

**Docket Nos. UE-200900, UG-200901, and UE-200894
(Consolidated) - Vol. III**

WUTC v. Avista Corporation d/b/a Avista Utilities

July 7, 2021



206.287.9066 | 800.846.6989

1325 Fourth Avenue, Suite 1840, Seattle, Washington 98101

www.buellrealtime.com

email: info@buellrealtime.com



BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	
TRANSPORTATION COMMISSION,)	
)	
Complainant,)	Docket Nos.
)	UE-200900
v.)	UG-200901
)	UE-200894
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
)	
Respondent.)	

EVIDENTIARY HEARING, VOLUME III

Pages 38 - 247

ADMINISTRATIVE LAW JUDGE ANDREW J. O'CONNELL

Taken Remotely Via Teams Videoconference

DATE: Wednesday, July 7, 2021

REPORTED BY: Ronald L. Cook
CCR, CRR, RDR, FAPR
WA CCR #2523; CA CSR #13928

1 A P P E A R A N C E S

2
3 ADMINISTRATIVE LAW JUDGE:

4 ANDREW J. O'CONNELL
(Via Teams videoconference)

5
6 COMMISSIONERS:

7 DAVID W. DANNER, Chair
ANN RENDAHL, Commissioner
8 JAY BALASBAS, Commissioner
(Via Teams videoconference)

9
10 FOR COMMISSION STAFF:

11 JENNIFER CAMERON-RULKOWSKI
JEFF ROBERSON
12 NASH I. CALLAGHAN
HARRY FUKANO
13 JOE M. DALLAS
DANIEL J. TEIMOURI
14 Assistant Attorneys General
PO Box 47250
15 Olympia, Washington 98504
360.664.1186
16 jennifer.cameron-rulkowski@utc.wa.gov
jeff.roberson@utc.wa.gov
17 nash.callaghan@utc.wa.gov
harry.fukano@utc.wa.gov
18 joe.dallas@utc.wa.gov
dan.teimouri@utc.wa.gov
19 (Via Teams videoconference)

20
21 FOR PUBLIC COUNSEL:

22 NINA SUETAKE
Attorney General's Office
800 5th Avenue
23 Suite 2000
Seattle, Washington 98104
24 206.389.2055
nina.suetake@atg.wa.gov
25 (Via Teams videoconference)

A P P E A R A N C E S C O N T I N U E D

1
2
3 FOR AVISTA:

4 DAVID MEYER
5 Avista Corporation
6 PO Box 3727
7 Spokane, Washington 99220
8 509.495.4316
9 david.meyer@avistacorp.com
10 (Via Teams videoconference)

11
12 FOR THE ENERGY PROJECT:

13 SIMON FFITCH
14 321 High School Road Northeast
15 Suite D3, #383
16 Bainbridge Island, Washington 98110
17 206.669.8197
18 simon@ffitchlaw.com
19 (Via Teams videoconference)

20 FOR AWEC:

21 CORINNE O. MILINOVICH
22 Davison Van Cleve, PC
23 1750 Southwest Harbor Way
24 Suite 450
25 Portland, Oregon 97201
503.241.7242
com@dvclaw.com
(Via Teams videoconference)

FOR INLAND EMPIRE PAPER COMPANY:

TYLER PEPPLE
Davison Van Cleve, PC
1750 Southwest Harbor Way
Suite 450
Portland, Oregon 97201
503.241.7242
tcp@dvclaw.com
(Via Teams videoconference)

1 A P P E A R A N C E S C O N T I N U E D

2

3 FOR THE SIERRA CLUB:

4 JESSICA YARNALL LOARIE
5 2101 WEBSTER STREET
6 Suite 1300
7 Oakland, California 94612
8 jessica.yarnall@sierraclub.org
9 (Via Teams videoconference)

7

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1 WEDNESDAY, JULY 7, 2021

2 9:54 A.M.

3 --oOo--

4 P R O C E E D I N G S

5

6 JUDGE O'CONNELL: Let's be on the record.

7 Good morning. It is Wednesday, July 7,
8 2021. The time is approximately 9:55 a.m.

9 My name is Andrew O'Connell. I am an
10 administrative law judge with the Washington Utilities
11 and Transportation Commission, and I'll be presiding
12 in this matter, along with the Commissioners, who will
13 join us via video in a moment.

14 We are here today for an evidentiary and
15 settlement hearing in consolidated Dockets UE-200900,
16 UG-200901, and UE-200894, which is Avista's electric
17 and natural gas general rate case, and also it's a
18 county petition to recover costs associated with its
19 wildfire resiliency plan.

20 We're using videoconferencing software
21 for today's hearing. The software makes it possible
22 to see video of myself and the Commissioners during
23 the hearing and allows us to see video of the
24 witnesses while they testify and the parties'
25 attorneys when they are recognized by the bench.

1 No other participant or observer should
2 appear on video.

3 Let's take short appearances for the
4 representatives of the parties, and we'll start with
5 Avista.

6 MR. MEYER: Yes, thank you, Your Honor.
7 David Meyer, for Avista.

8 JUDGE O'CONNELL: Thank you.
9 And for staff.

10 MS. CAMERON-RULKOWSKI: Jennifer
11 Cameron-Rulkowski, Assistant Attorney General,
12 appearing on behalf of staff. And with me are Jeff
13 Roberson, Nash Callaghan, Harry Fukano, Joe Dallas,
14 Dan Teimouri, all Assistant Attorneys General.

15 JUDGE O'CONNELL: Thank you.
16 And appearing for Public Counsel.

17 MS. SUETAKE: Thank you, Your Honor. My
18 name is Nina Suetake. I am an Assistant Attorney
19 General for the Public Counsel unit.

20 And I'm here as solo practitioner in
21 this. Sorry.

22 JUDGE O'CONNELL: Okay. Thank you.
23 And for the Alliance of Western Energy
24 Consumers.

25 MS. MILINOVICH: Good morning, Your

1 Honor. Corinne Milinovich, from the law firm Davison
2 Van Cleve, on behalf of the Alliance of Western Energy
3 Consumers.

4 JUDGE O'CONNELL: Thank you.

5 And for Inland Empire Paper.

6 MR. PEPPLER: Good morning, Your Honor.

7 Tyler Pepple, appearing on behalf of Inland Empire
8 Paper.

9 JUDGE O'CONNELL: Thank you.

10 And appearing on behalf of The Energy
11 Project.

12 MR. FFITCH: Good morning, Your Honor.

13 Simon ffitch, appearing for The Energy Project.

14 JUDGE O'CONNELL: Thank you.

15 And for the Sierra Club.

16 MS. YARNALL LOARIE: Good morning, Your

17 Honor. Jessica Yarnall Loarie, senior attorney,

18 appearing on behalf of the Sierra Club.

19 JUDGE O'CONNELL: Thank you.

20 I want to turn to exhibits. The parties
21 have stipulated to the admission of all prefiled
22 testimony exhibits, including all recently revised
23 testimony exhibits, except for the cross exhibits
24 intended for Commission staff witness Jordan by Public
25 Counsel. Those cross exhibits have been identified as

1 ELJ-11X through ELJ-15X.

2 I will reserve ruling on their admission
3 into evidence until we get to Staff's witness Jordan,
4 and Public Counsel will have the opportunity to lay
5 the foundation and establish the relevance of those
6 exhibits, and may ask at that time to have them
7 admitted to the record.

8 I also have two modifications to note for
9 the record. First, the Alliance of Western Energy
10 Consumers, or AWEC, has filed a letter to the docket
11 at my request explaining that it wishes to strike a
12 portion of its own testimony from its witness Mullins,
13 and that is Exhibit BGM-1T and Section 4 from Page 25,
14 Line 13, to Page 27, Line 14.

15 I want to confirm now with Ms. Milinovich
16 that this is still AWEC's request. Is that correct?

17 MS. MILINOVICH: Yes, Your Honor, that's
18 correct.

19 JUDGE O'CONNELL: Okay. Thank you. That
20 testimony is struck, as requested.

21 Second, I am rejecting four cross
22 exhibits intended by the Sierra Club for
23 cross-examination of Avista witness Thackston. The
24 rejection should not affect Sierra Club's intended
25 cross-examination because these exhibits are

1 duplicates of testimony and exhibits already filed by
2 Thackston on behalf of Avista.

