION BY COWELL / KNOX 260
1	Commission, and the Company's was right in the middle.	1	state that Schedule 2 of your Exhibit 12 in the Idaho
2	So I guess I've lost track of exactly what the	2	case explains the basic concepts involved in
3	question was.	3	performing an electric cost of service study; correct?
4	Q I think you sufficiently answered. But just	4	A Yes, that's true.
5	for the record, do you recall was that a 1999 general	5	Q If you please jump ahead to the last page,
6	rate case? Was it a special investigation?	6	page 10 of this exhibit, this page is labeled
7	A That was the 991606. That was the electric	7	Exhibit 12, Schedule 2, which you had testified as
8	docket, and UG-991607 was the gas docket.	8	explaining the basic concepts involved in performing
9	Q Similar question, do you believe that the	9	an electric cost of service study; right?
10	Company can simultaneously support a different	10	A That's true.
11	approach and the exact same methodological issue with	11	Q On this same page, beginning line 2, we find
12	both approaches still being fair and reasonable?	12	the explanation that transmission costs are classified
13	A Yes.	13	as 100 percent demand related due in part to the fact
14	Q So in this case you do not agree with	14	that the facilities are designed to meet system peak
15	Mr. Stephens' testifying on behalf of ICNU that the	15	loads. That's what you prepared; right?
16	peak credit methodology should or excuse me. That	16	A That's the way we do it in Idaho.
17	should not be applied to transmission costs; is that	17	Q Okay. And if you'd please turn back to page 7
18	correct?	18	of this cross-exhibit, page 12 of the excerpt of the
19	A Yes. That is a policy decision within the	19	direct testimony, beginning line 22, you testified the
20	Washington jurisdiction.	20	transmission costs are not only classified as
21	Q Okay. If you could, please turn to	21	100 percent demand in Idaho, but are allocated by the
22	Cross-Exhibit TLK-6CX, and this exhibit contains	22	average of the 12-month coincident peaks, the same
23	excerpts from your direct testimony and an exhibit	23	methodology used in the last two Idaho cases; is that
24	that you sponsored in Idaho Public Utilities	24	correct?
		25	A That is correct
25	Commission case AVUE-1603; is that right?	25	A That is correct.
25	Commission case AVUE-1603; is that right? Page 259	25	Page 261
25		25	
25	Page 259	1	Page 261
	Page 259 EXAMINATION BY COWELL / KNOX 259		Page 261 EXAMINATION BY COWELL / KNOX 261
1	Page 259 EXAMINATION BY COWELL / KNOX 259 A Yes. Q And subject to check, would you agree that these excerpts were filed on May 26 of this year?	1	Page 261 EXAMINATION BY COWELL / KNOX 261 Q So, Ms. Knox, is the 100 percent demand classification and 12 coincident peak allocation of transmission costs such that you're supporting in
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	Page 262		Page 264
	EXAMINATION BY COWELL / KNOX 262		EXAMINATION BY COWELL / KNOX 264
1	100 percent demand. Another thing that's interesting	1	Q Now, if you would, please turn to
2	in Idaho that's not true in Washington is other	2	Cross-Exhibit TLK-5CX. Now, does the Company's
3	investor-owned utilities in Idaho also used	3	response to ICNU Data Request 187 support
4	100 percent demand for transmission.	4	Mr. Stephens' claim about the Company's use of a 12 CP
5	Q So to clarify, the Idaho Commission has	5	billing method for Open Access Transmission Tariff
6	approved this methodology in the past two rate cases?	6	service?
7	A Right. As well as approving it for Idaho	7	A It basically says that they are billed on a
8	Power.	8	load ratio share, which, you know, once Mr. Schlect
9	Q And you're also proposing that they approve it	9	provided this to me, I went and found that section.
10	again in this current case regardless of whether	10	And the description of how they come about that
11	there's a settlement?	11	billing is, essentially, it is a demand-related
12	A Right. We have we, basically, moved to	12	billing method that's based on a rolling 12-month peak
13	that methodology in Idaho. It's, basically, the Idaho	13	demands. Yeah, so it's not quite the same, but it's
14	methodology. There are other differences between the	14	similar.
15	Idaho methodology and the Washington methodology that	15	Q Okay. Would it be fair to say it's consistent
16	have developed over time as we put cases forward and	16	with Mr. Stephens' statement? Would it be fair to
17	things are brought up. And when the parties elect to	17	say
18	agree on something, then, you know, we're willing to	18	A Yes.
19	change over time if everyone agrees to it.	19	Q If you please turn to page 2 of your rebuttal
20	You know, at this point in time, as I stated	20	testimony, starting on line 11, you note Mr. Stephens'
21	in the rest of my rebuttal testimony, we have	21	objection to the peak credit approach and state that
22	continued to treat the transmission system in the same	22	you do not agree with his criticism of the peak credit
23	manner as the generation system, which has been the	23	approach; is that correct?
