

REDACTED

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET UE-200900

DOCKET UG-200901

DOCKET UE-200894

(Consolidated)

JOINT TESTIMONY OF

PATRICK D. EHRBAR (AVISTA)  
JASON L. BALL (STAFF)  
BRADLEY G. MULLINS (AWEC)  
SHAWN M. COLLINS (THE ENERGY PROJECT)  
JESSE PIEDFORT (SIERRA CLUB)  
LANCE D. KAUFMAN (INLAND EMPIRE PAPER)

IN SUPPORT OF  
THE PARTIAL MULTIPARTY SETTLEMENT STIPULATION

**I. INTRODUCTION**

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**Q. Please state your names, titles, and the party you represent in this matter.**

**A.** Our names, titles, and representation are as follows:

- Patrick D. Ehrbar, Director of Regulatory Affairs, Avista
- Jason L. Ball, Assistant Director of Energy Regulation, Commission Staff
- Bradley G. Mullins, Independent Consultant, representing the Alliance of Western Energy Consumers (AWEC)
- Shawn M. Collins, Director, The Energy Project
- Jesse Piedfort, Chapter Director, Sierra Club
- Lance D. Kaufman, Aegis Insight, representing Inland Empire Paper Company (IEP)

Together we are representatives of the “Settling Parties” in this Joint Testimony.<sup>1</sup> Separate Joint Testimony addressing the special contract with Inland Empire Paper (IEP) will be filed by Avista (Mr. Shawn Bonfield) and IEP (Mr. Kevin Rasler).<sup>2</sup> That testimony will also offer support for the IEP contract as part of the overall Partial Settlement.

**Q. Are you sponsoring Joint Testimony in support of the Partial Multiparty Settlement Stipulation filed with this Commission on May 27, 2021?**

**A.** Yes. This Joint Testimony of the Settling Parties recommends approval of the Partial Multiparty Settlement Stipulation (hereafter, “Partial Settlement”) by the Commission. If approved, this Partial Settlement resolves the following issues in this proceeding: (1) power supply; (2) Energy Imbalance Market (“EIM”); (3) IEP special contract; (4) pricing pilots; (5) low-income proposals for the Company’s Low-Income Rate

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<sup>1</sup> The Settling Parties have been informed by Public Counsel that it may join the settlement but does not yet have approval to do so.

<sup>2</sup> IEP is otherwise in support of this Partial Settlement as an integrated resolution of all issues being addressed.

1 Assistance Program (“LIRAP”), renewables, and electric vehicles; (6) Allowance for  
2 Funds Used During Construction (“AFUDC”) deferral; and (7) fee-free and Line Extension  
3 Allowance Program (“LEAP”) Deferrals.<sup>3</sup> The Settling Parties understand this Partial  
4 Settlement is subject to approval of the Washington Utilities and Transportation  
5 Commission (the “Commission”).

6 The Partial Settlement represents a compromise among differing points of view.  
7 Concessions were made by the Settling Parties to reach a reasonable balancing of interests.  
8 As will be explained in the following testimony, the Partial Settlement received significant  
9 scrutiny and is supported by sound analysis and sufficient evidence. Its approval is in the  
10 public interest. The Partial Settlement has been marked as Exh. JT-2.

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

12 A. This Joint Testimony addresses Avista’s general rate case filings in these  
13 dockets and the scope of the Partial Settlement and its principal features. It also includes a  
14 statement of the Settling Parties’ views about why the Partial Settlement satisfies their  
15 interests and is in the public interest.

16 **Q. Who are the signatories to the Partial Settlement?**

17 A. The Partial Settlement, filed May 27, 2021, was signed by Avista,  
18 Commission Staff, Inland Empire Paper Company, the Alliance of Western Energy  
19 Consumers, The Energy Project, and Sierra Club. These represent all parties to these  
20 proceedings, with the exception of the Public Counsel Unit of the Washington State Office  
21 of Attorney General, who may join this settlement, but did not have such authority at the

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<sup>3</sup> Other contested items remain, including: (1) October 1, 2021 revenue change; (2) cost of capital; (3) capital additions; (4) wildfire expenditures and recovery; (5) Advanced Metering Infrastructure; (6) Colstrip-related matters; and (7) Cost of Service, rate spread, & rate design.

1 time the Partial Settlement was filed with the Commission.

2 **Q. What is the proposed effective date of the Partial Settlement?**

3 A. The Settling Parties request that the Partial Settlement have the same  
4 effective date as the rates ultimately approved by the Commission, effective October 1,  
5 2021.

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## **II. QUALIFICATIONS OF WITNESSES**

8 **Q. Mr. Patrick D. Ehrbar, please state your name, address and provide**  
9 **information pertaining to your educational background and professional experience.**

10 A. My name is Patrick D. Ehrbar and my business address is 1411 East  
11 Mission Avenue, Spokane, Washington. I am presently assigned to the Regulatory Affairs  
12 Department as the Director of Regulatory Affairs. I am a 1995 graduate of Gonzaga  
13 University with a Bachelor of Business Administration degree. In 1997 I graduated from  
14 Gonzaga University with a Master of Business Administration degree. I started with  
15 Avista in April 1997 as a Resource Management Analyst in the Company's Demand Side  
16 Management (DSM) department. Later, I became a Program Manager, responsible for  
17 energy efficiency program offerings for the Company's educational and governmental  
18 customers. In 2000, I was selected to be one of the Company's key Account Executives,  
19 where I was responsible for, among other things, being the primary point of contact for  
20 numerous commercial and industrial customers.

21 I joined the State and Federal Regulation Department as a Senior Regulatory  
22 Analyst in 2007. Responsibilities in that role included being the discovery coordinator for  
23 the Company's rate cases, line extension policy tariffs, as well as miscellaneous regulatory

1 issues. In November 2009, I was promoted to Manager of Rates and Tariffs, and later  
2 promoted to be Senior Manager of Rates and Tariffs. My primary areas of responsibility  
3 included electric and natural gas rate design, decoupling, power cost and natural gas rate  
4 adjustments, customer usage and revenue analysis, and tariff administration. In October  
5 2017, I was promoted to my present position, where I am responsible for all matters related  
6 to general rate cases, tariff filings, rulemakings, and other regulatory activities.

7 **Q. Mr. Jason L. Ball, please state your name, address and provide**  
8 **information pertaining to your educational background and professional experience.**

9 A. My name is Jason L. Ball. I am the Assistant Director in the Energy  
10 Regulation Section of the Regulatory Services Division at the Commission, and I serve as  
11 the manager for Commission Staff (Staff) testifying in this case. My business address is  
12 621 Woodland Square Loop SE, Lacey, Washington, 98503. My email address is  
13 jason.ball@utc.wa.gov.

14 I earned a degree from New Mexico State University in 2010 with a dual major in  
15 Economics and Government. In 2013, I graduated with honors from New Mexico State  
16 University with a Master of Economics degree specializing in Public Utility Policy and  
17 Regulation. I joined the Commission in 2013 as a Regulatory Analyst in the Energy  
18 Regulation section of the Regulatory Services division.