3 The exhibits I'm rejecting have been
4 identified on the exhibit list as JRT-31X, and that is
5 a duplicate of Exhibit JRT-1T --

6 And as I go through this, Ms. Yarnall
7 Loarie, correct me if I am mistaken that they are
8 duplicates.

9 The second of the four exhibits is
10 Exhibit JRT-32X, and that is a duplicate of
11 Exhibit JRT-12T; the third is Exhibit JRT-33X, which
12 is a duplicate of Exhibit JRT-10; and JRT-34CX, which
13 is a duplicate of JRT-13C.

14 I would just ask that during
15 cross-examination, Ms. Yarnall Loarie, if you would
16 please instead refer to the original versions of those
17 exhibits instead of the cross exhibits, please.

18 MS. YARNALL LOARIE: Yes, Your Honor.

19 JUDGE O'CONNELL: So with those
20 exceptions, the two that I just have mentioned and the
21 cross exhibits intended for staff witness Jordan, the
22 testimony exhibits are admitted as stipulated.

23 Okay, I want to turn to public comments.
24 Ms. Suetake, would Public Counsel have enough time to
25 compile any public comments received regarding this

1 case and file them with the Commission by next Friday,
2 July 16?

3 MS. SUETAKE: Your Honor, I believe that
4 would be enough time.

5 JUDGE O'CONNELL: Okay. Then I will
6 designate this request for those public comments as
7 Bench Request No. 3, or BR-3, and the response from
8 Public Counsel will be due to be filed by Friday,
9 July 16, 2021.

10 I also have several additional bench
11 requests -- four, in fact -- that I want to present
12 and discuss due dates with the parties before we talk
13 about the schedule for today's hearing. I will issue
14 a notice after this hearing formalizing these
15 requests.

16 First, the Bench Request 4 is directed to
17 Public Counsel. Will you please file with the
18 Commission updated revenue requirement models and
19 associated exhibits from your witness Crane.

20 I understand from our group e-mail
21 discussion that those impacts will be known -- or will
22 not be known until after your cross-examination at
23 this hearing. I would like to ask if you would be
24 able to make those updates and file them by July 16,
25 the same date as we just set for the filing of the

1 public comments.

2 MS. SUETAKE: Yes, that date will be
3 fine.

4 JUDGE O'CONNELL: Okay. I will set that
5 date, then, as well.

6 Next, Bench Request No. 5 is directed to
7 AWEC. In order to memorialize the updated revenue
8 requirement models submitted in response to my request
9 related to the testimony and adjustments I already
10 mentioned, we think those models should be received
11 into evidence as the response to a bench request.
12 Doing so will also provide all parties the opportunity
13 to object to those revenue requirement models.

14 The models have already been submitted so
15 I consider the bench request to have already been
16 responded to by AWEC, but will require any objection
17 to the revenue requirement models to be filed by
18 Monday, July 12, 2021, which is five days after today,
19 which is consistent with our rules regarding
20 objections to bench request responses.

21 Bench Requests No. 6 and 7 are directed
22 to Avista. For Bench Request No. 6, the Commission is
23 aware of Avista's recent filing in Docket U-210254
24 regarding its wildfire resiliency plan. The
25 Commission wants this information to be included in

1 these dockets because we find it is relevant for our
2 understanding of the issues here. So will you please
3 file in this case the same cover letter and 2020
4 wildfire resiliency plan that you filed with the
5 Commission in Docket U-210254 on July 1st, 2020, and
6 please do it by July 14th, 2021.

7 MR. MEYER: That can be done. Thank you.

8 JUDGE O'CONNELL: Thank you.

9 And last, Bench Request No. 7 regards AMI
10 costs. We want to see the updated actual AMI cost
11 data through July of this year. That is still about
12 three weeks away, so I want to ask, Mr. Meyer, when a
13 realistic deadline would be for Avista to submit that
14 actual AMI cost data through July. Would August 13 as
15 a due date, which is approximately two weeks after the
16 end of the month -- would that provide enough time for
17 Avista to prepare that data?

18 MR. MEYER: Let me have just a moment,
19 please.

20 JUDGE O'CONNELL: Sure.

21 (Discussion off the record.)

22 MR. MEYER: We can do that, Your Honor.
23 Thank you.

24 JUDGE O'CONNELL: Okay. Thank you. Then
25 I will set August 13th as the due date for that AMI

1 cost statement.

2 Okay. Let's talk about today's hearing
3 and the schedule.

4 First, the Commissioners and I will have
5 our video on the entire hearing, and we ask that only
6 those witnesses who are part of a panel or who are
7 testifying on their own turn on their cameras while
8 testifying. Attorneys should turn on their video when
9 they want to speak or otherwise be identified by the
10 bench. Please keep your microphones muted, witnesses
11 and attorneys, at all times until you want to speak.

12 We will start with the settlement panel,
13 with witnesses from the settling parties, and also
14 Public Counsel's witness Dahl. All witnesses should
15 please have their video turned on during the panel.

16 Next, we'll have a panel regarding the
17 special contract between Inland Empire and Avista,
18 with witnesses Bonfield and Rasler. We'll then hear
19 from the remaining company witnesses, taking them one
20 at a time.

21 Well, I apologize. Not one at a time.
22 We'll start with a panel of Rosentrater, DiLuciano and
23 La Bolle. Then after we complete testimony from
24 Avista's witnesses, either this afternoon or if it
25 spills over into Friday, depending on the time of day,

1 we will start with Public Counsel's witnesses and
2 their testimony, and then followed by staff's witness
3 and that cross-examination.

4 MR. MEYER: I have a point of
5 clarification, if I might. So after the three-person
6 panel, the Rosentrater, DiLuciano and La Bolle, our
7 remaining witnesses in the order that we intended to
8 present them were Andrews, then Mr. Thackston, and
9 then we have four other witnesses that in your
10 correspondence yesterday you indicated you might have
11 questions for: Mr. Thies, Mr. Miller, Mr. Kensok and
12 Mr. Howell. So that was the order that we were
13 intending to present the case. Does that work for the
14 bench?

15 JUDGE O'CONNELL: Yes. That is also the
16 order that we had anticipated and expected, so it's
17 good that we're on the same page.

18 MR. MEYER: Very good.

19 JUDGE O'CONNELL: And as I mentioned in
20 our brief e-mail discussion, if in the course of the
21 hearing it becomes apparent that we've gotten the
22 information that we need, it may turn out that we
23 don't have questions for some of the later witnesses.

24 MR. MEYER: Understood. Thank you.

25 JUDGE O'CONNELL: We will -- as we go

1 along we will update you with whether they can be
2 excused, but we need them to be on standby at least
3 for now.

4 Okay. And after we've heard from all the
5 witnesses, we'll hear any last comments from the
6 parties and address any outstanding procedural
7 matters.

8 So as I mentioned before the hearing, we
9 have a hard stop today at 4:00 p.m., and so I do think
10 that our hearing will need to resume on Friday at 9:30
11 in the morning, but we'll see how quickly the hearing
12 moves along.

13 Are there any questions?

14 MS. CAMERON-RULKOWSKI: Your Honor, our
15 cross-examination estimates have changed. Would you
16 like to hear about that at this time?

17 JUDGE O'CONNELL: Yes, please.

18 MS. CAMERON-RULKOWSKI: Staff is waiving
19 its cross of witness Andrews from Avista and witness
20 Thackston from Avista.

21 JUDGE O'CONNELL: Okay. Thank you.

22 Are there any other updates to cross
23 estimates or any other questions procedurally before
24 we get started with the settlement panel?

25 MS. SUETAKE: Yes, Your Honor. This is

1 Nina Suetake.

2 I believe I'm going to have to update my
3 time estimate for Ms. Jordan from one hour to two
4 hours. I was a little -- I was a little too
5 optimistic initially.

6 JUDGE O'CONNELL: Okay. Thank you.

7 MS. YARNALL LOARIE: And, Your Honor,
8 Sierra Club also actually intends to waive our cross
9 of witness Thackston.

10 JUDGE O'CONNELL: Okay. Thank you.

11 Is there -- with staff and Sierra Club
12 waiving cross-examination of Thackston, does that only
13 leave Public Counsel as far as parties'
14 cross-examination of Thackston?