24	policy in the state of Washington since the mid-'80s.	24	A On page 2 of my rebuttal?
25	And so we've carried it forward. One of the I	25	Q Page 2 of your rebuttal testimony, so that
	Page 263		Page 265
	Page 263 EXAMINATION BY COWELL / KNOX 263		EXAMINATION BY COWELL / KNOX 265
1	EXAMINATION BY COWELL / KNOX 263 guess I'm not supposed to make speeches.	1	EXAMINATION BY COWELL / KNOX 265 would be
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2 3 4	EXAMINATION BY COWELL / KNOX 263 guess I'm not supposed to make speeches. Q Well, right. In the interest of time, I'm going to move on. And do you have a copy of Mr. Stephens' response testimony with you?	2 3 4	EXAMINATION BY COWELL / KNOX265would beAI'm sorry. I was looking at my original.QTLKAI got to go to the right tab. Sorry.
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	Page 266		Page 268
	EXAMINATION BY COWELL / KNOX 266		EXAMINATION BY COWELL / KNOX 268
1	A Correct. And then I took that quote.	1	A I do not know.
2	Q Okay.	2	Q In your opinion, Ms. Knox, would you describe
3	A Yeah.	3	Avista to be more of an electric winter-peaking
4	Q So, Ms. Knox, are you saying that Avista		
		4	utility or getting closer to being a dual
5	supports a one-size-fits-all approach for electric cost of service methodology among all three regulated	5	summer/winter-peaking utility?
6	utilities in Washington?	6	A Over the years, what we've seen is that we
7	A Not precisely. Each of the companies do their	7	have peaks in the winter, and we also have peaks in
8		8	the summer. And in unusual years, sometimes if we
9	own calculation of peak credit, and I know I	9	have a particularly mild winter, it is possible that
10	believe that the Puget method is related to items in	10	the summer peaks can outstrip the winter peaks.
11	their IRP, and they make some comparisons. I believe	11	It was a few years back, but discussions I had
12	it's like a hypothetical CT versus a hypothetical	12	had with Mr. Kalich when I was trying to say, Well,
13	CCCT. And then they have a certain number of hours	13	it's looks like we're dual peaking to me.
14	that they use for their allocation.	14	And he said, No, we're winter peaking.
15	In the both the '99 case and the '05 case,	15	And so I'm going, Well, okay. I guess I'll
16	we wanted to continue using the peak credit because as	16	accept that.
17	the theory behind it, that captures how the customer	17	And his explanation there was it's really only
18	makes use of the power in, you know, not doing like a	18	in those unusual circumstances where we have an
19	straight fixed variable that you might find other	19	unusually hot summer and an unusually mild winter that
20	places, but looking at how the customers are both	20	you could actually see the summer peaks outstripping.
21	consuming energy and demand and then coming up with a	21	We do see, yes, it's high in the summer if it's higher
22	methodology to split it giving credit to the fixed	22	in the winter generally. And so, yes, there will be
23	costs that are providing energy throughout the year.	23	troughs in the other months.
24	And Avista had our way of doing it that was	24	Q And for the record, could you identify who
25	specific to our system, and we put that in front of Page 267	25	
			Page 269
_	EXAMINATION BY COWELL / KNOX 267		EXAMINATION BY COWELL / KNOX 269
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	Page 270		Page 272
	EXAMINATION BY MEYER / EHRBAR 270		EXAMINATION BY GAFKEN / EHRBAR 272
1	but	1	A Yes. What we included in this response were
2	MS. KNOX: I prefer it that way.	2	just the direct rebate benefits that Schedule 25
3	JUDGE MOSS: we appreciate you being	3	customers have received. It did not include an
4	here today and giving your testimony. And you may	4	evaluation of the avoided costs benefits that also
5	step down subject to recall, if needed.	5	accrued to Schedule 25 customers.
6	MS. KNOX: Thank you.	6	Q The response also notes that Avista has not
7	JUDGE MOSS: Let's press ahead with	7	quantified benefits received by Schedule 25 benefits
8	Mr. Ehrbar then.	8	in terms of their use of Avista's DSM staff, and that
9		9	lists a few examples of what that use might be. Could
10	PATRICK EHRBAR, witness herein, having been	10	you elaborate on that?
11	first duly sworn on oath,	11	A Sure. Sometimes, you know, customers, whether
12	was examined and testified	12	Schedule 25 or other commercial customers, will
13	as follows:	13	request services of our DSM engineers to evaluate
14		14	projects. And as part of that evaluation, the
15	EXAMINATION	15	customers may then determine, based on that
16	BY MR. MEYER:	16	evaluation, whether to proceed or don't proceed with a
17	Q All set?	17	project, but that's still work that the company does
18	A All set.	18	on behalf of customers.
10 19	Q For the record, what is your name?	19	Q Would you please turn to Cross-Exhibit
	A My name is Patrick Ehrbar.	20	PDE-13CX.
