

Docket Nos. UE-190334, UG-190335, and  
UE-190222 (Consolidated) - Vol. IV

WUTC v. Avista Corporation d/b/a Avista  
Utilities

January 21, 2020



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BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION

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WASHINGTON UTILITIES AND ) DOCKETS UE-190334,  
TRANSPORTATION COMMISSION,) UG-190335 & UE-190222  
) (Consolidated)  
Complainant, )  
)  
vs. )  
)  
AVISTA CORPORATION d/b/a )  
AVISTA UTILITIES, )  
)  
)  
Respondent. )

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SETTLEMENT AND EVIDENTIARY HEARING, VOLUME IV

Pages 162-252

CHAIRMAN DANNER, COMMISSIONER RENDAHL,  
COMMISSIONER BALASBAS, AND JUDGE O'CONNELL

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January 21, 2020

10:00 A.M.

Washington Utilities and Transportation Commission  
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A P P E A R A N C E S

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1 LACEY, WASHINGTON; JANUARY 21, 2020

2 10:00 A.M.

3 --o0o--

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

5  
6 JUDGE O'CONNELL: Let's be on the record.

7 Good morning. Today is Tuesday, January 21st, 2020.

8 The time is approximately 10:00 a.m.

9 My name is Andrew O'Connell. I'm an  
10 administrative law judge with the Washington Utilities  
11 and Transportation Commission, and I will be presiding  
12 in this matter along with the Commissioners who will  
13 join me in a moment.

14 We're here today for an evidentiary and  
15 settlement hearing in consolidated Dockets UE-190334,  
16 UG-190335, and UE-190222, the last of which is Avista's  
17 filing regarding their energy recovery mechanism.

18 The -- that limited issue, or a limited issue, regarding  
19 the prudence of a 2018 outage at Colstrip and the cost  
20 of replacement power has been removed from Docket  
21 UE-190222 and will be resolved in Docket UE-190882.

22 So let's take short appearances starting  
23 with Avista and then going around the room.

24 Mr. Meyer?

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

1 Meyer for Avista.

2 MR. SANGER: Irion Sanger, here for  
3 Northwest Energy Coalition.

4 MS. GERLITZ: Wendy Gerlitz, Northwest  
5 Energy Coalition.

6 MS. YARNALL LOARIE: Jessica Yarnall Loarie  
7 for the Sierra Club.

8 MR. HOWELL: Doug Howell, Sierra Club.

9 MR. COLLINS: Shawn Collins, Energy Project,  
10 with Simon ffitch on the phone.

11 MR. FFITCH: Simon ffitch representing The  
12 Energy Project.

13 MR. PEPPLER: Tyler Pepple for the Alliance  
14 of Western Energy Consumers, and Lance Kaufman and  
15 Bradley Mullins are also here.

16 MS. SUETAKE: Nina Suetake for Public  
17 Counsel. I'm joined with -- by Lisa -- sorry, Lisa  
18 Gafken, Corey Dahl, and Avi Allison and Andrea Crane.

19 MS. CAMERON-RULKOWSKI: Jennifer  
20 Cameron-Rulkowski, Assistant Attorney General, here on  
21 behalf of Commission Staff.

22 JUDGE O'CONNELL: Okay. Thank you.

23 Next I'd like to address exhibits. While we  
24 were off the record, we discussed stipulation to all the  
25 exhibits filed in the docket, including the errata by

1 The Energy Project, which the Commission received on  
2 January 13, 2020. Do the parties stipulate to the  
3 admission of all those prefiled exhibits and testimony  
4 including The Energy Project's errata?

5 MR. MEYER: Yes.

6 MS. SUETAKE: Yes, Your Honor.

7 MS. CAMERON-RULKOWSKI: Yes.

8 MR. FFITCH: Yes, Your Honor.

9 JUDGE O'CONNELL: I've heard confirmation  
10 from all the parties or head nodding from all the  
11 parties. I will provide a copy of the exhibit list to  
12 the court reporter so they can be made part of the  
13 record, and all of those exhibits and the errata are  
14 accepted into the record.

15 (Prefiled exhibits and errata admitted.)

16 JUDGE O'CONNELL: So after the Commissioners  
17 join us, we'll address the settlement. We'll start with  
18 an opening statement in support of the settlement from  
19 the parties followed by a statement from Public Counsel  
20 regarding its opposition to the natural gas revenue  
21 requirement portion of the settlement. Then we will  
22 have a settlement panel to answer questions from the  
23 bench. After, we will have testimony on the remaining  
24 contested issues outside of the settlement, those  
25 including decoupling and the ERM issues that have not

1 been removed for resolution to Docket UE-190882. We  
2 will then take the witnesses in the order that the  
3 parties have provided on the witness list starting with  
4 Kalich and Ehrbar.

5 Are there any questions about procedure or  
6 the schedule for today?

7 MS. CAMERON-RULKOWSKI: Your Honor, do you  
8 know if the bench will have questions for witnesses who  
9 will not be subject to cross-examination by Public  
10 Counsel? And this -- this goes to the contested issue  
11 portion.

12 JUDGE O'CONNELL: Depending on some of the  
13 questions the bench has for the settlement panel, we may  
14 have questions for Mr. Mullins from AWEC, but other than  
15 that, we do not have any questions for any other witness  
16 that is not already going to be testifying today.

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

19 MR. MEYER: Just one other point of order.  
20 In light of the fact the parties have stipulated into  
21 evidence the testimony and -- and the exhibits, I assume  
22 there's no need for each lawyer one by one to qualify  
23 and introduce the witnesses, correct?

24 JUDGE O'CONNELL: Are you referring to the  
25 settlement panel?

1 MR. MEYER: Yes.

2 JUDGE O'CONNELL: No. I'm expecting that we  
3 will have the witnesses sworn in and that we will have  
4 them introduce themselves.

5 MR. MEYER: Thank you. That's helpful.

6 JUDGE O'CONNELL: Okay. Is there any other  
7 questions about schedule or procedure?

8 Ms. Suetake?

9 MS. SUETAKE: Just to clarify, our  
10 cross-examination for Mr. Kalich is actually not related  
11 to the stipulation, it is related to the ERM portion.  
12 So I'm not sure if you wanted to do him first and then  
13 Mr. Ehrbar, because the questions for Mr. Ehrbar are  
14 related to the contested natural gas and decoupling  
15 issues. I just wasn't sure which order you wanted.

16 JUDGE O'CONNELL: No, thank you for that  
17 clarification. I guess I assume that the questions for  
18 Mr. Ehrbar would be about decoupling?

19 MS. SUETAKE: Sorry, just decoupling, not  
20 natural gas. You're correct.

21 JUDGE O'CONNELL: Okay. Well, the ERM  
22 issues that remain and decoupling, are -- those issues  
23 are fully contested by all the parties.

24 MR. MEYER: Not the -- Your Honor, not the  
25 ERM issue. There -- there -- it's not fully contested

1 by all parties nor is decoupling contested by all  
2 parties. I know that Public Counsel has taken issue  
3 with both.

4 JUDGE O'CONNELL: I guess let me clarify  
5 what I mean. Neither of those issues or any part of  
6 them are --

7 MR. MEYER: Fully settled.

8 JUDGE O'CONNELL: -- are fully settled.

9 MR. MEYER: Correct, yes. Thank you.

10 JUDGE O'CONNELL: That's what I mean.

11 MR. MEYER: Yeah.

12 JUDGE O'CONNELL: Okay. Anything else?

13 Okay. Seeing none, if I could ask the  
14 witnesses for the settlement panel to come forward and  
15 take a seat so that they'll save some time when  
16 Commissioners come down and whoever will be providing  
17 the opening statement to also come forward if it's not  
18 one of the witnesses.

19 With that, we will be off the record briefly  
20 until the Commissioners join. Thank you.

21 (A break was taken from  
22 10:09 a.m. to 10:14 a.m.)

23 JUDGE O'CONNELL: Let's be back on the  
24 record. So we're back on the record following a short  
25 recess. I'm joined now by Chair Danner, Commissioner



1 Rendahl, and Commissioner Balasbas. Parties have  
2 stipulated to the admission of all the prefiled  
3 exhibits. With the Commissioners here, we will take  
4 short appearances again beginning with the Company and  
5 going around the room. I apologize for asking the  
6 attorneys who stepped back from the microphones to come  
7 up again and introduce yourselves, but please do.

8 Let's start with the Company, and Mr. Meyer.

9 MR. MEYER: David Meyer for Avista.

10 MR. PEPPLER: This is Tyler Pepple for the  
11 Alliance of Western Energy Consumers.

12 MR. SANGER: Irion Sanger, attorney for  
13 Northwest Energy Coalition.

14 MS. YARNALL LOARIE: Jessica Yarnall Loarie  
15 for the Sierra Club Law Program.

16 JUDGE O'CONNELL: And on the bridge line?

17 MR. FFITCH: Simon ffitch representing The  
18 Energy Project.

19 MS. SUETAKE: Nina Suetake and Lisa Gafken  
20 for Public Counsel.

21 MS. CAMERON-RULKOWSKI: Jennifer  
22 Cameron-Rulkowski, Assistant Attorney General, here on  
23 behalf of Commission Staff.

24 JUDGE O'CONNELL: Okay. Thank you.

25 Now we have an opportunity for opening

1 statements regarding the settlement. Who is going to be  
2 giving the opening statement in support of the  
3 settlement?

