

**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-200902 and UE-200894 (*Consolidated*)

**TESTIMONY OF COREY J. DAHL
ADDRESSING THE PARTIAL MULTIPARTY SETTLEMENT STIPULATION
ON BEHALF OF
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

Exhibit CJD-1T

June 25, 2021

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

2 A. My name is Corey Dahl, and I serve as a regulatory analyst for the Public Counsel
3 Unit of the Washington State Office of the Attorney General (“Public Counsel”).
4 My business address is 800 5th Ave, Suite 2000, Seattle, Washington, 98104.

5 **Q. On whose behalf are you testifying?**

6 A. I am testifying on behalf of Public Counsel in this proceeding.

7 **Q. Have you previously testified in this proceeding?**

8 A. No, I have not yet testified in this proceeding.

9 **Q. Please state your qualifications.**

10 I earned a B.A. in Economics and a B.A. in English from the University of St.
11 Thomas in St. Paul, Minnesota in 2011. In 2016, I earned a Master of Public
12 Administration degree from the Daniel J. Evans School of Public Policy and
13 Governance at the University of Washington in Seattle. While completing my
14 graduate studies, I worked on low-income and housing policy for a non-profit
15 advocacy organization and worked as a legislative assistant for the Seattle City
16 Council.

17 My current employment with Public Counsel began in October 2016. Since
18 joining the Attorney General’s Office, I have worked on a variety of energy,
19 transportation, and telecommunications matters, including Avista’s 2019 General
20 Rate Case (Dockets UE-190335 and UG-190335), Lugg’s 2020 Complaint (Docket
21 TV-200029), WasteXpress’s 2020 Complaint (Docket TG-200131), Dolly’s
22 Petitions for Household Goods Mover Permits (Dockets TV-190593 and
23 TV-190594), CenturyLink’s 2017 911 Outage Complaint (Docket UT-190209),

1 Cascade's 2017 General Rate Case (Docket UG-170929), Puget Sound Energy's
2 2017 General Rate Case (Dockets UE-170033 and UG-170034), Avista's 2017
3 General Rate Case (Dockets UE-170485 and UG-170486), the Puget Sound Energy
4 Greenwood Explosion Complaint (Docket PG-160924), Pacific Power's Schedule
5 300 Tariff Revision case (Docket UE-161204), the CenturyLink-Level3 Merger
6 (Docket UT-170042), Cascade Natural Gas Company's 2017 General Rate Case
7 (Docket UG-170929), the Avista-Hydro One Merger (Docket U-170970), Avista's
8 2018 Depreciation Petition (Dockets UE-180167 and UG-180168), CenturyLink's
9 2017 911 Outage Complaint (Docket UT-190209), and the 2019 Avista Remand
10 (Dockets UE-150204, UG-150205, and UE-190222). I testified on behalf of Public
11 Counsel in the 2019 PacifiCorp General Rate Case Settlement (Docket
12 UE-191024), 2019 Avista General Rate Case Partial Settlement (Dockets
13 UE-190334 and UG-190335), in support of the settlement regarding the merger of
14 CenturyLink and Level3 Communications (Docket UT-170042) in May 2017, on
15 low-income issues in Cascade's General Rate Case (Docket UG-170929), and in
16 the Avista-Hydro One Merger Settlement (Docket U-170970).

17 Beyond adjudications, I have worked on rulemakings, low-income rate
18 assistance, energy conservation, and integrated resource plan (IRP) issues for
19 multiple Washington utilities. I have been involved in several rulemakings,
20 including the CETA IRP Rulemaking (Docket UE-190698), CETA EIA
21 Rulemaking (Docket UE-190652), CETA CEIP Rulemaking (Docket UE-191023),
22 CETA Purchases of Electricity Rulemaking (Docket UE-190837), generic Cost of
23 Service Collaborative (Dockets UE-170002 and UG-170003), and IRP Rulemaking

1 (Docket U-161024). In particular, I participate in conservation advisory groups for
2 Puget Sound Energy and Cascade Natural Gas, as well as the Northwest Natural
3 Gas IRP Technical Working Group, Cascade IRP Technical Advisory Committee,
4 and the Avista IRP Technical Advisory Committee. I also participate in
5 low-income advisory groups for Cascade Natural Gas, Puget Sound Energy, and
6 Avista. More recently, I have observed the Puget Sound Energy Equity Advisory
7 Group and participated in Avista's and Puget Sound Energy's Clean Energy
8 Implementation Plan Advisory Groups. Additionally, I completed Michigan State
9 University and the National Association of Regulatory Utility Commissioners'
10 Utility Rate School in May 2017.