19 I have testified in a number of Commission proceedings including the following:  
20 PacifiCorp general rate cases (GRCs) in Dockets UE-191024, UE-152253, and UE-  
21 140762; the PacifiCorp PCAM review proceeding in Docket UE-170717; Puget Sound  
22 Energy (PSE) GRCs in Dockets UE-190529/UG-190530 and UE-170033/UG-170034;  
23 PSE's power cost only rate case in Docket UE-141141; Avista Corporation d/b/a Avista

1 Utilities GRCs in Dockets UE-190334/UG-190335, UE-160228/UG-160229, and UE-  
2 150204/UG-150205.

3 **Q. Mr. Bradley G. Mullins, please state your name, address and provide**  
4 **information pertaining to your educational background and professional experience.**

5 A. My name is Bradley G. Mullins. I am an independent consultant retained  
6 by AWEC. I filed response testimony on behalf of AWEC on April 21, 2021, and my  
7 educational background and professional experience are described in that testimony, in  
8 Exh. BGM-1T.

9 **Q. Mr. Shawn Collins, please state your name, address and provide**  
10 **information pertaining to your educational background and professional experience.**

11 A. My name is Shawn M. Collins. I am the Director of The Energy Project.  
12 My business address is 3406 Redwood Avenue, Bellingham, Washington, 98225. I filed  
13 Response Testimony on behalf of The Energy Project in Exhibit SMC-1T in this  
14 proceeding on April 21, 2021. My educational background and professional experience  
15 are described in Exh. SMC-2 filed concurrently with that testimony.

16 **Q. Mr. Jesse Piedfort, please state your name, address and provide**  
17 **information pertaining to your educational background and professional experience.**

18 A. My name is Jesse Piedfort. My business address is 180 Nickerson St, Suite  
19 202, Seattle, WA 98109. I am a Chapter Director for the Sierra Club's Washington Chapter  
20 appearing on behalf of the Sierra Club. I am responsible for coordinating advocacy and  
21 strategy for the Washington Chapter. My work includes engaging with utilities to advocate  
22 for the responsible transition away from fossil fuel resources towards clean energy and

1 energy efficiency, among other duties. I have worked as the Chapter Director for nearly 4  
2 years.

3 **Q. Dr. Lance Kaufman, please state your name, address and provide**  
4 **information pertaining to your educational background and professional experience.**

5 A. My name is Lance Kaufman. I am the Principal Economist of Aegis  
6 Insight. My business address is 2326 NW Bluebell Place, Corvallis, OR 97330. I filed  
7 response testimony in this proceeding on behalf of Inland Empire Paper Co. on April 21,  
8 2021, and my educational background and professional experience are described in that  
9 testimony, in Exh. LDK-2.

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### **III. SETTLEMENT PROCESS**

12 **Q. Please describe the process that led to the filing of the Partial**  
13 **Settlement.**

14 A. Representatives of all parties to the proceeding appeared telephonically and  
15 virtually at an initial settlement conference held on March 10, 2021. A second settlement  
16 conference was held on May 6, 2021, with additional telephonic and email exchanges  
17 through May 25, 2021, which led to this Partial Settlement. Extensive discussions  
18 occurred on all components of the Company's filing, such as the cost of capital, rate base,  
19 and various expense items. Ultimately, through the "give-and-take" on multiple issues by  
20 the Settling Parties that characterizes any settlement discussion, the Settling Parties were  
21 able to resolve some, but not all of the issues in this proceeding. Those issues resolved in  
22 this Partial Settlement are related to: (1) power supply; (2) Energy Imbalance Market  
23 ("EIM"); (3) IEP special contract; (4) pricing pilots; (5) low-income proposals for the

1 Company's Low-Income Rate Assistance Program ("LIRAP"), renewables, and electric  
2 vehicles; (6) treatment of the Allowance for Funds Used During Construction  
3 ("AFUDC") deferral; and (7) Fee-Free and Line Extension Allowance Program ("LEAP")  
4 deferrals. Each of the Settling Parties ultimately agreed to concessions on matters which  
5 would not have been agreed to if each of the Settling Parties were to proceed to  
6 evidentiary hearings.

7 **Q. What issues were not resolved by this Partial Settlement?**

8 A. This Partial Settlement does not resolve all remaining issues in this  
9 proceeding, which include: (1) the October 1, 2021 overall change in base rates; (2) cost of  
10 capital; (3) capital additions; (4) wildfire expenditures and recovery; (5) Advanced  
11 Metering Infrastructure; (6) Colstrip-related matters; and (7) cost of service, rate spread, &  
12 rate design.

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14 **IV. TERMS OF THE PARTIAL SETTLEMENT**

15 **Q. Please explain the agreement related to Power Supply in the Partial**  
16 **Settlement.**

17 A. The Settling Parties agree that Avista will provide an update to its filed  
18 Power Supply pro forma adjustment 60 days prior to the rate effective date (October 1,  
19 2021), and the effects of such update will be incorporated into the electric revenue  
20 requirement approved by the Commission.

21 **Q. What will be included in the 60-day update filed with the Commission?**

22 A. The update will include refreshing natural gas and electricity market prices,  
23 updating non-natural gas fuel prices where such prices are the result of a contract changes,

1 adding all incremental contracts with terms of less than one year affecting the pro forma  
2 period for natural gas and electricity, and updating rate changes for any power and  
3 transmission service contracts included in the filing.

4 **Q. What have the Settling Parties agreed to as it relates to Avista joining**  
5 **the Western Energy Imbalance Market (EIM) operated by the California**  
6 **Independent System Operator (CAISO)?**

7 A. The Settling Parties agree to include EIM capital and expenses in base rates  
8 as proposed by Avista. Avista will also include a \$5.8 million annualized system EIM  
9 benefit (for the 7 months Avista will participate in the EIM during the rate effective period,  
10 this benefit is \$3.4 million (system)). Avista agrees to participate in a collaborative, or  
11 Staff investigation, concerning the modeling of EIM benefits. If a collaborative or  
12 investigation does not conclude before Avista’s next General Rate Case (“GRC”), Avista  
13 agrees to examine the accuracy of the benefit estimate in its next GRC.

14 **Q. What did Avista include as it relates to EIM capital and expenses as**  
15 **proposed and as agreed-to by the Settling Parties?**

16 A. Avista proposed in its direct case Adjustment 3.18 “Pro Forma EIM Capital  
17 and Expenses”, which reflects increases in capital additions and expenses related to the  
18 Company’s decision to join the EIM. This pro forma adjustment reflects increases in 2020  
19 through March 2022 capital additions on an average-monthly-average (AMA) basis,  
20 together with associated A/D, ADFIT, and depreciation expense, as well as EIM operating  
21 expenses expected during the rate-effective period. During the process of the case, through  
22 Data Request Staff 107 Supplemental 3, the Company updated its EIM capital and expense  
23 balances to reflect actual transfers to plant through December 31, 2020, and updated 2021

1 additions, as well as corrected labor expenses through the rate-effective period. Table No.  
 2 1 below summarizes the electric EIM Adjustment 3.18 balances per Staff 107  
 3 Supplemental 3.