4           Would you -- well, would you please  
5 introduce yourself and spell your last name for the  
6 record?

7           MS. ANDREWS: Elizabeth Andrews for Avista.  
8 Spelling A-n-d-r-e-w-s.

9           JUDGE O'CONNELL: Okay. Please go ahead.

10          MS. ANDREWS: Go ahead?

11          JUDGE O'CONNELL: Yes.

12          MS. ANDREWS: Okay. All right. Good  
13 morning. Thank you, Chairman Danner, Commissioner  
14 Balasbas, Commissioner Rendahl, and Judge O'Connell.  
15 Thank you for this opportunity to provide this statement  
16 for the parties. The Company first wants to express its  
17 appreciation to all the parties here for their efforts  
18 to -- to reach this partial multiparty settlement  
19 agreement.

20                 With the exception of a few issues such as  
21 natural gas revenue requirement, electric and gas,  
22 decoupling, and non-Colstrip ERM-related issues, this  
23 settlement provides resolution of all other issues in  
24 this docket.

25                 Although the electric and natural gas

1 revenue requirements are part of a black box settlement,  
2 these efforts reflect compromise along the group with  
3 very differing interests reflecting give and take by all  
4 the parties. This agreement, however, was reached only  
5 after review of the Company's filing, audit and review  
6 out of its books and records, extensive discovery  
7 including over 840 requests, and filing of testimony by  
8 all parties. All this spanning over seven months.

9           The parties believe this settlement strikes  
10 a reasonable balance between the interests of Avista and  
11 its customers on revenue requirement, weighted cost of  
12 capital, rate spread rate design, as well as a variety  
13 of miscellaneous issues in the settlement that are  
14 important to the parties, such as increases in low  
15 income weatherization, increases in low income rate  
16 assistance program funding, review and development of  
17 special contracts, as well as agreement around the  
18 accelerated depreciation of Avista's 15 percent  
19 ownership of Colstrip Units 3 and 4 to 2025, the  
20 accounting and recovery of those costs, and finally, the  
21 resolution of the remaining electric tax reform benefits  
22 that were set aside as a possible offset against the  
23 Colstrip accelerated depreciation.

24           Lastly, partially offsetting the electric  
25 increase for customers, the parties propose that the

1 final ERM customer deferred balance approved by the  
2 Commission would be returned to customers over a  
3 two-year period beginning April 1, 2020, coincidence --  
4 concurrent with the effective date of this general rate  
5 case.

6 If approved as filed by the Company, this  
7 amounts to approximately 17 million annually over the  
8 next two years or a reduction of 3.8 percent offsetting  
9 in part the impact of the proposed electric increase.

10 Overall, this settlement, if approved, provides a  
11 reasonable outcome, provides for recovery of additional  
12 costs, and results in rates that are fair, just, and  
13 reasonable. And along with continued cost management,  
14 measures by the Company provides a reasonable  
15 opportunity for the Company to earn its allowed returns.

16 Thank you.

17 JUDGE O'CONNELL: Thank you, Ms. Andrews.

18 And now Public Counsel, a statement about  
19 your opposition to the natural gas revenue requirement  
20 portion? Go ahead.

21 MS. SUETAKE: Thank you, Your Honor.

22 Good morning, Commissioners and Chairman  
23 Danner. Public Counsel supports all components of the  
24 partial stipulation except for the \$8 million revenue  
25 increase for natural gas service. Although the

1 stipulation significantly reduced Avista's original  
2 request of 12.9 million, it will still result in an 8.5  
3 percent revenue increase to customers who have been  
4 burdened by significant increases over the last few  
5 years.

6 Avista's natural gas customers have  
7 experienced increases every year from 2009 to 2016, and  
8 although Avista's rates have remained unchanged from  
9 2016 to 2018, the benefits enjoyed by ratepayers over  
10 these last two years will be virtually wiped out by the  
11 proposed increase of \$8 million.

12 Public Counsel therefore continues to  
13 support the adjustments to Avista's natural gas revenue  
14 requirement proposed in our testimony. These would  
15 result in a revenue requirement increase of no greater  
16 than 5.08 million based on the cost of capital agreed to  
17 in the stipulation. While this increase will still  
18 result in a substantial increase of approximately 5.4  
19 percent, it will be more in line with the 5.7 percent  
20 revenue increase for electric service included in the  
21 stipulation.

22 Public Counsel's objection to the natural  
23 gas revenue requirement portion of this stipulation does  
24 not diminish its support at all for the rest of the  
25 components of the stipulation. Thank you.

1 JUDGE O'CONNELL: Okay. Thank you.

2 So let's have our settlement panel come  
3 forward if they're not already seated. Is everyone -- I  
4 think everyone on the settlement panel is here. If you  
5 would all please stand and raise your right hand, I will  
6 swear you in.

7 (Settlement panel sworn.)

8 JUDGE O'CONNELL: Thank you. Please be  
9 seated.

10 Let's have each of the witnesses introduce  
11 themselves and spell their last name going around the  
12 room starting with Mr. Ehrbar.

13 MR. EHRBAR: Yes, thank you. Patrick Ehrbar  
14 for Avista. It's E-h-r-b-a-r.

15 MS. ANDREWS: Elizabeth Andrews for Avista,  
16 A-n-d-r-e-w-s.

17 DR. KAUFMAN: Lance Kaufman consulting for  
18 Northwest Energy -- Northwest Energy -- Northwest  
19 Alliance for energy consumers, and my last name is  
20 spelled K-a-u-f-m-a-n.

21 MS. GERLITZ: Wendy Gerlitz representing  
22 Northwest Energy Coalition. My last name is  
23 G-e-r-l-i-t-z.

24 MR. HOWELL: Doug Howell for the Sierra  
25 Club. Last name Howell, H-o-w-e-l-l.

1 MR. COLLINS: Shawn Collins, director of The  
2 Energy Project, C-o-l-l-i-n-s.

3 MR. MCGUIRE: Chris McGuire with Commission  
4 Staff. Last name M-c-G-u-i-r-e.

5 MR. DAHL: Corey Dahl for the Public Counsel  
6 Unit of the Washington State Office of the Attorney  
7 General. Last name is spelled D-a-h-l.

8 JUDGE O'CONNELL: Okay. Thank you. We will  
9 have a couple questions for the panel from the bench.

10 COMMISSIONER RENDAHL: Good morning. This  
11 question relates to the -- the ERM balance and the  
12 accrued interest. So the paragraph 12 of the settlement  
13 addresses the period over which the ERM balance will be  
14 returned to customers. And the amortization of the ERM  
15 balance is planned by Avista to begin on July 1st, 2019.  
16 An issue was raised by AWEC's Mr. Mullins in his  
17 response testimony about the interest, the accrued  
18 interest.

19 So does the settlement resolve whether there  
20 should be an update for the accrued interest on the ERM  
21 balance since the amortization would now begin on  
22 April 1st, 2020, instead of July 1st, 2019?

23 MR. EHRBAR: Thank you for that. The  
24 interest that is accruing on the deferred balance  
25 continues to be the -- the interest rate approved when

1 the ERM was originally set in motion, which is as I  
2 recall offhand, the after tax cost of debt. So whatever  
3 was in place when the ERM was approved, continues to be  
4 that same interest rate.

5 COMMISSIONER RENDAHL: But the -- the  
6 settlement reflects a change in the time period over  
7 which it's going to be returned given the change in the  
8 time that the settlement is beginning on April 1st  
9 instead of July 1st, 2019.

10 MR. EHRBAR: Yes, so that balance has  
11 continued to accrue interest during this time period,  
12 and all of that would also be returned to customers. So  
13 we note here that what was in the balance was roughly  
14 34.4 million, but it has continued to accrue interest.  
15 And over that time period, I don't have the number in  
16 front of me, but I would expect it to be in the  
17 neighborhood of 38 to 39 million over the entire time  
18 period, including interest.

19 COMMISSIONER RENDAHL: Thank you.

20 COMMISSIONER BALASBAS: All right. Good  
21 morning, everyone. So this question relates to a  
22 provision in the settlement related to the temporary tax  
23 savings from the Tax Cut and Jobs Act. The  
24 approximately \$900,000 of the residual balance that was  
25 left in the interim period savings from January 1, 2018,



1 through April 30th of 2018. And I think that you recall  
2 that in our order on the 2017 general rate case, we  
3 ordered the Company to return that interim period  
4 benefit over a one-year period.

5 Can you explain what caused the residual  
6 \$900,000 balance?

7 MS. ANDREWS: Yes, I can. Thank you.  
8 During -- after we had -- we had provided the original  
9 balance that was being returned to customers had been an  
10 estimate of what the expected cost would be. After the  
11 Company completed its 2017 tax return in September, I  
12 think later that year, there was an adjustment that  
13 increased the amount I think about \$500,000. The rest  
14 of it is incremental interest that continued to accrue  
15 over the balance. It's also returned based on usage, so  
16 it may not exactly work out, and so we ended up with a  
17 residual balance of 900,000.

18 COMMISSIONER BALASBAS: So was that residual  
19 balance, then, primarily due to the fact that it was  
20 being passed back based on usage?

21 MS. ANDREWS: No, I think the majority of it  
22 was due to the -- to the update after the tax return had  
23 been completed. One of the things we had said early on  
24 is that with the tax reform, you know, as they -- as we  
25 investigated more and more on all of the components that

1 had to flow through that, when we came up with our  
2 original estimate and the original calculation, there  
3 were just things that, as they did the tax return, maybe  
4 they were different deductions, different things like  
5 that that increased that balance.

