

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES,

Respondent.

DOCKET NOS. UE-190334 and UG-190335, UE-190222 (*Consolidated*)

**RESPONSE TESTIMONY OF COREY J. DAHL
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT CJD-1T

October 3, 2019

DOCKET NOS. UE-190334 and UG-190335, UE-190222 (*Consolidated*)

RESPONSE TESTIMONY OF COREY J. DAHL

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EXHIBITS LIST

Exhibit CJD-2	Initial Comments of Public Counsel in Docket U-180907
Exhibit CJD-3	Initial Comments of Public Counsel in Docket U-190531

I. INTRODUCTION / SUMMARY

1 **Q. Please state your name and business address.**

2 A. My name is Corey J. Dahl, and my business address is 800 5th Avenue, Seattle, WA
3 98104.

4 **Q. By whom are you employed and in what capacity?**

5 A. I am a Regulatory Analyst for the Public Counsel Unit of the Washington State Office of
6 the Attorney General (“Public Counsel”). Public Counsel is a statutory party to
7 proceedings before the Washington Utilities and Transportation Commission
8 (“Commission”) under RCW 80.01.100, RCW 80.04.510, and RCW 81.04.500.

9 **Q. On whose behalf are you testifying?**

10 A. I am testifying on behalf of Public Counsel.

11 **Q. Please describe your professional qualifications.**

12 A. I earned a B.A. in Economics and a B.A. in English from the University of St. Thomas in
13 St. Paul, Minnesota in 2011. In 2016, I earned a Master of Public Administration degree
14 from the Daniel J. Evans School of Public Policy and Governance at the University of
15 Washington in Seattle. While completing my graduate studies, I worked on low-income
16 and housing policy for a non-profit advocacy organization and worked as a legislative
17 assistant for the Seattle City Council.

18 My current employment with Public Counsel began in October 2016. Since
19 joining the Attorney General’s Office, I have worked on a variety of energy and
20 telecommunications matters, including Cascade’s 2017 General Rate Case (UG-170929),
21 Puget Sound Energy’s 2017 General Rate Case (Dockets UE-170033 and UG-170034),
22 Avista’s 2017 General Rate Case (Dockets UE-170485 and UG-170486), the Puget

1 Sound Energy Greenwood Explosion Complaint (PG-160924), Pacific Power's Schedule
2 300 Tariff Revision case (UE-161204), the CenturyLink-Level3 Merger (UT-170042),
3 Cascade Natural Gas Company's 2017 General Rate Case (UG-170929), the Avista-
4 Hydro One Merger (U-190970), Avista's 2018 Depreciation Petition (UE-180167 and
5 UG-180168), CenturyLink's 2017 911 Outage Complaint (UT-190209), and the 2019
6 Avista Remand (UE-150204, UG-150205, and UE-190222). I testified on behalf of
7 Public Counsel in support of the settlement regarding the merger of CenturyLink and
8 Level3 Communications (Docket UT-170042) in May 2017, on low-income issues in the
9 ongoing Cascade General Rate Case (UG-170929), and in the Avista-Hydro One Merger
10 Settlement (U-190970). I have also served as Public Counsel's analyst in the generic Cost
11 of Service Collaborative (UE-170002 and UG-170003).

12 Beyond adjudications, I have worked on low-income rate assistance, energy
13 conservation, and integrated resource plan issues for multiple Washington utilities. In
14 particular, I participate in conservation advisory groups for Puget Sound Energy and
15 Cascade Natural Gas, as well as the Northwest Natural Gas IRP Technical Working
16 Group, Cascade IRP Technical Advisory Committee, and the Avista Electric IRP
17 Technical Advisory Committee. I also participate in low-income advisory groups for
18 Cascade Natural Gas, Puget Sound Energy, and Avista. More recently, I have been
19 working on issues related to the implementation of the Clean Energy Transformation Act.
20 Additionally, I completed Michigan State University and the National Association of
21 Regulatory Utility Commissioners' Utility Rate School in May 2017.

1 **Q. What is the purpose of your testimony in this proceeding?**

2 A. I am testifying to address Avista's multi-year rate plan (MRP) proposal and Public
3 Counsel's recommendations for the Commission. My testimony does not directly address
4 the appropriateness of the Company's proposed MRP, but instead supplements the
5 testimony of Public Counsel's primary MRP witness, Ms. Andrea Crane, and
6 recommends a path forward for the Commission.