15 MS. SUETAKE: Your Honor, Public Counsel
16 didn't request cross.

17 JUDGE O'CONNELL: My apologies.

18 Is there -- with those waiving from staff
19 and Sierra Club, is there any -- I do not believe,
20 then, that there's any cross-examination intended for
21 Mr. Thackston. Is that correct?

22 Okay. Hearing no objection, I think
23 that's correct.

24 The Commissioners, we still have bench
25 questions for Thackston, so he will need to remain

1 ready to testify.

2 Okay. If you are not speaking, please
3 mute your microphones, and if you're on the telephone,
4 please mute your telephone.

5 With that, I will ask Chair Danner and
6 Commissioner Rendahl and Commissioner Balasbas to join
7 us.

8 I see that the chair has turned on his
9 video, so has Commissioner Balasbas, and as soon as
10 Commissioner Rendahl joins us, we will get started
11 with the settlement panel.

12 MS. RENDAHL: Can you hear me? Andrew,
13 I'm here. My camera is on.

14 JUDGE O'CONNELL: Excellent. I can see
15 you now. I think it's one of those things where the
16 number of people I can see on my screen is limited,
17 but I see and hear you now. Thank you, Commissioner.

18 Let's have the attorneys turn off their
19 video and let's have our settlement panel turn on
20 their video.

21 Okay. Thank you.

22 And to all the settlement panel witnesses
23 and Public Counsel witness Dahl, will you please raise
24 your right hand.

25 (Panel sworn)

1 JUDGE O'CONNELL: Okay. Thank you. You
2 may put your hands down.

3 Now, let's have each of the witnesses
4 introduce themselves for the record, spelling their
5 last name, beginning with Avista's witness.

6 MR. EHRBAR: Yes. Good morning. This is
7 Patrick Ehrbar. Last name is E-h-r-b-a-r.

8 JUDGE O'CONNELL: Thank you.
9 And for staff.

10 MR. BALL: Good morning. This Jason
11 Ball, last name B-a-l-l.

12 JUDGE O'CONNELL: Thank you.
13 And for the Alliance of Western Energy
14 Consumers.

15 MR. MULLINS: Good morning. This is Brad
16 Mullins, last name M-u-l-l-i-n-s.

17 JUDGE O'CONNELL: Thank you.
18 And for Inland Empire Paper.

19 MR. KAUFMAN: Good morning. This is
20 Lance Kaufman, L-a-n-c-e, K-a-u-f-m-a-n.

21 JUDGE O'CONNELL: Thank you.
22 For The Energy Project.

23 MR. COLLINS: Good morning. Shawn
24 Collins, director of The Energy Project, last name
25 spelled C-o-l-l-i-n-s.

1 JUDGE O'CONNELL: Thank you.

2 And for the Sierra Club.

3 MS. YARNALL LOARIE: Your Honor, my
4 witness -- this is Jessica Yarnall Loarie, for the
5 Sierra Club. He said he might be having some problems
6 with audio and may need to call back in.

7 JUDGE O'CONNELL: Right. Okay.

8 Well, let's give Mr. Piedfort a moment to
9 see if he can clear that up.

10 Let's move on to the witness for Public
11 Counsel.

12 MR. DAHL: Yes, this is Corey Dahl, for
13 Public Counsel, first name C-o-r-e-y, last name Dahl,
14 D-a-h-l.

15 JUDGE O'CONNELL: Okay. Thank you.

16 So right now we are just waiting on
17 Sierra Club's witness to resolve certain technical
18 issues he's having with the sound.

19 I experienced similar technical issues
20 and had to restart my computer prior to the beginning
21 of this hearing, so I am quite sympathetic for the
22 frustration that can come with having those technical
23 issues.

24 MS. YARNALL LOARIE: Your Honor, this is
25 Jessica Yarnall Loarie again for the Club. I wonder

1 if it would just be faster for Mr. Piedfort to call
2 in, to not delay the hearing at the same time. Would
3 that be acceptable?

4 JUDGE O'CONNELL: Yes. Please have
5 Mr. Piedfort call in. The call-in information is in
6 the public notice, and I would appreciate if, while he
7 is appearing via telephone, if he would continue to
8 try and resolve the computer issue or restart it or
9 whatever he may need to do.

10 MR. MEYER: This is David Meyer. Might I
11 take a moment while we're waiting and -- good morning.
12 We discussed this with the judge before we went on the
13 record, but just so you know, for any questioning you
14 have as Commissioners of the joint testimony in
15 support of the partial settlement, it would appear
16 that the entirety of that testimony was marked
17 confidential, when, in fact, only two pages have
18 confidential information. And those are Pages 32 and
19 33. So everything else is fair game, if you will, for
20 public discussion, except for the shaded numbers in
21 Pages 32 and 33.

22 And we've agreed to resubmit that exhibit
23 with only those pages identified as confidential.

24 And the same --

25 Go ahead. Sorry.

1 JUDGE O'CONNELL: No, go ahead,
2 Mr. Meyer.

3 Thank you for remembering. I wanted to
4 memorialize this on the record, so please go ahead
5 with the other exhibit for Mr. Bonfield and
6 Mr. Rasler.

7 MR. MEYER: Surely.

8 The exhibits for Bonfield and Rasler,
9 that's marked SJB-KR-1CT. There are -- seven pages,
10 in fact, had confidential information shaded, but the
11 entire exhibit was -- the joint testimony was marked
12 as confidential. We will resubmit that in the same
13 fashion, just identifying those pages.

14 And I think that as you work through and
15 look at that testimony, you can identify the shaded
16 numbers, if you will, and you can work your way around
17 that. So hopefully that helps with any Commissioner
18 examination.

19 JUDGE O'CONNELL: Okay. Thank you,
20 Mr. Meyer.

21 Ms. Yarnall Loarie, is your witness on
22 the telephone?

23 MS. YARNALL LOARIE: Your Honor, I
24 believe he is.

25 Jesse, can you speak up?

1 Mr. Piedfort, are you on?

2 JUDGE O'CONNELL: Ms. Yarnall Loarie,
3 could you please identify for our staff the phone
4 number that he is calling in from? It may be an issue
5 of his telephone being muted from our end, and I want
6 to make sure that we can make sure that that phone
7 number is unmuted.

8 And I think he needs to unmute his
9 telephone by pressing star 6, or he could try that.

10 MR. PIEDFORT: Your Honor, can you hear
11 me at this time?

12 JUDGE O'CONNELL: Yes.

13 MR. PIEDFORT: Great. My apologies for
14 the snafus. Appreciate it.

15 JUDGE O'CONNELL: That's all right.

16 So the witness before the Sierra Club for
17 the settlement panel, if you would please identify
18 yourself and spell your last name for the record.

19 MR. PIEDFORT: Sure. My name is Jesse
20 Piedfort. My last name is spelled P-i-e-d-f-o-r-t.

21 JUDGE O'CONNELL: Okay. Thank you.

22 So with that, we're ready to begin the
23 Commissioners' questions for the settlement panel. I
24 will turn it over to the Commissioners.

25 MS. RENDAHL: Judge O'Connell, did you

1 swear in the witnesses?

2 JUDGE O'CONNELL: Yes. They've all been
3 sworn in.

4 MS. RENDAHL: Okay. Thank you.

5 I guess I will start. Good morning,
6 everyone.

7 I have a question related to the
8 time-of-use pilots. The settlement provides that
9 Avista will develop, in consultation with
10 stakeholders, an opt-in time-of-use -- opt-in
11 time-of-use pilots and peak time rebate pilots for
12 general service and residential customers. So if
13 these are pilots, won't they, by necessity, be opt in,
14 or how does the opt-in feature function in these
15 pilots?

16 That's a question for anyone who is
17 willing to testify to that.

18 MR. EHRBAR: Sure. This is Pat Ehrbar.

19 I'll take a stab and then probably defer
20 to Mr. Ball.

21 For this -- yes, I think we're going
22 to -- first and foremost, we want to learn from what
23 the other utilities are doing, and I know staff and
24 PacifiCorp and a lot of parties to this case are
25 actively working on these things. So we'll learn a

1 lot from what happens in those dockets, but I think
2 you're right that a pilot would, by necessity, be an
3 opt in, not an opt out. So I think we'd see anything
4 as a voluntary opt-in type program.

