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 1 BEFORE THE WASHINGTON

 2 UTILITIES AND TRANSPORTATION COMMISSION

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 4 WASHINGTON UTILITIES AND )DOCKETS UE-150204 and

 TRANSPORTATION COMMISSION,)UG-150205 (Consolidated)

 5 )

 Complainant, )

 6 )

 vs. )

 7 )

 AVISTA CORPORATION d/b/a )

 8 AVISTA UTILITIES, )

 )

 9 )

 Respondent. )

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11

 EVIDENTIARY HEARING, VOLUME VII

12

 Pages 646-747

13

 CHAIR DANNER, COMMISSIONER RENDHAL,

14 COMMISSIONER BALASBAS, AND JUDGE NELLI DOROSHKIN

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15

16 December 6, 2019

17 9:30 a.m.

18

 Washington Utilities and Transportation Commission

19 621 Woodland Square Loop Southeast

 Lacey, Washington 98503

20

 REPORTED BY: TAYLER GARLINGHOUSE, CCR 3358

21

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 1 A P P E A R A N C E S

 2 COMMISSIONERS:

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 4 COMMISSIONER BALASBAS

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0648

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11 ALSO PRESENT:

12 ELIZABETH ANDREWS, Avista Witness

 CHRIS McGUIRE, Staff Witness

13 MARK THIES, Avista Witness

14

15

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 5 PDE-7 Proposed Natural Gas Revenue Increase by

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 6

 PDE-8T Rebuttal Testimony of Patrick D. Ehrbar (10 pp.)

 7 (9/4/15)

 8 PDE-9 Proposed Electric Change by Service Schedule

 and Present and Past Rate Components by Schedule

 9 (2 pp.) (9/4/15)

10 PDE-10 Proposed Natural Gas Increase by Service

 Schedule and Present and Proposed Rate

11 Components by Schedule (2 pp.) (9/4/15)

12 PDE-11C Responses to ICNU Data Request Nos. 268 & 269,

 including attachments (14 pp.) (9/30/15)

13 (Confidential)

14 PDE-12 The Company's Response to The Energy Project's

 Data Request No. EP-10 (2 pp.) (9/30/15)

15

 PDE-13 The Company's Response to The Energy Project's

16 Data Request No. EP-11 (1 pg.) (9/30/15),

 revised (10/1/15)

17

 DN-1T Response Testimony of Dave Nightingale

18 (16 pp.) (7/27/15)

19 JMW-1T Response Testimony of Juliana M. Williams

 (14 pp.) (7/27/15)

20

 JMW-2 Low Income Rate Assistance Program Multi-Year

21 Funding Plan (2 pp.) (7/27/15)

22 DR-1 Staff's Response to The Energy Project's Data

 Request (1 pg.) (9/30/15)

23

 CSH-1T Response Testimony of Christopher S. Hancock

24 (33 pp.) (7/27/15)

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 2 CSH-2 Electric Pro Forma Analysis (11 pp.) (7/27/15)

 Errata (1 pg.) (8/24/15) (revised 8/31/15)

 3 (Revised October 13, 2015)

 4 CSH-3 Natural Gas Pro Forma Analysis (11 pp.)

 (7/27/15) (revised 8/31/15) (revised

 5 October 13, 2015)

 6 CSH-4 Avista Revised Electric Pro Forma Cross Check

 Study (11 pp.) (7/27/15)

 7

 CSH-5 Avista Revised Natural Gas Pro Forma Cross Check

 8 Study (11 pp.) (7/27/15)

 9 CSH-6 Major Electric ER Transfers as of June 30, 2015

 (1 pg.) (7/27/15)

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 CSH-7 Major Natural Gas ER Transfers as of

11 June 30, 2015 (1 pg.) (7/27/15)

12 CSH-8 Wood Pole Events Over Time (1 pg.) (7/27/15)

13 CSH-9T Cross Answering Testimony of Christopher S.

 Hancock (5 pp.) (9/4/15)

14

 BTC-1T Response Testimony of Bradley T. Cebulko

15 (8 pp.) (7/27/15)

16 JLB-1T Response Testimony of Jason L. Ball (32 pp.)

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17

 JLB-2C Electric Adjustments (12 pp.) (7/27/15)

18 (Confidential)

19 JLB-3 Gas Adjustments (7 pp.) (7/27/15)

20 JLB-4C Colstrip & CS2 O&M (4 pp.) (7/27/15)

 (Confidential)

21

 JLB-5C Transmission Revenue & Expenses (6 pp.)

22 (7/27/15) (Confidential)

23 JLB-6C IS/IT Line Items (3 pp.) (7/27/15)

 (Confidential)

24

 JLB-7T Testimony of Jason L. Ball (8 pages) (9/13/19)

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 2 JLB-8 Electric Revenue Requirement Tables (2 pages)

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 JLB-9 Natural Gas Revenue Requirement Tables (2 pp.)

 4 (9/13/19)

 5 JLB-10T Cross-Answering Testimony of Jason L. Ball

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 6

 CRM-1T Response Testimony of Chris R. McGuire (68 pp.)

 7 (7/27/15) (revised October 13, 2015)

 8 CRM-2 Staff Electric Attrition Study (11 pp.)

 (7/27/15) (revised October 13, 2015)

 9

 CRM-3 Staff Natural Gas Attrition Study (12 pp.)

10 (7/27/15) (revised October 13, 2015)

11 CRM-4 Avista Revised Electric Attrition Study

 (Provided as Attachment B to Avista Response

12 to Staff Data Request No. 130) (14 pp.)

 (7/27/15)

13

 CRM-5 Avista Revised Natural Gas Attrition Study

14 (Provided as Attachment C to Avista Response

 to Staff Data Request No. 130) (13 pp.)

15 (7/27/15)

16 CRM-6 Excerpts of Historical Commission Orders on

 Attrition (30 pp.) (7/27/15)

17

 CRM-7T Testimony of Chris R. McGuire (29 pages)

18 (9/13/19)

19 CRM-8 Elec. Attrition Study - Revised Exh. EMA-6

 (17 pages) (9/13/19)

20

 CRM-9 Nat. Gas Attrition Study - Revised Exh. EMA-7

21 (14 pages) (9/13/19)

22 CRM-10 Technical Appendix A - Attrition Model Details

 (8 pages) (9/13/19)

23

 CRM-11 Basic Elec. Attrition Model - Simplified Exh.

24 CRM-8 (1 page) (9/13/19)

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 2 CRM-12 Basic Nat. Gas Attrition Model - Simplified

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 3

 CRM-13 Excerpt of Avista's 2018 Form 10-K (1 page)

 4 (9/13/19)

 5 CRM-14T Cross-Answering Testimony of Chris R. McGuire

 (15 pages) (10/11/19)

 6

 DCG-1CT Response Testimony of David C. Gomez (64 pp.)

 7 (7/27/15) (Confidential)

 8 DCG-2 Avista's Washington-Allocated 2015 Pro Forma

 Capital (1 pg.) (7/27/15)

 9

 DCG-3 Avista's 2015 Pro Forma Major Capital Additions

10 - Company (1 pg.) (7/27/15)

11 DCG-4 Avista's 2015 Pro Forma Major Capital Additions

 - Staff (1 pg.) (7/27/15)

12

 DCG-5C Avista Supplemental Response to Staff DR 60C

13 and Attachments (143 pp.) (7/27/15) (revised

 8/5/15) (Confidential)

14

 DCG-6 Avista Response to Staff DR 134 and Attachment

15 B (3 pp.) (7/27/15)

16 DCG-7 Avista Response to Staff DR 133 and Attachments

 A, B, C, and D (30 pp.) (7/27/15)

17

 DCG-8 Avista Response to Staff DR 179 (3 pp.)

18 (7/27/15)

19 DCG-9 Avista Response to Staff DR 183 (6 pp.)

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20

 DCG-10 Avista Response to Staff DR 186 (2 pp.)

21 (7/27/15)

22 DCG-11 Avista Supplemental Response to Staff DR 137 and

 Supplemental Attachment A (56 pp.) (7/27/15)

23

 DCG-12 Avista Response to Staff DR 170 and Attachment

24 C, Docket UE-140188 (78 pp.) (7/27/15)

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 1 EXHIBIT INDEX (Cont.)

 2 DCG-13 Avista Response to Staff DRs 100 to 103 and

 Attachment A to Response to DR 101, Docket

 3 UE-140188 (283 pp.) (7/27/15)

 4 DCG-14 Avista Response to ICNU DR 6 and Attachment A

 (49 pp.) (7/27/15)

 5

 DCG-15C Avista Response to Staff DR 140 and Attachments

 6 B and C (3,188 pp.) (7/27/15) (See flash drive)

 (Confidential)

 7

 DCG-16C Avista Supplemental Response to Staff DR 141C

 8 and Attachment A - PCRs for Five Point and

 Ernst and Young (26 pp.) (7/27/15) (revised

 9 8/5/15) (Confidential)

10 DCG-17C Avista Supplemental Response to Staff DR 152C

 and Attachment A, and Supplemental Response

11 Attachment A (12 pp.) (7/27/15) (Confidential)

12 DCG-18C Avista Supplemental Response to Staff DR 153C

 and Attachments A and B (20 pp.) (7/27/15)

13 (Confidential)

14 DCG-19 Avista Response to Staff DR 154 (1 pg.)

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15

 DCG-20 Avista Compliance Filing in Dockets UE-140188

16 & UG-140189 (consolidated) of February 26, 2015

 (40 pp.) (7/27/15), revised (304 pp.) (8/5/15)

17 (CD)

18 DCG-21 Direct Testimony and Select Exhibits of Dave B.

 DeFelice in Dockets UE-140188 & UG-140189

19 (Consolidated) (7/27/15)

20 DCG-22 Avista witness Jennifer S. Smith workpaper in

 UE-150204 and UG-150205, 3) WA CapEx Additions

21 12.31.15 (27 pp.) (7/27/15)

22 DCG-23 Scott J. Kinney Exhibit No.\_\_ (SJK-1T) direct

 testimony in UE-140188 (27 pp.) (7/27/15)

23

 DCG-24 Direct Testimony of Avista witness Scott J.

24 Kinney, Before the Idaho Public Utilities

 Commission, Case No. AVU-E-15-05 (29 pp.)

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 1 EXHIBIT INDEX (Cont.)

 2 DCG-25 Direct Testimony of Avista witness James M.

 Kensok, Before the Idaho Public Utilities

 3 Commission, Case No. AVU-E-15-05 (71 pp.)

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 4

 DCG-26 Direct Testimony of Avista witness Don F.

 5 Kopczynski, Exhibit No. \_\_ (DFK-1T) in

 UE-140188 & UG-140189 (consolidated) (22 pp.)

 6 (7/27/15)

 7 DCG-27 Docket UE-140188, Work papers of Elizabeth

 Andrews, Worksheet; WA CapX Additions 12.31.14

 8 (26 pp.) (7/27/15)

 9 DCG-28 Dockets UE-140188 and UE-120436, Work Papers of

 Elizabeth Andrews, Aldyl-A Allocations (19 pp.)

10 (7/27/15)

11 DCG-29 Direct Testimony of Avista witness Heather L.

 Rosentrater, Exhibit No. \_\_ (HLR-1T) in

12 UE-140188 and UG-140189 (consolidated) (36 pp.)

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13

 DCG-30 Direct Testimony of Avista witness Scott J.

14 Kinney, Exhibit No. \_\_ (SJK-1T) in UE-120436

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15

 DCG-31C UE-140188 Kensok, Exhibit No. \_\_ (JMK-2) with

16 Attachment 10 and Confidential Attachment 15

 (99 pp.) (7/27/15) (Confidential)

17

 DCG-32 Avista 2015-2017 Two-Year Plan for Managing

18 Replacement of Select Pipe Natural Gas System

 (19 pp.) (7/27/15)

19

 DCG-33 Avista Response to Staff DR 143 with

20 Supplemental Responses through July 10, 2015

 (28 pp.) (7/27/15)

21

 BRA-1T Response Testimony of Barbara R. Alexander

22 (51 pp.) (7/27/15)

23 BRA-2 Credentials for Barbara R. Alexander (19 pp.)

 (7/27/15)

24

 BRA-3 Supplemental Response to ICNU Data Request No.

