

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET UE-240006

DIRECT TESTIMONY OF

KENNETH L. DILLON

REPRESENTING AVISTA CORPORATION

1 **I. INTRODUCTION**

2 **Q. Please state your name, employer and business address.**

3 A. My name is Kenneth L. Dillon. I am employed by Avista Corporation as
4 Senior Manager, FERC Policy and Transmission Services. My business address is 1411 East
5 Mission, Spokane, Washington.

6 **Q. Please briefly describe your educational background and professional
7 experience.**

8 A. I am a 2002 graduate of Washington State University with a degree in
9 Electrical Engineering and completed a Masters in Business Administration at Portland State
10 University in 2007. I spent five years with Portland General Electric in transmission planning
11 prior to joining the Company in 2007 as a Transmission Contracts Analyst.

12 Over the past 15 years, I have worked primarily in the Transmission Operations area
13 with responsibilities covering Federal Energy Regulatory Commission (FERC) transmission
14 policy and compliance with open access transmission regulations, transmission contracts,
15 transmission and generation interconnection processes, and regional transmission policy
16 coordination. In my current role I have responsibility for all transmission revenue and
17 expenses.

18 **Q. What is the scope of your testimony?**

19 A. My testimony presents Avista's transmission revenues and expenses included
20 in the Company's request for rate relief effective in December 2024.¹ A table of contents for
21 my testimony is as follows:

¹ The Company proposes that Rate Year 1 have an effective date that slightly pre-dates January 1, 2025. For ease of discussion, however, I will refer to calendar year 2025 as being Rate Year 1 and calendar year 2026 as being

1 transmission expenses from the July 2022 through June 2023 test period totaling
2 approximately \$1.076 million (system). These expenses are expected to effectively remain
3 the same over the Two-Year Rate Plan.

4

5 **III. TRANSMISSION REVENUES**

6 **Q. Would you please summarize the adjustments to the 12-month ended June**
7 **30, 2023 test year transmission revenues to arrive at transmission revenues included in**
8 **this case over the Two-Year Rate Plan?**

9 A. Yes. Adjustments have been made in this filing to incorporate updated
10 information for transmission revenue from the 12-month ended June 30, 2023 test year to that
11 used in this case. These adjustments include: (i) additional long-term firm transmission service
12 agreements recently entered into by the Company and (ii) revised short-term firm and non-
13 firm revenue forecasts based on the most recent three-year rolling average. These adjustments
14 have typically been made in prior Company filings. As outlined in Exh. KLD-2, I have
15 provided the expected changes in transmission revenues from the 12-month ended June 30,
16 2023 test year. Company witness Ms. Schultz has pro formed the transmission revenues
17 within the revenue requirement in this case, decreasing overall transmission revenues by
18 \$1,038,000 (system), of which approximately \$669,000 is Washington's share, below the 12-
19 month ended June 30, 2023 test year level.²

² Transmission revenues are first adjusted from System Actual (\$37.234 million) to Restated (historical test period system authorized \$31.206 million) in Adjustment 2.19 or a reduction of approximately \$6.0 million. Transmission revenues are then adjusted from historical test period System Authorized (\$31.206 million) to the System Pro Forma level (\$36.195 million system) in PF Transmission Adj 3.00T, or approximately \$5.0 million. The net of both adjustments is a net reduction of approximately \$1.0 million system, or \$669,000 for Washington.

1 **Q. Are you proposing any adjustments to transmission rates that would**
2 **affect revenues during the Two-Year Rate Plan?**

3 A. No, the Company is not.

4 **Q. Would you please describe the adjustments to the 12-month ended June**
5 **30, 2023 test year transmission revenues to arrive at transmission revenues included in**
6 **this case effective with Rate Year 1?**

7 A. Yes. Each revenue item described below is at a system level and is included in
8 Exh. KLD-2. Table No. 1 below provides a detailed summary of the changes in transmission
9 revenues, as well as a listing of transmission revenues not changing at this time. An
10 explanation of each follows the table.