20 21	-	20	A I'm there.
	Q Have you submitted testimony that's been		
22	admitted along with exhibit material marked as PDE-1T	22	Q Do recognize Cross-Exhibit PDE-13CX as
23 24	all the way through PDE-8T? A Yes.	23 24	
		24	A Yes, I do.
25	Q Any changes?	25	Q The column that includes nonresidential
	Dama 071		
	Page 271		Page 273
	EXAMINATION BY GAFKEN / EHRBAR 271		EXAMINATION BY COWELL / EHRBAR 273
1	EXAMINATION BY GAFKEN / EHRBAR 271 A No.	1	EXAMINATION BY COWELL / EHRBAR 273 customers includes Schedule 25 customers; correct?
2	EXAMINATION BY GAFKEN / EHRBAR 271 A No. MR. MEYER: Thank you. That's all I	2	EXAMINATION BY COWELL / EHRBAR 273 customers includes Schedule 25 customers; correct? A That's correct.
2 3	EXAMINATION BY GAFKEN / EHRBAR 271 A No. MR. MEYER: Thank you. That's all I have.	2 3	EXAMINATION BY COWELL / EHRBAR 273 customers includes Schedule 25 customers; correct? A That's correct. Q Who else is included in that column?
2 3 4	EXAMINATION BY GAFKEN / EHRBAR 271 A No. MR. MEYER: Thank you. That's all I have. JUDGE MOSS: All right. We have	2 3 4	EXAMINATION BY COWELL / EHRBAR273customers includes Schedule 25 customers; correct?A That's correct.Q Who else is included in that column?A Sure. Everybody in the nonresidential or
2 3 4 5	EXAMINATION BY GAFKEN / EHRBAR 271 A No. MR. MEYER: Thank you. That's all I have. JUDGE MOSS: All right. We have questions from Public Counsel.	2 3 4 5	EXAMINATION BY COWELL / EHRBAR273customers includes Schedule 25 customers; correct?AThat's correct.QWho else is included in that column?ASure.Everybody in the nonresidential orthe groups that make up the nonresidential category
2 3 4 5 6	EXAMINATION BY GAFKEN / EHRBAR 271 A No. MR. MEYER: Thank you. That's all I have. JUDGE MOSS: All right. We have questions from Public Counsel. MS. GAFKEN: Yes. Thank you.	2 3 4 5 6	EXAMINATION BY COWELL / EHRBAR273customers includes Schedule 25 customers; correct?A That's correct.Q Who else is included in that column?A Sure. Everybody in the nonresidential orthe groups that make up the nonresidential categoryfor DSM savings and DSM calculations are our customers
2 3 4 5 6 7	EXAMINATION BY GAFKEN / EHRBAR 271 A No. MR. MEYER: Thank you. That's all I have. JUDGE MOSS: All right. We have questions from Public Counsel. MS. GAFKEN: Yes. Thank you. E X A M I N A T I O N	2 3 4 5 6 7	EXAMINATION BY COWELL / EHRBAR273customers includes Schedule 25 customers; correct?A That's correct.Q Who else is included in that column?A Sure. Everybody in the nonresidential orthe groups that make up the nonresidential categoryfor DSM savings and DSM calculations are our customersthat are served on Schedule 11, so our small
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_	EXAMINATION BY COWELL / EHRBAR 274		EXAMINATION BY COWELL / EHRBAR 276
1	for nearly 20 years since 1997; right?	1	Schedule 25 and the funding of DSM there, the Company
2	A That's correct.	2	is cognizant that only one customer is served in that
3	Q And your very first assignment was as a	3	energy block, and so, reasonably, you can the
4	resource management analyst within the Company's	4	parties can make an assertion that the level of
5	demand-side management or DSM department; right?	5	funding could be higher/could be lower based on the
6	A That's correct.	6	overall benefits received. But there is a reasonable
7	Q And following that, you became a program	7	viewpoint that it could be somewhat lower given the
8	manager responsible for the Company's energy	8	effect it has on one customer.
9	efficiency offerings; right?	9	Q Now, in preparing your rebuttal testimony, did
10	A That's correct.	10	you personally review Mr. Stephens' testimony and
11	Q Following that you have also testified that	11	exhibits on behalf of ICNU related to a proposed
12	you were selected to be one of the Company's key	12	reduction in DSM funding for the third energy block of
13		13	Schedule 25?
14	industrial customers, including delivery of Avista's	14	A I did.