7 **Q. Are other witnesses testifying on Avista's MRP on behalf of Public Counsel?**

8 A. Yes. Ms. Andrea Crane provides evidence as to why the Company's proposed MRP is
9 inappropriate in Exhibit ACC-1T. Public Counsel believes that any discussion of second
10 rate effective year should be reserved for the Regulatory Framework Investigation.
11 Beyond the multi-year rate plan, Ms. Crane also serves as Public Counsel's primary
12 witness on revenue requirement and decoupling.

13 **Q. Are there any additional witnesses testifying on Public Counsel's behalf?**

14 A. Yes, the following individuals are offering testimony for Public Counsel:

- 15 • Mr. David Garrett: Cost of capital and depreciation.
- 16 • Mr. Glenn Watkins: Cost of service, rate spread, and rate design.

17 My testimony is not intended to accompany or supplement the testimony of these
18 witnesses.

19 **Q. Please provide a brief outline of your testimony.**

20 A. In my testimony, I will address the following:

- 21 • The Company's MRP Proposal;
- 22 • Summarize Public Counsel's opposition to the MRP proposal;

- 1 • The appropriateness of the Regulatory Framework Investigation to address a
- 2 multi-year rate plan; and
- 3 • Summarize Public Counsel’s participation in the Regulatory Framework
- 4 Investigation to date.

5 **Q. Briefly explain Public Counsel’s recommendations.**

6 A. It is Public Counsel’s belief that the Company’s proposed MRP is not appropriate, and
7 the Commission should only approve rates effective for one year. While Public Counsel
8 does provide an alternative to the Company’s proposal, our primary recommendation is
9 to deny the MRP as proposed and address alternative regulatory mechanisms in Docket
10 U-180907, the Commission’s Investigation into the Adequacy of the Regulatory
11 Framework (“Regulatory Framework Investigation”). Public Counsel has actively
12 participated in that proceeding, and has offered proposals that address the Commission’s
13 goals.

II. AVISTA’S RATE PLAN PROPOSAL

14 **Q. Briefly describe Avista’s multi-year rate plan proposal.**

15 A. The Company is requesting a two-year rate plan for both electric and natural gas service.
16 If approved, the Company’s proposal would result in a \$45.8 million electric rate increase
17 on April 1, 2020, and an additional increase of \$18.9 million increase on April 1, 2021.¹
18 For natural gas service, the Company proposed a rate increase of \$12.9 million on April
19 1, 2020, and an additional increase of \$6.5 million on April 1, 2021.²

¹ Direct Testimony of Dennis P. Vermillion, Exh. DPV-1T at 7:15-17.

² Vermillion, Exh. DPV-1T at 10:20-23.

1 The Company generated Year 2 revenue requirements by applying a “Revenue
2 Growth Rate” to the Year 1 revenue requirement number. The Revenue Growth Rate is a
3 percentage increase based on the “historical trend of changes in rate base components and
4 operating expenses ... [from] normalized data from prior Commission Basis Reports for
5 the period 2014 through 2018.”³ The same methodology was used to escalate Year 1
6 rates for electric and gas, and excludes power costs and gas costs respectively.

7 **Q. Does Public Counsel support the Company’s rate plan proposal?**

8 A. No, Public Counsel recommends that the Commission adopt a single adjustment to the
9 Company’s electric and natural gas revenue requirements in this proceeding. Authorizing
10 an MRP at this time is inappropriate and, furthermore, the Company fails to provide
11 sufficient evidence as to why a two-year rate plan is necessary. Ms. Crane provides a
12 detailed analysis of the Company’s proposal in Exhibit ACC-1T.

13 **Q. Does Public Counsel provide additional recommendations in relation to the
14 Company’s proposed MRP?**

15 A. Yes. Public Counsel appreciates engagement on this issue – and others – by many
16 stakeholders in the Regulatory Framework Investigation. Parties are actively grappling
17 with the concept of MRPs and how the mechanism should be structured in a different
18 docket, so it would be inappropriate and premature for the Commission to affirm or
19 reaffirm a methodology in this proceeding. Public Counsel looks forward to the
20 opportunity to engage and work with Avista and other stakeholders on this very issue in
21 the Regulatory Framework Investigation.

³ Direct Testimony of Elizabeth M. Andrews, Exh. EMA-1T at 7:3-5.