11 **Q. Please explain the purpose of your testimony.**

12 A. I am testifying in this proceeding to address the terms of the Partial Settlement, as
13 filed with the Commission on May 27, 2021, in the Avista General Rate Case. The
14 Partial Settlement addresses a number of issues raised by parties in this proceeding,
15 but preserves remaining issues, including revenue requirement, cost of capital, and
16 rate spread/rate design, for further litigation and Commission determination. Many
17 terms of the Partial Settlement are in the public interest because they fairly and
18 reasonably resolve several contentious issues in this General Rate Case and
19 includes benefits for customers, which may have not been achieved without
20 settlement.

1 **Q. Please briefly summarize the components of the Partial Settlement.**

- 2 • **IEP special contract:** Avista’s largest Washington customer, Inland
3 Empire Paper (IEP), negotiated a contract to receive a \$2.0 million annual
4 rate discount. The contract also includes terms for load curtailment up to 25
5 times per year upon Avista’s request.
- 6 • **AFUDC accounting changes:** In 2019, Avista requested deferred
7 accounting treatment for amounts over-collected through rates due to a
8 change in the accounting treatment for Allowance for Funds Used During
9 Construction (AFUDC).¹ The Commission authorized the deferral,² but
10 Avista’s filing in this rate case did not address the AFUDC equity tax flow-
11 through deferred balances of \$1.8 million for electric and \$0.5 million for
12 gas. The Partial Settlement agreement resolves how these funds will be
13 passed back to customers.
- 14 • **EIM costs and benefits:** Avista is seeking to join the Energy Imbalance
15 Market (EIM), which will provide access to real-time, low-cost power to
16 meet load needs. The costs to join, including capital costs, and an estimated
17 amount for benefits, will be included in rates.
- 18 • **Time-varying-rate pilots:** The Company agreed to pilot time-varying rate
19 programs. The pilots will be opt-in, stakeholders will participate in program
20 design discussions, and Avista will retain a third-party evaluator.

¹ *In re: Petition of Avista Corp. for an Accounting Order Approving Deferred Accounting for its Calculated Allowance for Funds Used During Constr. and its Associated Fed. Income Taxes*, Dockets UE-190074 & UG-190075, Order 01 Granting Accounting Petition (May 7, 2020).

² *Id.* ¶ 13.

1 • **Low-income customer programs:** The Partial Settlement includes
2 continuation of the existing funding formula and will be re-assessed in
3 Avista’s next General Rate Case. The Company also agreed to discuss
4 low-income renewable generation with stakeholders and will propose a
5 project if it is viable. Lastly, Avista commits to implement an electric
6 vehicle program benefitting low-income customers by 2022.

7 • **Power supply updates:** Avista will update their power cost baseline 60
8 days before the rate-effective date.

9 **Q. What is Public Counsel’s position on the Partial Settlement?**

10 A. Public Counsel is not a party to the Partial Settlement. Public Counsel supports
11 certain terms and is neutral on the IEP-Avista special contract. As a result, Public
12 Counsel recommends that the Commission approve the Partial Settlement.

13 **Q. Are there specific terms that Public Counsel supports as being in the public
14 interest?**

15 A. Yes, my testimony will describe in more detail why the following terms are in the
16 public interest:

- 17 • AFUDC accounting changes,
- 18 • EIM costs and benefits,
- 19 • Time-varying rate pilots,
- 20 • Low-income customer programs, and
- 21 • Power supply updates.

1 **Q. What is the public interest standard for the Commission to approve settlement**
2 **agreements?**

3 A. The Commission will approve settlement agreements when doing so is in the public
4 interest.³ The Commission may approve, modify, or reject settlement agreements
5 proposed by parties.⁴ No settlement is effective unless the Commission approves
6 it.⁵ As the Commission considers whether to approve, modify, or reject a settlement
7 agreement, they contemplate the following for each term:

- 8 • Whether any aspect of the proposal is contrary to law;
- 9 • Whether any aspect of the proposal offends public policy; and,
- 10 • Whether the evidence supports the proposed elements of the Settlement
11 Agreement as a reasonable resolution of the issue(s) at hand.⁶

12 **Q. Please explain the AFUDC issue and why the treatment of the issue in the**
13 **Partial Settlement in the public interest.**

14 A. In Dockets UE-190074/UG-190075, Avista requested an accounting order
15 authorizing the Company to defer a portion of its calculated AFUDC and
16 associated federal income taxes due to accounting changes mandated by FERC.
17 The Commission authorized the deferred accounting treatment,⁷ but Avista did not
18 address the AFUDC equity tax flow-through deferral balances in its direct
19 testimony in this rate case. The deferred balances to be returned to customers

³ WAC 480-07-740; WAC 480-07-750(2).