4 **Table No. 1 – EIM Adjustment 3.18 – As Filed versus Updated**

<b>Adjustment 3.18 - EIM</b>	
<b>In 000's</b>	
Plant in Service	\$ 13,908
A/D	(1,150)
ADFIT	(181)
<b>Net Rate Base</b>	<b>\$ 12,577</b>
Operating Expense	\$ 1,691
Depreciation Expense	1,709
<b>Expense</b>	<b>\$ 3,400</b>
<b>Net operating Income</b>	<b>\$ (2,620)</b>
<b>Revenue Requirement Impact</b>	<b>\$ 4,707</b>

13 As shown in Table No. 1 above, net rate base pro formed on an AMA basis during  
 14 the rate period totals approximately \$12.6 million (Washington-share), after reflecting A/D  
 15 and ADFIT. Also included are Washington's share of depreciation expense of  
 16 approximately \$1.7 million associated with pro forma investment and operating expenses  
 17 of approximately \$1.7 million, reflecting incremental labor expense, information  
 18 technology ("IT") expense, system integrator (Utilicast) and CAISO implementation fee  
 19 expenses. Therefore, the net effect of this updated adjustment above 2019 test period  
 20 levels, increases overall net electric rate base by \$12,576,000, increases expense by

1 \$3,400,000, and decreases net operating income by \$2,620,000, resulting in an overall  
2 increase in revenue requirement from test period levels of \$4.7 million.<sup>4</sup>

3 **Q. Would you please provide an overview of the Special Contract between**  
4 **Avista and IEP that the Settling Parties support?**

5 A. Yes. The Settling Parties support the entry into a special contract between  
6 Avista and IEP, with full resolution in this case, on the terms set forth in the Agreement,  
7 as separately filed on the same date as this Joint Testimony. As noted, Avista and IEP will  
8 file Joint Testimony supporting that agreement. Below are the major terms of the  
9 Agreement:

- 10 1) Avista will meet with interested parties, following entry of the final order, to  
11 discuss how the IEP special contract will be reflected in Avista’s cost of service  
12 studies going forward. Within 180 days after the rate-effective date, Avista will  
13 file a report in this docket stating whether an agreement was reached and  
14 providing its proposed treatment of IEP for cost of service studies going  
15 forward.
- 16 2) The Settling Parties agree that the IEP special contract “revenue adjustment”  
17 will be recovered from all other electric customers based on the spread of the  
18 return of the AFUDC deferral balance (see Item No. 3 in Section V. below).
- 19 3) Avista agrees to retain certain records of each curtailment event, enumerated  
20 below, which it will (1) provide upon request to Commission Staff or to Pu blic  
21 Counsel, and (2) provide in summary form, encompassing the test period, in

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<sup>4</sup> The revenue requirement is calculated using the Company’s cost of capital, which is still at issue in this case.

- 1 any GRC filing while the contract remains in effect.
- 2 a. Every request, including the date, time, and duration of the requested  
3 curtailment, and the level of requested curtailment;
- 4 b. Amount of power that IEP actually curtails;
- 5 c. Amount of any penalty paid by IEP to Avista, pursuant to the contract or  
6 of any buy-through by IEP;
- 7 d. Intercontinental Exchange (“ICE”) day-ahead price at the Mid-  
8 Columbia trading hub;
- 9 e. Amount of EIM imbalance payment, if incurred; and
- 10 f. IEP’s total load during the event.

11

12 Any confidential information provided outside a case in which a protective  
13 order is on file shall be provided in accordance with WAC 480-07-160

- 14 4) The special contract between IEP and Avista shall maintain support for  
15 contributions and mechanisms related to public purposes, in particular related to  
16 low-income and energy efficiency, and shall ensure that IEP’s level of, and  
17 methodology for, contribution remains the same under the special contract as it  
18 would be absent a special contract.

19 The Settling Parties agreed to support the filing of a signed and executed contract with the  
20 Commission by June 25, 2021 to complete the record in order for Commission resolution  
21 of the special contract in this case. The final rates will be incorporated into the Company’s  
22 compliance filing as ordered by the Commission in this proceeding.

23

24 **V. MISCELLANEOUS ISSUES**

25 **Q. Please explain the miscellaneous issues agreed to by the Parties per the**  
26 **Partial Settlement.**

27 A. The Settling Parties agreed to the following issues as a part of the Partial  
28 Settlement:

1            1. AFUDC Deferral – Avista will return to customers the deferred balances related  
2 to electric and gas AFUDC equity portion through Schedules 76/176 over a one-  
3 year period beginning on the rate-effective date. These balances total \$1.8 million  
4 electric and \$0.5 million gas. The refund will be spread to each class based on  
5 allocated rate base, unless the Commission selects a different rate spread method  
6 for the return of the AFUDC deferral.

7            2. Pricing Pilots – Time-of-Use (TOU) rates for electric residential and general  
8 service schedules.

9            a) Avista agrees to:

- 10            i. Design “opt-in” time-of-use pilots and peak-time rebate pilots for  
11 electric residential and general service customers.  
12            ii. Develop monitoring and reporting (M+R) plans for each pricing pilot.  
13            iii. Include language in the M+R plans to measure and evaluate the impact  
14 to low-income and vulnerable populations.  
15            iv. Include equity measures in the M+R plans for the residential and  
16 general service pilots. (PacifiCorp M+R plans provide one example.)  
17            v. Provide draft pilots and M+R plans to interested parties by May 31,  
18 2022.  
19            vi. Convene stakeholder meetings to gather feedback from parties on the  
20 draft pilots, or a detailed status update as to the expected timing of draft  
21 pilots, and M+R plans. Feedback will include the following:  
22            a) General pilot design and design of M+R plans;  
23            b) Whether the pilots could provide benefits given Avista’s  
24 unique system and customer mix; and,  
25            c) Incorporation of equity into the design and implementation of  
26 the pilots as it concerns low-income, vulnerable, and  
27 marginalized populations.  
28            vii. File final proposals and M+R plans within six months of convening a  
29 stakeholder meeting to gather input and solicit feedback on the  
30 Company’s draft proposals, but no later than April 1, 2023, with an  
31 effective date of June 1, 2023.

32  
33            b) Avista may engage a third party to design the pilots.