Table No. 1: Transmission Revenue Adjustment

Transmission Revenue Adjustment - 2025 Rate Year (\$000s)		
	07/2022 - 06/2023	Rate Year
	Actual	Adjusted
456100 Transmission Revenue		
OASIS (Non-Firm and ST Firm)	\$9,255	(\$2,314)
Bonneville Power Administration	\$10,014	\$1,519
Consolidated Irrigation District	\$33	\$0
East Greenacres Irrigation District	\$15	\$0
Spokane Tribe of Indians	\$25	\$0
Grant County PUD No. 2	\$27	\$0
PacifiCorp (Dry Gulch)	\$195	\$61
Seattle City Light/Tacoma Power (Main Canal)	\$512	(\$20)
Seattle City Light/Tacoma Power (Summer Falls)	\$180	(\$180)
City of Spokane Waste to Energy	\$28	\$0
Stimson Lumber Company	\$8	\$0
Hydro Tech - Meyers Falls	\$6	\$0
Deep Creek Energy LLC	\$1	\$0
Kootenai Electric Cooperative (thru Mar24)	\$99	\$0
Idaho Power 1 (100MW)	\$3,298	\$0
Idaho Power 2 (100MW)	\$3,298	\$0
Powerex (137MW)	\$4,518	\$0
456017 Other Electric Revenue		
Columbia Basin Hydropower	\$8	\$0
Palouse Wind O&M	\$42	\$0
Adams Neilson Solar O&M	\$8	\$0
Rattlesnake Flat O&M	\$63	\$0
456030 Clearwater Paper Transmission		
Clearwater Paper - Allocated	\$1,650	\$0
Clearwater Paper - Directly Assigned (Idaho)	(\$165)	\$0
456120 Parallel Capacity Support Revenue		
Bonneville Power Administration	\$924	\$0
456130 Ancillary Service Revenue		
Bonneville Power Administration	\$1,170	(\$101)
Consolidated Irrigation District	\$15	(\$3)
East Greenacres Irrigation District	\$6	\$0
Spokane Tribe of Indians	\$7	\$0
Kootenai Electric Cooperative	\$23	\$0
456700 Other Electric Revenue - Low Voltage		
Consolidated Irrigation District - WA Only	\$104	\$0
East Greenacres Irrigation District - Directly Assigned (Idaho)	\$63	\$0
Spokane Tribe of Indians - WA Only	\$25	\$0
456705 Low Voltage BPA		
Bonneville Power Administration	\$1,780	\$0
TOTAL TRANSMISSION REVENUE (System)	\$37,234	(\$1,038)

1 The Company provides transmission service to wholesale customers under the
2 jurisdiction of the FERC. The components of what has traditionally been known as
3 “wheeling” service include: (i) transmission service over the Company’s transmission
4 facilities that are operated at or above 115kV, (ii) operations and maintenance (O&M) charges
5 associated with Company transmission assets for which an interconnection customer provided
6 contributions in aid to construction, (iii) ancillary services (generation-related services that
7 are required to be offered in conjunction with transmission service), and (iv) low-voltage
8 wheeling services over substation and distribution facilities that are operated below 115kV.

9 OASIS Non-Firm and Short-Term Firm Transmission Service (-\$2,314,000) – OASIS
10 is an acronym for Open Access Same-time Information System. This is the system used by
11 electric transmission providers for selling available transmission capacity to eligible
12 customers. The terms and conditions under which the Company sells its transmission capacity
13 via its OASIS are pursuant to FERC regulations and Avista’s Open Access Transmission
14 Tariff. Consistent with prior Avista general rate cases, the Company calculates its rate year
15 adjustments using a three-year average of actual OASIS Non-Firm and Short-Term Firm
16 revenue. OASIS transmission revenue may vary significantly depending upon a number of
17 factors, including current wholesale power market conditions, forced or planned generation
18 resource outage situations in the region, the current load-resource balance status of regional
19 load-serving entities, and the availability of parallel transmission paths for prospective
20 transmission customers.