5 But I'll defer to Mr. Ball.

6 MR. BALL: This is Jason Ball.

7 That's correct. I think the reason why
8 we memorialized that in the settlement stipulation was
9 just to make it abundantly clear that we were not
10 agreeing to a program that was going to be opt out.

11 JUDGE O'CONNELL: Commissioner Rendahl,
12 you're muted, and we can't hear you at the moment.

13 MS. RENDAHL: Oh, such a classic moment.
14 Okay.

15 So I guess why not test both the opt in
16 and opt out to see how they perform? In terms of
17 customer uptake.

18 MR. BALL: Opt-out programs are extremely
19 difficult to test in a pilot capacity because, as
20 you -- as you rightly pointed out, pilot programs are
21 designed to find willing participants. The design of
22 the pilot could include elements -- and should
23 honestly include elements of participants who are a
24 part of a pilot but are not actually receiving the
25 pilot's rates. It's kind of like a control group.

1 You could characterize them as opt in
2 versus opt out. However, in terms of testing the
3 actual pilot's effectiveness for creating an entire
4 program that is an opt-out program, I think the only
5 way to do that would be to do it on a much larger
6 scale than the parties were anticipating in starting
7 these pilot programs.

8 MS. RENDAHL: Does anyone else want to
9 weigh in on that?

10 Okay.

11 MR. DANNER: Commissioner, can I just
12 follow up? I just want to make sure I'm
13 understanding, because when you have somebody opting
14 in, that basically means they're aware of differential
15 rates, where you have folks who are basically not
16 opting in less aware of those differential rates,
17 and -- I mean, how is it that the pilot will be
18 helpful in terms of learning the behavior of the
19 people who are going to be most affected by the
20 time-of-use program?

21 MR. BALL: So this is kind of a
22 chicken-and-egg problem with pilots, right? Pilots
23 are -- by their very nature, are going to attract
24 individuals who were probably already the most willing
25 to engage in these kinds of programs and respond to

1 these kinds of price signals.

2 The only way -- in my mind, the only way
3 to really get a truly representative sample that could
4 identify for you the nature of an opt-out program
5 would be to expand the pilot to a broad enough range
6 that you had participants who wouldn't normally be
7 characterized as the most willing, which, generally
8 speaking, goes far beyond the scale and scope of what
9 constitutes the normal pilot. Those are very, very
10 large programs and would make up a sizable portion of
11 the ratepayer population.

12 So here --

13 Sorry. Go ahead.

14 MR. DANNER: But couldn't they be scoped
15 geographically or, you know, with a sample of the
16 population? Isn't there a way to design it?

17 MR. BALL: Yes, that's completely
18 possible and feasible. However, introducing
19 geographical limitations introduces a new set of
20 variables that have to be controlled for, and so what
21 we're trying to do here is recognize that Avista's
22 service territory is not necessarily homogeneous, and
23 we need participants from across the service territory
24 to be able to provide us with a truly representative
25 sample of their entire ratepayer population.

1 MR. DANNER: All right. Thank you for
2 that.

3 Mr. Dahl, you were the -- you were, in
4 your testimony, suggesting an opt out. I was
5 wondering, was this -- what were you thinking in terms
6 of the pilot?

7 MR. DAHL: Yeah. Thank you, Commissioner
8 Danner.

9 This is Corey Dahl, for the court
10 reporter.

11 You know, following along with Jason's
12 comments, I think he's right on. You know, we
13 obviously have constraints with any sort of pilot with
14 the population that we're dealing with, but in this
15 particular case another reason why we thought it would
16 be important for an opt-out model, especially in the
17 case of time of use, is we know that -- or we can make
18 a reasonable assumption that there is a certain amount
19 of customers who cannot shift their load, due to
20 whatever reasons, whether that's, you know, their work
21 schedules, and we don't want those customers to be
22 unnecessarily harmed by the design of the pilot,
23 because we do really want to understand how and when
24 customers are impacted by this sort of program.

25 So we just don't want to be in a

1 situation where there are customers who just don't
2 have discretionary load, for whatever reason, and in
3 particular customers who might be part of a low-income
4 or vulnerable population, we don't want them to be
5 harmed in this pilot. And that's really an equity
6 concern. So that's very important for us.

7 And I will also note, and it's abundantly
8 clear on the record, that we did not join the
9 settlement, so I just want to make that abundantly
10 clear.

11 Ultimately we do recommend that the
12 Commission adopt the settlement, we're comfortable
13 with that, but we did not join the settlement due to
14 the IEP contract. But that's obviously outside the
15 scope of the pilots here.

16 MR. DANNER: Understood.

17 MS. RENDAHL: Chair Danner, I have a
18 couple questions related to that. Do you have more?

19 MR. DANNER: No. I'll turn it over to
20 you. Thank you.

21 MS. RENDAHL: Okay.

22 So I'll just note that the settlement
23 does include provisions that the pricing pilot and the
24 monitoring and evaluation plan have to include equity
25 measures and measure impact to low-income and

1 vulnerable populations. But in addition to vulnerable
2 populations, CETA also includes highly impacted
3 communities, so what does the monitoring and
4 evaluation plan -- why does it include vulnerable
5 populations and not highly impacted communities?

6 MR. BALL: This is Jason, with the
7 Commission staff.

8 I think that was an oversight in
9 language. I doubt very much that the parties intended
10 to exclude highly impacted communities. I certainly
11 didn't. I think we just used "vulnerable populations"
12 as a catchall term when we shouldn't have.

13 But I don't want to speak for the other
14 parties.

15 MR. EHRBAR: I'll agree with Jason. I
16 think it's just language. So we'd be open to having
17 that added in.

18 MS. RENDAHL: Are there any objections to
19 adding that in from any member of the settlement
20 panel?

21 MR. MULLINS: Not from AWEC.

22 MR. KAUFMAN: None from IEP.

23 MR. COLLINS: None.

24 MS. RENDAHL: Okay. Great.

25 I'd like us -- can you all provide some

1 more information, if you've had some discussions about
2 it, about what equity measures you're anticipating in
3 the monitoring and evaluation plan and how those
4 measures would relate to the customer benefit
5 indicators that Avista has to propose in its upcoming
6 CEIP, Clean Energy Implementation Plan?

7 MR. EHRBAR: Maybe I'll take a stab and
8 then defer to Jason.

9 I don't know if the staff has more
10 thoughts in working with the other utilities. We have
11 not broached that subject or gone down that road yet.
12 Having reached this agreement and now being here
13 today, we have not contemplated that issue yet, but
14 I'm guessing staff probably has, so I'll defer to
15 Jason.

16 MR. BALL: No, we haven't. So it's not
17 so much that we haven't talked or worked on equity
18 measures before; it's more that in building the
19 settlement, we were focused on building a process by
20 which we could then develop those equity measures.
21 And that's what the settlement really represents, is
22 the process to get them put together.

23 When we worked in a similar process with
24 one of our other utilities, it took multiple hour-long
25 meetings -- hours-long meetings, with a lot of various

1 participants, who were all very, very helpful, but it
2 took a lot of meetings to really pull those together
3 and develop those kinds of measures, and the parties
4 here -- in the settlement negotiations for this were
5 focused on just building that process for those
6 meetings to occur.

7 MS. RENDAHL: Okay. Thank you.

8 So Chair Danner and Commissioner
9 Balasbas, I don't have any other questions on the
10 pricing pilots. Do you all have questions you want to
11 ask?

12 MR. DANNER: I just have one point of
13 clarification. Looking at the settlement, I know
14 there was also -- when you were talking about --

15 See if I can find it, but it was the use
16 of the term -- there it is -- marginalized
17 communities. You also talked about low-income,
18 vulnerable and marginalized populations.

19 I just want to be clear that in every
20 respect here we are talking about low-income and
21 vulnerable populations and highly impacted
22 communities. So every reference to that, is that --
23 are we going to assume the language that is in CETA?

24 MR. BALL: Yes, I believe that's a
25 correct assumption.

1 MR. DANNER: All right.

2 MR. EHRBAR: I concur.

3 MR. DANNER: Thank you.

4 MS. RENDAHL: Well, I have a few
5 questions about the power supply update to the
6 settlement.

7 In the settlement, at Paragraph 9, the
8 settlement provides that the update will add, quote,
9 "all incremental contracts with less than one year
10 affecting the pro forma period," unquote. So how --
11 there is no definition of "pro forma period" or "the
12 pro forma period" in the settlement. Can you explain
13 how you used the term "pro forma period"? What does
14 it mean and when does that period end?