34            c) Avista will engage a third-party evaluator. This evaluator will consult with

1 Avista and stakeholders to design surveys and data collection efforts.

2 3. Low-Income – The Settling Parties agree to the following low-income items:

- 3 a. LIRAP Funding – Avista’s Low-Income Rate Assistance Program (LIRAP)  
4 funding will increase by the formula used in the current LIRAP plan<sup>5</sup> – i.e.,  
5 an amount equal to 7 percent, or double the percentage increase in the  
6 residential base rate approved in this GRC, whichever is greater. This  
7 funding level will remain in effect until modified in Avista’s next GRC,  
8 multi-year rate plan docket, or other appropriate proceeding. In such  
9 proceeding, any party may make any additional or alternative proposals for  
10 LIRAP funding.  
11
- 12 b. Renewables to Benefit Low-Income – Avista continues to commit to  
13 discuss renewable programs for low-income customers in collaboration  
14 with its Energy Assistance Advisory Group (“EAAG”). If a viable project is  
15 identified, Avista will propose such project to the Commission for approval.  
16
- 17 c. Low-Income EV – Avista agrees to work with its EAAG to establish an  
18 Electric Vehicle (“EV”) project and/or program dedicated to the benefit of  
19 low-income customers, to be implemented by 2022, in alignment with its  
20 Transportation Electrification Plan and goal of dedicating thirty percent  
21 (30%) of transportation electrification program funds to the benefit of low-  
22 income customers.  
23

24 4. Fee Free and Line Extension Allowance Program (LEAP) Deferrals –  
25 Amortizations of Commission-approved deferrals are as filed in the Company’s  
26 case.  
27

## 28 VI. PUBLIC INTEREST

29 **Q. Before providing each Party’s separate statement of support, what**  
30 **have the Parties agreed to regarding the effect of the Partial Settlement on any**  
31 **future rate proceedings?**

32 A. The Partial Settlement represents a negotiated compromise among the

1 Settling Parties. Thus, the Settling Parties have agreed that no particular party shall be  
2 deemed to have approved the facts, principles, methods, or theories employed by any  
3 other in arriving at these stipulated provisions, and that the terms incorporated should not  
4 be viewed as precedent setting in subsequent proceedings except as expressly provided.  
5 In addition, the Parties have the right to withdraw from the Partial Settlement if the  
6 Commission adds any additional material conditions or rejects any material part of the  
7 Partial Settlement.

8 **Q. Does each Party's Statement of Support represent each party's view of**  
9 **why the Partial Settlement is in the public interest?**

10 A. Yes. The following statements are provided from the perspective of each  
11 of the Parties, and as such, represent their views only. As such, no other party shall be  
12 deemed to have agreed to the statements of a particular party.

13

14 **Statement of Avista**

15 **Q. Please explain why Avista believes the Partial Settlement is in the**  
16 **public interest.**

17 A. The Partial Settlement was a compromise among differing interests and  
18 represents give-and-take by the Parties, resulting in the settlement of several significant  
19 provisions included in the Company's general rate case, to be effective October 1, 2021.

20 The Partial Settlement also strikes a reasonable balance between the interests of  
21 Avista and its customers on the terms of a Special Contract with Avista's largest customer

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<sup>5</sup>Approved as a five-year plan in Order 05 of Dockets. UE-150204 and UG-150205 (*Consolidated*) and extended through the conclusion of the instant GRC in Order 09 of Docket Nos. UE-190334, UG-190335, and UE-190222 (*Consolidated*).

1 served in the State of Washington, as well as addressing the costs and benefits that Avista  
2 will face as a result of joining the EIM. This Partial Settlement also addresses critical  
3 items such as power supply costs, customer rate pilots, low income funding, and other  
4 miscellaneous issues that are important to the Settling Parties. Overall, this Partial  
5 Settlement, if approved, provides for recovery of additional costs, that coupled with the  
6 other revenue requirement issues still to be litigated in this proceeding, attempts to  
7 establish retail rates that are fair, just, reasonable, and sufficient, per the requirement of  
8 RCW 80.28.010. Further, this Partial Settlement and was entered into only after extensive  
9 discovery (almost 1,300 data requests, including sub-parts), audit and review of the  
10 Company's filing and books and records.

11 **Q. Please explain why resolution in this case of the treatment of the**  
12 **investment, expense, and benefits associated with EIM is important to the Company.**

13 A. As discussed by Company witness Mr. Vermillion, Avista has actively  
14 monitored the operation and expansion of the California Independent System Operator  
15 (CAISO) Western Energy Imbalance Market (EIM). Avista has been continuously  
16 evaluating the operational benefits associated with EIM participation, and the associated  
17 risks of not participating in the market. One of the largest operational benefits for current  
18 EIM participants is the ability to balance and regulate load and renewable resources by  
19 leveraging available market resources, instead of relying on only internal Avista resources  
20 to provide regulation and meet fluctuating energy and capacity demands.

21 Avista has also closely monitored the impacts to the bi-lateral trading market as  
22 more entities join the EIM. With over 75% of the load in the western interconnection  
23 committed to joining the EIM by 2022, non-participating utilities will face growing market

1 liquidity risk and will therefore need to hold more reserves to minimize exposure to in-  
2 hour fluctuations or extended non-planned generation outages. Holding additional reserves  
3 will lead to higher overall power supply costs since excess available resources can't be  
4 fully optimized or additional resources may need to be purchased.

5 Resolving the costs incurred to join the EIM and matching those with an agreed-  
6 upon level of benefits, not only gives cost recovery certainty to Avista for what it believes  
7 was a very prudent and necessary course of action, but also provides for a level of benefits  
8 for our customers to offset those costs.

9 **Q. Why was resolving power supply issues important to Avista as a part of**  
10 **the Settlement Stipulation?**

11 A. First and foremost, it reflects the culmination of the great work conducted  
12 by Avista, Commission Staff, Public Counsel and other parties related to the Commission-  
13 directed power supply workshops stemming from Avista's 2017 general rate case. The  
14 workshops resulted in the power modeling methodology "strawman" that Avista included  
15 in our direct testimony (Exh. CGK-1T). As noted by Staff witness Mr. Gomez, "at the time  
16 the Company filed this current GRC, the collaborative team was close to finalizing a power  
17 supply methodology".<sup>6</sup> The methodology agreed to by participants in the final workshops  
18 that occurred after the filing of our general rate case did not change. The final methodology  
19 was provided as Exh. CGK-10.

20 Second, Avista thought it was important for the Commission to understand just  
21 what it would file on August 1, 2021 as a part of the 60-day update – and that the Settling  
22 Parties all agree on the components of that update filing. Namely, the update will include

1 refreshing natural gas and electricity market prices, updating non-natural gas fuel prices  
2 where such prices are the result of a contract changes, adding all incremental contracts  
3 with terms of less than one year affecting the pro forma period for natural gas and  
4 electricity, and updating rate changes to any power and transmission service contracts  
5 included in the filing.

