

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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1 BEFORE THE WASHINGTON
 2 UTILITIES AND TRANSPORTATION COMMISSION
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 4 WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, UG-190335 & UE-190222
 5 (Consolidated)
 6 Complainant,)
 7 vs.)
 8 AVISTA CORPORATION d/b/a)
 9 AVISTA UTILITIES,)
 10 Respondent.)

11 SETTLEMENT AND EVIDENTIARY HEARING, VOLUME IV
 12 Pages 162-252

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

15
 16 January 21, 2020
 17 10:00 A.M.

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Page 187	<p>1 LACEY, WASHINGTON; JANUARY 21, 2020</p> <p>2 10:00 A.M.</p> <p>3 --o0o--</p> <p>4 P R O C E E D I N G S</p> <p>5</p> <p>6 JUDGE O'CONNELL: Let's be on the record.</p> <p>7 Good morning. Today is Tuesday, January 21st, 2020.</p> <p>8 The time is approximately 10:00 a.m.</p> <p>9 My name is Andrew O'Connell. I'm an</p> <p>10 administrative law judge with the Washington Utilities</p> <p>11 and Transportation Commission, and I will be presiding</p> <p>12 in this matter along with the Commissioners who will</p> <p>13 join me in a moment.</p> <p>14 We're here today for an evidentiary and</p> <p>15 settlement hearing in consolidated Dockets UE-190334,</p> <p>16 UG-190335, and UE-190222, the last of which is Avista's</p> <p>17 filing regarding their energy recovery mechanism.</p> <p>18 The -- that limited issue, or a limited issue, regarding</p> <p>19 the prudence of a 2018 outage at Colstrip and the cost</p> <p>20 of replacement power has been removed from Docket</p> <p>21 UE-190222 and will be resolved in Docket UE-190882.</p> <p>22 So let's take short appearances starting</p> <p>23 with Avista and then going around the room.</p> <p>24 Mr. Meyer?</p> <p>25 MR. MEYER: Thank you, Your Honor. David</p>	Page 189	<p>1 The Energy Project, which the Commission received on</p> <p>2 January 13, 2020. Do the parties stipulate to the</p> <p>3 admission of all those prefiled exhibits and testimony</p> <p>4 including The Energy Project's errata?</p> <p>5 MR. MEYER: Yes.</p> <p>6 MS. SUETAKE: Yes, Your Honor.</p> <p>7 MS. CAMERON-RULKOWSKI: Yes.</p> <p>8 MR. FFITCH: Yes, Your Honor.</p> <p>9 JUDGE O'CONNELL: I've heard confirmation</p> <p>10 from all the parties or head nodding from all the</p> <p>11 parties. I will provide a copy of the exhibit list to</p> <p>12 the court reporter so they can be made part of the</p> <p>13 record, and all of those exhibits and the errata are</p> <p>14 accepted into the record.</p> <p>15 (Prefiled exhibits and errata admitted.)</p> <p>16 JUDGE O'CONNELL: So after the Commissioners</p> <p>17 join us, we'll address the settlement. We'll start with</p> <p>18 an opening statement in support of the settlement from</p> <p>19 the parties followed by a statement from Public Counsel</p> <p>20 regarding its opposition to the natural gas revenue</p> <p>21 requirement portion of the settlement. Then we will</p> <p>22 have a settlement panel to answer questions from the</p> <p>23 bench. After, we will have testimony on the remaining</p> <p>24 contested issues outside of the settlement, those</p> <p>25 including decoupling and the ERM issues that have not</p>

