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BEFORE THE WASHINGTON STATE UTILITIES AND
TRANSPORTATION COMMISSION

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

EVIDENTIARY HEARING, VOLUME IV
PAGES 62 - 303

ADMINISTRATIVE LAW JUDGE DENNIS J. MOSS

9:31 A.M.
OCTOBER 12, 2016

Washington Utilities and Transportation Commission
1300 South Evergreen Park Drive Southwest, Room 206
Olympia, Washington 98504-7250

REPORTED BY: Nancy M. Kottenstette, RPR, CCR 3377

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3 KELLY O. NORWOOD

4 EXAMINATION

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25 Questions By Chairman Danner: 161

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1 KAREN K. SCHUH		1 OLYMPIA, WASHINGTON; October 12, 2016	
2 EXAMINATION		2 9:31 a.m.	
3 Questions By Mr. Meyer: 166		3	
4 Questions By Commissioner Jones: 168		4 JUDGE MOSS: Let's be on the record.	
5		5 Good morning, everybody. My name is Dennis Moss. I'm	
6 SCOTT KINNEY (via conference call)		6 an administrative law judge with the Washington	
7 EXAMINATION		7 Utilities and Transportation Commission. We are here	
8 Questions By Commissioner Jones: 174		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 Questions By Mr. Meyer: 178		12 before me in one capacity or another. I welcome those	
13 Questions By Ms. Cameron-Rulkowski: 179		13 of you who have not.	
14 Questions By Commissioner Rendahl: 183		14 Ms. Gafken, I welcome you for the first time	
15		15 in your new capacity as a public counsel for the state	
16 HEATHER L. ROSENTRATER		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 Questions By Mr. Meyer: 186		18 way of opening comments concerning this case. It's,	
19 Questions By Ms. Gafken: 187		19 of course, a general rate case proceeding. We're all	
20 Questions By Commissioner Jones: 205		20 familiar with what that portends. I think we'll just	
21 Questions By Commissioner Rendahl: 229		21 launch right into the appearances, and we need only do	
22 Questions By Chairman Danner: 232		22 the short form of appearances today. So we'll begin	
23 Questions By Mr. Meyer: 234		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 EXAMINATION		2 the room.	
3 Questions By Ms. Cameron-Rulkowski: 239		3 MR. COWELL: Thank you, Your Honor.	
4 Questions By Mr. Meyer: 239		4 Jesse Cowell on behalf of the Industrial Customers of	
5 Questions By Commissioner Jones: 245		5 Northwest Utilities.	
6 Questions By Ms. Cameron-Rulkowski: 246		6 MR. BROOKS: Good morning, Your Honor.	
7 Questions By Mr. Meyer: 250		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	
10 EXAMINATION		10 glad to see you sitting in front of me today instead	
11 Questions By Mr. Meyer: 253		11 of off to the side so I won't overlook you at any	
12 Questions By Mr. Cowell: 254		12 point in the hearing, I hope.	
13		13 Energy Project.	
14 PATRICK EHRBAR		14 MR. ROSEMAN: Good morning, Your Honor.	
15 EXAMINATION		15 I'm Ronald Roseman on behalf of the Energy Project.	
16 Questions By Mr. Meyer: 270		16 MS. GAFKEN: Good morning. Lisa	
17 Questions By Ms. Gafken: 271		17 Gafken, Assistant Attorney General, appearing on	
18 Questions By Mr. Cowell: 273		18 behalf of Public Counsel.	
19 Questions By Commissioner Rendahl: 289		19 MS. CAMERON-RULKOWSKI: Good morning.	
20 Questions By Commissioner Jones: 291		20 Jennifer Cameron-Rulkowski, Assistant Attorney	
21 Questions By Chairman Danner: 297		21 General, and with me I have Andrew O'Connell,	
22		22 Assistant Attorney General, and Brett Shearer,	
23		23 Assistant Attorney General, appearing on behalf of	
24		24 Staff.	
25		25 JUDGE MOSS: Okay. And I see	

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<p style="text-align: center;">70</p> <p>1 Mr. Shearer sitting out there. Will you be conducting 2 everything from here, or will he be participating from 3 up front here? 4 MS. CAMERON-RULKOWSKI: We will be 5 playing some musical chairs. 6 JUDGE MOSS: Okay. That is my point, 7 in fact. I do, of course, require you to be up here 8 when we're actually involved so that we can get the 9 microphone to pick up everything that's said. 10 I will remind the parties to speak slowly, 11 something I cautioned myself about earlier in talking 12 to our court reporter, and I told her that she has the 13 freedom to interrupt you if you talk too fast. If 14 that happens, please keep it in mind. 15 Our plan for the hearing we have an order of 16 witnesses to which the parties agreed, so we'll follow 17 that order unless it's necessary to depart for some 18 reason, availability or some other good reason. We 19 are going to have a panel tomorrow at 10:00 on the 20 telephone. We'll have the cost of capital witnesses, 21 McKenzie, Parcell, and Gorman, for questions from the 22 Bench. There's no cross designated for them. 23 We'll take at least one break this morning and 24 one this afternoon, more if I or other members of the 25 Bench need it, or if the poor court reporter indicates</p>	<p style="text-align: center;">72</p> <p>1 With the exception of that one exhibit we have 2 just identified, all of the prefiled testimonies and 3 exhibits will be admitted as marked, and we will 4 provide the exhibit list to the court reporter. 5 All right. Go ahead, Mr. Meyer. 6 MR. MEYER: Thank you. Actually, that 7 revised exhibit list was one thing I had a question 8 on. 9 JUDGE MOSS: All right. 10 MR. MEYER: We did a couple of things 11 in the last two days. By now you should have received 12 a couple of revised pages of Ms. Andrews. 13 JUDGE MOSS: We did. 14 MR. MEYER: And so that has been filed 15 and distributed. 16 We also revised both the Norwood and Andrews 17 testimony to remove the AMI deferral discussion, and 18 that has been received; correct? 19 JUDGE MOSS: Yes. 20 MR. MEYER: So will the revised exhibit 21 list when it's republished that will show that those 22 two bits of testimony have been revised? 23 JUDGE MOSS: When we do the final at 24 the end of the hearing, we'll indicate, in some 25 fashion or another, that those are the revised forms.</p>
Page 71	Page 73
<p style="text-align: center;">71</p> <p>1 she needs to take a break, we'll do that. The rest of 2 you will just have to suffer silently. We'll set the 3 time for starting tomorrow at the end of the day 4 depending on where we are. 5 Now, the one preliminary matter I have is the 6 question whether we can stipulate all of the prefiled 7 exhibits, testimony, and so forth or whether there are 8 some as to which parties have objections. 9 Mr. Meyer? 10 MR. MEYER: Avista has no objection, 11 and we ask that they all be admitted. 12 JUDGE MOSS: Anybody? 13 MS. CAMERON-RULKOWSKI: Staff 14 stipulates to the entry of all of the exhibits except 15 for CSH-13CX, which is a cross-exhibit directed to 16 Mr. Hancock from Public Counsel. 17 JUDGE MOSS: All right. And 18 Mr. Hancock, as I recall, is designated for 19 cross-examination. So when we get to that exhibit, we 20 will take up the objection at that time. 21 Anything else? 22 MR. MEYER: Just a couple of other 23 preliminary matters. 24 JUDGE MOSS: Let me get through with 25 this first.</p>	<p style="text-align: center;">73</p> <p>1 And thank you for reminding me. I should have said 2 that. It is the most recent revised form of any given 3 exhibit that will be admitted as evidence in the 4 record. 5 MR. MEYER: And we -- as per your 6 instructions, we've distributed hard copies of those 7 two bits of testimony, not only five hard copies to 8 the filing center, but also one to each party of 9 record. 10 JUDGE MOSS: Great. 11 MR. MEYER: So I think we've taken care 12 of that piece. 13 Let's see. The only other thing I would 14 mention is to extend my thanks and appreciation to the 15 Commission for looking over the cross list determining 16 which witnesses could be excused. It greatly helped 17 our planning purposes and so we had an idea of how we 18 could efficiently work it from our end. So thank you 19 for doing that. 20 And also thanks to the parties. This, I 21 think, has gone, at least from my point of view, 22 particularly well, a smooth prehearing lead-up into 23 this whole process. The parties were great providing 24 not only an order of witnesses but their time 25 estimates, so thank you.</p>

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1	JUDGE MOSS: We appreciate your	1	these responses are part of cross-exhibits. And we --
2	remarks.	2	I haven't had a chance to speak to Mr. Cowell, but we
3	Is there anything else preliminary? Yes, I	3	do have those corrected responses available if -- and
4	see some.	4	we can decide if we want to do those corrections on
5	MR. COWELL: Thank you, Your Honor.	5	the record or if you'd like to provide copies. We're
6	One item in regards to the witness order, the parties	6	open to taking care of that however you'd prefer.
7	have discussed allowing Mr. Stephens on behalf of ICNU	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
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
21	Anything else?	21	Friday, if that's acceptable to the Bench.
22	MR. BROOKS: Your Honor.	22	JUDGE MOSS: That's acceptable to the
23	JUDGE MOSS: Go ahead, Mr. Brooks.	23	Bench. Anybody else have a problem with it? All
24	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		Page 77	
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1	and a couple witnesses that we no longer have	1	designate it as?
2	questions for. I don't know if, for planning	2	JUDGE MOSS: Do we normally designate
3	purposes, it would be good for you to know that we	3	that as a Bench exhibit or Public Counsel exhibit?
4	have taken some people off the list?	4	MS. GAFKEN: It's been done both ways.
5	JUDGE MOSS: Sure. Go ahead and tell	5	JUDGE MOSS: We'll make it a Bench
6	me.	6	exhibit. What number will it be?
7	MR. BROOKS: We no longer have	7	JUDGE PEARSON: BR-4.
8	questions for Mr. Norwood nor for Mr. Ehrbar, and we	8	JUDGE MOSS: All right. BR-4.
9	also no longer have questions for Mr. Ball. And then	9	And I am remiss in not having acknowledged
10	the final change is we've -- our estimate for	10	Judge Rayne Pearson's presence on the Bench with me
11	Mr. Hancock is we are only going to need about five	11	today. She's working with me in this case. This is
12	minutes.	12	her first general rate case, and so I'm proud to have
13	JUDGE MOSS: All right. Okay. Anybody	13	her here and pleased to have her here. And she's also
14	else have a preliminary matter for me?	14	sufficiently capable with all this modern technology
15	MS. CAMERON-RULKOWSKI: Yes, Your	15	that I'm sitting up here with no books today. That's
16	Honor. We also have a reduction to our	16	our goal is to be a paperless workplace, and so we're
17	cross-examination estimates. Staff will no longer	17	moving in that direction.
18	need to cross-examine Mr. Norwood or Ms. Andrews.	18	Yes, Mr. Meyer, if not for her, I'd have all
19	JUDGE MOSS: All right.	19	that in front of me too. All right. Very good.
20	MS. CAMERON-RULKOWSKI: And, in	20	Anything else? Mr. Roseman?
21	addition, Staff will not have cross for Mr. Stephens.	21	All right. Fine.
22	JUDGE MOSS: All right.	22	Then I think we're ready to go. Let's call
23	MS. CAMERON-RULKOWSKI: And then I have	23	Mr. Norwood up to the stand, please.
24	one other issue, which is that Staff recently	24	
25	supplemented discovery responses to ICNU, and two of	25	

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EXAMINATION BY MEYER / NORWOOD 78

1 KELLY O. NORWOOD, witness herein, having been
 2 first duly sworn on oath,
 3 was examined and testified
 4 as follows:
 5
 6 EXAMINATION
 7 BY MR. MEYER:
 8 **Q Mr. Norwood, for the record, please state your**
 9 **name.**
 10 A Yes. Kelly O. Norwood.
 11 **Q And have you prepared rebuttal testimony that**
 12 **has been filed and admitted? It has been marked as**
 13 **Exhibit KON-1T?**
 14 A Yes.
 15 **Q Do you have any changes to make to that other**
 16 **than the revisions that were provided to the**
 17 **Commission and all parties yesterday?**
 18 A No.
 19 MR. MEYER: So having had that exhibit
 20 entered as revised, he is available for cross.
 21 JUDGE MOSS: All right. Thank you very
 22 much. And let's see. We have the first -- I'm just
 23 going to use my list unless somebody wants a different
 24 order. We'll start with Public Counsel for
 25 Mr. Norwood since Staff has waived cross.

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EXAMINATION BY GAFKEN / NORWOOD 79

1 EXAMINATION
 2 BY MS. GAFKEN:
 3 **Q Good morning, Mr. Norwood.**
 4 A Good morning, Ms. Gafken.
 5 **Q Would you please turn to your rebuttal**
 6 **testimony, which is KON-1T, and go to page 11.**
 7 A I have it.
 8 **Q And refer to Table 3.**
 9 JUDGE MOSS: Excuse me for
 10 interrupting. We have an indication through our
 11 magical e-mail up here that some parties who are
 12 listening in are having a hard time hearing. So if
 13 people could be sure they're speaking directly into
 14 the mike and perhaps elevate their voice slightly,
 15 that will perhaps alleviate that problem.
 16 Go ahead. And I'm sorry for the interruption.
 17 BY MS. GAFKEN:
 18 **Q There you set out Avista's ROE for electric,**
 19 **national gas, and total Washington jurisdiction;**
 20 **correct?**
 21 A That's correct.
 22 **Q Is it Avista's position that the Commission**
 23 **should evaluate Avista's recent earned rates of return**
 24 **on equity on a combined basis for both electric and**
 25 **national gas operations?**

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EXAMINATION BY GAFKEN / NORWOOD 80

1 A I think they should look at the combined. I
 2 think they should also look at them individually.
 3 **Q And when setting the ROE and setting rates for**
 4 **each service, what should the Commission consider?**
 5 A They should consider what's appropriate for
 6 the electric business as well as the gas business,
 7 and, generally, they do that. They look at the
 8 revenue requirements separately, electric and then
 9 natural gas.
 10 **Q Would you please turn to -- stay with the same**
 11 **exhibit, Exhibit KON-1T, and turn to page 7, Table 1.**
 12 A I have it.
 13 **Q There you set out the positions advocated for**
 14 **by Public Counsel, ICNU, and Commission Staff in**
 15 **Avista's 2012, 2014, and 2015 general rate cases;**
 16 **correct?**
 17 A Yes.
 18 **Q And just for the record, the electric**
 19 **dockets -- I won't go through both the consolidated**
 20 **dockets for those cases, but the electric dockets were**
 21 **UE-1120436, UE-140188, and UE-150204. Does that sound**
 22 **correct?**
 23 A I will accept that.
 24 **Q Subject to check?**
 25 A Yes.

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EXAMINATION BY GAFKEN / NORWOOD 81

1 **Q Table 1 also shows the revenue requirement**
 2 **authorized by the Commission in each of those cases;**
 3 **correct?**
 4 A That's correct.
 5 **Q And in your testimony, you conclude that the**
 6 **Commission determined that the positions of Public**
 7 **Counsel and ICNU were not reasonable based on the**
 8 **amounts authorized versus the amounts advocated for;**
 9 **correct?**
 10 A Either implicitly or explicitly, yes.
 11 **Q In Avista's 2012 general rate case, which set**
 12 **the rates for the 2013 rate year, Avista sought a**
 13 **revenue requirement of, approximately, \$41 million;**
 14 **correct?**
 15 A I will accept that subject to check.
 16 **Q And in Avista's 2014 general rate case, which**
 17 **set rates for the 2015 rate year, Avista sought a**
 18 **revenue requirement of, approximately, \$18.2 million;**
 19 **correct?**
 20 A Are you saying -- when you say Avista set a
 21 revenue --
 22 **Q Sought.**
 23 A -- is that Avista's request?
 24 **Q Yes.**
 25 A Okay. I will accept that subject to check,

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EXAMINATION BY GAFKEN / NORWOOD 82

1 but I think it's important to consider what happens
 2 during the course of the case. In every rate case we
 3 file, we provide updated information to all the
 4 parties. So what's relevant really is what is the
 5 need for rate relief at the end of the case when the
 6 Commission makes its decision versus a decision is
 7 made.
 8 Because things change over the course of the
 9 case up or down, and this Commission has determined in
 10 the past that they want to see the updated information
 11 so long as the parties have time to review that
 12 information. So that's the relevant comparison.
 13 **Q But, Mr. Norwood, Avista has a litigated**
 14 **position in each one of these general rate cases;**
 15 **isn't that correct?**
 16 A Yes. We filed what we need at the beginning
 17 of the case, but we provide updated information along
 18 the way, which is important.
 19 **Q Right. And even the updated position is a**
 20 **litigated position?**
 21 A Yes. Unless there's a settlement, that's
 22 correct.
 23 **Q And that position, even the updated position**
 24 **at the end of the case, is, oftentimes, different than**
 25 **what the Commission ultimately orders in their -- in**

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EXAMINATION BY COWELL / NORWOOD 83

1 **the final order?**
 2 A Generally, yes.
 3 **Q And Avista's 2015 general rate case, which set**
 4 **rates for the 2016 rate year, Avista sought a revenue**
 5 **requirement of, approximately, \$33 million; correct?**
 6 A Yes, it did.
 7 **Q Do you agree that Avista bears the burden of**
 8 **proof in this case and all general rate cases to**
 9 **demonstrate that the rate request is fair, just,**
 10 **reasonable, and sufficient?**
 11 A Yes. At the beginning of the case and as the
 12 case progresses, the burden is on Avista to
 13 demonstrate the need for rate relief whether it goes
 14 up or down during the pendency of the case.
 15 MS. GAFKEN: Thank you. I have no
 16 further questions.
 17 JUDGE MOSS: Thank you very much,
 18 Ms. Gafken.
 19 And ICNU has some questions, I believe.
 20 Mr. Cowell.
 21 MR. COWELL: Thank you, Your Honor.
 22 EXAMINATION
 23 BY MR. COWELL:
 24 **Q Good morning, Mr. Norwood.**
 25 A Good morning.

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EXAMINATION BY COWELL / NORWOOD 84

1 **Q Mr. Norwood, if we could start at page 6 of**
 2 **your rebuttal testimony.**
 3 A I have it.
 4 **Q On behalf of the Company, you asked that the**
 5 **Commission consider revenue adjustment proposals**
 6 **within the context of several criteria on this page;**
 7 **right?**
 8 A Yes.
 9 **Q First, you testified that non-Company**
 10 **proposals in prior rate cases have been demonstrated**
 11 **to be unreasonable; right?**
 12 A Yes.
 13 **Q In particular, you singled out ICNU and Public**
 14 **Counsel for proposals, quote, dramatically different**
 15 **from the end results ordered by the Commission;**
 16 **correct?**
 17 A Yes. And I provided numbers to demonstrate
 18 what the proposals were versus what was ordered at the
 19 end of the case.
 20 **Q Right. And we'll go into that a little bit**
 21 **here. And if you'd please turn to Cross-Exhibit**
 22 **KON-2CX, please, page 1 of the exhibit.**
 23 A I have it.
 24 **Q Okay. Now, in the first sentence of the**
 25 **Company's response to ICNU Data Request 179 Subpart B,**

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EXAMINATION BY COWELL / NORWOOD 85

1 **the Company agrees that Avista originally filed for a**
 2 **33.2 million electric increase in the last general**
 3 **rate case as discussed in your cross with Ms. Gafken;**
 4 **correct?**
 5 A That's correct.
 6 **Q As Vice President of State Regulation, can you**
 7 **describe the level of involvement you have personally**
 8 **in the Company's original filing of a general electric**
 9 **rate case?**
 10 A I'm very involved in the development of the
 11 revenue requirement. I work closely with Ms. Andrews
 12 as she gathers all the adjustments to the rate case.
 13 So I am very familiar with all the adjustments that
 14 are reflected in the case as well as the policy issues
 15 that are included in the case. So I'm very familiar
 16 with the initial revenue requirement filed by the
 17 Company.
 18 **Q Now, would it be fair to say, Mr. Norwood,**
 19 **that the company has access to the information it**
 20 **needs to justify an electric rate increase at the time**
 21 **it makes an original general rate case filing?**
 22 A Absolutely.
 23 **Q So staying here on page 1 of this**
 24 **cross-exhibit, if you'd look to the first sentence of**
 25 **the response to ICNU Data Request 179 Subpart C, here**

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EXAMINATION BY COWELL / NORWOOD 86

1 **the Company agrees that the Commission approved an**
 2 **electric revenue reduction of 8.1 million in the last**
 3 **general rate case; right?**
 4 A That's correct.
 5 **Q And the first sentence of the next paragraph**
 6 **in the Company's response, still Subpart C here, this**
 7 **is now on the second page of this cross-exhibit,**
 8 **beginning at the first full paragraph, the Company**
 9 **agrees that the Commission's authorized electric**
 10 **revenue reduction was 41.3 million below Avista's**
 11 **original request; right?**
 12 A The key word is "original request." As we
 13 progress through a case, the Commission and the
 14 parties expect us to provide updated information. The
 15 relevant comparison here is at the time the Commission
 16 made the decision what was the Company's proposal.
 17 And as we all know, natural gas prices fell
 18 considerably last year, and that was reflected in the
 19 case. We had a settlement agreement where we agreed
 20 to certain changes, the Nine Mile project as an
 21 example. As we got into that project, it took more
 22 time to complete; and because that shifted to 2016,
 23 that reduced our need for rate relief.
 24 So when we file a case, we file a request
 25 based on the known information at the time. As things

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EXAMINATION BY COWELL / NORWOOD 87

1 change, we provide all that information. So it was a
 2 good thing for everyone that things changed last year,
 3 which reduced our need for rate relief. So the
 4 relevant consideration is at the time the Commission
 5 ordered an \$8 million rate reduction, Avista's
 6 proposal was a reduction of 5.7. It was very close.
 7 At the same time, you had ICNU and Public
 8 Counsel -- I don't have the numbers in front of me,
 9 but it was -- ICNU was \$29.7 million reduction and
 10 Public Counsel had a \$42 million reduction. So at the
 11 time that the decision was made, there was a dramatic
 12 difference between where the Company was at, where the
 13 Commission landed, and where those parties were.
 14 That's the relevant comparison.
 15 **Q Right. So bearing in mind the figure you just**
 16 **quoted for ICNU's proposed revenue reduction in the**
 17 **last case, if you could, please turn to page 3 of this**
 18 **cross-exhibit.**
 19 A I'm there.
 20 **Q And in response to Subpart B in ICNU Data**
 21 **Request 181, the Company confirms the difference**
 22 **between ICNU's proposal and the electric revenue**
 23 **requirement decrease approved by the Commission in the**
 24 **last general rate case was 21.6 million; right?**
 25 A Yes.

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EXAMINATION BY COWELL / NORWOOD 88

1 **Q Now, subject to check, in the Company's last**
 2 **rate case, would you agree that Avista's original**
 3 **proposal was 19.7 million further away from the**
 4 **Commission's authorized revenue level than was ICNU's**
 5 **proposal?**
 6 A I didn't follow all of that.
 7 **Q 33.2 million --**
 8 A Our original request.
 9 **Q -- your original proposal.**
 10 A Versus?
 11 **Q Authorized level of 8.1 million reduction**
 12 **compared with ICNU proposed reduction of**
 13 **29.6 million -- .7 million.**
 14 **So my question is: Would you agree that**
 15 **Avista's original proposal was \$19.7 million further**
 16 **away from the Commission's authorized electric revenue**
 17 **level in comparison to where ICNU's proposal was in**
 18 **that case? Subject to check, does that sound about in**
 19 **the ballpark?**
 20 A I'm assuming what you're doing is taking the
 21 8 million negative and the 33 million positive --
 22 **Q Comparing the differences --**
 23 A -- that's 41 million --
 24 **JUDGE MOSS: Let's remind ourselves to**
 25 **just talk one at a time. The court reporter can't get**

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EXAMINATION BY COWELL / NORWOOD 89

1 both of you at once.
 2 A I'm sorry. I didn't follow your math, and the
 3 math doesn't add up for me. But we've already covered
 4 the ground that Avista originally asked for an
 5 increase of 33. The Commission ordered 8.1, so I'll
 6 accept that.
 7 **Q We can move on.**
 8 **Now, same page, in response to Subpart C and D**
 9 **of ICNU Data Request 181, the Company confirms that an**
 10 **electric revenue proposal that varies by 21.6 million**
 11 **from an amount ultimately authorized by the Commission**
 12 **is, in the Company's understanding, dramatically**
 13 **different and not reasonable; right?**
 14 A Absolutely. If you convert that into return
 15 on equity, the Commission ordered a 9.5 percent ROE.
 16 This would translate into a difference of, roughly,
 17 200 basis points. If we were to have an opportunity
 18 to earn 7.5 percent, I think the rating agencies,
 19 investors, and others would consider that a dramatic
 20 change.
 21 **Q Sure. And I do want to follow up with ROE a**
 22 **little bit later.**
 23 **In your opinion, Mr. Norwood, do non-Company**
 24 **parties in a general rate proceeding have the same,**
 25 **less, or more information about the Company's revenue**

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EXAMINATION BY COWELL / NORWOOD 90

1 **requirement than Avista itself?**
 2 A You said the parties in the rate proceeding?
 3 **Q In a general rate proceeding have the same,**
 4 **less, or more information than Avista regarding the**
 5 **Company's revenue requirement?**
 6 A Well, we provide all the information that's
 7 relevant to the case to the parties. In direct case,
 8 we respond to discovery. So, you know, I'm not sure
 9 where you're going with a question, but all the
 10 information surrounding the revenue requirements is
 11 provided to all the parties.
 12 **Q Okay. Just looking for your opinion on that**
 13 **question. Same, less, or more?**
 14 A I think we're all focused on the same
 15 information as it relates to the requested revenue
 16 increase.
 17 **Q Could you please turn to page 2 of your**
 18 **rebuttal testimony.**
 19 A Page 2, I'm there.
 20 **Q Okay. You provided a block quote here on this**
 21 **page from Staff witness Mr. Hancock regarding his**
 22 **support for changing the cycle of rate filings; right?**
 23 A Yes.
 24 **Q Do you agree generally with Mr. Hancock's**
 25 **statements in that block quote?**

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EXAMINATION BY COWELL / NORWOOD 91

1 A Yes.
 2 **Q Okay. In that portion of testimony you**
 3 **quoted, Mr. Hancock states that, in the second**
 4 **sentence of that block quote: Intervening Parties**
 5 **would likely be better able to represent their**
 6 **constituents and provide deeper analysis and**
 7 **commentary to the Commission in its efforts to produce**
 8 **outcomes in the public interest. Did I read that**
 9 **correctly?**
 10 A Yes.
 11 **Q Specifically, do you agree that changing the**
 12 **cycle of Avista rate case files would allow**
 13 **Intervening Parties in the Company's future general**
 14 **rate cases to provide deeper analysis than Intervening**
 15 **Parties have historically been able to provide in**
 16 **company rate cases?**
 17 A That's really the view of Commission Staff,
 18 and it's based on the workload they have and their
 19 approach to a rate case. So this is Mr. Hancock's
 20 representation with regard to that piece of this
 21 quote.
 22 So I can't comment on whether -- what factors
 23 go into what would allow Intervening Parties or the
 24 Staff in terms of more time and to dig deeper. They
 25 certainly have the opportunity over the course of an

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EXAMINATION BY COWELL / NORWOOD 92

1 11-month proceeding to ask discovery. They've been
 2 over to our offices a couple of times to audit
 3 information, so I would leave that to Mr. Hancock as
 4 to what he's getting at right there.
 5 **Q Right. And we've designated some cross time**
 6 **for him, and I can ask him about it. But because you**
 7 **quoted it, I'm just asking for your opinion on that**
 8 **because you chose to provide this as a block quote.**
 9 A I would defer to Mr. Hancock on what he meant
 10 by that portion of the quote.
 11 **Q Okay. Let me try to state this concept**
 12 **another way.**
 13 **There's room for improvement in regard to**
 14 **Intervener analysis of Company-proposed revenue**
 15 **requirement that changing the cycle of Avista filings**
 16 **will facilitate or promote in your opinion? Would**
 17 **that be accurate?**
 18 A No. I think the Interveners and Staff would
 19 have to speak for themselves as to whether they need
 20 more information or a different approach. So I will
 21 not try to attempt to speak for Interveners or Staff
 22 with regard to that topic.
 23 **Q Let's turn back, please, to your**
 24 **cross-exhibit, page 2, KON-2CX, page 2.**
 25 A I'm there.

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EXAMINATION BY COWELL / NORWOOD 93

1 **Q The very last sentence of the Company's**
 2 **response states in the last clause, quote, who had --**
 3 **who also had all information when deciding the**
 4 **Company's case.**
 5 **And my question to you is: Who does the "who"**
 6 **here refer to?**
 7 A The Commission.
 8 **Q To the Commission. Okay. Thank you. If we**
 9 **could turn back to page 5 of your rebuttal testimony.**
 10 A I'm there.
 11 **Q Okay. The last sentence of the first full**
 12 **paragraph states: A mechanistic application of inputs**
 13 **to a model, along with logical arguments that on the**
 14 **surface may appear to be reasonable, will not**
 15 **necessarily produce reasonable end results.**
 16 **Does this statement refer to Mr. Mullins'**
 17 **attrition study on behalf of ICNU?**
 18 A It is a general statement, and so in this
 19 case, yes. I would say yes. And Ms. Andrews and
 20 Mr. -- Dr. Forsyth have addressed some of the
 21 mechanics that he's employed, which, in our view, are
 22 not appropriate.
 23 **Q Now, sticking here with this statement in your**
 24 **testimony, did you intentionally mean to emphasize the**
 25 **phrases "mechanistic application of inputs" and "on**

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EXAMINATION BY COWELL / NORWOOD 94

1 the surface" by underlining them?

2 A Yes.

3 **Q Now, when you testified that an attrition**

4 **analysis is emphatically mechanistic and includes**

5 **logical arguments that may appear reasonable on the**

6 **surface, do you mean to say that such analysis is**

7 **arbitrary?**

8 A Absolutely not. In other places in my

9 testimony, I emphasize that you shouldn't just apply

10 mechanics to numbers. You should do the studies, and

11 then after you do the studies, you should consider all

12 other evidence in the case to see whether your outcome

13 or your end result is representative of what's going

14 to happen during the rate-effected period.

15 **Q Now, have you reviewed or are you familiar**

16 **with Mr. Mullins' updated revenue requirement**

17 **calculations provided in his cross-answering**

18 **testimony?**

19 A I read his cross-answering testimony.

20 **Q Would you agree that Mr. Mullins' updated**

21 **attrition allowance model supports an electric revenue**

22 **sufficiency of 1.0 million for Avista?**

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

24 **Q Now, based on the Company's discovery**

25 **response, we talked about this defining the**

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1 dramatically different phrase that was used. Would

2 you agree that ICNU's attrition-based proposal in this

3 case is dramatically different from the

4 \$29.7 million electric revenue sufficiency that ICNU

5 proposed in the last general rate case?

6 A This is a different case. We have a different

7 starting point, a different set of data. If you're

8 asking whether ICNU's proposal in this case is

9 dramatically different than what Avista has

10 demonstrated in terms of a need for rate relief, I

11 would say, yes, it is dramatically different and

12 dramatically low.

13 **Q Right. And just to confirm as we had talked**

14 **about on page 3 of your cross-exhibit, Avista had said**

15 **that a \$21.6 million difference was dramatically**

16 **different. That was the threshold confirmed; correct?**

17 A Dramatically different from what the

18 Commission ordered, and after the fact, if you look at

19 it, it shows that what the Commission ordered was in

20 line with what was needed.