15	site-specific energy efficiency programs; is that	15	Q Now, you've testified that this single
16	correct?	16	customer on the third energy block of Schedule 25
17	A That is correct.	17	provides a significant amount of funding for the DSM
18	Q Now, would it be fair to say, Mr. Ehrbar, that	18	program; is that right?
19	you have significant experience working directly with	19	A That is correct.
20	industrial customers and on energy efficiency and DSM	20	Q Now, would it be accurate to say that ICNU has
21	issues on behalf of the Company?	21	raised the issue of whether this single customer is
22	A Ido.	22	contributing more than its fair share of DSM funding?
23	Q And for the past seven years, you have served	23	A Can you repeat that?
24	as a manager of rates and tariffs for the Company;	24	Q Sure. Would it be accurate to say that ICNU
25	right?	25	has raised the issue of whether this single customer
	Page 275		Page 277
	EXAMINATION BY COWELL / EHRBAR 275		EXAMINATION BY COWELL / EHRBAR 277
1	A That's correct.	1	is contributing more of its fair share of DSM funding?
2	Q In this case, you're aware that ICNU has	2	A Yes.
3	proposed a change to the amount of funding for DSM	3	Q If you would, please turn to your rebuttal
4	programs recovered from the third energy block of	4	testimony, PDE-8T, page 15, line 2, please.
5	Schedule 25; correct?	5	A Okay. I'm there.
б	A Yes.	6	MR. MEYER: What page was that?
7	Q And in your rebuttal testimony, while not	7	MR. COWELL: That's page 15 and
8	agreeing that the third energy block of Schedule 25	8	beginning line 2.
9	should be exempt from DSM contributions, you've	9	Q Now, based on your experience and the
10	testified that the amount of funding provided by that	10	information you have reviewed in this case, you've
11	third energy block could be reasonably adjusted;	11	testified that a reasonable option in response to
12	correct?	12	ICNU's DSM funding proposal would be for the third
13	A That is correct.	13	energy block to pay one-half of the present DSM rate
14	Q And Schedule 25 is the Company's extra large	14	with funding on blocks one and two of Schedule 25 and
15	general service schedule serving industrial customers;	15	all other schedules increased to keep the overall DSM
16	right?	16	funding at the same level; right?
17	A Correct.	17	A Yes. So what I said in the testimony was that
18	Q Now, in testifying that the amount of	18	would be an option. We did not file to change in our
19	Schedule 25 funding toward DSM programs could be	19	rebuttal testimony to make a change to the funding,
20	· · · ·	1	but that would be an option.
	reasonably adjusted, would it be accurate to say that	20	
21	reasonably adjusted, would it be accurate to say that you drew upon nearly all your 20 years of experience	20 21	Q Understood. And you said it would be a
	you drew upon nearly all your 20 years of experience		
21	you drew upon nearly all your 20 years of experience	21	Q Understood. And you said it would be a
21 22	you drew upon nearly all your 20 years of experience at Avista working in DSM, energy efficiency,	21 22	Q Understood. And you said it would be a reasonable option; correct?
21 22 23	you drew upon nearly all your 20 years of experience at Avista working in DSM, energy efficiency, industrial customer, and rate and tariff capacities? A Yes. I think when we were evaluating	21 22 23	Q Understood. And you said it would be a reasonable option; correct? A Yes.

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	Page 278		Page 280
-	EXAMINATION BY COWELL / EHRBAR 278		EXAMINATION BY COWELL / EHRBAR 280
1	A That's correct.	1	of service study found that Schedule 25 was above
2	•	2	unity; correct?
3		3	A That's correct.
4		4	
5	blocks that are higher that the Company's overall	5	study from staff in this proceeding?
6	proposed increases to Schedule 25; right?	6	A No, I have not.
7	A That is correct. That is what we proposed.	7	Q But do you believe that staff is generally
8	Q You did confirm this in the response; right?	8	supportive of the Company's electric cost of service
9	A Yes.	9	study?
10		10	A I do. Staff Witness Ball alluded to the fact
11	single customer served in the third energy block of	11	generally that our cost of service study was
12	Schedule 25 pays considerably more in energy charges	12	directionally accurate for the purpose of setting
13	each month as compared to the monthly demand charge?	13	rates.
14	5	14	
15	5	15	uniform percentage rate spread to all rate schedules
16		16	is appropriate; right?
17	the cost to customers, the revenue requirement to rate	17	A I don't believe a uniform spread is
18	schedules, is to look at both what's happened	18	appropriate in this case because two schedules
19	what's happening to the cost in this case and what's	19	actually move further away from unity by doing that
20	happened more recently in the past several rate cases.	20	versus the Company's proposed rate spread.
21	In this case what we looked at for rate design	21	Q Is one of those Schedule 25?
22	for Schedule 25 was what's recently happened with the	22	A I would have to check. Subject to check, yes.
23	fixed demand charge, the first 3,000 KVA are charged	23	Q I'll direct you then to page 4 of your
24		24	rebuttal testimony.