6 COMMISSIONER BALASBAS: And is the residual  
7 balance all from the electric side on Schedule 74?

8 MS. ANDREWS: Correct, it is, yes.

9 COMMISSIONER BALASBAS: All right. All  
10 right. Thank you.

11 MS. ANDREWS: You're welcome.

12 JUDGE O'CONNELL: All right. I'd like to  
13 ask a question to follow up with Commissioner Balasbas'.

14 Is there a residual balance for the gas  
15 operations in Schedule 174?

16 MS. ANDREWS: I don't recall offhand what  
17 that amount is, but I know it's not -- it's not much. I  
18 want to say it's less than 50,000. So whatever balance  
19 there is, if there is a balance, then we can either -- I  
20 think we stated previously that we would just include it  
21 in the next general rate case.

22 JUDGE O'CONNELL: Okay. Thank you.

23 CHAIRMAN DANNER: All right. I have a  
24 question for Mr. Ehrbar. And this is in regard to the  
25 fifth proposed modification in the decoupling reporting

1 as you recall. In your testimony, you refer to  
2 decoupling reporting, financial earnings reporting, and  
3 quarter reporting.

4 So I just want to be clear, what reports are  
5 you asking to file by 60 days after the end of quarter  
6 instead of 45 days?

7 MR. EHRBAR: Sure. So we file quarterly  
8 reports that detail what has transpired over the  
9 previous quarter in terms of deferred balances. What we  
10 ran into was an issue in some years where the report  
11 would be due prior to us issuing our earnings. And so  
12 we were filing that quarterly report for Q4 in roughly,  
13 you know, mid February, but we were having to file that  
14 confidentially. Then our earnings would come out and  
15 then we'd make another filing to unredact and make  
16 nonconfidential that same report.

17 And so this was primarily aimed at that one  
18 limited quarterly filing. If we could have 60 days and  
19 wait until the end of February to file it, our corporate  
20 earnings will be out, and then we can just file it with  
21 the Commission as nonconfidential.

22 CHAIRMAN DANNER: Okay. So the reason I ask  
23 is we have a WAC. There's a provisioning code. It's  
24 480-90-275, and that requires reporting within 45 days  
25 of the end of the quarter. So are you asking for a

1 waiver and exemption of that rule?

2 MR. EHRBAR: Yes.

3 CHAIRMAN DANNER: And so are you asking for  
4 it to be permanent or temporary?

5 MR. EHRBAR: I would ask for it to be --  
6 that's a good question. I think to make it easy for the  
7 Commission administratively, I would ask for it to be  
8 permanent simply for the fourth quarter report due in  
9 the first quarter of every year.

10 CHAIRMAN DANNER: Okay.

11 MR. EHRBAR: To the alternative, we can  
12 continue down what we've always done. It was just  
13 something that we thought would be -- just make it a  
14 little bit easier. But if it's problematic, we can  
15 stick with how we've always done it.

16 CHAIRMAN DANNER: So yeah, I just -- I just  
17 want to be clear, you know, how this is connected to the  
18 decoupling mechanism, right? You're not intending it  
19 to -- I mean, you're scoping it?

20 MR. EHRBAR: Yes.

21 CHAIRMAN DANNER: Okay. Okay. Thank you.  
22 One of my colleagues may want to follow up.

23 COMMISSIONER RENDAHL: Yeah, just maybe to  
24 follow up. So, again, this is just limited to the  
25 natural gas reporting only?

1 MR. EHRBAR: That is correct.

2 COMMISSIONER RENDAHL: For decoupling  
3 purposes?

4 MR. EHRBAR: That's correct.

5 COMMISSIONER RENDAHL: Just for the fourth  
6 quarter?

7 MR. EHRBAR: Just for the fourth quarter.  
8 Yeah, so it's very -- very slight.

9 COMMISSIONER RENDAHL: Very --

10 MR. EHRBAR: Tweaked.

11 COMMISSIONER RENDAHL: -- scoped and  
12 permanent. All right. Thank you.

13 COMMISSIONER BALASBAS: So this is just a  
14 follow-up to the question I asked earlier as well as the  
15 follow-up question from Judge O'Connell.

16 So the -- the settlement agreement does not  
17 address any of the what if -- what if any residual  
18 balance remains on the Schedule 174?

19 MS. ANDREWS: That's correct.

20 COMMISSIONER BALASBAS: Okay. So the  
21 settlement only addresses what is in Schedule 74?

22 MS. ANDREWS: Yes, that's correct.

23 COMMISSIONER BALASBAS: Thank you.

24 CHAIRMAN DANNER: I guess it's my turn.

25 So, Mr. Collins, I have a question for you,

1 and this has to do with the administrative fees. You  
2 were -- you were saying the administrative costs for the  
3 cap agencies are higher than 15 percent and that you  
4 want that to be increased. So generally, when -- you  
5 know, when I engage in my gift giving at the end of the  
6 year, I'm always looking at a nonprofit and looking at  
7 their administrative costs, and it's the lower costs  
8 that I -- I understand to be efficiently run agencies.  
9 And the fact there's -- there are organizations out  
10 there that -- that rate this and warn you not to be  
11 giving to nonprofits that have high administrative  
12 costs.

13           You're going in the opposite direction, and  
14 I guess I need to know, how is it that the cap agencies  
15 are -- are they -- how do we know that they're being run  
16 efficiently? How do we know that this is actually  
17 necessary and isn't -- isn't just basically facilitating  
18 inefficient operations? What -- what -- what can you  
19 tell us to raise our comfort level? Because normally we  
20 look at lower administrative costs, not higher.

21           MR. COLLINS: Sure. Good question. Well,  
22 as the Commission has approved in both PSE and Cascade  
23 Natural Gas, adjustments were made to the low income  
24 weatherization programs there, PSE being up at that 30  
25 percent and Cascade at 25. What that has allowed for is

1 to accommodate the actual costs of delivering the work.  
2 The funds utilized by the agencies delivering the  
3 weatherization program include DOE federal funds,  
4 Washington State Matchmaker funds, as well as  
5 investor-owned utility dollars, and the requirements for  
6 reporting federally and for the State are managed  
7 through Department of Commerce, so those expenses are  
8 individually reviewed on a quarterly basis.

9           Additionally, with the investor-owned  
10 utilities, at any point in time, utility staff can come  
11 and open up any files to review each individual  
12 weatherization project. Additionally, any agency  
13 receiving I believe over \$500,000 is required to submit  
14 an annual audit to meet federal requirements, so all of  
15 those expenses are reviewed.

16           And the specific adjustment here with  
17 respect to the administrative rate is separating out the  
18 direct project costs from the costs of doing business as  
19 the indirect rate. So those -- those expenses are  
20 specific to insurance, the expenses associated with  
21 having essentially fiscal staff, just the -- the  
22 business of the business versus project coordination,  
23 going out, doing the audit, doing contractor management,  
24 or in some cases, agencies have staff on hand to do the  
25 weatherization work. More often, it's contracted out to

1 private contractors.

2 But from our standpoint, that 15 percent  
3 with Avista's program was not sufficient to cover the  
4 cost of delivering the projects and required utilization  
5 of federal and state dollars, which is -- which we still  
6 utilize. The Matchmaker dollars are actually quite  
7 flexible in terms of covering expenses not -- not  
8 covered through the investor-owned utility dollars. So  
9 deferred maintenance, things of the nature that are not  
10 necessarily directly energy efficiency related, those  
11 funds are available for.

12 And so with the increase to 30 percent, that  
13 would allow agencies to increase capacity to deliver  
14 these projects and cover more of the cost -- the actual  
15 cost of delivering them. So certainly understand  
16 looking at wanting to donate funds to a low direct --  
17 low overhead rate. In terms of delivering essentially  
18 construction projects, looking at comparatively any  
19 contractors that utilities utilize to do this work, you  
20 know, overhead for businesses, often exceeds 50 percent,  
21 you know, and incorporating profits.

22 So we're essentially asking for what we  
23 think is needed to deliver this, and the books are open  
24 for review for these expenses to ensure that they're  
25 incurred in a prudent manner.



1           CHAIRMAN DANNER: Okay. So even though  
2 there's -- there's going to be increased funding, so  
3 it's going to be 30 percent off the top of a larger  
4 number, you're saying that that is still -- that is  
5 still essential even though less money is going to the  
6 end user that this is going to enhance the program?

7           MR. COLLINS: Yeah, and I think there's a  
8 distinction I think here between, say, bill assistance  
9 from the weatherization program where the dollars are  
10 not necessarily going to the recipient, they're going to  
11 the project. And so they're covering -- essentially the  
12 cost of the projects are relatively static. I mean,  
13 cost of materials, cost of contractors fluctuate based  
14 on the economy.

15           So those costs remain. And what this allows  
16 for is the investor-owned utility dollars to cover more  
17 of those expenses, whereas it's limited DOE funds -- or  
18 State Matchmaker funds are brought in. This helps just  
19 to cover the actual expenses of the projects coming from  
20 the utility itself. Does that answer your question  
21 there? And so effectively, with more funds coming in,  
22 that will allow more projects to get done with the  
23 increase in the percentage for administration that  
24 covers more of the actual cost of that project.

25           CHAIRMAN DANNER: And so I guess the -- the

1 other part of that question is, what steps are being  
2 taken to reduce the costs of administration to make sure  
3 that the caps are operating as efficiently as possible  
4 so that most of the money that the ratepayers are giving  
5 to this program are going to end up in the right place?

6 MR. COLLINS: Certainly. Particularly  
7 through the work with Department of Commerce, we are  
8 looking at bidding out projects based on -- I'll make a  
9 reference to some work in PSE's service territory where  
10 we look at installing in manufactured housing ductless  
11 heat pumps and identifying about a thousand projects and  
12 then putting those out to bid in batches to get  
13 competitive pricing essentially for economies of scale.  
14 So that work is happening.