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<p>1 been removed for resolution to Docket UE-190882. We</p> <p>2 will then take the witnesses in the order that the</p> <p>3 parties have provided on the witness list starting with</p> <p>4 Kalich and Ehrbar.</p> <p>5 Are there any questions about procedure or</p> <p>6 the schedule for today?</p> <p>7 MS. CAMERON-RULKOWSKI: Your Honor, do you</p> <p>8 know if the bench will have questions for witnesses who</p> <p>9 will not be subject to cross-examination by Public</p> <p>10 Counsel? And this -- this goes to the contested issue</p> <p>11 portion.</p> <p>12 JUDGE O'CONNELL: Depending on some of the</p> <p>13 questions the bench has for the settlement panel, we may</p> <p>14 have questions for Mr. Mullins from AWEC, but other than</p> <p>15 that, we do not have any questions for any other witness</p> <p>16 that is not already going to be testifying today.</p> <p>17 MS. CAMERON-RULKOWSKI: Thank you, Your</p> <p>18 Honor.</p> <p>19 MR. MEYER: Just one other point of order.</p> <p>20 In light of the fact the parties have stipulated into</p> <p>21 evidence the testimony and -- and the exhibits, I assume</p> <p>22 there's no need for each lawyer one by one to qualify</p> <p>23 and introduce the witnesses, correct?</p> <p>24 JUDGE O'CONNELL: Are you referring to the</p> <p>25 settlement panel?</p>	<p>1 by all parties nor is decoupling contested by all</p> <p>2 parties. I know that Public Counsel has taken issue</p> <p>3 with both.</p> <p>4 JUDGE O'CONNELL: I guess let me clarify</p> <p>5 what I mean. Neither of those issues or any part of</p> <p>6 them are --</p> <p>7 MR. MEYER: Fully settled.</p> <p>8 JUDGE O'CONNELL: -- are fully settled.</p> <p>9 MR. MEYER: Correct, yes. Thank you.</p> <p>10 JUDGE O'CONNELL: That's what I mean.</p> <p>11 MR. MEYER: Yeah.</p> <p>12 JUDGE O'CONNELL: Okay. Anything else?</p> <p>13 Okay. Seeing none, if I could ask the</p> <p>14 witnesses for the settlement panel to come forward and</p> <p>15 take a seat so that they'll save some time when</p> <p>16 Commissioners come down and whoever will be providing</p> <p>17 the opening statement to also come forward if it's not</p> <p>18 one of the witnesses.</p> <p>19 With that, we will be off the record briefly</p> <p>20 until the Commissioners join. Thank you.</p> <p>21 (A break was taken from</p> <p>22 10:09 a.m. to 10:14 a.m.)</p> <p>23 JUDGE O'CONNELL: Let's be back on the</p> <p>24 record. So we're back on the record following a short</p> <p>25 recess. I'm joined now by Chair Danner, Commissioner</p>
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<p>1 MR. MEYER: Yes.</p> <p>2 JUDGE O'CONNELL: No. I'm expecting that we</p> <p>3 will have the witnesses sworn in and that we will have</p> <p>4 them introduce themselves.</p> <p>5 MR. MEYER: Thank you. That's helpful.</p> <p>6 JUDGE O'CONNELL: Okay. Is there any other</p> <p>7 questions about schedule or procedure?</p> <p>8 Ms. Suetake?</p> <p>9 MS. SUETAKE: Just to clarify, our</p> <p>10 cross-examination for Mr. Kalich is actually not related</p> <p>11 to the stipulation, it is related to the ERM portion.</p> <p>12 So I'm not sure if you wanted to do him first and then</p> <p>13 Mr. Ehrbar, because the questions for Mr. Ehrbar are</p> <p>14 related to the contested natural gas and decoupling</p> <p>15 issues. I just wasn't sure which order you wanted.</p> <p>16 JUDGE O'CONNELL: No, thank you for that</p> <p>17 clarification. I guess I assume that the questions for</p> <p>18 Mr. Ehrbar would be about decoupling?</p> <p>19 MS. SUETAKE: Sorry, just decoupling, not</p> <p>20 natural gas. You're correct.</p> <p>21 JUDGE O'CONNELL: Okay. Well, the ERM</p> <p>22 issues that remain and decoupling, are -- those issues</p> <p>23 are fully contested by all the parties.</p> <p>24 MR. MEYER: Not the -- Your Honor, not the</p> <p>25 ERM issue. There -- there -- it's not fully contested</p>	<p>1 Rendahl, and Commissioner Balasbas. Parties have</p> <p>2 stipulated to the admission of all the prefiled</p> <p>3 exhibits. With the Commissioners here, we will take</p> <p>4 short appearances again beginning with the Company and</p> <p>5 going around the room. I apologize for asking the</p> <p>6 attorneys who stepped back from the microphones to come</p> <p>7 up again and introduce yourselves, but please do.</p> <p>8 Let's start with the Company, and Mr. Meyer.</p> <p>9 MR. MEYER: David Meyer for Avista.</p> <p>10 MR. PEPPLER: This is Tyler Pepple for the</p> <p>11 Alliance of Western Energy Consumers.</p> <p>12 MR. SANGER: Irion Sanger, attorney for</p> <p>13 Northwest Energy Coalition.</p> <p>14 MS. YARNALL LOARIE: Jessica Yarnall Loarie</p> <p>15 for the Sierra Club Law Program.</p> <p>16 JUDGE O'CONNELL: And on the bridge line?</p> <p>17 MR. FFITCH: Simon ffitich representing The</p> <p>18 Energy Project.</p> <p>19 MS. SUETAKE: Nina Suetake and Lisa Gafken</p> <p>20 for Public Counsel.</p> <p>21 MS. CAMERON-RULKOWSKI: Jennifer</p> <p>22 Cameron-Rulkowski, Assistant Attorney General, here on</p> <p>23 behalf of Commission Staff.</p> <p>24 JUDGE O'CONNELL: Okay. Thank you.</p> <p>25 Now we have an opportunity for opening</p>