25		25	A Thank you. Yes. That is correct.
	Page 279		Page 281
	EXAMINATION BY COWELL / EHRBAR 279		EXAMINATION BY COWELL / EHRBAR 281
1	recognizing that we had a made a significant move from	1	Q Now, considering the electric rate spread
2	15,000 per month to 21,000 per month, we chose in this	2	proposals of Avista, Staff, and ICNU in this
3	case to leave it unchanged.	3	proceeding, which proposal is least favorable to
4	Q On a monthly basis, speaking about this single	4	industrial customers in your view?
5	customer on the third energy block, the energy charges	5	A Staff's.
6	more or less than 21,000 per month?	6	Q Considering the electric rate spread proposals
7	A More than 21,000 per month.	7	of Avista, Staff, and ICNU in this proceeding, which
8	Q Thank you. And would that be by a significant	8	proposal is most favorable to residential customers in
9	margin?	9	your view?
10	A Yes.	10	A Staff's.
11	Q Thank you. And the Company's not excuse	11	Q Would it be fair to say, based on the
12	me.	12	Company's electric cost of service study, that
13	Based on the Company's electric cost of	13	residential schedules are well below unity?
14	service study, would you agree that Schedule 25 is	14	A Yes.
15	above unity or providing more revenues to the Company	15	Q So, Mr. Ehrbar, I'd like to close with a few
16	than the cost to serve Schedule 25?	16	questions in the Company's responses to ICNU data
17	A If I could check my exhibit really quick.	17	request. If we could start with do you have a copy
18	Q Sure. And, actually, we could turn to your	18	of Mr. Stephens' exhibits?
19	rebuttal testimony, page 8 your rebuttal testimony,	19	A Yes, I do.
20	which is PDE-18 at page 4, Table 3.	20	Q Okay. If you could, please turn to Exhibit
21	A Yes. It shows 1.03.	21	RRS-11C. RRS-11C, page 8.
		1	
22	Q Mr. Ehrbar, how many parties submitted an	22	A Okay. I'm there.
22 23	Q Mr. Enroar, how many parties submitted an electric cost of service study in this proceeding?	22 23	Q Okay. The there. Q Okay. Now, this is that
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	Page 282		Page 284
	EXAMINATION BY COWELL / EHRBAR 282		EXAMINATION BY COWELL / EHRBAR 284
1	COMMISSIONER JONES: Mr. Cowell, the	1	Q Page 2 of this Cross-Exhibit PDE-10CX, if you
2	page number is in the upper right?	2	turn there, is the Company's response to ICNU Data
3	MR. COWELL: Correct, yes, the exhibit	3	Request 41; right?
4	page number upper right.	4	A Yes, it is.
5	CHAIRMAN DANNER: Which page?	5	Q And the Company's response begins by stating
6	MR. COWELL: Page 8 of RRS-11C.	6	that systematic benefits to DSM programs are difficult
7	CHAIRMAN DANNER: Thank you.	7	to quantify; right?
8	BY MR. COWELL:	8	A Yes.
9	Q So this is the same exhibit, Mr. Ehrbar,	9	Q Then beginning on the second to last line, the
10	right, that Public Counsel just admitted as a	10	Company states that judging the equity of DSM by
11	cross-exhibit; correct?	11	purely comparing direct incentives skipping ahead a
12	A That's correct.	12	little bit is an incomplete analysis; correct?
13	Q That was in Exhibit 2 Mr. Stephens' original	13	A Yes. What we were what I was stating
14	response testimony; correct?	14	there what the Company is stating there was that
15	A Yes.	15	you shouldn't just compare how much a schedule
16	Q And I'm not going to get into confidential	16	contributes to how much a schedule receives in direct
17	information which follows in the following pages, but	17	rebates to determine whether it's beneficial or not.
18		18	Q All right. And keyword is it a significant
19	benefits to Schedule 25 from 2005 to 2015 for the	19	word that you said you shouldn't just compare?
20	Company's DSM programs; right?	20	A Correct. You should take into account the
21	A That's correct. And 2016 year to date.	21	other items that do affect the cost and effectiveness
22	Q Year to date. Correct. Now, if you turn to	22	of our programs.
23	Cross-Exhibit PDE-10CX, page 1	23	Q So to state this another way, by purely in
24	A Yes, yes.	24	stating that purely comparing direct incentives is an
25	Q Okay. And, again, we're looking at Public	25	incomplete analysis, would it be accurate to say that
	Page 283		Page 285
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1	EXAMINATION BY COWELL / EHRBAR 283	1	EXAMINATION BY COWELL / EHRBAR 285
1	EXAMINATION BY COWELL / EHRBAR 283 Counsel has also submitted this as a cross-exhibit as	1	EXAMINATION BY COWELL / EHRBAR 285 a complete analysis of DSM should factor direct
2	EXAMINATION BY COWELL / EHRBAR 283 Counsel has also submitted this as a cross-exhibit as we've just established with Ms. Gafken; correct?	2	EXAMINATION BY COWELL / EHRBAR 285 a complete analysis of DSM should factor direct benefits as well as indirect benefits?