25 76, Attachments A, B, and C (28 pp.) (7/27/15)

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 2 BRA-4 Avista Response to Staff Data Request No. 63,

 Attachment A (4 pp.) (7/27/15)

 3

 BRA-5 Avista Response to ICNU Data Request No. 200,

 4 Attachment ETD-37 (5 pp.) (7/27/15)

 5 BRA-6 Avista Response to Public Counsel Data Request

 No. 65, Attachment A (6 pp.) (7/27/15)

 6

 BRA-7 Avista Response to Public Counsel Data Request

 7 No. 60 (1 pg.) (7/27/15)

 8 BRA-8C Avista Confidential Response to Public Counsel

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 9 (7/27/15) (Confidential)

10 BRA-9 Avista Response to Public Counsel Data Request

 No. 70 (1 pg.) (7/27/15)

11

 BRA-10 Avista Response to Public Counsel/Energy Project

12 Data Request No. 47 (1 pg.) (7/27/15)

13 BRA-11 Avista Response to Public Counsel/Energy Project

 Data Request No. 22 (1 pg.) (7/27/15)

14

 BRA-12 Summary of Company Data Provided to Staff from

15 Docket UE-131087 (4 pp.) (7/27/15)

16 BRA-13 Avista Response to Staff Data Request No. 114,

 Attachment A (7 pp.) (7/27/15)

17

 BRA-14 Avista Response to Staff Data Request No. 109

18 (1 pg.) (7/27/15)

19 BRA-15 Avista Response to Staff Data Request No. 112,

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20

 BRA-16 Avista Response to Public Counsel/Energy Project

21 Data Request No. 1, Attachment C (74 pp.)

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22

 BRA-17 The Berkeley Report (130 pp.) (7/27/15)

23

 BRA-18 Avista Response to Public Counsel/Energy Project

24 Data Request No. 44 (1 pg.) (7/27/15)

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 2 BRA-19 Avista Response to Public Counsel Data Request

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 BRA-20 Avista Response to Public Counsel Data Request

 4 No. 52 (1 pg.) (7/27/15)

 5 BRA-21 Public Counsel and The Energy Project's Response

 to Avista Data Request No. 1 (5 pp.) (9/30/15)

 6

 BRA-22 Public Counsel and The Energy Project's Response

 7 to Avista Data Request No. 2 (1 pg.) (9/30/15)

 8 SMC-1T Response Joint Testimony of Shawn M. Collins and

 Stefanie A. Johnson (17 pp.) (7/27/15)

 9

 SMC-2 Estimated 2014-2015 Households Served Under

10 LIRAP (1 pg.) (7/27/15)

11 SMC-3 Avista's Response to Public Counsel Data Request

 No. 79 (1 pg.) (7/27/15)

12

 SMC-4 An Estimate of the Number of Households in

13 Poverty Served by Avista Utilities in

 Washington State. By: Brian Kennedy, MS, D.

14 Patrick Jones, Ph.D. May 2015 (33 pp.) (7/27/15)

15 SMC-5 Impact of 5-year funding plan on percent of

 eligible customers served (1 pg.) (7/27/15)

16

 DMR-1CT Response Testimony of Donna M. Ramas (80 pp.)

17 (7/27/15) (revised 10/5/15) (Confidential)

18 DMR-2 Summary of Public Counsel Electric Adjustments

 (11 pp.) (7/27/15)

19

 DMR-3 Summary of Public Counsel Natural Gas

20 Adjustments (9 pp.) (7/27/15) (revised 10/2/15)

21 DMR-4 Qualifications of Donna Ramas (5 pp.) (7/27/15)

22 DMR-5 Response to Staff Data Request No. 130 &

 Attachment C (21 pp.) (7/27/15)

23

 DMR-6 Revised Response to Staff Data Request 130 and

24 Revised Attachments A and B (36 pp.) (7/27/15)

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 2 DMR-7 Response to Staff Data Request No. 131 &

 Attachment C (47 pp.) (7/27/15)

 3

 DMR-8 Revised Response to Staff Data Request No. 131

 4 and Revised Attachments A and B (61 pp.)

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 5

 DMR-9 Response to Public Counsel Data Request No. 28

 6 (1 pg.) (7/27/15)

 7 DMR-10 Response to ICNU Data Request No. 29 and

 Attachment A (3 pp.) (7/27/15)

 8

 DMR-11 Response to Staff Data Request No. 148 (1 pg.)

 9 (7/27/15)

10 DMR-12 Response to Public Counsel Data Request No. 10

 (2 pp.) (7/27/15)

11

 DMR-13 Response to ICNU Data Request No. 31

12 (Excluding attachment) (3 pp.) (7/27/15)

13 DMR-14 Response to Public Counsel Data Request No. 9

 (1 pg.) (7/27/15)

14

 DMR-15 Response to Public Counsel Data Request No. 23

15 (Excluding attachment) (1 pg.) (7/27/15)

16 DMR-16 Response to Public Counsel Data Request No. 17

 and Attachment A (excerpt of pages 1 and 46)

17 (3 pp.) (7/27/15)

18 DMR-17 Response to ICNU Data Request No. 177

 (non-confidential version) (excluding

19 attachments) (1 pg.) (7/27/15)

20 DMR-18 Response to Staff Data Request No. 174 with

 Attachment A (5 pp.) (7/27/15)

21

 DMR-19 Response to Staff Data Request No. 41 with

22 Attachment A (2 pp.) (7/27/15)

23 DMR-20 Response to Staff Data Request No. 42 with

 Attachment A (2 pp.) (7/27/15)

24

 DMR-21 Avista's Response to Staff Data Request No. 131

25 and Attachment D (17 pp.) (7/27/15)

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 1 EXHIBIT INDEX (Cont.)

 2 DMR-22 Avista's First Revised Response to Staff Data

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 3 (21 pp.) (7/27/15)

 4 DMR-23 Response to Public Counsel Data Request No. 32

 with Attachment A (3 pp.) (7/27/15)

 5

 DMR-24 Response to Public Counsel Data Request No. 51

 6 (1 pg.) (7/27/15)

 7 DMR-25 Response to Public Counsel Data Request No. 49

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 8

 DMR-26T Cross-Answering Testimony of Donna M. Ramas

 9 (18 pp.) (9/4/15)

10 DMR-27T Response Testimony of Donna M. Ramas (30 pp.)

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11

 DMR-28 Calculation of Attrition Adjustment Caused by

12 Escalation of Rate Base - Electric Operations

 (1 page) (9/13/19)

13

 DMR-29 Calculation of Attrition Adjustment Caused by

14 Escalation of Rate Base - Natural Gas Operations

 (1 page) (9/13/19)

15

 DMR-30 Calculation of Natural Gas Refund with Earnings

16 Sharing Offset (1 pg.) (9/13/19)

17 DMR-31 Calculation of Refund Including Net Power Cost

 Update Correction - Electric Operations (1 pg.)

18 (9/13/19)

19 DMR-32 Calculation of Refund Using Company Methodology

 - Electric Operations (1 pg.) (9/13/19)

20

 DMR-33 Calculation of Refund Using Co. Methodology with

21 Power Cost Update Correction - Elec. Ops.

 (1 pg.) (9/13/19)

22

 DMR-34 Calculation of Refund Using Company Methodology

23 - Natural Gas Operations (1 pg.) (9/13/19)

24 DMR-35 Published Opinion in Court of Appeals,

 48982-1-II (31 pages) (9/13/19)

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 2 DMR-36 Avista's Response to Pub. Counsel's Data Request

 No. 103 (3 pages) (9/13/19)

 3

 DMR-37 WUTC Court of Appeals Brief (44 pp.) (9/13/19)

 4

 DMT-38T Cross-Answering Testimony of Donna M. Ramas

 5 (6 pp.) (10/11/19)

 6 GAW-1T Response Testimony of Glenn A. Watkins (4 pp.)

 (9/13/19)

 7

 GAW-2 CV of Glenn A. Watkins (3 pp.) (9/13/19)

 8

 GAW-3 Example of Refund Mechanism Across Classes for

 9 Electric and Gas (2 pp.) (9/13/19)

10 GAW-4T Cross-Answering Testimony of Glenn A. Watkins

 (2 pp.) (10/11/19)

11

 BGM-1CT Response Testimony of Bradley G. Mullins

12 (45 pp.) (7/27/15) (Confidential)

13 BGM-2 Qualification Statement of Bradley G. Mullins

 (3 pp.) (7/27/15)

14

 BGM-3 Revenue Requirement Calculations (15 pp.)

15 (7/27/15)

16 BGM-4C Responses to Data Requests (84 pp.) (7/27/15)

 (Confidential)

17

 BGM-5T Cross-Answering Testimony of Bradley G. Mullins

18 (15 pp.) (9/4/15) (revised 9/11/15)

19 BGM-6 Updated Revenue Requirement Calculations

 (15 pp.) (9/4/15)

20

 BGM-7T Response Testimony of Bradley G. Mullins

21 (36 pp.) (9/13/19)

22 BGM-8 Regulatory Appearances of Bradley G. Mullins

 (5 pp.) (9/13/19)

23

 BGM-9 Commission-Approved Electric Services Attrition

24 Study (5 pp.) (9/13/19)

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 1 EXHIBIT INDEX (Cont.)

 2 BGM-10 Commission-Approved Gas Services Attrition Study

 (5 pp.) (9/13/19)

 3

 BGM-11 Elec. Attrition Study Excluding Amounts

 4 Attributable to Rate Base (5 pp.) (9/13/19)

 5 BGM-12 Gas Attrition Study Excluding Amounts

 Attributable to Rate Base (5 pp.) (9/13/19)

 6

 BGM-13 Electric Rate Base Comparison: Pro Forma Versus

 7 Attrition Study (2 pp.) (9/13/19)

 8 BGM-14 Gas Rate Base Comparison: Pro Forma Verus

 Attrition Study (2 pp.) (9/13/19)

 9

 BGM-15 Proposed Electric Service Refund Rates (1 pg.)

10 (9/13/19)

11 BGM-16 Proposed Gas Service Refund Rates (1 pg.)

 (9/13/19)

12

 BGM-17 Avista Responses to Data Requests (2 pp.)

13 (9/13/19)

14 MPG-1T Response Testimony of Michael P. Gorman (19 pp.)

 (7/27/15)

15

 MPG-2 Qualifications of Michael P. Gorman (4 pp.)

16 (7/27/15)

17 MPG-3 2016 Natural Gas Attrition Study, Calculation

 of General Revenue Requirement (3 pp.)

18 (7/27/15)

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 1 LACEY, WASHINGTON; DECEMBER 6, 2019

 2 9:30 A.M.

 3 --o0o--

 4 P R O C E E D I N G S

 5

 6 JUDGE DOROSHKIN: Let's be on the record.

 7 Good morning, everyone. My name is Nelli Doroshkin, and

 8 I am an administrative law judge with the Commission.

 9 We're here today for a hearing in Dockets

10 UE-150204 and UG-150205. This is the remand phase of

11 the general rate proceeding of Avista Corporation. This

12 case is on remand from the court of appeals with a

13 direction to strike all portions of the attrition

14 allowance attributing to Avista's rate base and

15 recalculate Avista's rates without relying on rebates

16 that are not used and useful.

17 So we will begin by taking short form

18 appearances beginning with Avista.

19 MR. MEYER: Thank you, Your Honor. David

20 Meyer for Avista.

21 MR. PEPPLE: Tyler Pepple for the Alliance

22 of Western Energy Consumers.

23 MR. SWEETIN: Bob Sweetin for the Alliance

24 of Western Energy Consumers.

25 MS. SUETAKE: Nina Suetake for Public

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 1 Counsel.

 2 MS. CAMERON-RULKOWSKI: Jennifer

 3 Cameron-Rulkowski, Assistant Attorney General,

 4 representing Staff.

 5 JUDGE DOROSHKIN: So we will address

 6 exhibits before the Commissioners join us. Yesterday

 7 Avista filed revisions to two exhibits, Exhibit EMA-20TR

 8 and Exhibit MTT-6TR. The deadline for filing exhibit

 9 errata was November 27th, but I will be waiving that

10 deadline. Do any of the parties have any objections to

11 the filed revisions?

12 MR. PEPPLE: No objection.

13 JUDGE DOROSHKIN: Then hearing none, do the

14 parties stipulate to the admission of all the remand

15 phase prefiled exhibits and testimony and the

16 corss-examination exhibit that was filed?

17 MR. MEYER: Yes.

18 JUDGE DOROSHKIN: Okay. And this concludes

19 the revisions that Avista filed yesterday.

20 MR. MEYER: Yes, I -- presumably the other

21 parties would agree.

22 MR. PEPPLE: AWEC stipulates.

23 MS. SUETAKE: Yes, so does Public Counsel.

24 MS. CAMERON-RULKOWSKI: And Staff stipulates

25 to the revised exhibits that were recently filed, and I

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 1 believe we already stipulated to the entry of the other

 2 exhibits.

 3 JUDGE DOROSHKIN: That was before we went on

 4 the record.

 5 So then I will provide a copy of the exhibit

 6 list to the court reporter at the conclusion of this

 7 hearing so they may be made part of the record.

 8 Is there anything else to be addressed

 9 before the Commissioners join us?