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<p>1 statements regarding the settlement. Who is going to be</p> <p>2 giving the opening statement in support of the</p> <p>3 settlement?</p> <p>4 Would you -- well, would you please</p> <p>5 introduce yourself and spell your last name for the</p> <p>6 record?</p> <p>7 MS. ANDREWS: Elizabeth Andrews for Avista.</p> <p>8 Spelling A-n-d-r-e-w-s.</p> <p>9 JUDGE O'CONNELL: Okay. Please go ahead.</p> <p>10 MS. ANDREWS: Go ahead?</p> <p>11 JUDGE O'CONNELL: Yes.</p> <p>12 MS. ANDREWS: Okay. All right. Good</p> <p>13 morning. Thank you, Chairman Danner, Commissioner</p> <p>14 Balasbas, Commissioner Rendahl, and Judge O'Connell.</p> <p>15 Thank you for this opportunity to provide this statement</p> <p>16 for the parties. The Company first wants to express its</p> <p>17 appreciation to all the parties here for their efforts</p> <p>18 to -- to reach this partial multiparty settlement</p> <p>19 agreement.</p> <p>20 With the exception of a few issues such as</p> <p>21 natural gas revenue requirement, electric and gas,</p> <p>22 decoupling, and non-Colstrip ERM-related issues, this</p> <p>23 settlement provides resolution of all other issues in</p> <p>24 this docket.</p> <p>25 Although the electric and natural gas</p>	<p>1 final ERM customer deferred balance approved by the</p> <p>2 Commission would be returned to customers over a</p> <p>3 two-year period beginning April 1, 2020, coincidence --</p> <p>4 concurrent with the effective date of this general rate</p> <p>5 case.</p> <p>6 If approved as filed by the Company, this</p> <p>7 amounts to approximately 17 million annually over the</p> <p>8 next two years or a reduction of 3.8 percent offsetting</p> <p>9 in part the impact of the proposed electric increase.</p> <p>10 Overall, this settlement, if approved, provides a</p> <p>11 reasonable outcome, provides for recovery of additional</p> <p>12 costs, and results in rates that are fair, just, and</p> <p>13 reasonable. And along with continued cost management,</p> <p>14 measures by the Company provides a reasonable</p> <p>15 opportunity for the Company to earn its allowed returns.</p> <p>16 Thank you.</p> <p>17 JUDGE O'CONNELL: Thank you, Ms. Andrews.</p> <p>18 And now Public Counsel, a statement about</p> <p>19 your opposition to the natural gas revenue requirement</p> <p>20 portion? Go ahead.</p> <p>21 MS. SUETAKE: Thank you, Your Honor.</p> <p>22 Good morning, Commissioners and Chairman</p> <p>23 Danner. Public Counsel supports all components of the</p> <p>24 partial stipulation except for the \$8 million revenue</p> <p>25 increase for natural gas service. Although the</p>
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<p>1 revenue requirements are part of a black box settlement,</p> <p>2 these efforts reflect compromise along the group with</p> <p>3 very differing interests reflecting give and take by all</p> <p>4 the parties. This agreement, however, was reached only</p> <p>5 after review of the Company's filing, audit and review</p> <p>6 out of its books and records, extensive discovery</p> <p>7 including over 840 requests, and filing of testimony by</p> <p>8 all parties. All this spanning over seven months.</p> <p>9 The parties believe this settlement strikes</p> <p>10 a reasonable balance between the interests of Avista and</p> <p>11 its customers on revenue requirement, weighted cost of</p> <p>12 capital, rate spread rate design, as well as a variety</p> <p>13 of miscellaneous issues in the settlement that are</p> <p>14 important to the parties, such as increases in low</p> <p>15 income weatherization, increases in low income rate</p> <p>16 assistance program funding, review and development of</p> <p>17 special contracts, as well as agreement around the</p> <p>18 accelerated depreciation of Avista's 15 percent</p> <p>19 ownership of Colstrip Units 3 and 4 to 2025, the</p> <p>20 accounting and recovery of those costs, and finally, the</p> <p>21 resolution of the remaining electric tax reform benefits</p> <p>22 that were set aside as a possible offset against the</p> <p>23 Colstrip accelerated depreciation.</p> <p>24 Lastly, partially offsetting the electric</p> <p>25 increase for customers, the parties propose that the</p>	<p>1 stipulation significantly reduced Avista's original</p> <p>2 request of 12.9 million, it will still result in an 8.5</p> <p>3 percent revenue increase to customers who have been</p> <p>4 burdened by significant increases over the last few</p> <p>5 years.</p> <p>6 Avista's natural gas customers have</p> <p>7 experienced increases every year from 2009 to 2016, and</p> <p>8 although Avista's rates have remained unchanged from</p> <p>9 2016 to 2018, the benefits enjoyed by ratepayers over</p> <p>10 these last two years will be virtually wiped out by the</p> <p>11 proposed increase of \$8 million.</p> <p>12 Public Counsel therefore continues to</p> <p>13 support the adjustments to Avista's natural gas revenue</p> <p>14 requirement proposed in our testimony. These would</p> <p>15 result in a revenue requirement increase of no greater</p> <p>16 than 5.08 million based on the cost of capital agreed to</p> <p>17 in the stipulation. While this increase will still</p> <p>18 result in a substantial increase of approximately 5.4</p> <p>19 percent, it will be more in line with the 5.7 percent</p> <p>20 revenue increase for electric service included in the</p> <p>21 stipulation.</p> <p>22 Public Counsel's objection to the natural</p> <p>23 gas revenue requirement portion of this stipulation does</p> <p>24 not diminish its support at all for the rest of the</p> <p>25 components of the stipulation. Thank you.</p>