15 MR. EHRBAR: Yes. Again, this is Pat,
16 with Avista.

17 So the pro forma period, as I understand
18 it, and speaking for the parties -- I think we're all
19 in unison here. Pro forma period would be the
20 October 1st, 2021, through September 30, 2022, period,
21 and so it would be any incremental -- I'll call them
22 hedges, new contracts, short-term contracts that we've
23 entered into since the filing of the case. But that
24 will be in effect during that period.

25 MS. RENDAHL: Okay.

1 But you're going to be making the power
2 cost update on August 1st, correct?

3 MR. EHRBAR: Correct.

4 MS. RENDAHL: So if there are any
5 settlements that -- I mean, sorry, any contracts that
6 are entered into that go through that October 1st,
7 2021, period, is that what you're reflecting?

8 MR. EHRBAR: So it would be any power
9 supply contracts that we've entered into that would be
10 in effect during that period, and so any contracts
11 entered into after August 1st, of course, would just
12 flow through normal power supply costs and functioning
13 of the ERM, but anything prior to that would be
14 included. Does that help?

15 You're back on mute. Sorry.

16 MS. RENDAHL: Thanks.

17 And I'm looking at my notes here to see
18 if I had anything that you didn't already cover.

19 Okay. So when you use that term, you're
20 just applying it for this settlement term, correct?
21 Not for the whole case? In terms of what a pro forma
22 period is.

23 MR. EHRBAR: I -- I'm not sure I see the
24 differential. So the pro forma period for this would
25 be the rate effective year, is how we view that,

1 October 1, '21, through September 30 of '22.

2 MS. RENDAHL: But wouldn't the rate
3 effective year be after the rates are in effect on
4 October 2021, so the pro forma period would be before
5 that rate effective year?

6 MR. EHRBAR: No. The pro forma period
7 would be the rate effective year.

8 MS. RENDAHL: Okay.

9 But you're saying that it includes any
10 contracts that are in effect -- that are in effect
11 during that period, October 2020 to October 2021,
12 correct?

13 MR. EHRBAR: It would be any contracts
14 that we enter into that affect October 2021 through
15 September of 2022. So that are known and entered into
16 for the rate effective period.

17 MS. RENDAHL: Okay.

18 I heard what you said earlier
19 differently, for some reason, so that clarifies. I
20 heard you say October 2020 to October 2021, hence the
21 confusion.

22 MR. EHRBAR: Sorry if I did.

23 MS. RENDAHL: Okay.

24 So then for rates -- so other power
25 costs, not contracts that are entered into -- for

1 example, the recent heat wave, are the -- are any of
2 the power costs reflecting market purchases up through
3 August 1st going to be included in the power cost
4 update?

5 MR. EHRBAR: No.

6 Let me think about this just to make
7 sure. I'm playing my inner Clint Kalich here.

8 No, any of those would be power spike
9 costs in the current period and just flow through our
10 current mechanism against a current baseline, but
11 October 1st of '21 a new baseline would go into effect
12 that would include the information included in the
13 60-day update.

14 So I think the short answer is no.
15 Anything that just happened in the recent heat wave is
16 just actuals in this current period, not in the
17 pro forma period.

18 MS. RENDAHL: Okay. Thank you. That
19 helps. That helps clarify how that term is used in
20 the settlement.

21 Are there any other parties that wish to
22 weigh in on that?

23 And I just have one more question on the
24 settlement, but if my colleagues wish to ask a
25 question, please go ahead.

1 All right.

2 Well, this relates to the EIM
3 collaborative that's referenced in the settlement.
4 I'm assuming that the EIM collaborative will just
5 involve Avista and the parties to this proceeding but
6 not other companies, PSE and PacifiCorp; is that
7 correct?

8 MR. EHRBAR: I'll take the first stab.
9 This is Pat.

10 I think our understanding -- I think our
11 probably desire would actually be to have a
12 collaborative among all the utilities. I think
13 there's a lot of -- the issue related to EIM benefits
14 is one that affects, obviously, Puget, PAC and Avista,
15 and so a common methodology among the three utilities,
16 what I think would be preferential -- I know we can
17 probably learn a lot from the other utilities that
18 have been operating in the EIM much longer than us, so
19 I see it as broader, if that can be pulled off.

20 MS. RENDAHL: Okay. I wasn't sure by the
21 wording in the settlement.

22 Go ahead.

23 MR. KAUFMAN: PSE is also having a
24 similar process with an EIM collaborative, and they're
25 proceeding under the assumption that it's a single

1 utility process, but I'm sure there's a path forward
2 that could combine them.

3 MS. RENDAHL: I guess for staff on that,
4 has staff discussed with the representatives of the
5 other utilities any interest in having a joint
6 collaborative on the EIM modeling and EIM benefits?

7 MR. BALL: We have, and, as Lance pointed
8 out, PSE has already begun examining it through their
9 own separate process. The --

10 Excuse me one second.

11 (Discussion off the record.)

12 MR. BALL: Sorry about the background
13 noise.

14 We also had several internal
15 conversations as well as conversations with other
16 utility stakeholders to try and figure out the best
17 approach to this. We didn't want to delay the PSE
18 collaborative from starting while we had these
19 discussions.

20 Right now our biggest concern, that we
21 have not figured out an answer to, is how to handle
22 confidential information, because power supplies by
23 their very nature has a lot of confidential
24 information that is utility specific, and there needs
25 to be a way for staff and the stakeholders that need

1 access to the information to see all of it without
2 necessarily crossing the boundaries between utilities.
3 And that is an extremely difficult process to get
4 worked out.

5 So we're looking into it, we're trying to
6 see if it is possible, but we haven't come to a
7 solution yet.

8 MS. RENDAHL: So at a minimum this would
9 involve looking at Avista's modeling and how the EIM
10 operates, and just focus on Avista's process,
11 hopefully taking into account how other companies are
12 calculating these cost benefits, but at a minimum it
13 would be Avista, and potentially more?

14 MR. BALL: Yes. Staff is always
15 interested in finding alignment between the utilities
16 wherever it's possible, and, as Pat and Lance both
17 already discussed, this is one area where there can be
18 quite a bit of alignment in a lot of the underlying
19 models and math but not necessarily in inputs.

20 We're just trying to figure out the
21 process level of how that can happen.

22 MS. RENDAHL: Okay.

23 Any other comments on that?

24 Okay. I don't have any other questions
25 for the settlement panel. Thank you very much.

1 JUDGE O'CONNELL: Are there any other
2 questions for the settlement panel from Chair Danner
3 or Commissioner Balasbas?

4 MR. DANNER: Yes, judge, I have one
5 question.

6 In Paragraph 14 there's a provision in
7 the settlement that talks about renewables to benefit
8 low income, and it states, "Avista continues to commit
9 to discuss renewable programs for low-income customers
10 in collaboration with its Energy Advisory" -- "Energy
11 Assistance Advisory Group." Then it says, "If a
12 viable project is identified, Avista will propose such
13 projects to the Commission for approval."

14 I'm wondering, who is the -- who is going
15 to identify that project? Is that kind of -- is that
16 something that is for the utility to do? Is that
17 something for the stakeholders in that group? How do
18 you envision that work?

19 And I'll throw it out to anyone.

20 MR. EHRBAR: Just seeing if Mr. Collins
21 wanted to go first. I can take a quick stab and then
22 do my best to defer to Shawn.

23 My understanding is that, you know, as
24 with everything, we're, I think, very collaborative,
25 and that's one group that is a very collaborative

1 group. So I would think that any project that's
2 identified, whether originally identified by Avista or
3 by some other party that's brought to that group,
4 would be, in my words, blessed for further processing
5 going forward under a contract or whatever it might
6 look like for those renewables in a collaborative
7 manner.

8 So I'll defer to Shawn.

9 MR. COLLINS: Yeah -- thank you, Pat.

10 In terms of identifying a project, you
11 know, we don't currently have anything in the works.
12 However, the way that this has transpired in other
13 service territories, we've worked with agencies, with
14 various community groups and tribes, to identify areas
15 where there is an interest at the community level in a
16 project as well as a project that fits the -- the
17 desired outcomes in terms of delivering benefits
18 directly to low-income households.