21 **Q Okay. Would you also agree that ICNU**

22 **conducted an attrition study analysis in this**

23 **proceeding while it did not in the last general rate**

24 **case?**

25 A Yes.

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EXAMINATION BY COWELL / NORWOOD 96

1 **Q Would you agree that the 1.0 million electric**

2 **revenue decrease proposed by Mr. Mullins based on**

3 **attrition modeling in this case is over \$7 million**

4 **higher than the \$8.1 million end result authorized by**

5 **the Commission in the last general rate case also**

6 **based on attrition models?**

7 A That's completely irrelevant, completely

8 different set of circumstances, different set of

9 investment. There's no reason to compare those two

10 numbers. They're not comparable. What's relevant is

11 what is the evidence in this case.

12 And if you look at his application of the

13 attrition methodology, his selective use of many years

14 for one escalator and a few years for others, his end

15 result isn't reasonable when you compare it to other

16 proposals in this case.

17 **Q Okay. I think you just answered my next**

18 **question. But to confirm, it's your position that**

19 **ICNU's proposed end result of electric revenue of**

20 **\$1.0 million decrease is unreasonable?**

21 A Correct.

22 **Q Could you please turn to page 6 of your**

23 **rebuttal testimony.**

24 A I'm there.

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

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EXAMINATION BY COWELL / NORWOOD 97

1 Commission consider revenue adjustment proposals in

2 this proceeding within the context of evidence

3 pertaining to no evidence of a self-fulfilling

4 prophecy; right?

5 A Correct.

6 **Q Now, in support of this position, looking at**

7 **the last sentence of this paragraph beginning on**

8 **line 34, you testify that Avista's operating costs**

9 **also reflect recent and continuing efforts to partner**

10 **with customers, and skipping ahead a little bit, to**

11 **provide new products, services, and information for**

12 **customers toward an energy-efficient and low-carbon**

13 **future; right?**

14 A Yes.

15 **Q First, what does it mean to you to partner**

16 **with customers in the context of providing new**

17 **products toward an energy-efficient future?**

18 A There's a number of examples we can talk

19 about. The Commission recently approved our electric

20 vehicle pilot program where we're partnering with

21 vendors and our customers related to electric

22 vehicles. That's an ongoing program.

23 We, last year, started a program related to --

24 it's home heating and ventilation, HVAC, filters,

25 which provides the opportunity for customers to sign

<p style="text-align: right;">Page 98</p> <p style="text-align: center;">EXAMINATION BY COWELL / NORWOOD 98</p> <p>1 up for reminders or to have filters delivered to their 2 house on a regular basis. We're looking at the 3 advanced metering infrastructure, which is going to 4 allow us to gather more information and provide more 5 information to customers. 6 So these are just a few of the items that 7 we're doing to partner with customers to help them 8 manage their energy use, give them more information, 9 which will address energy efficiency as well as 10 carbon, and all those things cost money. And we're 11 being very transparent with all those programs with 12 all the parties. 13 Q And I know that there are other company 14 witnesses more focused upon AMI. But as you mentioned 15 it, is it your understanding that the AMI program 16 would swap out industrial customer meters? 17 A I'll defer to Ms. Rosentrater on the answer to 18 that question. 19 Q Okay. And I know she's not scheduled to 20 appear, but I think the record is fine with that. 21 I'll leave it at that. 22 In your view, does an energy-efficient future 23 for Avista include demand response programs? 24 A I believe it does. We addressed that in the 25 last integrated resource plan. I think what they</p>	<p style="text-align: right;">Page 100</p> <p style="text-align: center;">EXAMINATION BY COWELL / NORWOOD 100</p> <p>1 based on the value of capacity, the amount of hours 2 that they would be able to shut down is very limited 3 value to that particular proposal. 4 Q Okay. Could you please turn to page 13 of 5 your rebuttal testimony, and I'd ask that you take a 6 moment to review your testimony between page 13, 7 line 19, through page 14, line 3. And let me know 8 when you're ready. 9 A I've read it. 10 Q Okay. Now, starting on page 14, line 1, you 11 testify that if the Commission had ordered revenue 12 adjustments in line with those proposed by non-Company 13 parties in the 2015 general rate case, Avista would be 14 experiencing significant under-earnings during 2016; 15 right? 16 A Correct. 17 Q Now, based upon your own reasoning here, would 18 you agree that Avista would be experiencing 19 significant over-earnings during 2016 if the 20 Commission had ordered revenue adjustments in line 21 with the \$33.2 million electric increase that Avista 22 originally proposed in the last rate case? 23 A That's irrelevant. Our proposal at the time 24 the Commission issued its order was for a revenue 25 decrease of \$5.7 million. The Commission ordered a</p>
<p style="text-align: right;">Page 99</p> <p style="text-align: center;">EXAMINATION BY COWELL / NORWOOD 99</p> <p>1 found there is that may be a while before we engage 2 significantly in that, but we're certainly interested 3 in that. So I believe that is a part of our future. 4 Q Okay. Now, based on the evidence in this 5 proceeding, do you believe that Avista could support a 6 claim of recent and continuing efforts to partner with 7 industrial customers in developing new demand 8 responses products or services? 9 A Yes. I have actually been directly involved 10 in one -- with one of ICNU's customers in looking at a 11 possible demand response program. In fact, we have 12 talked with that particular customer two or three 13 times over the last five years to try to figure out a 14 way where we could compensate them for temporarily 15 shutting down their process, which would provide 16 capacity for us for some period of time. 17 We, at this point, have not been able to reach 18 agreement partly because the value of capacity at this 19 point in time is relatively low, and also that 20 particular customer has a limited opportunity to stay 21 down for very many hours. But we have talked with 22 that customer a number of times. 23 Q And is it your understanding that ICNU has 24 proposed a demand response program in this proceeding? 25 A Yes. And we have looked at that. And for --</p>	<p style="text-align: right;">Page 101</p> <p style="text-align: center;">EXAMINATION BY COWELL / NORWOOD 101</p> <p>1 decrease of 8.1, which was very close. 2 Q Okay. Would you please turn to page 24 of 3 your rebuttal testimony. 4 A I'm there. 5 Q Okay. Lines 1 through 4 here, you state here 6 that in the last three general rate cases, including 7 for rate year 2016, both the Company and Staff 8 developed attrition analyses; right? 9 A That's correct. 10 Q But you also testified that the Commission did 11 not approve specific attrition studies or 12 methodologies in any of these cases; correct? 13 A Especially in the cases that developed rates 14 for 2013 to '15. In the Commission's last order, they 15 did have some discussion around the number of years to 16 include in an attrition analysis, so they spent more 17 time with it in the most recent case. 18 Q Now, if I could direct your attention to 19 line 3, I'm just going to read this last sentence. 20 Although the Commission did not approve specific 21 attrition studies or methodologies, attrition analyses 22 were the underlying foundation. 23 So should there be any revision to that 24 sentence based on what you just stated? 25 A Probably because the Commission in this last</p>

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1 order, Order 05 and Dockets UE-150204 and the gas
 2 docket, the Commission actually did approve a specific
 3 attrition adjustment, so that should probably be
 4 clarified.
 5 **Q But to try to dial this in a little bit more,**
 6 **is it your understanding that they approved a specific**
 7 **study or methodology?**
 8 A I'd have to revisit the order to see whether
 9 they specifically approved a methodology or a study.
 10 **Q Okay. Next page, please, page 25, beginning**
 11 **at line 23 --**
 12 A I'm there.
 13 **Q -- you go on to testify here that it is**
 14 **critically important for the Commission to use**
 15 **informed judgment in exercising broad discretion to**
 16 **establish rates based on specific facts and**
 17 **circumstances in this case; right?**
 18 A Correct.
 19 **Q If I put your testimony together, would you**
 20 **agree that the Commission should review attrition**
 21 **studies and methodology in this case even if different**
 22 **from Company or Staff analyses in prior cases based on**
 23 **the specific facts in this record?**
 24 A Yes.
 25 MR. COWELL: Okay. Thank you,

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EXAMINATION BY COMMISSIONER JONES / NORW 103

1 Mr. Norwood.
 2 No further questions, Your Honor.
 3 JUDGE MOSS: Thank you, Mr. Norwood and
 4 Mr. Cowell.
 5 I believe that completes the parties'
 6 cross-examination of Mr. Norwood, but there may be
 7 some questions from the Bench. So let me ask if
 8 that's the case.
 9 All right. Commissioner Jones, apparently,
 10 has some questions.
 11 COMMISSIONER JONES: Yes, I do, Judge.
 12 EXAMINATION
 13 BY COMMISSIONER JONES:
 14 **Q Good morning, Mr. Norwood.**
 15 A Good morning.
 16 **Q Good to see you here again.**
 17 A Thank you.
 18 **Q A few questions. This could be a question for**
 19 **Ms. Andrews. It's in her Exhibit EMA-6T, but it deals**
 20 **with the cost of debt.**
 21 A Yes.
 22 **Q Do you want to answer that question, or should**
 23 **Ms. Andrews? It's really a question for Mr. Thies, I**
 24 **think, your CFO.**
 25 A Let me give it a shot. I did review some of

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EXAMINATION BY COMMISSIONER JONES / NORW 104

1 the debt information before coming today.
 2 **Q Okay. Let me -- well, why don't you give me**
 3 **the -- I have a few specific issues, but why don't you**
 4 **give me an overview of that issuance first, please,**
 5 **and why it should be included in this case.**
 6 A What was the reference again, if you would,
 7 please?
 8 **Q It's EMA-6T, page 14, lines 3 through 9, so**
 9 **I'll just let you get there. It's labeled Cost of**
 10 **Debt Update.**
 11 A And the page reference again? I'm sorry.
 12 **Q Fourteen.**
 13 A Thank you.
 14 **Q And it describes an FMB, first mortgage bond,**
 15 **due in 2051 private placement --**
 16 A Yes, if you give me just a moment --
 17 **Q -- and all-in rate of 5.63 percent.**
 18 A Okay. I've read that, and I'm familiar with
 19 that issuance. We had \$90 million of short-term -- I
 20 see a three-year debt that matured in September of
 21 2016. We actually negotiated an extension -- a
 22 short-term piece of debt to get us through December.
 23 And so the 175 million of debt that will be
 24 issued in December of this year is to replace the
 25 90 million that matured in addition to issuing

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EXAMINATION BY COMMISSIONER JONES / NORW 105

1 additional debt to cover our capital expenditures that
 2 we need. So that is something that we knew at the
 3 time we filed the case we were planning to issue debt.
 4 It was actually 150 million at the time. We upped it
 5 to 175, 175 million, in the end.
 6 **Q Has this cost of debt update information been**
 7 **provided to the parties -- to Staff, ICNU, Public**
 8 **Counsel?**
 9 A I'm going to defer that to Ms. Andrews. She
 10 would know when this information was provided.
 11 **Q I can ask her later.**
 12 **Why should it be included in this case? This**
 13 **is an issuance in December of 2016.**
 14 A Yes. It will be in place during the rate
 15 period. We did provide estimates during the case. In
 16 September, I think, is when we priced the -- priced
 17 this debt even though it will be issued in December.
 18 So I think sometime in September is when we provided
 19 it, but I don't remember the date.
 20 **Q You have a BBB rating as a corporate credit**
 21 **rating with S & P, don't you?**
 22 A That's correct.
 23 **Q Do you happen to know -- you could provide**
 24 **this for the record maybe -- what your last issuance**
 25 **of an FMB, a first mortgage bond, was and the interest**

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EXAMINATION BY COMMISSIONER JONES / NORW 106

1 **rate and the terms on that?**
 2 A If I can take just a moment, I think I have
 3 that.
 4 **Q Well, you can provide it for the record. You**
 5 **don't need to take the time now.**
 6 A Okay. We can provide that.
 7 **Q My question to you -- and maybe this is better**
 8 **for Mr. Thies or Ms. Andrews -- the interest rate**
 9 **seems a bit high. The Federal Reserve, as you know --**
 10 **and we'll get into this tomorrow --**
 11 A Yes.
 12 **Q -- with the cost of capital witnesses, but**
 13 **interest rates short-term are below 1 percent?**
 14 A Yes.
 15 **Q If you look at nationally recognized numbers**
 16 **for a BBB, BBB-plus companies, it's in the high fours,**
 17 **low fives. And so that's the nature of my question.**
 18 A Right. The last issuance that I remember was
 19 in the mid-4 percent range, roughly 4 1/2 percent for
 20 a 30-year money. This is for a 35-year money. And so
 21 this interest rate of 5.6 percent reflects a coupon
 22 rate, which was 3.6 percent, I believe. And when you
 23 include in that the cost to issue and we had some
 24 hedges where we had hedged a portion of the issuance,
 25 then the all-in rate is 5.6 percent.

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EXAMINATION BY COMMISSIONER JONES / NORW 107

1 COMMISSIONER JONES: Well, Judge, maybe
 2 we should make a Bench request here. I would like to
 3 know at least what the all-in rate is and what the
 4 components are above the coupon rate and the terms of
 5 that placement.
 6 JUDGE MOSS: If that information is not
 7 otherwise readily available, I suppose we can make it
 8 a Bench request.
 9 MR. MEYER: That would be No. 4.
 10 MR. NORWOOD: Five, I think.
 11 JUDGE MOSS: Five.
 12 BY COMMISSIONER JONES:
 13 **Q Okay. Moving on to the next topic,**
 14 **Mr. Norwood, if you could, turn to page 6 of your**
 15 **testimony. Wait a minute. Yeah, page 6. And I think**
 16 **Mr. Pepple asked you a few questions on lines 25**
 17 **through 35 on this, quote, self-fulfilling prophecy.**
 18 **I just want to ask you a few high-level questions and**
 19 **a few internal questions about the drivers of cap X,**
 20 **capital expenditures, in this case.**
 21 **Could you just list them for me, the top**
 22 **three, top four. Is it aging infrastructure? Is it**
 23 **reliability? Is it AMI? Is it outage management?**
 24 **Just go over -- and, again, you are not the asset**
 25 **manager in the company; right?**

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EXAMINATION BY COMMISSIONER JONES / NORW 108

1 A No. But I'm very familiar with what we're
 2 spending money on.
 3 **Q Okay. I'll get to that in a minute about how**
 4 **you internally look at these things. Give me your --**
 5 **if you could, prioritize what the drivers are.**
 6 A And Ms. Rosentrater would have additional
 7 details on some of these. In terms of the primary
 8 drivers, right now we are working on our Spokane River
 9 projects. So in Mr. Kinney's testimony, he talked
 10 about Post Falls projects, which we recently completed
 11 upgrading the headgates there -- not the headgates,
 12 but the spillway. That was 100 years old.
 13 Little Falls, we're spending lots of money
 14 there. It's, basically, a 100-year-old project.
 15 We're replacing equipment there. And the Nine Mile
 16 project where a couple of those units have been out of
 17 service for some period of time, and so we are
 18 spending a lot of money on those three Spokane River
 19 projects.
 20 **Q Stop there for a minute.**
 21 A Okay.
 22 **Q So is that aging infrastructure is it a WEC or**
 23 **FERC requirement, or is it a reliability issue or just**
 24 **general aging infrastructure?**
 25 A It's a combination of things. When we

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EXAMINATION BY COMMISSIONER JONES / NORW 109

1 relicensed the Spokane River projects, part of the
 2 requirement to receiving the license was to redo the
 3 spillway for Post Falls and also do some of the
 4 upgrades at Nine Mile. That is part of the driver.
 5 The other part of the driver is, as I mentioned, much
 6 of that is 100 years old, so it was aging
 7 infrastructure and time to replace it going forward.
 8 **Q Okay. Thank you.**
 9 A And so other components --
 10 **Q Moving on to other asset management --**
 11 **JUDGE MOSS: Let me interrupt here and**
 12 **remind everyone that we need to have people talking**
 13 **one at a time so the court reporter can get everything**
 14 **down. It's nice to be conversational, but we can't**
 15 **interrupt each other.**
 16 **COMMISSIONER JONES: Thank you, Judge.**
 17 A So one thing that we've explained in this case
 18 is that in recent years we've developed asset
 19 management plans. We have those plans related to
 20 transmission and distribution, and so what we were
 21 doing now is systematically going through our system
 22 to replace the assets and, basically, optimize the
 23 useful life of them to optimize capital investment but
 24 also O & M.
 25 So we're spending a lot of money

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<p>EXAMINATION BY COMMISSIONER JONES / NORW 110</p> <p>1 systematically going through our distribution system, 2 transmission system, and, again, this is really an 3 aging infrastructure and a reliability issue. As we 4 mentioned in our testimony, we believe our reliability 5 is at the right level; but in order to maintain that 6 reliability, we need to invest in our system in order 7 to preserve that. So there's a lot of money we're 8 investing related to, basically, our asset management 9 programs.</p> <p>10 You've mentioned AMI. As we look forward for 11 '17 and '18, there's a significant amount of dollars 12 that are going into that system in '17 and '18.</p> <p>13 Q Are there any specific issues in this case 14 related to the large outage in November of 2015 that 15 you experienced and that we were briefed on at the 16 Commission?</p> <p>17 A We had a wind storm in November of '17. 18 MR. MEYER: Not '17.</p> <p>19 A I'm sorry. I think it was November 17, so 20 thank you. November of 2015. Thank you.</p> <p>21 MR. MEYER: Unless you're aware of 22 something I'm not.</p> <p>23 MR. NORWOOD: No. Thank you.</p> <p>24 A So in this case we incurred additional 25 expenses. I'll talk about expense and capital.</p>	<p>EXAMINATION BY COMMISSIONER JONES / NORW 112</p> <p>1 group, CPG, and it's made up of directors for 2 generation, transmission, distribution, ISIT. And so 3 all the requests go into that group, and then they 4 prioritize what is going to be spent in the next year. 5 And they actually develop a five-year plan, but 6 because the requests in the past have been more than 7 what the board has limited the capital investment to 8 be, some of those projects are deferred to later 9 periods of time.</p> <p>10 Q Thank you. Moving on to ROE and ROR for a 11 minute, could you turn to page 8 of your testimony.</p> <p>12 A I'm there.</p> <p>13 Q On lines 6 through 14, you have a description 14 of that. Let me see. Could you read lines 12 and 13 15 about your actual earned ROR?</p> <p>16 A We know now after the fact that Avista earned 17 an ROR of 7.33 percent towards electric operations for 18 that 2015 rate year, which was almost identical to the 19 authorized ROR of 7.32 percent.</p> <p>20 Q And is this based on the CBR, the Commission 21 Basis Report, numbers?</p> <p>22 A It is.</p> <p>23 Q So, Mr. Norwood, what's wrong with this 24 picture in terms of what the Commission authorized in 25 Order 05 and going forward? In this case you're</p>
Page 111	Page 113
<p>EXAMINATION BY COMMISSIONER JONES / NORW 111</p> <p>1 Ms. Andrews removed the additional expense from this 2 case, and so that is not built into rates going 3 forward. But with regard to capital, we spent the 4 number that comes to mind is 20 to 25 million 5 rebuilding our system. So that is a capital addition 6 that is reflected in our rate -- in this rate case. 7 And, of course, that will be depreciated over the life 8 of those assets.</p> <p>9 Q Would you talk a little bit about the process 10 in the company to approve the asset management program 11 and the metrics you use in the need to terminations? 12 I see the chief operating officer, Mr. Vermillion, is 13 in the audience.</p> <p>14 A Yes.</p> <p>15 Q I assume he is involved. Your CFO is 16 involved. You're involved. Describe that process, if 17 you would.</p> <p>18 A And I'm going to tell you what I can. 19 Ms. Rosentrater is more directly involved in those 20 specific asset management plans, but each department 21 actually has asset management plans related to their 22 area of expertise. Each year they submit what they 23 need in terms of capital investment for their area of 24 responsibility. 25 We have what's called a capital planning</p>	<p>EXAMINATION BY COMMISSIONER JONES / NORW 113</p> <p>1 asking for 7.68 percent or 7.64. I don't know, but 2 reading this, you seem to be fairly content with what 3 we did in Order 05 with our authorized ROR of 4 7.32 percent. Because you actually earned only one 5 basis point more. So what's wrong with that picture?</p> <p>6 A I guess I don't see anything wrong with this 7 picture. The Commission in that order approved an ROR 8 at 7.32. At that point, the decision is made. 9 Commission deems that as being the right place. After 10 the fact, I think it is important to look at what was 11 the earned return after the fact compared to what was 12 ordered by the Commission. If the Commission had 13 given us a higher ROR, then we, likely, would have 14 earned closer to that.</p> <p>15 Q Sure. And that translates, roughly, to a 16 9.5 percent ROE, does it not?</p> <p>17 A That's correct.</p> <p>18 Q Could you turn to page 13 of your testimony 19 where you get into the natural gas earnings that seem 20 to be a little bit higher. I just have one quick 21 question on that. Are you there? Can you see lines 1 22 through 10?</p> <p>23 A I have that.</p> <p>24 Q So why -- natural gas -- gas operations ROE 25 have been relatively low for 2012 to 2014, which you</p>

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EXAMINATION BY COMMISSIONER JONES / NORW 114

1 point out in your table.

2 A They have been.

3 **Q I'm just a little perplexed as to why the ROE**

4 **for gas shot up to 10.2 percent?**

5 A Yes. And I had the same questions. So I

6 asked Ms. Knox and Ms. Andrews to look at that, and

7 what they found in this particular instance is each

8 year at the end of the year, we look at our

9 allocations, not only between states, but between

10 jurisdictions, electric and natural gas.

11 So at the end of '15, the allocations actually

12 shifted costs away from gas to electric just a little

13 bit. And when you do that, then your expenses

14 actually go down when you're measuring the

15 after-the-fact results. So that's the primary reason

16 why this return is higher than what was authorized.

17 So the other thing to keep in mind with

18 natural gas is the rate base is very low. So it

19 doesn't take many dollars to shift the impact on ROE

20 changes. In fact, 10 basis points on ROE for the

21 natural gas business is about \$145,000. It doesn't

22 take much movement to cause the ROE to move.

23 **Q So it's both based on, to summarize, the**

24 **allocation between the three different jurisdictions**

25 **and the relatively small rate base for natural gas?**

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EXAMINATION BY COMMISSIONER JONES / NORW 115

1 A That's correct.

2 **Q Turn to page 17 of your testimony, please.**

3 **This relates to load growth.**

4 A I'm there.

5 **Q Let me ask you this: Mr. Norwood, why did you**

6 **quote Mr. Hancock so much in your rebuttal testimony?**

7 A I thought he did a great job on most of what

8 he recommended and what he did.

9 **Q You have many quotes of Mr. Hancock. So in**

10 **lines 11 through 15, you say that revenue growth is**

11 **flat. And Mr. Hancock mentions this at length in his**

12 **testimony as well.**

13 **Do you happen to know, according to your last**

14 **IRP, what your load forecasts are for natural gas and**

15 **electricity for the rate-effected year?**

16 A I don't, but Mr. Forsyth is a witness. He's

17 in the room. He's the one that actually does the load

18 forecast and the customer forecast, so he could give

19 you details of that.

20 **Q Do you know if it's more or less than**

21 **1 percent?**

22 A My understanding is it's -- I don't know for

23 sure, but I think the sales growth, I believe, is less

24 than 1 percent. Customer growth may be close to 1,

25 maybe slightly over, but I will defer to Dr. Forsyth.

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EXAMINATION BY COMMISSIONER JONES / NORW 116

1 **Q Okay. I'll ask him. And, finally, I think**

2 **it's this -- on the role of attrition, this is not**

3 **geared to a specific page number, but I just want to**

4 **be clear that you support the way the Commission**

5 **ordered an attrition adjustment to be calculated in**

6 **Order 05, don't you?**

7 A We support an attrition adjustment, but I

8 think, as I mentioned, I think it's important to --

9 let me step back. We've provided a modified test year

10 study, and Staff and Avista has concluded that's not

11 sufficient. So then we both moved on to attrition

12 analysis, and both Staff and Avista used the same

13 escalation period of '07 to '15. We both included

14 after-attrition adjustments.

15 So the point here is, yes, I believe

16 attrition, in this instance, is necessary, but, again,

17 we need to look at the after-the-fact results of that

18 to see when we're done with the analysis is it really

19 reflective of what's going to happen in the

20 rate-effected period.

21 **Q Right. No. And I'm not trying to talk over**

22 **you, but I'm trying to get at the question of how you**

23 **calculated compared to -- both Staff and you run a**

24 **modified historical test year with pro forma capital**

25 **additions; right?**

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EXAMINATION BY COMMISSIONER JONES / NORW 117

1 A Yes.

2 **Q And both Staff and you run an attrition**

3 **adjustment that complements that is added to as an**

4 **adjustment at the bottom once you calculate the**

5 **revenue deficiency. You do it the same way; right?**

6 A In a very -- I would say a very similar way.

7 That's the same model and same escalation period as I

8 mentioned, but the major differences are Staff has a

9 different O & M escalator, which is one of the big

10 differences.

11 **Q I know that. Yeah. I'm not asking that**

12 **question. So but some of the parties in this case --**

13 **I think I read some testimony that said you have to do**

14 **either/or. You have to do either a modified**

15 **historical test year with pro forma capital additions**

16 **or you do a broad attrition adjustment?**

17 A Well, certainly, the Commission has the

18 discretion to use the tools in front of them. And so

19 in our view, the attrition analysis that we presented,

20 very similar to Staff, is the appropriate one to use

21 in this case.

22 **Q And just, finally, why do you object to a more**

23 **granular look at O & M that Mr. Hancock does? You do**

24 **it -- maybe this is addressed more to Ms. Andrews.**

25 **You just are sticking to this position that you should**

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EXAMINATION BY COMMISSIONER JONES / NORW 118

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

2 A Actually, in Ms. Andrews' response testimony,

3 she makes the point that we actually don't object to

4 looking at it more granular. In fact, Ms. Andrews

5 replicated Mr. Hancock's study where you take each of

6 the components that he isolated. If you do that, you

7 can look at the changes for each of those categories.

8 But then if you were to use the escalators

9 based on that trend for each of those categories, you

10 actually end up in the very same place. And

11 Ms. Andrews mentioned that in her response testimony

12 if we do our analysis the same way Mr. Hancock did, I

13 think she makes the point that the rate base number is

14 within, like, \$55,000.

15 We're not opposed at all to looking at it more

16 granular. If you're going to do that, you need to

17 look at some of the data to see if it has, for

18 example, kink points that we talked about in the last

19 case and in this case to make sure you're using the

20 proper escalators. If you look at Mr. Hancock's study

21 and Ms. Andrews' study, one used more granular. One

22 used more of an aggregate, but they both ended up with

23 the same starting place before you apply your

24 escalators.

25 COMMISSIONER JONES: That's all I have.

EXAMINATION BY CHAIRMAN DANNER & JUDGE MOSS / 1190D

1 Thank you, Mr. Norwood.

2 EXAMINATION

3 BY CHAIRMAN DANNER:

4 **Q I just want to clarify because it was my**

5 **understanding in the last case that the authorized ROR**

6 **was 7.29, not 7.32. Maybe we can take a look at that.**

7 A Now that you say that, I believe that is

8 correct. It was a prior case, I believe, where there

9 was a 7.32.

10 CHAIRMAN DANNER: That's it.

11 EXAMINATION

12 BY JUDGE MOSS:

13 **Q All right. Well, I won't prolong this for**

14 **you, Mr. Norwood. I just have a quick question. You**

15 **mentioned the 10 basis points on the gas side**

16 **represents, approximately, 145,000. What is it on the**

17 **electric side?**

18 A On the electric side, it's 1.1 million.

19 That's a revenue requirement number in both cases.

20 JUDGE MOSS: Thank you.

21 COMMISSIONER JONES: Judge, just to be

22 clear there, that's ROE, not ROR.

23 MR. NORWOOD: Thank you. That's

24 correct. Return on equity.

25 JUDGE MOSS: Right. Thank you. I just

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EXAMINATION BY MEYER / ANDREWS 120

1 wanted the comparable numbers.

2 Thank you very much, Mr. Norwood. I believe

3 that completes your examination today, so you may step

4 down subject to recall, if needed. Thank you very

5 much.

6 Let's take our morning break. We'll break

7 until 10:45, and we'll have Ms. Andrews when we come

8 back. So she should be perhaps ready with her books

9 and so forth.

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

11 10:49 a.m.)

12 JUDGE MOSS: All right. Let's be back

13 on the record. Ms. Andrews, welcome.

14

15 ELIZABETH M. ANDREWS, witness herein, having been

16 first duly sworn on oath,

17 was examined and testified

18 as follows:

19

20 JUDGE MOSS: Please be seated.

21 Mr. Meyer, your witness.

22 MR. MEYER: Thank you, Your Honor.

23 EXAMINATION

24 BY MR. MEYER:

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

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EXAMINATION BY MEYER / ANDREWS 121

1 name.

2 A Elizabeth M. Andrews.

3 **Q And have you prepared and prefiled and have**

4 **had admitted Exhibits EMA-1T all the way through**

5 **EMA-11?**

6 A Yes, I have.

7 **Q And I understand that you previously provided**

8 **two corrected pages to that exhibit?**

9 A Correct.

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

11 A Just the two pages and then the additional on

12 AMI.

13 **Q So no further edits?**

14 A No.

15 MR. MEYER: So with that, the witness

16 is available.

17 JUDGE MOSS: Ms. Andrews, I'm going to

18 ask you to observe your counsel there whose mouth is

19 only inches from his microphone as is mine. And,

20 unfortunately, it's necessary, as they say in the

21 business, to swallow the mike. I'll ask you to do

22 that so it does pick up your voice clearly for those

23 who are listening on the bridge line and for the

24 benefit of those in the room as well.

