

**Exh. ELJ-10T
Dockets UE-200900, UG-200901,
and UE-200894
Witness: Elaine L. Jordan**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION, d/b/a
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-200900, UG-200901,
and UE-200894 (*Consolidated*)**

CROSS-ANSWERING TESTIMONY OF

Elaine L. Jordan

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Cost of Service

May 28, 2021

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1 **I. INTRODUCTION**

2

3 **Q. Are you the same Elaine L. Jordan who provided response testimony in this**
4 **proceeding on April 21, 2021, on behalf of Commission Staff?**

5 A. Yes.

6

7 **II. SCOPE AND SUMMARY OF TESTIMONY**

8

9 **Q. What is the purpose of your testimony?**

10 A. I respond to witness Glenn Watkins who testifies on behalf of the Public Counsel
11 Unit of the Washington State Attorney General’s Office (Public Counsel) and
12 criticizes Avista Corporation’s (“Avista’s” or “Company’s”) electric and natural gas
13 cost of service studies.

14

15 **Q. Please summarize your conclusions.**

16 A. Public Counsel argues that Avista’s *electric* cost of service study is unsound because
17 it uses the renewable future peak credit (RFPC) methodology, the inputs into the
18 RFPC are incorrect, and advanced metering infrastructure (AMI) benefits are not
19 included in the cost of service study, and that the study results should not be used as
20 a basis to spread rates. Public Counsel argues that Avista’s *natural gas* cost of
21 service study also should not be used as a foundation for rate spread, because Avista
22 does not include AMI benefits in its natural gas cost of service study either. Staff

1 concludes that Public Counsel’s arguments lack credibility because Avista filed cost
2 of service studies that comply with Commission rules and used appropriate inputs.

3

4 **Q. Please summarize your recommendations.**

5 A. I recommend the Commission reject Public Counsel’s analysis and accept the
6 Company’s electric and natural gas cost of service study results, as I previously
7 testified to in this case.

8

9 **III. RESPONSE TO PUBLIC COUNSEL**

10

11 **Q. Please summarize Public Counsel’s position on the Company’s electric cost of
12 service study.**

13 A. Public Counsel has three overall concerns relating to Avista’s electric cost of service
14 study. Public Counsel questions: (1) the validity of the RFPC methodology; (2) the
15 inputs Avista used to calculate the RFPC; and (3) exclusion of the benefits of the
16 AMI program from the cost of service study. Together, these concerns lead Public
17 Counsel to the conclusion that “Avista’s class cost of service study should not be
18 relied upon as any reasonable measure of class cost responsibility.”¹

19

20 **Q. Please summarize Public Counsel’s position on the Company’s natural gas cost
21 of service study.**

22 A. Public Counsel concludes that the natural gas cost of service study “reasonably

¹ Watkins, Exh. GAW-1T at 25:20-21.

1 reflects cost causation and is in accordance with the Commission’s new rules
2 regarding cost allocations.”² However, as with the electric study, Public Counsel
3 questions why expected AMI benefits were not included in the natural gas cost of
4 service study. Based on this concern, Public Counsel testifies that “little, if any,
5 weight should be given to the parity ratios calculated by Mr. Anderson in this case.”³
6

7 **Q. Why do you believe that Public Counsel’s concerns about the validity of the**
8 **RFPC methodology used in the Company’s electric cost of service study should**
9 **be disregarded?**

10 A. The RFPC methodology is the only approved methodology under the Commission’s
11 cost of service rules for classification of generation costs. See Table 2 in WAC 480-
12 85-060(3). Public Counsel’s concern is that Avista’s plan to add power from
13 renewable sources to its system in the near term rather than from a traditional
14 “peaker” plant does not fit the peak credit methodology.⁴ When the Commission
15 made the decision, however, to adopt the RFPC methodology in the new cost of
16 service rules, it had renewables in mind. In the rulemaking order, the Commission
17 noted, “The renewable future peak credit method recognizes impacts on utility
18 planning, including utilities’ integrated resource plans (IRPs), and that requirements
19 for generation sources other than those fueled by fossil fuels will lead to plant
20 expenditure by utilities.”⁵ So, the Commission expected that utilities would be

² *Id.* at 29:8-10.

³ *Id.* at 33:14-15.

⁴ *See id.* at 13:18-21.

⁵ *In Re Amending WAC 480-07-510 and Adopting Chapter 480-85 WAC Relating to Cost of Service Studies for Electric and Natural Gas Investor-Owned Utilities*, Dockets UE-170002 & UG-170003, General Order R-599, 12, ¶ 44 (July 7, 2020) (COS Rulemaking Order).