19 So I expect that the way that we would be
20 able to move this forward, as Pat mentioned, to work
21 through on the advisory group, to work with agencies,
22 communities, organizations, to identify some potential
23 projects that will be able to deliver those benefits
24 directly, and then to work with the company to figure
25 out how to move that forward and to bring before the

1 Commission.

2 MR. DANNER: All right.

3 Ultimately it says that it's Avista that
4 would bring the -- propose the projects to the
5 Commission, so if there is a disagreement and it's
6 less than collaborative, then I assume that it's
7 basically up to the utility.

8 MR. COLLINS: Yeah, I certainly, you
9 know, don't envision that being the case, but, yeah,
10 it designates the utility as the party to bring it
11 before the Commission, correct.

12 MR. DANNER: I just want to make sure
13 that you're fine with that.

14 MR. COLLINS: Yes. I appreciate that.
15 Thank you.

16 MR. DANNER: All right. Thank you.

17 Judge, I don't have any other questions.

18 JUDGE O'CONNELL: Okay. Thank you, Chair
19 Danner.

20 Okay. I would like to thank the
21 settlement panel, all the witnesses from the parties,
22 and Public Counsel's witness Dahl, thank you for your
23 testimony this morning. It is very appreciated.

24 At this point we're going to take a short
25 midmorning break, a short 10-minute midmorning break.

1 We will return at 10:55 a.m., and I would ask that
2 Avista's witness, Shawn Bonfield, and Inland Empire's
3 witness, Kevin Rasler, be ready to testify when we
4 come back at 10:55 a.m.

5 So until then we will be off the record.

6 Thank you.

7 (Short recess.)

8 JUDGE O'CONNELL: Let's be back on the
9 record.

10 Our court reporter, do I have you back as
11 well?

12 THE REPORTER: Yes.

13 JUDGE O'CONNELL: Okay. Thank you.

14 Let's be back on the record.

15 I see that we have Mr. Bonfield. Is
16 Mr. Rasler able to turn on his video?

17 MR. RASLER: Yes. Can you see me and
18 hear me, Judge?

19 JUDGE O'CONNELL: Yes. Thank you very
20 much.

21 I'd like to ask Mr. Bonfield, Mr. Rasler,
22 will you please raise your right hand.

23 (Panel sworn)

24 JUDGE O'CONNELL: You can put down your
25 hands.

1 Okay. Let's have each of the witnesses
2 introduce themselves for the record, spelling their
3 last name, beginning with Avista.

4 MR. BONFIELD: Good morning. Shawn
5 Bonfield, for utilities. My last name is spelled
6 B-o-n-f-i-e-l-d.

7 JUDGE O'CONNELL: And for Inland Empire
8 Paper.

9 MR. RASLER: Kevin Rasler, R-a-s-l-e-r.

10 JUDGE O'CONNELL: Okay. Thank you.

11 I will turn it over now to the
12 Commissioners to ask questions regarding the special
13 contract.

14 MR. DANNER: All right. Thank you, Your
15 Honor. I guess I'll go first.

16 In your joint testimony -- good morning,
17 Mr. Rasler and Mr. Bonfield. In your joint testimony
18 you discuss the provision for Inland Empire Paper to
19 receive capacity payments during the post-commitment
20 period, and it was my understanding from the testimony
21 that this was a -- that this was going to be based on
22 the avoided cost of capacity that was in Avista's IRP.
23 Is that your understanding?

24 MR. BONFIELD: I will answer that
25 question. Good morning, Chair Danner.

1 The capacity payments for the
2 post-commitment period was really based off of the
3 need from our most recently filed integrated resource
4 plan. We have a capacity need that really begins in
5 2026, and we included in our preferred resource
6 strategy a commercial industrial command response
7 program from a large customer, similar to IEP. So
8 that's why the capacity payment does begin in the
9 post-commitment period.

10 In terms of the value of that, we
11 assigned a value because the capacity value identified
12 in the IRP -- we included a value in the integrated
13 resource plan of \$50 per kilowatt year for
14 25 megawatts of demand response out -- beginning in
15 2027 in the IRP.

16 MR. DANNER: Okay. Thank you.

17 So this capacity value is going to stay
18 at this amount even if there are changes to the
19 avoided cost of capacity in future IRPs? Is that
20 my -- am I understanding that correctly?

21 MR. BONFIELD: You are understanding that
22 correctly.

23 MR. DANNER: So what's the benefit of
24 having a static capacity value for the term of the
25 contract, as opposed to having it change with the

1 changes in avoided costs that we might see from IRP to
2 IRP?

3 MR. BONFIELD: It was important for us to
4 set a price now for what we can rely on in the future.
5 And I will refer to Mr. Rasler momentarily and let him
6 speak to IEP's perspective on that.

7 But for Avista, we saw this contract, and
8 it's a 10-year term, and it has potential for renewal
9 terms in the future, and in order to rely on the
10 resource from a planning standpoint, we needed a firm
11 commitment for demand response program. And my
12 understanding, and Mr. Rasler can better speak to
13 this, is IEP also needed price certainty for what they
14 can count on in the future.

15 So in order for this to be an actual
16 resource from a planning perspective, it was important
17 to have that certainty in the static price set
18 throughout. It's allowed us to know what our
19 customers would pay in the future when that time
20 period comes, and then it provides that certainty to
21 IEP.

22 And I return to Mr. Rasler to add to that
23 if he has anything.

24 MR. RASLER: Thanks, Shawn, and good
25 morning, Commissioners, and thank you for the

1 opportunity to speak before you today.

2 With respect to the value of the demand
3 response, Shawn covered it pretty well. Part of what
4 Inland Empire Paper Company was interested in was, you
5 know, some assurance of what the value of this overall
6 contract program would be. In our business
7 environment, you know, having some confidence in
8 what -- you know, what the value for our demand
9 response services would be was a key element for us,
10 and that was the figure that both parties focused
11 around at the end of the negotiation, was the IRP
12 value.

13 MR. DANNER: But if that IRP value
14 changes, you're not -- or the avoiding costs go up or
15 down, you're not worried about overpaying or
16 underpaying?

17 MR. RASLER: You know, with any
18 agreement, you know, that's a potential risk, and if
19 it's -- you know, if it's -- if we end up being
20 undervalued, you know, based on what the market may be
21 in the future, that -- you know, that was a risk we
22 were willing to take for, you know, some price
23 assurance going forward.

24 So, you know, that was one of the -- you
25 know, one of the risk points that we found acceptable

1 for us.

2 MR. BONFIELD: And I'll add for Avista.
3 We make decisions based on information that we know
4 today. We don't know what will happen with prices in
5 the future, but what we know today is what our
6 integrated resource plan shows, and at the price that
7 we agreed to for the demand response program, it was
8 within a reasonable range. And you're right, prices
9 will go up or down in the future; it's bound to
10 happen. But we know that it is a fair price for the
11 demand response program that we will receive and our
12 customers will benefit from in the long term.

13 MR. DANNER: All right. Thank you.

14 And if this contract is approved and the
15 parties agree to continue the agreement after 10
16 years, is there anything that is going to push you to
17 review the value of the avoided costs there? Is there
18 anything that's going to open this up?

19 MR. BONFIELD: There is. And so the
20 price for the post-commitment period is really set for
21 that five-year term. If we move forward with a
22 renewal term, which are four years, we will reevaluate
23 both the economic bypass revenue requirement and the
24 value of demand response at that time, and so it's not
25 permanently set going forward, it's really set for

1 that first post-commitment period, with further
2 evaluation prior to the end of that second five-year
3 term of the contract.

4 MR. DANNER: All right. Thank you very
5 much.

6 MR. BALASBAS: All right. Good morning,
7 Mr. Bonfield and Mr. Rasler.

8 I do have one question regarding, on the
9 special contract, how will IEP's share the cost of
10 decommissioning and remediation at Colstrip be
11 collected?

12 MR. BONFIELD: IEP, in the special
13 contract -- it's important to recognize that it is
14 tied to Schedule 25. IEP is a Schedule 25 customer
15 today. Their rates for special contract will be based
16 on Schedule 25. They'll continue to pay all of the
17 tariff riders they are assigned or assessed today, and
18 they will be responsible for paying any costs of
19 tariff riders that are assessed in the future that are
20 approved by the Commission.