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<p>1 JUDGE O'CONNELL: Okay. Thank you.</p> <p>2 So let's have our settlement panel come</p> <p>3 forward if they're not already seated. Is everyone -- I</p> <p>4 think everyone on the settlement panel is here. If you</p> <p>5 would all please stand and raise your right hand, I will</p> <p>6 swear you in.</p> <p>7 (Settlement panel sworn.)</p> <p>8 JUDGE O'CONNELL: Thank you. Please be</p> <p>9 seated.</p> <p>10 Let's have each of the witnesses introduce</p> <p>11 themselves and spell their last name going around the</p> <p>12 room starting with Mr. Ehrbar.</p> <p>13 MR. EHRBAR: Yes, thank you. Patrick Ehrbar</p> <p>14 for Avista. It's E-h-r-b-a-r.</p> <p>15 MS. ANDREWS: Elizabeth Andrews for Avista,</p> <p>16 A-n-d-r-e-w-s.</p> <p>17 DR. KAUFMAN: Lance Kaufman consulting for</p> <p>18 Northwest Energy -- Northwest Energy -- Northwest</p> <p>19 Alliance for energy consumers, and my last name is</p> <p>20 spelled K-a-u-f-m-a-n.</p> <p>21 MS. GERLITZ: Wendy Gerlitz representing</p> <p>22 Northwest Energy Coalition. My last name is</p> <p>23 G-e-r-l-i-t-z.</p> <p>24 MR. HOWELL: Doug Howell for the Sierra</p> <p>25 Club. Last name Howell, H-o-w-e-l-l.</p>	<p>1 the ERM was originally set in motion, which is as I</p> <p>2 recall offhand, the after tax cost of debt. So whatever</p> <p>3 was in place when the ERM was approved, continues to be</p> <p>4 that same interest rate.</p> <p>5 COMMISSIONER RENDAHL: But the -- the</p> <p>6 settlement reflects a change in the time period over</p> <p>7 which it's going to be returned given the change in the</p> <p>8 time that the settlement is beginning on April 1st</p> <p>9 instead of July 1st, 2019.</p> <p>10 MR. EHRBAR: Yes, so that balance has</p> <p>11 continued to accrue interest during this time period,</p> <p>12 and all of that would also be returned to customers. So</p> <p>13 we note here that what was in the balance was roughly</p> <p>14 34.4 million, but it has continued to accrue interest.</p> <p>15 And over that time period, I don't have the number in</p> <p>16 front of me, but I would expect it to be in the</p> <p>17 neighborhood of 38 to 39 million over the entire time</p> <p>18 period, including interest.</p> <p>19 COMMISSIONER RENDAHL: Thank you.</p> <p>20 COMMISSIONER BALASBAS: All right. Good</p> <p>21 morning, everyone. So this question relates to a</p> <p>22 provision in the settlement related to the temporary tax</p> <p>23 savings from the Tax Cut and Jobs Act. The</p> <p>24 approximately \$900,000 of the residual balance that was</p> <p>25 left in the interim period savings from January 1, 2018,</p>
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<p>1 MR. COLLINS: Shawn Collins, director of The</p> <p>2 Energy Project, C-o-l-l-i-n-s.</p> <p>3 MR. MCGUIRE: Chris McGuire with Commission</p> <p>4 Staff. Last name M-c-g-u-i-r-e.</p> <p>5 MR. DAHL: Corey Dahl for the Public Counsel</p> <p>6 Unit of the Washington State Office of the Attorney</p> <p>7 General. Last name is spelled D-a-h-l.</p> <p>8 JUDGE O'CONNELL: Okay. Thank you. We will</p> <p>9 have a couple questions for the panel from the bench.</p> <p>10 COMMISSIONER RENDAHL: Good morning. This</p> <p>11 question relates to the -- the ERM balance and the</p> <p>12 accrued interest. So the paragraph 12 of the settlement</p> <p>13 addresses the period over which the ERM balance will be</p> <p>14 returned to customers. And the amortization of the ERM</p> <p>15 balance is planned by Avista to begin on July 1st, 2019.</p> <p>16 An issue was raised by AWEC's Mr. Mullins in his</p> <p>17 response testimony about the interest, the accrued</p> <p>18 interest.</p> <p>19 So does the settlement resolve whether there</p> <p>20 should be an update for the accrued interest on the ERM</p> <p>21 balance since the amortization would now begin on</p> <p>22 April 1st, 2020, instead of July 1st, 2019?</p> <p>23 MR. EHRBAR: Thank you for that. The</p> <p>24 interest that is accruing on the deferred balance</p> <p>25 continues to be the -- the interest rate approved when</p>	<p>1 through April 30th of 2018. And I think that you recall</p> <p>2 that in our order on the 2017 general rate case, we</p> <p>3 ordered the Company to return that interim period</p> <p>4 benefit over a one-year period.</p> <p>5 Can you explain what caused the residual</p> <p>6 \$900,000 balance?</p> <p>7 MS. ANDREWS: Yes, I can. Thank you.</p> <p>8 During -- after we had -- we had provided the original</p> <p>9 balance that was being returned to customers had been an</p> <p>10 estimate of what the expected cost would be. After the</p> <p>11 Company completed its 2017 tax return in September, I</p> <p>12 think later that year, there was an adjustment that</p> <p>13 increased the amount I think about \$500,000. The rest</p> <p>14 of it is incremental interest that continued to accrue</p> <p>15 over the balance. It's also returned based on usage, so</p> <p>16 it may not exactly work out, and so we ended up with a</p> <p>17 residual balance of 900,000.</p> <p>18 COMMISSIONER BALASBAS: So was that residual</p> <p>19 balance, then, primarily due to the fact that it was</p> <p>20 being passed back based on usage?</p> <p>21 MS. ANDREWS: No, I think the majority of it</p> <p>22 was due to the -- to the update after the tax return had</p> <p>23 been completed. One of the things we had said early on</p> <p>24 is that with the tax reform, you know, as they -- as we</p> <p>25 investigated more and more on all of the components that</p>