25 MS. ANDREWS: Is that better?

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EXAMINATION BY GAFKEN / ANDREWS 122

1 JUDGE MOSS: That's better. Thank you
 2 very much. It's a little unnatural. All right.
 3 MS. ANDREWS: I'm also so short. I can
 4 barely reach the floor.
 5 JUDGE MOSS: I understand completely.
 6 I've shrunk quite a bit over the years. I'm getting
 7 short myself.
 8 All right. With that then, we'll go again
 9 with Public Counsel, Ms. Gafken.
 10 MS. GAFKEN: Thank you. And I think
 11 the estimate on the sheet says 25 minutes. I'm not
 12 going to take 25 minutes this morning.
 13 JUDGE MOSS: I'll hold you to that.
 14 **E X A M I N A T I O N**
 15 **BY MS. GAFKEN:**
 16 **Q Good morning, Ms. Andrews.**
 17 **A Good morning.**
 18 **Q Would you please turn to your rebuttal**
 19 **testimony, which is Exhibit EMA-6T, and turn to**
 20 **page 50.**
 21 **A I'm there.**
 22 **Q I'd like to -- I'm sorry. Let me start that**
 23 **again. I'd like you to turn to lines 1 and 2 on**
 24 **page 50. There you state that Mr. Watkins expressed**
 25 **that certain numbers included expenses when they**

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EXAMINATION BY GAFKEN / ANDREWS 123

1 **actually included both expenses and capitalized labor**
 2 **costs; correct?**
 3 **A Correct.**
 4 **Q You go on to point to Avista's response to**
 5 **Public Counsel Data Request No. 10, which was the**
 6 **source of Mr. Watkins' table; correct?**
 7 **A Correct.**
 8 **Q Do you have a copy of Mr. Watkins' testimony**
 9 **with you?**
 10 **A Yes, I do.**
 11 **Q Okay. Would you access his testimony, which**
 12 **is Exhibit GAW-1T, and turn to page 15.**
 13 **A Fifteen, page 15?**
 14 **Q Page 15. And, let's see, lines 7 and 8.**
 15 **A Yes.**
 16 **Q There do you see that Table 11 provides**
 17 **Avista's Washington electric operations total salary**
 18 **and wages, including capitalized labor?**
 19 **A Yes.**
 20 **Q And on page 16 of Exhibit GAW-1T is Table 12,**
 21 **which is the table that you were referring to in your**
 22 **testimony; correct?**
 23 **A Yes, I believe that's true.**
 24 **Q And Table 12, the source of those**
 25 **calculations, came from Table 11. Is that your**

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EXAMINATION BY GAFKEN / ANDREWS 124

1 **understanding?**
 2 **A That's my understanding.**
 3 **Q Okay. And in the revised testimony that**
 4 **Public Counsel filed, do you see the word "expenses"**
 5 **has been stricken?**
 6 **A Yes, I do.**
 7 **Q That was a typo, but it was clear on**
 8 **page 11 -- or I'm sorry. On page 15 that the**
 9 **capitalized labor costs were included in those**
 10 **numbers?**
 11 **A Yes.**
 12 **MR. MEYER: A little closer.**
 13 **MS. ANDREWS: Sorry.**
 14 **Q I have the same with these things.**
 15 **And also Avista's response to Public Counsel**
 16 **Data Request No. 10 is included as Mr. Watkins'**
 17 **Exhibit GAW-8; correct?**
 18 **A I believe so.**
 19 **Q So that data request is in the record?**
 20 **A Yes.**
 21 **Q Would you please turn back to your rebuttal**
 22 **testimony, Exhibit EMA-6T, and turn to page 51,**
 23 **lines 21 to 22. There you state that there are**
 24 **understandable circumstances driving the higher growth**
 25 **and costs for the data evaluated by Mr. Watkins if**

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EXAMINATION BY GAFKEN / ANDREWS 125

1 **only one were to ask; correct?**
 2 **A Correct.**
 3 **Q Are you familiar with the Commission's order**
 4 **in Avista's last general rate case in Dockets**
 5 **UE-150204 and UG-150205?**
 6 **A Yes, I believe so.**
 7 **Q Are you familiar with the Commission's Order**
 8 **No. 5 from -- I'm sorry. That's the same question.**
 9 **Are you familiar with the requirements set forth in**
 10 **Order 5 that the utilities requesting an attrition**
 11 **adjustment must demonstrate that the cause of the**
 12 **mismatch between revenues, rate base, and expenses is**
 13 **not within the utilities' control?**
 14 **A Could you repeat that, please?**
 15 **Q Sure. Are you familiar with the requirements**
 16 **set forth in Order 5 that utilities requesting an**
 17 **attrition adjustment must demonstrate that the cause**
 18 **of the mismatch between revenues, rate base, and**
 19 **expenses is not within the utilities' control?**
 20 **A Yes, I am.**
 21 **Q So it's fair to say, then, that the place to**
 22 **explain the growth in Avista's cost is in Avista's**
 23 **direct case; correct?**
 24 **A Yes. And that's not exactly what I was**
 25 **referring to when I was talking about this particular**

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EXAMINATION BY BROOKS / ANDREWS 126

1 sentence. What I was referring to is Mr. Watkins
 2 should have asked questions about really understanding
 3 the data that he was using and that they -- the
 4 underlying information, which was provided in our
 5 case, would have explained things like storms, which
 6 was described in our testimony, or other factors that
 7 would be increasing labor expenses or O & M expenses.
 8 **Q And you did describe the November storm in**
 9 **your rebuttal testimony.**
 10 A Correct.
 11 **Q And you do recall that we asked an informal**
 12 **follow-up question in July on the labor costs?**
 13 A Yes.
 14 MS. GAFKEN: Okay. I have no further
 15 questions.
 16 JUDGE MOSS: All right. Thank you.
 17 You were good to your word, Ms. Gafken.
 18 We have from -- the Northwest Industrial Gas
 19 Users, apparently, have a couple of questions.
 20 E X A M I N A T I O N
 21 BY MR. BROOKS:
 22 **Q Good morning, Ms. Andrews.**
 23 A Good morning.
 24 **Q I'd like to start with your Rebuttal Exhibit**
 25 **EMA-6T, and if you could, please turn to page 39.**

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EXAMINATION BY BROOKS / ANDREWS 127

1 **JUDGE MOSS: While you're doing that,**
 2 **I'm going to ask that whoever is on the bridge line**
 3 **please mute their phone.**
 4 A Yes, I'm there.
 5 **Q On line 6 you referred to this idea of a kink**
 6 **point, and I wanted to explore that idea. And there's**
 7 **a footnote that's Footnote 46. Could you please read**
 8 **the first sentence of that footnote?**
 9 A Yes. It says a kink point is a point in which
 10 the data in a series has a definite kink in the data
 11 series up or down from previous data points that
 12 should be recognized if a linear regression analysis
 13 is used.
 14 **Q What is your definition of a definite kink?**
 15 A Well, I think if you look at some of the
 16 specific granular areas that either Mr. Mullins or
 17 Mr. Hancock had provided within their exhibits,
 18 specifically Mr. Mullins with your witness, you can
 19 see specific where the data pitches upward and changes
 20 significantly from the previous years.
 21 **Q So if you take any given point, how long**
 22 **before and after that point how much data do you need**
 23 **to determine if a kink exists at that point?**
 24 A Well, this question may be better for
 25 Dr. Forsyth who is a little bit more -- but you can

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EXAMINATION BY BROOKS / ANDREWS 128

1 tell within the data -- you can actually have even
 2 more than one kink point. Dr. Forsyth can speak to
 3 the fact that you can actually have multiple kink
 4 points in a data series.
 5 In the case of what Mr. Mullins had included
 6 in his model, you can see in several instances -- and
 7 both Dr. Forsyth and I speak to it as far as
 8 determining the revenue requirements associated with
 9 it -- you can see the data itself where it pitches up.
 10 I think a few examples he gave showed a pitch-up in
 11 2009, for example.
 12 **Q When you're looking at the data and you can**
 13 **see this kink, is it visible looking just one year on**
 14 **either side of a point?**
 15 A I think for me who's not a statistician for me
 16 you can see -- specifically, Mr. Mullins you can
 17 see -- you can visually see it, but Dr. Forsyth could
 18 speak better to how you can actually look at the data.
 19 Sometimes it's not as clear. But you can look at the
 20 data and determine where those kink points exist.
 21 **Q I will ask him some questions. Since you**
 22 **testified about there being a definite kink, I want to**
 23 **explore that with you.**
 24 A That's fine.
 25 **Q What about if you look two years on the other**

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EXAMINATION BY BROOKS / ANDREWS 129

1 **side of a point, is it possible to see that much of**
 2 **kink with that much information?**
 3 A Yes, you can -- as Mr. Mullins did use various
 4 data periods, for Staff and Avista, we used 2007 to
 5 '15. Because as we testified to last year, there was
 6 definite kink points in that beyond 2007 with the
 7 granular data that we used. And it is correct that as
 8 you provide different granular data you might have
 9 different kink points than that.
 10 **Q Sticking with page 39 -- and I'm looking at**
 11 **line 9 now and the sentence that begins there -- you**
 12 **testified that linear regression is used when**
 13 **historical data, quote, appears linear; correct?**
 14 A Yes.
 15 **Q How do you determine when a data set appears**
 16 **linear?**
 17 A Well, you would have to -- I mean, obviously,
 18 appearance -- I used appearance for these -- both this
 19 example and the next pages is talking about nonlinear
 20 and the specific kink points. You also need to
 21 analyze that data, which we did internally in our
 22 company. I had Dr. Forsyth review our analysis to
 23 make sure that the appropriate linear and nonlinear
 24 analysis was done between both our electric and gas
 25 models.

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EXAMINATION BY BROOKS / ANDREWS 130

1 **Q Does the data appear linear only when all the**
 2 **points actually fall on the line, or is there some**
 3 **tolerance there?**
 4 A I'm sure there's some tolerance, but
 5 Dr. Forsyth would be better to answer that question.
 6 **Q I'd like to get your opinion on it. Is there**
 7 **room for applying informed judgment about whether or**
 8 **not the data set is linear or not?**
 9 A I think you could analyze the data. Like I
 10 said, I had Dr. Forsyth analyze the specific data for
 11 the linear models, and they did appear to be linear on
 12 the electric side. And on the gas side, many of them
 13 appeared nonlinear. That's why we went with that
 14 approach.
 15 You can look at some of the -- just going to
 16 think about some of the disaggregated data that
 17 Mr. Mullins used, you can see that there are many
 18 categories that he -- cross categories that he
 19 disaggregated. And you see points all over the place,
 20 but what I would suggest is that what happens in many
 21 of the instances of disaggregating the data is you
 22 have multiple categories that either were not material
 23 or the change was not material.
 24 And so I think that they tended to just
 25 distract from the true cost categories that are

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EXAMINATION BY BROOKS / ANDREWS 131

1 causing the growth in our costs. And so what you can
 2 see on those cost categories that are really driving
 3 our attrition increases or the need for attrition
 4 tended to be linear and fairly close to the line, and
 5 on the gas side, you can see this growth in expenses
 6 over time.
 7 **Q Since you relied on Dr. Forsyth's statistical**
 8 **analysis of whether or not something was linear, I'd**
 9 **like to get back to just your view of it when you said**
 10 **you reviewed, for example, Mr. Mullins' graphs. Did**
 11 **you base this concept of linearity -- I don't know if**
 12 **that's a word -- of it being linear, on that**
 13 **statistical analysis or on your view of how the graph**
 14 **looked, for example?**
 15 A I looked at it, but, like I said, I relied on
 16 Dr. Forsyth to go through his analysis. And I relied
 17 on -- that's why he sponsored testimony around linear
 18 regression because he is a doctorate and has more
 19 information on this than I do.
 20 **Q Thank you. Could you turn to page 40 of the**
 21 **same testimony.**
 22 A Yes.
 23 **Q And I'm specifically looking at Figure 3. And**
 24 **can you describe what this figure depicts?**
 25 A Yes. And as it says, it is a picture that is

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EXAMINATION BY BROOKS / ANDREWS 132

1 directly out of Dr. Forsyth's testimony. And so it
 2 shows that from 2000 to 2009 it was fairly linear, and
 3 then it pitches up. There's a direct kink point which
 4 you can see within this data.
 5 **Q Does Avista's attrition analysis use a trend**
 6 **line that starts in 2007, or does it evolve and**
 7 **sometimes use a trend line that starts in 2009?**
 8 A No. We use 2007 to 2015 because our
 9 aggregated data that is -- there is clearly a kink
 10 point -- I mean, there's, clearly, a kink point
 11 starting in 2007, and that's why we are using 2007 to
 12 '15 consistent with the last year's case that the
 13 Commission approved.
 14 **Q So if the data set did appear this way**
 15 **because, for example, the Commission used the**
 16 **disaggregated data, would Avista's trend line take**
 17 **into account that kink point in 2009?**
 18 A Yes.
 19 **Q How so?**
 20 A Well, if you disaggregate the data, then you
 21 would have to use -- you would have to recognize a
 22 kink point, just as Dr. Forsyth explained in his
 23 testimony, about where that kink point would exist.
 24 **Q Would Avista's attrition analysis then have to**
 25 **be adjusted to capture this kink point since you did**

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EXAMINATION BY BROOKS / ANDREWS 133

1 **not disaggregate the data?**
 2 A No. Actually, you could -- you could do 2007
 3 to '15 and you would just have to recognize the kink
 4 point at the 2009 period if you disaggregated the
 5 data.
 6 **Q My question is about under Avista's existing**
 7 **model that does not disaggregate the data. How would**
 8 **that kink point get captured?**
 9 A As I mentioned, as you disaggregate the data,
 10 then there may be various -- the kink points may vary
 11 between the years. But on an aggregated basis when
 12 you look at our data, the kink point existed at 2007,
 13 and that is what we reflected.
 14 **Q Still using this as an example, what would**
 15 **happen to that trend line if you -- if it started at**
 16 **the 2007 period instead of 2009? Would it be**
 17 **shallower or steeper?**
 18 A Well, I was looking at it aggregated data --
 19 I'm sorry. Yeah, aggregated data and at that
 20 aggregated data because you have -- you have various
 21 components that, like I said, may vary. In the
 22 aggregate, the kink point existed 2007. So I wouldn't
 23 reflect a kink point in '09, because that's not what
 24 the aggregated data shows. If you're going to
 25 disaggregate the data, you may very well have varying

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EXAMINATION BY BROOKS / ANDREWS 134

1 time periods. That's not what we did, and that's not
 2 what I think is necessary.
 3 **Q I'd like to turn to page 45 of your testimony.**
 4 **Beginning on page 9, you refer to the Commission's**
 5 **order in Avista's prior rate case; correct?**
 6 A I'm sorry. You said beginning on page 9?
 7 **Q I'm sorry. Page 45, line 9.**
 8 A Okay. Sorry. Okay. Say that again.
 9 **Q On this line -- beginning on this line, you**
 10 **refer to the Commission's order in Avista's prior rate**
 11 **case.**
 12 A Correct.
 13 **Q What historical time period did the Commission**
 14 **ultimately adopt as the basis for the attrition**
 15 **analysis in that case?**
 16 A 2007 to 2014.
 17 **Q Is it true in that case that Avista on**
 18 **rebuttal adopted Staff's attrition analysis with some**
 19 **changes?**
 20 A Some changes, correct.
 21 **Q Was one of those changes that Staff had urged**
 22 **the Commission to look at a 2009 to 2014 period,**
 23 **whereas, Avista wanted to look at the 2007 to 2014**
 24 **period?**
 25 A That's correct. And the Commission approved

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EXAMINATION BY BROOKS / ANDREWS 135

1 the 2007 to '14 time period.
 2 **Q Did the Commission have any evidence or**
 3 **arguments in front of it other than those two**
 4 **competing time periods, for example, that the**
 5 **historical period should be longer and go back prior**
 6 **to 2007?**
 7 A Well, Dr. Forsyth had included in testimony
 8 discussing how the 2000 to 2007 time period used in
 9 the aggregated basis had -- because of that kink
 10 point, that that data period did not appear to be
 11 relevant. That what was important is what were we
 12 expecting to occur during the rate period and that
 13 level of increase from '7 to '15, that level of slope
 14 that was occurring, was what we were expecting to go
 15 on a forward basis.
 16 **Q Did any other party offer a time frame or did**
 17 **Avista advocate for a longer time frame than 2007?**
 18 A No. Because as I said, we had Dr. Forsyth's
 19 testimony explaining that the 2007 to the 2014 time
 20 period was the appropriate time frame.
 21 MR. BROOKS: Thank you. That's all the
 22 questions I have.
 23 JUDGE MOSS: Thank you, Mr. Brooks.
 24 And that completes examination by parties. Do
 25 we have questions from the Bench? Commissioner Jones.

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EXAMINATION BY COMMISSIONER JONES / ANDR 136

1 EXAMINATION
 2 BY COMMISSIONER JONES:
 3 **Q Just a couple, Ms. Andrews. So you heard my**
 4 **exchange with Mr. Norwood over the application of**
 5 **modified historical test year --**
 6 A Yes.
 7 **Q -- attrition adjustment.**
 8 **Do you have anything to add that -- was that a**
 9 **correct characterization of Staff's position and your**
 10 **position?**
 11 A I'm having a little trouble recalling the
 12 specific testimony. I'm sorry.
 13 **Q Okay. There is some testimony --**
 14 A I was paying attention.
 15 **Q Sorry. We're not supposed to talk over each**
 16 **other.**
 17 **There is some testimony in the case that says**
 18 **either you use a modified historical test year with**
 19 **pro forma capital additions or you use a broad**
 20 **attrition adjustment.**
 21 A Yes, I understand.
 22 **Q Avista does not agree with that; right?**
 23 A Well, we provided both a modified historical
 24 test period, but as we noted in testimony, it's not --
 25 we recognize it is not sufficient to cover our costs,

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EXAMINATION BY COMMISSIONER JONES / ANDR 137

1 both in expense and capital, during a rate year. So
 2 we also provided an attrition study to provide support
 3 to this Commission on what level we do expect during
 4 the rate year.
 5 So I believe, in a way, they complement each
 6 other. Because you can see that using a modified
 7 historical test period isn't sufficient, and so I look
 8 as the attrition adjustment -- or the attrition study
 9 as -- you know, I believe last -- I believe in the
 10 prior case the Commission approved an attrition
 11 allowance.
 12 And so they looked at the modified historical
 13 test period, came up with a result, and then there was
 14 an attrition allowance that adjusted from there to the
 15 revenue requirement approved by this Commission, and I
 16 think we're taking the same approach, both the Staff
 17 and I.
 18 **Q So, again, my question to Mr. Norwood and to**
 19 **you is more the way you calculate modified historical**
 20 **test period as a complement with an attrition**
 21 **adjustment.**
 22 **Ms. Swan does it in her adjustment,**
 23 **adjustment 4.8, in her attachment, and I think you do**
 24 **it in your analysis. You do it the same way; right?**
 25 A We do. Yes, we do.

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EXAMINATION BY COMMISSIONER JONES / ANDR 138

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

5 A You said page 11?

6 **Q No. Ten, Table 4.**

7 A Okay. Yes, I'm there.

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

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

14 **Q I know that, yeah.**

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

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

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

24 **Q 38,568,000.**

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

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EXAMINATION BY COMMISSIONER JONES / ANDR 139

1 filed at the very top line --

2 **Q Where is that?**

3 A -- line 3 of that table --

4 **Q There it is.**

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

8 **Q Yes.**

9 A -- probably downward.

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

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

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

21 A That's page --

22 **Q Let me see.**

23 A Page 15.

24 **Q Okay.**

25 A Table 5.

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EXAMINATION BY COMMISSIONER JONES / ANDR 140

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

5 A That's correct.

6 COMMISSIONER JONES: Okay. Thank you.

7 That's all I have, Judge.

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

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

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

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

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

19

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

24

25 JUDGE MOSS: Mr. Meyer.

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

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

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

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

12 JUDGE MOSS: Nor what I do.

13 Mr. Meyer, are you ready now?

14 MR. MEYER: I am. Thank you.

15 JUDGE MOSS: Please proceed.

E X A M I N A T I O N

17 BY MR. MEYER:

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

20 A Grant Douglas Forsyth.

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

24 A I have --

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

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EXAMINATION BY GAFKEN / FORSYTH 142

1 A Yes, that's correct.

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

3 A Yes, if I can call the attention to everybody

4 to GDF-1T, page 10, Table No. 2.

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

6 A All right. Table No. 2 the -- if you look at

7 the first column in Table No. 2, it says Mullins gas

8 expenditure category. It should be gas and electric.

9 It's a combined. It includes an analysis or examples

10 from both Mr. Mullins' gas and electric analysis.

11 **Q Do those complete your corrections?**

12 A That is correct.

13 MR. MEYER: Thank you, Dr. Forsyth. He

14 is available.

15 JUDGE MOSS: All right. Very good.

16 Ms. Gafken.

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

18 **BY MS. GAFKEN:**

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

20 A Good morning.

21 **Q Would you please turn to your rebuttal**

22 **testimony, which is Exhibit GDF-1T, and turn to**

23 **page 14, line 23.**

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

25 **Q Correct.**

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EXAMINATION BY GAFKEN / FORSYTH 143

1 A Okay.

2 **Q There you state that Mr. Watkins refers to the**

3 **Customer Price Index for all urban customers; correct?**

4 A Consumer Price Index, that's correct.

5 **Q By urban, are you referring to the**

6 **metropolitan statistical areas?**

7 A That's correct. So the way the Consumer Price

8 Index is calculated is it is a collection of prices

9 from urban areas across the United States. So it

10 represents the prices being paid by urban consumers.

11 **Q And, again, the urban consumers in**

12 **metropolitan statistical areas?**

13 A Yeah. Predominantly, the price collections

14 will be coming from metropolitan areas.

15 **Q Do you know what the percentage of the**

16 **American public is covered in the metropolitan**

17 **statistical area and thus included in the Consumer**

18 **Price Index?**

19 A I do not know that number.

20 **Q Would you please turn to Cross-Exhibit**

21 **GDF-3CX.**

22 A Yes. I'm there.

23 **Q Do you recognize Cross-Exhibit GDF-3CX as a**

24 **depiction of metropolitan statistical areas in the**

25 **state of Washington?**

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EXAMINATION BY GAFKEN / FORSYTH 144

1 A Yes. And, for clarification, both

2 metropolitan and the distinction also between

3 micropolitan, so it includes both.

4 **Q Okay. Right. Is Spokane in a metropolitan**

5 **statistical area?**

6 A It is.

7 **Q Okay.**

8 A And for the record, that area has recently

9 changed. It used to be just Spokane, the county of

10 Spokane. And just recently we have been added to

11 Stephens and Pend Oreille as the new definition of the

12 Spokane/Spokane Valley metropolitan statistical area.

13 **Q So that larger green area is a new drawing of**

14 **the metropolitan statistical area?**

15 A That's correct. Up until, I believe it was,

16 perhaps last year, it was just Spokane County; but

17 because of worker flows, it now includes Stevens and

18 Pend Oreille as part of that MSA.

19 MS. GAFKEN: Okay. Thank you. I have

20 no further questions.

21 JUDGE MOSS: Thank you, Ms. Gafken.

22 I think we do have some questions from the

23 Northwest Industrial Gas Users again, Mr. Brooks.

24 MR. BROOKS: Before we begin, Your

25 Honor, I just wanted to alert you -- and I've talked

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EXAMINATION BY BROOKS / FORSYTH 145

1 to Mr. Meyer about it -- that some of my questions are

2 going to be referencing an exhibit that's not in

3 Dr. Forsyth's testimony but was Mr. Mullins's

4 testimony. And it is Exhibit BGM-4 that he refers to

5 in his testimony.

6 JUDGE MOSS: Do you have a copy of that

7 with you, Dr. Forsyth?

8 DR. FORSYTH: I do.

9 JUDGE MOSS: Then we should be able to

10 proceed smoothly.

11 MR. BROOKS: Thank you.

12 **E X A M I N A T I O N**

13 **BY MR. BROOKS:**

14 **Q We will not begin there however. Dr. Forsyth,**

15 **could you turn to your testimony, which is GDF-1T, and**

16 **specifically on page 6.**

17 A Yes.

18 **Q Referring to line 19, which is just beneath**

19 **the figure, here you explain why kink points are**

20 **meaningful. Could you please read those two lines.**

21 A Yes. Starting at line 19?

22 **Q Correct.**

23 A The regression line is insufficient for

24 explaining the pre or post kink trend. Regardless of

25 the time period under analysis, sharp changes in

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EXAMINATION BY BROOKS / FORSYTH 146

1 growth need to be controlled for to accurately
 2 describe expenditure trends.
 3 **Q Does Avista's attrition analysis consider any**
 4 **sharp changes in growth that have occurred since 2007?**
 5 And I mean consider or reflect.
 6 A Well, the original analysis that was done in
 7 the previous rate case, the majority of kink points
 8 occurred in that 2007 time period. So there's a
 9 little bit of a distinction between what was done
 10 previously and what was done in this rate case in
 11 terms of my rebuttal testimony because of the
 12 disaggregation that occurred by both Staff and
 13 Mr. Mullins. And so as Ms. Andrews pointed out, it
 14 tends to shift the kink points around a little bit
 15 when you're disaggregating that data into more
 16 categories.
 17 **Q For Avista's attrition analysis and not**
 18 **responding to the other parties' attrition analyses,**
 19 **does Avista's attrition analysis do that?**
 20 A No. I believe it starts all in 2007 as I
 21 recall.
 22 **Q Thank you. Could you please turn to page 7 of**
 23 **your testimony.**
 24 A Yes.
 25 **Q I'd like to walk through the example here from**

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EXAMINATION BY BROOKS / FORSYTH 147

1 **Mr. Mullins's testimony that you've highlighted in**
 2 **Figure 3.**
 3 A Yes.
 4 **Q Where is the kink point on this graph?**
 5 A I estimate it to be at 2009 via statistical
 6 analysis.
 7 **Q And using that statistical analysis, do you**
 8 **need a certain number of years before and after that**
 9 **point to understand if a kink point has occurred?**
 10 A The kink point would be measured through a
 11 shift coefficient in the regression analysis, and you
 12 would identify it by the strength of the statistical
 13 test on that shift coefficient.
 14 **Q Is that strength stronger if you have more**
 15 **data on either side of the point?**
 16 A The statistical test is adjusted for the
 17 sample size, so there is a sample size adjustment for
 18 the statistical test. So in my particular case -- and
 19 I believe the regression analysis that is described in
 20 Figure No. 3 is actually discussed in my Exhibit
 21 GDF-2.
 22 **Q Would you be comfortable applying that**
 23 **analysis in determining that there was a kink if there**
 24 **were only three years of data, so one year and a year**
 25 **on either side of it?**

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EXAMINATION BY BROOKS / FORSYTH 148

1 A It would depend on the strength of the test.
 2 In other words, I would need to look at what we call
 3 the T statistic, how large is that T statistic. And
 4 if you go to, if I may, GDF page 2 of 2 -- this is
 5 GDF-2, page 2. If you look at Table 1(a), if you go
 6 down to what's called the year dummy and it has an
 7 alpha 3 beside it --
 8 **Q Was there a comma after that "year"?**
 9 A Sorry. Statistical talk here.
 10 As applied, just for background, dummy is a 01
 11 variable, but it's being used to adjust the slope for
 12 the time period under analysis. You can see the
 13 T statistic is 22.76. Anything over a value of two,
 14 we would consider statistically significant.
 15 **Q So it would be possible with three years to**
 16 **get a value that is over two?**
 17 A It would be difficult, because, again, this
 18 statistical test is adjusted for the sample size. And
 19 so the smaller your sample size, the higher the
 20 threshold. So for the type of -- the amount of data
 21 that we have available for the current analysis that
 22 was done using Table 1(a), roughly, a value greater
 23 than two. Now, as your sample size shrinks, the
 24 threshold becomes a little bit higher for determining
 25 statistical significance.

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EXAMINATION BY BROOKS / FORSYTH 149

1 **Q Is the opposite true then that as your sample**
 2 **increases the threshold gets smaller --**
 3 A Yes.
 4 **Q -- and it's easier to achieve?**
 5 A Yes. But the amount that it declines as your
 6 sample size gets larger doesn't decline very much.
 7 There's a certain point where you've reached that
 8 statistical efficiency level.
 9 **Q Can you give a generic assessment of how many**
 10 **years you need to maybe likely get over that point on**
 11 **a regular basis?**
 12 A No. I would have to consider the specific
 13 data set before I could comment on that.
 14 **Q Thank you.**
 15 **Would you agree that the primary driver of**
 16 **Avista's request for an attrition adjustment is an**
 17 **increase in the rate of plant additions?**
 18 A I didn't precisely look at that. That would
 19 be a question for Ms. Andrews.
 20 **Q Could you turn to page 4 of your testimony.**
 21 A Yes.
 22 **Q Beginning on line 6, you describe your**
 23 **testimony in the prior 2015 rate case; is that**
 24 **correct?**
 25 A Yes.

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EXAMINATION BY BROOKS / FORSYTH 150

1 **Q And the footnote that occurs on line 9 that is**
 2 **at the bottom of the page, you referenced how the**
 3 **Commission viewed your testimony; correct?**
 4 A I'll need to review this footnote. Just a
 5 minute.
 6 Yes. And just for a reference, the original
 7 attrition methodology suggested by the Company was not
 8 regression analysis. There was a compounding approach
 9 originally suggested, and as I recall, we adopted
 10 Staff's recommendation of a regression approach.
 11 **Q So I'd like to refer to the portion of that**
 12 **footnote that says that the kink point in 2007 that is**
 13 **showing an increase in the rate of plant additions and**
 14 **that that was the basis for the kink point in your**
 15 **testimony?**
 16 A Yes. But it was -- it wasn't the only data
 17 series I looked at. I looked at the other series as
 18 well. Now, keep in mind, this was the more aggregated
 19 series. The disaggregated series we've been
 20 discussing in the other testimony, and 2007 seemed to
 21 be an approximate location for the kink points in that
 22 aggregated series.
 23 **Q And that was based on the -- largely based,**
 24 **though, on the increase in the rate of plant**
 25 **additions?**

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EXAMINATION BY BROOKS / FORSYTH 151

1 A Not only. I mean, I did consider each series
 2 individually, and so on average, 2007 appeared to be a
 3 switch point for the Company's expenditure behavior.
 4 **Q Were you in the room earlier when Mr. Norwood**
 5 **was being questioned and he talked about the driver of**
 6 **attritions and -- of attrition and the aging**
 7 **infrastructure and reliability?**
 8 A Yes.
 9 **Q Was his answer incomplete?**
 10 A No, I don't think it was incomplete.
 11 **Q Did you review all of Mr. Mullins's testimony?**
 12 A I focused primarily on the testimony related
 13 to the regression analysis, because that was where my
 14 technical expertise was needed.
 15 **Q This is where I want to refer to BGM-4, and**
 16 **this is an exhibit to Mr. Mullins's testimony that you**
 17 **then cited in your testimony; is that correct?**
 18 A I'm going to have to just -- let me write this
 19 down. Would you repeat that again?
 20 **Q It is BGM-4, and the specific graph that I**
 21 **believe you put into your testimony is from page 15 of**
 22 **that exhibit.**
 23 A Oh, yes. Right. So this is -- yes, okay.
 24 **Q Maybe it's page 16.**
 25 A Well, I have BGM-4 here, page 15 of 19 of

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EXAMINATION BY BROOKS / FORSYTH 152

1 this.
 2 **Q Yes. That's the one.**
 3 A Okay.
 4 **Q If you were to accept the idea of**
 5 **disaggregating data and some of these costs, would you**
 6 **agree that there was a kink point that existed here in**
 7 **2009?**
 8 A Yes. And for the record, I believe this is
 9 the same series that we have just been discussing in
 10 my testimony.
 11 **Q Thank you. Could you turn the page to page 16**
 12 **on that same testimony of Mr. Mullins.**
 13 A Yes.
 14 **Q When you viewed this data, did you see a kink**
 15 **point in that?**
 16 A No. This is -- this is what we would refer to
 17 as a step, which is slightly different than a kink
 18 point. This gets into a technical detail.
 19 So in the context of my testimony, a kink
 20 point is a change in slope. This is what I would
 21 describe as a step in expenditures. Okay. So it's a
 22 little bit different.
 23 Now, you would still handle it with what we
 24 call dummy variables, but what you would show is,
 25 effectively, an expenditure, a regression, that's got

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EXAMINATION BY BROOKS / FORSYTH 153

1 a dummy variable for, let's say, the 2009-forward
 2 period, which would control for that step up.
 3 **Q Is a step a sharp change in the expense or the**
 4 **data that you're looking at?**
 5 A Yes. But it's -- it can be -- in this
 6 particular case, it's a one-time step based on the
 7 available data.
 8 **Q Could you please turn to page 10 back on your**
 9 **testimony.**
 10 A Okay.
 11 **Q On line 5 you speak to the Commission's**
 12 **decision in Avista's prior rate case; correct?**
 13 A That's correct.
 14 **Q What historical time period did the Commission**
 15 **ultimately adopt as the basis for the escalation**
 16 **factors in that case?**
 17 A 2007 to '14 or '13. I can't remember what the
 18 end year was off the top of my head.
 19 **Q It began in 2007?**
 20 A Yes.
 21 **Q Do you know -- do you recall if Avista in that**
 22 **case had adopted Staff's proposal and on rebuttal**
 23 **adopted the same attrition model with some slight**
 24 **changes?**
 25 A As I recall, there was -- we adopted the

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EXAMINATION BY COMMISSIONER JONES / FORS 154

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

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

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

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

11 JUDGE MOSS: Thank you, Mr. Brooks.

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

15 COMMISSIONER JONES: Yes, Judge.

16 JUDGE MOSS: Commissioner Jones.

17 EXAMINATION
 18 BY COMMISSIONER JONES:

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

20 A Good morning.

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

22 A Thank you.

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

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EXAMINATION BY COMMISSIONER JONES / FORS 155

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

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

12 **Q I'm familiar with that political controversy.
 13 Some people like the borders drawn at state lines.
 14 So when did -- in response to a question
 15 earlier, I think, from Ms. Gafken, you said
 16 Pend Oreille and Stevens Counties were included in the
 17 MSA for Spokane. When did that occur?**

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

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

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

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EXAMINATION BY COMMISSIONER JONES / FORS 156

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

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

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

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

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

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

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

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EXAMINATION BY COMMISSIONER JONES / FORS 157

1 average for O & M.