10 MR. MEYER: No, Your Honor.

11 JUDGE DOROSHKIN: Okay. So this -- my

12 understanding is that Avista will be waiving the

13 cross-examination of witness Donna Ramas from Public

14 Counsel?

15 MR. MEYER: That is correct.

16 JUDGE DOROSHKIN: Okay. So we will take a

17 brief recess. After that, I will be joined by the

18 Commissioners. Once we are joined by the Commissioners,

19 we will begin with opening statements followed by

20 cross-examination of the two witnesses in the submitted

21 order of presentation, the questions from the Bench

22 directed to the panel witnesses at the conclusion of

23 their cross-examination and any redirect. And we will

24 take a recess after the cross-examination of the Avista

25 witness Andrews followed by any Bench questions to the

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 1 other witnesses at the conclusion of all

 2 cross-examination. So we are off the record.

 3 (A break was taken from

 4 9:35 a.m. to 9:40 a.m.)

 5 JUDGE DOROSHKIN: All right. We are back on

 6 the record following a short recess. I'm joined now by

 7 Chair Danner, Commissioner Rendahl, and Commissioner

 8 Balasbas.

 9 The parties have stipulated to the admission

10 of all the remand phase prefiled exhibits as revised

11 including the cross-examination exhibit.

12 We -- with the Commissioners here, we will

13 take short appearances again.

14 MR. MEYER: David Meyer for Avista.

15 MR. PEPPLE: Tyler Pepple for the Alliance

16 of Western Energy Consumers.

17 MR. SWEETIN: Bob Sweetin for the Alliance

18 of Western Energy Consumers.

19 MS. SUETAKE: Nina Suetake for Public

20 Counsel.

21 MS. CAMERON-RULKOWSKI: Jennifer

22 Cameron-Rulkowski, Assistant Attorney General,

23 representing Commission Staff.

24 JUDGE DOROSHKIN: Okay. First we will have

25 opening statements from all the parties and then we'll

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 1 follow the parties' agreed order of witnesses with the

 2 understanding that Avista has waived cross-examination

 3 of Public Counsel witness Donna Ramas, and then the

 4 Commissioners will present their questions to each of

 5 the three witnesses -- or the two witnesses will be

 6 cross-examined at the conclusion of the

 7 cross-examination of each witness.

 8 We'll begin with opening statements.

 9 MR. MEYER: Yes, Your Honor, may I proceed?

10 JUDGE DOROSHKIN: Yes.

11 MR. MEYER: All right. And I am David

12 Meyer, and I'm offering some opening comments in this

13 case. And I appreciate the opportunity, which we don't

14 often take advantage of, to provide some introductory

15 comments. My time is limited. I do not intend to give

16 you a snapshot of every issue and every argument. That

17 will come throughout today's session and in the

18 posthearing briefs. But I would like to offer some

19 perceptions and some context as you consider the

20 evidence today and complete your deliberations.

21 It's been four years in the making to get

22 here. What a journey that has been. It's -- it's been

23 an odyssey of sorts, and I think all parties are perhaps

24 relieved to know that we will have some finality at some

25 point.

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 1 Now, if the dollars in this case weren't so

 2 staggering with some parties arguing for refunds in

 3 excess of 40 million, others in excess of 70 million, if

 4 the numbers weren't so staggering, this would be an

 5 interesting case, at least to the lawyers who argue.

 6 But unfortunately, given what's at stake, it's much more

 7 than just an exercise.

 8 I will also say preliminarily that this is

 9 the type of case that, at least in my view, begged for

10 settlement. And I want to assure the Commissioners that

11 all parties participated earnestly and in good faith and

12 worked hard to get there. They could not get there, but

13 I want to thank the parties for their efforts along the

14 way. As you can see, we are just too far apart on the

15 issues, too far apart on the dollars.

16 Now, if I could argue this case just on the

17 equities alone and put some snarly, difficult, tricky

18 legal issues off to the side, I would love to do that,

19 because I think that there's probably a fair amount of

20 agreement that there are equities that one ought to keep

21 in mind.

22 So what are those equities? Avista and I

23 think the Commission, when it writes its orders, had

24 been relying on 30-plus years of attrition precedent

25 involving multiple cases and several utilities. And, in

0680

 1 fact, a prior version of attrition, a so-called K-factor

 2 case, was even appealed to Thurston County Superior

 3 Court by Public Counsel, and that appeal was rejected.

 4 So it's no surprise that Avista brought to

 5 you in the 2015 rate case, an attrition case. There was

 6 plenty of precedent for it, and it is not surprising in

 7 my view that the Commission believed it had sufficient

 8 authority to embrace that precedent of over 30 years.

 9 We believe that what was really at issue in the 25 --

10 excuse me, 2015 rate case that triggered all of this was

11 really a -- an issue of how to incorporate for the 2016

12 test period a reasonable level of supportable rate base

13 based on attrition adjustment.

14 Now, as we are at this point in the remand

15 proceeding, when we began this process, we believe that

16 what was at stake was approximately 2 million or so of

17 electric revenue requirement associated with the 2015

18 attrition rate base and another 2 or $3 million of

19 revenue requirement associated with the natural gas

20 attrition rate base. Those are manageable numbers to

21 deal with and to argue about, but this case has since

22 morphed into something entirely different.

23 Claimed refunds now are in the amount of

24 40-plus million or 70-plus million, well beyond the pale

25 of reasonableness. And along the way, we're even being

0681

 1 asked -- well, the Commission is being asked to ignore

 2 the offsetting earnings sharing that occurred in the

 3 years '16, '17, and '18. Essentially a double-whammy.

 4 But most disturbing of all in my view, and this is my

 5 view, is that we have lost sight of the one thing that

 6 ever really mattered in the 2015 case, and that was to

 7 arrive at a level of used and useful plant in the 2016

 8 rate period.

 9 And you know the supreme irony now? Supreme

10 irony is that we now know, in fact, what the actual

11 level of used and useful rate base was in that 2016

12 period, and it was $40 million higher than what was

13 projected in the contested attrition rate base. And I

14 know that because that was built into Staff's case in

15 the subsequent case. They began with a proformed

16 historical test period that was $40 million higher, and

17 in that case, they argued from there.

18 So we've -- we're in a strange position in

19 this case, and I don't think that this is what

20 reasonable regulation intended. But it may well be the

21 result of a regulatory construct that isn't

22 accomplishing what it was meant to do. And I know this

23 Commission is well aware of that, and I know this

24 Commission is trying to fix that, and we want to assist

25 in every way possible.

0682

 1 So I talked about the equities, but of

 2 course we're here to deal with some of the legal

 3 constraints, wise or not. So what is the pathway

 4 forward? You have to decide something. And I would

 5 like to suggest, and the party has suggested a pathway

 6 forward for you. So what are some of the mileposts

 7 along the way of this pathway? One thing you do know is

 8 that the end result must be reasonable. Whatever trail

 9 you follow in this proceeding must produce a reasonable

10 end result. The positions, the primary positions of all

11 the other parties are unreasonable on their face

12 producing an unreasonable, if not confiscatory, end

13 result.

14 And how do we know? How do we know that?

15 Well, we know that because you told us so. You told us

16 so in this docket on reconsideration when you yourself

17 declared that an 8.22 percent ROE would not produce a

18 reasonable end result. And you will hear evidence today

19 that the primary proposals of the parties will result in

20 ROEs for the affected rate period that are at or below

21 that unreasonable level. But nowhere in their prefiled

22 testimony do those parties deign or bother to address

23 the actual impact of what they're proposing, such as if

24 it doesn't matter.

25 So what is the sweet spot? What's that

0683

 1 sweet spot for resolving this case and one that

 2 addresses the issues that remain on remand, one that

 3 produces an end result that is reasonable, what does

 4 that look like? We have proposed a, quote/unquote,

 5 compromise position. And in that compromise position,

 6 we're no longer arguing that, well, you ought to swap

 7 out actual 2016 rate base numbers, which I've already

 8 told you were much higher. What we're simply saying is

 9 let's -- let's begin with a proformed level of

10 year-end -- or proformed level year-end numbers for

11 2015. So we've -- we've addressed, no longer rely on,

12 we've put to bed any further discussion about the

13 attrition adjustment. Check that box, okay? That's

14 step one.

15 Step two, we do not intend nor should you

16 solve for the power cost alleged miscalculation. That

17 is very apparently beyond the scope, beyond the pale of

18 what the court remanded, and would be error of law were

19 you to otherwise attempt to also adjust for that. And

20 certainly we want to be done arguing over the law

21 anymore in this docket.

22 Also, this pathway, this compromise position

23 makes use of some, but not all, of the offset of

24 earnings that were previously supplied. We're not

25 asking you to offset every dollar, dollar for dollar, of

0684

 1 those returned earnings, just that portion that ties to

 2 the removed attrition rate base. Another attempt at

 3 compromise.

 4 And lastly and very importantly, and this is

 5 such a key issue, it applies only to the 2016 rate

 6 period. It does not -- this may seem counterintuitive,

 7 but it does not and cannot bleed through to the rates in

 8 effect in 2017 and 2018, and you will see extensive

 9 briefing on this point.

10 This Commission heard the rate case after

11 this challenge case, and that's a 2016 case resulting in

12 2017 rates. That was a fully litigated case. It was

13 based on a new updated test period, a test period that

14 as I earlier mentioned began with proformed levels of

15 rate base that exceeded by $40 million the so-called

16 attrition-adjusted rate base in the previous case. But

17 you saw that case through to conclusion. You made a

18 determination, but you had to make a determination on

19 something, and that something was a fresh record. And

20 you know what you didn't have in front of you in that

21 case? You didn't have the 2015 rate case record in

22 front of you. That was not part of the record. So you

23 only could look at what was in front of you.

24 So you determined that the existing level of

25 rates, existing level of rates given this fresh

0685

 1 evidence, was still sufficient. Some argued for a

 2 reduction, Avista argued for an increase, but you said,

 3 ah, offsetting one against the other, we still think

 4 that the existing level is sufficient. It was a

 5 reaffirmation of a level, but it was a determination.

 6 This case would be different if you had

 7 simply rejected the filing at the outset and not held

 8 hearings and not made a determination. But once you

 9 went down that path, once you entertained new evidence,

10 you had to decide the case on this new evidence, which

11 did not have the 2015 levels of attrition rate base in

12 it. So there is underlying that, a very strong legal

13 concern that we have. Of course the Commission can only

14 decide cases on the record before it.

15 So where does -- where does this compromise

16 position lead you? It would produce an electric refund

17 of approximately $1.3 million and the gas refund of

18 approximately $1.58 million. That is a reasonable end

19 result. That would still not take us to where we had

20 been by way of our authorized rate of return, but it is

21 a fair result.

22 Finally, my last point is this, whatever

23 your decision, I ask you to follow, please follow the

24 various proposals before you today to where they finally

25 lead and don't stop short. Please follow them and ask

0686

 1 yourself as you did in Order 06, the reconsideration

 2 order, whether those proposals produce a reasonable end

 3 result. That is the objective of regulation. Thank

 4 you.

 5 JUDGE DOROSHKIN: Thank you, Mr. Meyer.

 6 Let's just go around the table and AWEC can

 7 present its opening statement.

 8 MR. PEPPLE: Thank you, Your Honor. Good

 9 morning, Commissioners. Tyler Pepple for the Alliance

10 of Western Energy Consumers. Through the testimony of

11 Bradley Mullins, AWEC recommends the Commission order

12 Avista to refund 57.8 million to its electric customers

13 and 19.2 million to its gas customers. AWEC's

14 recommendation is driven primarily by two decisions.

15 The first, of course, is the court of

16 appeals order remanding the Commission's final order in

17 this docket. Because that decision is the basis for

18 this phase of the proceeding, it's worth revisiting

19 precisely what the court of appeals required the

20 Commission to do now. In its decision, the court stated

21 because the projections of future rate base were not,

22 quote/unquote, used and useful for service in

23 Washington, we conclude that the WUTC may not base

24 Avista's rates on them.

25 Accordingly, the UTC erred in calculating

0687

 1 Avista's electric and natural gas rates. The UTC order

 2 provided one lump sum attrition allowance -- excuse

 3 me -- without distinguishing what proportion -- what

 4 portion was for rate base and which was for O&M expense

 5 or other considerations. We strike all portions of the

 6 attrition allowance attributable to Avista's rate base

 7 and reverse and remand for the UTC to recalculate

 8 Avista's rates without relying on rate base that is not

 9 used and useful. That's the direction from the court.

10 The other decision guiding AWEC's position

11 is this Commission's Order 06 in this docket denying

12 reconsideration of its final order. There the

13 Commission rejected parties' recommendations to reflect

14 an adjustment to the power cost baseline in isolation

15 finding in paragraph 16 that, quote, a change in any

16 specific data or assumption used in the attrition model

17 will invariably affect other data in the model and needs

18 to be assessed logically on a holistic basis, not on a

19 selective basis inside or outside of the model.

20 Avista's approach in this case, which simply

21 removes the return on attrition-related rate base from

22 the attrition model, does not assess all data on the --

23 in the model on a holistic basis as the Commission found

24 was the proper approach.