15 We're working with WSU to evaluate the --  
16 the cost of delivering the program in terms of the  
17 Washington State prevailing wage requirements in terms  
18 of this -- the workforce requirements. You know,  
19 finding an electrician these days to do projects that  
20 are relatively small and in some cases in rural areas  
21 is -- is not cheap, and we're competing with large  
22 construction projects in urban areas. So I think the  
23 marketplace itself is lacking in -- in workforce.

24 So we're -- we're tracking this, and "we"  
25 being Department of Commerce, along with agencies

1 delivering this to better understand how to reduce those  
2 costs, but some -- some of the realities are that the  
3 construction industry is -- is an -- is an expensive  
4 industry at this point in time.

5 COMMISSIONER RENDAHL: So have you -- has  
6 Energy Project done any evaluation given that we've made  
7 this change for PSE and we've made this change for  
8 Cascade, has there been any evaluation of the results of  
9 making that change in the administrative percentage?

10 MR. COLLINS: Yes, good question. In  
11 Cascade Natural Gas' annual report filed -- excuse me,  
12 their bioconservation report, we've seen a hundred  
13 percent increase in the number of projects completed as  
14 a result of the changes there, which is expected in this  
15 next fiscal year to perhaps triple the 2018 number of  
16 projects delivered. Within PSE, I have not seen the  
17 completed numbers for 2019 yet, but we have basically  
18 seen an increase in the number of projects delivered  
19 from the -- the filed reports from the utilities in  
20 those two utilities.

21 COMMISSIONER RENDAHL: Thank you.

22 CHAIRMAN DANNER: Thank you. All right. So  
23 I'd like to -- to turn now to the community transition  
24 fund. That too has -- it's a \$3 million fund, half of  
25 that is Avista share -- shareholder money and half of

1 that is customer money. I didn't see really the  
2 description of how that money was going to be spent or  
3 who has the ultimate authority over how the money is  
4 spent, and I was wondering if you could give us some  
5 idea of how it will be spent and how can we be sure that  
6 the money's going to be spent wisely and to the best  
7 effect.

8 MR. EHRBAR: Sure. So the way the  
9 administration will occur is Avista will administer the  
10 money, Avista will be -- be responsible for the money.  
11 What this condition sets forth is guidelines and  
12 parameters as to who may qualify for projects, for money  
13 for funding and what types of projects are applicable  
14 for that funding purpose.

15 Of course anything that we do will be in  
16 consultation with the parties, any of the parties here  
17 that were -- that are a party to the settlement. I know  
18 in particular, the Sierra Club and the Northwest Energy  
19 Coalition have a vested interest in this disbursement of  
20 money. But assuming this settlement is approved, at  
21 that time, then we'll arrange for meetings to set forth  
22 the parameters for disbursing the funds, how to educate  
23 others that the funds are out there, and then set the  
24 infrastructure internally to then be able to administer  
25 it.

1           CHAIRMAN DANNER: Is there -- do you have  
2 any kind of advisory body or anything or is this all  
3 in-house?

4           MR. EHRBAR: This is all in-house. Of  
5 course anything we do will be in consultation with the  
6 parties that's set forth here. And of course we do have  
7 some internal expertise. We have what's called the  
8 Avista Foundation that has a large pot of money that  
9 gets disbursed, qualified, and sent out for other  
10 charitable contribution purposes separate from the  
11 utility ratemaking. So but we do have some internal  
12 expertise on how to structure this, and so when we do  
13 that, if approved, we do it in consultation with those  
14 other parties.

15           CHAIRMAN DANNER: Okay. And, again, what --  
16 what is the timeline over which this money is going to  
17 be spent?

18           MR. EHRBAR: There is no timeline set forth  
19 for when all of that money needs to be disbursed, so it  
20 will be -- it would be speculating to say how fast or  
21 how slow that might go. But it would be under the  
22 parameters set forth here that it's for worker  
23 retraining, for community development, those items. So  
24 as those requests for grants come in, I would imagine  
25 that it would go relatively quickly over the next couple

1 of years.

2 COMMISSIONER BALASBAS: So just to follow up  
3 on that, will there be any coordination -- because we  
4 have approved a community transition fund for Puget  
5 Sound Energy in a previous rate case for that company,  
6 will -- will there be any coordination between these two  
7 streams of funds?

8 MR. EHRBAR: That's not contemplated here.  
9 I don't think we can necessarily do it in a vacuum  
10 either, so there's where I think the partners in the  
11 Northwest Energy Coalition, Sierra Club, and others who  
12 have been involved in the Puget fund, we of course  
13 haven't been, maybe will be able to provide insight and  
14 guidance there as we structure this.

15 MS. GERLITZ: If I might, Wendy Gerlitz,  
16 Northwest Energy Coalition, and I will just say that I  
17 had several conversations both with folks in Montana who  
18 are working on setting up the community transition  
19 structures and conversations around spending the Puget  
20 funding and also with Puget themselves as we set to set  
21 up this settlement term. So I think the tension there,  
22 right, is that any community transition efforts should  
23 be community-led, and the community is just beginning to  
24 set up the parameters of how they want to move that  
25 process forward.

1           So it's my understanding that none of the  
2 Puget money, even though we decided on that a couple  
3 years ago, has been actually spent out yet because the  
4 community's been going through its process. But I think  
5 they are getting to a point where we will begin to see  
6 some expenditures on the part of a community-led  
7 process, and so there's always a delicate tension  
8 between, you know, outside organizations that don't live  
9 in this state providing funding and wanting that funding  
10 to be spent well and then the -- the community deciding  
11 what's best for it to go forward.

12           But I believe that Puget's been doing a lot  
13 of groundwork there, and I think that Avista will be a  
14 good addition to that and help to bring some additional  
15 skills so that all of the money collectively that's  
16 flowing from our utilities to this purpose will be spent  
17 effectively in the community.

18           COMMISSIONER RENDAHL: Thank you for that.  
19 That's helpful.

20           So my question goes more to this  
21 coordination with the community and with the other  
22 utilities, there probably will be more going forward,  
23 and so maybe, Ms. Gerlitz, this is a good question for  
24 you. How -- how do Sierra Club and the Northwest Energy  
25 Coalition and other advisors, how -- how do you envision

1 your role in advising the Company and what do you wish  
2 to see from that advising role to make sure this aid is  
3 coordinated and goes to the benefit of the community as  
4 the community wishes?

5 MS. GERLITZ: Yeah, I guess I'll say from  
6 the Northwest Energy Coalition's perspective, we have  
7 the benefit of sitting on the advisory committee that is  
8 providing oversight to the TransAlta transition dollars,  
9 a much larger sum of money, at least at this point  
10 relatively. But Nancy Hirsch, our executive director,  
11 sits on one of the advisory committees for those funds  
12 and has the experience of seeing how that money has been  
13 spent to the benefit of the community and community  
14 transition.

15 And so a lot of the expertise that we're  
16 bringing comes from that experience where we've seen a  
17 lot of really good investments in the community. It's a  
18 different situation, of course, than in Montana, but  
19 Northwest Energy Coalition does have staff in Montana  
20 that regularly, you know, touches base with stakeholders  
21 in Montana.

22 And so I think we'll just continue to bring  
23 our experience from the Washington transition of that  
24 plant to Montana and hope to help inform those efforts  
25 to ensure that best practices. We've also reached out



1 across the country for other examples so that we're  
2 bringing best practices to the conversation, and I think  
3 we'll just continue to try to do that.

4 I mean, one example is, you know, the way  
5 that we structured this settlement includes specific  
6 language that makes sure that tribal communities are  
7 included. That's an oversight that we saw in previous  
8 processes that we wanted to correct, and so as we're  
9 doing this, we're learning about what things  
10 specifically we need to ensure are considered in the --  
11 in the process. So hopefully that answers your  
12 question.

13 COMMISSIONER RENDAHL: I guess I'd ask if  
14 Mr. Ehrbar or Ms. Andrews, if you all have a different  
15 impression or is that in line with what you all are  
16 thinking?

17 MR. EHRBAR: Yeah, I would say that that's  
18 in line with what we're -- what we're thinking.

19 MR. HOWELL: This is Doug Howell, Sierra  
20 Club. I'd like to add to that. We have been learning  
21 about transitions. Sierra Club's played an active role  
22 in many communities across the country, and we've  
23 learned a lot from the TransAlta experience. And, you  
24 know, each community is different. There is certainly  
25 no cookie-cutter, and I think what's laudable about this

1 is -- is to create a structure at the front end that's  
2 very open and so that you can adapt to what the needs  
3 are specific to the community. And so as a principle  
4 for moving forward, that's very important.

5 Another is to make sure that it is  
6 community-driven. As Ms. Gerlitz pointed out, that in  
7 some of the initial outreach within the community,  
8 tribes were excluded. And you had asked what would be  
9 our role. Our role is to keep us out of it and to make  
10 sure that the community is in it. And we have an  
11 organizer in Billings who has very close relationships  
12 with the -- the -- the tribes, both in northern  
13 Cheyenne, which is most directly affected, and the  
14 ranching community. And part of our role is to make  
15 sure that those communities are engaged in these  
16 processes when they start to move forward. And so  
17 the -- I think that the design of this is going to allow  
18 that.

19 CHAIRMAN DANNER: Thank you.

20 All right. So here's -- I have a question  
21 for -- I'm not sure who to ask this question to. Avista  
22 says that it will not support capital projects that  
23 extend the life of Colstrip. But you also say you're  
24 obligated to pay your share of the costs that the other  
25 owners support.

1           What -- how active will we -- will your lack  
2 of support be? I mean, are you going to -- basically  
3 are you going to oppose within this group anything that  
4 extends the life or are you going to sit on the hands  
5 where everyone else says, hey, let's throw more money at  
6 this?