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Do	cket Nos. UE-160228 and UG-160229 (Consolidated) - Vo	ol. I\	WUTC v. Avista Corporation, d/b/a Avista Utilities
-	Page 286		Page 288
	EXAMINATION BY COWELL / EHRBAR 286		EXAMINATION BY COWELL / EHRBAR 288
1	to DSM funding while other schedules are	1	exhibits; right?
2	under-contributing even though all customers,	2	A Yes.
3	according to your understanding, are receiving	3	Q So you had been aware that Mr. Stephens had
4	systematic benefits; is that correct?	4	calculated his analyses by express citation to that
5	A Correct. The cost paid by schedules some	5	Company response to the ICNU data request; right?
6	could determine to be too high, too low, but then the	6	MR. MEYER: Do you understand that
7	benefits you have to look at the benefits, both the	7	question?
8	direct and indirect, and see how they also flow to the	8	MR. EHRBAR: I don't. That was a
9	schedules for our proper analysis.	9	little wordy.
10	Q Okay. And, actually, lastly, Mr. Ehrbar, in	10	Q Okay. So in having reviewed this exhibit, you
11	following that off of cross-examination from Public	11	were aware that Mr. Stephens had incorporated the
12	Counsel, if you would, please turn to Mr. Stephens'	12	Company's response to ICNU Data Request 36 in his
13	exhibit, RRS-9. RRS-9, please. And just to establish	13	analysis; right?
14	some context, page 1, this is ICNU's DSM proposal to	14	A In reviewing his testimony and exhibits, I'm
15	resolve Schedule 91 equity issues; correct?	15	aware specifically as it relates to this exhibit, the
16	A That's correct.	16	genesis of this exhibit
17	Q And I am not going to go into confidential	17	Q Okay.
18	information. If you would, please turn to page 3 of	18	A and what was in it.
19	this exhibit.	19	Q Okay. And next page, Mr. Ehrbar, this first
20	A I'm there.	20	bullet point, is it your understanding that the
21	Q So looking at lines 1 and 2, what we have here	21	Commission has previously approved a reduction to the
22	is a comparison of Schedule 25 versus total company,	22	_
23	meaning all schedules in Washington, DSM contributions	23	tariff rider?
24	versus direct incentives received; right?	24	A Yes. What stemmed from the 2014 Avista
25	A Yes. From 2005 on, that's what this shows,	25	
	Page 287		Page 289
	EXAMINATION BY COWELL / EHRBAR 287		EXAMINATION BY COMMISSIONER RENDAHL / EHR 289
1	yes.	1	funding to the low income rate assistance program to
2	Q Okay. Now, if you would, move forward,	2	just be the first and second block of for
3	please, page 6 of this exhibit.	3	Schedule 25. That differs, though, in our view from
4	A Okay.	4	DSM funding through Schedule 91, which is a system
5	Q And this would be the third column. Do you	5	
6	see where it says current Schedule 91 DSM revenues?	6	
7		0	to all customers.
	-		
0	A Ido.	7	Q And in this instance, as we're looking at this
8 9	A I do. Q Okay. Now, did ICNU break out DSM funding	7	Q And in this instance, as we're looking at this page, that was a complete exemption of contributions
。 9 10	A I do. Q Okay. Now, did ICNU break out DSM funding revenue contributions by class or rate schedule in	7 8	Q And in this instance, as we're looking at this
9 10	A I do. Q Okay. Now, did ICNU break out DSM funding revenue contributions by class or rate schedule in this first substantive column here using the	7 8 9	 Q And in this instance, as we're looking at this page, that was a complete exemption of contributions from the third energy block; right? A That is correct.
