

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION

Respondent.

DOCKET NOS. UE-200900, UG-200901, and UE-200894 (*Consolidated*)

**CROSS-ANSWERING TESTIMONY OF DENNIS STEPHENS
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT DS-1T

May 28, 2021

DOCKET NOS. UE-200900, UG-200901, and UE-200894 (*Consolidated*)

CROSS-ANSWERING TESTIMONY OF DENNIS STEPHENS

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EXHIBITS LIST

Exhibit DS-2	Commission Staff Response to Public Counsel Data Request No. 1
Exhibit DS-3	Commission Staff Response to Public Counsel Data Request No. 2

I. INTRODUCTION AND PREVIEW

1 **Q. Please state your name and business address.**

2 A. My name is Dennis Stephens. My business address is PO Box 620756, Littleton, CO
3 80162.

4 **Q. Are you the same Dennis Stephens who submitted Panel Testimony with Paul J.
5 Alvarez on behalf of Public Counsel previously in this proceeding?**

6 A. Yes, I am.

7 **Q. Is this cross-answering testimony also provided on behalf of Public Counsel?**

8 A. Yes, it is.

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

10 A. In this cross-answer testimony I provide perspective for Commission consideration
11 regarding specific portions of the response testimony provided by Staff witnesses Ms.
12 Higby and Ms. White regarding Avista's Electric Distribution Plan and Wildfire Plan
13 capital spending and cost recovery.

II. STAFF TESTIMONY ON ELECTRIC DISTRIBUTION PLAN PRO FORMA

ADJUSTMENTS

14 **Q. What is Staff's testimony regarding electric distribution plan pro forma
15 adjustments?**

16 A. Staff witness Ms. Higby recommends that the Commission approve pro forma
17 adjustments for Substation Rebuild capital (ER 2204) and Distribution Grid
18 Modernization capital (ER 2470) spent after the rate effective date in this Case.

1 **Q. Does this conflict with your Panel Testimony in this Case?**

2 A. Yes. I recommend that recovery of all Substation Rebuild and Distribution Grid
3 Modernization capital spending be rejected as imprudent for the reasons listed and
4 explained in our Panel Testimony.

5 **Q. On what basis does Ms. Higby recommend the Commission approve pro forma
6 adjustments for Substation Rebuild and Distribution Grid Modernization capital?**

7 A. Ms. Higby recommends the Commission approve pro forma adjustments for Substation
8 Rebuild and Distribution Grid Modernization capital on the basis that the spending
9 comports with Commission precedent for recovery of capital spending after the rate
10 effective date. Specifically, Ms. Higby notes that Substation Rebuild and Distribution
11 Grid Modernization, as Avista spending ‘programs,’ “are consistent with the
12 Commission’s view of programmatic investments,” thereby qualifying associated
13 spending (assuming such spending was prudent) for pro forma adjustment.¹

14 **Q. What is your concern regarding Ms. Higby’s recommendation?**

15 A. I do not question Ms. Higby’s assertion that these are indeed ‘programmatic investments’
16 as the Commission defines them, and that associated spending would qualify for pro-
17 forma adjustment if the spending is deemed prudent. My concern is that Ms. Higby’s
18 recommendation appears to be based solely on accounting considerations. Ms. Higby’s
19 testimony did not provide the needed distribution grid planning, operations, asset
20 management, or performance measurement evaluation required to determine the prudence
21 of the Substation Rebuild and Distribution Grid Modernization capital spending for

¹ Response Testimony of Aimee N. Higby, Exh. ANH-1T, at 34:13.

1 which Avista is requesting cost recovery in this case. In contrast, I have reviewed the
2 Company's documentation and conducted extensive discovery on these Avista programs,
3 informed by my 35 years of experience in these domains. As a result of this investigation,
4 and based on my relevant experience, I determined the spending in these programs was
5 not prudent.

6 **Q. How does the concept of prudence apply to distribution grid investments?**

7 A. Typically, distribution grid investments *required* for safe and reliable electric service are
8 considered prudent. A knowledge base of standard practices based on research has
9 evolved over decades to govern the safe and reliable operation of electric distribution
10 grids. Compliance with National Electrical Safety Code (NESC) and North American
11 Electric Reliability Council ("NERC") standards are incorporated into these practices. A
12 distribution grid investment could also be considered prudent if the benefits of the
13 investment to customers exceed the costs of the investment to customers.