21 There may be a tariff rider related to
22 remediation costs in the future or whatever form that
23 may take. Whether it's through general rate case
24 proceeding or the other mechanism, IEP will still
25 continue to pay their share of the costs as they would

1 if they were a Schedule 25 customer.

2 MR. RASLER: And that was a key part of
3 the framework for the contract, was that IEP would
4 basically continue to be a mirror of Schedule 25, so
5 that all of those sorts of, you know, items that come
6 up, including energy efficiency riders and those types
7 of things, we would continue to contribute to those
8 and follow along with the rest of the overall rate
9 class.

10 MR. BALASBAS: All right. Thank you very
11 much.

12 MS. RENDAHL: I have a couple more
13 questions related to the demand response capacity
14 payment.

15 And so during the post-commitment period,
16 IEP under the settlement is going to receive -- and
17 the special contract is -- will receive capacity
18 payments, and this is from your testimony, SJB-KR-1CT,
19 at Page 15, quote, "because Avista avoids the need to
20 procure incremental capacity in the amount of the
21 demand response IEP has committed to provide," and
22 you've just said that this is related to the IRP
23 provision of demand response for industrial commercial
24 customers, correct, Mr. Bonfield?

25 MR. BONFIELD: That's correct. Our

1 preferred resource strategy in our most recently filed
2 IRP on April 1st does include 25 megawatts of demand
3 response beginning in 2027. We have been in
4 discussions with IEP for a very long time related to a
5 demand response program, and so special contract or
6 not, we would have found ourselves at some point in
7 the future likely having a demand response program for
8 our large commercial industrial customers.

9 The special contract now provides that
10 today for the resource we can rely on from a capacity
11 standpoint looking forward.

12 MS. RENDAHL: So it's -- this provision
13 of demand response in the special contract is the same
14 length and certainty as the capacity resources you
15 determined you needed in your 2021 IRP starting in
16 2026?

17 Or 2027.

18 MR. BONFIELD: We weren't certain on what
19 that problem would look like out that far in the
20 future. We knew that we likely would have a demand
21 response tariff or program at some point, and we have
22 the need from other customers as well.

23 Because of the length of the contract and
24 the post-commitment period at five years, with
25 potential four-year renewal terms, we can then rely on

1 that as a resource going forward.

2 Today we know that we will, if approved,
3 be guaranteed to have demand response program for five
4 years beginning November of 2026. Beyond that,
5 because we, today, can't be for certain that the
6 renewal terms may happen or not, what we do know is
7 that we will have that resource for the full five
8 years.

9 MS. RENDAHL: Okay.

10 And so --

11 I'm sorry. Mr. Rasler, did you have
12 anything you wanted to add?

13 MR. RASLER: No. You know, I think Shawn
14 summarized it pretty well.

15 I think part of the focus on the contract
16 length was this is an opportunity to establish this
17 contract and the demand response program, and so
18 that's why, you know, we've executed this now, and, as
19 he said, something that's been in discussion between
20 IEP and Avista for quite some time. You know, it
21 comes up every year at least once and maybe a couple
22 of times as to, you know, what the opportunities were,
23 and this really gave us a chance to sit down and come
24 up with what, you know, the contract offering today
25 is.

1 And in the one sense that it's -- Avista
2 still at this time has capacity to meet its peak
3 demand, the length of the contract runs beyond what
4 the IRP predicts is when they will require additional
5 demand and gives us some runway into that period,
6 then, with renewal opportunities, potentially make
7 adjustments to what the future brings.

8 MS. RENDAHL: Okay. Thank you.

9 So the special contract does provide for
10 a -- IEP can terminate the special contract without
11 cause with one year's notice and return to
12 Schedule 25, but if IEP terminates the special
13 contract with one-year notice, Avista is going to lose
14 this capacity provided by demand response.

15 The contract also provides for an early
16 termination fee. Would those costs that IEP would
17 have to pay for termination include the replacement of
18 the capacity or the incremental cost, or is that
19 calculation of those -- the termination fee and the
20 costs still subject to discussion?

21 MR. RASLER: From IEP's perspective, you
22 know, what those costs would be would be determined in
23 front of the UTC Commission, you know, if they were to
24 occur.

25 As far as, you know, the risk of IEP

1 terminating, you know, I believe that to be a very low
2 probability in the first place. The reason it's in
3 the contract is, you know, the paper world is a fairly
4 dynamic business, and to remain competitive in it, you
5 know, we've made, you know, numerous changes to our
6 product portfolio and how this mill operates over
7 years, and there is, you know, always uncertainty in
8 the future.

9 And, you know, I guess -- you know,
10 probably the greatest risk to IEP's participation in
11 this contract is the mechanism that provides the
12 demand response, and that is this thermomechanical
13 pulping equipment we have that what is what we take
14 offline to provide the -- you know, the power relief
15 under the contract.

16 And if for any reason our process
17 required us to put that process aside, it basically
18 would provide Avista with that capacity, because
19 that -- you know, that particular equipment line would
20 not be consuming electricity in the first place.

21 So under the guise of the program itself,
22 you know, you could make a semantical argument that,
23 you know, the demand program isn't in existence under
24 that scenario, but the power that is provided by the
25 demand response is available to Avista and its

1 customers, as opposed to future generation.

2 So I -- if I didn't make sense, please
3 ask me for clarification.

4 MS. RENDAHL: No, that made sense. Thank
5 you.

6 Mr. Bonfield, did you want to add
7 anything?

8 MR. BONFIELD: I'll just add that I think
9 you're reading that correctly. If we incur additional
10 costs as a consequence of that termination, and that
11 could be the replacement of the capacity we are
12 relying on, then we would likely seek payment for that
13 increased cost as a result of that termination.

14 MS. RENDAHL: Okay.

15 I guess just at the -- the last question
16 I'd have on this topic would be: So during the
17 precommitment period under the special contract, IEP
18 is paid the difference between the market price of
19 curtailed energy and the special contract rate for
20 curtailed energy when it is curtailed. Do I have that
21 correct?

22 MR. BONFIELD: That's correct. IEP would
23 receive 90 percent of the value of the delta between
24 those two figures that you just referenced, with
25 Avista and our customers receiving the other

1 10 percent.

2 MS. RENDAHL: Okay.

3 And so can you just describe why you
4 believe that that divvying up, in a sense, between the
5 customers and the benefit of the curtailment between
6 Avista ratepayers and IEP is in the public interest.

7 MR. BONFIELD: Sure. So from our
8 standpoint, during that period it's really a voluntary
9 program that IEP can commit to. It's not something
10 that they are required to meet a certain number of
11 events per year. It's a market-driven economic
12 decision that they have to make if they commit to or
13 not.

14 And so we recognize that because it's an
15 economic decision that does provide benefit to both
16 parties, that IEP should receive a substantial share
17 of that value. We reserved and agreed to Avista and
18 our customers receiving 10 percent because it provides
19 an incentive for us to call on IEP. There is, you
20 know, the labor side and the employee side to call on
21 IEP. It may not be substantial, but there is, you
22 know, an incentive for us to call on IEP when needed
23 when we see an opportunity present.

24 And I'll defer to Mr. Rasler to add on.

25 MR. RASLER: Yeah. And from IEP's side,

1 the payment structure in the precommitment period is
2 incentive, you know, for us to, you know, start
3 participating in this program right away.

4 It also -- you know, in the fact that,
5 you know, we're still working under the umbrella of
6 Avista's capacity -- you know, capabilities right now,
7 it gives us the opportunity to kind of, if you will,
8 get the kinks out of the process.

9 We had an opportunity Monday of last
10 week, during our wonderful heat wave, to test this
11 out. And a little bit of subtle irony. Avista and
12 IEP signed the contract before you Thursday morning,
13 and Thursday afternoon Avista's power group called and
14 said, "Hey, would you guys be interested in giving us
15 a hand?"