6 **Q. Will the 60-day update filing include the EIM benefits agreed to in the**  
7 **Settlement Stipulation?**

8 A. Yes, that would be the appropriate time to include those benefits as well.

9 **Q. Why was it important to the Company to resolve the IEP Special**  
10 **Contract as a part of the Partial Settlement?**

11 A. Avista, through almost two years of discussions and negotiations with IEP,  
12 was persuaded that IEP could construct a cogeneration system adjacent to its mill to serve  
13 nearly all of its electric load. IEP is Avista's largest customer, and as such, covers a  
14 significant amount of costs that, if they were to leave our electric system, would cause a  
15 substantial cost shift to all other customers. In short, it is better to have a Special Contract  
16 with IEP, where some of the existing costs included in their rates are continued to be paid  
17 for by IEP, rather than the alternative.

18 **Q. Are there other customers, like IEP, that are in a similar position and**  
19 **are also deserving of a special contract?**

20 A. Not in the State of Washington. IEP is uniquely situated in terms of their  
21 load requirements, their technical expertise, and their access to substantial natural gas  
22 supplies. We are not aware of any other customers in the same circumstance.

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<sup>6</sup> Exh.DCG-1T,p.66, ll. 11-13.

1           **Q. Has IEP previously demonstrated in other areas that their threat of**  
2 **bypass is real?**

3           A. Yes. Avista (Washington Water Power at that time) served IEP’s natural  
4 gas needs. In short, IEP wanted access to lower cost natural gas supplies. Avista was not  
5 able to reach agreement on a special contract with IEP, and as a result, IEP built its own  
6 natural gas pipeline and interconnected with a nearby pipeline. The details are not  
7 important – merely the fact that they have bypassed Avista in the past, demonstrates a  
8 willingness to do so, and we believe that their electric bypass alternative here is real and  
9 they could act on it.

10           **Q. Finally, why is Avista supportive of the other terms of the Settlement**  
11 **related to pricing pilots, low income issues, and other items?**

12           A. In general, the terms agreed to are very reasonable. Avista has long stated  
13 its interest in pricing pilots and having firm deliverables and timing for the creation of such  
14 pilots was of interest, especially in light of just completing our Advanced Metering  
15 Infrastructure (AMI) deployment. In addition, Avista has always been supportive of low-  
16 income rate assistance and programs and having certainty on funding for our neediest  
17 customers is critical. In summary, as a part of a comprehensive package, Avista is  
18 supportive of the Partial Settlement and requests the Commission’s full approval.

19

20 **Statement of Commission Staff**

21           **Q. Please explain why Commission Staff (Staff) supports the Partial**  
22 **Settlement.**

23           A. The Partial Settlement provides solutions on a variety of issues while

1 preserving highly contested topics for Commission determination. The key elements of the  
2 Partial Settlement include: 1) creating procedural certainty on the power supply update, 2)  
3 resolving the treatment of Energy Imbalance Market (EIM) costs and benefits, 3)  
4 implementing a special contract for Avista’s largest electric customer, 4) resolving the use  
5 of AFUDC deferrals, 5) implementing new pricing pilots for Avista, and 6) resolving low-  
6 income issues. As a total package, the Partial Settlement is in the public interest, and will  
7 lead to rates that are fair, just, reasonable, and sufficient.

8 **Q. Please address the first element of the Partial Settlement, the power**  
9 **supply update.**

10 A. The Partial Settlement creates procedural certainty for the parties and the  
11 Commission regarding the content and timing of Avista’s power supply update. By setting  
12 a date along with a list of the planned updates, the Partial Settlement will enable a smooth  
13 incorporation of the latest power supply information into Avista’ requested rate relief. The  
14 agreement demonstrates the degree of cooperation and understanding among the parties  
15 regarding power supply issues. These updates allow the Commission to make a final  
16 determination of rates with the most up-to-date known and measurable data.

17 **Q. Please address the second element, the EIM.**

18 A. The resolution of EIM costs and benefits through the Partial Settlement  
19 highlights the importance for accurate modeling. By agreeing to support a collaborative or  
20 Staff investigation, the Settling Parties propose an alternative to the litigation which  
21 otherwise almost certainly would ensue to resolve this highly complex issue. The EIM is a  
22 multi-state endeavor across the entire Western Interconnect and, correspondingly, has a  
23 significant impact on a utility’s power cost portfolio. Therefore, it is critical to incorporate

1 accurate estimates of both its benefits and costs. By incorporating these estimates into rates  
2 now along with providing a mechanism for review and improvement going forward, the  
3 Partial Settlement ensures ratepayers will receive the benefit, and burden, of Avista’s  
4 decision to join the EIM.

5 **Q. Please address the third element, the special contract.**

6 A. Creating a new special contract for a customer is a highly complex and  
7 contentious process. The Partial Settlement ends a nearly two-year-long process to migrate  
8 Avista’s largest customer to a separate service offering that reflects its unique situation.  
9 Staff has been working with Avista and IEP since this process began to ensure the contract  
10 itself is in the public interest. In particular, Staff focused on whether this special contract  
11 conformed to the requirements of WAC 480-80-143. As Avista’s largest customer, IEP is  
12 uniquely situated to provide critical services to Avista, and correspondingly to ratepayers,  
13 through a demand response program. In addition, IEP has conducted significant  
14 investigation into, and demonstrated the reasonableness of, bypassing Avista’s system.  
15 Both facts demonstrate “conditions that do not conform to the company’s existing tariff.”<sup>7</sup>

16 Staff also examined whether the special contract meets the application requirements  
17 of WAC 480-80-143. Staff believes that the special contract is consistent with these  
18 requirements, based on the following:

19 1. The proposed contract does not result in unreasonable preference or undue  
20 rate discrimination. The proposed contract provides a more careful  
21 linkage between cost and revenue by creating a demand response  
22 program. In this way, IEP and ratepayers benefit from a program that

1 would have disrupted the embedded cost formulas of a more traditional  
2 tariff.

3 2. The proposed contract recovers all costs resulting from providing the  
4 service during its term and provides a contribution to Avista's fixed costs.

5 3. The charges in the proposed contract are directly calculated using the  
6 most recent information available for the fixed and variable costs  
7 necessary to provide service to IEP. In addition, the contract price is tied  
8 to Schedule 25 to mirror changes with future revenue requirements. This  
9 ensures the contract never falls out of sync with Avista's underlying costs.

10 4. The basis for relying on this contract is the fundamental nature of the  
11 customer. IEP is simply not similarly situated to any other Avista  
12 customer and has a reasonable option of procuring power on its own.

13 As a whole, the special contract represents a negotiated agreement that results in  
14 fair, just, reasonable, and sufficient rates for all customers. Under the special contract, IEP  
15 will continue to provide a significant contribution of revenues towards the fixed costs  
16 necessary to provide electricity to all customers served by Avista.

17 **Q. Please address the fifth element, pricing pilots.**

18 A. The Partial Settlement solidifies Avista's pursuit of pricing pilots, which are  
19 necessary to meet the state's ambitious clean energy goals. The terms in the stipulation  
20 provide Avista with clarity during the initial design phase and give stakeholders defined  
21 opportunities to provide feedback on monitoring and reporting. These terms bring Avista's  
22 proposed pilots into alignment with the pricing pilot programs approved for PacifiCorp,

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<sup>7</sup> WAC 480-80-143(1)(a).