21 The use of a three-year average is intended to strike a balance in mitigating both long-
22 term and short-term impacts to OASIS revenue. A three-year period is intended to be long
23 enough to mitigate the impacts of non-substantial temporary operational conditions (for

1 generation and transmission) that may occur during a given year, and short-enough so as to
2 not dilute the impacts of long-term transmission and generation topography changes (e.g.,
3 major transmission projects which may impact the availability of the Company's transmission
4 capacity or competing transmission paths, and major generation projects which may impact
5 the load-resource balance needs of prospective transmission customers). While volatility in
6 OASIS revenue from year-to-year can be expected, if there are known events or factors that
7 occurred during the period that would cause the average to not be representative of future
8 expectations, then adjustments may be made to the three-year average methodology.

9 In this filing, the Company is using a three-year average for the time period of January
10 2020 through December 2022. OASIS revenue for the June 2022 through June 2023 test year
11 was \$9.255 million and the adjusted three-year average calculated for the Rate Year is \$6.941
12 million, or a reduction of \$2,314,000.

13 Bonneville Power Administration – Transmission (+\$1,519,000) – The Company
14 provides Network Integration Transmission Service to the Bonneville Power Administration
15 (BPA) under a series of thirteen agreements serving BPA's utility customers connected to the
16 Company's transmission system. Network Service revenue is based upon a rolling 12-month
17 average of BPA's loads. Also impacting Network Service revenue is the applicability of any
18 long-term firm point-to-point transmission service, for which the Company has entered into
19 three new agreements that will apply during the rate period. BPA Network Service revenue
20 was \$10.014 million from July 2022 through June 2023. Based upon a three-year average
21 from 2020 through 2022 and adjusted to reflect the Company's long-term firm transmission
22 service agreements, the Company expects BPA Network Service revenue to be \$11.533
23 million during the Rate Year, or an increase of \$1.519 million.

1 Consolidated Irrigation District – Transmission (\$0) – The Company provides Long-
2 Term Firm Point-to-Point Transmission Service to the Consolidated Irrigation District under
3 a new agreement effective October 1, 2021 through September 30, 2026. Consolidated
4 Irrigation transmission revenue was \$33,000 for the July 2022 through June 2023 test year
5 and, reflecting the new agreement, the Company expects this revenue to be \$33,000 per year
6 during the Two-Year Rate Plan.

7 East Greenacres Irrigation District – Transmission (\$0) – The Company provides
8 Long-Term Firm Point-to-Point Transmission Service to East Greenacres Irrigation District
9 under an agreement effective through September 30, 2024. The Company expects a follow-
10 on agreement to be executed with comparable terms. East Greenacres transmission revenue
11 was \$15,000 for the July 2022 through June 2023 test year and, reflecting the expected new
12 agreement, the Company expects this revenue to be \$15,000 per year during the Two-Year
13 Rate Plan.

14 Spokane Tribe of Indians – Transmission (\$0) – The Company provides Long-Term
15 Firm Point-to-Point Transmission Service to the Spokane Tribe of Indians under an agreement
16 that became effective January 1, 2020, and will be effective through December 31, 2024. The
17 Company expects a follow-on agreement to be executed with comparable terms. Spokane
18 Tribe transmission revenue was \$25,000 for July 2022 through June 2023 test year and,
19 reflecting the Company’s updated transmission rates, the Company expects this revenue to
20 remain the same at \$25,000 per year during the Two-Year Rate Plan.

21 Grant County PUD – Transmission (\$0) – The Company provides long-term
22 transmission service to Grant County PUD for service to its Coulee City and Wilson Creek
23 loads connected to the Company’s transmission system. Revenue under the Power Transfer

1 Agreement varies according to Grant PUD's actual loads and was \$27,000 for the July 2022
2 through June 2023 test year. Based upon a three-year average from 2020 through 2022, the
3 Company expects this revenue to remain the same at \$27,000 per year during the Two-Year
4 Rate Plan.