25 AWEC's approach by contrast does do this,

0688

 1 which necessitates accounting for all inputs into the

 2 model including power costs. Mr. Mullins testifies that

 3 if the -- quote, If the attrition allowance model is to

 4 be reopened to determine the portions attributable to

 5 rate base versus operating expenses or other

 6 considerations, then it is appropriate for the model

 7 also to be adjusted to consider the full impact of the

 8 power supply update. Without adjusting for the power

 9 supply update, a recalculation of the attrition

10 adjustment, including pro forma additions, will yield an

11 inaccurate result.

12 For this reason, power costs in this

13 proceeding do, quote, rely on rate base, unquote,

14 because absent addressing the proper level of power

15 costs, the Commission would not be able to accurately

16 ascertain the amounts attributable to rate base or the

17 other various categories of revenue requirement.

18 Avista's approach also does not result in a

19 recalculation of its rates without relying on rate base

20 that is not used and useful as the court required.

21 That's because Avista ignores escalation of depreciation

22 expense in the attrition model. As Avista itself

23 testifies, quote, Rate base are the investments made to

24 serve customers. The Company is allowed to receive a

25 return on rate base, rate of return, as well as the

0689

 1 return of rate base, depreciation, unquote.

 2 Depreciation expense, in other words, is attributable to

 3 rate base.

 4 Avista's approach addresses the first half

 5 of its rate base definition, but not the second half.

 6 AWEC's approach addresses all of rate base by removing

 7 attrition-related depreciation expense as well.

 8 Finally, AWEC's recommendation --

 9 recommended refund includes interest. Avista objects to

10 including interest on the sole basis that it has not

11 booked a liability associated with any refund. But

12 Avista received revenue from customers that it

13 ultimately was determined was not legally authorized to

14 receive. Avista presumably made productive use of this

15 revenue, which would have resulted in additional costs

16 of the Company had it not received this revenue.

17 Customers should be appropriately compensated.

18 Moreover, Avista does not just dispute the

19 rate of return Mr. Mullins recommends, a pretax cost of

20 capital rate of return, but appears not even to agree

21 that a refund should reflect the time value of money.

22 Rejecting any interest at all would devalue the refund

23 owed to customers.

24 AWEC's refund amount is calculated over a

25 2.3-year period similar to Staff and Public Counsel.

0690

 1 Now, you heard Mr. Meyer argue that an 11-month period

 2 is the appropriate, legally justifiable period. AWEC,

 3 Public Counsel, and Staff all disagree with that.

 4 The -- the theory Avista relies on is that

 5 its rates were, quote/unquote, reexamined in the 2016

 6 rate case and the Commission, quote, relied on fresh

 7 data, unquote, to conclude that the Company's existing

 8 rates from the 2015 case were fair, just, and

 9 reasonable. In fact, the Commission found in the 2016

10 rate case that, quote, The record in this proceeding

11 does not support a determination by the Commission that

12 Avista's current rates are not fair, just, reasonable,

13 or sufficient, unquote.

14 Avista's 2015 rate case, therefore, were not

15 re-examined, nor did the Commission rely on fresh data.

16 They maintained existing rates from the 2015 attrition

17 adjustment that has now been found to be unlawful.

18 Avista's 2015 rates, therefore, were in effect until the

19 effective date of its 2017 rate case, or 2.3 years, and

20 the Commission's order refund amount must recognize this

21 fact. Thank you.

22 JUDGE DOROSHKIN: Thank you.

23 Ms. Suetake?

24 MS. SUETAKE: Thank you, Your Honor. Good

25 morning, Commissioners. Through the testimony of Public

0691

 1 Counsel's witness, Donna Ramas, Public Counsel

 2 recommends that the Commission refund to customers 36.2

 3 million for the electric revenue requirement and 4.9

 4 million for gas. Avista, through its -- in this

 5 litigation position, contends that no refund is owed to

 6 customers despite the fact that customers overpaid

 7 through its incorrectly calculated rates for over two

 8 years. To achieve this result, Avista essentially

 9 erases the error by comparing actual rate base for 2016

10 contained in its Commission basis report to the amount

11 contained in the contested attrition study.

12 The Commission's Order No. 5 in the original

13 case and the court of appeals decision, however, was

14 based on what was known and measurable at the time and

15 in the record. Neither the Commission nor the court

16 have relied on the actual 2016 rate base amounts

17 contained in the CBR, and the CBR cannot be the basis of

18 the recalculation of rates in this remanded -- remanded

19 proceeding.

20 Avista's approach negates the fact that

21 customers were actually overpaying through rates.

22 Avista can now -- Avista cannot now simply pretend that

23 it didn't happen by pointing to the fact that it

24 actually spent more than it anticipated at the time.

25 Avista also achieves its zero refund

0692

 1 position by arguing that the power costs should not be

 2 included in this remand. While I will not go into all

 3 the arguments regarding power costs at this time, I will

 4 point out that the court reversed its order setting

 5 Avista rates -- reversed the order setting Avista's

 6 rates and remanded the proceeding back to this

 7 Commission to recalculate all of its rates. The court

 8 did not rule on the issue of power cost because it did

 9 not need to reach all of the issues that were raised in

10 order to determine that the case needed to be remanded.

11 Avista also contends that any refund it

12 returns must be offset by the amount refunded to

13 Commission -- to customers through the decoupling

14 earning sharing mechanism. While customers did benefit

15 from earning sharing during the contested rate period,

16 it must be recognized that Avista was overearning during

17 the time period in part because of how the rates were

18 calculated. Customers were overpaying and Avista was

19 overearning. If the power costs are not updated in this

20 proceeding, amounts refunded here should not be offset

21 by amounts returned to customers through the earning

22 sharing.

23 Avista shareholders benefitted as a result

24 of how the rates were set, and they kept 50 percent of

25 those overearnings as well as any amount overearned up

0693

 1 to that threshold. They should not now be additionally

 2 rewarded by being allowed to offset any refunds with

 3 earning sharing.

 4 Finally, Avista argues that the time period

 5 to calculate any refunds should be limited to the

 6 11-month period; however, customers were, again,

 7 actually overpaying for their rates for 2.3 years.

 8 Avista argues that the rates were reset by its 2016 rate

 9 case, but the Commission rejected Avista's proposed

10 revenue requirements, and, indeed, the Commission

11 declined to apply any party's proposed revenue

12 requirements. The Commission rejected the proposed

13 tariffs and did not disturb the existing rates, which

14 means the errors carried forward and ratepayers

15 continued to overpay until the next rate case.

16 For these reasons and the reasons stated

17 throughout Public Counsel's testimony, we urge the

18 Commission to seriously consider the equity means that

19 ratepayers should be refunded in the amounts that we

20 have proposed. Thank you.

21 JUDGE DOROSHKIN: Thank you.

22 Ms. Cameron-Rulkowski?

23 MS. CAMERON-RULKOWSKI: Good morning, Chair

24 Danner and Commissioners Rendahl and Balasbas and Judge

25 Doroshkin. Mr. Pepple from AWEC has quoted important

0694

 1 provisions from the -- the decision of the court of

 2 appeals, and so I will quote a very small portion of

 3 that. The court of appeals in its conclusion remanded

 4 the case for the Commission to recalculate Avista's

 5 rates without relying on rate base that is not used and

 6 useful. That is exactly what Staff has done.

 7 Staff went back to the Commission's final

 8 order, Order 5, in this case, looked at the order

 9 carefully, looked at what the Commission said, what the

10 Commission's decision was, and what it said about each

11 issue, and then Staff carefully incorporated the

12 Commission's decisions into its analysis and

13 recalculated Avista rates. And that's what Staff

14 presented to the Commission.

15 Staff also tried to look at different

16 options and has provided testimony on those different

17 options. And those are -- those are in the testimony of

18 Mr. McGuire and then some issues elaborated on by

19 Mr. Ball.

20 When Staff -- when Staff looked at how to do

21 these calculations, Staff made a different decision than

22 Avista and went back to the data that was available to

23 the Commission at the time. And Staff's calculation of

24 the rates is based -- is based on that data, and Staff

25 doesn't believe that later data should be incorporated

0695

 1 into the calculation.

 2 Like the other noncompany parties, Staff

 3 looked at -- carefully at the order in the Avista 2016

 4 rate case, and it's pretty clear that the Commission did

 5 not set rates in that order, which means that these same

 6 rates persisted for 2.3 years, and not for the 11 months

 7 that Avista is arguing.

 8 One important difference in Staff's case is

 9 that Staff declined to look back to the past and

10 speculate about how Avista would have run its business.

11 So in -- in this case, there's -- Mr. Meyer made some

12 complaint about the parties not addressing the -- well,

13 presumably the rates of return; however, Staff views

14 these rates of return as entirely speculative because we

15 simply do not know how the Company would have run its

16 business under -- under different rates.

17 And along those lines, Staff also views the

18 cal- -- views the application of earning sharings to be

19 also speculative because we simply don't know what the

20 earnings would have been. It's not an accurate

21 calculation. And moreover, refunds are not accounted

22 for in those -- in earning sharing, and they -- they --

23 earning sharing does not need to be -- does not need to

24 be considered in whatever the refunds may end up being

25 in this case.

0696

 1 Staff looked at how any potential refunds

 2 that are ordered should be passed back. Because we

 3 don't know what the amount would be, we didn't want to

 4 make a specific recommendation, but the general

 5 framework would be that the larger the refund, then the

 6 more extended the period over which they should be

 7 passed back. And that's considering fairness to -- to

 8 the Company and the ratepayers, balancing the interest

 9 of those two. And the refund that Staff calculated is

10 approximately $36 million for electric and approximately

11 $7 million for gas, and this is calculated over a period

12 of 2.3 years. And that concludes my opening statement.

13 Thank you.

14 JUDGE DOROSHKIN: Thank you.

15 So we will call Avista witness, Elizabeth

16 Andrews, please.

17 MR. MEYER: Thank you.

18 JUDGE DOROSHKIN: Before you take a seat,

19 Ms. Andrews, if you could raise your right hand.

20 (Elizabeth Andrews sworn.)

21 THE WITNESS: Good morning.

22

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

24 BY MR. MEYER:

25 Q. Good morning, Ms. Andrews.

0697

 1 A. Good morning.

 2 Q. Since all of your exhibits have been by

 3 stipulation entered into the record, there's no need for

 4 me to lay a foundation and ask you the typical

 5 questions.

 6 I will ask just one, though, and that is, I

 7 realized that the parties and the Commission have

 8 received revised pages that, based on earlier

 9 stipulations, found their way into your exhibit; is that

10 correct?

11 A. Yes.

12 Q. Beyond that, do you have any other changes or

13 corrections?

14 A. No, I do not.

15 MR. MEYER: Okay. With that, she is

16 available for cross.

17 JUDGE DOROSHKIN: Oh, yes, turn on your

18 microphone.

19 THE WITNESS: Oh, sorry, thank you.

20 JUDGE DOROSHKIN: Thank you.

21 Ms. Suetake?

22 MS. SUETAKE: Thank you.

23 /////

24 /////

25 /////

0698

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

 2 BY MS. SUETAKE:

 3 Q. Good morning.

 4 A. Good morning.

 5 Q. Do you have a copy of your rebuttal testimony in

 6 front of you?

 7 A. I do.

 8 Q. Could you please turn to pages 53 and 54?

 9 A. Yes, I'm there.

10 Q. Is it correct that in this section you're

11 addressing the impacts of the various party positions on

12 the revenue returns earned by Avista?

13 A. Yes, I am.

14 Q. Can you please turn to table No. 20 on page 54?

15 A. Yes.

16 Q. Is it correct that this table shows the earned

17 return incorporating parties' positions?

18 A. Yes.

19 Q. So and it shows this year-by-year impact; is

20 that correct?

21 A. Correct.

22 Q. Okay. If the Commission orders refunds in this

23 case, will the Company file revised financial statements

24 for 2016, '17, or '18 at the Securities and Exchange

25 Commission?

0699

 1 A. No, we're not -- no, it will not.

 2 Q. Okay. And if the Commission orders refunds in

 3 this case, will the Company report to shareholders that

 4 the net operating income reported in those three years

 5 was incorrect or needs to be revised?

 6 A. No, but the -- the reason why we took this

 7 approach is because I felt this was probably a better

 8 way than to present to the Commission that the parties'

 9 positions would result in anywhere from 300 to 600 based

10 upon reductions in whatever year we recorded.

11 Q. Okay. So then similarly, if the Commission

12 orders refunds, will the Company report to shareholders

13 that the earnings per share reported in those three

14 years in those financial statements need to be revised?

15 A. No, we will not have to revise them. We will

16 report it all in -- record it all in one year.

17 Q. That was my next question actually.

18 So it's correct that you would be reporting it

19 all -- recording it all in one year?

20 A. Correct.

21 Q. And then if we could turn to page 48 of your

22 rebuttal testimony, please. And if you could look at

23 lines 3 and 4, the question that says, (as read) If this

24 Commission were to order refunds for the approximate

25 2.3-year period as proposed by parties, how should

0700

 1 earning sharing amounts be applied; do you see that?