9 10 11	A I do. Q Okay. Now, did ICNU break out DSM funding revenue contributions by class or rate schedule in this first substantive column here using the information from one of your exhibits?	7 8 9 10	 Q And in this instance, as we're looking at this page, that was a complete exemption of contributions from the third energy block; right? A That is correct. Q And in this case you've testified that a
9 10	A I do. Q Okay. Now, did ICNU break out DSM funding revenue contributions by class or rate schedule in this first substantive column here using the information from one of your exhibits? A Yes.	7 8 9 10 11	 Q And in this instance, as we're looking at this page, that was a complete exemption of contributions from the third energy block; right? A That is correct. Q And in this case you've testified that a reasonable option would be one-half contributions from
9 10 11 12	 A I do. Q Okay. Now, did ICNU break out DSM funding revenue contributions by class or rate schedule in this first substantive column here using the information from one of your exhibits? A Yes. Q Next page, please. And, again, I won't be 	7 8 9 10 11 12	 Q And in this instance, as we're looking at this page, that was a complete exemption of contributions from the third energy block; right? A That is correct. Q And in this case you've testified that a reasonable option would be one-half contributions from the third energy block to Schedule 91, which is also a
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Page 290 Page 290 EXAMINATION BY COMMISSIONER REIDAL/FIRE 201 Inthe service of the same servi		cket Nos. UE-160228 and UG-160229 (Consolidated) - Vo	1. IX	• · ·
1 why the residential parody ratio is so ut of 1 Inite energy. Just a couple of questions. 2 alignment? Looking back at the - since someone shall 2 On page 3 and 10 of your testimony, you talk 4 bistory of this. It appears this has been an onging 5 So can you explain what's driving this issue 5 So can you explain what's driving this issue 5 So can you explain what's driving this issue 5 So can you explain what's driving this issue 5 So can you explain what's driving this issue 5 So can you explain what's driving this issue 5 So can you explain what's driving the back have that, guoto, So can you explain what you would support it be the sole 20 seen it for schedule 11 customers, the small 10 Immercial customers, it is is persistent either under- 11 Immercial customers, it is is persistent either under- 11 Immercial customers, it is is persistent of an adviss. 7 A sure. Vine wook bot know, say 10 ald of return that they per providing under cost of 13 Immercial customers, asy, Nothwest Natural down in the central down in the residential is. 5 Weak you know, say 1 Immercial customers, asy, Nothwest Natural down in the puget or Cascade. 1 Immercial customers, asy, Nothwest Natural down in the they provide with adviss and down adviss and wave, and customers, asy, N		-		-
2 An pages 3 and 10 of your testimony, you takk 3 You've been doing this for 20 years, you have some 3 4 about a possible workshop on cost of service. And you 5 istory of this. It appears this has been an ongoing 3 5 sent to be saying that you would support it or you 6 and what should be done to address it? 7 7 and what should be done to address it? 7 8 A.Sue. What we've had points over time, both 8 9 for Schedule 11 customers, the small 10 10 commercial customers, the small 10 11 commercial customers, the small 10 12 correrecovery of costs. And so Schedule 11 is. 16 13 stance, in, cough), wo on the return schedule 11 14 add return that they to proving under cost of 14 15 A Schedule 11 is small commercial customers. 17 16 A do. Itel like Im going alow. I'm vey 19 17 A Schedule 11 is small commercial customers. 17 18 add return that they'to be on who schedule 11 is. 16 19 ord retur				
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	EXAMINATION BY COMMISSIONER JONES / EHRB 294		EXAMINATION BY COMMISSIONER JONES / EHRB 296
1	precision around rate design.	1	or you build it out, it seems to me you're going to
2	Q Okay. But you attend NARUC meetings	2	have to be quantifying this benefit pretty soon in the
3	frequently, and you are fully aware that NARUC will	3	future, probably sooner rather than later. So what
4	have a DER rate design manual out in a few weeks, in	4	methodology or methodologies would you recommend that
5	November of this year, that could serve as a pretty	5	we start looking at?
6	good reference manual?	6	A I guess my first comment would be I do think
7	A Yes, sir.	7	we need the enabling platform, the enabling
8	Q My last question is on RRS-10 on you heard	8	technology, in order to be going down this road. So
9	my question to Ms. Rosentrater before on demand	9	that's what AMI would enable.
10	response. So my questions to you are twofold, and you	10	As it relates to what specifically specific
11	have had a chance to review RRS-10, Mr. Stephens'	11	items the Commission should look at now or in the near
12	proposal for a proposed tariff for one or several	12	future as it relates to DR, I think that that will be
13	large interruptible industrial customers in your	13	informed greatly by the work that's going on by Clint
14	service territory?	14	Kalich, the Company witness Kalich, and his group as
15	A Yes, I have.	15	we're going through the TAC process for the IRP.
16	Q And what do you think of that?	16	But I think the most critical item that we
17	A First, I'd point to Mr. Kalich's testimony.	17	need is that enabling infrastructure brought by AMI
18	So he provided some response to that. In general,	18	both for DR as well as potential pricing programs down
19	we're open the Company is open to demand response	19	the road.
20	and looking at even industrial demand response	20	Q And who at the Company is have you read our
21	programs. I believe Mr. Norwood referred to that	21	approval of the PSE request for approval on DR that we
22	earlier as well.	22	approved recently?
23	What we would be willing to do and what we'd	23	A I have not.
24	like to do is be able to work with those customers to	24	Q Is there anybody in the Company who has?