5 PacifiCorp – Dry Gulch Transmission (+\$61,000) – The Company provides long-term
6 transmission service under a use-of-facilities agreement with PacifiCorp for use of the
7 Company's Dry Gulch Substation. The agreement includes a twelve-month rolling ratchet
8 provision and revenue is based upon actual PacifiCorp use. Revenue under the Dry Gulch
9 agreement was \$195,000 from July 2022 through June 2023. Based upon a three-year average
10 from 2020 through 2022, the Company expects this revenue to be \$256,000 per year during
11 the Two-Year Rate Plan, or an increase of \$61,000.

12 Seattle and Tacoma – Main Canal Transmission (-\$20,000) – The Company provides
13 Long-Term Firm Point-to-Point Transmission Service to the City of Seattle and Tacoma
14 Power, under agreements effective through October 31, 2026, to transfer output from the Main
15 Canal hydroelectric project, net of local Grant County PUD load service, to the Company's
16 transmission interconnections with Grant County PUD. Service is provided during the eight
17 months of the year (March through October) in which the Main Canal project operates, and
18 the agreements include a three-year ratchet demand provision. Revenues under these
19 agreements totaled \$512,000 from July 2022 through June 2023 and, reflecting the revisions
20 to demand due to the three-year ratchet, the Company expects this revenue to be \$492,000 per
21 year during the Two-Year Rate Plan, or a decrease of \$20,000.

22 Seattle and Tacoma – Summer Falls Transmission (\$-180,000) – The Company
23 provides long-term use-of-facilities transmission service to the City of Seattle and Tacoma

1 Power, under agreements effective through October 31, 2024, to transfer output from the
2 Summer Falls hydroelectric project across the Company's Stratford Switching Station
3 facilities to the Company's Stratford interconnection with Grant County PUD. The City of
4 Seattle and Tacoma Power will not continue to take the output of the Summer Falls Project
5 after the termination of this contract and, given that the Company will be taking the output of
6 the project beginning in 2025, no follow-on agreements will be executed. Revenues under
7 these two agreements totaled \$180,000 from July 2022 through June 2023 and the Company
8 will receive no revenue during the Two-Year Rate Plan.

9 City of Spokane – Waste to Energy Transmission (\$0) – The City of Spokane pays a
10 use-of-facilities charge for the ongoing use of its interconnection to the Company's
11 transmission system. Use-of-facilities charges were \$28,000 from July 2022 through June
12 2023 and the Company expects there to be no change during the Two-Year Rate Plan.

13 Stimson Lumber PURPA (\$0) – Low-voltage facilities associated with the Company's
14 Plummer Substation are dedicated for use by Stimson Lumber under a PURPA arrangement.
15 Low-voltage use-of-facilities revenue was \$8,000 from July 2022 through June 2023 and the
16 Company expects there to be no change during the Two-Year Rate Plan.

17 Hydro Tech Systems PURPA (\$0) – Low-voltage facilities in the Company's
18 Greenwood Substation are dedicated for use by the Meyers Falls generation project under a
19 PURPA arrangement. Low-voltage use-of-facilities revenue was \$6,000 from July 2022
20 through June 2023 and the Company expects there to be no change during the Two-Year Rate
21 Plan.

22 Deep Creek PURPA (\$0) – The Company owns and operates low voltage facilities
23 that are dedicated for use by the Deep Creek generation project under a PURPA arrangement.

1 Low-voltage use-of-facilities revenue was less than \$1,000 from July 2022 through June 2023
2 and the Company expects there to be no change during the Two-Year Rate Plan.