III. THE COMMISSION'S REGULATORY FRAMEWORK PROPOSAL

1 **Q. For background purposes, please describe the Commission's Regulatory**
2 **Framework Investigation.**

3 A. On November 9, 2018, the Commission issued a Notice of Inquiry into the Adequacy of
4 the Current Regulatory Framework Employed by the Commission in Addressing
5 Developing Industry Trends, New Technologies, and Public Policy Affecting the Utility
6 Sector. In the notice, the Commission stated:

The Commission generally has regulated the provision of utility service through traditional rate-base, rate-of-return regulation; however, transformational change brought on by new technologies, rapidly changing costs, and emerging opportunities for customers and utilities may produce conditions in which traditional regulation is not the most efficient and effective means of achieving the Commission's public interest objectives. Under such conditions, performance-based regulations, multi-year rate plans, and other flexible regulatory mechanisms may better align the utility business model with customer interests and public policy objectives.⁴

7 Stakeholders were invited to gather for a workshop on December 10, 2018, to
8 begin discussing a whole host of topics related to issues described by the Commission,
9 which would inform the Commission's decision to "open a rulemaking or issue a policy
10 statement on this matter..."⁵ Numerous stakeholders, including Public Counsel,
11 Commission Staff, representatives from the five investor-owned utilities, representatives
12 from numerous environmental advocacy organizations, AWEC, and others provided their
13 thoughts on issues facing the industry and contributed to a lively discussion.

⁴ *Notice of Inquiry into the Adequacy of the Current Regulatory Framework Employed by the Commission in Addressing Developing Industry Trends, New Technologies, and Public Policy Affecting the Utility Sector*, Docket U-180907, Notice of Workshop at 1 (Nov. 8, 2018) (emphasis added).

⁵ *Id.*

1 **Q. Was there any additional process after the December 10 Workshop?**

2 A. Yes, the Commission issued a Notice of Opportunity to File Written Comments. The
3 Commission requested that stakeholders comment on the “principles to guide the
4 Commission’s consideration of alternatives to the current regulatory framework.”⁶
5 Additionally, the Commission requested that stakeholders establish a “problem
6 statement” to help define individual party’s concerns with the adequacy of the current
7 regulatory framework and assist in providing a scope for future process.⁷ In total, 15
8 different stakeholders, across a variety of interests and constituencies, provided
9 comments in response to the Commission’s request, including Public Counsel.

10 **Q. Please summarize Public Counsel’s Comments in response to the Commission’s**
11 **December 17 request.**

12 A. Public Counsel timely filed comments on January 17, 2019, in collaboration with
13 Mr. Michael Brosch. The comments recommended an approach to the Commission’s
14 inquiry, which would begin with a deliberate process of defining the “highest priority
15 goals of regulation,” which include “utility service affordability, utility cost control
16 incentives, service reliability, resilience and safety, customer empowerment, and
17 customer equity.”⁸ Only after stakeholders establish these priority goals can the adequacy
18 of the current regulatory framework be assessed on a holistic and mechanism-by-
19 mechanism level.⁹ Once the process of assessing the adequacy of the existing framework

⁶ Docket U-180907, Notice of Opportunity to File Written Comments at 2 (Dec. 17, 2018).

⁷ *Id.*

⁸ Corey J. Dahl, Exh. CJD-2 (Docket U-180907, Initial Comments of Public Counsel ¶ 2 (Jan. 17, 2019)).

⁹ *Id.* ¶ 3.

1 is complete, the Commission and stakeholders can then explore changes to the regulatory
2 framework to match the specific needs and characteristics of each regulated utility.¹⁰

3 **Q. Did Public Counsel highlight any potential new regulatory mechanisms in its**
4 **January 17 comments? If so, please explain.**

5 A. Yes. Public Counsel recognizes that the adequacy of the regulatory framework, and the
6 “problem” the Regulatory Framework Inquiry is looking to answer, is how the interests
7 of utilities and ratepayers are “reasonably balanced” in the face of an “evolving
8 technological and public policy environment.”¹¹ Specifically, it is reasonable to anticipate
9 serious changes in terms of renewable energy generation, distributed energy resources,
10 and transportation electrification. The Washington State Legislature passed and the
11 Governor signed landmark legislation addressing all of these topics, including the Clean
12 Energy Transformation Act.

13 As other states have approached these public policy goals, they have looked at the
14 possibility of pursuing Performance Based Regulation, which could include MRPs
15 coupled with clearly defined performance incentives.¹² The performance incentives in a
16 new mechanism could be tied to the established priority goals. Public Counsel suggested
17 the following goals: affordability, utility cost control, system reliability, safety, customer
18 equity and engagement, capital market access, and advancing Washington’s public policy
19 goals.¹³

¹⁰ *Id.* ¶ 4.

¹¹ *Id.* ¶ 6.

¹² *Id.* ¶ 8.

¹³ *Id.* ¶ 21.

1 For additional context and a more complete understanding, Public Counsel's
2 initial comments in Docket U-180907 have been included as Exhibit CJD-2.