7           MR. EHRBAR: Sure.

8           CHAIRMAN DANNER: So -- yeah. I see you  
9 nodding, but I think you need to say more than that.

10          MR. EHRBAR: Yes. Yes, so the way -- the  
11 way we envision this is, what we're -- what we're  
12 agreeing to here is we're not going to support capital  
13 investments at the owners and operator committee level.  
14 Of course, we're just a 15 percent owner. But at that  
15 level, we'll be supportive of capital investment that  
16 ensures that the plant's able to continue to operate to  
17 twenty -- to the end of 2025. So and that's what we're  
18 calling routine capital maintenance.

19          From a car example, it would be if a spark  
20 plug needs to be replaced so that the car can keep  
21 running for a limited period of time, then that  
22 investment should be made and we would be supportive of  
23 that. Even if that spark plug may also last past 2025,  
24 it's necessary to keep it operating until 2025. What  
25 we're agreeing to here is that we would not support any

1 capital investments that are truly meant to extend the  
2 life, you know, big capital investments that would --  
3 that are meant to keep Colstrip for a period much past  
4 2025 that aren't necessary to keep it operating until  
5 2025.

6 And so at the owners and operator committee  
7 level, of course I'm not on that committee, but we would  
8 vote no on any of those capital projects at that level  
9 should they come up.

10 CHAIRMAN DANNER: Okay. But since you're  
11 not majority, you might just be along for the ride on  
12 those decisions.

13 MR. EHRBAR: That's fair to say.

14 CHAIRMAN DANNER: Okay. And, Sierra Club,  
15 you're okay with that?

16 MR. HOWELL: We do appreciate the statement  
17 in there that they will no longer support capital  
18 expenditures that extend the life beyond 2025. I think  
19 another important component about that is reporting  
20 back. As Mr. Ehrbar said, there are going to be -- this  
21 is really where you're going to have to have the  
22 engineers in there evaluating the decision. Many of --  
23 much of the hardware you put in is steel, it's going to  
24 last, you know, beyond 2025.

25 So that's where you really are going to need

1 to have more technical experts parsing out what is and  
2 is not approved. I think we're already starting to see  
3 signs about that in the proposed settlement. We have an  
4 agreement that the smart berm will not be incorporated  
5 in this budget cycle and will potentially again be  
6 reviewed later. We expect to see continued capital  
7 investments like that as the plant ages that we expect  
8 to see this -- these type of needs come up that are  
9 going to need review so that we have this statement and  
10 we have the report back is putting us at least  
11 directionally where we need to be at this point in time,  
12 given the age of the plant and the increasing  
13 maintenance and capital expenses that are expected.

14 CHAIRMAN DANNER: And so with that  
15 reporting, you'll be able to see whether that was a  
16 ten-year spark plug or a 15-year spark plug?

17 MR. HOWELL: I'll leave that to the  
18 engineer.

19 MR. EHRBAR: I would as well. But yes --  
20 beyond my scope. But yes, the detailed reporting  
21 will -- the onus, of course, will be on Avista when we  
22 come and seek recovery of those costs to prove that  
23 we're living up to this commitment or that we -- or that  
24 we made another decision in violation of the agreement.

25 JUDGE O'CONNELL: Okay. Before we dismiss

1 the settlement panel, I do have one follow-up question  
2 for Mr. Ehrbar.

3 The very first question we asked about the  
4 ERM balance, you had said it originally was about \$34.4  
5 million, but it had been -- you know, over the time  
6 since this case has been pending, that it increased to  
7 somewhere between 38 and 39 million. How difficult  
8 would it be to get that information for us?

9 MR. EHRBAR: Not difficult at all.

10 JUDGE O'CONNELL: Okay. I'd like to make  
11 that Bench Request No. 1. If you could please provide  
12 us with that updated number of what's going to be the  
13 balance on April 1st, 2020.

14 MR. EHRBAR: You bet.

15 JUDGE O'CONNELL: Okay. Thank you. And how  
16 long do you think you need to have that information?

17 MR. EHRBAR: Probably relatively quickly.  
18 So next few business days, end of the week.

19 JUDGE O'CONNELL: Will the end of the week  
20 be sufficient?

21 MR. EHRBAR: Yes.

22 JUDGE O'CONNELL: Okay. We will set a due  
23 date of Friday and thank you.

24 MR. EHRBAR: Yep.

25 JUDGE O'CONNELL: While the -- we're going

## EXAMINATION OF EHRBAR / MEYER

1 to move on from the settlement panel into the contested  
2 issues.

3 Mr. Ehrbar, before you stand up.

4 Ms. Suetake, you had mentioned before we  
5 were -- brought in the Commissioners talking about  
6 the -- which witnesses to take first for the contested  
7 issues. Since Mr. Ehrbar is already here, would you be  
8 agreeable to directing questions for him first?

9 MS. SUETAKE: Yes, that is fine.

10 JUDGE O'CONNELL: Okay. So thank you to all  
11 the settlement panel witnesses. We appreciate your  
12 testimony. And let's move forward with Mr. Ehrbar.

13 And while we're taking a short pause, AWEC's  
14 witness, Bradley Mullins, I see that you're in  
15 attendance today. Thank you for coming, but based upon  
16 the response that we got to our questions of the  
17 settlement panel, we are not going to have any bench  
18 questions for you. So thank you.

19 Mr. Ehrbar, I'd like to remind you that you  
20 remain under oath from before.

21 MR. EHRBAR: Yes.

22 JUDGE O'CONNELL: Mr. Meyer, would you like  
23 to -- I know Mr. Ehrbar has been introduced, but would  
24 you like to qualify the witness?

25 MR. MEYER: Yes, Your Honor. Thank you.

## EXAMINATION OF EHRBAR / MEYER

1 EXAMINATION

2 BY MR. MEYER:

3 **Q. For the record, could you please state your name**  
4 **and your employer?**

5 **JUDGE O'CONNELL: Can you -- Mr. Meyer, can**  
6 **you please push the button for the microphone until it**  
7 **turns green?**

8 **CHAIRMAN DANNER: If it's any consolation, I**  
9 **have the same problem.**

10 MR. MEYER: Do you really? Okay. I'm told  
11 I don't have any life in my fingertips anymore, so maybe  
12 this explains it.

13 BY MR. MEYER:

14 **Q. Mr. Ehrbar, for the record, your name, your**  
15 **employer.**

16 A. Yes, Patrick Ehrbar, Avista Corporation.

17 **Q. And your testimony has already been marked and**  
18 **admitted, do you have any further qualifications?**

19 A. I do not.

20 **Q. Okay. And if I were to ask you the questions**  
21 **that appear in that testimony, of course your answers**  
22 **would be the same?**

23 A. Yes, they would.

24 MR. MEYER: With that, Mr. Ehrbar is  
25 available.



## EXAMINATION OF EHRBAR / SUETAKE

1 JUDGE O'CONNELL: Thank you.

2 Ms. Suetake, you may proceed.

3 MS. SUETAKE: Thank you, Your Honor.

4

5 EXAMINATION

6 BY MS. SUETAKE:

7 **Q. Good morning, Mr. Ehrbar.**

8 A. Good morning.

9 **Q. Do you have a copy of both your rebuttal and**  
10 **your direct testimony in front of you?**

11 A. I do.

12 **Q. Okay. Thank you.**

13 **If you could turn to page 1, and I see there's**  
14 **actually two pages listed as page 1, so the second page**  
15 **1 of your rebuttal testimony.**

16 A. Yes.

17 **Q. Line 24, is it correct that you indicate that**  
18 **decoupling mechanism allows the Company to recover,**  
19 **quote, a significant portion of its fixed costs of**  
20 **providing service; is that correct?**

21 A. Yes. So the way decoupling is structured is  
22 that the fixed costs that are recovered in variable  
23 rates are tracked through the decoupling mechanism  
24 rather than having them recovered in a fixed monthly  
25 charge.

## EXAMINATION OF EHRBAR / SUETAKE

1       **Q. And then in here, what do you -- what do you**  
2       **mean by "fixed costs," like what do you consider a fixed**  
3       **cost?**

4       A. So for purposes of decoupling, the way we've  
5       structured our mechanism and Puget's structured theirs  
6       is the fixed costs are those costs that don't otherwise  
7       track through our variable power supply mechanisms, so  
8       for us the ERM, for Puget the PCA. So it's the fixed  
9       infrastructure costs.

10       **Q. So am I correct that the Company's proposed**  
11       **decoupling mechanism is based on the total normalized**  
12       **revenue less the variable power supply revenue and less**  
13       **the revenue from -- recovered from those fixed charges?**

14       A. That's the way our mechanism is structured, yes.

15       **Q. Okay. And then so the decoupling mechanism is**  
16       **based on all revenue that is recovered through**  
17       **volumetric charges other than the direct power supply**  
18       **revenue, correct?**

19       A. Yes. So it's the revenue that's tracked through  
20       in decoupling is the revenue on a per customer basis set  
21       forth in a general rate case.

22       **Q. Okay. So then to clarify, other than power**  
23       **supply and the costs recovered through customer charges,**  
24       **does the Company consider all other costs to be fixed or**  
25       **variable?**

**EXAMINATION OF EHRBAR / SUETAKE**

1 A. We consider them to be fixed and are tracked  
2 through decoupling.

3 **Q. So prior to this case, is it correct that**  
4 **Avista's decoupling mechanism was based on a targeted**  
5 **amount of recovery per customer?**

6 A. Yes. The decoupling mechanism is structured  
7 around and approved during allowed revenue per customer  
8 set forth by the Commission.