25	design a program that not only works for them, but	25	A That I don't know. I'm sure there is, but I
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	EXAMINATION BY COMMISSIONER JONES / EHRB 295		EXAMINATION BY CHAIRMAN DANNER / EHRBA 297
1	also works for the Company. So it's meaningful both	1	don't know off the top of my head.
2	in terms of its availability, both in terms of how	2	Q Who is responsible for following what the
3	often we can call on it, the length that we can call	3	Power Council is doing on demand response
4	on it, and the price of that resource.	4	collaborative?
5	The proposal put forth in this testimony was	5	A In general, that's Clint Kalich and his team,
6	not something that was workable for the Company at	6	and there may be others without looking at Ms. Gervais
7	this time, both in terms of its availability and	7	as to whether she's read it.
8	practicality, as well as we don't really have a need	8	Q I'm looking at her right now.
9	today for a capacity resource.	9	So, basically, you're saying that if we have
10	But as we're developing our 2017 IRP and we're	10	further questions on this, we should speak to
11	in the middle of the TAC process now, the Technical	11	Mr. Kalich?
12	Advisory Committee process, we are looking at the	12	A I think that would be helpful if you do have
13	demand response. And one of it is looking at	13	further questions.
14	industrial DR.	14	COMMISSIONER JONES: Okay. Thank you.
15	Q So you've been involved in these issues. I	15	CHAIRMAN DANNER: And who's Clint
16	think Mr. Cowell read all of your qualifications on	16	Kalich? I was just testing you.
17	demand DSM programs, and you've been doing this a	17	MR. EHRBAR: Senior vice president.
18	long time; right?	18	We're bumping him up each time.
19	A Yes.	19	EXAMINATION
20	Q So you heard my question to Ms. Rosentrater on	20	BY CHAIRMAN DANNER:
21	the AMI possible benefit for DR, did you not?	21	Q So I just want to get some clarification.
22	A I did.	22	We're talking about the generic cost of service study,
23	Q Do you have any ideas? I know there's no	23	and Mr. Ball will be testifying tomorrow. But I
24	evidence in the record, and it is an unquantified	24	just I think the concern, as I understood it, was
25	benefit. If the Commission does approve somehow AMI	25	that we had inconsistent methodologies, and what they
		1	

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	Page 298 EXAMINATION BY CHAIRMAN DANNER / EHRBA 298		
-		1	EXAMINATION BY CHAIRMAN DANNER / EHRBA 300
1	were looking at was developing a consistent	1	using a single methodology that might not be
2	methodology for cost of service and cost of service	2	reasonable. Again, I'm speculating, but if there's
3	studies.	3	flexibility, then I think that resolves that issue.
4	And so you're talking about the particular	4	Q But, I mean, there's a difference between, you
5	differences that utilities have. You know, some peak	5	know, the things come up, obviously, and there are
6	at different times and so forth, but wouldn't that	6	already we can recognize there are differences in
7	still lend itself to a consistent methodology as	7	utilities, but it seems to me in coming up with a
8	opposed to having one-offs for every utility?	8	methodology, you'd want to have something that
9	A To be honest, when I first came to this group	9	recognizes that things do come up and circumstances
10	and started looking at cost of service, this was one	10	can change and there are differences among them.
11	of the items that I said how is this not already been	11	And I'm just wondering what is the upside or
12	run to ground and blessed since 1930? Some of these	12	downside. Because, you know, so far we've just had
13	concepts, why have they been battling since the advent	13	everybody doing their own thing, and, as we can see,
14	of utilities?	14	we have some alignment issues. I'm just wondering if
15	That being said, I think that there are unique	15	it's better to take a hard look at everyone or if it's
16	reasons that some parties might like one methodology,	16	better just to have each utility go it alone, so I'm
17	and other parties might like a different methodology.	17	still struggling with that.
18	And one of the struggles that you see with the NARUC	18	A That's fair. I think we'd be more than
19	manual that Ms. Knox referred to is that nobody is	19	willing to participate if you choose to go down the
20	wrong. No methodology is necessarily wrong. They all	20	path of having bringing all the utilities together
21	have their place. They all can be supported. They're	21	to take a look at it.
22	all fair. It's just a matter of preference.	22	CHAIRMAN DANNER: All right. Thank
23	And so my thought in the cost of service	23	you. That's all I have.
24	workshops, while we would, as I said, be very active	24	JUDGE MOSS: All right. I believe that
25	and engaged if those happen, is that I think it will	25	completes our questioning, Mr. Ehrbar. We appreciate
	Page 299		Page 301
	EXAMINATION BY CHAIRMAN DANNER / EHRBA 299		301
1		1	
1 2	be hard to reach consensus among all parties between	1	you being here and giving your testimony. You may
2	be hard to reach consensus among all parties between the industrial advocates, maybe the utilities in the	2	you being here and giving your testimony. You may step down from the witness stand.
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