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

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

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

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

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

14 A That's correct.

15 **Q And he used linear regression analysis; right?**

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

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

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

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

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EXAMINATION BY COMMISSIONER JONES / FORS 158

1 A Yes. There were -- in several instances,
 2 Mr. Hancock would apply linear regression to data to
 3 me was not clearly linear, meaning that a linear line
 4 was perhaps not completely the appropriate
 5 specification for explaining the behavior of the data.
 6 So in some cases, perhaps a nonlinear line
 7 would have been a better fit for the data or perhaps
 8 the use, again, of a kink point to take into account a
 9 shift in the pattern of growth.
 10 **Q So I'm trying to -- I think I'm coming to an**
 11 **understanding of your differences with Mr. Hancock,**
 12 **which you get into on page 11, lines 11 through 21,**
 13 **but it's -- your disagreements with Mr. Hancock's**
 14 **analysis relate more to the inconsistency --**
 15 A That's right.
 16 **Q -- of his approach of linear and nonlinear?**
 17 A That's correct.
 18 **Q Lastly, you heard my questions on load growth?**
 19 A Yes.
 20 **Q I don't have the IRP in front of me,**
 21 **unfortunately, and I don't recall my last review of**
 22 **that. But do you have some numbers both on housing**
 23 **starts, the number of now -- I do admit we just**
 24 **changed our line extension policy on natural gas. It**
 25 **could change, but this is historical data. Do you**

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EXAMINATION BY COMMISSIONER JONES / FORS 159

1 **have some information, high-level, for load growth and**
 2 **therms and kilowatt hours and housing starts?**
 3 A So this would be -- these numbers I'm about to
 4 give you would be what I would consider systemwide, so
 5 system for electric, systemwide for all our service
 6 area, and the same for gas.
 7 And so right now customer growth is probably,
 8 on the electric side, around 1 to 1.1 percent per
 9 year.
 10 **Q Okay.**
 11 A And that number will track very closely with
 12 population growth, which is probably one of the key
 13 drivers in my forecast model that we use for the
 14 revenue and earnings model at Avista.
 15 **Q And by population growth, what's the data**
 16 **source for that? Is that the Bureau of Census or what**
 17 **data source do you use for population growth?**
 18 A For the historical data, I will use -- yes,
 19 from the U.S. Census. Sometimes I will pull the data
 20 from the Bureau of Economic Analysis, but they are
 21 pulling their population data from the U.S. Census.
 22 So it almost always tracks back to the U.S. Census.
 23 **Q So you don't use the state OFM data?**
 24 A Sometimes I will. For this reason is because
 25 of the delay in release of the U.S. Census data. I

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EXAMINATION BY COMMISSIONER JONES / FORS 160

1 will sometimes use the OFM data to fill in maybe the
 2 most recent year to fill in the numbers I need to do
 3 the forecast, so I will refer to them periodically.
 4 **Q Okay. That's electric side. What about the**
 5 **gas side, therm use?**
 6 A So --
 7 **Q Systemwide is fine.**
 8 A So for the electric load growth is in the
 9 neighborhood of .6 to .7 percent.
 10 **Q Excuse me. .6 to .7?**
 11 A Yeah. That's the electric load growth.
 12 **Q So on that point, you're a statistician.**
 13 **Mr. Hancock I don't know if -- I think he studies**
 14 **statistics. I don't know about Mr. Norwood.**
 15 **But in their testimonies, they talk about flat**
 16 **load growth for electric. Is that close enough?**
 17 A Yeah.
 18 **Q Flat?**
 19 A It's pretty low. And, remember, these numbers
 20 are based on -- partly, it's recent history of growth,
 21 but, partly, it's also what my forecast model says.
 22 And there's a statistical variance in there. It could
 23 be as low as zero and maybe as high as .8 percent, so
 24 I'm trying to give you kind of the central range.
 25 **Q Thank you. Okay. For natural gas?**

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EXAMINATION BY CHAIRMAN DANNER / FORSYT 161

1 A For gas customer growth is right now around
 2 1.3 percent. Now, an important feature of gas for
 3 customer growth is that it will often exceed
 4 population growth by a small spread. The reason for
 5 that is you have households that have not had gas
 6 deciding to retrofit with gas, and that will give you
 7 some customer growth above population growth. And
 8 that goes into play with the new extension here.
 9 **Q Got it. Those are all the questions, Doctor.**
 10 **Do you want to say --**
 11 A On gas load growth --
 12 **Q I'm sorry. Load growth.**
 13 A -- it's probably in the neighborhood of, I
 14 want to say, 1 to 1.2 percent load growth, and that is
 15 systemwide.
 16 **Q So that includes southern Oregon, Idaho, and**
 17 **your service territory in Washington?**
 18 A That's correct.
 19 COMMISSIONER JONES: Thank you. That's
 20 all I have.
 21 EXAMINATION
 22 BY CHAIRMAN DANNER:
 23 **Q Good morning.**
 24 A Good morning.
 25 **Q Dr. Forsyth, I wanted to ask you: You take**

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EXAMINATION BY CHAIRMAN DANNER / FORSYT 162

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

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

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

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

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

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EXAMINATION BY CHAIRMAN DANNER / FORSYT 163

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

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

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

14 A Correct.

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

18 A That's correct.

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

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

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EXAMINATION BY CHAIRMAN DANNER / FORSYT 164

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

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

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

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

14 A Not sure.

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

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

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

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

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EXAMINATION BY CHAIRMAN DANNER / FORSYT 165

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

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

9 A I specifically have not done that analysis.

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

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

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

17 I think we can -- Mr. Meyer?

18 MR. MEYER: That's fine.

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

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

24 DR. FORSYTH: I get that a lot.

25 JUDGE MOSS: At least we don't have

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

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

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

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

11 Does the Bench have questions for Ms. Schuh?
12 COMMISSIONER JONES: I have one.

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

15

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

20

21 JUDGE MOSS: Mr. Meyer, your witness.
22 **E X A M I N A T I O N**

23 BY MR. MEYER:
24 **Q Thank you. Are you all set?**
25 A Corrections?

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EXAMINATION BY MEYER / SCHUH 167

1 **Q For the record, please state your name.**
2 A Karen K. Schuh.

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

7 **Q Do you have any changes to make to any of**
8 **those?**
9 A I just have one minor change.

10 **Q To which exhibit, which page?**
11 A KKS-8T.

12 **Q That is your rebuttal, prefiled rebuttal;**
13 **correct?**
14 A Page 11.

15 **Q Page 11. Is your mike on?**
16 A There.

17 **Q Okay. And move it a little closer to you as**
18 **well.**
19 **So page 11?**
20 A Yes.

21 **Q And what's your edit there?**
22 A Line 10, million is in 2017 and 6.1 million --
23 so that 2018 should be 2017.

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

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EXAMINATION BY COMMISSIONER JONES / SCH 168

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

3 **COMMISSIONER RENDAHL: What page and**
4 **what line are we on, please?**
5 MS. SCHUH: Page 11, line 10.
6 COMMISSIONER RENDAHL: So the first
7 reference to 2018 should be 2017, is that --
8 MS. SCHUH: Correct.
9 MR. MEYER: Okay. So she's available
10 for cross.

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

14 **E X A M I N A T I O N**
15 **BY COMMISSIONER JONES:**
16 **Q Thank you. Good morning, Ms. Schuh.**
17 A Good morning.
18 **Q Good to have you here. I'll have one question**
19 **on the Colstrip Thermal Capital project. It's page 15**
20 **of KKS-1T, and then I'll have a couple others about**
21 **the central office and the work building. So tell me**
22 **when you're there.**
23 A I'm sorry. What was the first reference?
24 KKS-1?
25 **Q KKS-1T, page 15. It's Table 1, and there's a**

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EXAMINATION BY COMMISSIONER JONES / SCH 169

1 **line item called "Colstrip Thermal Capital." Are you**
2 **there?**
3 A All right. I'm there.
4 **Q And the amount you're requesting is 12,292,000**
5 **in 2016; right?**
6 A I've got 12,432,000 in 2017.
7 **Q Okay. We're looking at different numbers.**
8 **Okay. You have what?**
9 A 12,432,000.
10 **Q Oh, okay. I'm not referring to the**
11 **cross-check study. I'm just referring to modified**
12 **historical test year, so the modified historical test**
13 **year pro forma addition was 12,292,000; right?**
14 A Yes. I'm there. Sorry.
15 **Q So how familiar are you with Colstrip Units 3**
16 **and 4 and planned outages and capital project**
17 **additions at Colstrip? Is this your area of**
18 **expertise, Mr. Kinney, or somebody else?**
19 A It's really Mr. Kinney's.
20 **Q If I have questions of what the purpose of**
21 **these projects are -- let me see. What page of your**
22 **testimony is that on?**
23 A I think the details of the Colstrip
24 information is included in Mr. Kinney's testimony.
25 **Q Is Mr. Kinney here?**

<p style="text-align: right;">Page 170</p> <p>EXAMINATION BY COMMISSIONER JONES / SCH 170</p> <p>1 MR. MEYER: He is not. We can 2 certainly respond to a Bench request if there's 3 specifics. Right now we're just pulling up his direct 4 testimony and perhaps can direct you to -- 5 COMMISSIONER JONES: I have that. It's 6 in SKJ-1T, page 13. I'm ahead of you, Mr. Meyer. 7 MR. MEYER: It's page 13, lines 4-12. 8 COMMISSIONER JONES: Right. So I have 9 a few questions on this. Instead of a Bench request, 10 could you make him available maybe after lunch? 11 MR. MEYER: We can have him call in. 12 COMMISSIONER JONES: Let's do that. 13 MR. MEYER: Just so we're clear, your 14 interest is primarily on Colstrip capital additions? 15 COMMISSIONER JONES: Yes, and trying to 16 get a better sense of your 10 and 15 percent shares, 17 but, more specifically, what kind of projects they are 18 if -- what the replacement schedule is, just a few 19 detail questions about that if he could get ready on 20 that. 21 MR. MEYER: We'll do that, and we'll 22 have him call in on the bridge line whenever we 23 reconvene. 24 JUDGE MOSS: We're going to take a 25 break until 1:30. I'll lay out my full plan in a</p>	<p style="text-align: right;">Page 172</p> <p>EXAMINATION BY COMMISSIONER JONES / SCH 172</p> <p>1 A It's my understanding from our facilities 2 department that the parking garage has -- we've done 3 significant analysis around that to determine the need 4 for that as well as, you know, incorporating the fleet 5 portion of that. 6 Q Okay. So it appears to be an aging issue? 7 The fleet garage is over 50 years old, so you need a 8 new garage? 9 A Correct. 10 Q Okay. All right. Well, if that's your 11 explanation, I'll take it as is. 12 A Without further -- I mean, that's the most 13 detail I could probably give you myself without having 14 someone else answer. 15 Q Who's responsible for this at a senior 16 management level? Is this Ms. Rosentrater, or is it 17 somebody else in asset management? 18 A Yes, Ms. Rosentrater. 19 Q Ms. Rosentrater? 20 A Yes. 21 Q So we could -- I could ask her a question 22 later on this afternoon. 23 MR. MEYER: Great. Thank you. 24 COMMISSIONER JONES: That's all I have. 25 JUDGE MOSS: With that, Ms. Schuh,</p>
<p style="text-align: right;">Page 171</p> <p>EXAMINATION BY COMMISSIONER JONES / SCH 171</p> <p>1 minute, but about 1:30. 2 BY COMMISSIONER JONES: 3 Q And then just one question I have. Page 22, I 4 don't know, could you turn to page 22 on the central 5 office facility? 6 A I'm there. 7 Q Okay. Can you -- I've read this. I don't 8 totally understand the need for this. Maybe you could 9 give me a high-level explanation of why you need to 10 spend the \$2.9 million. Did you do some studies, some 11 time-in-motion studies, to figure out the need for 12 this? What was the basis for committing to the 13 central office -- 14 CHAIRMAN DANNER: I'm sorry. 15 Commissioner, what page are you on? 16 COMMISSIONER JONES: Page 22. That's 17 KKS-1T, Dave. 18 CHAIRMAN DANNER: I'm sorry. 19 COMMISSIONER JONES: I'm not in Kinney 20 anymore. I'm back to Schuh, KKS-1T. 21 BY COMMISSIONER JONES: 22 Q So could you answer my question? 23 A Yes. I was waiting for him to get there. 24 Q The two commissioners are sharing Commissioner 25 Rendahl's version. You're fine.</p>	<p style="text-align: right;">Page 173</p> <p style="text-align: center;">173</p> <p>1 we're going to allow you to step down from the witness 2 stand. Thank you for your testimony. We'll not try 3 to move on with another witness until after the 4 luncheon break at which time we will have Mr. Kinney 5 on the phone as you offered up, Mr. Meyer, and then 6 we'll move back to Smith after that. 7 MR. MEYER: Is there, in fact, cross 8 for Ms. Smith? 9 MS. CAMERON-RULKOWSKI: Yes, there is. 10 I had one other matter. I hadn't brought it 11 up earlier because it didn't seem like it was going to 12 be an issue, but Mr. Nightingale is available today 13 only. And I anticipate that we should get to him and 14 it should be just fine, but I did want to bring that 15 up. 16 JUDGE MOSS: I don't think we're going 17 to have any problem reaching Mr. Nightingale today, 18 but remind me later if it looks like we're running out 19 of time. 20 MS. CAMERON-RULKOWSKI: Thank you, Your 21 Honor. 22 JUDGE MOSS: Let's take our luncheon 23 recess, and we will take the 90 minutes until 1:30. 24 (A luncheon recess was taken from 25 11:56 a.m. to 1:35 p.m.)</p>

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174	EXAMINATION BY COMMISSIONER JONES / KEN 176
<p>1 JUDGE MOSS: Let's be on the record.</p> <p>2 And, Mr. Kinney, I'm just going to ask you there in</p> <p>3 place to -- I have to swear you in.</p> <p>4</p> <p>5 SCOTT KINNEY, (via conference call),</p> <p>6 witness herein, having been</p> <p>7 first duly sworn on oath,</p> <p>8 was examined and testified</p> <p>9 as follows:</p> <p>10</p> <p>11 JUDGE MOSS: Thank you very much. I</p> <p>12 believe that Commissioner Jones may have a question or</p> <p>13 two for you, Mr. Kinney, and so I'll turn the floor</p> <p>14 over to him.</p> <p>15 COMMISSIONER JONES: Thank you, Judge</p> <p>16 Moss.</p> <p>17 E X A M I N A T I O N</p> <p>18 BY COMMISSIONER JONES:</p> <p>19 Q Hello, Mr. Kinney. Good afternoon.</p> <p>20 A Hello.</p> <p>21 Q I just have a question on the Colstrip capital</p> <p>22 additions that's included in your testimony SJK-1T.</p> <p>23 And I think on page 13, if you could get there,</p> <p>24 there's a very brief description of what the additions</p> <p>25 are going to be used for. Are you there?</p>	<p>1 but as far as specifics on the projects, the projects</p> <p>2 were completed, for the most part, during the outage</p> <p>3 that takes place in May and June.</p> <p>4 Some of the bigger projects that were done</p> <p>5 during this outage are overhauls of the turbines, the</p> <p>6 generator, and other substation equipment, such as the</p> <p>7 transformer and switchgear. Most of that is based on</p> <p>8 the maintenance recommendations from the unit -- or</p> <p>9 the equipment manufacturers. So we follow that</p> <p>10 maintenance cycle.</p> <p>11 There was also some projects related to some</p> <p>12 of the new requirements out there around emissions and</p> <p>13 other environmental areas, primarily NOx reductions</p> <p>14 and also the combustion residuals.</p> <p>15 Q So on the environmental side, there is some</p> <p>16 money being spent for NOx reductions and what we call</p> <p>17 CCR, the coal combustion residuals, and that's</p> <p>18 pursuant to EPA regulations; right?</p> <p>19 A Yes.</p> <p>20 Q So the work was done during the May/June</p> <p>21 outage in the spring of this year. And so the work is</p> <p>22 done, and the plants -- from a used and useful</p> <p>23 perspective, the plants -- the refurbished plants are</p> <p>24 in service after the capital additions and the</p> <p>25 maintenance that was done; is that correct?</p>
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EXAMINATION BY COMMISSIONER JONES / KEN 175	EXAMINATION BY COMMISSIONER JONES / KEN 177
<p>1 A I am.</p> <p>2 Q So before we get to more specific questions,</p> <p>3 can you just describe your percentage ownership in</p> <p>4 Units 3 and 4 and the conditions in the joint</p> <p>5 ownership and operating agreement that commit you to</p> <p>6 spend this capital expenditures on repairs and things?</p> <p>7 A Okay. So we are 15 percent owners of Units 3</p> <p>8 and 4, and we are allowed to vote based on our</p> <p>9 ownership share on the capital budgeting and other</p> <p>10 projects that happen at the plants. So we do that at</p> <p>11 the owners meetings, and projects are approved based</p> <p>12 on the majority of the participants voting for</p> <p>13 approval.</p> <p>14 Q Our staff have run some numbers here based on</p> <p>15 your percentage ownership in this proposed capital</p> <p>16 addition, and the total cost of the project appears to</p> <p>17 be in the range of 180 million to 272 million.</p> <p>18 Can you comment on the total cost of the</p> <p>19 project and what it is going to be used for? I would</p> <p>20 imagine this is a planned outage that happens every</p> <p>21 two or three years, and there is equipment upgrades</p> <p>22 and other things going on. Could you provide some</p> <p>23 more specifics?</p> <p>24 A Yes. My understanding that numbers you</p> <p>25 indicated on the total projects are a little bit high,</p>	<p>1 A That is correct.</p> <p>2 Q I think that is -- I think that is all the</p> <p>3 questions I have on this. There's nothing related to</p> <p>4 transmission from Colstrip or any transmission</p> <p>5 upgrades or anything like that. It's all generation</p> <p>6 related; right?</p> <p>7 A As far as my testimony, yes.</p> <p>8 Q And the other plant owners, pursuant to the</p> <p>9 agreement, have all agreed to contribute their</p> <p>10 proportional share to these maintenance and capital</p> <p>11 upgrades; right?</p> <p>12 A Yes, they have.</p> <p>13 Q And this has nothing to do with the</p> <p>14 catastrophic rotor replacement on Unit 3 that occurred</p> <p>15 two or three years ago. All the work on that has been</p> <p>16 finished; right?</p> <p>17 A Correct.</p> <p>18 COMMISSIONER JONES: Thank you. Those</p> <p>19 are all my questions.</p> <p>20 JUDGE MOSS: Thank you, Mr. Kinney. We</p> <p>21 appreciate you appearing by telephone today and giving</p> <p>22 your testimony, and you can go about your business, I</p> <p>23 believe. We'll call you again if we need you, but I</p> <p>24 don't think that's likely.</p> <p>25 Let's have Ms. Smith, please.</p>

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

9 COMMISSIONER JONES: Yes, please.
 10 JUDGE MOSS: I think that's going to be
 11 Bench Exhibit 6.

12 MR. MEYER: Let me hand it out.
 13 JUDGE MOSS: Thank you, Mr. Meyer.

14

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

19

E X A M I N A T I O N

20

21 BY MR. MEYER:

22 **Q Are you ready?**
 23 A I'm ready.
 24 **Q For the record, please state your name.**
 25 A My name is Jennifer S. Smith.

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1 **Q Have you prepared both direct and rebuttal**
 2 **testimony?**
 3 A Yes, I have.
 4 **Q And have these been marked and admitted as**
 5 **JSS-1T all the way through JSS-6?**
 6 A Yes.
 7 **Q Any changes to make to any of those?**
 8 A No, I do not have any changes.

9 MR. MEYER: The witness is available.
 10 JUDGE MOSS: Thank you, Mr. Meyer.
 11 Ms. Cameron-Rulkowski, will you be doing the
 12 questioning?
 13 MS. CAMERON-RULKOWSKI: Yes, Your
 14 Honor.
 15 JUDGE MOSS: Please proceed.
 16 MS. CAMERON-RULKOWSKI: Thank you, Your
 17 Honor.

E X A M I N A T I O N

18

19 BY MS. CAMERON-RULKOWSKI:

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

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1 A Okay.
 2 **Q Thank you. I'm hoping we get something**
 3 **cleared up. Please refer to Table 3, and on the**
 4 **left -- on the left side of that table, it says**
 5 **"Avista updates to modified test year without**
 6 **agreement of parties."**
 7 A Yes.
 8 **Q And then down there, do you see Line K?**
 9 A Yes.
 10 **Q And that's pro forma capital - incremental**
 11 **December 2015?**
 12 A Yes.
 13 **Q All right. And doesn't this table imply that**
 14 **parties other than Avista, namely, Staff, did not use**
 15 **updated data for their 2015 post test year capital**
 16 **additions?**
 17 A Can you repeat the question one more time?
 18 **Q Sure. Does this table --**
 19 **JUDGE MOSS: Your microphone,**
 20 **apparently, is not turned on.**
 21 MS. SMITH: There we go. I think it's
 22 on now.
 23 **Q With this table, do you mean to say that**
 24 **parties other than Avista, namely, Staff, did not use**
 25 **updated data for their 2015 post test year capital**

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1 **additions?**
 2 A No. This table, Items A through L, are
 3 updates that we made upon our rebuttal case where
 4 there was not specific agreement through, I guess,
 5 response testimony from the other parties to specific
 6 adjustments made to our original filing.
 7 **Q All right. So with respect to the 2015 post**
 8 **test year capital additions, do you agree that Staff**
 9 **uses, essentially, the same numbers as the Company?**
 10 A Yes. And let me walk you through kind of what
 11 we're seeing here. If you go to Joanna Huang's
 12 Exhibit JH-2, page 10 --
 13 **Q That's exactly where I wanted to point you, so**
 14 **please proceed.**
 15 A In Column 3.09, they have an adjustment for
 16 rate base, which is twenty-one six zero nine.
 17 **Q Which line are you looking at?**
 18 A It's line 49.
 19 **Q Thank you.**
 20 A Okay. And you can see the twenty-one six zero
 21 nine was what they proposed in their adjustment on
 22 response.
 23 COMMISSIONER RENDAHL: I'm sorry to
 24 interrupt you. This is JH-2?
 25 MS. SMITH: JH-2, page 10.

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1 **Q Line 49?**
 2 A Line 49 in Column 3.09, third column.
 3 So Staff is proposing the rate base adjustment
 4 of the twenty-one six zero nine there. When Avista
 5 filed our original adjustment, we had a total of --
 6 let me walk you to the page. Exhibit JSS-2 -- you
 7 know what, let me change that. Let's look at JSS-5,
 8 which is our rebuttal exhibit, page 10, Column 3.09.
 9 During the discovery process -- Column 3.09
 10 shows the eighteen three zero seven, which was our
 11 original position that we filed within JSS-2. During
 12 the discovery process, Staff identified -- or we
 13 updated the 3.09 adjustment to reflect changes in
 14 accumulated appreciation, I believe, retirements, and
 15 then one other item, which Ms. Schuh can speak to the
 16 specifics if you need. But our adjustment, 3.09(i)
 17 reflects those updates to the original adjustment. So
 18 the sum of the eighteen three zero seven and the
 19 3,302,000 really is the same as what Staff has
 20 proposed in JH-2.
 21 **Q That's exactly the clarification that I was**
 22 **seeking. And so this shows that --**
 23 A It is the same.
 24 **Q -- the Company and Staff are using the same**
 25 **numbers for the 2015 post test year capital additions;**

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EXAMINATION BY COMMISSIONER RENDAHL / SM 183
 1 correct?
 2 A Yes.
 3 **Q Thank you.**
 4 A Sorry if I took too long to get there.
 5 **Q And this would be -- I should just add this**
 6 **would be with the exception of the debt interest**
 7 **calculation?**
 8 A Yes. That's correct.
 9 MS. CAMERON-RULKOWSKI: Thank you. I
 10 have no further questions.
 11 JUDGE MOSS: Thank you. Anything from
 12 the Bench?
 13 COMMISSIONER JONES: No.
 14 JUDGE MOSS: All right. Ms. Smith,
 15 thank you very much for being here today and
 16 clarifying --
 17 COMMISSIONER JONES: Judge Moss.
 18 JUDGE MOSS: Oh, I'm sorry.
 19 Commissioner Rendahl has a question. I didn't pick up
 20 on that.
 21 **E X A M I N A T I O N**
 22 **BY COMMISSIONER RENDAHL:**
 23 **Q Good afternoon. I want to clarify the issue**
 24 **of the pipeline safety labor expense, if you don't**
 25 **mind. And so I think if you look at your rebuttal**

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EXAMINATION BY COMMISSIONER RENDAHL / SM 184
 1 testimony, JSS-4T, on page 17 and lines 11 through 17,
 2 so you're responding to Staff's proposed adjustment to
 3 decrease these labor expenses. Do you need me to tell
 4 you the --
 5 A Page 17.
 6 **Q Page 17, lines 11 through 17. Do you see**
 7 **that?**
 8 A Yes.
 9 **Q Okay. So in this part of your testimony,**
 10 **you're responding to Staff's proposed adjustment to**
 11 **decrease the labor expenses for the FTEs relating to**
 12 **implementing the recommended practice by American**
 13 **Petroleum Institute.**
 14 A Yes.
 15 **Q So it looks like there are four positions at**
 16 **issue here that were originally proposed to serve**
 17 **Washington. The QA/QC program administrator position**
 18 **is not addressed in your rebuttal testimony. And so**
 19 **is that position serving Washington -- the Washington**
 20 **service territory? Can you tell us the status of that**
 21 **position?**
 22 A Give me one second.
 23 **Q It's not clear from your testimony.**
 24 A Which position was it you were speaking to?
 25 **Q That is the QA/QC program administrator**

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EXAMINATION BY COMMISSIONER RENDAHL / SM 185
 1 position.
 2 A Yes, I believe the QA/QC program administrator
 3 position we did not address. I think that was an
 4 oversight of the Company. When you look at the
 5 difference in the proposal of the adjustment, it's
 6 that \$5,000 amount.
 7 **Q Okay. That may be something we submit a Bench**
 8 **request on at this point. I'm not requesting it, but**
 9 **you may see one.**
 10 **CHAIRMAN DANNER: Why don't we?**
 11 **COMMISSIONER RENDAHL: If you can**
 12 **complete the information on the QA/QC program**
 13 **administrator position and the status of that position**
 14 **in Washington, that would be helpful.**
 15 MS. SMITH: I'll do that.
 16 COMMISSIONER RENDAHL: And that will be
 17 Bench Request 7; right?
 18 JUDGE PEARSON: Yes.
 19 JUDGE MOSS: I feel hardly needed.
 20 Ms. Smith, you may be --
 21 COMMISSIONER RENDAHL: You have trained
 22 us so well, Judge Moss.
 23 JUDGE MOSS: Thank you very much.
 24 MS. SMITH: Thank you.
 25 JUDGE MOSS: I think Ms. Rosentrater

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1 would be next.

2 MR. MEYER: This may take just a

3 minute. Ms. Rosentrater has quite a number of

4 materials, as you can imagine.

5 JUDGE MOSS: We will be patient.

6

7 HEATHER L. ROSENTRATER, witness herein, having been

8 first duly sworn on oath,

9 was examined and testified

10 as follows:

11

12 JUDGE MOSS: Be seated.

13 MS. ROSENTRATER: The mike is on.

14 Okay.

15 JUDGE MOSS: Thank you for checking.

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

17 Way too fast. Okay.

18 EXAMINATION

19 BY MR. MEYER:

20 **Q For the record, please state your name.**

21 A Heather L. Rosentrater.

22 **Q And you've had several exhibits marked and**

23 **admitted beginning with HLR-1T all the way through**

24 **HLR-9T; is that correct?**

25 A Yes, that's correct.

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EXAMINATION BY GAFKEN / ROSENTRATER 187

1 **Q Any changes to make to any page of any**

2 **exhibit?**

3 A I do have one change. In my direct testimony,

4 HLR-1T, on page 25.

5 **Q So just stop and let everybody get there.**

6 **HLR-1T, page 25.**

7 A Twenty-five.

8 **Q Okay.**

9 A On line 15, please strike the 216.9 number,

10 and replace with 215.2. And that is all I have.

11 MR. MEYER: All right. And she is

12 available for cross.

13 JUDGE MOSS: All right. Thank you very

14 much. And I believe here we have cross-examination by

15 Public Counsel.

16 EXAMINATION

17 BY MS. GAFKEN:

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

19 A Good afternoon.

20 **Q Under Avista's analysis, Avista has assumed**

21 **certain benefits related to AMI; correct?**

22 A Correct.

23 **Q Those benefits include benefits related to**

24 **conservation voltage reduction?**

25 A Yes.

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EXAMINATION BY GAFKEN / ROSENTRATER 188

1 **Q Conservation voltage reduction generally**

2 **reduces energy and peak demand; correct?**

3 A It reduces losses on the system, and it

4 increases efficiency of customers' equipment in

5 general.

6 **Q Does it -- I'm not sure if it -- well, let me**

7 **ask this: So does it also -- does it reduce energy**

8 **and peak demand?**

9 A It reduces energy demand and peak demand.

10 **Q Okay. This reduction of energy and peak**

11 **demand generally provides a system benefit; is that**

12 **right?**

13 A System and customer benefit.

14 **Q Is it fair to say that the conservation**

15 **voltage reduction benefit assumed by Avista in its AMI**

16 **analysis is a system benefit?**

17 A It has system benefits and customer benefits.

18 Customers' equipment, generally, operates more

19 efficiently at a lower voltage.

20 **Q Are there other system benefits compared to**

21 **benefits that accrue only to the residential class**

22 **assumed in Avista's AMI analysis?**

23 A So your question -- you said other benefits

24 that are only -- so I wouldn't consider CVR to only be

25 a residential benefit. So can you repeat or restate

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EXAMINATION BY GAFKEN / ROSENTRATER 189

1 the question, I guess?

2 **Q Sure. So the assumption in my question is**

3 **that CVR is not just a residential benefit. And my**

4 **question is whether there are other benefits in**

5 **Avista's business case, other benefits that are**

6 **assumed in the business case, that are also not solely**

7 **residential --**

8 A Oh.

9 **Q -- benefits.**

10 A Okay. I appreciate that. Thank you.

11 So I would say the majority of the benefits

12 are not just residential benefits. The reduction in

13 the meter reading costs that we recognize are -- the

14 majority of those are residential benefits, but --

15 because we plan to keep the MV90, at this point,

16 meters for the industrial customers. But for the

17 commercial customers, the meter reading costs will be

18 reduced because their meters will be replaced.

19 In general, we believe that some of the

20 benefits are weighed more heavily towards residential,

21 and some are weighed more heavily towards industrial.

22 So, in general, we have considered just broad value

23 for the benefits.