9 **Q. And as customers increased, then the total**  
10 **amount that the Company was permitted to recover also**  
11 **increased, correct?**

12 A. Yes, to the extent there was a growth in  
13 customers, that same revenue per customer traditionally  
14 was also applied to new customers under the current form  
15 of the mechanism.

16 **Q. And then in your original testimony, is it**  
17 **correct that the Company proposed to retain that per**  
18 **customer methodology?**

19 A. In our original testimony in this case, we  
20 proposed to keep that methodology but modify it at that  
21 time slightly for new customers to match what we do in  
22 Idaho where only a certain amount of fixed costs are  
23 tracked through in decoupling.

24 **Q. Okay. Then since your direct -- direct**  
25 **testimony was filed, is it correct that the Commission**

**EXAMINATION OF EHRBAR / SUETAKE**

1 has addressed the decoupling issue in the Northwest  
2 Natural Gas case?

3 A. Yes. So the Commission addressed a form of a  
4 mechanism that Northwest Natural proposed around cost  
5 recovery separate from ours.

6 **Q. Then is it also correct that in your rebuttal**  
7 **testimony, you're now supportive of further modifying**  
8 **your decoupling proposal to exclude new customers**  
9 **entirely from the mechanism?**

10 A. Yes. So we're proposing to take it one step  
11 further from my original file -- filed adjustment to  
12 modify it to look like Idaho's mechanism to just remove  
13 new customers altogether and basically uncouple them so  
14 that their revenue and their usage are tied together and  
15 flow through separate from the decoupling mechanism.

16 **Q. So will you be tracking -- tracking usage from**  
17 **new versus existing customers at all?**

18 A. Yes. So what we'll have is the level of  
19 customers will be set forth in this case as part of our  
20 billing determinants from the test year. All other  
21 customers since the test year are -- I'm going to use  
22 the word uncoupled -- are -- just flow through. Their  
23 revenue will be tracked separately in what we call a new  
24 customer hookup report. This is what we do in Idaho and  
25 Oregon for our mechanisms, and we'll be able to remove

**EXAMINATION OF EHRBAR / SUETAKE**

1 that revenue from the mechanism and not apply the  
2 revenue per customer to those customers so that they're  
3 separate and distinct.

4 **Q. Okay. So while existing customers will be trued**  
5 **up through the decoupling mechanism, new customers would**  
6 **just be based on actual usage?**

7 A. That's correct.

8 **Q. Okay. And I -- and I'm correct that under your**  
9 **new proposal, the Company will be receiving the revenues**  
10 **authorized in the case plus any additional revenues**  
11 **generated by new customers?**

12 A. Yes.

13 **Q. Okay. But -- and to reiterate, the new customer**  
14 **revenue will not be subject to true-up?**

15 A. The -- that -- that is correct.

16 **Q. Okay. Is it fair to say that under the**  
17 **Company's new rebuttal proposal, the Company will**  
18 **recover more than the actual level of revenues**  
19 **authorized in this case, at least for all those rate**  
20 **classes subject to decoupling?**

21 A. I don't know that I'd say it that way. When the  
22 Commission sets rates in this case, it's based on a  
23 level of cost, O&M and A&G, a level of investment,  
24 capital investment, and a level of revenues and -- and  
25 marries those together to set rates knowing full well

**EXAMINATION OF EHRBAR / SUETAKE**

1 that we will add additional customers into the future  
2 and receive revenues from those customers, but those  
3 revenues are then used to also offset the cost to hook  
4 up those new customers and other increases and expenses.

5 **Q. So thank you.**

6 **Under your new rebuttal proposal, how do you**  
7 **plan to treat customers that need the system between**  
8 **rate set cases? And let me give you an example. Let's**  
9 **assume that in this case you have a thousand customers,**  
10 **then during the first year of new rates, you lose a**  
11 **hundred existing customers, but you gain a hundred new**  
12 **customers, so the total customers remains at a thousand.**  
13 **Will you true-up just the 900 existing customers and**  
14 **then -- or will you let -- net the new customers and**  
15 **true-up as if you had a full a thousand?**

16 A. So I think the way I'd answer that hypothetical  
17 is, what we've traditionally not seen in a utility is a  
18 reduction in actual meters. So we didn't -- we have not  
19 contemplated that we would actually lose a substantial  
20 number of customers like as in this example. So what  
21 we've traditionally seen as a utility in all our  
22 jurisdictions is customer growth happens over time.  
23 Sometimes slow; sometimes not, but that you have growth.

24 And so that level set in this case, I don't  
25 presume that it would ever drop below that level set at

**EXAMINATION OF EHRBAR / SUETAKE**

1 the end of 2018, which are the billing determinants in  
2 this matter. So under the hypothetical, it would be  
3 still that thousand that you put out, but I don't think  
4 that hypothetical would actually come to fruition.

5 **Q. So if it was still a thousand customers, you've**  
6 **lost a hundred customer accounts but not those meters,**  
7 **it would just look as if it was still just a thousand**  
8 **customers; is that correct?**

9 A. Yes.

10 **Q. Okay. Could you please turn to page 15 of your**  
11 **direct testimony?**

12 A. I'm there.

13 **Q. Okay. And then under Table -- Table 5 and 6**  
14 **show the impact of variations in usage broken down by**  
15 **weather and energy efficiency measures; is that correct?**

16 A. That's correct.

17 **Q. So do you know if you -- under here, there's a**  
18 **line for energy efficiency measures, do you know how the**  
19 **energy efficiency measures were defined in these tables?**  
20 **And by that I mean, do energy efficiency measures relate**  
21 **to only -- only to direct energy efficiency programs**  
22 **undertaken by the Company or are -- what's considered**  
23 **energy efficiency in this table, are they just all those**  
24 **things that are not weather-related?**

25 A. The energy efficiency set forth in this table is

**EXAMINATION OF EHRBAR / SUETAKE**

1 the programmatic energy efficiency savings of the  
2 Company.

3 **Q. So by program, it's actually measured?**

4 A. That's correct.

5 **Q. Okay.**

6 A. That's my understanding.

7 **Q. Okay. And for residential customers, is it fair**  
8 **to say that weather-related variations in usage are**  
9 **generally more significant than energy efficiency**  
10 **impacts for residential customers?**

11 A. I would say that that depends. So weather, of  
12 course, plays a prominent role in the mechanism, but  
13 weather has -- can go both ways to net out. So you  
14 could have a warmer than normal winter to where you're  
15 under-recovering on a revenue per customer basis, but  
16 likewise have a hotter than normal summer to where  
17 you're over-recovering, and the two cannot be effective  
18 netting out the weather impacts.

19 **Q. Okay. To shift gears a little, am I correct**  
20 **that under the current decoupling mechanism, the Company**  
21 **can earn more than its authorized return on equity and**  
22 **still impose a decoupling surcharge on customers?**

23 A. Yes. It's really two different things. So  
24 decoupling sets forth, you know, the recovery of  
25 variations in earnings due to a short-term volatility of



## EXAMINATION OF EHRBAR / SUETAKE

1 customer usage and energy efficiency. The earnings side  
2 of the equation is really more based on -- and  
3 decoupling's, you know, focused on revenue. Earnings  
4 are based on a function of revenue as well as costs and  
5 managing those costs, and so we may over-earn in a  
6 specific period because of cost management, because  
7 costs went our way, whatever it might be.

8 One of the benefits of the decoupling mechanism  
9 that would continue, of course, is any over-earnings  
10 would be shared on a 50/50 basis.

11 **Q. That was actually going to be my next question.**

12 **But so then given that the Company now proposes**  
13 **to remove the impact of new customers on the decoupling**  
14 **mechanism, how will the Company determine its ROE for**  
15 **the purposes of the sharing mechanism?**

16 A. So the -- the test -- the calculation for the  
17 earning tests does not change based on what happens with  
18 the treatment of new customers in this matter. So  
19 they're separate and distinct items. So the earnings  
20 test is based on the actual earned returns in a year  
21 that are calculated completely outside of anything  
22 related to decoupling.

23 **Q. So the -- so the impact of their revenues of new**  
24 **customers does not play into the earning sharing**  
25 **mechanism?**

**EXAMINATION OF EHRBAR / SUETAKE**

1 A. The revenue and costs associated with new  
2 customers definitely play to the earning sharing test  
3 because that's all part of the revenue and the cost  
4 associated with a specific calendar year.

5 **Q. Okay.**

6 A. So they're not excluded from our earnings and  
7 therefore not excluded from the earnings test --

8 **Q. Okay.**

9 A. -- therein.

10 **Q. Would you agree that the decoupling mechanism**  
11 **was originally intended to compensate the Company for**  
12 **revenues lost due to conservation efforts?**

13 A. I think I'd tie back to the Commission's  
14 statement of proving this is that it was tied to  
15 volatility and short-term earnings due to -- due to  
16 changes in customer usage, including energy efficiency.

17 **Q. Would you agree that the Energy Independence Act**  
18 **requires electric utilities to pursue all available**  
19 **conservation that is cost-effective, reliable, and**  
20 **feasible?**

21 A. Yes.

22 **Q. And so is it correct that the Company is**  
23 **obligated to pursue these energy efficiency**  
24 **opportunities?**

25 A. Yes, absolutely. The Company will follow the

## EXAMINATION OF EHRBAR / SUETAKE

1 laws set forth and will pursue all cost-effective energy  
2 efficiency. But with decoupling, it also removes any  
3 sort of -- it -- it allows the Company to promote even  
4 further energy efficiency, promote further changes in  
5 codes and standards, basically remove usage from our  
6 revenue equation so that we can be focused on what's  
7 right for our customers.