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<p>1 had to flow through that, when we came up with our</p> <p>2 original estimate and the original calculation, there</p> <p>3 were just things that, as they did the tax return, maybe</p> <p>4 they were different deductions, different things like</p> <p>5 that that increased that balance.</p> <p>6 COMMISSIONER BALASBAS: And is the residual</p> <p>7 balance all from the electric side on Schedule 74?</p> <p>8 MS. ANDREWS: Correct, it is, yes.</p> <p>9 COMMISSIONER BALASBAS: All right. All</p> <p>10 right. Thank you.</p> <p>11 MS. ANDREWS: You're welcome.</p> <p>12 JUDGE O'CONNELL: All right. I'd like to</p> <p>13 ask a question to follow up with Commissioner Balasbas'.</p> <p>14 Is there a residual balance for the gas</p> <p>15 operations in Schedule 174?</p> <p>16 MS. ANDREWS: I don't recall offhand what</p> <p>17 that amount is, but I know it's not -- it's not much. I</p> <p>18 want to say it's less than 50,000. So whatever balance</p> <p>19 there is, if there is a balance, then we can either -- I</p> <p>20 think we stated previously that we would just include it</p> <p>21 in the next general rate case.</p> <p>22 JUDGE O'CONNELL: Okay. Thank you.</p> <p>23 CHAIRMAN DANNER: All right. I have a</p> <p>24 question for Mr. Ehrbar. And this is in regard to the</p> <p>25 fifth proposed modification in the decoupling reporting</p>	<p>1 waiver and exemption of that rule?</p> <p>2 MR. EHRBAR: Yes.</p> <p>3 CHAIRMAN DANNER: And so are you asking for</p> <p>4 it to be permanent or temporary?</p> <p>5 MR. EHRBAR: I would ask for it to be --</p> <p>6 that's a good question. I think to make it easy for the</p> <p>7 Commission administratively, I would ask for it to be</p> <p>8 permanent simply for the fourth quarter report due in</p> <p>9 the first quarter of every year.</p> <p>10 CHAIRMAN DANNER: Okay.</p> <p>11 MR. EHRBAR: To the alternative, we can</p> <p>12 continue down what we've always done. It was just</p> <p>13 something that we thought would be -- just make it a</p> <p>14 little bit easier. But if it's problematic, we can</p> <p>15 stick with how we've always done it.</p> <p>16 CHAIRMAN DANNER: So yeah, I just -- I just</p> <p>17 want to be clear, you know, how this is connected to the</p> <p>18 decoupling mechanism, right? You're not intending it</p> <p>19 to -- I mean, you're scoping it?</p> <p>20 MR. EHRBAR: Yes.</p> <p>21 CHAIRMAN DANNER: Okay. Okay. Thank you.</p> <p>22 One of my colleagues may want to follow up.</p> <p>23 COMMISSIONER RENDAHL: Yeah, just maybe to</p> <p>24 follow up. So, again, this is just limited to the</p> <p>25 natural gas reporting only?</p>
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<p>1 as you recall. In your testimony, you refer to</p> <p>2 decoupling reporting, financial earnings reporting, and</p> <p>3 quarter reporting.</p> <p>4 So I just want to be clear, what reports are</p> <p>5 you asking to file by 60 days after the end of quarter</p> <p>6 instead of 45 days?</p> <p>7 MR. EHRBAR: Sure. So we file quarterly</p> <p>8 reports that detail what has transpired over the</p> <p>9 previous quarter in terms of deferred balances. What we</p> <p>10 ran into was an issue in some years where the report</p> <p>11 would be due prior to us issuing our earnings. And so</p> <p>12 we were filing that quarterly report for Q4 in roughly,</p> <p>13 you know, mid February, but we were having to file that</p> <p>14 confidentially. Then our earnings would come out and</p> <p>15 then we'd make another filing to unredact and make</p> <p>16 nonconfidential that same report.</p> <p>17 And so this was primarily aimed at that one</p> <p>18 limited quarterly filing. If we could have 60 days and</p> <p>19 wait until the end of February to file it, our corporate</p> <p>20 earnings will be out, and then we can just file it with</p> <p>21 the Commission as nonconfidential.</p> <p>22 CHAIRMAN DANNER: Okay. So the reason I ask</p> <p>23 is we have a WAC. There's a provisioning code. It's</p> <p>24 480-90-275, and that requires reporting within 45 days</p> <p>25 of the end of the quarter. So are you asking for a</p>	<p>1 MR. EHRBAR: That is correct.</p> <p>2 COMMISSIONER RENDAHL: For decoupling</p> <p>3 purposes?</p> <p>4 MR. EHRBAR: That's correct.</p> <p>5 COMMISSIONER RENDAHL: Just for the fourth</p> <p>6 quarter?</p> <p>7 MR. EHRBAR: Just for the fourth quarter.</p> <p>8 Yeah, so it's very -- very slight.</p> <p>9 COMMISSIONER RENDAHL: Very --</p> <p>10 MR. EHRBAR: Tweaked.</p> <p>11 COMMISSIONER RENDAHL: -- scoped and</p> <p>12 permanent. All right. Thank you.</p> <p>13 COMMISSIONER BALASBAS: So this is just a</p> <p>14 follow-up to the question I asked earlier as well as the</p> <p>15 follow-up question from Judge O'Connell.</p> <p>16 So the -- the settlement agreement does not</p> <p>17 address any of the what if -- what if any residual</p> <p>18 balance remains on the Schedule 174?</p> <p>19 MS. ANDREWS: That's correct.</p> <p>20 COMMISSIONER BALASBAS: Okay. So the</p> <p>21 settlement only addresses what is in Schedule 74?</p> <p>22 MS. ANDREWS: Yes, that's correct.</p> <p>23 COMMISSIONER BALASBAS: Thank you.</p> <p>24 CHAIRMAN DANNER: I guess it's my turn.</p> <p>25 So, Mr. Collins, I have a question for you,</p>