24 **Q Do you have any particular examples, or are**

25 **you thinking more generally when you talk about some**

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EXAMINATION BY GAFKEN / ROSENTRATER 190

1 of the benefits that weigh more heavily one way or
 2 another?
 3 A Yeah. I can give you another example. One of
 4 the examples is with our outage -- our reduced outage
 5 numbers. We leveraged the Lawrence Berkeley study and
 6 the ICE calculator to identify the value of those
 7 outage reduction benefits.
 8 And the -- there's two ways that they were
 9 valued. One is the direct cost estimation survey for
 10 the commercial and industrial customers and using the
 11 value of service for the residential customers, and
 12 looking at all of that, only about 3.6 percent of the
 13 value associated to that benefit stream is related to
 14 residential. And the remaining over 96 percent is
 15 commercial and industrial using that direct cost
 16 estimation survey.
 17 **Q Would you please turn to your rebuttal**
 18 **testimony, which is Exhibit HLR-9T, and go to page 4,**
 19 **and I'd like you to turn your attention to**
 20 **Illustration 2 on the map of the United States there.**
 21 **Illustration 2 is a map prepared by the Edison**
 22 **Foundation depicting smart meter deployment by state**
 23 **as of 2015; correct?**
 24 A Correct.
 25 **Q Are you familiar with the regulatory decisions**

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EXAMINATION BY GAFKEN / ROSENTRATER 191

1 **that resulted in smart meter deployment depicted in**
 2 **Illustration 2?**
 3 A Some of them. I'm not familiar with the
 4 entire across the nation, but I'm familiar with some
 5 of the states.
 6 **Q Okay. Let's walk through them by color, and**
 7 **to the extent that you recall or are familiar with the**
 8 **decisions, let's see how far we get. And I'm only**
 9 **asking for your recollection. We'll see how we do.**
 10 **Let's start with the red states. Have you**
 11 **reviewed regulatory decisions that resulted in smart**
 12 **meter deployment in the red states with 50 to**
 13 **100 percent deployment?**
 14 A So I'm probably -- I don't have the -- in
 15 terms of that kind of explanation, I wouldn't be able
 16 to talk to you in that kind of generalities.
 17 **Q Why don't I ask it this way: Do you recall**
 18 **reviewing any particular state or any particular**
 19 **jurisdiction's orders regarding smart meter**
 20 **deployment?**
 21 A I'm familiar with some of them. I don't have
 22 them memorized, but I know that I'm familiar with
 23 California and some of the orders that through the
 24 years have been implemented there. But I don't have
 25 others memorized.

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EXAMINATION BY GAFKEN / ROSENTRATER 192

1 **Q Okay. Do you recall reviewing others? You**
 2 **just don't recall which ones, or is California kind of**
 3 **the extent of the ones -- other states that you've**
 4 **reviewed?**
 5 A So I haven't reviewed formal orders. I've
 6 seen, I guess, through publications and articles
 7 references to orders. So I haven't read verbatim the
 8 orders themselves.
 9 **Q Do you know whether any state regulator has**
 10 **approved AMI deployment based on a business case that**
 11 **includes benefits derived from the Department of**
 12 **Energy interruption calculator that Avista uses in its**
 13 **business case to input customer benefits from reduced**
 14 **outage duration?**
 15 A I don't have -- I'm not familiar with -- I'm
 16 not familiar with any that have, I guess.
 17 MR. MEYER: I'm sorry. I want to make
 18 sure you understand the question. So can the question
 19 be repeated just so the witness has this in mind?
 20 **Q Right. And I am only asking about your**
 21 **understanding and your knowledge. And so if you don't**
 22 **recall, that's a perfectly acceptable answer too.**
 23 A Okay.
 24 MS. GAFKEN: So, Mr. Meyer, did you
 25 want me to ask that question again?

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EXAMINATION BY GAFKEN / ROSENTRATER 193

1 MR. MEYER: So is your answer that you
 2 don't recall?
 3 A I think the more appropriate answer would be
 4 that I don't recall.
 5 **Q I have two other questions that are similar,**
 6 **and I do want to walk through them.**
 7 A Uh-huh.
 8 **Q Do you know of any other state regulator that**
 9 **has approved AMI deployment based on a business case**
 10 **that has included specific monetary benefits derived**
 11 **from the utilities estimated reduction of storm**
 12 **expenses attributed to AMI?**
 13 A So I know that when we did our business case
 14 and we were looking to identify a value, recognizing
 15 that there are some uncertainty in the numbers, we
 16 tried to find what we thought would be the most likely
 17 realistic value for us. And so we used reports that
 18 are available in the industry, but recognizing that
 19 our situation is not always going to be like others,
 20 our subject matter experts used those reports to
 21 inform based on our situation.
 22 And I know that we did use reports, but I'm
 23 not familiar as to whether those reports have been
 24 used in other business cases for AMI.
 25 **Q Are you familiar with whether other state**

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EXAMINATION BY GAFKEN / ROSENTRATER 194

1 **regulators have relied on reports relying on specific**
 2 **monetary benefits derived from a utilities estimated**
 3 **reduction of storm expenses that are attributed to**
 4 **AMI?**

5 A I know the reports that we used, but I don't
 6 know if those reports have been used by other
 7 regulators to approve the AMI business cases.

8 **Q Do you know whether other state regulators**
 9 **have approved AMI deployment based on a business case**
 10 **that includes the reduction of kilowatt usage results**
 11 **based on conservation voltage reduction programs that**
 12 **are attributed to AMI alone?**

13 A I'm not familiar with -- they have used that
 14 in their business cases.

15 **Q Okay. We can switch gears now. With respect**
 16 **to ICE, reduction of storm expenses, and conservation**
 17 **voltage, the benefit calculations presented by Avista**
 18 **are primarily based on Avista's own internal views of**
 19 **how to calculate these benefits. Is that a fair**
 20 **statement?**

21 A I don't -- no. I wouldn't say that. In terms
 22 of the three categories you gave, we're using the ICE
 23 calculator, the outage reductions -- and what was the
 24 third one?

25 **Q ICE, reduction in storm expenses, and**

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EXAMINATION BY GAFKEN / ROSENTRATER 195

1 **conservation voltage reduction.**

2 A Conservation voltage reduction. We used
 3 several studies that informed our internal subject
 4 matter experts in how they determined the
 5 appropriateness of how to apply those benefits on our
 6 system, so we were informed by the reports.

7 I know our subject matter experts are familiar
 8 with the Lawrence Berkeley reports that are -- that is
 9 how the ICE calculator is created and tried to look at
 10 how applicable those were for our area and what the --
 11 what the gaps were.

12 And that is one of the reasons that we also
 13 did a sensitivity analysis on each of our benefits to
 14 recognize that there might not be a perfect fit with
 15 the reports that are available to apply to us, and so
 16 we looked at the likelihood and the variability of
 17 each of the benefit areas and applied a low end and a
 18 high end based on our knowledge and based on those
 19 outside reports informing our internal experts and how
 20 they would apply it for our situation.

21 And we have, you know, for the -- I know we
 22 used the ICE calculator. We used two reports for the
 23 outage or the storm reduction, and then we used our --
 24 we had a third party do evaluation on our CVR that we
 25 implemented as part of our smart grid investment

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1 grants and our smart grid demonstration projects. NEA
 2 was the third party who -- or Navigant who did
 3 analysis for us and confirmed the methodology that we
 4 were using and the energy efficiency that we expected
 5 to receive from what we did.

6 **Q I do have one other question about what you**
 7 **reviewed in terms of looking at what other states have**
 8 **approved or looked at.**

9 **Are you aware of any other state regulator**
 10 **approving AMI deployment based on a business case that**
 11 **did not include any demand response or time-varying**
 12 **rate program designed to reduce capacity and energy**
 13 **costs?**

14 MR. MEYER: If you know.

15 A I wouldn't be able to cite a specific one, no,
 16 at this point.

17 **Q Avista has not proposed demand response or any**
 18 **time-varying rate program in this proceeding and did**
 19 **not consider such programs in its business case; is**
 20 **that correct?**

21 A We considered that this creates a foundation
 22 to allow us to provide those programs to our customers
 23 in the future. So in terms of not wanting to pick a
 24 technology that would be obsolete in the future and
 25 not allow those types of programs to be -- to use the

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1 technology, we did consider it. But we haven't
 2 included the benefits of those or the full costs of
 3 those programs in our current business case.

4 **Q And Avista does not propose any program that**
 5 **is specifically designed to use the hourly interval**
 6 **usage information that is provided by AMI, does it?**

7 A We do in terms of our web portal and for our
 8 customers to be able to view hourly and actually
 9 five-minute interval data from the meters.

10 **Q There's no additional program beyond that?**

11 A No, not for customers. That's what you're
 12 specifically asking about?

13 **Q Yes.**

14 A Were you -- okay.

15 **Q Avista does not currently have a documented**
 16 **need to reduce peak load usage on its system, does it?**

17 A We are currently going through our IRP, and it
 18 doesn't show up this year the need for peak reduction.
 19 But I believe in a couple years, it does. I don't
 20 have the exact year.

21 However, we do have a requirement through
 22 Initiative 937 to do all conservation that's cost
 23 effective for our customers. So we believe that the
 24 energy efficiency that we gain through this program
 25 meets that criteria, and we'll be putting it into our

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1 IRP in the future as well as our biennial conservation
 2 plan required through I-937.

3 **Q But does Avista have a current need to reduce**
 4 **peak load usage?**

5 A Not this year. From a generation perspective,
 6 each feeder has different characteristics that can
 7 benefit in different ways from peak load reductions.

8 **Q Sure. Avista's proposal regarding AMI does**
 9 **not include an enforceable promise that the benefits**
 10 **assumed in its business case will actually**
 11 **materialize, does it?**

12 A We think that, given the information we have
 13 at this point, it's very realistic to achieve the
 14 benefits that we have, but, no, we don't have a -- to
 15 state exactly what you said.

16 **Q Would you please turn to your rebuttal**
 17 **testimony, Exhibit HLR-9T, and turn to page 33. And**
 18 **once you're there, turn to lines 23 to 24.**

19 A Okay. I'm there.

20 **Q Okay. There you identify a summary of the**
 21 **value of the customer benefits that were quantified in**
 22 **the Company's original business case as an item that**
 23 **Avista would include in a report prepared within**
 24 **18 months after full deployment of AMI; correct?**

25 A Correct.

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EXAMINATION BY GAFKEN / ROSENTRATER 199

1 **Q Does Avista intend to track and report each of**
 2 **the benefit categories in its business case to the**
 3 **Commission to determine if the predicted benefits**
 4 **conform to the actual benefits realized upon**
 5 **deployment?**

6 A We do plan -- as this states, we do plan to
 7 provide a report within 18 months of full deployment
 8 on each of the benefit areas.

9 **Q Okay. With respect to the benefits that would**
 10 **be tracked and reported, are you referring to**
 11 **operational benefits?**

12 A Our expectation would be to find some way to
 13 report on all of the benefits.

14 **Q Including customer benefits?**

15 A Yes.

16 **Q How would customer benefits be tracked?**

17 A I know we have -- in terms of energy
 18 efficiency, we have third parties that we work with to
 19 help validate energy efficiency for our customer
 20 programs that we provide. So we have the cost of that
 21 kind of third-party analysis included in the business
 22 case. Did you have other areas you specifically were
 23 interested in?

24 **Q I don't have the areas spelled out, and you**
 25 **kind of answered the second component that I was**

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EXAMINATION BY GAFKEN / ROSENTRATER 200

1 **curious about, the tracking piece. But then I'm also**
 2 **curious about whether the benefits, the customer**
 3 **benefits, would then also be imputed in future AMI**
 4 **cost recovery. So the one that you just talked about,**
 5 **the third-party evaluation, that cost -- is that cost**
 6 **embedded in this cost here?**

7 A Not in the case, but in our overall project
 8 cost that has been approved over the five years, it's
 9 included in that cost.

10 **Q Okay. So that would come in a later case?**

11 A Uh-huh.

12 **Q Do you agree that it would be necessary to**
 13 **have an approved methodology in place to determine the**
 14 **baseline cost for the operational categories and to**
 15 **measure the impact of AMI on those costs?**

16 A Our intent is to work with the Commission
 17 Staff and other stakeholders to determine appropriate
 18 reporting for all of the benefit areas.

19 **Q But that sounds to me like it's more of a**
 20 **future process rather than something that's already in**
 21 **place?**

22 A Correct.

23 **Q And so Avista has not proposed a specific**
 24 **methodology in this proceeding for determining the**
 25 **baseline level of cost and the impact that AMI has on**

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EXAMINATION BY GAFKEN / ROSENTRATER 201

1 **the baseline cost; correct?**

2 A I'm not sure I'm -- on the baseline -- can you
 3 repeat your question?

4 **Q Let me unpack it a little bit. There are kind**
 5 **of two components in there.**

6 **So in this case, Avista has not proposed a**
 7 **specific methodology for determining the baseline**
 8 **level of costs; correct?**

9 A Baseline level of costs for determining the
 10 level of costs?

11 MR. MEYER: Do you understand the
 12 question was meant by baseline level of costs?

13 MS. ROSENTRATER: No. I'm not sure I
 14 understand.

15 A The -- because we've been talking about the
 16 benefits for the projects, so sorry. You're switching
 17 over to the costs of the project?

18 **Q Well, there would be benefits and in order to**
 19 **measure the benefits -- well, let me back up.**

20 **How would we measure the benefits?**

21 **JUDGE MOSS: Let me interrupt for a**
 22 **second. I'm sorry. There are people on the bridge**
 23 **line who have not muted their call function, and you**
 24 **need to do that. We can hear you in the hearing room,**
 25 **and it's disruptive. Please do that.**

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EXAMINATION BY GAFKEN / ROSENTRATER 202

1 **Go ahead.**

2 **Q So I had asked -- let me back up. We were**

3 **talking about a methodology to measure the benefits,**

4 **and you had testified that Avista had planned to work**

5 **with parties to develop a methodology. My basic**

6 **question is confirming that Avista has not proposed a**

7 **methodology to measure the benefits?**

8 A In terms of the specifics around how they

9 would be measured, each one would be -- how we would

10 measure it would need to be considered based on the

11 type of benefit. There's some that are easier to

12 measure because the costs just go away, and so you

13 can, for the most part, look at what was budgeted with

14 an escalator and note that those costs no longer

15 exist.

16 Some are more challenging to measure and

17 report out on. For CVR we have a protocol one that's

18 included in the Navigant report. There's other

19 methodologies that you can use for CVR. The protocol

20 one, I believe, has -- you're required to turn off the

21 CVR and then turn it back on. So you're actually

22 missing some of the benefit of the CVR for the

23 customers when you're doing the validation.

24 And so there's other methodologies that could

25 possibly be used that wouldn't reduce the amount of

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EXAMINATION BY GAFKEN / ROSENTRATER 203

1 energy efficiency that we're providing on our system

2 and to our customers. So I think for each benefit

3 area, we would need to partner with the Commission

4 staff and other stakeholders to ensure that we all are

5 supportive of how we do those measurements for each

6 benefit area.

7 **Q And with CVR, there's also the issue of**

8 **separating out the benefits that you would receive**

9 **from CVR generally and benefits that would potentially**

10 **be attributed to AMI?**

11 A Incremental based on the AMI, yes.

12 **Q Would you please turn to Cross-Exhibit**

13 **HLR-11CX.**

14 A All right.

15 **Q I think this might be just an illustration of**

16 **what we've been talking about in terms of the**

17 **methodology.**

18 **Do you recognize Cross-Exhibit HLR-11CX as**

19 **Avista's Washington AMI business case relating to**

20 **outage restoration efficiencies?**

21 A Yes, I do.

22 **Q And on page 3 of Cross-Exhibit HLR-11CX under**

23 **the heading "Key Metrics," the discussion in that box**

24 **talks about measuring and tracking this benefit being**

25 **a challenge?**

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EXAMINATION BY GAFKEN / ROSENTRATER 204

1 A Absolutely.

2 **Q Is that an illustration of what we've been**

3 **talking about in terms of developing the methodology**

4 **of measuring the benefit?**

5 A Right. Something that we can agree to

6 recognizing that, again, some are easier to quantity

7 and measure and some, exactly like this one, are much

8 more challenging.

9 We recognize that there is a benefit to our

10 customers. When we were managing our storm last year,

11 we had crews that were going to customers that already

12 had their power back on because we didn't know that

13 they had their power back on. And it was a huge

14 frustration for our crews, for our customers, for us.

15 And so we recognize that if we can see which customers

16 have power and which don't, we can manage the storm

17 much more efficiently. So we know there's value

18 there, but tracking that improvement is challenging.

19 **Q And at this time Avista is not able to measure**

20 **and track this particular benefit, is it? Is that a**

21 **fair statement?**

22 A We don't have the benefit yet. So our plan is

23 to work together, again, to come up with something

24 that we can agree to that would track in some way the

25 benefit that we would receive.

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EXAMINATION BY COMMISSIONER JONES / ROSENT 205

1 **Q Switching gears just a bit, with respect to**

2 **the avoided customer outage losses derived by the ICE**

3 **calculator, would you agree that these amounts will**

4 **not offset AMI costs in Avista's revenue requirement?**

5 A Correct.

6 MS. GAFKEN: Okay. I think I can stop

7 there. The remaining of my questions were really

8 foundational questions with respect to the exhibits,

9 but they're already in the record. So I can stop.

10 JUDGE MOSS: All right. Thank you very

11 much. And nobody else designated cross, so I'll ask

12 if there are questions from the Bench?

13 COMMISSIONER JONES: Yes, I do, Judge

14 Moss. Thank you.

15 **E X A M I N A T I O N**

16 **BY COMMISSIONER JONES:**

17 **Q Good afternoon, Ms. Rosentrater.**

18 A Good afternoon.

19 **Q I'm going to pick up on some of Ms. Gafken's**

20 **questions, but, first, let me go to the contracts. In**

21 **your testimony, you state that there are five vendor**

22 **contracts; correct?**

23 A That's been updated. At the end of September,

24 we have six now.

25 **Q Six?**

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EXAMINATION BY COMMISSIONER JONES / ROSENT 206

1 A With Itron.

2 **Q And those are in the Nightingale exhibits or**

3 **the cross-exhibits?**

4 A Yes.

5 **Q Okay. Just if you could, specify for me for**

6 **the record and list the date contract was signed with**

7 **vendor. So you have one with Oracle on Meter Data**

8 **Management system; right?**

9 A Yes.

10 **Q Approximately, when was that signed?**

11 A I will -- let me get to the --

12 **Q Sure.**

13 **COMMISSIONER JONES: Do you have that?**

14 MR. MEYER: We do. It's here. And may

15 I suggest that we return to that in a few minutes, and

16 I'll have support staff get dates for each of those

17 five contracts.

18 BY COMMISSIONER JONES:

19 **Q But the largest contract of all of those is**

20 **Itron, and the Itron contract was signed on --**

21 A It was --

22 **Q -- September 30 of 2016; right?**

23 A Correct.

24 JUDGE MOSS: For the benefit of the

25 court reporter, let's try very hard to only have one

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EXAMINATION BY COMMISSIONER JONES / ROSENT 207

1 person talking at a time. Thanks.

2 COMMISSIONER JONES: Thank you, Judge.

3 **Q The total project cost that you've included**

4 **that you just stated for the record, again, is**

5 **215.2 million; correct?**

6 A The 215.2 million is the present value of the

7 total life cycle cost including the capital and the

8 expense for Washington's portion.

9 **Q And you might want to go to page 10 of your**

10 **business case, HLR-3. Could you turn to there. Let's**

11 **just make sure we're all at the same point in the**

12 **record. HLR-3, page 10, are you there?**

13 A Yes.

14 **Q So I just want to make sure this is your final**

15 **and best estimate of the total quantified benefits.**

16 **Again, these are only quantified benefits, right, not**

17 **the unquantified benefits; correct?**

18 A Correct.

19 **Q So the total quantified benefits are**

20 **241.7 million?**

21 A Correct.

22 **Q And the total project cost life cycle are**

23 **215.2?**

24 A Yes. And I apologize. I spoke incorrectly

25 about the 215.2, I believe, is for the Washington and

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EXAMINATION BY COMMISSIONER JONES / ROSENT 208

1 Idaho and Oregon, the entire cost, because the MDM,

2 the Meter Data Management system, is allocated to

3 Washington, Idaho, and Oregon. But the rest of the

4 costs are Washington-only costs. So I think I

5 misspoke when I said the 215.2 was the Washington

6 only. I believe that's the full present value of the

7 project.

8 **Q Systemwide?**

9 A Systemwide.

10 **Q So that is a difference of, by my math,**

11 **26.5 million?**

12 A Correct.

13 **Q And you include in the project cost estimate**

14 **life cycle a contingency of 20 million?**

15 A Approximately, 20.8.

16 **Q 20.8. Okay.**

17 **Let's go -- let's turn to the outage**

18 **restoration issues. I think the best thing to do is**

19 **to go to page 43. Would you go there, page 43 of the**

20 **business case. Again, that's HLR-3.**

21 A Okay.

22 **Q So the ICE calculator which has been**

23 **criticized by Ms. Alexander and, frankly, by others in**

24 **the industry. So how do you respond to criticisms of**

25 **the ICE calculator that it uses older data and does**

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EXAMINATION BY COMMISSIONER JONES / ROSENT 209

1 **not respond to a long duration outage?**

2 A I know that, in general, the discussion in

3 Public Counsel on the Energy Project's testimony, the

4 concerns have been with the methodology of the value

5 of service or the contingent -- that method of

6 determining value for the outages for our customer.

7 And our analysis, in looking at it, also

8 recognizes challenges with that methodology as well.

9 We, again, recognize that that's -- was the

10 methodology used for the residential customers asking

11 how much they would be willing to pay to have shorter

12 outages. And the -- for our business case, it's a

13 very small portion of our business case because of

14 the -- that entire category. It's about 3.6 percent

15 of that value is associated with the residential

16 benefits that have used that methodology.

17 What we believe is a stronger correlation

18 methodology is the direct cost estimation survey that

19 was used with the commercial and industrial customers,

20 and that is over 96 percent of the value.

21 **Q I see.**

22 A So we didn't see discussion around concern

23 with the direct cost estimation survey. And since

24 that was the majority of the area of that value, we --

25 again, looking at the value of service or the

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EXAMINATION BY COMMISSIONER JONES / ROSENT 210

1 contingent methodology, we -- that's why we did the
 2 sensitivity analysis, recognizing it could be lower or
 3 higher.
 4 We do know that there was -- talking to the
 5 author actually of the Lawrence Berkeley study, know
 6 that Puget was included in the study, so there is
 7 representation in the Northwest. We did what we felt
 8 the best we could using that. And, again, with the
 9 area that was in question of the accuracy only being
 10 3.6 percent of that overall category, we felt
 11 comfortable applying that value.
 12 **Q Okay. Just to clarify, could you turn to**
 13 **page 44 of that same exhibit. Are you there?**
 14 **So when it says at the top Outage Management,**
 15 **Avoided Customer Outage Losses, levelized annual**
 16 **value, that's the benefit -- 3.5 million annual; 70.1**
 17 **life cycle? Is that residential or C & I, commercial**
 18 **and industrial, or every customer?**
 19 A It's both together, but 96 percent of the
 20 actual value is attributed to the industrial and
 21 commercial.
 22 **Q That's all.**
 23 **2015, you said you updated. You didn't answer**
 24 **my question on how you updated the Lawrence Berkeley**
 25 **ICE calculator for in 2015. Did you do that? Did**

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EXAMINATION BY COMMISSIONER JONES / ROSENT 211

1 **Lawrence Berkeley do that?**
 2 A Lawrence Berkeley updated their study, and I
 3 believe both the 2009 and the 2015 are in exhibits.
 4 **Q Okay. And then you also used Avista**
 5 **customer-specific data to optimize the outage**
 6 **calculations or not?**
 7 A I think we used our Avista-specific data to
 8 determine what to plug into the calculator based on
 9 our queries of the outage -- the outage numbers that
 10 we could be -- we could reduce and plug those into the
 11 calculator and cross-checked the outcome based on our
 12 asset management and how we looked at the value of
 13 outage reductions to customers in the past.
 14 **Q And then I think I understand that now.**
 15 **In your rebuttal testimony -- and this is**
 16 **on -- the exhibit is mixed up, the HLR-NT. Do you**
 17 **have your rebuttal testimony in front of you too?**
 18 A The 9T?
 19 **Q 9T.**
 20 A Yes.
 21 **Q Turn to page 19 and 20. I just want to**
 22 **clarify the percentage improvement numbers here that**
 23 **you say in response to Ms. Alexander. So are you**
 24 **there?**
 25 A Yes, I am.

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EXAMINATION BY COMMISSIONER JONES / ROSENT 212

1 **Q So overall you are asserting an overall**
 2 **10 percent improvement in outage management; correct?**
 3 A The --
 4 **Q And just as a second sub question, you're**
 5 **using 5.9 percent actual, but I read that as being**
 6 **actual power restoration, O & M expenses.**
 7 A Correct. The reference here is not related
 8 to -- the benefit isn't related to the outage -- a
 9 shorter outage for a customer. It's related to the
 10 storm event being shorter based on this information,
 11 10 percent shorter, and that the value would be
 12 related to the costs of being able to shorten that, so
 13 the labor costs and the transportation costs, not any
 14 of the equipment costs, because all of the equipment
 15 to fix the outages would still be relevant. You would
 16 just be more efficient in how you're managing your
 17 crews as I was talking about earlier.
 18 You're able to not have them go to customers
 19 that already have power. You're able to not have them
 20 break down and leave and go somewhere else when
 21 somebody still doesn't have power that's nearby. It's
 22 based on the more efficient management of those storm
 23 events.
 24 **Q So that example you quoted before -- because**
 25 **under the current meters that you have, a customer has**

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EXAMINATION BY COMMISSIONER JONES / ROSENT 213

1 **to call you, call the customer call center, to say**
 2 **they're out of power; right?**
 3 A Correct.
 4 **Q So you have no ability to see if that end**
 5 **user, that customer, doesn't have electric power?**
 6 A Right. Or when they get power restored, we --
 7 it's challenging during a storm event to fully keep
 8 track of all of that.
 9 **Q So I'm just trying to get an actual example**
 10 **here. So you mentioned the crews that had to go to**
 11 **houses who already had their power restored. That is**
 12 **a frustration for the crews, for management. That's**
 13 **an expense that would be improved by 5.9 percent?**
 14 **That's what that would apply to?**
 15 A Exactly.
 16 **Q And in terms of the overall system, the**
 17 **overall power outage, like the November 2015 wind**
 18 **storm, was how many days?**
 19 A Ten days.
 20 **Q So what you're saying, if you apply the**
 21 **10 percent to 10 days, you might have -- you might be**
 22 **a day shorter, a day and a half shorter?**
 23 A Exactly. That's the expectation, yes.
 24 **Q That clarifies it. Okay.**
 25 **Let's go to conservation voltage reduction. I**

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<p>EXAMINATION BY COMMISSIONER JONES / ROSENT 214</p> <p>1 think you were asked some questions on that. I'm 2 trying to find it in your business case. It is the 3 largest benefit category in your business case, 4 correct, energy efficiency and CVR? 5 A It's, I believe -- 6 Q I apologize. On page 5 of the business case, 7 meter reading and meter salvage is the biggest 8 benefit. 9 A Correct. 10 Q Energy efficiency is No. 2 at 127? 11 A Right. 12 Q Okay. But it's still a large number; right? 13 A Yes. 14 Q So let's get to this issue of I-937 and your 15 BCPs. Here for years now, because of your smart grid 16 investment grant and the upgrades in Spokane to the 17 feeders and employment, you have been claiming CVR for 18 your reports; right? 19 A Correct. 20 Q So I just want to make sure that the 21 additional savings that you claim here, this 22 2 percent, is going to be incremental to what you've 23 already achieved. 24 A That's exactly what it is. 25 Q Now, put on your electrical engineering hat</p>	<p>EXAMINATION BY COMMISSIONER JONES / ROSENT 216</p> <p>1 However, there's still some red areas, pockets of red 2 or orange, and so we have -- we're still conservative 3 in terms of where we set the voltage for our current 4 CVR because we're modeling the downstream voltage at 5 the customer. 6 And recognizing that some areas have lower 7 voltages are, again, conservative and where we bring 8 the voltage down to and still do get some customer 9 calls regarding the voltage and go in and need to 10 correct those situations as we're trying to achieve 11 energy efficiency on our system. 12 However, we have tools that if we knew where 13 those endpoints are that we're not enabling the entire 14 feeder to be as optimized as possible, we could go and 15 remediate those specific areas and raise the voltage. 16 There are secondary line devices that you can install 17 to raise a certain area's voltage. And this -- the 18 AMI system will allow us to identify those customers 19 that are lower than others and be able to raise their 20 voltage, and we have the costs associated with raising 21 their voltage, the equipment costs that would be 22 needed to raise the voltage in those areas included in 23 our project costs. 24 So really the only way that we're able to 25 reduce the voltage an additional 2 volts to get an</p>
<p>EXAMINATION BY COMMISSIONER JONES / ROSENT 215</p> <p>1 for a minute here, because I have a difficult time 2 understanding this a little bit. But here in your 3 business case on pages 44 -- especially on page 45, 4 you talk about why the customer level voltage data is 5 going to be more accurate and will be the basis for 6 that 2 percent overall savings; right? 7 So could you just try to summarize that at 8 least for the Bench or for me as to how that, more 9 precisely, why that voltage level data is so important 10 for the savings? 11 A Right. And I can actually -- we have a visual 12 that I think is somewhat helpful in my rebuttal. I 13 can -- 14 Q It's in your rebuttal testimony. Okay. 15 A Yes. So it's HLR-9T and it's page 23. 16 Q Okay. I'm there. 17 A So we -- over the last year, we've been using 18 our Pullman areas as a pilot to help determine what 19 the opportunity around incremental energy efficiency 20 is related to having realtime voltage with the 21 customer at the customer's level. 22 And you can see that the top left area is 23 areas of circuit that do not have CVR turned on, and 24 if you look at the legend, you can see that the darker 25 green means that there's higher voltage there.</p>	<p>EXAMINATION BY COMMISSIONER JONES / ROSENT 217</p> <p>1 additional 2 percent is to understand where those low 2 points of voltage are on our system that's enabled 3 through AMI. 4 Q Okay. You went way beyond me and my 5 knowledge, but that is an interesting photograph. 6 Thank you. 7 And I have visited the Pullman project. I 8 think all three of us have, so we kind of get it, but 9 it's -- so you stand by your assertion -- 10 A Yes. 11 Q -- that 2 percent is conservatively 12 achievable? 13 A Realistic, yes. 14 Q Since we're on that right now, why don't you 15 turn the page to -- since you're on the photo 23, 16 let's go to disconnections, page 30 of your rebuttal. 17 Are you there, line 22? I want to talk about 18 disconnections, remote disconnect capability. 19 A Uh-huh, I'm there. 20 Q So here you disagree with Ms. Alexander, I 21 think, in her testimony. Because this relates to the 22 value or the frequency of remote disconnects that AMI 23 would certainly enable -- I mean, technically, it will 24 enable a large number of remote disconnects; right? 25 So let me ask you this: Did you run a</p>