8       One of the other points I put in here is that  
9 over time what we've seen with the first five years of  
10 the decoupling mechanism, it also removes the  
11 disincentive towards distributed generation. So we now  
12 actively promote with our customers the ability to  
13 calculate what distributed generation solar on their  
14 homes might be worth to them and actually are good with  
15 that because we're not otherwise financially impacted by  
16 those decisions.

17       MS. SUETAKE: Those are all my questions for  
18 you. Thank you, Mr. Ehrbar.

19       MR. EHRBAR: Thank you.

20       JUDGE O'CONNELL: Thank you.

21       COMMISSIONER RENDAHL: I have a brief  
22 follow-up just to clarifying this question about the  
23 additional customers.

24       ////

25       ////

## EXAMINATION OF EHRBAR / RENDAHL

1 EXAMINATION

2 BY COMMISSIONER RENDAHL:

3 **Q. So I think you testified that you said that what**  
4 **you're counting are the additional hookups or additional**  
5 **meters in addition to the meters that currently exist on**  
6 **the system?**

7 A. That's correct. So the decoupled level of  
8 customers under our proposal would be those that are the  
9 meter counts as of December 31st, 2018, so at the end of  
10 the test year. And any new meter, actual physical  
11 installation of a new meter, so not just closes and  
12 opens, but physical new meters, would be deemed a new  
13 customer that would not be part of the tracking under  
14 decoupling.

15 **Q. Okay. And so the other issue was, so say you do**  
16 **have a hundred customers who move and therefore they're**  
17 **no longer using that meter that's in existence. You**  
18 **would -- you wouldn't be tracking per se the movement of**  
19 **customers that move into those houses or apartments that**  
20 **have the meter, you're just going to be counting those**  
21 **thousand meters that are currently in existence and for**  
22 **the decoupling, and then any additional hookups past a**  
23 **different date and the variation that might occur there**  
24 **is separate until you bring it back into the next rate**  
25 **case?**

**EXAMINATION OF EHRBAR / DANNER**

1 A. That's exactly correct.

2 COMMISSIONER RENDAHL: Okay thank you.

3 CHAIRMAN DANNER: I just want to follow up a  
4 little bit on Ms. Suetake's question about the EIA.

5

6 EXAMINATION

7 BY CHAIRMAN DANNER:

8 **Q. Basically, you have a requirement to pursue all**  
9 **cost-effective conservation energy efficiency, and I**  
10 **think that the subtext of the question was, is anything**  
11 **else necessary? Are there benefits beyond that in the**  
12 **decoupling program? And I was just wondering if you**  
13 **could comment on that.**

14 A. Yeah, you bet. So there is. So obviously, we  
15 have to do what's required by law, but what we've proven  
16 and have some information in my testimony and what we've  
17 brought before you is that we've overachieved our  
18 savings. So we have gone beyond what we've actually had  
19 in our -- in our biannual conservation planning and have  
20 exceeded those levels.

21 And so we're highly focused on energy efficiency  
22 because it's the right choice for our customers. But it  
23 also -- we have active participation in the -- in some  
24 of the regional savings as well as legislation around  
25 codes and standards that otherwise -- I can't say that

## EXAMINATION OF EHRBAR / MEYER

1 this is for certain, but maybe without decoupling that  
2 we otherwise would not have supported that now we're --  
3 we're not impacted by therefore we can lend support  
4 towards. And so it's not just the minimum what's  
5 legally required and no more, we go beyond because we're  
6 not otherwise impacted financially because of those  
7 decisions.

8 CHAIRMAN DANNER: Thank you.

9 JUDGE O'CONNELL: Mr. Meyer, do you have any  
10 redirect from any of the questions Ms. Suetake asked or  
11 the bench?

12 MR. MEYER: Just -- just one or two if I  
13 might.

14  
15 EXAMINATION

16 BY MR. MEYER:

17 **Q. During your examination by Public Counsel, a**  
18 **reference was made to the Northwest Natural decoupling**  
19 **proceeding; do you recall that?**

20 A. Yes.

21 **Q. Would you compare and contrast Avista's**  
22 **situation with respect to decoupling from Northwest**  
23 **Natural's?**

24 A. Yes. So my understanding of Northwest Natural  
25 and of course I didn't -- wasn't an active member of

## EXAMINATION OF EHRBAR / MEYER

1 that proceeding, but from my understanding is that their  
2 mechanism was somewhat deemed more of a cost recovery  
3 mechanism to recover costs in between rate cases  
4 associated with hooking up what sounds like a  
5 substantial growth in number of customers that they were  
6 projecting in their Vancouver service territory. For  
7 us, we don't have that -- that situation. One, we've  
8 never treated it as a cost recovery mechanism separate  
9 from a general rate case or anything like that. It's  
10 been really recovery costs due to fluctuations in  
11 customers' energy usage and the effects of energy  
12 efficiency.

13       And then the only other thing I'd say is it --  
14 of course the Northwest Natural order informed us taking  
15 that additional step to just remove new customers  
16 entirely from the mechanism. So if -- and my  
17 understanding of Northwest Natural's case, new customers  
18 used less on average than the existing base. So to the  
19 extent that that is true for Avista, and I've not done  
20 such analysis, it's now moot. So that is not  
21 embedded -- it would not be embedded in the mechanism  
22 prospectively. Their usage, their costs would track  
23 independently and would inform a future base in a future  
24 rate proceeding when they're actually embedded in a test  
25 year.

## EXAMINATION OF EHRBAR / SUETAKE

1 MR. MEYER: Thank you. That's all.

2 JUDGE O'CONNELL: Ms. Suetake, any recross  
3 from what you heard?

4 MS. SUETAKE: Yes, actually, if I could.

5

6 EXAMINATION

7 BY MS. SUETAKE:

8 **Q. About the new customers, do you -- would you be**  
9 **tracking active meters or all meters installed if -- if**  
10 **you can understand the distinction there?**

11 A. So -- yes. So let me make sure it's clear.  
12 Effective January 1 of 2019, if this is approved, any  
13 new meter there would be any new actual installed  
14 meter -- installed meter at a premise. It's not an  
15 open/close of an account where the meter is still there,  
16 it's an actual physical new meter to the system. So  
17 it's a new meter hookup report that would then inform  
18 that that is a new customer to be excluded.

19 **Q. In the event that there's a meter that's**  
20 **installed in, say, an apartment premise and there's**  
21 **nobody in that apartment, how does that get tracked?**  
22 **Say, what if there was an account that was just not**  
23 **reopened for a year, would that be considered still just**  
24 **an active meter or because there's no account attached**  
25 **to that meter, does that mean it's not included -- which**



**EXAMINATION OF EHRBAR / SUETAKE**

1 account does it get included in?

2 A. Yes. So if -- if that new meter was installed  
3 after January 1 or after December 31st, 2018, after the  
4 test year, that would be considered a new meter and  
5 would be excluded from decoupling. To the extent it's a  
6 meter that was installed in 1977 and somebody's moved  
7 out and it's just sitting there and we're billing the  
8 minimums to the landlord, that is an active meter in  
9 decoupling just like today.

10 MS. SUETAKE: Okay. Thank you.

11 JUDGE O'CONNELL: Okay. Thank you,  
12 Mr. Ehrbar. You are excused.

13 MR. MEYER: I would call to the stand  
14 Mr. Clint Kalich.

15 JUDGE O'CONNELL: Please stand and raise  
16 your right hand.

17 (Clint Kalich sworn.)

18 JUDGE O'CONNELL: Thank you. Please be  
19 seated.

20 Mr. Meyer, would you like to introduce and  
21 qualify your witness?

22 MR. MEYER: Be happy to. Thank you.

23 /////

24 /////

25 /////

## EXAMINATION OF KALICH / MEYER

1 EXAMINATION

2 BY MR. MEYER:

3 **Q. Mr. Kalich, for the record, please state your**  
4 **name and your employer.**

5 A. Yes, my name is Clint Kalich. I work for Avista  
6 Utilities.

7 **Q. And do you recognize that your prefiled**  
8 **testimony has been marked and entered into the record?**

9 A. Yes.

10 **Q. Do you have any further changes to make to that?**

11 A. I do not.

12 **Q. If I were to ask you the questions, then, that**  
13 **appear in your prefiled testimony, would your answers be**  
14 **the same?**

15 A. They would.

16 MR. MEYER: With that, he is available for  
17 cross.

18 JUDGE O'CONNELL: Thank you.

19 Ms. Gafken, would you please introduce  
20 yourself for the record?

21 MS. GAFKEN: Yes, of course. We've had a  
22 bit of a seat change. This is Lisa Gafken with the  
23 Attorney General's Office of Public Counsel Unit.

24 JUDGE O'CONNELL: Thank you. Please proceed  
25 with your cross-examination.

## EXAMINATION OF KALICH / GAFKEN

1 MS. GAFKEN: Thank you.

2

3 EXAMINATION

4 BY MS. GAFKEN:

5 **Q. Good morning, Mr. Kalich.**

6 A. Good morning, Ms. Gafken.

7 **Q. Mr. Kalich, would you please turn to your**  
8 **rebuttal testimony, which is Exhibit CGK-3T and go to**  
9 **page 2, lines 18 and 19.**

10 A. I am there.

11 **Q. There you testify that the issue of ERM**  
12 **proceeding -- or I'm sorry, there you testify that the**  
13 **issue in the ERM proceeding is 2018 actual power costs**  
14 **and that the authorized power costs are outside of the**  
15 **scope of this proceeding, correct?**

16 A. Yes.

17 **Q. Actual 2018 power costs are being reviewed in**  
18 **part in relation to how they compare to authorized**  
19 **levels, correct?**

20 A. Yes.

21 **Q. So in other words, the actual power costs are**  
22 **measured as whether they are more or less than the**  
23 **authorized levels, correct?**

24 A. Yes.

25 **Q. And no party is seeking modification of Avista's**

**EXAMINATION OF KALICH / GAFKEN**

1 baseline power cost calculation either retrospectively  
2 or prospectively, correct?