1 which reduces the complexity of any evaluations for any interested stakeholders and the  
2 Commission.

3 **Q. Please address the sixth element, low income issues.**

4 A. The resolution of low-income issues includes a commitment by Avista to  
5 discuss renewable energy and electric vehicle projects in the Energy Assistance Advisory  
6 Group. This is particularly valuable to vulnerable populations that have been excluded or  
7 have faced considerable barriers to these types of technologies. Staff is committed to  
8 ensuring the benefits of the transition to clean energy are equitable.

9

10 **Statement of AWEC**

11 **Q. Please explain why AWEC supports the Partial Settlement filed with**  
12 **the Commission on May 27, 2021 in these dockets.**

13 A. AWEC supports the Stipulation for several reasons. AWEC supports the  
14 Partial Settlement for several reasons. As noted above, the Partial Settlement presents an  
15 outcome negotiated by all parties in this proceeding. As such, the Partial Settlement  
16 represents the comprehensive interests and emphases of a diverse group of stakeholders  
17 with a combined wide range of concerns and perspectives. AWEC submits that a  
18 resolution supported by most, and not opposed by any, stakeholder developed through such  
19 a process represents and supports the interests of all stakeholders in this proceeding and is,  
20 therefore, in the public interest.

21 Specifically, regarding the Special Contract, AWEC supports the resolution of the  
22 negotiations between IEP and Avista, as well as the treatment of other large customers, and  
23 other rate classes, as a result of the Special Contract. Additionally, the Partial Settlement

1 adequately resolves AWEC’s immediate concerns regarding Avista’s participation in the  
2 EIM and maps out a path forward to a longer-term resolution of ensuring ratepayers  
3 receive the full benefits of Avista’s EIM participation, while also addressing related costs.  
4 Finally, the Partial Settlement presents a fair resolution to the treatment of monies related  
5 to allowance for funds used during construction (“AFUDC”) to be returned to ratepayers as  
6 a result of the Commission’s approval of Avista’s accounting treatment modification  
7 proposal. The proposed framework to return these credits to ratepayers, taken together  
8 with the cost recovery proposals in the Partial Settlement, provide ratepayers with rate  
9 stability and cost certainty during a period of recovery from the current economic  
10 challenges resulting from the global health pandemic. As a whole, AWEC supports the  
11 Partial Settlement, submits its approval is in the public interest, and recommends the  
12 Commission approve the Partial Settlement as proposed.

13 **Q. Please explain why resolving issues related to the Energy Imbalance**  
14 **Market (“EIM”) were important to AWEC.**

15 A. In Answer Testimony, AWEC expressed concern regarding the lack of  
16 acknowledgement of EIM benefits in Avista’s revenue requirement calculation, as well as  
17 the anticipated costs associated with participating in the EIM.<sup>8</sup> The Partial Settlement  
18 provides ratepayers with a quantification of benefits from Avista’s EIM participation and  
19 further commits Avista to work with stakeholders to develop a framework for modeling  
20 EIM benefits in the future. The Partial Settlement resolves AWEC’s immediate concerns

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<sup>8</sup> Exhibit BGM-1T, pp. 68-69.<sup>9</sup> *Washington Utilities & Transportation Commission v. Puget Sound Energy*, Docket UE-161123, Order 06, Order Approving Settlement Agreement, ¶¶ 61-63 (Microsoft a greement to continue historical contributions to low-income assistance and conservation ensures that its Special Contract “will not negatively impact customers” who rely on those programs, ¶¶ 88-95 (Microsoft a greement to continue contributions is consistent with state and UTC policy and is in the public interest.)

1 regarding EIM benefits and costs through the agreed upon benefit value, and addresses  
2 AWEC's longer-term observations through the proposed collaborative. The Partial  
3 Settlement provides ratepayers and the Company with a stable EIM cost/benefit regime  
4 framework moving forward and is in the public interest.

5 **Q. Please explain why resolving issues related to the IEP Special Contract**  
6 **were important to AWEC.**

7 A. Large customers face the potential for a much greater revenue requirement  
8 increase if the Special Contract is not approved because IEP's ability to pursue  
9 cogeneration to meet nearly all of its load would substantially reduce its contribution to  
10 fixed costs, which other customers would need to absorb. Consequently, the revenue  
11 adjustment provided for in the Special Contract is a far better outcome for all customers  
12 and is just and reasonable.

13 AWEC also sees substantial value to customers in the demand response program  
14 included in the Special Contract. This program will reduce Avista's need to acquire new  
15 generation, which will reduce the cost to customers of complying with the Clean Energy  
16 Transformation Act.

17

18 **Statement of The Energy Project**

19 **Q. Mr. Collins could you please summarize the purpose of your**  
20 **testimony?**

21 A. The purpose of my testimony is to provide support for approval of the  
22 Partial Settlement filed with the Commission in this docket. My testimony focuses on the  
23 elements of the Partial Settlement that impact low-income customers within Avista's

1 service territory and explains why The Energy Project believes the Partial Settlement is in  
2 the public interest.

3 **Q. Please provide a summary of the elements of the Partial Settlement that**  
4 **are particularly beneficial from a low-income perspective.**

5 A. The Partial Settlement includes several components that specifically address  
6 low-income customer issues and that resolve some of the concerns addressed in my  
7 response testimony. These include:

- 8 • The LIRAP funding formula
- 9 • A renewables commitment
- 10 • An electric vehicles project commitment
- 11 • Pricing pilot parameters
- 12 • IEP Special Contract issues

13 **Q. Please explain TEP's support for the LIRAP funding provision.**

14 A. The Partial Settlement extends the existing LIRAP funding increase formula  
15 which provides that funding will increase by an amount equal to 7 percent, or double the  
16 percentage increase in the residential base rate approved in this GRC. This extends the  
17 formula used in the current LIRAP plan. The formula will remain in place until modified  
18 in a future rate proceeding. Both Avista and TEP had proposed an increase to LIRAP  
19 funding in pre-filed testimony in this case, but with somewhat different formulas. We  
20 ultimately agreed on continuing the existing formula through the next case. This will  
21 provide immediate stability for the funding as well as an increase to address the level of  
22 need and to mitigate the impact of any rate increase awarded. By not adopting a long-term  
23 multiyear funding formula at this time, flexibility is retained to adjust to changing

1 circumstances.

2 **Q. Please explain TEP's support for the renewables and electric vehicle**  
3 **provisions.**

4 A. The Energy Project strongly supports providing low-income energy  
5 customers access to the benefits of clean renewable energy, including for example, through  
6 direct participation in targeted solar and wind projects. This settlement reaffirms Avista's  
7 commitment, initially made in its last GRC, to work with its Energy Assistance Advisory  
8 Group to identify a viable project of this type, and to propose it to the Commission for  
9 approval.