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<p>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</p>	<p>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.</p>
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<p>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</p>	<p>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</p>

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<p>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</p>	<p>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.</p>
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<p>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</p>	<p>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</p>

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<p>1 of years.</p> <p>2 COMMISSIONER BALASBAS: So just to follow up</p> <p>3 on that, will there be any coordination -- because we</p> <p>4 have approved a community transition fund for Puget</p> <p>5 Sound Energy in a previous rate case for that company,</p> <p>6 will -- will there be any coordination between these two</p> <p>7 streams of funds?</p> <p>8 MR. EHRBAR: That's not contemplated here.</p> <p>9 I don't think we can necessarily do it in a vacuum</p> <p>10 either, so there's where I think the partners in the</p> <p>11 Northwest Energy Coalition, Sierra Club, and others who</p> <p>12 have been involved in the Puget fund, we of course</p> <p>13 haven't been, maybe will be able to provide insight and</p> <p>14 guidance there as we structure this.</p> <p>15 MS. GERLITZ: If I might, Wendy Gerlitz,</p> <p>16 Northwest Energy Coalition, and I will just say that I</p> <p>17 had several conversations both with folks in Montana who</p> <p>18 are working on setting up the community transition</p> <p>19 structures and conversations around spending the Puget</p> <p>20 funding and also with Puget themselves as we set to set</p> <p>21 up this settlement term. So I think the tension there,</p> <p>22 right, is that any community transition efforts should</p> <p>23 be community-led, and the community is just beginning to</p> <p>24 set up the parameters of how they want to move that</p> <p>25 process forward.</p>	<p>1 your role in advising the Company and what do you wish</p> <p>2 to see from that advising role to make sure this aid is</p> <p>3 coordinated and goes to the benefit of the community as</p> <p>4 the community wishes?</p> <p>5 MS. GERLITZ: Yeah, I guess I'll say from</p> <p>6 the Northwest Energy Coalition's perspective, we have</p> <p>7 the benefit of sitting on the advisory committee that is</p> <p>8 providing oversight to the TransAlta transition dollars,</p> <p>9 a much larger sum of money, at least at this point</p> <p>10 relatively. But Nancy Hirsch, our executive director,</p> <p>11 sits on one of the advisory committees for those funds</p> <p>12 and has the experience of seeing how that money has been</p> <p>13 spent to the benefit of the community and community</p> <p>14 transition.</p> <p>15 And so a lot of the expertise that we're</p> <p>16 bringing comes from that experience where we've seen a</p> <p>17 lot of really good investments in the community. It's a</p> <p>18 different situation, of course, than in Montana, but</p> <p>19 Northwest Energy Coalition does have staff in Montana</p> <p>20 that regularly, you know, touches base with stakeholders</p> <p>21 in Montana.</p> <p>22 And so I think we'll just continue to bring</p> <p>23 our experience from the Washington transition of that</p> <p>24 plant to Montana and hope to help inform those efforts</p> <p>25 to ensure that best practices. We've also reached out</p>
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<p>1 So it's my understanding that none of the</p> <p>2 Puget money, even though we decided on that a couple</p> <p>3 years ago, has been actually spent out yet because the</p> <p>4 community's been going through its process. But I think</p> <p>5 they are getting to a point where we will begin to see</p> <p>6 some expenditures on the part of a community-led</p> <p>7 process, and so there's always a delicate tension</p> <p>8 between, you know, outside organizations that don't live</p> <p>9 in this state providing funding and wanting that funding</p> <p>10 to be spent well and then the -- the community deciding</p> <p>11 what's best for it to go forward.</p> <p>12 But I believe that Puget's been doing a lot</p> <p>13 of groundwork there, and I think that Avista will be a</p> <p>14 good addition to that and help to bring some additional</p> <p>15 skills so that all of the money collectively that's</p> <p>16 flowing from our utilities to this purpose will be spent</p> <p>17 effectively in the community.</p> <p>18 COMMISSIONER RENDAHL: Thank you for that.</p> <p>19 That's helpful.</p> <p>20 So my question goes more to this</p> <p>21 coordination with the community and with the other</p> <p>22 utilities, there probably will be more going forward,</p> <p>23 and so maybe, Ms. Gerlitz, this is a good question for</p> <p>24 you. How -- how do Sierra Club and the Northwest Energy</p> <p>25 Coalition and other advisors, how -- how do you envision</p>	<p>1 across the country for other examples so that we're</p> <p>2 bringing best practices to the conversation, and I think</p> <p>3 we'll just continue to try to do that.</p> <p>4 I mean, one example is, you know, the way</p> <p>5 that we structured this settlement includes specific</p> <p>6 language that makes sure that tribal communities are</p> <p>7 included. That's an oversight that we saw in previous</p> <p>8 processes that we wanted to correct, and so as we're</p> <p>9 doing this, we're learning about what things</p> <p>10 specifically we need to ensure are considered in the --</p> <p>11 in the process. So hopefully that answers your</p> <p>12 question.</p> <p>13 COMMISSIONER RENDAHL: I guess I'd ask if</p> <p>14 Mr. Ehrbar or Ms. Andrews, if you all have a different</p> <p>15 impression or is that in line with what you all are</p> <p>16 thinking?</p> <p>17 MR. EHRBAR: Yeah, I would say that that's</p> <p>18 in line with what we're -- what we're thinking.</p> <p>19 MR. HOWELL: This is Doug Howell, Sierra</p> <p>20 Club. I'd like to add to that. We have been learning</p> <p>21 about transitions. Sierra Club's played an active role</p> <p>22 in many communities across the country, and we've</p> <p>23 learned a lot from the TransAlta experience. And, you</p> <p>24 know, each community is different. There is certainly</p> <p>25 no cookie-cutter, and I think what's laudable about this</p>