3 Kootenai Electric Cooperative – Transmission (\$0) – The Company provides Long-
4 Term Firm Point-to-Point Transmission Service to Kootenai Electric Cooperative under an
5 agreement effective through March 31, 2024, to transfer the output of the Fighting Creek
6 generation project. Kootenai has executed a follow-on agreement that will become effective
7 April 1, 2024 for a term of five years. Kootenai has indicated that they intend to assign it to
8 another entity purchasing the Fighting Creek project. Transmission revenue was \$99,000
9 from July 2022 through June 2023 and the Company expects there to be no change during the
10 Two-Year Rate Plan.

11 Idaho Power 1 – Transmission (\$0) – The Company provides Long-Term Firm Point-
12 to-Point Transmission Service to Idaho Power under an agreement effective May 1, 2021
13 through April 30, 2026. Transmission revenue was \$3.298 million from July 2022 through
14 June 2023 and the Company is proposing no change during the Two-Year Rate Plan.

15 Idaho Power 2 – Transmission (\$0) – The Company provides Long-Term Firm Point-
16 to-Point Transmission Service to Idaho Power under a second agreement effective May 1,
17 2022 through April 30, 2027. Transmission revenue was \$3.298 million from July 2022
18 through June 2023 and the Company expects there to be no change during the Two-Year Rate
19 Plan.

20 Powerex – Transmission (\$0) – The Company provides Long-Term Firm Point-to-
21 Point Transmission Service to Powerex under two agreements; the first effective May 1, 2022
22 through April 30, 2024 and the second effective May 1, 2024 through April 30, 2026.

1 Transmission revenue was \$4.518 million from July 2022 through June 2023 and the
2 Company is proposing no change during the Two-Year Rate Plan.

3 Columbia Basin Hydropower (\$0) – The Company provides operations and
4 maintenance services on the Stratford-Summer Falls 115kV Transmission Line to Columbia
5 Basin Hydropower under a contract signed in March 2006. These services are provided for a
6 fixed annual fee. Annual charges under this contract were \$8,000 from July 2022 through
7 June 2023 and there will be no change during the Two-Year Rate Plan.

8 Palouse Wind O&M (\$0) – Per the Company’s interconnection agreement with the
9 Palouse Wind project, the interconnection customer pays O&M fees associated with directly-
10 assigned interconnection facilities owned and operated by the Company. O&M revenue from
11 July 2022 through June 2023 was \$42,000 and the Company expects there will be no change
12 during the Two-Year Rate Plan.

13 Adams Neilson Solar O&M (\$0) – Per the Company’s interconnection agreement with
14 the Adams Neilson Solar project, the interconnection customer pays O&M fees associated
15 with directly-assigned interconnection facilities owned and operated by the Company. O&M
16 revenue from July 2022 through June 2023 was \$8,000 and the Company expects there will
17 be no change during the Two-Year Rate Plan.

18 Rattlesnake Flat O&M (\$0) – Per the Company’s interconnection agreement with the
19 Rattlesnake Flat Wind project, the interconnection customer pays O&M fees associated with
20 directly-assigned interconnection facilities owned and operated by the Company. O&M
21 revenue from July 2022 through June 2023 was \$63,000 and the Company expects there will
22 be no change during the Two-Year Rate Plan.

1 Clearwater Paper Transmission (\$0) – As part of the Company’s agreement with
2 Clearwater Paper, the Company allocates a portion of its revenue to transmission service.
3 Transmission revenue was \$1.650 million from July 2022 through June 2023, of which
4 \$165,000 is allocated to the State of Idaho, and the Company expects there will be no change
5 to either amount during the Two-Year Rate Plan.

6 Bonneville Power Administration – Parallel Capacity Support (\$0) – The Company
7 and BPA executed a Parallel Capacity Support Agreement effective February 1, 2017, with a
8 minimum term to December 31, 2026, in which the Company provides BPA with parallel
9 transmission capacity in support of BPA’s integration of several wind resource projects.
10 Revenue was \$924,000 from July 2022 through June 2023 and there will be no change during
11 the Two-Year Rate Plan.