 2 A. I do.

 3 Q. Okay. So in answer to that question, is it

 4 correct that table 17 in your testimony provides the

 5 total earning sharing refunds for 2016 to 2018 as well

 6 as the total annual and prorated earning sharing amounts

 7 for the 2016 year -- rate year as well as the '16 to '18

 8 rate periods? So you -- is it correct that it provides

 9 both just the short period and the long period for the

10 years?

11 A. Yes, for informational purposes, we did provide

12 both the -- we provided '16 through '18 for information

13 purposes, but you know our position is '16 only.

14 Q. Then on line 3 of this table, is it correct that

15 line 3 says you -- is it correct that you prorate the

16 portion of earnings sharing offset that would be applied

17 to the 2016 rate effective period?

18 A. We -- for the earning sharing, we actually in --

19 in -- for our rebuttal position actually adjusted it

20 twice. We didn't include the total earning sharing that

21 actually occurred in 2016, we only attributed the rate

22 base portion, and we prorated it to be 11 months in

23 2016.

24 Q. Okay. And so the 92.6 percent is the

25 11-month --

0701

 1 A. Approximately 11 months, yeah.

 2 Q. Okay. So is it correct that that assumes a

 3 period from January 11th, 2016, to December 15th, 2016?

 4 A. It does.

 5 Q. Okay, it does.

 6 So if we -- so do you agree that if the

 7 Commission determines the rate effective period is

 8 January 11th, 2016, to April 30th, 2018, the pro-rata

 9 factor applied to 2016, the year 2016, should be revised

10 to extend through December 31st? So you would have to

11 add December 16th through December 31st?

12 A. In effect, the total 2.76 I think incorporates

13 all of that.

14 Q. Could you have a copy of your Exhibit 23R in

15 front of you?

16 A. I do.

17 Q. Okay.

18 A. Yes, I do.

19 Q. Could you briefly describe the purpose of this

20 exhibit?

21 A. So this exhibit was to walk through the steps

22 of -- of number one, calculating what the overall rate

23 base impact was comparing the attrition study rate base

24 level approved versus the pro forma rate base level

25 approved, get a level of additional rate base, attrition

0702

 1 rate base, the revenue requirement for that rate base,

 2 and then we've prorated that for 11 months. That's in

 3 the first box.

 4 This second box, table 2, explains the total

 5 earning sharing for 2016. So for in this case, the

 6 total earnings that were refunded to customers during

 7 that time period was 2.6 million. We then adjusted the

 8 over -- the total over -- or the total sharing, earning

 9 sharing that were paid to customers, we reduced that to

10 take into effect the rate base, the attrition rate base

11 amount, so therefore, in effect, reduce the earning

12 sharing that we're saying that we should -- that should

13 be applied to whatever refund.

14 And then the bottom -- the bottom portion

15 calculates the -- the actual once you've considered the

16 earning sharing, what the level would be that you would

17 return to customers. And so we start with '16, but we

18 also provided '17 and '18. So in this case, we had '16,

19 provided the -- the full year of '17, and then three

20 months of -- of 2018.

21 Q. Okay. Thank you.

22 Is it -- do you see that there are several

23 references throughout this exhibit of the time period of

24 January 11th, 2016, through December 15th of 2016?

25 Again, that 11-month time period?

0703

 1 A. I do. I guess I do see your point that perhaps

 2 instead of the 1.326, it might be maybe 1.375 -- I mean,

 3 there might be a tiny bit -- not even a -- less than a

 4 hundred thousand.

 5 Q. Okay. Right, so --

 6 A. I see your point.

 7 Q. Right. So, yeah, would you agree that all of

 8 these numbers would have to be slightly adjusted in the

 9 two thousand -- for the total numbers to include that

10 15-day time period?

11 A. I see what you mean that that 3.7 would probably

12 have to be -- maybe it's 3.8.

13 Q. Okay. So would you agree that would be the same

14 for all of these calculations that use that?

15 A. Only in probably the total column because --

16 Q. Right.

17 A. -- the '16 column stands at the 11 months from

18 what we are proposing, but you're correct, the total

19 sharing column of 3.7, I should have included the

20 incremental portion.

21 Q. Right, okay.

22 MS. SUETAKE: Thank you. That was -- that

23 is all my questions.

24 JUDGE DOROSHKIN: And then AWEC, is it

25 Mr. Pepple or Mr. Sweetin?

0704

 1 MR. PEPPLE: I'll be conducting the

 2 questioning. We have a -- as you -- one cross-exhibit

 3 stipulated into the record. I would propose to hand it

 4 out now for efficiency purposes if that's okay. Are

 5 there any -- does the Commission need any copies? We

 6 have extras if so.

 7

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

 9 BY MR. PEPPLE:

10 Q. Ms. Andrews -- Andrews, when -- can you turn to

11 page 37 of your rebuttal testimony, please?

12 A. I'm there.

13 Q. Okay. I'm looking at lines 8 through 10. There

14 you testify that the court specifically referenced

15 attrition rate base, which in this context refers to the

16 escalated net plant after 80 FIT balances that are

17 separate and distinct in the approved attrition studies;

18 do you see that?

19 A. Correct.

20 Q. And I just noticed that you -- you put quotation

21 marks around net plant after 80 FIT. Are you quoting

22 the court's decision there?

23 A. No, I'm just quoting the -- the title of that

24 particular field, that particular -- you know, there was

25 multiple -- as this mentioned, there was four and five

0705

 1 different items that were escalated. That's just the

 2 title of one of them.

 3 Q. Okay. So to the best of your knowledge, the

 4 court did not specifically reference attrition rate base

 5 as net plant after 80 FIT?

 6 A. No, they just specifically said rate base. But

 7 in the utility business, typically rate base is --

 8 includes accumulated depreciation accumulated for income

 9 taxes.

10 Q. Okay. And so my understanding of how you

11 identified the revenue requirement impact of removing

12 attrition rate base as you define it, is that you

13 essentially removed the return on the attrition rate

14 base; is that more or less accurate?

15 A. We removed the -- we -- we adjusted the -- the

16 rate base portion to a 0 percent.

17 Q. Right. Which from a revenue requirement

18 perspective --

19 A. Correct, and determined revenue requirement on

20 that balance.

21 Q. Okay. And in this section of your rebuttal

22 testimony, you specifically object to Mr. Mullins also

23 removing attrition-related depreciation expense; is that

24 correct?

25 A. I do. I do not believe that that's what the

0706

 1 court of -- court of appeals remanded back to this

 2 Commission when they said remove or restate rate base.

 3 They're -- when the attrition model is calculated, and

 4 this was done by all of the parties when we've done

 5 attrition analysis in the '15 rate case, the rate base

 6 portion is escalated very distinct and separate from the

 7 depreciation expense. So when changes are made, they

 8 are based on historical data from the individual

 9 components. There isn't a connection between the two

10 when you're doing those escalations.

11 And even, for example, this Commission when, in

12 the 2015 order, ordered a 0 percent escalation for

13 distribution plant, did not also explain that they felt

14 the depreciation expense on that distribution plant

15 should also be zeroed out. And I don't believe any

16 party in that case took that -- took that direction.

17 Q. Right.

18 So I guess if I understand, you're -- you're

19 essentially saying that depreciation -- the escalation

20 of depreciation expense in the attrition model was

21 calculated separately from the escalation of rate base?

22 A. Correct.

23 Q. Of plant and service I should say.

24 A. Correct.

25 Q. Okay. So can you turn to your direct testimony

0707

 1 in this case, which is EMA-9T, and I'm looking at page

 2 9.

 3 A. Let me find it. Sorry.

 4 Q. And are --

 5 A. I'm at 9. I don't know what page yet.

 6 Q. I'm sorry, page 9.

 7 A. Oh, I'm sorry.

 8 Q. And I'm looking at lines 1 through 3, after the

 9 sentence, "No, it is not," can you just read the next

10 two sentences there?

11 A. (As read) Rate base are the investments made to

12 serve customers. The Company is allowed to receive a

13 return on rate base rate of return as well as the return

14 of rate base depreciation.

15 Q. Okay. So leaving aside the question of whether

16 depreciation expense was separately calculated in the

17 attrition model from plant and service, you would agree

18 generally speaking that depreciation expense and rate

19 base are related?

20 A. Well, I would agree that when you calculate a

21 revenue requirement, you first pick up -- you first

22 include the expenses, depreciation, and taxes, and your

23 determination of revenue requirement, which depreciation

24 is a return of that plant. But rate base is a function

25 of the rate base times its return in order to determine

0708

 1 what is included in a revenue requirement. So I -- I

 2 believe that with the court of appeals remanding back

 3 the rate base, they specifically mentioned expenses,

 4 that that was not -- that the escalation of expenses

 5 were fine, but it was the used and useful plant that

 6 they had their concern with that didn't meet the law

 7 that they remanded back to this Commission.

 8 Q. So what is your understanding for why there is

 9 an escalation of depreciation expense -- expense in the

10 attrition model?

11 A. There is an escalation of depreciation expense

12 because we know that our annual depreciation expense in

13 the outer years due to new investment will increase.

14 But that's no different than we also know that operating

15 expenses will change because we have investment, we know

16 property taxes will change because we have new

17 investment. So you could pretty much tie our entire

18 business to the increase investment that we have. So

19 does that mean that we should have zeroed out all of our

20 expenses? I just don't think it works that way. I

21 truly think that they're separate and distinct, and

22 that's what this Commission remanded back.

23 Q. Okay. But perhaps a distinguishing factor would

24 be that depreciation, as you testified, is a return of

25 rate base?

0709

 1 A. That's true.

 2 Q. Okay. And then if you could go back to your

 3 rebuttal testimony on page 38.

 4 A. I'm there.

 5 Q. Okay. And looking at lines 3 through 10, you

 6 testify that Mr. Mullins overstated the adjustment

 7 related to removing depreciation expense by applying the

 8 revenue growth factor to pro forma rate base?

 9 A. That's correct.

10 Q. Okay. And you say that that's -- that

11 overstates his adjustment by 2.5 million; is that

12 correct?

13 A. Correct.

14 Q. Do you know approximately how that 2.5 million

15 would be allocated between electric and gas?

16 A. Not -- not offhand. I -- I can't --

17 Q. Do you have a ballpark --

18 A. -- it's -- if I had to guess, I'd say it's

19 probably 80/20, 88 percent electric -- but I don't -- I

20 don't know.

21 Q. Okay.

22 A. Unfortunately. I'm sorry, from the time I did

23 that, I don't recall the...

24 Q. Okay. Fair enough.

25 Okay. And then going down to the next Q and A

0710

 1 on that same page, page 38.

 2 A. And -- and I do want to clarify, that's just the

 3 error of how we calculated it, not the total change in

 4 depreciation that I assume he was making.

 5 Q. Correct.

 6 A. Sorry.

 7 Q. So line 11 on page 38, you also object to

 8 Mr. Mullins' proposal to include interest on the

 9 over-collected amount; is that correct?

10 A. I do.

11 Q. Okay. So what did Avista just generally

12 speaking, you don't have to give me every detail, but

13 general speaking, what did Avista do with the revenue it

14 collected from its 2015 rates?

15 A. Well, those revenues were used, of course, to

16 run the business, to operate the business, and to the

17 extent that there were amounts that were owed

18 shareholders or shareholders portion would have been

19 probably paid out in dividends or invested back into the

20 business.

21 Q. Okay. And I guess if you didn't have that

22 additional revenue, in order to achieve the same

23 results, you would have had to presumably borrow money

24 or issue equity to get the same level of revenue to

25 operate the business and that kind of -- how -- how

0711

 1 would it -- how would you fund -- how would you operate

 2 the business in the absence of those revenues?

 3 A. Well, we -- we -- the way we fund our business

 4 is almost 50/50 around whether it be debt or whether it

 5 be equity. So that's how we would get our funds and

 6 that's how we run our business.

 7 Q. Okay. And that would have represented a cost to

 8 Avista if you had issued more -- issued more debt?

 9 A. Issued more debt.

10 Q. Okay. And in your -- in your objection to

11 Mr. Mullins' interest proposal, are you -- is it your

12 testimony that no interest rate at all should apply or

13 simply that Mr. Mullins' proposed interest rate is

14 incorrect?

15 A. Well, in a way both, because no interest should

16 apply until we actually have liability. That's how

17 the -- that's how it typically works. When we have a

18 liability that's owed and the Commission has ordered

19 that we would owe refunds to customers, that is the

20 point in time we would begin to accrue interest. So for

21 approximately the last four years, we do not -- we have

22 not had a liability on our books. And so until we do,

23 we don't typically record interest, and typically we

24 would not record interest until the Commission has

25 actually ordered it so...

0712

 1 Q. Okay. So even if the Commission found that the

 2 rates set in the 2015 rate case resulted in customers

 3 overpaying and a refund is owing, would your position be

 4 that the refund amount should not even reflect the time

 5 value of money?