10 With respect to electric vehicles, the Partial Settlement builds on Avista's  
11 commitment on this issue in the last GRC, while adding some more specificity. In this  
12 agreement, in alignment with Avista's Transportation Electrification Plan on file with the  
13 Commission, the Company commits to establish a project and/or program dedicated to the  
14 benefit of low-income customers by 2022, in collaboration with the Energy Assistance  
15 Advisory Group. Avista reaffirms the goal established in the prior GRC settlement of  
16 dedicating thirty percent of transportation electrification funds to the benefit of low-income  
17 customers. As with renewables, this is consistent with TEP's interest in seeing clean  
18 energy options made more accessible to low-income customers.

19 The Energy Project's long-standing interest in pursuing these low-income clean  
20 energy goals is now bolstered by the equity requirements of CETA.

21 **Q. Please explain TEP's support for the pricing pilot provisions in the**  
22 **Partial Settlement.**

23 A. While alternative pricing designs may in some circumstances be beneficial

1 for residential customers, poorly designed models run the risk of harming low-income  
2 customers who are not in a position to take advantage of alternative pricing due lack of  
3 access to technology, lack of education or information, lack of schedule flexibility, and  
4 other causes. Time-of-use (TOU) rates may not be the best option for many. The Partial  
5 Settlement addresses these concerns by allowing for study of a peak time rebate option as  
6 well as TOU, requiring monitoring and reporting (M&R) plans to evaluate impacts on low-  
7 income customers and vulnerable populations, and including equity measures. An  
8 additional term of particular value is the agreement to engage a third-party evaluator for  
9 the pilots. This will help ensure a balanced and credible analysis of the pilot outcomes.

10 **Q. Please explain TEP’s support for the IEP Special Contract settlement**  
11 **term.**

12 A. TEP believes it is very important to protect support for system  
13 benefits/public purposes if and when large customers are to be permitted to enter into  
14 special contracts with utilities. This is consistent with the Commission policy reaffirmed  
15 in the PSE Microsoft case in 2017.<sup>9</sup> The Energy Project appreciates that IEP adopted this  
16 same “hold harmless” approach for public purposes funding in its initial proposed Special  
17 Contract terms. While TEP does not have a position on the adoption of a Special Contract  
18 per se, for settlement purpose, TEP agrees to the Special Contract term because it  
19 specifically preserves and protects for the future IEP’s level of contribution towards low-  
20 income assistance and energy efficiency as if no Special Contract were in place.

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<sup>9</sup> *Washington Utilities & Transportation Commission v. Puget Sound Energy*, Docket UE-161123, Order 06, Order Approving Settlement Agreement, ¶¶ 61-63 (Microsoft agreement to continue historical contributions to low-income assistance and conservation ensures that its Special Contract “will not negatively impact customers” who rely on those programs, ¶¶ 88-95 (Microsoft agreement to continue contributions is consistent with state and UTC policy and is in the public interest.)

1           **Q.     Does The Energy Project support approval of the Partial Settlement?**

2           A.     Yes. The Energy Project believes the Partial Multiparty Settlement  
3 Stipulation is in the public interest and recommends that it be approved by the  
4 Commission. The Energy Project fully supports the Partial Settlement filed with the  
5 Commission and appreciates Avista’s and the other parties’ work to reach this agreement.  
6 However, TEP still has concerns with other unresolved aspects of the Company’s filing  
7 which negatively impact low-income customers, including the size of the revenue request,  
8 as explained in my Response Testimony. TEP reserves the right to address those issue as  
9 appropriate in the litigated phase of the docket.

10          **Q.     Does this conclude your statement?**

11          A.     Yes.

12

13          **Statement of Sierra Club**

14          **Q.     Could you explain the purpose of your testimony?**

15          A.     The purpose of my testimony is to explain why the Sierra Club supports the  
16 proposed Partial Settlement Stipulation (“Settlement”), filed with the Commission on May  
17 27, 2021. The Sierra Club believes the Settlement is in the public interest in transitioning  
18 towards cleaner and more affordable energy for a few reasons.

19          **Q.     What is your recommendation?**

20          A.     I recommend that the Commission approve the partial Settlement. The  
21 Settlement provides significant environmental and economic benefits. As such, this  
22 Settlement is in the public interest.

23          **Q.     Can you elaborate on why Sierra Club supports this Settlement?**

1           A.       Although certain issues remain to be litigated before this Commission, such  
2 as the Avista expenditures for Smartburn technology at the Colstrip plant, this partial  
3 Settlement represents a positive step forward for low-income ratepayer protections and  
4 clean energy.

5           First, under the Settlement, low-income rate assistance funding will be “7 percent,  
6 or double the percentage increase in the residential base rate approved in this GRC,  
7 whichever is greater.” (Settlement at Section 14(a)). Sierra Club supports adding low-  
8 income rate assistance funding since energy is a basic need, especially during COVID  
9 pandemic times.

10          Second, the Settlement commits Avista to work with the Energy Assistance  
11 Advisory Group (EAAG) on an electric vehicle (EV) program with a goal of 30% of  
12 monies being dedicated to benefit low-income customers. (Settlement at Section 14(c)). In  
13 addition, the EAAG will also work to identify low-income renewable energy opportunities.  
14 (Settlement at Section 14(b)). Sierra Club supports clean energy and EV benefits for all  
15 ratepayers, but especially low-income ratepayers, who may also bear the disproportionate  
16 impacts of pollution from dirty sources of energy. Renewable energy and electric vehicles  
17 have tangible air quality benefits.

18          Finally, accepting the IEP special contract means that additional gas co-generation  
19 will not be constructed in Washington, at least during the term of the special contract. (IEP  
20 Kaufman Direct, Exh. LDK-1T at p. 2). Sierra Club does not support the addition of gas  
21 plants in Washington or elsewhere due to the greenhouse gas impacts associated with such  
22 plants. Adding gas generation is not in line with the state’s climate goal to have carbon-  
23 free electricity by 2045. In addition, Sierra Club finds it important that the special contract

1 “shall maintain support for contributions and mechanisms related to public purposes, in  
2 particular related to low-income and energy efficiency, and shall ensure that IEP’s level of  
3 and methodology for contribution remains the same under the special contract as it would  
4 be absent a special contract.” (Settlement at Section 11(d)). Sierra Club supports continued  
5 IEP contributions for low-income and energy efficiency programs.

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

7 A. Yes.

8

9 **Statement of IEP**

10 **Q. Please explain why IEP supports the Partial Settlement filed with the**  
11 **Commission on May 27, 2021 in these dockets.**

12 A. IEP supports the Stipulation because it includes a Special Contract with  
13 terms that benefit all parties. Cost of Service customers receive a net benefit from IEP’s  
14 continued contribution to fixed costs (relative to the outcome if IEP pursued cogeneration)  
15 and from access to a demand response resource that dwarfs all other potential demand  
16 response options on Avista’s system.