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<p>EXAMINATION BY COMMISSIONER JONES / ROSENT 218</p> <p>1 sensitivity of AMI -- maybe you did, and I didn't see 2 it -- not taking into account any of the values of 3 this capability of AMI, meaning disconnects? 4 A No, we didn't. We feel that it's -- we have 5 conducted the remote disconnects and the remote 6 reconnects in Pullman and haven't had any complaints 7 from our customers there. We actually have customers 8 that really appreciate the speed of the reconnect 9 from -- on average before, a reconnect, on average, 10 could be 14 hours, and they're getting it within 11 4 minutes. 12 So we feel that we're still needing the rules 13 from the Commission in operating that way in Pullman 14 and would like to expand that with this project. 15 Q Okay. Sorry. I'm jumping around here. Back 16 to the business case, so my next line of questions is 17 what you're actually asking for in this case in terms 18 of an after-attrition adjustment for AMI. So I think 19 the best place to go to would be the business case, 20 page 4. Again, this is HLR-3. 21 So before we get to the actual after-attrition 22 adjustment, I'm going to ask you just to see if these 23 tables are accurate on capital expenditures. Are you 24 there on page 4? 25 A Yes.</p>	<p>EXAMINATION BY COMMISSIONER JONES / ROSENT 220</p> <p>1 and they were just high-level summaries for 2 attachments. Would that be helpful? 3 COMMISSIONER RENDAHL: Which exhibit? 4 2-CXC or 3-CXC? 5 MR. MEYER: 3-CXC. 6 COMMISSIONER RENDAHL: And is there a 7 particular attachment that is not confidential? 8 MR. MEYER: Yes. The first 1, 2, 3, 4 9 pages -- 3 pages, which really is the heart of the 10 response, are not confidential. It's all the hundreds 11 of pages attached to it that are. So we can freely 12 talk about the first three pages of this. 13 MS. ROSENTRATER: Well, I don't know if 14 we can. It has the costs -- I think some of the costs 15 are -- 16 MR. MEYER: May we be off the record? 17 JUDGE MOSS: All right. Let's be off 18 the record. 19 (A break was taken from 2:43 p.m. to 20 2:45 p.m.) 21 JUDGE MOSS: Let's be on the record, 22 and let's talk one at a time since we are. 23 MR. MEYER: I would like to distribute 24 the first three pages of a response by the Company to 25 Staff Data Request 178-C. That entire response has</p>
Page 219	Page 221
<p>EXAMINATION BY COMMISSIONER JONES / ROSENT 219</p> <p>1 Q You're the overall manager of this project and 2 have total authority over both capital and O & M 3 expenditures; right? 4 A Yes. I'm the overall sponsor. 5 Q So could you go over to the line 2016. I just 6 want to be clear about how much money you've already 7 expended in capital. So the first column is Meter 8 Data Management. I think this is the Oracle contract; 9 right? 10 A Correct. 11 Q So have you expended already \$9.3 million? 12 A I think it would be helpful to reference I 13 think one of -- 14 MS. ROSENTRATER: Is it, David, 15 cross-reference -- 16 MR. MEYER: I think it is -- it is -- 17 where the witness is going is to draw your attention 18 to our response to Staff Exhibit 178-C. It is a 19 cross-exhibit for Mr. Nightingale, and it's marked as 20 DN-3CXC. I think it will take you maybe right to 21 where you want to go. 22 And what we're referring to here -- a lot of 23 it is confidential, but what we're talking about at 24 this level is not. And I think the first two or three 25 pages of that cross-exhibit we're not on yellow paper,</p>	<p>EXAMINATION BY COMMISSIONER JONES / ROSENT 221</p> <p>1 been marked for identification as Exhibit DN-3CXC. So 2 if I may approach? 3 JUDGE MOSS: Yes, you may. 4 MR. MEYER: I am sorry that these are 5 not stapled, and I think we might have enough to go 6 around. So I think we're tracking. 7 COMMISSIONER JONES: Are we ready to 8 go? 9 MS. ROSENTRATER: Yes. 10 COMMISSIONER RENDAHL: May I clarify 11 one? On the last page, there is a column that is 12 highlighted in gray. That does not mean it is 13 confidential; correct? 14 MR. MEYER: Correct. 15 COMMISSIONER RENDAHL: Thank you. 16 BY COMMISSIONER JONES: 17 Q Ms. Rosentrater, I'm not going to get into 18 this level of detail. It sounds like there will be 19 cross from Mr. Meyer for Mr. Nightingale later. From 20 your standpoint as the overall project sponsor, I kind 21 of want to get a better sense of where the capital has 22 been spent to date -- 23 A Uh-huh. 24 Q -- with Oracle and some of the contracts that 25 have been signed. You said you signed six contracts.</p>

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EXAMINATION BY COMMISSIONER JONES / ROSENT 222

1 **It doesn't sound like the contract with Itron has**
 2 **resulted in any meter deployment until September of**
 3 **2017; correct?**
 4 A Correct.
 5 **Q Let's put that aside. I'm just trying to get**
 6 **a sense of how much has been spent. In your business**
 7 **case, most of the capital spend was going to be on**
 8 **data meter management, Head-End systems, and collector**
 9 **infrastructure for this year; right?**
 10 A For this year. And this DN-3CXC has the most
 11 up-to-date information of what has been spent this
 12 year. And to date on the first page through 8/2016,
 13 you can see that through that time systemwide we had
 14 spent \$10 million to date, 6.8 in Washington.
 15 So that's the most up-to-date information with
 16 the majority of it having been spent for the Meter
 17 Data Management system. We just kicked off the work
 18 for the Head-End system on Monday of this week.
 19 **Q So most of the work to date has been for Meter**
 20 **Data Management, and that is with Oracle?**
 21 A Correct. And with Trinity. Our Trinity is
 22 our software integration, and they're taking the lead
 23 on installing the Oracle Meter Data Management system
 24 with us.
 25 **Q And then you said you started work on which**

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EXAMINATION BY COMMISSIONER JONES / ROSENT 223

1 **system this week on Monday?**
 2 A The Head-End system with Itron.
 3 **Q So Itron is doing the Head-End system. Okay.**
 4 **Thank you.**
 5 **And your estimate, if we go all the way**
 6 **through December of this year, the capital spend**
 7 **systemwide will be 29.3 million?**
 8 A Correct.
 9 **Q It will be simple, and we'll end with this.**
 10 **So what are you asking for -- this could be a**
 11 **Ms. Andrews question. But with the after-attrition**
 12 **adjustment, I think it's on page 3 of 4 here.**
 13 A Correct.
 14 **Q I have, according to my notes after reading**
 15 **Ms. Andrews' rebuttal testimony, that you were going**
 16 **to be asking for an attrition adjustment electric of**
 17 **3.8 and gas of 1.1 for a total of 4.9 million**
 18 **attrition adjustment. So is that reflected in this**
 19 **4.9 million at the bottom?**
 20 A Yes, exactly.
 21 **Q So that is your ask. That is your number that**
 22 **you're asking the Commission to do?**
 23 A Correct.
 24 **Q With an after-attrition adjustment. Okay. No**
 25 **more pain. I think it's as simple as that.**

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EXAMINATION BY COMMISSIONER JONES / ROSENT 224

1 **Just one more question -- line of questioning.**
 2 **I've done my quantified benefits. I'm going to go**
 3 **unquantified.**
 4 A Okay.
 5 **Q So in the business case, you list, I think, on**
 6 **page --**
 7 A Page 7.
 8 **Q Yeah. You list the unquantified benefits;**
 9 **right?**
 10 A Yes.
 11 **Q And I'm going to ask a few questions about the**
 12 **demand response, and I'm not going to ask about all**
 13 **these because it would take a long time to get through**
 14 **it. I'm interested personally in all of these**
 15 **unquantified future opportunities, but I don't think**
 16 **they are ripe right now. But demand response is**
 17 **because ICNU's witnesses made a proposal in this case**
 18 **for a demand response; right?**
 19 A I'm not familiar. I haven't -- I'm not
 20 familiar with that program request.
 21 **Q Then I won't ask you about that request. But**
 22 **as an engineer and as a sponsor of this project, if**
 23 **Avista starts doing more with demand response earlier**
 24 **than you think or according to the current plan --**
 25 **because your winter capacity is not until -- deficit**

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EXAMINATION BY COMMISSIONER JONES / ROSENT 225

1 **until winter of 2021, I think, but if we do more now,**
 2 **how would you go about putting a methodology in place**
 3 **both for residential and commercial and industrial**
 4 **customers to measure demand response benefits?**
 5 A I'm not an expert in that area. I see a lot
 6 of -- personally from my engineering perspective, I
 7 see a lot of opportunity and system benefits related
 8 to specific locations. So from a resource
 9 perspective, you stated based on our IRP when we go
 10 shore up; but based on where we're at in the system
 11 and different feeders and other characteristics of the
 12 system, there's other benefits to demand response
 13 beyond the resource benefit.
 14 So I think there's work that can be done to
 15 leverage the system benefits and the resource benefits
 16 to apply or to create a program and to apply a value.
 17 COMMISSIONER JONES: Mr. Meyer, who
 18 would be the better person to ask on demand response
 19 issues? Maybe a little bit later on?
 20 MR. MEYER: Yes. I have just the
 21 person, Mr. Ehrbar.
 22 COMMISSIONER JONES: Those are all my
 23 questions, Ms. Rosentrater. Thank you.
 24 MR. MEYER: I do have a few clean-up
 25 for you before we move on to the next, Commissioner.

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EXAMINATION BY COMMISSIONER JONES / ROSENT 226

1 There was a question we do have the information on
 2 contract dates for you. I will hand that information
 3 to the witness to read into the record, but probably
 4 the best way to do it is start by referring back to
 5 that very same Cross-Exhibit DN-3CXC that I just
 6 handed out.

7 COMMISSIONER JONES: Yes, I'm there.

8 MR. MEYER: There is a list on page 2
 9 of 3 of contractors. That does not include Itron, so
 10 pencil in Itron, if you will, and then we're going to
 11 give you contract dates for each of these or I should
 12 say the witness will. Give me a moment.

13 Again, these dates that she is going to give
 14 you are not in the same order as I think the
 15 contractors are listed, but you can make that clear.

16 MS. ROSENTRATER: Okay. So these are
 17 the six contracts that have been signed to date
 18 starting with the Boreas Group who helped us put
 19 together the RFP for the meters, and it was signed on
 20 9/17/2015. The Oracle contract was signed on
 21 3/28/2016. The Trinity Consulting contract was signed
 22 on 3/28/2016. The Hanna & Associates contract is
 23 helping with our outreach and communication plan was
 24 signed on 5/6/2016. The SmartMark contract who is
 25 also helping with customer outreach was signed on

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EXAMINATION BY COMMISSIONER JONES / ROSENT 227

1 7/18/2016.

2 COMMISSIONER JONES: And then Itron, as
 3 I stated before, was signed on September 30, 2016;
 4 right?

5 MS. ROSENTRATER: Right. That's
 6 correct.

7 COMMISSIONER JONES: Okay. Thank you.

8 MR. MEYER: Okay. And then there was
 9 one other entirely unrelated issue that you had
 10 raised, I think, before the lunch hour, and that had
 11 to do with some parking garages and service garage,
 12 employee parking. And I think we have some additional
 13 information to share there if you're interested.

14 COMMISSIONER JONES: Since I asked
 15 that, if you're most responsible or familiar with
 16 that, why don't you answer that question about what
 17 metrics, what studies did you do, why is it necessary.

18 MS. ROSENTRATER: So I think you
 19 referenced the 2016 number of the 2.99 million, and
 20 even the 2017 number, the 8.979 as listed here, those
 21 numbers, just to be clear, are the plant that will be
 22 in service in 2016 and 2017. We don't plan to have
 23 the employee parking garage be in service in those
 24 years, so it's not included in those numbers.

25 We do have a business case related to the

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EXAMINATION BY COMMISSIONER JONES / ROSENT 228

1 employee parking garage based on safety and cost
 2 versus benefit, but, again, those aren't included in
 3 these numbers. The main portion of the 2016 number is
 4 actually a road reroute to bring our campus together
 5 and to move the -- to enable us to move the fleet
 6 garage building to our more operational portion of our
 7 campus.

8 For safety purposes, we're trying to separate,
 9 as much as we can, the operations portions from the
 10 office portions of our functions from a safety
 11 perspective. The other reasons we're moving the fleet
 12 building are to enable it to work on our larger line
 13 trucks as well as work on our natural gas vehicles.
 14 Currently, the garage that we have at our Mission
 15 campus, the ceilings are not high enough from a
 16 regulations law perspective, code perspective to be
 17 able to maintain our natural gas vehicles.

18 Our garage out at our Dollar Road facility,
 19 which is our gas operations building, does have garage
 20 space that is higher; however, we have a significant
 21 portion of our fleet that is natural gas. And so
 22 having that availability to work on them at the
 23 Mission campus would be beneficial as well.

24 So there's a couple different drivers of
 25 moving that fleet building to the operations area of

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EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 229

1 campus, and, again, the first step of that is to
 2 reroute the road that splits up the property that we
 3 own.

4 COMMISSIONER JONES: Good. No parking
 5 garage for employees in 2016?

6 MS. ROSENTRATER: Correct.

7 COMMISSIONER JONES: Thank you.

8 JUDGE MOSS: Go ahead, Commissioner
 9 Rendahl.

10 COMMISSIONER RENDAHL: I have just a
 11 few.

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

13 BY COMMISSIONER RENDAHL:

14 **Q And this is on your rebuttal testimony,**
 15 **HLR-9T. If you'll go to page 32 and on lines 28 and**
 16 **29, this is relating to the opt-out, and I realize**
 17 **this testimony has to do with annual reporting.**

18 A Uh-huh.

19 **Q And since you just read out all the contracts,**
 20 **my question had to do with what is the status of**
 21 **development of your opt-out program?**

22 A I know Linda Gervais has been working with
 23 Consumer Staff and Energy Staff to put together a
 24 proposal for what the opt-out offering would look
 25 like. We agree that's a very important piece of our

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EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 230

1 program.

2 **Q So when you say Consumer and Energy Staff,**

3 **that's the UTC Consumer and Energy Staff?**

4 A Yes.

5 **Q And do you have an estimate of when that might**

6 **be brought forward?**

7 A I don't.

8 **Q Okay. So that was that question. And then**

9 **going to page 36 of HLR-9T and looking at the**

10 **discussion about the SAIDI and SAIFI issues, you say**

11 **that distribution capital investments generally are**

12 **made so that we can maintain our overall system**

13 **reliability and, therefore, the company may not**

14 **necessarily see improvements to SAIFI or SAIDI.**

15 **So since the company justified many of the**

16 **adjustments and requests in this case based on the**

17 **need to maintain its SAIDI and SAIFI and you say here**

18 **we can't necessarily see that to maintain reliability,**

19 **how would you expect us to measure the benefit to the**

20 **system, the benefit to the customers of these**

21 **reliability claims, and the expenses for reliability?**

22 A We do have trending analysis that shows where

23 our reliability was trending towards. We also have

24 information on a per feeder basis that internally we

25 look at improvements around reliability and outage

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EXAMINATION BY COMMISSIONER RENDAHL / ROSEN 231

1 reductions on those feeders that have been focused on

2 for our grid modernization program, specifically on

3 our distribution system. And so that's -- those are

4 some ways that we look at the improvements that are

5 being made.

6 **Q Have you begun to work with our staff at all**

7 **on the evaluation of reliability? I know in the last**

8 **rate case there was discussion about such an effort.**

9 **Have you begun working with our staff on those issues**

10 **at all?**

11 A I know that we meet regularly, I think, once a

12 year to look at our outage information, and we provide

13 a report on our -- on our feeder-by-feeder reliability

14 information, but I'm not aware of activity beyond that

15 that's occurring.

16 **Q Is there anything in the record that the**

17 **company has provided, either through a response to a**

18 **data request or an exhibit, that relates to this type**

19 **of data that you're talking about?**

20 MR. MEYER: Just one minute. May we

21 just confer?

22 COMMISSIONER RENDAHL: If the witness

23 does not know, she can say she does not know.

24 A I do not know.

25 COMMISSIONER RENDAHL: That's it.

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EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 232

1 Thanks.

2 JUDGE MOSS: All right.

3 CHAIRMAN DANNER: I just want to ask

4 one question.

5 JUDGE MOSS: Microphone.

6 CHAIRMAN DANNER: I just want to ask

7 one question.

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

9 BY CHAIRMAN DANNER:

10 **Q With regard to the final report -- and this is**

11 **in your rebuttal testimony on 33 where you list the**

12 **elements of the final report. This is going to be in**

13 **mid-year 2021 or '22. It's 18 months after.**

14 **And yet you say that you're going to have a**

15 **summary of the value of benefits that were quantified**

16 **in the original business case, but, I mean, you are --**

17 **this is after you've made this decision to go forward**

18 **but before the end of the life cycle. So you're**

19 **still, in some ways, still looking at projections**

20 **going forward; right?**

21 **Is this merely a refinement of projections**

22 **going forward, or what is the -- what is the purpose**

23 **of the report? What does it get us? Since you've**

24 **already pulled the trigger, if you will, what's the**

25 **benefit of the report in your mind?**

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EXAMINATION BY CHAIRMAN DANNER / ROSENTRA 233

1 A I think just validation about are we truly

2 achieving the benefits that we expected to achieve,

3 and I -- I think we'll be looking at other areas of

4 benefit. As well as we continue to move forward and

5 understand the technology abilities better, there will

6 be other benefits that aren't currently in our

7 business case that we'll be identifying as well, so I

8 think it's prudent. It's a --

9 **Q But you term it a final report. So if this is**

10 **going to be an iterative process, is it just a**

11 **periodic report? Will there be reports coming after**

12 **that date? What is the magic of mid-year 2021?**

13 A I think based on the entire system, it will

14 have been rolled out systemwide, so we'll be able to

15 see 12 months' worth of a final systemwide benefit

16 result. And I think this is our recommendation, and

17 we're definitely open to continuing to discuss what

18 would meet other's interests in terms of reporting.

19 **Q Okay. So this was -- so in other words, the**

20 **date was chosen simply because you have completed the**

21 **deployment, and you need some time to do a report.**

22 **So --**

23 A Well, you'd want a full 12 months of the full

24 system being in place and live to get a full year's

25 worth of benefit.

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EXAMINATION BY MEYER / ROSENTRATER 234

1 **Q Okay. So there's really nothing final about**
 2 **the final report?**

3 A Right.

4 CHAIRMAN DANNER: All right. Okay.
 5 Thank you.

6 JUDGE MOSS: All right. I haven't been
 7 doing this today, but I will ask if the Bench
 8 questions have prompted any thought from you,
 9 Ms. Gafken, that you wish to follow up on.

10 MS. GAFKEN: I have no follow-up
 11 questions, but I will note that Ms. Alexander,
 12 although we're not doing the Skype appearance, she is
 13 on the phone if there's any questions that the Bench
 14 might have for her.

15 JUDGE MOSS: If we get to that point,
 16 we'll let -- Mr. Meyer, do you have anything?

17 MR. MEYER: It does, and, in fact, this
 18 might be more efficient for me to proceed briefly with
 19 this witness on redirect. And it might save on some
 20 questioning of Mr. Nightingale.

21 JUDGE MOSS: Let's do that.

22 EXAMINATION

23 BY MR. MEYER:

24 **Q Would you turn now back to that portion of**
 25 **Exhibit DN-3CXC. That's the three-page document I**

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EXAMINATION BY MEYER / ROSENTRATER 235

1 **handed out, and it's the front pages of a much larger**
 2 **exhibit when you have that in front of you. All**
 3 **right.**

4 **Now, you were asked, I believe, by**
 5 **Commissioner Jones about what portion of AMI was**
 6 **included within the Company's after-attrition**
 7 **adjustment. Do you recall that?**

8 A Yes.

9 **Q And you directed the Commission's attention to**
 10 **page 3 of 3. That's Table No. 2. There was a shaded**
 11 **box there; correct?**

12 A Correct.

13 **Q And I believe the number that you pointed to,**
 14 **in particular, was a gross transfer to plant number**
 15 **for both Washington electric and Washington natural**
 16 **gas combined, Washington total of 17.9 million; is**
 17 **that correct?**

18 A Yes.

19 **Q Okay. So that 17.9 million consists of half a**
 20 **dozen particular projects, does it not?**

21 A About that, yes.

22 **Q Yes. Could you very briefly describe what**
 23 **each of those six projects are?**

24 A Yes. So we have the Meter Data Management
 25 system that will be in service in 2017, the Head-End

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EXAMINATION BY MEYER / ROSENTRATER 236

1 system that will be in service in 2017, the collector
 2 infrastructure, a portion of it, that will precede the
 3 meters that are deployed, and the meters themselves
 4 will start to be deployed in 2017 as well as Data
 5 Analytics systems will be installed prior to the meter
 6 deployment as well.

7 **Q And with respect to each of those six items,**
 8 **is it your testimony that --**

9 **CHAIRMAN DANNER: I have four.**

10 MR. MEYER: I cut you short. Thank
 11 you.

12 A There's the Data Analytics, the Meter Data
 13 Management, Head-End system, the collector system, the
 14 meter deployment, but there's gas and electric meter
 15 deployment. So that would be the five and six.

16 COMMISSIONER RENDAHL: So all right.
 17 Meter Data Management, Head-End, collector system,
 18 meters, data analytics. What am I missing?

19 MS. ROSENTRATER: The electric and gas
 20 meters are separate.

21 COMMISSIONER RENDAHL: So break it out
 22 into two.

23 MS. ROSENTRATER: The gas modules.

24 MR. MEYER: May I suggest that if it
 25 benefits the record we do have just a one-page

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EXAMINATION BY MEYER / ROSENTRATER 237

1 breakout of that. If you so choose, we could mark
 2 that as an exhibit.

3 JUDGE MOSS: Which one are we on?

4 JUDGE PEARSON: Eight.

5 JUDGE MOSS: That will be Bench
 6 Exhibit 8, I think. Or nine. We'll call it 8.

7 MR. MEYER: We do not have copies of
 8 it, but we'll make copies right now. And perhaps
 9 before I do further cross of Mr. Nightingale, you'll
 10 have it in front of you. But at least let me furnish
 11 the one copy I have.

12 JUDGE MOSS: We'll take a break after
 13 this witness.

14 BY MR. MEYER:

15 **Q So just, lastly, then the 17.9 million**
 16 **reflects, as I think you characterized it, transfers**
 17 **to items of plant that will be in service during 2017;**
 18 **is that correct?**

19 A Correct.

20 **Q And as such, will each of these five or six**
 21 **different items be useful for customers in that**
 22 **period?**

23 A Yes.

24 **Q And that is true irrespective of whether AMI**
 25 **is fully deployed prior to 2021; is that correct?**

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EXAMINATION BY MEYER / ROSENTRATER 238

1 A Correct.

2 MR. MEYER: All right. So thank you.

3 That's all I have for this witness.

4 JUDGE MOSS: I think that's all the

5 questions for you, Ms. Rosentrater. We appreciate you

6 being here today and giving your testimony, and we can

7 let you step down subject to recall, if needed.

8 And we will take our afternoon break at this

9 time. Let's be back at 3:20, and Mr. Nightingale will

10 then be on the stand.

11 (A break was taken from 3:10 p.m. to

12 3:28 p.m.)

13 JUDGE MOSS: Let's be back on the

14 record.

15

16 DAVID NIGHTINGALE, witness herein, having been

17 first duly sworn on oath,

18 was examined and testified

19 as follows:

20

21 JUDGE MOSS: Ms. Cameron-Rulkowski,

22 your witness.

23 MS. CAMERON-RULKOWSKI: Thank you, Your

24 Honor.

25

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EXAMINATION BY CAMERON-RULKOWSKI & MEYER / NIG 239LE

1 EXAMINATION

2 BY MS. CAMERON-RULKOWSKI:

3 **Q Good afternoon, Mr. Nightingale.**

4 A Good afternoon.

5 **Q Can you state your name and spell your last**

6 **name for the record.**

7 A David Nightingale, N-I-G-H-T-I-N-G-A-L-E.

8 **Q Please direct your attention to Exhibit DN-1T.**

9 **Is this the testimony that you prepared on behalf of**

10 **Staff in response to Avista's prefiled testimony?**

11 A Yes.

12 **Q And are there any corrections that need to be**

13 **made to this exhibit?**

14 A No.

15 MS. CAMERON-RULKOWSKI: Mr. Nightingale

16 is available for cross-examination and questions from

17 the Bench.

18 JUDGE MOSS: All right. And your

19 testimony has previously been admitted, so we have

20 Mr. Meyer.

21 EXAMINATION

22 BY MR. MEYER:

23 **Q Yes. I'll try and be short and to the point.**

24 **And to that end, I would like to hand to the witness**

25 **what has just been marked as Bench Exhibit 8 --**

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EXAMINATION BY MEYER / NIGHTINGALE 240

1 **JUDGE MOSS: All right. Thank you.**

2 **Q -- so he has that in front of him. And I**

3 **believe -- I see the witness also has a copy of**

4 **Exhibit DN-3CXC about which we've had some**

5 **examination.**

6 **JUDGE MOSS: Very well.**

7 **Q Okay. If those two documents are in front of**

8 **you, we can proceed. Is it your position,**

9 **Mr. Nightingale, that because AMI has not yet been**

10 **placed into service that it is -- it is premature for**

11 **the Commission to make a prudence determination?**

12 A Yes.

13 **Q Would you agree that Avista is currently**

14 **incurring both operating expenses and capital**

15 **investment associated with AMI?**

16 A Yes, my understanding from the testimony I've

17 reviewed and as well as what you just provided.

18 **Q So let's turn to what I just provided, which**

19 **is Exhibit DN-3CXC.**

20 MS. CAMERON-RULKOWSKI: I'm going to --

21 I may object because Mr. Nightingale -- this is a

22 document that comes from the Company, and it's not

23 something that Mr. Nightingale prepared. And

24 Ms. Rosentrater was just on the stand, so I'm not sure

25 what you're expecting -- what you're going to ask, but

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EXAMINATION BY MEYER / NIGHTINGALE 241

1 I'm just giving you a heads-up.

2 MR. MEYER: All right. The exhibit is

3 admitted -- has been admitted, and there has been some

4 examination around that. So I want to test this

5 witness's understanding of that exhibit and the

6 numbers in that exhibit.

7 JUDGE MOSS: As I understand what was

8 just said, there's no objection.

9 MR. MEYER: Correct.

10 JUDGE MOSS: Let's go forward.

11 MR. MEYER: Thank you.

12 BY MR. MEYER:

13 **Q So let's turn first to page 1 of that exhibit,**

14 **Table No. 1. And would you agree, subject to check,**

15 **that the Company is expecting to spend, approximately,**

16 **70.5 million gross capital spend for both Washington**

17 **electric and Washington natural gas AMI during and**

18 **through 2017? Is that what is shown on this exhibit?**

19 MS. CAMERON-RULKOWSKI: Objection.

20 This witness, Mr. Nightingale, did not produce this

21 document, did not create this document. And if

22 Mr. Meyer wants to ask questions about the numbers on

23 the document, then they should be addressed to a

24 Company witness. It states on this document that the

25 witness that this -- that this discovery response

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EXAMINATION BY MEYER / NIGHTINGALE 242

1 should be -- the witness sponsoring this discovery
 2 request is Ms. Rosentrater. She is available today.
 3 JUDGE MOSS: Why don't you lay a little
 4 foundation, Mr. Meyer.
 5 MR. MEYER: Surely.
 6 BY MR. MEYER:
 7 **Q I'll just ask it even more directly. How much**
 8 **do you believe the Company is expecting to spend on**
 9 **AMI through 2017?**
 10 A I don't know -- I can't tell you off the top
 11 of my head.
 12 **Q Okay. And yet you're taking the position that**
 13 **in this proceeding there should be no recovery of**
 14 **revenue requirement associated with any AMI**
 15 **investment; is that correct?**
 16 A Yes. That's right. It is premature for
 17 recovery of cost of that investment.
 18 **Q Is it your understanding that the Company is**
 19 **seeking to recover through its after-attrition**
 20 **adjustment approximately \$17.9 million of investment**
 21 **related to AMI?**
 22 A I didn't testify on that matter. That was --
 23 that would be an accounting witness you'd probably
 24 want to ask that question to.
 25 **Q And yet you are the one witness that is**

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EXAMINATION BY MEYER / NIGHTINGALE 243

1 **speaking to whether or not there should be any cost**
 2 **recovery of AMI in this docket; isn't that correct?**
 3 A I am -- I testified about the ripeness of the
 4 issue to be considered and the issue, I believe, based
 5 on, as much as anything, the last rate case where
 6 there was very explicit direction from the
 7 Commissioners that said, quote -- and this is from my
 8 testimony, page 4, last line starts and goes on to
 9 page 5, the Company must place new plant in service
 10 for its ratepayers before the Commission will opine on
 11 the prudence of this decision. And the idea is
 12 decision to place that plant in service and to spend
 13 the monies.
 14 **Q Would you turn now to Bench -- response to**
 15 **Bench Request No. 8. Do you have that before you?**
 16 A Yes, I do.
 17 **Q And on its face, does that purport to show the**
 18 **six different cost categories associated with AMI**
 19 **plant that will be transferred to plant in service by**
 20 **the Company during 2017?**
 21 A That appears to be projections for those to
 22 happen in the future, yes.
 23 **Q And did the Company provide to Staff and all**
 24 **of the parties as part of its initial filing its work**
 25 **papers to that filing details surrounding each of**

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EXAMINATION BY MEYER / NIGHTINGALE 244

1 **these categories?**
 2 A Yes.
 3 **Q And did you have a chance to review that**
 4 **information?**
 5 A Yes, I did.
 6 **Q And have you or any other staff member**
 7 **challenged the prudence of any of those six cost**
 8 **categories in this case? And if so, show me where.**
 9 A There was no testimony on Staff regarding the
 10 prudence of any of these projected expenditures.
 11 MR. MEYER: Thank you. That's all I
 12 have.
 13 JUDGE MOSS: Thank you, Mr. Meyer. I'm
 14 not sure what we want to do with this data response
 15 request. It is a response to a Staff data request to
 16 the Company. It was, apparently, Ms. Cheesman,
 17 apparently, requested it. Ms. Rosentrater,
 18 apparently, answered it. If you want to have
 19 Ms. Rosentrater back on the stand --
 20 MR. MEYER: No. The evidence -- the
 21 exhibit is already in the record.
 22 JUDGE MOSS: This wasn't reserved?
 23 MR. MEYER: No, no. This was part of
 24 the initial group of exhibits.
 25 JUDGE MOSS: Fine. Then any objection

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EXAMINATION BY COMMISSIONER JONES / NIGHTI 245

1 to it has been waived, so we'll just move on with it
 2 from there.
 3 MR. MEYER: Thank you. That's all I
 4 have.
 5 JUDGE MOSS: Thank you.
 6 Now, let's see. That will take care of our
 7 cross-examination.
 8 Do we have questions from the Bench?
 9 CHAIRMAN DANNER: No.
 10 COMMISSIONER JONES: Just a couple.
 11 E X A M I N A T I O N
 12 BY COMMISSIONER JONES:
 13 **Q On page 7 of your testimony, Mr. Nightingale,**
 14 **you talk about the Company -- lines 13 through 16.**
 15 **Are you there?**
 16 A Yes, sir.
 17 **Q Executed five contracts to start preparing for**
 18 **deployment of AMI. Couple questions. Did you read**
 19 **those contracts?**
 20 A I did not read the contracts word for word,
 21 no. I am aware that they are there.
 22 **Q Second question is: You heard my line of**
 23 **questioning. Did you read the business case report**
 24 **HLR-3 that I asked --**
 25 A Yes, I did.

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EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 246

1 **Q -- a lot of questions of -- so you read that?**

2 A Yes, I did.

3 **Q So on page 4 you heard some of my questions on**

4 **the spend rate in 2016, the capital spend rate. Did**

5 **that prompt some questions on your part about further**

6 **analysis on that sort of capital expenditure? Or is**

7 **your testimony just is it's premature?**

8 A My testimony, essentially, is it's premature.

9 COMMISSIONER JONES: Okay. That's all

10 I have.

11 JUDGE MOSS: Anything else? Apparently

12 not.

13 Mr. Nightingale, that was mercifully brief, I

14 must say. You may step down.

15 MS. CAMERON-RULKOWSKI: Your Honor, I

16 do have some redirect if you'd entertain that.

17 JUDGE MOSS: All right. Go ahead.

18 MS. CAMERON-RULKOWSKI: Thank you, Your

19 Honor.

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

21 BY MS. CAMERON-RULKOWSKI:

22 **Q Mr. Nightingale, Mr. Meyer asked you some**

23 **questions about Bench Request 8. And why is it that**

24 **you did not address the prudence of each of those cost**

25 **items?**

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EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 247

1 A Well, this is projected or you may call it

2 speculative as far as these expenditures. They've not

3 happened yet. They may or may not happen. There's

4 contracts for most of these; however, the -- actually,

5 the meter deployment part, there's not even a contract

6 that has been signed for the meter deployment, the

7 actual installation of the meters that they now last

8 week or a couple weeks ago actually have a contract

9 for the actual purchase of the meters and the modules

10 for the gas meters.