 6 A. It was not owed to customers during the last

 7 four years, because in the last four years, we had an

 8 order from the Commission that stipulated what our

 9 revenues were to be starting in 2015. So at that time,

10 we collected from customers what we were ordered to

11 collect from customers. So the revenues we collected

12 were as approved.

13 Once this Commission decides that we do owe

14 refunds, then that is the time period that we would

15 begin accruing interest. It's really no different than

16 collecting money for our purchase gas adjustments,

17 for -- for example. We track the difference. We don't

18 actually accrue interest until the Commission approves

19 whatever level of -- of purchase gas adjustment we have.

20 So if we assume that we owe customers, once the

21 Commission approves it, so even though we have a

22 deferral balance, once the Commission actually blesses

23 that balance, that's when the interest begins to accrue

24 at the FERC interest rate.

25 Q. Okay. And -- but I guess -- I guess my question

0713

 1 is sort of a little bit different. I mean, I understand

 2 what the sort of standard practice is, but the -- the

 3 value -- the cost of money, was it different in 2015

 4 than it is today, I guess?

 5 A. It may be, but under the PGA example for -- we

 6 would start deferring in January, but until the

 7 Commission actually approves that balance, we don't

 8 start accruing interest January 1 of the year, we start

 9 accruing interest once the Commission approves that

10 balance.

11 Q. Okay. So another argument that you make and

12 that Mr. Meyer hit on in his opening statement is that

13 AWEC's and the other parties' proposed refunds would not

14 result in a reasonable end result; is that right?

15 A. That's correct.

16 Q. Okay. So can you turn to page 29 of your

17 rebuttal testimony?

18 A. I'm there.

19 Q. Okay. So I'm looking at lines 10 through 13.

20 A. I'm there.

21 Q. Okay. And you testify that the refunds of the

22 magnitude proposed by the parties would cause Avista to

23 be prejudiced, perhaps seriously prejudiced, with

24 resulting ROEs lower than the 8.22 percent identified in

25 Order 6 as being insufficient to produce a reasonable

0714

 1 result; is that right?

 2 A. Right. That 8.22 was in direct relationship to

 3 the 19.6 million that had been proposed in that

 4 proceeding.

 5 Q. Okay. So can you then turn to page 5 of your

 6 rebuttal testimony.

 7 A. Okay. I'm there.

 8 Q. Okay. And at line 3 here, you identify an

 9 alternative recommendation from Staff that uses end of

10 period 2015 rate base, and you say is the only

11 acceptable model to use if the Commission finds itself

12 persuaded by the parties that a recalculation of the

13 attrition allowance adjustment is necessary; is that

14 right?

15 A. Right, assuming 11 months is considered and the

16 earning sharing is considered.

17 Q. Okay. So I guess to just be clear on that, so

18 if you look on footnote 6, which is at the end of this

19 paragraph at the bottom, you note that for information

20 purposes only, if the refunds are ordered over 2.3

21 years, the refund is 10.7 million on the electric side

22 and zero on the gas side --

23 A. Correct, yes.

24 Q. -- if you cite to EMA-24R?

25 A. Yes.

0715

 1 Q. Yeah, okay.

 2 So can you turn to that exhibit, please?

 3 A. I'm there.

 4 Q. Okay. And I'm just going down on column C on

 5 page 1 of this exhibit, at the bottom, the number is

 6 14,568,000, and I -- I take that to be what the refund

 7 would be over a 2.3-year period before earning sharing;

 8 is that correct?

 9 A. That's correct.

10 Q. Okay. And then the 10.669 going over in that

11 row, that's after earning sharing?

12 A. That's correct.

13 Q. Okay. And on the gas side, on page 2, the same

14 column, it's 723,000 over the 2.3-year period without

15 earning sharing and zero with earning sharing?

16 A. That's correct.

17 Q. Okay. So can you turn to the cross exhibit that

18 AWEC submitted. It's been marked as EMA-16. And -- and

19 in this, this is a data request that AWEC sent to the

20 Company where Avista was asked to present what the ROE

21 impact would be from these refund calculations in

22 EMA-24R without earning sharing; is that accurate?

23 A. With and without earning sharing.

24 Q. Correct, with and -- over the 2.3-year period?

25 A. Yes.

0716

 1 Q. Okay. And so then -- and then page 2 shows the

 2 combined ROE impact for electric and natural gas; is

 3 that right?

 4 A. Yes.

 5 Q. Okay. And both with and without earning

 6 sharing, you would agree that all of those ROEs are

 7 above the 8.22 percent that you identified as

 8 essentially not a reasonable end result?

 9 A. Well, for 2016, I would say yes, it is above an

10 NOE, and that's why we had stated for various reasons

11 for this Commission to have a pathway to complete this

12 case that maybe resolve many issues in this case that

13 would be acceptable to the Company. The '17 and '18,

14 however, are not acceptable more based on the fact that

15 it should not be more than 11 months and for -- the

16 other portion should include earning sharing.

17 Q. Okay. But my question was, if I look at 2016

18 and I look without earning sharing on page 2, 8.9 is

19 obviously higher than 8.22, right?

20 A. It is higher than 8.22, but our reason for

21 saying that that is not acceptable is that we -- without

22 taking into consideration earning sharing, to be honest,

23 as an accountant, it makes absolutely no sense to me

24 that this Commission would ignore moneys that have

25 already been refunded to customers.

0717

 1 Q. Got it.

 2 My only question is about what the re- -- what

 3 the end result is of both of these numbers. Surely --

 4 and earning sharing 9.2 also above the 8 point -- and

 5 same for the other ones across, 9 and 8.8 and 9 and 9?

 6 A. I realize that, it's just that the 8.22 was

 7 unreasonable for one reason; the 8 and 9 percent here is

 8 unreasonable for a different reason.

 9 Q. Well, maybe we can let the Commission make that

10 decision.

11 A. Well, you asked for my opinion, that's my

12 opinion.

13 Q. Correct, okay.

14 And I guess I -- I know you testified to this,

15 but to be clear, if the Commission does consider earning

16 sharing in the determination of a refund, Avista agrees

17 that the impact of earning sharing should not apply to

18 those customers that are not subject to the decoupling

19 mechanism and did not actually receive any earning

20 sharing?

21 A. That's correct, and Mr. Miller's testimony

22 outlined how that could be accomplished so that those

23 customers that did not already receive refunds get their

24 full amount.

25 Q. Okay.

0718

 1 MR. PEPPLE: Thanks. No more questions.

 2 JUDGE DOROSHKIN: Mr. Meyer, do you have any

 3 redirect?

 4 MR. MEYER: I -- I -- I do. Might I wait

 5 until the Commissioners ask questions so I don't -- so

 6 it doesn't trigger anything more that I want to do? I'm

 7 happy to go now, but I would prefer to wait if you don't

 8 mind.

 9 JUDGE DOROSHKIN: We would prefer that you

10 go now.

11 MR. MEYER: Okay. That's fair.

12

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

14 BY MR. MEYER:

15 Q. So you were asked by Public Counsel a series of

16 questions about when the impact on the books of the

17 Company would be felt when the Commission issues its

18 refund order, correct?

19 A. That's correct.

20 Q. And I believe it was your testimony that it --

21 it was your belief that the Company would not go back

22 and restate prior earnings on its books for the years

23 '16, '17 and '18; is that your belief?

24 A. Yes, from an accounting perspective, that's not

25 appropriate.

0719

 1 Q. Okay. Now, that's from an accounting

 2 standpoint, but is there still going to be an impact

 3 felt at some time, namely 2020 if that's the year in

 4 which the Commission decides this case?

 5 A. That's correct.

 6 Q. And so if the Commission were to adopt a 40- or

 7 a $70 million refund, would that essentially be a hit to

 8 earnings in 2020 of that magnitude?

 9 A. Yes, the magnitude of the parties that range

10 anywhere from 40 million to the 74 million would --

11 would hit the Company with over 300 to 600 basis points

12 earnings hit, which would result in somewhere between a

13 3.5 percent ROE or a 6 percent ROE.

14 Q. In your belief, is -- is it your belief that the

15 Company could manage its way out of that hole in 2020?

16 A. No, no way to manage our case out of that -- or

17 our -- no. Sorry.

18 Q. Okay. And, in fact, as you go back and you

19 restate as you've done in your rebuttal testimony the

20 effective ROEs for '16, '17, and '18, which were,

21 depending on the proposal, in the 8-plus percent range.

22 A. Correct.

23 Q. Is there any way for the Company to go back in

24 time and manage its way out of those returns?

25 A. No, that -- that's partly why we provided --

0720

 1 presented this case the way we have is that no matter

 2 what this Commission decides, we no longer have that

 3 opportunity to manage our way out of any reduction in

 4 those previous years. This is four years later. If we

 5 had known at the time -- if the Commission had actually

 6 approved revenues that were anywhere in this ballpark or

 7 even what the -- what the Company had proposed, we might

 8 have had an opportunity to manage our costs and do

 9 something differently. We can't do that four years

10 later so...

11 Q. Does this essentially lock in an unreasonable

12 result for '16, '17, and '18?

13 A. Well, it certainly presents itself to be un- --

14 based on what the parties have proposed, is unreasonable

15 no matter how you look at it. Whether you look at it,

16 whether you can go back and -- and argue which years it

17 applies to or whether you look forward, none of them are

18 reasonable.

19 Q. In Public Counsel's line of questioning, it

20 presupposed, did it not, that one could reconstruct the

21 years '16, '17, and '18 by stripping out any attrition

22 rate base, correct?

23 A. I'm sorry, will you repeat that?

24 Q. Didn't Public Counsel essentially inquire as --

25 as to whether the effect would be to strip out from rate

0721

 1 base any attrition rate base for the years '16, '17, and

 2 '18?

 3 A. Well, I -- I believe that's what their proposals

 4 are is that you -- all of our proposals, that you are in

 5 effect -- in effect removing the attrition rate base.

 6 Q. Did Public Counsel or any other party swap out

 7 any other levels of used and useful plant or substitute

 8 any other levels of actually used and useful plant in

 9 the process?

10 A. No, they did not, and we do believe it's

11 appropriate to at least use end of period '15 rate base

12 that is known, was known prior to rates going into

13 effect, we know those balances now, so...

14 Q. Did the -- was there anything in your reading of

15 the court's opinion that would prevent this Commission

16 from after stripping out the attrition rate base from

17 substituting other levels of used and useful rate base

18 in their analysis?

19 A. No, the court of appeals just simply said to

20 restate the -- the Company's rates by excluding anything

21 associated with attrition rate base.

22 MR. MEYER: Okay. Thank you. That's all I

23 had.

24 JUDGE DOROSHKIN: So we will take a brief

25 recess. We will be back at 11 o'clock, then.

0722

 1 (A break was taken from

 2 10:45 a.m. to 11:00 a.m.)

 3 JUDGE DOROSHKIN: We are back on the record.

 4 Ms. Andrews, if you could please take a seat

 5 at the witness stand.

 6 MS. ANDREWS: Here?

 7 JUDGE DOROSHKIN: That's fine. If you can

 8 turn on the microphone, please. We have a few questions

 9 from the Bench, and you may be excused after that.

10 COMMISSIONER RENDAHL: Good morning,

11 Ms. Andrews.

12 MS. ANDREWS: Good morning.

13 COMMISSIONER RENDAHL: So I just have one

14 question, and it's really kind of a follow-up with

15 Ms. Suetake's question about the dates.

16 So in your testimony, you use a 2.26 number.

17 MS. ANDREWS: Yeah.

18 COMMISSIONER RENDAHL: If we go beyond the

19 11 months and other parties use 2.6, is the -- I mean,

20 2.3, excuse me -- is the 2.26 without the two weeks that

21 we're talking about or is the difference between 2.26

22 and 2.3 a rounding issue?

23 MS. ANDREWS: It's a rounding issue.

24 COMMISSIONER RENDAHL: Okay.

25 MS. ANDREWS: It -- it really is.

0723

 1 COMMISSIONER RENDAHL: Okay. And so what is

 2 the number of days that you're calculating in that?

 3 MS. ANDREWS: Oh, gosh.

 4 COMMISSIONER RENDAHL: Or if you need to,

 5 you can respond to that in a bench request response.

 6 MS. ANDREWS: I think -- I think I have it.

 7 I can look. I thought -- I know that for year one, we

 8 had 338 days, which is how we came up with 92.6 for year

 9 one. And then for the additional, we basically used

10 four-twelfths, I used four-twelfths because it's January

11 through April for the 2018 time period. I just use

12 four-twelfths.

13 COMMISSIONER RENDAHL: Okay. That was

14 really all was just clarifying the difference between

15 those two numbers. Thank you.

16 COMMISSIONER BALASBAS: Good morning,

17 Ms. Andrews.

18 MS. ANDREWS: Good morning.

19 COMMISSIONER BALASBAS: So how would -- how

20 would -- how would Avista calculate the earning sharing

21 mechanism for decoupling purposes going forward based on

22 whatever amount or time period that this Commission

23 orders for this case? In other words, how would -- how

24 would whatever amount and time period we determine in

25 this case affect the decoupling earning sharing

0724

 1 mechanism going forward?