17 **Q. In rebuttal testimony Avista proposed a special contract rate that was**  
18 **higher than the rate included in this Partial Settlement, but also conceded that the**  
19 **ultimately agreed upon rate was reasonable. Do you have any response to Avista’s**  
20 **analysis supporting its proposed special contract rate in its rebuttal testimony?**

21 A. Avista’s recommended special contract rate was based on an eight-year  
22 comparison of avoided costs associated with IEP self-generation and the corresponding

1 lost revenue.<sup>10</sup> Avoided costs can offset the rate impact of IEP leaving Avista’s system and  
2 Avista’s model attempts to measure the net impact of IEP’s load leaving Avista’s system.  
3 However, Avista’s model has several issues that overstate avoided costs and understate lost  
4 revenue.

- 5 1. Avista’s testimony spreads eight years of costs over 10 years in order to  
6 match the duration of the special contract. This modeling choice fails to  
7 account for the fact that if IEP constructs a cogeneration facility Avista  
8 would face the loss of load indefinitely, not only for the duration of the  
9 Special Contract.
- 10 2. Avista uses avoided system costs rather than avoided costs for Washington.  
11 The actual rate impact for Washington customers depends on Washington  
12 allocated costs. Therefore, it is more appropriate to use Washington  
13 allocated avoided costs.
- 14 3. Avista assumes perfect alignment between the timing of IEP’s lost load and  
15 Avista’s next major resource acquisition. Given the lead times necessary to  
16 secure new resources Avista is already committing to new resources in  
17 2024.<sup>11</sup> Avista must continue to plan to serve IEP’s load until IEP gives  
18 notice to Avista of its intent to transition to cogeneration. Given the  
19 discrepancy between the timing of resource commitment and loss of load, it  
20 is unlikely that Avista would be capable of avoiding any new generation  
21 planned within one year of cogeneration notice. It is reasonable to include

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<sup>10</sup> Avista incorrectly states that its analysis is from 2023 to 2031. The “10-year” and levelized values reported in Exh. SJB-3C actually calculates values for eight years from 2024 to 2031.

1                   2023 in the calculation of net impacts to the minimum one year delay  
2                   between cogeneration and avoided capital costs.

3                   The combined impact of these three issues increase the annual benefit of IEP  
4 remaining on the system to \$ [REDACTED].

5                   **Q.     In rebuttal testimony, Avista proposed a demand response payment**  
6 **that was lower than what was agreed to in this Partial Settlement, but also stated that**  
7 **the amount ultimately agreed to is reasonable. Did you review the analysis Avista**  
8 **performed to arrive at its demand response payment rate in rebuttal testimony?**

9                   A.     Yes. Avista proposed a demand response value that represents avoided  
10 capital and energy costs associated with the demand response program under the  
11 assumption that the demand response program only provides a [REDACTED] capacity  
12 contribution. This means Avista assumes that the [REDACTED] demand response program will  
13 only reduce capacity needs by [REDACTED]. Avista makes this assumption based on the results  
14 of its ARAM model, a stochastic model with predetermined dispatch of the demand  
15 response resource. A stochastic model is a model where certain variables, for example  
16 prices and plant outages, occur randomly. Because Avista sets the timing of the demand  
17 response resource dispatch before running the model, dispatch is not optimized within the  
18 model. As a result, the model estimates the capacity contribution of IEP's proposed  
19 demand response program. The ARAM model may be appropriate to evaluate the capacity  
20 contribution of a non-dispatchable resource such as wind or solar. However, modifications  
21 to the assumptions in the model are necessary to accurately measure the capacity

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<sup>11</sup> <https://investor.avistacorp.com/news-releases/news-release-details/chelan-pud-and-avista-partner-clean-hydropower-energy-contract>

1 contribution of a dispatchable resource such as the Special Contract demand response  
2 program. In actual operations, Avista will be dispatching IEP’s demand response resource  
3 in the day ahead of operations. This means that the dispatch will be relatively responsive to  
4 random changes in plant outages and market prices.

5 Avista’s IRP assumes a capacity contribution of 60 percent for all demand response  
6 resources,<sup>12</sup> and the Special Contract demand response program is as reliable or more  
7 reliable than the other demand response resources available to Avista. Under Avista’s  
8 valuation model, a 60 percent capacity contribution supports an avoided cost of [REDACTED]  
9 [REDACTED]. The Partial Settlement demand response price of [REDACTED] is consistent with a  
10 capacity credit of [REDACTED], and is therefore reasonable.

11 **Q. What is your recommendation?**

12 A. I recommend that the Commission approve the Partial Settlement, as well as  
13 the special contract, as just and reasonable and in the public interest.

14

## 15 **VII. CONCLUSION**

16 **Q. In conclusion, why is this Partial Settlement “in the public interest?”**

17 A. This Stipulation should be approved for the following reasons:

18

19 • It strikes a reasonable balance between the interests of the Company and its  
20 customers, including its low-income customers. As such, it represents a  
21 reasonable compromise among differing interests and points of view.

22

23 • The Company’s general rate case filing has been subjected to great scrutiny  
24 through the discovery process: approximately seven months have passed  
25 since the case was filed and the Company has responded to almost 1,300  
26 data requests (including sub-parts).

27

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<sup>12</sup> Avista 2021 IRP, Chapter 11 p. 8.

- 1           •       Ample opportunity has been afforded all Parties to participate meaningfully  
2           in the settlement process.  
3  
4           •       In the final analysis, any settlement reflects a compromise, in the give-and-  
5           take of negotiations; the Commission, however, has before it a Partial  
6           Settlement that is supported by sound analysis and sufficient evidence. Its  
7           approval is “in the public interest,” and satisfies the requirement that rates  
8           be fair, just, reasonable, and sufficient.

9           **Q.     Are there legal standards that must be satisfied with respect to any**  
10 **settlement?**

11           A.     Yes. The Commission’s charge is to regulate in the public interest. The  
12 settlement, if approved, must result in rates that are fair, just, reasonable, and sufficient.  
13 (RCW 80.28.010.) As such, the Commission must not only assure fair prices and services  
14 to customers, but also “provide the utility with rates sufficient to cover its prudently  
15 incurred costs and an opportunity to recover a return on its investment.” (WUTC v Avista  
16 Corporation, Docket Nos. UE-050482/UG-050483, Order No. 05 (December 21, 2005) at  
17 p. 10.) In the final analysis, it is the “end result” that matters, not the methods by which  
18 rates are determined. (Id., at p.11) The Partial Settlement represents the Parties’ best efforts  
19 at arriving at an end result that satisfies these requirements, as it pertains to the issues  
20 addressed in the Partial Settlement.

21           **Q.     Does that conclude your Joint Testimony in Support of the Partial**  
22 **Settlement?**

23           A.     Yes, it does.