11 So it's not -- there's nothing there to assure

12 that there's going to be meters installed on the

13 particular schedule that they have outlined in their

14 testimony. It's -- it may happen. It may not.

15 They've already been delayed a few months since the

16 initial testimony until now. Things can happen in

17 contracting. A counter party can fail to deliver.

18 There can be defects with the equipment.

19 Some years ago my understanding is that there

20 was a Coyote Springs gas plant that was approved, and

21 shortly before it was supposed to be going into

22 service, then the ratepayers ended up paying for it

23 for a substantial number of months before it became in

24 service because the transformer failed before they got

25 it on line.

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EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 248

1 So it's just simply premature to make a

2 determination on something we hope is going to happen.

3 It would be great if it did. That's not how prudence

4 has traditionally been determined, and I think for a

5 good reason.

6 **Q And so when would you expect to consider these**

7 **types of items in a prudence review?**

8 A It would be at some point after they're

9 installed and in service, and as Ms. Rosentrater

10 indicated in her testimony, looking back where you can

11 actually quantify the benefits, you know they're

12 installed, you know what's been the benefits as well

13 as the costs, and the actual costs too.

14 I mean, contracts on the cost side here, there

15 could be cost overruns. That's not unusual, and so a

16 balancing of the costs and benefits after the fact

17 looking backwards is a standard way of looking at

18 these type of investments.

19 **Q When you're speaking of looking back and**

20 **installation, does that mean that this analysis would**

21 **be done after all of the meters are installed or at**

22 **some other point in time?**

23 A The nature of this particular capital

24 investment is not like a plant where you have it

25 100 percent going into service on a date of

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EXAMINATION BY CAMERON-RULKOWSKI / NIGHTIN 249

1 completion; however, it's a large capital spend with a

2 long life. But it's a five-year or perhaps six-year

3 deployment depending on how it actually goes.

4 I don't see a reason why it wouldn't be

5 possible to come in before 2021 or '22 where they've

6 got all the data for all the meters installed and come

7 in and get partial recovery for what they can show is

8 beneficial installed up to that point in time in a

9 future rate case.

10 **Q And the contracts that came up in testimony**

11 **earlier, do you believe that the contracts are**

12 **relevant at this time?**

13 A Not now.

14 **Q And could you explain why not?**

15 A It just dwells on the same point I made about

16 these are speculative legal arrangements. They

17 haven't played themselves out to actually demonstrate

18 anything as far as prudence determination going

19 forward and also just practically.

20 I mean, you want to be able to have something

21 installed and come back and see how it's performing.

22 If it -- I mean, I am -- I think that it will probably

23 be beneficial, but I don't know. And the facts need

24 to speak for themselves afterwards.

25 MS. CAMERON-RULKOWSKI: Thank you,

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EXAMINATION BY MEYER / NIGHTINGALE 250

1 Mr. Nightingale.

2 MR. MEYER: Your Honor, that redirect

3 actually elicited a response that requires just a

4 couple of follow-up questions.

5 JUDGE MOSS: All right. Go ahead.

6 EXAMINATION

7 BY MR. MEYER:

8 **Q All right. So I believe I heard you respond**

9 **to your counsel that even with respect to these six**

10 **items that we should wait, not necessarily until 2021**

11 **where there's been full deployment, but perhaps for a**

12 **few years to see how it plays out. Is that a rough**

13 **characterization of your testimony?**

14 A I think that would be a reasonable approach,

15 not the only approach, but --

16 **Q Let's see where that takes us. Would you**

17 **agree that the revenue requirement associated strictly**

18 **with those, just those six items as shown in the**

19 **cross-examination exhibit that I referred you to, is**

20 **approximately \$5 million per year? Is that your**

21 **understanding what that exhibit shows?**

22 A I haven't made a calculation. I don't know.

23 **Q Would you accept that subject to check?**

24 A Sure.

25 **Q So if the Commission were to take your advice**

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EXAMINATION BY MEYER / NIGHTINGALE 251

1 **and wait for perhaps a couple of years, is the**

2 **practical effect that the Company will have been**

3 **denied approximately \$5 million of revenue requirement**

4 **each year associated with those six specific items?**

5 A Again, I did not testify here on the

6 accounting.

7 **Q Does it follow what I asked? Does that**

8 **follow?**

9 A Excuse me. Can you ask again?

10 **Q Surely. If the Commission takes your**

11 **recommendation and waits for perhaps a year or two and**

12 **let it play out, isn't it a fact that the Company will**

13 **have been denied approximately \$5 million of revenue**

14 **requirement per year associated with just these six**

15 **items? Does it follow?**

16 A If you don't look at it then; however, my --

17 **Q Just answer does that follow, yes or no, and**

18 **then you can explain.**

19 A I don't know if it does or not, but I can

20 explain.

21 **Q So you don't know what the impact would be on**

22 **the Company's revenue requirement impact? Is that**

23 **your testimony?**

24 A I don't think I can really give you a

25 yes-or-no answer on that, but I would like to explain.

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EXAMINATION BY MEYER / NIGHTINGALE 252

1 **Q Wouldn't it be important to know that before**

2 **you take a position?**

3 A This is very hypothetical, so --

4 **Q Not to the Company. 5 million is real.**

5 **Wouldn't it be important for you to know that before**

6 **taking a position?**

7 MS. CAMERON-RULKOWSKI: Objection. I

8 believe counsel is testifying.

9 MR. MEYER: I'm still looking for an

10 answer. I'm sorry.

11 JUDGE MOSS: Overruled. Go ahead. If

12 you can answer it, you can. If you can't, just say

13 so.

14 A Can you ask again, please?

15 **Q Wouldn't it be important for you to know**

16 **whether there would be a \$5 million revenue impact to**

17 **the Company per year if the Commission were to take**

18 **your recommendation and not address these six items**

19 **for a few years?**

20 A Okay. The first part of your question,

21 wouldn't it be important for me to know about that

22 kind of impact, yes. I'm answering yes to that part

23 of the question.

24 MR. MEYER: Okay. Thank you. That's

25 all I have.

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EXAMINATION BY MEYER / KNOX 253

1 JUDGE MOSS: All right. Thank you.

2 Are we finished?

3 COMMISSIONER JONES: Yes.

4 JUDGE MOSS: Apparently, we are

5 finished. Mr. Nightingale, I released you prematurely

6 before, but now you're free to go.

7 MR. NIGHTINGALE: I'm all about being

8 premature, you know.

9 JUDGE MOSS: Poor choice of words on my

10 part.

11 TARA L. KNOX, witness herein, having been

12 first duly sworn on oath,

13 was examined and testified

14 as follows:

15

16 JUDGE MOSS: Mr. Meyer, when you're

17 ready.

18 MR. MEYER: I am ready.

19 EXAMINATION

20 BY MR. MEYER:

21 **Q For the record, please state your name.**

22 A My name is Tara L. Knox.

23 **Q Have you prepared exhibits that have been**

24 **admitted marked as Exhibits TLK-1T through TLK-4T?**

25

	Page 254		Page 256
<p style="text-align: right;">EXAMINATION BY COWELL / KNOX 254</p> <p>1 A Yes, I have.</p> <p>2 Q Do you have any changes?</p> <p>3 A No, I do not.</p> <p>4 MR. MEYER: So with that, the witness</p> <p>5 is available.</p> <p>6 JUDGE MOSS: All right. And it appears</p> <p>7 that ICNU is the only party with some cross. Go</p> <p>8 ahead.</p> <p>9 MR. COWELL: Thank you, Your Honor.</p> <p>10 E X A M I N A T I O N</p> <p>11 BY MR. COWELL:</p> <p>12 Q Good afternoon, Ms. Knox.</p> <p>13 A Good afternoon.</p> <p>14 Q Ms. Knox, you've been employed with Avista's</p> <p>15 State Regulation department for 25 years; is that</p> <p>16 correct?</p> <p>17 A Yes. Twenty-five and a half.</p> <p>18 Q And given your experience, you now hold the</p> <p>19 position of Senior Regulatory Analyst in the Company's</p> <p>20 State Regulation department; right?</p> <p>21 A That's true.</p> <p>22 Q In your rebuttal testimony -- and maybe let's</p> <p>23 turn to that now, TLK-4T.</p> <p>24 A Is there a particular page?</p> <p>25 Q Let's start on page 1.</p>		<p style="text-align: right;">EXAMINATION BY COWELL / KNOX 256</p> <p>1 Utility Cost Allocation Manual that was put out by</p> <p>2 NARUC in 1992. When you -- this was an update of -- I</p> <p>3 think the initial one came out in '75, and the update</p> <p>4 would put forward, you know, different cost</p> <p>5 categories.</p> <p>6 And then it talks about there's this option</p> <p>7 here or this option here or this option there. And,</p> <p>8 basically, it doesn't seem to give us strong opinion</p> <p>9 on how one might be better than the other only that</p> <p>10 these are options that commissions all over the</p> <p>11 country have approved in one state or another.</p> <p>12 Q Okay. Thank you. Now, again, in your</p> <p>13 experience, is it a rare occurrence that one party may</p> <p>14 believe a particular approach is fair and reasonable</p> <p>15 while another party in the same proceeding may prefer</p> <p>16 a different approach?</p> <p>17 A I believe in every case that has gone to have</p> <p>18 the full testimony put out that there's always been at</p> <p>19 least one party that had another point of view from</p> <p>20 the Company's point of view, and sometimes there would</p> <p>21 be three or four points of view put forward.</p> <p>22 Q Okay. Fair enough. And if we could look at</p> <p>23 the same page, page 2, line 8, in this particular</p> <p>24 case, you testify that Avista has presented what it</p> <p>25 believes is a fair representation of the cost to serve</p>	
<p style="text-align: right;">EXAMINATION BY COWELL / KNOX 255</p> <p>1 A Okay.</p> <p>2 Q Now, in your rebuttal testimony, after a brief</p> <p>3 introduction section, the rest of your testimony is</p> <p>4 devoted to the issue of electric cost of service;</p> <p>5 correct?</p> <p>6 A Yes.</p> <p>7 Q And the first specific topic you address is in</p> <p>8 regard to Mr. Ball's concerns about the precision of</p> <p>9 the Company's cost of service study spanning pages 1</p> <p>10 and 2; right?</p> <p>11 A Yes.</p> <p>12 Q I'd like to ask a few questions on a</p> <p>13 particular portion of your testimony here. And if we</p> <p>14 could turn to page 2, starting at line 3, you state</p> <p>15 that from a methodological standpoint, precision and</p> <p>16 accuracy are in the eye of the beholder. Depending on</p> <p>17 their point of view, one party may believe a</p> <p>18 particular approach is fair and reasonable while</p> <p>19 another party may prefer a different approach. And</p> <p>20 both parties may find support for their point of view</p> <p>21 in the literature.</p> <p>22 Now, have you developed this position based on</p> <p>23 your many years of service in the Company's regulation</p> <p>24 department?</p> <p>25 A Partly and also in reading the Electric</p>		<p style="text-align: right;">EXAMINATION BY COWELL / KNOX 257</p> <p>1 each customer group.</p> <p>2 In your view, is it possible for a non-Company</p> <p>3 party to also present what it believes is a fair</p> <p>4 representation of cost of service even if Avista and</p> <p>5 other parties do not agree?</p> <p>6 A I think it can. One of the things that -- you</p> <p>7 know, it's kind of a matter of degree. One of the</p> <p>8 things that I've noticed, particularly in our</p> <p>9 Washington jurisdictions, for whatever reasons, we</p> <p>10 have seen over time that whether you do the Company's</p> <p>11 method or an alternative method or -- I believe in</p> <p>12 1999, I presented five different methods to show that</p> <p>13 if you go to an extreme and I think it was making</p> <p>14 A & G 100 percent energy and then making A & G</p> <p>15 100 percent customer.</p> <p>16 And I showed that no matter how you did it</p> <p>17 this relationship of, basically, the -- excuse me.</p> <p>18 The relationship we have is that the residential</p> <p>19 customer group is under-recovering the cost to serve</p> <p>20 them, and Schedule 11 and Schedule 21 are</p> <p>21 over-recovering the cost to serve them and that this</p> <p>22 relationship held true even if you took the allocation</p> <p>23 methodologies to extreme.</p> <p>24 And, you know, at that point in time, I say I</p> <p>25 had five different studies that I put before the</p>	

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EXAMINATION BY COWELL / KNOX 258

1 Commission, and the Company's was right in the middle.
 2 So I guess I've lost track of exactly what the
 3 question was.
 4 **Q I think you sufficiently answered. But just**
 5 **for the record, do you recall was that a 1999 general**
 6 **rate case? Was it a special investigation?**
 7 A That was the 991606. That was the electric
 8 docket, and UG-991607 was the gas docket.
 9 **Q Similar question, do you believe that the**
 10 **Company can simultaneously support a different**
 11 **approach and the exact same methodological issue with**
 12 **both approaches still being fair and reasonable?**
 13 A Yes.
 14 **Q So in this case you do not agree with**
 15 **Mr. Stephens' testifying on behalf of ICNU that the**
 16 **peak credit methodology should -- or excuse me. That**
 17 **should not be applied to transmission costs; is that**
 18 **correct?**
 19 A Yes. That is a policy decision within the
 20 Washington jurisdiction.
 21 **Q Okay. If you could, please turn to**
 22 **Cross-Exhibit TLK-6CX, and this exhibit contains**
 23 **excerpts from your direct testimony and an exhibit**
 24 **that you sponsored in Idaho Public Utilities**
 25 **Commission case AVUE-1603; is that right?**

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EXAMINATION BY COWELL / KNOX 259

1 A Yes.
 2 **Q And subject to check, would you agree that**
 3 **these excerpts were filed on May 26 of this year?**
 4 A That sounds right.
 5 **Q And that Idaho proceeding is ongoing; right?**
 6 A Yes, it is.
 7 **Q And in that case, Avista is seeking authority**
 8 **to increase its electric rates in Idaho; right?**
 9 A Yes.
 10 **Q Now, if you please turn to page 3 of that**
 11 **cross-exhibit, which is page 2 of the actual Idaho**
 12 **direct testimony that you filed, you explain that your**
 13 **testimony covers the Company's electric cost of**
 14 **service study performed for the Idaho proceeding here;**
 15 **right?**
 16 A Yes.
 17 **Q Okay. Next page, please, page 4 of the**
 18 **cross-exhibit, and beginning on line 21, you**
 19 **testified: I believe the base case cost of service**
 20 **study presented in this case is a fair representation**
 21 **of the cost to serve each customer group.**
 22 **You use that same "fair representation" phrase**
 23 **in your rebuttal testimony in this proceeding; right?**
 24 A Yes, I do.
 25 **Q Next page, page 5, beginning line 21, you**

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EXAMINATION BY COWELL / KNOX 260

1 **state that Schedule 2 of your Exhibit 12 in the Idaho**
 2 **case explains the basic concepts involved in**
 3 **performing an electric cost of service study; correct?**
 4 A Yes, that's true.
 5 **Q If you please jump ahead to the last page,**
 6 **page 10 of this exhibit, this page is labeled**
 7 **Exhibit 12, Schedule 2, which you had testified as**
 8 **explaining the basic concepts involved in performing**
 9 **an electric cost of service study; right?**
 10 A That's true.
 11 **Q On this same page, beginning line 2, we find**
 12 **the explanation that transmission costs are classified**
 13 **as 100 percent demand related due in part to the fact**
 14 **that the facilities are designed to meet system peak**
 15 **loads. That's what you prepared; right?**
 16 A That's the way we do it in Idaho.
 17 **Q Okay. And if you'd please turn back to page 7**
 18 **of this cross-exhibit, page 12 of the excerpt of the**
 19 **direct testimony, beginning line 22, you testified the**
 20 **transmission costs are not only classified as**
 21 **100 percent demand in Idaho, but are allocated by the**
 22 **average of the 12-month coincident peaks, the same**
 23 **methodology used in the last two Idaho cases; is that**
 24 **correct?**
 25 A That is correct.

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EXAMINATION BY COWELL / KNOX 261

1 **Q So, Ms. Knox, is the 100 percent demand**
 2 **classification and 12 coincident peak allocation of**
 3 **transmission costs such that you're supporting in**
 4 **Idaho is that more like Mr. Stephens' proposals in**
 5 **this proceeding or more like your Washington proposal**
 6 **in this proceeding?**
 7 A Mr. Stephens' proposal is exactly this
 8 proposal. One of the things I'd like to point out is
 9 following on the rest of that sentence on your page 8,
 10 it reflects the methodology accepted in the settlement
 11 in Case No. AVUE-10-1.
 12 Prior to 2010, we had applied the peak credit
 13 method to transmission as well as to generation in
 14 Idaho as well as Washington. In the course of the
 15 settlement of that 2010 case, we elected to accept the
 16 industrial customers' recommendation that we would
 17 move to 100 percent demand on transmission.
 18 And so at that point in time, the Idaho rates
 19 were set based on this modification to the
 20 methodology. And so as we proceeded in future cases
 21 for -- because then you have what your rates are set
 22 on, has this methodology in place, and so to continue
 23 it forward, we'll maintain consistency year over year.
 24 And also to kind of reduce the issues in the
 25 following case, we elected to continue with

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EXAMINATION BY COWELL / KNOX 262

1 100 percent demand. Another thing that's interesting
 2 in Idaho that's not true in Washington is other
 3 investor-owned utilities in Idaho also used
 4 100 percent demand for transmission.
 5 **Q So to clarify, the Idaho Commission has**
 6 **approved this methodology in the past two rate cases?**
 7 A Right. As well as approving it for Idaho
 8 Power.
 9 **Q And you're also proposing that they approve it**
 10 **again in this current case regardless of whether**
 11 **there's a settlement?**
 12 A Right. We have -- we, basically, moved to
 13 that methodology in Idaho. It's, basically, the Idaho
 14 methodology. There are other differences between the
 15 Idaho methodology and the Washington methodology that
 16 have developed over time as we put cases forward and
 17 things are brought up. And when the parties elect to
 18 agree on something, then, you know, we're willing to
 19 change over time if everyone agrees to it.
 20 You know, at this point in time, as I stated
 21 in the rest of my rebuttal testimony, we have
 22 continued to treat the transmission system in the same
 23 manner as the generation system, which has been the
 24 policy in the state of Washington since the mid-'80s.
 25 And so we've carried it forward. One of the -- I

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EXAMINATION BY COWELL / KNOX 263

1 guess I'm not supposed to make speeches.
 2 **Q Well, right. In the interest of time, I'm**
 3 **going to move on. And do you have a copy of**
 4 **Mr. Stephens' response testimony with you?**
 5 A Yes.
 6 **Q Okay. Could you please turn -- and this is**
 7 **RRS-1TC. If you would, please turn to page 27, and**
 8 **we're going to start beginning line 19, page 27,**
 9 **line 19.**
 10 **CHAIRMAN DANNER: What was the exhibit?**
 11 MR. COWELL: This is Exhibit RRS-1TC,
 12 Mr. Stephens' response testimony.
 13 CHAIRMAN DANNER: Thank you.
 14 COMMISSIONER RENDAHL: What page?
 15 MR. COWELL: And then page 27 and
 16 beginning on line 19.
 17 A Yes.
 18 **Q Okay. Now, as a reason not to use the peak**
 19 **credit method for clarification of transmission costs,**
 20 **Mr. Stephens noted that Avista itself utilizes a 12 CP**
 21 **billing method for network transmission services**
 22 **specified in the Company's Section 34 of its Open**
 23 **Access Transmission Tariff; is that correct? Did I**
 24 **read that accurately?**
 25 A You read that accurately, yes.

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EXAMINATION BY COWELL / KNOX 264

1 **Q Now, if you would, please turn to**
 2 **Cross-Exhibit TLK-5CX. Now, does the Company's**
 3 **response to ICNU Data Request 187 support**
 4 **Mr. Stephens' claim about the Company's use of a 12 CP**
 5 **billing method for Open Access Transmission Tariff**
 6 **service?**
 7 A It basically says that they are billed on a
 8 load ratio share, which, you know, once Mr. Schlect
 9 provided this to me, I went and found that section.
 10 And the description of how they come about that
 11 billing is, essentially, it is a demand-related
 12 billing method that's based on a rolling 12-month peak
 13 demands. Yeah, so it's not quite the same, but it's
 14 similar.
 15 **Q Okay. Would it be fair to say it's consistent**
 16 **with Mr. Stephens' statement? Would it be fair to**
 17 **say --**
 18 A Yes.
 19 **Q If you please turn to page 2 of your rebuttal**
 20 **testimony, starting on line 11, you note Mr. Stephens'**
 21 **objection to the peak credit approach and state that**
 22 **you do not agree with his criticism of the peak credit**
 23 **approach; is that correct?**
 24 A On page 2 of my rebuttal?
 25 **Q Page 2 of your rebuttal testimony, so that**

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EXAMINATION BY COWELL / KNOX 265

1 **would be --**
 2 A I'm sorry. I was looking at my original.
 3 **Q TLK --**
 4 A I got to go to the right tab. Sorry.
 5 **Q No problem.**
 6 A Okay.
 7 **Q So we're on page 2, starting on line 11. You**
 8 **note Mr. Stephens' objection to the peak credit**
 9 **approach, and you state you do not agree with his**
 10 **criticism of the peak credit approach; is that**
 11 **correct?**
 12 A Yes.
 13 **Q All right. Now beginning on line 20 of this**
 14 **same page and extending on to page 3, you then testify**
 15 **that the Commission has recently weighed in on the use**
 16 **of the peak credit methodology for all three**
 17 **investor-owned utilities; is that accurate?**
 18 A I was pointing out a quote out of the Pacific
 19 Power '14 case where they had stated that they have
 20 long preferred the peak credit methodology and
 21 consistently approved it for all the companies.
 22 **Q Okay. And, specifically, line 20 of your**
 23 **testimony, the question is: Has the Commission**
 24 **weighed in on the use of the peak credit methodology**
 25 **in any recent cases, and you said yes; right?**

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EXAMINATION BY COWELL / KNOX

1 A Correct. And then I took that quote.
 2 **Q Okay.**
 3 A Yeah.
 4 **Q So, Ms. Knox, are you saying that Avista**
 5 **supports a one-size-fits-all approach for electric**
 6 **cost of service methodology among all three regulated**
 7 **utilities in Washington?**
 8 A Not precisely. Each of the companies do their
 9 own calculation of peak credit, and I know -- I
 10 believe that the Puget method is related to items in
 11 their IRP, and they make some comparisons. I believe
 12 it's like a hypothetical CT versus a hypothetical
 13 CCCT. And then they have a certain number of hours
 14 that they use for their allocation.
 15 In the -- both the '99 case and the '05 case,
 16 we wanted to continue using the peak credit because as
 17 the theory behind it, that captures how the customer
 18 makes use of the power in, you know, not doing like a
 19 straight fixed variable that you might find other
 20 places, but looking at how the customers are both
 21 consuming energy and demand and then coming up with a
 22 methodology to split it giving credit to the fixed
 23 costs that are providing energy throughout the year.
 24 And Avista had our way of doing it that was
 25 specific to our system, and we put that in front of

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EXAMINATION BY COWELL / KNOX

1 the Commission. And they agreed that it was
 2 appropriate to have slightly different methodologies
 3 for the different companies.
 4 **Q So let me just --**
 5 A You can have differences among them. I think
 6 it's useful for them to be similar basically, yeah.
 7 **Q Would you say differences within the peak**
 8 **credit methodology or --**
 9 A Yes.
 10 **Q -- wholly -- okay. Thank you.**
 11 **Now, Footnote 1 in your rebuttal testimony on**
 12 **the next page, page 3, you cite the Pacific Power case**
 13 **Order 8 in Docket UE-140762; right?**
 14 A Yes.
 15 **Q In that order, do you recall whether the**
 16 **Commission approved the peak credit methodology or a**
 17 **different method?**
 18 A I believe in that PacifiCorp one, they were
 19 looking at a peak on average, and they were allowed to
 20 use it for this one time. And then the Commission
 21 stated how they wanted to see more documentation in
 22 future cases to accept that over their preferred peak
 23 credit methodology that they had used before.
 24 **Q And to the best of your understanding, has**
 25 **that changed after the most recent PacifiCorp case?**

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EXAMINATION BY COWELL / KNOX

1 A I do not know.
 2 **Q In your opinion, Ms. Knox, would you describe**
 3 **Avista to be more of an electric winter-peaking**
 4 **utility or getting closer to being a dual**
 5 **summer/winter-peaking utility?**
 6 A Over the years, what we've seen is that we
 7 have peaks in the winter, and we also have peaks in
 8 the summer. And in unusual years, sometimes if we
 9 have a particularly mild winter, it is possible that
 10 the summer peaks can outstrip the winter peaks.
 11 It was a few years back, but discussions I had
 12 had with Mr. Kalich when I was trying to say, Well,
 13 it's looks like we're dual peaking to me.
 14 And he said, No, we're winter peaking.
 15 And so I'm going, Well, okay. I guess I'll
 16 accept that.
 17 And his explanation there was it's really only
 18 in those unusual circumstances where we have an
 19 unusually hot summer and an unusually mild winter that
 20 you could actually see the summer peaks outstripping.
 21 We do see, yes, it's high in the summer if it's higher
 22 in the winter generally. And so, yes, there will be
 23 troughs in the other months.
 24 **Q And for the record, could you identify who**
 25 **Mr. Kalich is?**

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EXAMINATION BY COWELL / KNOX

1 A He testified to -- a Company witness Kalich.
 2 He did the IRP and the Aurora model, and he is the
 3 director of power supply -- no, he's not.
 4 JUDGE MOSS: Excuse me. Excuse me. We
 5 can't give answers to the witness. Testify to your
 6 knowledge, Ms. Knox, and beyond that we can develop
 7 the information in other ways. Thank you.
 8 A He is a witness in the case, so you can find
 9 his biographical information in there.
 10 **Q Would you agree that Mr. Stephens has proposed**
 11 **the use of a summer and winter peak allocation method**
 12 **as a better measure of production costs than the**
 13 **Company's 12 CP allocator?**
 14 A He has proposed it as an other method.
 15 Whether it's better or not is a matter of opinion.
 16 **Q But is it your understanding he's proposed**
 17 **that it's better?**
 18 A Oh, yes. He thinks it's better, yes.
 19 MR. COWELL: No further questions.
 20 Thank you, Your Honor.
 21 JUDGE MOSS: Thank you. No other
 22 parties have indicated cross for Ms. Knox.
 23 Any questions from the Bench? All right.
 24 Ms. Knox, we've been doing this together for
 25 about 20 years now. You don't often need to testify,

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EXAMINATION BY MEYER / EHRBAR 270

1 but --

2 MS. KNOX: I prefer it that way.

3 JUDGE MOSS: -- we appreciate you being

4 here today and giving your testimony. And you may

5 step down subject to recall, if needed.

6 MS. KNOX: Thank you.

7 JUDGE MOSS: Let's press ahead with

8 Mr. Ehrbar then.

9

10 PATRICK EHRBAR, witness herein, having been

11 first duly sworn on oath,

12 was examined and testified

13 as follows:

14

E X A M I N A T I O N

15

16 BY MR. MEYER:

17 **Q All set?**

18 A All set.

19 **Q For the record, what is your name?**

20 A My name is Patrick Ehrbar.

21 **Q Have you submitted testimony that's been**

22 **admitted along with exhibit material marked as PDE-1T**

23 **all the way through PDE-8T?**

24 A Yes.

25 **Q Any changes?**

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EXAMINATION BY GAFKEN / EHRBAR 271

1 A No.

2 MR. MEYER: Thank you. That's all I

3 have.

4 JUDGE MOSS: All right. We have

5 questions from Public Counsel.

6 MS. GAFKEN: Yes. Thank you.

E X A M I N A T I O N

7

8 BY MS. GAFKEN:

9 **Q And I don't have quite as many as indicated by**

10 **the time estimate, so this should be fairly quick,**

11 **Mr. Ehrbar.**

12 **Would you please turn to Cross-Exhibit**

13 **PDE-12CX.**

14 A Okay. I'm there.

15 **Q Do you recognize Cross-Exhibit PDE-12CX as**

16 **Avista's response to ICNU Data Request No. 10?**

17 A Yes, I do.

18 **Q And Avista's response to ICNU Data Request**

19 **No. 10 details the energy efficiency incentives paid**

20 **to Schedule 25 customers; is that correct?**

21 A Correct.

22 **Q The response notes that Avista has not**

23 **quantified benefits received by Schedule 25 customers**

24 **in terms of reduced power supply costs. Could you**

25 **explain what that means?**

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EXAMINATION BY GAFKEN / EHRBAR 272

1 A Yes. What we included in this response were

2 just the direct rebate benefits that Schedule 25

3 customers have received. It did not include an

4 evaluation of the avoided costs benefits that also

5 accrued to Schedule 25 customers.

6 **Q The response also notes that Avista has not**

7 **quantified benefits received by Schedule 25 benefits**

8 **in terms of their use of Avista's DSM staff, and that**

9 **lists a few examples of what that use might be. Could**

10 **you elaborate on that?**

11 A Sure. Sometimes, you know, customers, whether

12 Schedule 25 or other commercial customers, will

13 request services of our DSM engineers to evaluate

14 projects. And as part of that evaluation, the

15 customers may then determine, based on that

16 evaluation, whether to proceed or don't proceed with a

17 project, but that's still work that the company does

18 on behalf of customers.

19 **Q Would you please turn to Cross-Exhibit**

20 **PDE-13CX.**

21 A I'm there.

22 **Q Do recognize Cross-Exhibit PDE-13CX as**

23 **Avista's response to ICNU Data Request No. 37?**

24 A Yes, I do.

25 **Q The column that includes nonresidential**

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EXAMINATION BY COWELL / EHRBAR 273

1 **customers includes Schedule 25 customers; correct?**

2 A That's correct.

3 **Q Who else is included in that column?**

4 A Sure. Everybody in the nonresidential -- or

5 the groups that make up the nonresidential category

6 for DSM savings and DSM calculations are our customers

7 that are served on Schedule 11, so our small

8 commercial customers; our commercial customers on

9 Schedule 21; our pumping customers on Schedule 31;

10 street and area light customers; and customers served

11 on Schedule 25.

12 MS. GAFKEN: That completes my

13 questions. I understand that all three of the

14 cross-exhibits have been entered into the record.

15 Thank you very much.

16 JUDGE MOSS: Thank you, Ms. Gafken.

17 Mr. Cowell, do you have some questions for

18 this witness?