 2 MS. ANDREWS: It would have no impact on the

 3 earning sharing going forward for -- because each -- if

 4 I'm understanding your -- your question, and you each --

 5 for each year, we would recalculate the decoupling and

 6 any earning sharing independently of what happens here.

 7 COMMISSIONER BALASBAS: Okay. So whatever

 8 we decide to order here would not impact, say, next

 9 year's, 2020's, or twenty -- or -- and that decoupling

10 calculation for -- for whatever is collected?

11 MS. ANDREWS: Correct. Typically, even the

12 earning sharing that we refund to customers are excluded

13 from the calculations. So if we overearned, we would --

14 whatever we give back to customers comes out of it.

15 COMMISSIONER BALASBAS: Okay.

16 MS. ANDREWS: Does that make sense? I don't

17 know if I'm answering -- but it would not have an impact

18 on --

19 COMMISSIONER BALASBAS: I think -- I think I

20 understand that, but it would -- but the amount of

21 refund would impact earnings for the Company, though, in

22 the time period that we determine?

23 MS. ANDREWS: It would --

24 COMMISSIONER BALASBAS: Would it impact the

25 overall Company's -- and I -- and I can pose that

0725

 1 question at a later time.

 2 MS. ANDREWS: Okay. I think I understand

 3 your question. So it's if this Commission were to agree

 4 with Avista and revise electric 1.3 million, the

 5 question is, of our earnings, would we be including that

 6 amount in our twenty -- and technically, depending on

 7 when this order is approved, it could either occur in

 8 '19 or '20. And so it could have an impact, but I'm not

 9 sure under this circumstance if this is an ordered

10 refund, if you would include it in your earning's

11 calculation or not.

12 COMMISSIONER BALASBAS: Okay. I -- I will

13 at a later -- at a later time, I will have some

14 questions for Mr. Thies, and so I will ask that question

15 at that time.

16 MR. MEYER: And we do as well have in

17 attendance Mr. Ehrbar who knows a lot about decoupling,

18 so he's available to testify.

19 MS. ANDREWS: Because that would be more --

20 I think that would be more appropriate for the

21 calculation in decoupling, not -- I don't think

22 Mr. Thies would necessarily know that answer. He might

23 still tell you how it's going to impact our earnings,

24 but I mean, how it actually flows through the decoupling

25 mechanism to determine earning sharing, I'm not -- I'm

0726

 1 not for sure that Mr. Thies --

 2 COMMISSIONER BALASBAS: And actually --

 3 actually, I think that is actually my question --

 4 MS. ANDREWS: Right.

 5 COMMISSIONER BALASBAS: -- for whatever

 6 refund amount and time period we determine in this case,

 7 how that would impact the calculation of the decoupling

 8 earning sharing mechanism going forward, and if that is

 9 a question appropriate for Mr. Ehrbar, then I'm happy to

10 pose that to him either now or --

11 MS. ANDREWS: You're welcome.

12 JUDGE DOROSHKIN: That's all the Bench

13 questions. So you are excused now, Ms. Andrews.

14 MS. ANDREWS: Thank you.

15 JUDGE DOROSHKIN: I will call Mr. McGuire

16 for Staff. Mr. McGuire, if you can remain standing and

17 raise your right hand.

18 (Chris McGuire sworn.)

19 JUDGE DOROSHKIN: Thank you. You may sit.

20

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

22 BY MS. CAMERON-RULKOWSKI:

23 Q. Good morning, Mr. McGuire.

24 A. Good morning.

25 Q. Please state your full name.

0727

 1 A. My name is Chris R. McGuire.

 2 Q. And where are you employed, Mr. McGuire?

 3 A. I'm employed at the Utilities and Transportation

 4 Commission in the energy regulation section of the

 5 regulatory services division.

 6 Q. And what's your position within that division?

 7 A. I am the assistant director of energy

 8 regulation.

 9 Q. And are you the same Mr. McGuire who filed

10 response testimony on September 13th and cross-answering

11 testimony on October 11th on behalf of Commission Staff?

12 A. I am.

13 Q. Thank you.

14 MS. CAMERON-RULKOWSKI: Mr. McGuire is

15 available for cross-examination and questions from the

16 Bench.

17 JUDGE DOROSHKIN: Mr. Meyer?

18 MR. MEYER: Thank you. During the break, I

19 was able to -- good news, I think for all -- shorten my

20 cross. It certainly will be less painful for me so...

21

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

23 BY MR. MEYER:

24 Q. Are you generally familiar with the Staff's case

25 in the 2016 filing? So not -- not this docket, but the

0728

 1 subsequent docket, generally familiar?

 2 A. Generally familiar, yes.

 3 Q. Okay. And subject to check, did Staff in that

 4 2016 case sponsor testimony that began with a proformed

 5 2015 historical test period electric rate base of 1.38

 6 billion, again, subject to check?

 7 A. Sure, subject to check.

 8 Q. All right. And, again, subject to check, would

 9 you agree that that beginning point was approximately

10 $40 million above --

11 MS. CAMERON-RULKOWSKI: Objection. I'm not

12 sure where these questions are leading. We're talking

13 about a different case that I'm not sure that's relevant

14 to this case, and my witness has nothing in front of him

15 in order to answer these questions.

16 JUDGE DOROSHKIN: Mr. Meyer?

17 MR. MEYER: Surely. Well, we've --

18 actually, there have been a number of exchanges about

19 the carryover or the -- the bleeding through, if you

20 will, into the 2016 case. And this is merely meant to

21 emphasize the point that the beginning point in a

22 subsequent 2016 case for Staff is based on proformed

23 historical test period $40 million higher than --

24 MS. CAMERON-RULKOWSKI: Please don't

25 testify, Mr. Meyer.

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 1 MR. MEYER: I'm restating what's been

 2 already put on the record.

 3 BY MR. MEYER:

 4 Q. So I can direct you, if you'd like, to an

 5 exhibit in this case, and would you turn to Exhibit

 6 EMA-18, please? That's in this case.

 7 A. It does not look like I have that in front of

 8 me. Can I see it?

 9 Q. I've got extra copies. I understand. Not a

10 problem. And I'll distribute them to everyone, of

11 course. Unless you've found them already in your own

12 book.

13 MR. MEYER: Anyone need an extra? Extras?

14 Extras? Does the Bench have what it needs? All right.

15 CHAIR DANNER: This is this testimony of

16 Mr. Hancock?

17 MR. MEYER: Yes.

18 So I have provided the witness with what

19 purports to be the testimony of Mr. Christopher Hancock

20 in the 2016 rate case docket.

21 BY MR. MEYER:

22 Q. Do you recognize this as such?

23 A. I do.

24 Q. And would you turn to -- and this appears as

25 Exhibit No. EMA-18 in this docket. Turn to page 2 of

0730

 1 that, please.

 2 A. I'm there.

 3 Q. And do you see in the lower right-hand corner a

 4 number that's boxed in for emphasis?

 5 A. I do.

 6 Q. And what is that number, please?

 7 MS. CAMERON-RULKOWSKI: I'm going to object

 8 again. This is outside the scope of what Mr. McGuire

 9 actually testified on in this case, and he's being asked

10 a question about another witness's testimony. But

11 primarily, the objection is that it is simply outside

12 the scope of his testimony.

13 JUDGE DOROSHKIN: Mr. Meyer, you may respond

14 briefly.

15 MR. MEYER: Sure. This -- it's to establish

16 what there shouldn't be a lot of fussing about, is

17 what -- where was the ending point of the attrition rate

18 case, where did that end up and off, if you will, and

19 when did the 2016 case begin with what levels of rate

20 base. So you have --

21 JUDGE DOROSHKIN: Mr. Meyer, if you can

22 please limit your questions to those that are necessary.

23 MR. MEYER: Okay. I will ask that question

24 in that form.

25 BY MR. MEYER:

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 1 Q. What was the difference, if any, between the

 2 level of overall attrition-adjusted rate base in the

 3 2015 case and the proposed level in the 2016 case by

 4 Staff of its historic proformed rate base?

 5 A. So just so I'm understanding your question, are

 6 you asking me to compare the number in the 2016 general

 7 rate case that Staff testified to to the number that the

 8 Company in this docket testified to as being the rate

 9 year rate base that was used and useful?

10 Q. Is there any dispute in this docket about what

11 the -- the slice of the pie representing attrition --

12 the attrition adjustment in the 2015 case is, how big

13 that is? Is there any -- is there any argument?

14 That's -- that's --

15 A. Is there an argument about how -- how big the

16 attrition adjustment ought to be?

17 Q. No, not ought to be, how big the attrition slice

18 of the pie was, attrition rate base slice of the pie was

19 in the 2015 case. We can argue about what to do with

20 it, but was there any disagreement with that slice of

21 the pie?

22 A. Can you please clarify when you say the

23 "attrition slice of the pie," are you talking about the

24 attrition rate base, are you talking about the attrition

25 allowance, what do you mean?

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 1 Q. Okay. Let me take one more try at this, because

 2 it's really -- it's an attempt to compare across time

 3 two numbers. Okay.

 4 JUDGE DOROSHKIN: One more try.

 5 MR. MEYER: Okay. That's fair.

 6 BY MR. MEYER:

 7 Q. So the -- the -- would you agree that the level

 8 proposed by Staff in the 2016 rate case as a starting

 9 point for its analysis was represented rate base that

10 was $40 million higher than the overall level of

11 adjusted -- attrition-adjusted rate base in the previous

12 case, yes or no? You don't have to agree with it, but

13 would you agree to that subject to check?

14 A. Subject to check, that is -- yes.

15 Q. Okay. That's all I was trying to establish.

16 Let's move on.

17 Now, isn't it true that among the alternatives

18 presented by you in this case, is an alternative -- it's

19 not your primary alternative or recommendation, but it

20 is an alternative that relies on end of period 2015 rate

21 base without any additional attrition adjustment?

22 A. Yeah, that's one of the alternatives that I have

23 presented to the Commission here.

24 Q. And, in fact, is that your alternative that

25 appears in table 4 and 5, electric and gas respectively,

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 1 of your Exhibit CRM-7T at page 16? And you don't

 2 necessarily need to turn there, but I just -- for the

 3 record, I'm trying to pinpoint that. So it's CRM-7T,

 4 page 16, tables 4 and 5.

 5 A. These tables capture more than that. These --

 6 these tables capture a number of different options, but

 7 the alternative that I'm presenting is reflected in the

 8 upper left-hand corner of each of those tables.

 9 Q. Yes, and it is -- again, so we're clear, is it

10 an alternative that relies on an end of period 2015 rate

11 base?

12 A. It is. I think it's important here to point out

13 to the Commission that there's -- these tables that I

14 present in my testimony are meant to give the Commission

15 a number of options. The Commission has at least four

16 different legal decisions that it has to make, which I

17 can't really help with. I can only help present the

18 revenue requirement effects of those different options

19 that the Commission has before it.

20 THE WITNESS: And these tables that

21 Mr. Meyer has pointed out has included options that

22 address rate base that wasn't available to the

23 Commission. That information was not available to the

24 Commission when it made its decision in these dockets;

25 however, the Commission could choose to use information

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 1 that is now available. The Commission could choose to

 2 use the Company's AMA 2016 rate base if it wants to if

 3 it feels that that's the legally correct answer.

 4 I suggest in my testimony that that is not,

 5 but if the Commission were to choose to use actual used

 6 and useful rate base, it should use the number that

 7 existed at the time the Commission issued its order in

 8 these dockets. The used and useful rate base at EOP

 9 2015 was I believe six days before the Commission issued

10 its final order in these dockets. This rate base was in

11 service when the Commission issued its final order,

12 Order 5, in these dockets.

13 BY MR. MEYER:

14 Q. So -- thank you.

15 So if -- and I have some more questions about

16 this alternative, but if the Commission were to adopt,

17 say, this alternative as a starting point, would this in

18 the very least dispose of the one legal issue relating

19 to removing the attrition rate base from the case as

20 directed by the court?

21 A. It would resolve that issue, and it would dispel

22 any notion that there's an issue associated with a power

23 cost error at the same time.

24 Q. That's what I was going to.

25 So now, you understand that there has been some

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 1 disagreement among the parties about how one would rerun

 2 the revenue requirements model or even if one could

 3 rerun the revenue requirements model; do you recall that

 4 disagreement?

 5 A. Yes, I do.

 6 Q. Okay. So but giving your approach the benefit

 7 of the doubt, which does rerun that model, I think you

 8 just said, did I get this right, that that would also

 9 have the effect of resolving any power cost, alleged

10 power cost adjustment error?

11 A. It would dispel the notion that there was any

12 error at all, yes.