1 planning to add renewable resources and deliberately adopted the RFPC
2 methodology. Public Counsel’s arguments on methodology are a backdoor challenge
3 to the rule more than a critique of how Avista conducted its cost of service study.
4 The proper place for Public Counsel’s arguments on methodology was the cost of
5 service rulemaking, which concluded last summer, and not this rate proceeding.

6

7 **Q. Does Staff have any concerns with the inputs that Avista used to calculate the**
8 **RFPC in its electric cost of service study?**

9 A. No. Staff reviewed the information provided in the Company’s filing and believes it
10 is reasonable. Avista used inputs from its 2020 IRP, which is consistent with
11 Commission principles for cost of service studies conducted under the cost of service
12 rules.⁶ In effect, Public Counsel is critiquing the results of the Company’s IRP,⁷
13 which is beyond the scope of this proceeding.

14

15 **Q. Should expected AMI benefits be included in the electric and natural gas cost of**
16 **service studies as Public Counsel proposes?**

17 A. No. Monetizable benefits from AMI would be reflected in the revenue requirement.⁸
18 There are other non-tangible benefits of AMI, such as dynamic pricing structures that
19 can shift or shave peak load, that could impact the cost of service allocation;

⁶ COS Rulemaking Order at 12, ¶ 44 (“The renewable future peak credit method upholds a principle long-favored by this Commission: a properly conducted cost of service study is forward looking,” and the RFPC method “recognizes impacts on utility planning, including utilities’ integrated resource plans”).

⁷ For example, Witness Watkins compares the cost for an 8-hour storage facility that Avista filed in its 2020 IRP (\$2,818 per kW) and a report filed by the U.S. Energy Information Administration in 2020 (\$1,587 per kW). Watkins, Exh. GAW-1T at 17:1-7.

⁸ Monetizable benefits are reflected in the revenue requirement because that is where the costs and benefits of an investment by a utility traditionally are reflected, which then flow into a cost of service study.

1 however Avista would need to implement additional programs to achieve those
2 benefits.⁹

3

4 **Q. Did Public Counsel provide alternative cost of service studies that address the**
5 **aforementioned critiques?**

6 A. No, Public Counsel did not provide its own electric or natural gas cost of service
7 studies. Public Counsel is asking the Commission to throw out the Company’s cost
8 studies, without providing any alternatives for consideration.

9

10 **Q. Can parties file alternative cost studies under Chapter 480-85 WAC?**

11 A. Yes. WAC 480-85-060(2) states:

12 In addition to filing a cost of service study as required in
13 subsection (1) of this section, a party may file a cost of service
14 study based on a system-wide econometric study, a system-wide
15 marginal cost study, or an embedded cost of service study with
16 modifications to the methodologies outlined in Tables 1 through 4
17 in subsection (3) of this section provided that each modification is
18 explained in narrative testimony and the party shows that each
19 modification materially improves the cost of service study and is in
20 the public interest.

21

22 Based on this rule, Public Counsel could have filed its own embedded cost of service
23 studies with its preferred modifications to the methodology or inputs.

24

25 **Q. What are the consequences of Public Counsel’s recommendation?**

26 A. Public Counsel’s recommendation to ignore the cost studies ultimately results in a

⁹ Public Counsel witness Shay Bauman recognizes that AMI leads to non-monetizable benefits. For example, witness Bauman states that “the shift of usage from peak periods provided by time varying rates is one of the largest potential benefits from AMI. . . .” Bauman, Exh. SB-1T at 27:16-17.

1 recommendation to spread any revenue requirement increase on an equal percent of
2 margin basis, which would maintain the level of inequality in rates that Avista's
3 customers are currently facing. Maintaining Avista's current rate spread results in
4 rates that are not fair, just, and reasonable across rate classes and contravenes the
5 public interest.

6

7 **Q. What does Staff recommend?**

8 A. Staff recommends the Commission disregard Public Counsel's recommendation.
9 Avista used the cost of service methodology prescribed by the Commission's cost of
10 service rules for allocating costs, and it incorporated reasonable inputs into its
11 studies. Because Avista used the approved methodologies and applied them
12 appropriately, the results of its cost studies are a reliable basis for determining an
13 appropriate rate spread. Therefore, because they are a reliable basis for determining
14 an appropriate rate spread, Staff continues to recommend the Commission accept the
15 results of the Company's electric and natural gas cost of service studies and apply
16 Staff's recommended rate spread.

17

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

19 A. Yes.