⁴ WAC 480-07-750(2).

⁵ WAC 480-07-730.

⁶ *In re: Determining the Proper Carrier Classification of Glacier Recycle*, Docket TG-072226, Order 08 Final Order Approving and Adopting Multiparty Settlement Agreement Subject to Condition, Authorizing and Requiring Compliance Filings ¶ 25 (July 9, 2010).

⁷ Dockets UE-190074 & UG-190075, Order 01 ¶ 13.

1 amount to \$1.8 million for electric and \$0.5 million for gas.⁸ The Partial Settlement
2 resolves the treatment of these deferral balances. The balances will be refunded to
3 customers over a one-year period beginning on the rate-effective date, and will be
4 spread to each class based on allocated rate base unless otherwise directed by the
5 Commission. Public Counsel agrees with this treatment of the AFUDC deferral
6 balances. Over-collected revenues should be returned to customers as quickly as
7 practicable to avoid intergenerational inequities. Additionally, returning the
8 balances in this manner directly mitigates a large portion of the impacts of the first
9 year of the IEP rate discount. As a result, this treatment of the AFUDC deferral
10 balances is reasonable and in the public interest.

11 **Q. Please explain why Public Counsel supports the Partial Settlement's terms**
12 **related to the costs and benefits of Avista join the EIM.**

13 A. Public Counsel supports the agreement to include the costs and an estimate of
14 benefits related to Avista joining the EIM because EIM participation stands to
15 benefit customers. The EIM is a real-time energy market that will allow Avista to
16 purchase lowest-cost resources when existing generation is insufficient to meet
17 load in the short term. Without joining this market, Avista could be at risk of
18 acquiring higher cost resources to meet their load, and those costs would ultimately
19 be paid by customers.

20 **Q. Did Public Counsel initially have concerns about including EIM-related costs**
21 **in customer rates?**

22 A. Yes. Public Counsel witness Rachel Wilson testified that the Company's proposal

⁸ Rebuttal Testimony of Elizabeth M. Andrews, Exh. EMA-6T at 119:9–16.

1 to recover EIM costs in the GRC violated the matching principle because they did
2 not appropriately tie cost recovery to the purported customer benefits resulting
3 from EIM membership.⁹ As a result, under Avista’s proposal, customers would
4 have been required to pay all of the costs associated with EIM membership without
5 realizing any of the actual benefits.

6 **Q. How does the Settlement address Public Counsel’s concerns about EIM**
7 **customer benefits?**

8 A. Under the Settlement, the Company will include a customer benefit in line with
9 projected benefits for the initial seven months of the rate-effective period. After
10 that, power cost updates will adjust the customer benefit to be in line with actual
11 realized benefits associated with EIM participation. This will ensure that the costs
12 of EIM participation are matched to the benefits.

13 **Q. Please explain how the term related to pricing pilots is in the public interest.**

14 A. From Public Counsel’s perspective, the time-varying rate proposal is in the public
15 interest. Even though Avista’s Advanced Metering Infrastructure (AMI)
16 investments are not included in the Partial Settlement, launching opt-in pilots for
17 time-varying rates will help the Company learn how to realize benefits from its
18 major capital investment. The opt-in nature of the pilots will protect customers who
19 do not currently wish to change their rate structure or those who could face higher
20 rates because they are unable to shift their load to non-peak hours.

21 The pilots will be designed with stakeholder input, which will help ensure
22 that the pilot programs are designed such that vulnerable customers are not harmed

⁹ Response Testimony of Rachel Wilson, Exh. RSW-1T at 6:5–11.