13 Q. And I understand from your --

14 A. But, Mr. Meyer, let me clarify one thing. When

15 you asked this question, you characterized the

16 recalculation as a rerunning of the revenue requirement

17 model. That's not exactly what we've done. It's a --

18 it's a rerunning of the attrition model. The revenue

19 requirement calculation is separate and distinct, and

20 there is a line item in the revenue requirement

21 calculation that says attrition allowance. So these are

22 different calculations. One leads into the other.

23 Q. I appreciate that clarification. Thank you.

24 Okay. So let's take this a step at a time.

25 So this alternative, which I think you recognize

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 1 by now, the Company believes may have some merit, some

 2 merit, checks two of the boxes on legal issues, does it

 3 not? Does it check the box on resolving the attrition

 4 rate base legal issue and does it check the box on any

 5 alleged power cost adjustment concerns?

 6 A. Yes, it does.

 7 Q. Okay. So we've got two of the boxes checked.

 8 Now, you understand that two more boxes remain to be

 9 checked, and there is -- is there still remaining

10 disagreement between what you understand to be the

11 Company position and this alternative position with

12 respect to number one, the use of earnings offsets, and

13 number two, the remand period, shorter or longer?

14 A. Yes, there are still disagreements.

15 Q. And -- okay.

16 So would Staff -- let me just ask you directly.

17 Would Staff support -- support this alternative as a

18 reasonable resolution -- and I know it's just an

19 alternative, but would Staff support this alternative as

20 a reasonable resolution recognizing that the earning

21 sharing and time period still remain at issue?

22 A. The recommendation that I made in my testimony,

23 my primary recommendation is my recommendation. And

24 whether or not I would support an alternative that's

25 presented in my testimony is moot. Because of what

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 1 you're asking is, if the Commission accepts this

 2 alternative, would I accept the Commission's

 3 determination, yes.

 4 Q. Well, that's not quite what I asked. I asked if

 5 you would support this alternative as a reasonable

 6 resolution assuming that -- or recognizing that there

 7 still remain two issues that I've described?

 8 A. No.

 9 Q. You would not?

10 A. No, I would not because what you're asking me to

11 do is undermine my own primary position that I've

12 offered in this case, and I'm supporting that position.

13 Do I think that the end result of a Commission

14 determination that arrived at these numbers is

15 reasonable? I would say yes. This would seem like a

16 reasonable end result given the facts in the case and

17 the Commission's determination with respect to certain

18 legal questions. This is a reasonable place that I

19 could see the Commission landing. It's not what I'm

20 recommending, but I don't -- I don't see this to be

21 unreasonable.

22 MR. MEYER: Thank you. That's all I have.

23 JUDGE DOROSHKIN: Any redirect?

24 MS. CAMERON-RULKOWSKI: No redirect, Your

25 Honor.

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 1 JUDGE DOROSHKIN: Okay. We do have at least

 2 one question from the Bench.

 3 COMMISSIONER BALASBAS: Thank you.

 4 Good morning, Mr. McGuire.

 5 MR. McGUIRE: Good morning, Commissioner.

 6 COMMISSIONER BALASBAS: So I will ask the

 7 same question that I asked Ms. Andrews regarding the

 8 calculation of the decoupling mechanism. So whatever

 9 this -- whatever the Commission determines to be the

10 refund amount and time period in this case, in Staff's

11 view, how would you expect to see that affect the

12 calculation of the decoupling earning sharing amount

13 going forward?

14 MR. McGUIRE: Going forward. First let me

15 just point out that Staff witness, Jason Ball, is our

16 identified witness on this issue, and he has spent by

17 far the most amount of time on this issue. So it may

18 be -- it may be easier to ask him. I -- I will respond

19 to your question, but you may get a more detailed answer

20 from him.

21 My response is that the Company's actual

22 earnings that it -- that it earns in the real world, not

23 in this one, will be affected by the fact that it has a

24 new liability that it must pay out. It will affect its

25 actual earnings. But in this world, in the regulatory

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 1 world, when the Company presents its earnings annually,

 2 it's not going to offset those earnings with a passback

 3 of amounts owed to ratepayers. It's not -- it's simply

 4 not incorporated into the formula or the calculation.

 5 We would not see it at all.

 6 COMMISSIONER BALASBAS: Okay. Actually,

 7 that answers my question. Thank you.

 8 JUDGE DOROSHKIN: Thank you. Then you are

 9 excused.

10 So we will call Avista witness Thies to the

11 stand, please.

12 (Mark Thies sworn.)

13 JUDGE DOROSHKIN: Thank you. You may sit.

14 Please also give your name and your position with the

15 Company.

16 MR. THIES: My name is Mark Thies, and I am

17 executive vice president, chief financial officer, and

18 treasurer of Avista Corp.

19 JUDGE DOROSHKIN: Just one Bench question

20 for Mr. Thies.

21 COMMISSIONER BALASBAS: Good morning,

22 Mr. Thies.

23 MR. THIES: Good morning, Commissioner.

24 COMMISSIONER BALASBAS: So I have a couple

25 of questions related to the impact of any Commission

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 1 decision here in this case as well as the contingent

 2 liability that you mentioned in your testimony that

 3 Avista recorded in September of 2019.

 4 MR. THIES: Okay.

 5 COMMISSIONER BALASBAS: I so will start with

 6 the contingent liability question.

 7 So you testified that in September of this

 8 year, Avista recorded a $2.9 million contingent

 9 liability on your financial reports to the SCC; is that

10 correct?

11 MR. THIES: Yes.

12 COMMISSIONER BALASBAS: And does that amount

13 then represent what Avista expects to pay out in refunds

14 from the Commission's decision in this case?

15 MR. THIES: So that was the position that we

16 took as a compromised position, and once we took that

17 position as part of our discussions and said that that

18 was what we would be willing to take to pay out -- we

19 will pay out what the Commission orders to pay out, but

20 as a -- as a compromise position in the settlement

21 discussions, we offered that and the accounting rules

22 require us to record that as a contingent liability.

23 COMMISSIONER BALASBAS: So for -- so for

24 cash flow purposes then, does Avista assume that that --

25 that $3 million recorded contingent liability has

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 1 already been considered in the Company's cash flows

 2 going forward?

 3 MR. THIES: At this point, no, because it's

 4 a contingent liability, it's a noncash liability at this

 5 point. Whatever the Commission determines is a -- is a

 6 liability that we owe and then determines the timing of

 7 the repayment of that liability. Whatever that

 8 liability would be, would then be included in our

 9 forecast of cash flows. At this point, it's a noncash

10 item.

11 COMMISSIONER BALASBAS: Okay. So -- so

12 depending on the amount of -- of -- that this Commission

13 determines in this case and the timing of that, how

14 would Avista record that amount? So say, for example,

15 if the Commission ordered an amount -- a refunded amount

16 over a two-year period, would -- would that -- would

17 that refund amount then affect earning for the Company

18 over a two-year period or would you record all that in a

19 single-year period?

20 MR. THIES: No. My -- my understanding of

21 the accounting is we would record whatever the

22 Commission orders in total immediately as a -- as a

23 contingent liability. The cash impacts of that on

24 our -- on the Company's cash flows would be over the

25 period ordered to refund, but the -- the earnings impact

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 1 would be in the period -- in the period that the order

 2 was received, we would record that amount in our -- in

 3 our earnings.

 4 COMMISSIONER BALASBAS: Okay. So that

 5 would -- so for your earnings reporting purposes, that

 6 would be a single-year impact regardless of the time

 7 period that we ordered for the cash payouts of the

 8 refund?

 9 MR. THIES: Yes.

10 COMMISSIONER BALASBAS: Okay.

11 CHAIRMAN DANNER: Excuse me. And that's a

12 standard practice, that's not by choice of the Company?

13 MR. THIES: No, that's an accounting --

14 that's the -- following the accounting rules.

15 COMMISSIONER BALASBAS: So, Mr. Thies, can

16 you talk about based on the range of refund amounts

17 proposed by the other parties in this case, how -- and,

18 for example, if the Commission ordered that the refund

19 amount be passed back over a one-year period, how would

20 that impact the cash flows of the Company and how

21 would -- how could that potentially then affect the

22 operations of the Company?

23 MR. THIES: Well, the cash flows of the

24 Company would be impacted by the amount that we would

25 have to refund over that period. So if it's a one-year

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 1 period and, for example, I don't -- you could pick a

 2 number, whatever number you selected, we would have to

 3 raise that capital. And, again, we -- we tend to raise

 4 the capital, as Ms. Andrews said, consistent with our --

 5 with our capitalization authorized by the Commission, 48

 6 and a half percent equity and -- and the 51 and a half

 7 percent debt.

 8 So that is generally how I would expect that

 9 would raise the capital. Practically we could -- we

10 could use our credit facility, our short-term credit

11 facility to fund our operations in the interim, but --

12 but eventually we would raise that capital consistent

13 with our capital structure.

14 COMMISSIONER BALASBAS: So regardless of

15 whatever method you choose to cover that cash flow for

16 the refund period, whether that's the credit facility

17 and/or the mix of debt and equity, that amount -- that

18 amount that you would use would have an effect or would

19 cost ratepayers in terms of the cost of that either

20 credit facility or additional debt or equity by the

21 Company?

22 MR. THIES: Well, it would -- it would cost

23 both the ratepayers and share- -- there's an increase

24 cost of debt to manage that, and -- and -- and that

25 would be to -- to manage our business. But then the

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 1 equity would dilute our existing shareholders, so there

 2 would be a cost related to the shareholders as well, not

 3 just the customers.

 4 COMMISSIONER BALASBAS: And then my last

 5 question, Mr. Thies, is, if the -- if the Commission

 6 ordered refunds in the amount somewhere near the ranges

 7 proposed by the parties here in this case, in your

 8 opinion, how do you believe the investor community would

 9 react to those refund amounts?

10 MR. THIES: We saw and I believe in my

11 testimony there was a -- there was a -- from a -- from

12 Chris Ellinghouse, a research analyst, that suggested

13 that that would be a negative impact to shareholders.

14 And in the discussing the -- the alternatives as we've

15 talked to shareholders, I believe it would be viewed --

16 I believe it would be viewed negatively from

17 shareholders because it's a -- it would require

18 additional equity to be raised, which dilutes the

19 existing shareholders' ownership of the Company.

20 COMMISSIONER BALASBAS: Actually, I'm sorry,

21 I do have one more question.

22 So would you agree with Ms. Andrews' earlier

23 statement in her response to questions that if the

24 Commission ordered refund amounts in the ranges proposed

25 by the parties here today, that that would have a 300 to

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 1 600 basis point impact on Avista's ROE?

 2 MR. THIES: Yes, subject to check, I would

 3 agree that that would be a significant impact to our ROE

 4 in the year that we booked it, again, as she described,

 5 whether it's '19 or '20 depending on the timing of the

 6 order.

 7 COMMISSIONER BALASBAS: Okay. Thank you.

 8 That's all I have.

 9 JUDGE DOROSHKIN: You are excused.

10 MR. THIES: Thank you.

11 JUDGE DOROSHKIN: That concludes Bench

12 questions and cross-examination. Before we conclude

13 here, though, we find that it would aid in the

14 development of the record here to have one round of

15 limited briefing available to all parties. Briefs will

16 be no longer than 20 pages and will be due on January

17 8th of 2020. Parties should specifically address in

18 filed briefs the time period of the rates subject to

19 refund under the remand order. That is, from how long

20 the rates set by Order 05 were in effect, whether it's

21 11 months, three years, et cetera.

22 Is there anything else anyone would like

23 addressed?

24 MS. SUETAKE: Yes, Your Honor. I believe

25 Public Counsel was notified that there have been a few

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 1 public comments that were sent in on this proceeding.

 2 At what -- when do you want those packaged and sent into

 3 the Commission -- filed with the Commission?

 4 JUDGE DOROSHKIN: When can we have them?

 5 MS. SUETAKE: Probably Wednesday of next

 6 week.

 7 JUDGE DOROSHKIN: That's fine. Wednesday is

 8 fine.

 9 MS. SUETAKE: Thank you.

10 MR. PEPPLE: Your Honor, one -- one

11 clarification on the briefing. Is -- is the Commission

12 asking for briefing only on that issue or for the

13 parties to just focus on that issue?

14 JUDGE DOROSHKIN: It should be addressed,

15 the briefs may address anything relative to the case.

16 Is that it?

17 MR. MEYER: Nothing else from the Company.

18 Thank you. Thank you for your attention.

19 JUDGE DOROSHKIN: Then hearing nothing, we

20 are adjourned.

21 (Adjourned at 11:40 a.m.)

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 1 C E R T I F I C A T E

 2

 3 STATE OF WASHINGTON

 4 COUNTY OF THURSTON

 5

 6 I, Tayler Garlinghouse, a Certified Shorthand

 7 Reporter in and for the State of Washington, do hereby

 8 certify that the foregoing transcript is true and

 9 accurate to the best of my knowledge, skill and ability.

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13 Tayler Garlinghouse, CCR 3358

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