3 **Q. Where does Avista's current filing fit into the Regulatory Framework Investigation,**
4 **relative to Public Counsel's aforementioned comments?**

5 A. In Public Counsel's view, the Commission and stakeholders must define the priority
6 goals of regulation and assess the adequacy of the current regulatory framework against
7 those goals before determining what kind of new regulatory mechanisms, if any, would
8 fit the needs of each utility. Specific to this General Rate Case, the previously mentioned
9 processes would need to take place before the Commission can determine that a multi-
10 year rate plan would be appropriate to address the Company's needs.

11 **IV. ADDITIONAL COMMISSION PROCEEDINGS IMPACTING THE**
12 **COMPANY'S PROPOSAL**

13 **Q. Are there additional proceedings before the Commission that may impact the**
14 **Company's MRP proposal?**

15 A. Yes, there are multiple inquiries and/or rulemakings beyond the Regulatory Framework
16 Inquiry that may significantly impact MRPs that should be completed before the
17 authorization of an MRP in a GRC. Specifically, the forthcoming Clean Energy
18 Transformation Act rulemakings are set to examine the ways that the regulatory
19 environment may need to adjust to accommodate efforts to get to 100 percent clean
20 energy in Washington, while balancing the interests of ratepayers. MRPs should be
21 explored first in the context of these rulemakings, as well as the Regulatory Framework
22 Inquiry to ensure that any use of MRPs adequately meets the goals of utility regulation

1 and does not hinder the state’s ability to achieve the goals of the Clean Energy
2 Transformation Act.

3 Additionally, the Commission is conducting the Inquiry into Valuation of Public
4 Service Company Property Use and Useful after Rate Effective Date (Docket U-190531).
5 In addition to passing the Clean Energy Transformation Act in the 2019 Session, the
6 Washington Legislature also required the Commission to “establish an appropriate
7 process to identify, review, and approve public service company property that becomes
8 used and useful for service in this state after the rate effective date.”¹⁴ This ongoing
9 inquiry directly relates to proposal Avista is asking the Commission to approve. As such,
10 it would be premature to authorize a two-year rate plan and would undermine ongoing
11 stakeholder participation in Docket U-190531.

12 **Q. Is Public Counsel participating in the Used and Useful Inquiry, Docket U-190531?**

13 A. Yes. Along with seven other stakeholders, Public Counsel submitted initial comments in
14 this proceeding. Public Counsel intends to continue participation and looks forward to
15 further engagement with the Commission and stakeholders.

16 Public Counsel believes that recently enacted legislation does not eliminate the
17 used and useful standard, which is a core regulatory principle. When requesting changes
18 to rate base, a “utility must demonstrate quantifiable benefits to ratepayers for property to
19 be included in rates.”¹⁵ This statement holds true, whether the question of used and useful
20 property is being assessed in a single-year rate adjustment or MRP. For additional

¹⁴ RCW 80.04.250(3)

¹⁵ Exhibit CJD-3 at 7 (*Inquiry into Valuation of Public Service Company Property Used and Useful after Rate Effective Date*, Docket U-190531, Initial Comments of Public Counsel (Aug. 5, 2019)).

1 context, Public Counsel's comments are attached as Exhibit CJD-3. Rather than litigate
2 the questions posed in U-190531 or issue a decision that may undercut that process, the
3 Commission should not authorize an MRP in this GRC.

4 **V. CONCLUSION AND RECOMMENDATION**

5 **Q. What is Public Counsel's primary recommendation in regard to the Company's**
6 **MRP proposal?**

7 A. Before the Commission approves an MRP in this proceeding, stakeholders from across
8 Washington and across interests should return to the Regulatory Framework Inquiry to
9 establish the priority goals of regulation and assess the adequacy of the current
10 framework. Until that process completes, it is premature to determine whether an MRP is
11 appropriate in this case to address the Company's concerns and, more broadly, the
12 shortcomings of traditional cost of service ratemaking. Authorizing an MRP in this GRC
13 would undercut the active stakeholder involvement to date. Further to the point, Public
14 Counsel also does not support implementing Performance Based Regulation as a
15 response to Public Counsel's concerns with Company's proposal in this docket.

16 **Q. Does Public Counsel have any additional recommendations in regard to the**
17 **Company's MRP proposal?**

18 A. As Ms. Andrea Crane testifies in Exhibit ACC-1T, Public Counsel provides an alternate
19 proposal in the event the Commission believes that it is necessary to extend rates beyond
20 one year. In that scenario, rates in a second year should only include actual, verified
21 capital expenditures. However, it is Public Counsel's primary position that the
22 Commission should only approve rates for one year.

1 **Q. Does this conclude your testimony?**

2 A. Yes.