1 and that the impact on low-income customers can be better understood. Further,
2 Public Counsel also supports the Partial Settlement term that requires Avista to
3 retain an independent, third-party evaluator. As the Company and stakeholders seek
4 to understand the outcomes of the pilot, it is critical that the analysis is not biased
5 toward a desired result. Using a third-party evaluator will help ensure customer
6 confidence in the identified benefits or drawbacks of time-varying rates,
7 particularly if Avista intends to institute time-varying rates more broadly.

8 **Q. Does the Partial Settlement address Public Counsel’s concerns about**
9 **time-varying rate pilot program design?**

10 A. Yes, in part. Public Counsel witness Shay Bauman recommended that Avista
11 engage stakeholders to develop a time-varying rate pilot, select a third-party
12 evaluator, and implement a peak-time rebate.¹⁰ Public Counsel strongly supports a
13 thorough, collaborative design and implementation process for time-varying rate
14 pilots. Both customers and utilities may benefit from shifting usage from peak
15 periods. Customers could save money on their energy bills by shifting discretionary
16 usage to lower cost time periods, and utilities could save on generation and
17 capacity investments through reductions in peak loads. However, Public Counsel
18 maintains that protections must be put in place to protect vulnerable customers who
19 may not have discretionary load. Furthermore, a peak time rebate structure should
20 be piloted to compare customer participation and outcomes of a program that will
21 reward customers with a “rebate for shifting load during peak periods without any

¹⁰ Response Testimony of Shay Bauman, Exh. SB-1T at 27:3–5 and 29:17–20.

1 potential for punishment,” as Ms. Bauman suggested in her response testimony.¹¹

2 This Partial Settlement includes a requirement for both a time-of-use pilot program
3 as well as a peak-time rebate program, but does not address the merits of any
4 particular program design. Public Counsel believes the stakeholder engagement and
5 third-party evaluator requirements in the Partial Settlement will address our
6 concerns with some of the other potential pilot designs. For these reasons, the
7 pricing pilot terms are in the public interest.

8 **Q. Please explain why the Partial Settlement’s terms regarding low-income**
9 **customer programs are in the public interest.**

10 A. The Partial Settlement, if approved, will benefit low-income customers in multiple
11 ways. First, the Partial Settlement will increase Low-Income Rate Assistance
12 Program (LIRAP) funding by the greater of seven percent or double the percentage
13 of base rate increases. This is an extension of the current LIRAP funding formula,
14 which has been included in previous settlement agreements, and will provide
15 stability and predictability until the next general rate proceeding. The COVID-19
16 pandemic has been particularly devastating for vulnerable and low-income utility
17 customers, so this term will help ensure there are additional funds for customers in
18 need as we continue to move toward broader economic recovery.

19 The other low-income terms provide support in the clean energy transition.
20 If the Partial Settlement is approved, Avista will convene stakeholder discussions
21 about renewable energy projects to serve low-income customers with stakeholders
22 and will file a proposal with the Commission if a project is determined to be viable.

¹¹ *Id.* at 29:11–12.

1 Avista will also establish an electric vehicle program to benefit low-income
2 customers by 2022. The Clean Energy Transformation Act (CETA) requires
3 electric utilities to ensure that the benefits of the transition to clean energy are
4 spread equitably among customers. The low-income proposals in the Partial
5 Settlement are in the public interest because they help accomplish this mandate and
6 provide a specific timeline for doing so.

7 **Q. Please explain why the power cost update is in the public interest.**

8 A. If the Commission approves the Partial Settlement, Avista will update its power
9 supply baseline costs 60 days before the rate-effective date. This will help ensure
10 that power costs, incorporated in customer rates, reflect current market prices.
11 Updating power supply costs is in line with regular industry practices and has
12 potential to minimize over- or under-collections, as the baseline will more
13 accurately align with current costs.

14 **Q. Please address the IEP-Avista special contract.**

15 A. Public Counsel is neutral on the IEP-Avista special contract. As such, Public
16 Counsel is neither advocating for or against the special contract and does not make
17 a recommendation to the Commission with respect to whether to approve or reject
18 the contract. However, there are certain aspects of the special contract that Public
19 Counsel would like to highlight as reasonable. The special contract will prevent
20 IEP from leaving Avista's system to generate its own on-site electricity, which will
21 also avoid stranded costs created by IEP leaving the system. Additionally, the
22 special contract requires IEP to curtail its load when requested by Avista up to 25
23 times per year, which will reduce the need to procure additional power or build new

1 electric generation facilities to meet peak demand.

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

3 **A.** Yes, it does.