14 **Q. Has Avista proven the prudence of its Substation Rebuild and Grid Modernization**
15 **programs?**

16 A. No. Avista's substation rebuild program consists of (1) replacing substation assets when
17 they reach the "economic end-of-life" as determined by Avista's total cost of ownership
18 model; and (2) expanding substation capacity once electric loads exceed 80 percent of
19 assets' capacity ratings. As indicated in our panel testimony, neither of these is standard
20 industry practice. In the case of the former, the standard practice for replacing substation
21 assets is to do so when indicated by the results of objective equipment tests, thus
22 obviating the need to replace assets based on any kind of modeling. In the case of the

1 latter, the standard practice is to begin planning a substation capacity increase once load
2 forecasts indicate that 100 percent of assets' capacity ratings will be reached within the
3 upgrade planning horizon (generally, three years in advance). As Avista provides no
4 evidence that its non-standard Substation Rebuild practices deliver better performance
5 than these standard practices, nor any evidence that the incremental benefits of its
6 practices exceed the incremental costs to customers, Avista fails to meet the burden of
7 proof that its Substation Rebuild program spending is prudent. Without a comparison to
8 standard industry practices, there would be no way for Ms. Higby to know whether
9 Avista's Substation Rebuild spending was prudent or not.

10 **Q. What of Ms. Higby's testimony regarding Avista's Grid Modernization program?**

11 A. Avista's Grid Modernization program consists largely of replacing distribution assets that
12 are already operating safely and reliably. Standard industry practice is to replace
13 distribution assets either (1) upon failure or damage; or (2) upon failure of a formal
14 inspection (typically of utility poles). Another common industry practice is to investigate
15 the root causes of service outages on feeders exhibiting poor performance (dubbed "poor
16 performing feeder" programs). Avista's approach to distribution asset replacement and
17 the selection of feeders for special investigation complies with neither of these standard
18 practices. As I testified, although aspects of Avista's Grid Modernization program
19 comport with most experts' understanding of the term "grid modernization" (the
20 installation of sensors and remotely-controlled equipment), these aspects constitute only a
21 small part of Avista's spending in its inaptly-named program. As Avista provides no
22 evidence that its non-standard "Grid Modernization" program delivers better performance

1 than standard industry practices for safe and reliable service delivery, nor any evidence
2 that the incremental benefits of its practices exceed the incremental costs to customers,
3 Avista fails to meet the burden of proof that Grid Modernization program spending is
4 prudent. Again, without a comparison to standard industry practices, there would be no
5 way for Ms. Higby to know whether Avista's Grid Modernization spending was prudent
6 or not.

7 **Q. Did you inquire as to Staff's basis for its determination that Avista's Substation**
8 **Rebuild and Grid Modernization program spending was prudent?**

9 A. Yes.² Staff cites Avista responses to several Staff data requests, though I note the data
10 requests cited all appear to pertain to accounting and regulatory issues. No Staff data
11 request relates to equipment functionalities, incremental reliability improvements, or
12 standard industry practices. Staff also cites Avista responses to many of Public Counsel's
13 data requests. However, I observe no Staff follow-up data requests to seek additional
14 information on, or explanations for, Avista's highly involved and technical responses to
15 those requests. Finally, Staff notes that it has reviewed four reports related to grid
16 investment. Mr. Alvarez or I are personally familiar with many of the authors,
17 contributors, and reviewers of these reports. We note that for two of the reports, not a
18 single author, contributor, or reviewer has had any experience as a utility employee in
19 distribution grid planning, operations, asset management, or reliability performance. Of
20 the other two reports, we note that both relate to experiences in California, where the
21 penetration of distributed generation (the ostensible rationale for grid modernization) is

² Dennis Stephens, Exh. DS-2, Commission Staff Response to Public Counsel Data Request No. 1.

1 far greater than that in Avista’s service area. We also note that one of the California
2 reports was authored by Southern California Edison, an investor-owned utility with a
3 financial interest in excess grid investment, which we have experienced first-hand as
4 experts for a leading consumer advocate in that state.³ Finally, the use of California grid
5 modernization reports to support the prudence of Avista’s mislabeled “Grid
6 Modernization” program, when most program spending has nothing at all to do with grid
7 state monitoring and remotely-controlled equipment implied by the use of the term,
8 demonstrates a fundamental misunderstanding of the design, operation, and spending of
9 Avista’s program. Ultimately, Avista did not justify or provide evidence for the prudence
10 of their investments and Ms. Higby has not assessed the Company’s lack of evidence in
11 this regard.

12 **Q. What is your associated recommendation for the Commission?**

13 A. I encourage the Commission to carefully consider the prudence of the Substation Rebuild
14 and Distribution Grid Modernization capital spending in depth before considering Ms.
15 Higby’s recommendation to allow pro forma adjustments for these programs.

III. STAFF TESTIMONY ON WILDFIRE PLAN PRO FORMA ADJUSTMENTS

16 **Q. What is Staff’s testimony regarding Wildfire Plan pro forma adjustments?**

17 A. Staff witness Ms. White recommends that the Commission approve pro forma
18 adjustments for known and measurable Wildfire Plan capital spent in 2020.

³ Prepared Testimony of Paul Alvarez and Dennis Stephens, Exh. TURN-06, *Application of S. Cal. Edison Co. (U 338E) for Authority to Increase its Authorized Revenues for Electric Service in 2018, Among Other Things, and to Reflect that Increase in Rates* (May 2, 2017) (Cal. Pub. Utils. Comm’n, Docket A.16-09-001).