3 A. That is correct.

4 **Q. Would you please turn to your rebuttal**  
5 **testimony, again, Exhibit CGK-3T and go to page 4. At**  
6 **line 12, you characterize Mr. Allison's argument as**  
7 **being based only on a historical look at actual**  
8 **optimization revenues; is that correct?**

9 A. Yes, at line 12.

10 **Q. In Mr. Allison's critique of Avista's**  
11 **calculation of its 2018 pro forma gas transport**  
12 **optimization revenues, Mr. Allison highlights Avista's**  
13 **consideration of historical data to forecast**  
14 **optimization revenues, correct?**

15 A. Yes, I believe so.

16 **Q. In particular, Mr. Allison's testimony describes**  
17 **how Avista discounted forward spaced revenue projects**  
18 **using historic average estimates, correct?**

19 A. In the -- the actual '17 case, Avista based its  
20 authorized -- or the numbers that were calculated were  
21 based on historical look, yes. Yeah, and I think the  
22 point made there if I'm understanding correctly and from  
23 my reading of the testimony that the -- the one or two  
24 years of -- of higher revenue received from that  
25 contract were not reflected as a forward-looking value

## EXAMINATION OF KALICH / GAFKEN

1 to use in the filing itself.

2 **Q. So let's break this down a little bit, I think.**

3 **Avista reviewed the forward pricing at the time**  
4 **Avista conducted its 2018 pro forma cost -- power cost**  
5 **analysis and calculated the pro forma gas transport**  
6 **optimization revenues, correct?**

7 A. Looking back, and it has been a while back in  
8 time, I do recall us looking at the recent history, the  
9 more recent history. At that point, I think we had  
10 one -- one year of aberration, and -- and indeed, we may  
11 have looked at the market for that one additional year.  
12 I don't recall the specific there. But -- but  
13 definitely didn't project future revenues to be as high  
14 as -- as the most recent year or even that -- that  
15 projected forward market at that time.

16 **Q. Okay. I just want to make sure that the answer**  
17 **is clear.**

18 **Avista did consider the forward markets and --**  
19 **and the forward pricing?**

20 A. We did the math, yes.

21 **Q. Okay. At that time, when the 2018 pro forma**  
22 **calculation was made, the forward pricing indicated that**  
23 **gas transport optimization revenues would be in the \$13**  
24 **million range, correct?**

25 A. That sounds about right, yes.

## EXAMINATION OF KALICH / GAFKEN

1       **Q. And, again, just making sure that -- that we're**  
2 **clear on what had happened, Avista did not use the --**  
3 **its forward spaced revenue projection?**

4       A. No, we did not. We used the historical average.

5       **Q. And in using that historical average, Avista**  
6 **reduced the projected gas transport -- transport**  
7 **optimization revenues by more than \$4 million from the**  
8 **forward space projection?**

9       A. From that single forward space year, yes.

10       **Q. And it's fair to say that Avista tempered the**  
11 **forward space projection based on historic average**  
12 **estimates and its view of pricing certainty, correct?**

13       A. I think I would represent a little bit  
14 differently. If you look back at history, and we had a  
15 decade worth of history, you had revenues, and it  
16 probably -- maybe it's worth revisiting. Avista, on  
17 behalf of its customers, retains an approximately 60,000  
18 decatherms of capacity from AECO to -- to Malin, which  
19 we can use to serve our gas plants that are located in  
20 the Spokane area generally and then also down in  
21 Boardman, Oregon.

22       The value of that transportation traditionally  
23 had been essentially the -- the basis differential  
24 between AECO and Malin because we -- we operate that  
25 pipe -- or that right to maximize revenue. So over that

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1 historical period, we'd see revenues in almost all years  
2 grossly below \$10 million and in some years maybe 1 or  
3 \$2 million.

4 So really it wasn't ignoring the forward. We  
5 certainly could see the forward, but we felt that the  
6 better representation would be a historical look that  
7 still was substantially above what we had received in  
8 almost all years, but was not a forward projection at  
9 the time.

10 **Q. And in your testimony, you -- you have testified**  
11 **that the spread between AECO and Malin has continued to**  
12 **increase, correct?**

13 A. At the time of the testimony, yes, when my  
14 original case. That isn't true today. We're seeing a  
15 reversal of that now and a reduction in the forward  
16 value of that transportation.

17 **Q. By "original case," are you referring to your**  
18 **direct or rebuttal or both?**

19 A. Yes, 1T. Yeah, CGK-1T.

20 **Q. And in 3T, you continue to make the point that**  
21 **the spread has continued to increase?**

22 A. And I -- and I -- referring specifically, if you  
23 look calendar year to calendar year, yes. So for  
24 calendar year 2019, for example, the actual benefit of  
25 that transportation revenue has risen forwards now,

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1 which show a substantial decrease in the value for 2020.

2 **Q. I'll ask the last question.**

3 **At the time Avista set its 2018 baseline power**  
4 **costs, forward pricing was already signaling that**  
5 **forwards markets were expected or that the forwards**  
6 **markets expected that the spreads would continue to**  
7 **grow, correct?**

8 A. Actually, I don't know that I did an analysis  
9 looking multiyear ahead. I can only speak for that one  
10 calendar year, which did show a higher value.

11 **Q. Okay. And that higher value indicates that the**  
12 **market -- or that the market expected the spreads to**  
13 **continue to grow?**

14 A. Yeah, that's why if you look at the trajectory  
15 from recent history at that time out through the -- the  
16 year of forwards, you definitely would see an upward  
17 trajectory at that point.

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

20 JUDGE O'CONNELL: Thank you, Ms. Gafken.

21 Mr. Meyer, any redirect?

22 MR. MEYER: No redirect. Thank you.

23 JUDGE O'CONNELL: The bench has no  
24 questions, so, Mr. Kalich, you are excused. Thank you  
25 very much.



1 MR. KALICH: Thank you.

2 JUDGE O'CONNELL: I have a -- now that we're  
3 done with all of the witness testimony for the hearing,  
4 I have a few other items I believe we should cover. I  
5 would like to invite the attorneys to come back to  
6 tables and to the microphones in case you would like to  
7 have some input.

8 Mr. ffitch, are you still with us on the  
9 bridge line?

10 MR. FFITCH: Yes, I am, Your Honor. Thank  
11 you.

12 JUDGE O'CONNELL: Okay. Thank you.  
13 I'd like to talk briefly about public  
14 comments.

15 Ms. Suetake, how long does Public Counsel  
16 need to compile any public comments received regarding  
17 this proceeding?

18 MS. SUETAKE: Assuming we can -- assuming we  
19 don't already have them, probably just a few days.  
20 Probably by the end of the week would be fine unless you  
21 need it earlier.

22 JUDGE O'CONNELL: Do not need it sooner.  
23 The Bench Request No. 1 is going to be due on Friday,  
24 24th, so if we made the public comments due Friday, the  
25 24th, would that be reasonable?

1 MS. SUETAKE: That should be fine. Thank  
2 you.

3 JUDGE O'CONNELL: Okay. Let's set that date  
4 Friday, the 24th of January 2020 for public comments in  
5 this proceeding, and let's designate it as Bench Exhibit  
6 2. And I say Bench Exhibit 2 because I don't want to  
7 get it confused with Bench Request No. 1, so I'm using  
8 different numbers and that's why.

9 Next I want to talk about briefs from the  
10 parties. Briefs are due on February 5th, 2020, but  
11 because most of the issues in this case have been  
12 resolved by a settlement that all parties agree to  
13 except for the one portion where regarding the natural  
14 gas revenue requirement, we do not need and do not think  
15 the parties need long briefs in order to make your  
16 points. So we will be placing a page limit on the  
17 briefs of 20 pages. Are there any questions from the  
18 parties about this?

19 Okay. Hearing nothing --

20 MR. FFITCH: Your Honor?

21 JUDGE O'CONNELL: Yes, Mr. ffitch?

22 MR. FFITCH: Thank you. Is it anticipated  
23 that parties who are just focused on the partial  
24 multiparty settlement would need to file additional  
25 briefing regarding the settlement or simply that the

1 briefs would be addressing only the contested issues?

2 JUDGE O'CONNELL: I would expect the briefs  
3 to address only the contested issues. But as part of  
4 the settlement is contested, I do think that it may  
5 necessitate briefly touching upon the settlement itself  
6 and setting up any legal argument by the parties as to  
7 the natural gas revenue requirement portion. And we  
8 considered that in determining that we need only 20  
9 pages. And the 20 pages --

10 MR. FFITCH: Thank you, Your Honor.

11 JUDGE O'CONNELL: -- the 20 pages of  
12 argument, not including table of contents, signature  
13 page, 20 pages of argument.

14 Are there any other questions?

15 Seeing none, is there anything else we  
16 should address at this hearing before we adjourn?

17 MR. MEYER: No. Thank you, Your Honor.  
18 Thank you.

19 JUDGE O'CONNELL: Okay. Seeing nothing,  
20 thank you all for everything you've done in this case,  
21 and we are adjourned.

22 (Adjourned at 11:28 a.m.)  
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C E R T I F I C A T E

STATE OF WASHINGTON  
COUNTY OF THURSTON

I, Tayler Garlinghouse, a Certified Shorthand  
Reporter in and for the State of Washington, do hereby  
certify that the foregoing transcript is true and  
accurate to the best of my knowledge, skill and ability.

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Tayler Garlinghouse, CCR 3358