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<p>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.</p>	<p>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</p>
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<p>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</p>	<p>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</p>

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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

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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.

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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.

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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.

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<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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?</p> <p>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.</p> <p>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?</p> <p>14 A. That's the way our mechanism is structured, yes.</p> <p>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?</p> <p>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.</p> <p>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?</p>	<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>1 has addressed the decoupling issue in the Northwest 2 Natural Gas case?</p> <p>3 A. Yes. So the Commission addressed a form of a 4 mechanism that Northwest Natural proposed around cost 5 recovery separate from ours.</p> <p>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?</p> <p>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.</p> <p>16 Q. So will you be tracking -- tracking usage from 17 new versus existing customers at all?</p> <p>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</p>
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<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>1 A. We consider them to be fixed and are tracked 2 through decoupling.</p> <p>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?</p> <p>6 A. Yes. The decoupling mechanism is structured 7 around and approved during allowed revenue per customer 8 set forth by the Commission.</p> <p>9 Q. And as customers increased, then the total 10 amount that the Company was permitted to recover also 11 increased, correct?</p> <p>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.</p> <p>16 Q. And then in your original testimony, is it 17 correct that the Company proposed to retain that per 18 customer methodology?</p> <p>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.</p> <p>24 Q. Okay. Then since your direct -- direct 25 testimony was filed, is it correct that the Commission</p>	<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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.</p> <p>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?</p> <p>7 A. That's correct.</p> <p>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?</p> <p>12 A. Yes.</p> <p>13 Q. Okay. But -- and to reiterate, the new customer 14 revenue will not be subject to true-up?</p> <p>15 A. The -- that -- that is correct.</p> <p>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?</p> <p>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</p>

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<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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</p>	<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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</p>
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<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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</p>	<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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?</p>

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<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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.</p> <p>5 Q. Okay.</p> <p>6 A. So they're not excluded from our earnings and 7 therefore not excluded from the earnings test --</p> <p>8 Q. Okay.</p> <p>9 A. -- therein.</p> <p>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?</p> <p>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.</p> <p>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?</p> <p>21 A. Yes.</p> <p>22 Q. And so is it correct that the Company is 23 obligated to pursue these energy efficiency 24 opportunities?</p> <p>25 A. Yes, absolutely. The Company will follow the</p>	<p>EXAMINATION OF EHRBAR / RENDAHL</p> <p>1 EXAMINATION</p> <p>2 BY COMMISSIONER RENDAHL:</p> <p>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?</p> <p>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.</p> <p>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?</p>
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<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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.</p> <p>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.</p> <p>17 MS. SUETAKE: Those are all my questions for 18 you. Thank you, Mr. Ehrbar.</p> <p>19 MR. EHRBAR: Thank you.</p> <p>20 JUDGE O'CONNELL: Thank you.</p> <p>21 COMMISSIONER RENDAHL: I have a brief 22 follow-up just to clarifying this question about the 23 additional customers.</p> <p>24 ////</p> <p>25 ////</p>	<p>EXAMINATION OF EHRBAR / DANNER</p> <p>1 A. That's exactly correct.</p> <p>2 COMMISSIONER RENDAHL: Okay thank you.</p> <p>3 CHAIRMAN DANNER: I just want to follow up a 4 little bit on Ms. Suetake's question about the EIA.</p> <p>5</p> <p>6 EXAMINATION</p> <p>7 BY CHAIRMAN DANNER:</p> <p>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.</p> <p>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.</p> <p>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</p>

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<p>EXAMINATION OF EHRBAR / MEYER</p> <p>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</p>	<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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</p>
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<p>EXAMINATION OF EHRBAR / MEYER</p> <p>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.</p>	<p>EXAMINATION OF EHRBAR / SUETAKE</p> <p>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 ////</p>

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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.

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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**

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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

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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.