1 **Q. Does this conflict with your Panel Testimony in this Case?**

2 A. Yes. I recommend that recovery of the grid hardening capital of Avista's Wildfire Plan be
3 rejected as imprudent for the reasons listed and explained in our Panel Testimony.

4 **Q. On what basis does Ms. White recommend the Commission approve pro forma**
5 **adjustments for Wildfire Plan capital spending?**

6 A. Ms. White recommends the Commission approve pro forma adjustments for known and
7 measurable Wildfire Plan capital spent in 2020 on the basis that the spending comports
8 with Commission precedent for recovery of capital spending after the rate effective date.⁴

9 **Q. What is your concern regarding Ms. White's recommendation?**

10 A. I do not question Ms. White's assertion that known and measurable Wildfire capital
11 spending, if deemed prudent, qualifies for a pro forma adjustment. My concern is that
12 Ms. White's recommendation appears to be based solely on accounting considerations.
13 Ms. White's testimony does not include any analysis to indicate that the risk reductions
14 of Avista's capital-intensive grid hardening proposal are commensurate with the
15 proposal's cost. In fact, Ms. White's testimony implies that such analysis has not been
16 performed when she states "Staff's expertise lies elsewhere than in wildfire mitigation
17 and must leave picking and choosing among facets of the Wildfire Plan to the subject
18 matter experts who developed the Plan."⁵ As I reported in our panel testimony, \$245
19 million in grid hardening capital spending was not identified by the experts in the
20 working group, but subsequently added by Avista to the working group's
21 recommendations. Ms. White does not identify this discrepancy. Nor does Ms. White

⁴ Response Testimony of Amy I. White, Exh. AIW-1T, at 25:7.

⁵ *Ibid* at 21:14.

1 identify, as I do in my testimony, that Avista bases its grid hardening proposal on
2 historical outage data, not on historical fire data. As a result of my investigation,
3 informed by years of experience planning and operating distribution grids in areas of high
4 wildfire risk, I determined the grid hardening components of Avista's Wildfire Plan
5 spending were imprudent.

6 **Q. Did you inquire as to Staff's basis for its determination that Avista's Wildfire Plan**
7 **capital spending was prudent?**

8 A. Yes.⁶ Ms. White cites a number of books, reports, and articles Staff reviewed to help it
9 evaluate Avista's Wildfire Plan. I note that most focus on the increasing threat and
10 consequences posed by wildfires, rather than studies of cost-effective actions utilities can
11 take, informed by research, to reduce ignition risk. Further, Ms. White focuses on the
12 failure of a "C hook" supporting a conductor as the cause of the devastating Camp Fire in
13 California, implying that asset replacement is the best solution to reduce wildfire risk.⁷
14 But this conclusion is not supported by any data. Even the Butte County (California)
15 District Attorney's successful suit against Pacific Gas & Electric Company faults the
16 utility's maintenance and inspection programs, not necessarily a lack of capital spending,
17 when assigning blame for that fire.⁸ In my informed opinion, approval of the grid
18 hardening components of Avista's Wildfire Plan fails to recognize that the spending is
19 completely out of proportion to the level of risk reduction. My perception is that Staff is

⁶ Stephens, Exh. DS-3, Commission Staff Response to Public Counsel Data Request No. 2.

⁷ White, Exh. AIW-1T, at 21:9.

⁸ Butte County District Attorney, *The Camp Fire Public Report: A Summary of the Camp Fire Investigation*, at 84 (June 16, 2020). Page 84: "Despite the knowledge C hooks and hanger holes wear over time and despite the knowledge of the danger inherent in the failure of a C hook or hanger hole, the evidence clearly established nobody in PG&E was inspecting C hooks and hanger holes."

1 extremely interested in reducing Avista's wildfire risk, but does not appear to fully
2 evaluate the effectiveness of Avista's grid hardening program in reducing that risk,
3 particularly in relation to cost. Finally, none of the cited materials, nor Avista's
4 testimony, nor Staff's testimony, answers the critical prudence question my testimony
5 poses: What reduction in wildfire risk, based on data, is associated with the \$245 million
6 grid hardening component of Avista's Wildfire Plan? I continue to recommend that grid
7 hardening spending be considered imprudent until this question is answered to the
8 Commission's satisfaction.

9 **Q. What is your associated recommendation for the Commission?**

10 A. I encourage the Commission to more carefully consider the prudence and necessity of
11 grid hardening capital spending before considering Ms. White's recommendation to
12 allow associated pro forma adjustments. If the significant grid hardening investments
13 deliver insignificant or unknown reductions in wildfire risk, they are not prudent,
14 regardless of whether or not the costs are known and measurable, or recorded within the
15 appropriate time frame after the rate case effective date.

16 **Q. Does this conclude your Cross-Answer Testimony?**

17 A. Yes, it does.