12 Bonneville Power Administration – Ancillary Services (-\$101,000) – The Company
13 provides Ancillary Services to BPA under its Network Integration Transmission Service
14 agreements. BPA Ancillary Services revenue was \$1,170,000 from July 2022 through June
15 2023. Based on a three-year average of actual BPA loads, the Company expects this revenue
16 to be approximately \$1,069,000 per year during the Two-Year Rate Plan, a reduction of
17 \$101,000.

18 Consolidated Irrigation District – Ancillary Services (\$3) – The Company provides
19 Ancillary Services to Consolidated Irrigation District under its Long-Term Firm Point-to-
20 Point Transmission Service agreement. Ancillary Service revenue was \$15,000 from July
21 2022 through June 2023 Based on a three-year average of actual Ancillary Services, the
22 Company expects this revenue to be approximately \$12,000 per year during the Two-Year
23 Rate Plan, a reduction of \$3,000.

1 East Greenacres Irrigation District – Ancillary Services (\$0) – The Company provides
2 Ancillary Services to East Greenacres Irrigation District under its Long-Term Firm Point-to-
3 Point Transmission Service agreement. Ancillary Service revenue was \$6,000 from July 2022
4 through June 2023 and the Company expects there will be no change during the Two-Year
5 Rate Plan.

6 Spokane Tribe of Indians – Ancillary Services (\$0) – The Company provides Ancillary
7 Services to the Spokane Tribe of Indians under its Long-Term Firm Point-to-Point
8 Transmission Service agreement. Ancillary Service revenue was \$7,000 from July 2022
9 through June 2023 and the Company expects there will be no change during the Two-Year
10 Rate Plan.

11 Kootenai Electric Cooperative – Ancillary Services (\$0) – The Company provides
12 Ancillary Services to Kootenai Electric Cooperative (KEC) under its Long-Term Firm Point-
13 to-Point Transmission Service agreement. Ancillary Service revenue was \$23,000 from July
14 2022 through June 2023 and the Company expects there will be no change during the Two-
15 Year Rate Plan.

16 Consolidated Irrigation District – Low-Voltage (\$0) – The Company provides transfer
17 service over low voltage facilities to Consolidated Irrigation District (Consolidated) under the
18 Electric Distribution Services Agreement. Low-voltage charges of \$104,000 occurred from
19 July 2022 through June 2023 assigned directly to Washington, and the Company expects there
20 will be no change during the Two-Year Rate Plan.

21 East Greenacres Irrigation District – Low-Voltage (\$0) – The Company provides
22 transfer service over low voltage facilities to East Greenacres Irrigation District under the
23 Electric Distribution Services Agreement, which became effective January 1, 2020, and will

1 be effective through September 30, 2024. The Company expects a follow-on agreement will
2 be executed with similar terms and conditions. Low-voltage charges of \$63,000 from July
3 2022 through June 2023 was assigned directly to Idaho, and the Company expects there will
4 be no change during the Two-Year Rate Plan.

5 Spokane Tribe of Indians – Low-Voltage (\$0) – The Company provides transfer
6 service over low voltage facilities to the Spokane Tribe of Indians under the Electric
7 Distribution Services Agreement, which became effective January 1, 2020 and will be
8 effective through December 31, 2024. The Company expects a follow-on agreement will be
9 executed with similar terms and conditions. Low-voltage charges of \$25,000 from July 2022
10 through June 2023 were directly charged to Washington, and the Company expects there will
11 be no change during the Two-Year Rate Plan.

12 Bonneville Power Administration – Low-Voltage (\$0) – The Company provides
13 transfer service over low-voltage facilities to BPA under its Network Integration Transmission
14 Service agreements. BPA low-voltage revenue was \$1.708 million from July 2022 through
15 June 2023 and the Company expects there will be no change during the Two-Year Rate Plan.

16 **Q. Does this complete your pre-filed direct testimony?**

17 A. Yes, it does.