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<p>EXAMINATION OF KALICH / GAFKEN</p> <p>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?</p> <p>4 A. No, we did not. We used the historical average.</p> <p>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?</p> <p>9 A. From that single forward space year, yes.</p> <p>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?</p> <p>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.</p> <p>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</p>	<p>EXAMINATION OF KALICH / GAFKEN</p> <p>1 which show a substantial decrease in the value for 2020.</p> <p>2 Q. I'll ask the last question.</p> <p>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?</p> <p>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.</p> <p>11 Q. Okay. And that higher value indicates that the 12 market -- or that the market expected the spreads to 13 continue to grow?</p> <p>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.</p> <p>18 MS. GAFKEN: Thank you. I have no further 19 questions.</p> <p>20 JUDGE O'CONNELL: Thank you, Ms. Gafken. 21 Mr. Meyer, any redirect?</p> <p>22 MR. MEYER: No redirect. Thank you.</p> <p>23 JUDGE O'CONNELL: The bench has no 24 questions, so, Mr. Kalich, you are excused. Thank you 25 very much.</p>
<p>Page 247</p> <p>EXAMINATION OF KALICH / GAFKEN</p> <p>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.</p> <p>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.</p> <p>10 Q. And in your testimony, you -- you have testified 11 that the spread between AECO and Malin has continued to 12 increase, correct?</p> <p>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.</p> <p>17 Q. By "original case," are you referring to your 18 direct or rebuttal or both?</p> <p>19 A. Yes, 1T. Yeah, CGK-1T.</p> <p>20 Q. And in 3T, you continue to make the point that 21 the spread has continued to increase?</p> <p>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,</p>	<p>Page 249</p> <p>1 MR. KALICH: Thank you.</p> <p>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.</p> <p>8 Mr. ffitc, are you still with us on the 9 bridge line?</p> <p>10 MR. FFITCH: Yes, I am, Your Honor. Thank 11 you.</p> <p>12 JUDGE O'CONNELL: Okay. Thank you. 13 I'd like to talk briefly about public 14 comments.</p> <p>15 Ms. Suetake, how long does Public Counsel 16 need to compile any public comments received regarding 17 this proceeding?</p> <p>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.</p> <p>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?</p>

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<p>1 MS. SUETAKE: That should be fine. Thank</p> <p>2 you.</p> <p>3 JUDGE O'CONNELL: Okay. Let's set that date</p> <p>4 Friday, the 24th of January 2020 for public comments in</p> <p>5 this proceeding, and let's designate it as Bench Exhibit</p> <p>6 2. And I say Bench Exhibit 2 because I don't want to</p> <p>7 get it confused with Bench Request No. 1, so I'm using</p> <p>8 different numbers and that's why.</p> <p>9 Next I want to talk about briefs from the</p> <p>10 parties. Briefs are due on February 5th, 2020, but</p> <p>11 because most of the issues in this case have been</p> <p>12 resolved by a settlement that all parties agree to</p> <p>13 except for the one portion where regarding the natural</p> <p>14 gas revenue requirement, we do not need and do not think</p> <p>15 the parties need long briefs in order to make your</p> <p>16 points. So we will be placing a page limit on the</p> <p>17 briefs of 20 pages. Are there any questions from the</p> <p>18 parties about this?</p> <p>19 Okay. Hearing nothing --</p> <p>20 MR. FFITCH: Your Honor?</p> <p>21 JUDGE O'CONNELL: Yes, Mr. ffitch?</p> <p>22 MR. FFITCH: Thank you. Is it anticipated</p> <p>23 that parties who are just focused on the partial</p> <p>24 multiparty settlement would need to file additional</p> <p>25 briefing regarding the settlement or simply that the</p>	<p style="text-align: center;">C E R T I F I C A T E</p> <p>1</p> <p>2</p> <p>3 STATE OF WASHINGTON</p> <p>4 COUNTY OF THURSTON</p> <p>5</p> <p>6 I, Tayler Garlinghouse, a Certified Shorthand</p> <p>7 Reporter in and for the State of Washington, do hereby</p> <p>8 certify that the foregoing transcript is true and</p> <p>9 accurate to the best of my knowledge, skill and ability.</p> <p>10</p> <p>11</p> <p style="text-align: center;">Tayler Garlinghouse, CCR 3358</p> <p>12</p> <p>13</p> <p>14</p> <p>15</p> <p>16</p> <p>17</p> <p>18</p> <p>19</p> <p>20</p> <p>21</p> <p>22</p> <p>23</p> <p>24</p> <p>25</p>
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<p>1 briefs would be addressing only the contested issues?</p> <p>2 JUDGE O'CONNELL: I would expect the briefs</p> <p>3 to address only the contested issues. But as part of</p> <p>4 the settlement is contested, I do think that it may</p> <p>5 necessitate briefly touching upon the settlement itself</p> <p>6 and setting up any legal argument by the parties as to</p> <p>7 the natural gas revenue requirement portion. And we</p> <p>8 considered that in determining that we need only 20</p> <p>9 pages. And the 20 pages --</p> <p>10 MR. FFITCH: Thank you, Your Honor.</p> <p>11 JUDGE O'CONNELL: -- the 20 pages of</p> <p>12 argument, not including table of contents, signature</p> <p>13 page, 20 pages of argument.</p> <p>14 Are there any other questions?</p> <p>15 Seeing none, is there anything else we</p> <p>16 should address at this hearing before we adjourn?</p> <p>17 MR. MEYER: No. Thank you, Your Honor.</p> <p>18 Thank you.</p> <p>19 JUDGE O'CONNELL: Okay. Seeing nothing,</p> <p>20 thank you all for everything you've done in this case,</p> <p>21 and we are adjourned.</p> <p>22 (Adjourned at 11:28 a.m.)</p> <p>23</p> <p>24</p> <p>25</p>	