19 MR. COWELL: Yes. Thank you, Your

20 Honor.

E X A M I N A T I O N

21

22 BY MR. COWELL:

23 **Q Good afternoon.**

24 A Good afternoon.

25 **Q Mr. Ehrbar, you've been working with Avista**

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EXAMINATION BY COWELL / EHRBAR 274

1 **for nearly 20 years since 1997; right?**
 2 A That's correct.
 3 **Q And your very first assignment was as a**
 4 **resource management analyst within the Company's**
 5 **demand-side management or DSM department; right?**
 6 A That's correct.
 7 **Q And following that, you became a program**
 8 **manager responsible for the Company's energy**
 9 **efficiency offerings; right?**
 10 A That's correct.
 11 **Q Following that you have also testified that**
 12 **you were selected to be one of the Company's key**
 13 **account executives, which included primary contact for**
 14 **industrial customers, including delivery of Avista's**
 15 **site-specific energy efficiency programs; is that**
 16 **correct?**
 17 A That is correct.
 18 **Q Now, would it be fair to say, Mr. Ehrbar, that**
 19 **you have significant experience working directly with**
 20 **industrial customers and on energy efficiency and DSM**
 21 **issues on behalf of the Company?**
 22 A I do.
 23 **Q And for the past seven years, you have served**
 24 **as a manager of rates and tariffs for the Company;**
 25 **right?**

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EXAMINATION BY COWELL / EHRBAR 275

1 A That's correct.
 2 **Q In this case, you're aware that ICNU has**
 3 **proposed a change to the amount of funding for DSM**
 4 **programs recovered from the third energy block of**
 5 **Schedule 25; correct?**
 6 A Yes.
 7 **Q And in your rebuttal testimony, while not**
 8 **agreeing that the third energy block of Schedule 25**
 9 **should be exempt from DSM contributions, you've**
 10 **testified that the amount of funding provided by that**
 11 **third energy block could be reasonably adjusted;**
 12 **correct?**
 13 A That is correct.
 14 **Q And Schedule 25 is the Company's extra large**
 15 **general service schedule serving industrial customers;**
 16 **right?**
 17 A Correct.
 18 **Q Now, in testifying that the amount of**
 19 **Schedule 25 funding toward DSM programs could be**
 20 **reasonably adjusted, would it be accurate to say that**
 21 **you drew upon nearly all your 20 years of experience**
 22 **at Avista working in DSM, energy efficiency,**
 23 **industrial customer, and rate and tariff capacities?**
 24 A Yes. I think when we were evaluating
 25 specifically as it relates to the third block of

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EXAMINATION BY COWELL / EHRBAR 276

1 Schedule 25 and the funding of DSM there, the Company
 2 is cognizant that only one customer is served in that
 3 energy block, and so, reasonably, you can -- the
 4 parties can make an assertion that the level of
 5 funding could be higher/could be lower based on the
 6 overall benefits received. But there is a reasonable
 7 viewpoint that it could be somewhat lower given the
 8 effect it has on one customer.
 9 **Q Now, in preparing your rebuttal testimony, did**
 10 **you personally review Mr. Stephens' testimony and**
 11 **exhibits on behalf of ICNU related to a proposed**
 12 **reduction in DSM funding for the third energy block of**
 13 **Schedule 25?**
 14 A I did.
 15 **Q Now, you've testified that this single**
 16 **customer on the third energy block of Schedule 25**
 17 **provides a significant amount of funding for the DSM**
 18 **program; is that right?**
 19 A That is correct.
 20 **Q Now, would it be accurate to say that ICNU has**
 21 **raised the issue of whether this single customer is**
 22 **contributing more than its fair share of DSM funding?**
 23 A Can you repeat that?
 24 **Q Sure. Would it be accurate to say that ICNU**
 25 **has raised the issue of whether this single customer**

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EXAMINATION BY COWELL / EHRBAR 277

1 **is contributing more of its fair share of DSM funding?**
 2 A Yes.
 3 **Q If you would, please turn to your rebuttal**
 4 **testimony, PDE-8T, page 15, line 2, please.**
 5 A Okay. I'm there.
 6 MR. MEYER: What page was that?
 7 MR. COWELL: That's page 15 and
 8 beginning line 2.
 9 **Q Now, based on your experience and the**
 10 **information you have reviewed in this case, you've**
 11 **testified that a reasonable option in response to**
 12 **ICNU's DSM funding proposal would be for the third**
 13 **energy block to pay one-half of the present DSM rate**
 14 **with funding on blocks one and two of Schedule 25 and**
 15 **all other schedules increased to keep the overall DSM**
 16 **funding at the same level; right?**
 17 A Yes. So what I said in the testimony was that
 18 would be an option. We did not file to change in our
 19 rebuttal testimony to make a change to the funding,
 20 but that would be an option.
 21 **Q Understood. And you said it would be a**
 22 **reasonable option; correct?**
 23 A Yes.
 24 **Q If you please turn to Cross-Exhibit PDE-9CX,**
 25 **you authored this data request response; correct?**

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EXAMINATION BY COWELL / EHRBAR 278

1 A That's correct.

2 **Q This is ICNU Data Request 81 in which Avista**

3 **was asked to confirm that the Company is proposing**

4 **uniformed percentage increases to Schedule 25 energy**

5 **blocks that are higher that the Company's overall**

6 **proposed increases to Schedule 25; right?**

7 A That is correct. That is what we proposed.

8 **Q You did confirm this in the response; right?**

9 A Yes.

10 **Q Now, would it be accurate to say that the**

11 **single customer served in the third energy block of**

12 **Schedule 25 pays considerably more in energy charges**

13 **each month as compared to the monthly demand charge?**

14 A I don't know that I -- I think I disagree with

15 that. One of the things that we take into account

16 when we come up with our rate design and how we spread

17 the cost to customers, the revenue requirement to rate

18 schedules, is to look at both what's happened --

19 what's happening to the cost in this case and what's

20 happened more recently in the past several rate cases.

21 In this case what we looked at for rate design

22 for Schedule 25 was what's recently happened with the

23 fixed demand charge, the first 3,000 KVA are charged

24 out at \$21,000 per month. And we made a substantial

25 increase in that effective January 2015, so

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EXAMINATION BY COWELL / EHRBAR 279

1 recognizing that we had a made a significant move from

2 15,000 per month to 21,000 per month, we chose in this

3 case to leave it unchanged.

4 **Q On a monthly basis, speaking about this single**

5 **customer on the third energy block, the energy charges**

6 **more or less than 21,000 per month?**

7 A More than 21,000 per month.

8 **Q Thank you. And would that be by a significant**

9 **margin?**

10 A Yes.

11 **Q Thank you. And the Company's not -- excuse**

12 **me.**

13 **Based on the Company's electric cost of**

14 **service study, would you agree that Schedule 25 is**

15 **above unity or providing more revenues to the Company**

16 **than the cost to serve Schedule 25?**

17 A If I could check my exhibit really quick.

18 **Q Sure. And, actually, we could turn to your**

19 **rebuttal testimony, page 8 -- your rebuttal testimony,**

20 **which is PDE-18 at page 4, Table 3.**

21 A Yes. It shows 1.03.

22 **Q Mr. Ehrbar, how many parties submitted an**

23 **electric cost of service study in this proceeding?**

24 A Just two, as I recall Avista and ICNU.

25 **Q And both parties submitting an electric cost**

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EXAMINATION BY COWELL / EHRBAR 280

1 **of service study found that Schedule 25 was above**

2 **unity; correct?**

3 A That's correct.

4 **Q Have you seen an electric cost of service**

5 **study from staff in this proceeding?**

6 A No, I have not.

7 **Q But do you believe that staff is generally**

8 **supportive of the Company's electric cost of service**

9 **study?**

10 A I do. Staff Witness Ball alluded to the fact

11 generally that our cost of service study was

12 directionally accurate for the purpose of setting

13 rates.

14 **Q Now, you do not believe that Staff's proposed**

15 **uniform percentage rate spread to all rate schedules**

16 **is appropriate; right?**

17 A I don't believe a uniform spread is

18 appropriate in this case because two schedules

19 actually move further away from unity by doing that

20 versus the Company's proposed rate spread.

21 **Q Is one of those Schedule 25?**

22 A I would have to check. Subject to check, yes.

23 **Q I'll direct you then to page 4 of your**

24 **rebuttal testimony.**

25 A Thank you. Yes. That is correct.

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EXAMINATION BY COWELL / EHRBAR 281

1 **Q Now, considering the electric rate spread**

2 **proposals of Avista, Staff, and ICNU in this**

3 **proceeding, which proposal is least favorable to**

4 **industrial customers in your view?**

5 A Staff's.

6 **Q Considering the electric rate spread proposals**

7 **of Avista, Staff, and ICNU in this proceeding, which**

8 **proposal is most favorable to residential customers in**

9 **your view?**

10 A Staff's.

11 **Q Would it be fair to say, based on the**

12 **Company's electric cost of service study, that**

13 **residential schedules are well below unity?**

14 A Yes.

15 **Q So, Mr. Ehrbar, I'd like to close with a few**

16 **questions in the Company's responses to ICNU data**

17 **request. If we could start with -- do you have a copy**

18 **of Mr. Stephens' exhibits?**

19 A Yes, I do.

20 **Q Okay. If you could, please turn to Exhibit**

21 **RRS-11C. RRS-11C, page 8.**

22 A Okay. I'm there.

23 **Q Okay. Now, this is that --**

24 **CHAIRMAN DANNER: Wait a minute. I'm**

25 **not --**

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EXAMINATION BY COWELL / EHRBAR 282

1 **COMMISSIONER JONES: Mr. Cowell, the**
 2 **page number is in the upper right?**
 3 MR. COWELL: Correct, yes, the exhibit
 4 page number upper right.
 5 CHAIRMAN DANNER: Which page?
 6 MR. COWELL: Page 8 of RRS-11C.
 7 CHAIRMAN DANNER: Thank you.
 8 BY MR. COWELL:
 9 **Q So this is the same exhibit, Mr. Ehrbar,**
 10 **right, that Public Counsel just admitted as a**
 11 **cross-exhibit; correct?**
 12 A That's correct.
 13 **Q That was in Exhibit 2 Mr. Stephens' original**
 14 **response testimony; correct?**
 15 A Yes.
 16 **Q And I'm not going to get into confidential**
 17 **information which follows in the following pages, but**
 18 **this response is a quantification of direct incentive**
 19 **benefits to Schedule 25 from 2005 to 2015 for the**
 20 **Company's DSM programs; right?**
 21 A That's correct. And 2016 year to date.
 22 **Q Year to date. Correct. Now, if you turn to**
 23 **Cross-Exhibit PDE-10CX, page 1 --**
 24 A Yes, yes.
 25 **Q Okay. And, again, we're looking at -- Public**

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EXAMINATION BY COWELL / EHRBAR 283

1 **Counsel has also submitted this as a cross-exhibit as**
 2 **we've just established with Ms. Gafken; correct?**
 3 A Correct.
 4 **Q So the Company was asked to refer in this**
 5 **request to ICNU Data Request 10 that we just looked at**
 6 **and to provide a quantification of benefits received**
 7 **by each other customer schedule; is that right?**
 8 A That's correct.
 9 **Q Now, would it be accurate to say that the**
 10 **quantification provided by the company here in this**
 11 **response was in the form of three customer segments**
 12 **which combine various schedules rather than a**
 13 **quantification by individual rate schedules as ICNU**
 14 **had requested?**
 15 A That's correct. Because the way we manage our
 16 demand-side management programs are by these segments.
 17 So you have the nonresidential segment, the limited
 18 income segment, and the residential segment. That's
 19 how we track it for reporting purposes in our DSM
 20 programs.
 21 **Q Fair enough. So you're just simply not able**
 22 **to provide an apples-to-apples comparison?**
 23 A Correct.
 24 THE REPORTER: Mr. Ehrbar, I would ask
 25 that you slow down a little.

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EXAMINATION BY COWELL / EHRBAR 284

1 **Q Page 2 of this Cross-Exhibit PDE-10CX, if you**
 2 **turn there, is the Company's response to ICNU Data**
 3 **Request 41; right?**
 4 A Yes, it is.
 5 **Q And the Company's response begins by stating**
 6 **that systematic benefits to DSM programs are difficult**
 7 **to quantify; right?**
 8 A Yes.
 9 **Q Then beginning on the second to last line, the**
 10 **Company states that judging the equity of DSM by**
 11 **purely comparing direct incentives -- skipping ahead a**
 12 **little bit -- is an incomplete analysis; correct?**
 13 A Yes. What we were -- what I was stating
 14 there -- what the Company is stating there was that
 15 you shouldn't just compare how much a schedule
 16 contributes to how much a schedule receives in direct
 17 rebates to determine whether it's beneficial or not.
 18 **Q All right. And keyword -- is it a significant**
 19 **word that you said you shouldn't just compare?**
 20 A Correct. You should take into account the
 21 other items that do affect the cost and effectiveness
 22 of our programs.
 23 **Q So to state this another way, by purely -- in**
 24 **stating that purely comparing direct incentives is an**
 25 **incomplete analysis, would it be accurate to say that**

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EXAMINATION BY COWELL / EHRBAR 285

1 **a complete analysis of DSM should factor direct**
 2 **benefits as well as indirect benefits?**
 3 A That is correct.
 4 **Q In your opinion, Mr. Ehrbar, based on your**
 5 **understanding of systematic benefits accruing to all**
 6 **customers through DSM funding, would it be equitable**
 7 **to collect all DSM funding through a single rate**
 8 **schedule?**
 9 A Can you restate that?
 10 **Q Sure. Based on your understanding of**
 11 **systematic benefits or indirect, if you want to say,**
 12 **accruing to all customers through DSM funding, would**
 13 **it be equitable, in your opinion, to collect all DSM**
 14 **funding through a single rate schedule?**
 15 A All DSM funding through a single rate
 16 schedule?
 17 **Q One rate schedule to the exclusion of all**
 18 **others.**
 19 A No. It should be -- the cost related to DSM
 20 programs should be paid for by all schedules --
 21 **Q Okay.**
 22 A -- those receiving the benefits of the
 23 programs.
 24 **Q Okay. So at some point, you believe it's**
 25 **possible for one rate schedule to be over-contributing**

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EXAMINATION BY COWELL / EHRBAR 286

1 to DSM funding while other schedules are
 2 under-contributing even though all customers,
 3 according to your understanding, are receiving
 4 systematic benefits; is that correct?
 5 A Correct. The cost paid by schedules some
 6 could determine to be too high, too low, but then the
 7 benefits -- you have to look at the benefits, both the
 8 direct and indirect, and see how they also flow to the
 9 schedules for our proper analysis.
 10 Q Okay. And, actually, lastly, Mr. Ehrbar, in
 11 following that off of cross-examination from Public
 12 Counsel, if you would, please turn to Mr. Stephens'
 13 exhibit, RRS-9. RRS-9, please. And just to establish
 14 some context, page 1, this is ICNU's DSM proposal to
 15 resolve Schedule 91 equity issues; correct?
 16 A That's correct.
 17 Q And I am not going to go into confidential
 18 information. If you would, please turn to page 3 of
 19 this exhibit.
 20 A I'm there.
 21 Q So looking at lines 1 and 2, what we have here
 22 is a comparison of Schedule 25 versus total company,
 23 meaning all schedules in Washington, DSM contributions
 24 versus direct incentives received; right?
 25 A Yes. From 2005 on, that's what this shows,

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EXAMINATION BY COWELL / EHRBAR 287

1 yes.
 2 Q Okay. Now, if you would, move forward,
 3 please, page 6 of this exhibit.
 4 A Okay.
 5 Q And this would be the third column. Do you
 6 see where it says current Schedule 91 DSM revenues?
 7 A I do.
 8 Q Okay. Now, did ICNU break out DSM funding
 9 revenue contributions by class or rate schedule in
 10 this first substantive column here using the
 11 information from one of your exhibits?
 12 A Yes.
 13 Q Next page, please. And, again, I won't be
 14 going into confidential information. But would you
 15 please look at -- do you see Footnote 2 there?
 16 A I do.
 17 Q Okay. And that's Avista's response to ICNU
 18 Data Request 36; correct?
 19 A Correct.
 20 Q And that was submitted as a cross-exhibit by
 21 Public Counsel; right?
 22 A That's correct.
 23 Q And you've testified that you have -- you
 24 previously reviewed, in preparing your rebuttal
 25 testimony, all of Mr. Stephens' testimony and

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EXAMINATION BY COWELL / EHRBAR 288

1 exhibits; right?
 2 A Yes.
 3 Q So you had been aware that Mr. Stephens had
 4 calculated his analyses by express citation to that
 5 Company response to the ICNU data request; right?
 6 MR. MEYER: Do you understand that
 7 question?
 8 MR. EHRBAR: I don't. That was a
 9 little wordy.
 10 Q Okay. So in having reviewed this exhibit, you
 11 were aware that Mr. Stephens had incorporated the
 12 Company's response to ICNU Data Request 36 in his
 13 analysis; right?
 14 A In reviewing his testimony and exhibits, I'm
 15 aware specifically as it relates to this exhibit, the
 16 genesis of this exhibit --
 17 Q Okay.
 18 A -- and what was in it.
 19 Q Okay. And next page, Mr. Ehrbar, this first
 20 bullet point, is it your understanding that the
 21 Commission has previously approved a reduction to the
 22 third energy block contributions of Schedule 25 and a
 23 tariff rider?
 24 A Yes. What stemmed from the 2014 Avista
 25 general rate case upon settlement was to limit the

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EXAMINATION BY COMMISSIONER RENDAHL / EHR 289

1 funding to the low income rate assistance program to
 2 just be the first and second block of -- for
 3 Schedule 25. That differs, though, in our view from
 4 DSM funding through Schedule 91, which is a system
 5 benefit -- a system charge because of a system benefit
 6 to all customers.
 7 Q And in this instance, as we're looking at this
 8 page, that was a complete exemption of contributions
 9 from the third energy block; right?
 10 A That is correct.
 11 Q And in this case you've testified that a
 12 reasonable option would be one-half contributions from
 13 the third energy block to Schedule 91, which is also a
 14 tariff rider; correct?
 15 A That's correct.
 16 MR. COWELL: Thank you, Mr. Ehrbar. No
 17 further questions.
 18 Thank you, Your Honor.
 19 JUDGE MOSS: That completes counsel's
 20 cross.
 21 Anything from the Bench? Commissioner
 22 Rendahl.
 23 E X A M I N A T I O N
 24 BY COMMISSIONER RENDAHL:
 25 Q I just have one for you. So can you tell us

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EXAMINATION BY COMMISSIONER RENDAHL / EHR 290

1 **why the residential parity ratio is so out of**
 2 **alignment? Looking back at the -- since someone said**
 3 **you've been doing this for 20 years, you have some**
 4 **history of this. It appears this has been an ongoing**
 5 **issue.**

6 **So can you explain what's driving this issue**
 7 **and what should be done to address it?**

8 A Sure. What we've had persist over time, both
 9 for Schedule 1 on the residential side and we've also
 10 seen it for schedule 11 customers, the small
 11 commercial customers, is this persistent either under-
 12 or over-recovery of costs. And so Schedule 11, for
 13 instance, is, roughly, two on the return schedule or
 14 rate of return that they're providing under cost of
 15 service while residential is .55.

16 MR. MEYER: Explain who Schedule 11 is.
 17 A Schedule 11 is small commercial customers.

18 **Q And I think you need to slow down a bit too.**

19 A I do. I feel like I'm going slow. I'm very
 20 energetic.

21 So our Schedule 1 customers persistently over
 22 the time that I've been involved in rate spread, rate
 23 design, and helping to oversee cost of service has
 24 persistently been under unity. And so the Company has
 25 made attempts to move them more towards unity, which

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EXAMINATION BY COMMISSIONER JONES / EHRB 291

1 would have the effect of also benefiting our
 2 commercial customers, our Schedule 11 customers and
 3 our Schedule 21 customers.

4 In the end, it all balances out, and so the
 5 under-recovery from Schedule 1 is recovered from our
 6 small commercial customers and our commercial
 7 customers. And so we've made attempts in our cases to
 8 move towards unity, but we're also mindful of both
 9 rate shock. You know, we can't make a move quickly to
 10 fix residential Schedule 1, because the effect to
 11 their rates would be tremendous.

12 And so we've tried to -- over time tried to
 13 move there, but in some times in some cases, rates
 14 have been spread on a uniform basis which doesn't help
 15 the issue, uniform incentive revenue, such as Staff's
 16 proposals in this case, which is why we're still
 17 supportive of our original filed rate spread, which we
 18 think will at least help to fix the issue. We are
 19 mindful of it and have in cases and will continue in
 20 cases to try to make better grounds towards fixing
 21 that.

22 **EXAMINATION**
 23 **BY COMMISSIONER JONES:**

24 **Q Mr. Ehrbar, this is Commissioner Jones. You**
 25 **could be the last one today, and I'm glad you have all**

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EXAMINATION BY COMMISSIONER JONES / EHRB 292

1 **this energy. Just a couple of questions.**

2 **On pages 9 and 10 of your testimony, you talk**
 3 **about a possible workshop on cost of service. And you**
 4 **seem to be saying that you would support it or you**
 5 **would be an active and engaged participant, but you**
 6 **also say that Avista believes that, quote,**
 7 **one-size-fits-all approach is not necessarily the best**
 8 **way to go.**

9 **So could you explain why you think that each**
 10 **utility is unique and those unique characteristics**
 11 **might be best handled individually in rate cases?**

12 A Sure. You know, Ms. Knox referred to it a
 13 little bit earlier, just the differences between Puget
 14 and Avista. When we look both on the electric side as
 15 well as the natural gas side, we have -- you know, say
 16 for Avista, we serve a much colder climate on the east
 17 side of the state than, say, Northwest Natural down in
 18 the Vancouver region or in the Puget or Cascade.

19 On the electric side, I point out in my
 20 testimony the difference between being a
 21 winter-peaking utility and perhaps moving towards
 22 being a dual-peaking utility, which, obviously,
 23 there's some testimony on already this afternoon.

24 So the utilities, while we're all serving
 25 Washington customers, appear to be somewhat similar.

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EXAMINATION BY COMMISSIONER JONES / EHRB 293

1 There are differences in both our customer makeup, the
 2 climates we serve, and so having a boxed-in,
 3 one-size-fits-all cost of service methodology, we
 4 don't think it is necessarily appropriate. We still
 5 want to be able to address any unique issues that
 6 faces our company or the other utilities might have.

7 **Q Now, on page 10, lines 19 through 25, I just**
 8 **want to ask one question on that.**

9 **So if you -- if we do order a workshop**
 10 **process, you are -- are you really stating that you**
 11 **want DER, distributed energy resources, addressed in**
 12 **that cost of service workshop? Because you're fully**
 13 **cognizant of what's going on in states like Arizona**
 14 **and Nevada and other states where this distributed**
 15 **resource rate design issue is pretty contentious.**

16 A Yes. What I was trying to point to there in
 17 my testimony is if we're trying to drive towards the
 18 level of precision that Mr. Ball was, you know,
 19 alluding to in his testimony and driving towards the
 20 precise cost of service study and precision and
 21 quote/unquote precision and its results, then it
 22 should logically flow that the output of those cost of
 23 services studies and a more precise methodology would
 24 then lead to maybe perhaps more precise cost
 25 allocation between the schedules as well as then more

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EXAMINATION BY COMMISSIONER JONES / EHRB 294

1 precision around rate design.

2 **Q Okay. But you attend NARUC meetings**

3 **frequently, and you are fully aware that NARUC will**

4 **have a DER rate design manual out in a few weeks, in**

5 **November of this year, that could serve as a pretty**

6 **good reference manual?**

7 A Yes, sir.

8 **Q My last question is on RRS-10 on -- you heard**

9 **my question to Ms. Rosentrater before on demand**

10 **response. So my questions to you are twofold, and you**

11 **have had a chance to review RRS-10, Mr. Stephens'**

12 **proposal for a proposed tariff for one or several**

13 **large interruptible industrial customers in your**

14 **service territory?**

15 A Yes, I have.

16 **Q And what do you think of that?**

17 A First, I'd point to Mr. Kalich's testimony.

18 So he provided some response to that. In general,

19 we're open -- the Company is open to demand response

20 and looking at even industrial demand response

21 programs. I believe Mr. Norwood referred to that

22 earlier as well.

23 What we would be willing to do and what we'd

24 like to do is be able to work with those customers to

25 design a program that not only works for them, but

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EXAMINATION BY COMMISSIONER JONES / EHRB 295

1 also works for the Company. So it's meaningful both

2 in terms of its availability, both in terms of how

3 often we can call on it, the length that we can call

4 on it, and the price of that resource.

5 The proposal put forth in this testimony was

6 not something that was workable for the Company at

7 this time, both in terms of its availability and

8 practicality, as well as we don't really have a need

9 today for a capacity resource.

10 But as we're developing our 2017 IRP and we're

11 in the middle of the TAC process now, the Technical

12 Advisory Committee process, we are looking at the

13 demand response. And one of it is looking at

14 industrial DR.

15 **Q So you've been involved in these issues. I**

16 **think Mr. Cowell read all of your qualifications on**

17 **demand -- DSM programs, and you've been doing this a**

18 **long time; right?**

19 A Yes.

20 **Q So you heard my question to Ms. Rosentrater on**

21 **the AMI possible benefit for DR, did you not?**

22 A I did.

23 **Q Do you have any ideas? I know there's no**

24 **evidence in the record, and it is an unquantified**

25 **benefit. If the Commission does approve somehow AMI**

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EXAMINATION BY COMMISSIONER JONES / EHRB 296

1 **or you build it out, it seems to me you're going to**

2 **have to be quantifying this benefit pretty soon in the**

3 **future, probably sooner rather than later. So what**

4 **methodology or methodologies would you recommend that**

5 **we start looking at?**

6 A I guess my first comment would be I do think

7 we need the enabling platform, the enabling

8 technology, in order to be going down this road. So

9 that's what AMI would enable.

10 As it relates to what specifically specific

11 items the Commission should look at now or in the near

12 future as it relates to DR, I think that that will be

13 informed greatly by the work that's going on by Clint

14 Kalich, the Company witness Kalich, and his group as

15 we're going through the TAC process for the IRP.

16 But I think the most critical item that we

17 need is that enabling infrastructure brought by AMI

18 both for DR as well as potential pricing programs down

19 the road.

20 **Q And who at the Company is -- have you read our**

21 **approval of the PSE request for approval on DR that we**

22 **approved recently?**

23 A I have not.

24 **Q Is there anybody in the Company who has?**

25 A That I don't know. I'm sure there is, but I

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EXAMINATION BY CHAIRMAN DANNER / EHRBA 297

1 don't know off the top of my head.

2 **Q Who is responsible for following what the**

3 **Power Council is doing on demand response**

4 **collaborative?**

5 A In general, that's Clint Kalich and his team,

6 and there may be others without looking at Ms. Gervais

7 as to whether she's read it.

8 **Q I'm looking at her right now.**

9 **So, basically, you're saying that if we have**

10 **further questions on this, we should speak to**

11 **Mr. Kalich?**

12 A I think that would be helpful if you do have

13 further questions.

14 COMMISSIONER JONES: Okay. Thank you.

15 CHAIRMAN DANNER: And who's Clint

16 Kalich? I was just testing you.

17 MR. EHRBAR: Senior vice president.

18 We're bumping him up each time.

19 EXAMINATION

20 BY CHAIRMAN DANNER:

21 **Q So I just want to get some clarification.**

22 **We're talking about the generic cost of service study,**

23 **and Mr. Ball will be testifying tomorrow. But I**

24 **just -- I think the concern, as I understood it, was**

25 **that we had inconsistent methodologies, and what they**

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<p>EXAMINATION BY CHAIRMAN DANNER / EHRBA 298</p> <p>1 were looking at was developing a consistent 2 methodology for cost of service and cost of service 3 studies. 4 And so you're talking about the particular 5 differences that utilities have. You know, some peak 6 at different times and so forth, but wouldn't that 7 still lend itself to a consistent methodology as 8 opposed to having one-offs for every utility? 9 A To be honest, when I first came to this group 10 and started looking at cost of service, this was one 11 of the items that I said how is this not already been 12 run to ground and blessed since 1930? Some of these 13 concepts, why have they been battling since the advent 14 of utilities? 15 That being said, I think that there are unique 16 reasons that some parties might like one methodology, 17 and other parties might like a different methodology. 18 And one of the struggles that you see with the NARUC 19 manual that Ms. Knox referred to is that nobody is 20 wrong. No methodology is necessarily wrong. They all 21 have their place. They all can be supported. They're 22 all fair. It's just a matter of preference. 23 And so my thought in the cost of service 24 workshops, while we would, as I said, be very active 25 and engaged if those happen, is that I think it will</p>	<p>EXAMINATION BY CHAIRMAN DANNER / EHRBA 300</p> <p>1 using a single methodology that might not be 2 reasonable. Again, I'm speculating, but if there's 3 flexibility, then I think that resolves that issue. 4 Q But, I mean, there's a difference between, you 5 know, the -- things come up, obviously, and there are 6 already -- we can recognize there are differences in 7 utilities, but it seems to me in coming up with a 8 methodology, you'd want to have something that 9 recognizes that things do come up and circumstances 10 can change and there are differences among them. 11 And I'm just wondering what is the upside or 12 downside. Because, you know, so far we've just had 13 everybody doing their own thing, and, as we can see, 14 we have some alignment issues. I'm just wondering if 15 it's better to take a hard look at everyone or if it's 16 better just to have each utility go it alone, so I'm 17 still struggling with that. 18 A That's fair. I think we'd be more than 19 willing to participate if you choose to go down the 20 path of having -- bringing all the utilities together 21 to take a look at it. 22 CHAIRMAN DANNER: All right. Thank 23 you. That's all I have. 24 JUDGE MOSS: All right. I believe that 25 completes our questioning, Mr. Ehrbar. We appreciate</p>
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<p>EXAMINATION BY CHAIRMAN DANNER / EHRBA 299</p> <p>1 be hard to reach consensus among all parties between 2 the industrial advocates, maybe the utilities in the 3 middle, the residential advocates on another side 4 trying to determine which methodology better assigns 5 cost to or away from their constituents. 6 While a single methodology among all utilities 7 in the state would be -- is a noble idea, I just don't 8 know how practical it would be going through that 9 workshop process. 10 Q Okay. But, I mean, you've got a methodology 11 right now. You're out of alignment. 12 A Yes, fair. 13 Q It means there might be some refinements to 14 the methodology that are in order. Is there anything 15 to be gained by having uniformity among -- uniformity 16 but flexibility among utilities? 17 A Uniformity with flexibility, I think, would be 18 good. Uniformity for the sake of uniformity, I don't 19 know that we're supportive necessarily of that, but if 20 there is -- 21 Q So you don't see an advantage of having 22 everybody playing off the same playbook? 23 A I don't, because you don't know what's going 24 to come down the pipe, that might affect one utility 25 and not another. And if they get boxed in to just</p>	<p>301</p> <p>1 you being here and giving your testimony. You may 2 step down from the witness stand. 3 Now, we don't have much time left, and we 4 certainly don't have time left to complete either 5 Mr. Ball or Mr. Hancock based on the estimates. I 6 notice that Mr. Cowell you have tended to 7 underestimate the amount of time you need to examine 8 each witness, and I also notice that we have 9 consistent questions from the Bench. 10 What I'm proposing then is, since our 11 out-of-towers are in town anyway, why don't we start 12 at 9:00 tomorrow morning, and then we can perhaps 13 finish Mr. Ball. For him 25 minutes is indicated, and 14 I'm thinking it will take probably closer to an hour. 15 At which time, we will have our cost of capital 16 witnesses on the telephone at 10:00. And then 17 following their presentation, we can have Mr. Hancock, 18 and we'll hope that Ms. Gafken continues to follow her 19 practice of overestimating the amount of time she 20 requires. And perhaps we'll be finished by noon. 21 Does that sound good to everyone? I can't 22 promise that result, but we can at least target it. 23 All right. So that's the plan for tomorrow. We'll 24 see you all at 9:00. We'll be off the record for 25 today.</p>

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(The proceedings adjourned at
4:53 p.m.)

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CERTIFICATE

STATE OF WASHINGTON
COUNTY OF KING

I, Nancy M. Kottenstette, a Certified
Shorthand Reporter in and for the State of Washington,
do hereby certify that the foregoing transcript of the
proceedings on October 12, 2016, is true and accurate
to the best of my knowledge, skill, and ability.

I do further certify that I am a disinterested
person in this cause of action; that I am not a
relative of the attorneys for any of the parties.

IN WITNESS WHEREOF, I have hereunto set my
hand and seal this 21st day of October, 2016.

Nancy M. Kottenstette, RPR, CCR

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