16 And we said, you know, "This is
17 fortuitous timing." You know, "We'd like to do that."

18 And so, as things worked out, we did shut
19 our TMP system down on Monday afternoon to provide
20 some capacity relief for Avista, and, interestingly
21 enough -- you know, you're always looking for bugs in
22 the system. So that machinery had a failed bearing
23 that developed at midnight on Saturday night, and it
24 took us 24 hours to repair the equipment, and we got
25 it up and running with just a few hours to replenish

1 our pulp inventory so we could keep the rest of the
2 mill going, but it was just a fantastic opportunity to
3 really get a realtime understanding of how we need to
4 be prepared to work out the fundamental challenges of
5 operating our business and being able to respond to
6 Avista, especially in the post-commitment period, when
7 it is a requirement and is going to be even more
8 import to Avista's overall customer base.

9 MS. RENDAHL: Thank you very much. I
10 appreciate both of your comments on these questions.
11 And I have no further questions on the special
12 contract.

13 JUDGE O'CONNELL: Chair Danner or
14 Commissioner Balasbas, do you have anything else you'd
15 like to ask.

16 MR. DANNER: No, I don't. Thank you.

17 MR. BALASBAS: I do not.

18 JUDGE O'CONNELL: Okay.

19 Well, then, I'd like to excuse
20 Mr. Bonfield and Mr. Rasler. Thank you for your
21 testimony.

22 MR. RASLER: Thank you for the
23 opportunity today.

24 JUDGE O'CONNELL: Thank you.

25 So go ahead and take a little breath, and

1 then I'm going to ask that Avista witnesses
2 Rosentrater, La Bolle and DiLuciano turn on their
3 video when they can.

4 We will start with cross-examination of
5 the witnesses.

6 I see that Public Counsel has identified,
7 between the three witnesses, approximately an hour and
8 a half of cross, and we will see how much of that we
9 get through before we take our lunch break for the
10 day.

11 So, Mr. Meyer, if you would, please turn
12 on your video, as well as have your witnesses
13 Rosentrater, La Bolle and DiLuciano.

14 MR. MEYER: Thank you, Your Honor.
15 They're assembling as we speak. Lots of books and
16 papers being shuffled.

17 MS. SUETAKE: Your Honor, while we're
18 waiting for the witnesses to assemble, I had
19 structured my cross for witnesses DiLuciano and
20 La Bolle and then Rosentrater and La Bolle. Do I just
21 give my questions to all three, with the idea that
22 they might overlap?

23 JUDGE O'CONNELL: Do you expect there to
24 be overlap of your questions?

25 MS. SUETAKE: It's possible because of

1 how some of the data requests were addressed, and the
2 distinction between their direct and rebuttal
3 testimony.

4 JUDGE O'CONNELL: I think it might be
5 valuable to have them all three appearing at the same
6 time, but I think that you should be allowed to ask
7 your questions either directing to Rosentrater and
8 La Bolle or La Bolle and DiLuciano as you need to.
9 And if there is some overlap where perhaps DiLuciano
10 can add something or Rosentrater can add something, I
11 hope it would be easier and more efficient if we could
12 just get that when you're asking for it, instead of
13 having to go back over it again.

14 MS. SUETAKE: That would be my
15 preference. I guess that's what I'm really looking
16 for, just to make this as easy as possible.

17 JUDGE O'CONNELL: Yes, let's do that.

18 MS. SUETAKE: Okay.

19 MR. MEYER: All right. The witnesses are
20 assembled and ready to be sworn.

21 JUDGE O'CONNELL: Okay. I see three
22 witnesses. Okay.

23 Rosentrater, La Bolle, DiLuciano, will
24 you please raise your right hand.

25 (Panel sworn)

1 JUDGE O'CONNELL: Okay. Thank you. You
2 can put your hands down.

3 Mr. Meyer, I'm going to turn it over to
4 you to introduce your witnesses.

5 MR. MEYER: Thank you, Your Honor.

6 I'll start with you, Ms. Rosentrater.
7 For the record, please state your name and your
8 position with the company.

9 MS. ROSENTRATER: Heather Rosentrater,
10 senior vice president of energy delivery and shared
11 services.

12 MR. MEYER: Is that coming through
13 faintly or is that loud enough for you?

14 JUDGE O'CONNELL: I think we can hear
15 Rosentrater just fine.

16 The court reporter, are you okay.

17 THE REPORTER: Your Honor, I'm not sure
18 it came out quite clearly. If she can repeat that,
19 that would be great.

20 JUDGE O'CONNELL: Okay. Go ahead.

21 MS. ROSENTRATER: Heather Rosentrater,
22 senior vice president of energy delivery and shared
23 services.

24 MR. MEYER: Thank you.

25 Mr. La Bolle.

1 MR. LA BOLLE: Good morning. I'm Larry
2 La Bolle, manager of electric service reliability,
3 strategy and planning.

4 MR. DILUCIANO: My name is Josh
5 DiLuciano, and I'm the director of electrical
6 engineering.

7 MR. MEYER: And with that, their
8 testimony by stipulation has been admitted, and they
9 are ready for cross.

10 JUDGE O'CONNELL: Okay. Thank you.

11 Ms. Suetake, I invite you to turn on your
12 video, and you may proceed.

13 MS. SUETAKE: Thank you, and good
14 morning.

15 I have questions that I have planned for
16 Mr. DiLuciano, Mr. La Bolle, and Ms. Rosentrater. I
17 understand that there is some potential overlap
18 between the three of you, so at any time if you need
19 to stop between the witnesses, that is fine with me.
20 I will ask the questions directed at particular
21 witnesses but, again, step in if, you know, a
22 particular witness is better suited to answer the
23 question.

24 / / /

25 / / /

1 CROSS-EXAMINATION

2 BY MS. SUETAKE:

3 Q. I'll start with Ms. Rosentrater and
4 Mr. La Bolle.

5 Is it correct that you both sponsored
6 rebuttal testimony on the cost effectiveness of
7 Avista's standby system?

8 A. (BY MR. LA BOLLE): Yes, it is correct.

9 A. (BY MS. ROSENTRATER): Yes.

10 Q. And do you have a copy of the
11 cross-examination exhibits in front of you?

12 A. (BY MR. LA BOLLE): Yes.

13 A. (BY MS. ROSENTRATER): Yes.

14 Q. Could you please turn to
15 cross-examination Exhibit HR/LL-3X. It's Avista's
16 response to Public Counsel's Data Request No. 320.

17 And then do you have that in front of
18 you?

19 A. (BY MS. ROSENTRATER): I do.

20 Q. Great.

21 Are you both familiar with this data
22 request and attachments?

23 A. (BY MR. LA BOLLE): Yes.

24 A. (BY MS. ROSENTRATER): Yes.

25 Q. Would you agree that this data request

1 asks for the data and calculations underlying the
2 energy and cost savings from customer energy
3 efficiency and behavior energy efficiency attributed
4 to Avista's AMI system?

5 A. (BY MR. LA BOLLE): Yes.

6 A. (BY MS. ROSENTRATER): Yes.

7 Q. Could you turn to your answer under
8 Subpart (a) of customer energy efficiency.

9 A. (BY MR. LA BOLLE): Is that the screen
10 image or still in the narrative?

11 Q. Still in the narrative. Thank you for
12 the clarification.

13 Is it correct that you used an energy
14 cost of 8.5 cents per kilowatt hour to derive the
15 benefit from customer energy efficiency?

16 A. (BY MR. LA BOLLE): It is -- yes, that is
17 correct, it's that melded rate of 0.0849.

18 Q. Okay. Thank you.

19 And the resulting benefit from the
20 customer energy efficiency, is it correct that that's
21 an annual financial savings to the customer in the
22 form of lower bills?

23 A. (BY MR. LA BOLLE): Which number are you
24 referring to? Is it the 3.475 million?

25 Q. I'm referring to what the total estimate

1 of customer energy efficiency benefit equates to.
2 Does it equate to annual financial savings for the
3 customer?

4 A. (BY MR. LA BOLLE): That's not the annual
5 financial -- or that is -- yeah, that is the
6 initial --

7 Let me take that back.

8 That is the net present value of the
9 life-cycle benefits achieved through AMI through
10 customer energy efficiency. So that is the net
11 present value of the life-cycle benefits. So over 15
12 years.

13 Q. So when you figure out the net present
14 value of that benefit, is that a net present value of
15 the financial savings from customers?

16 A. (BY MR. LA BOLLE): Yes, that's correct.

17 Q. Okay. Thank you.

18 And could you now please turn to the next
19 paragraph below, the behavioral energy efficiency.

20 A. (BY MR. LA BOLLE): Okay.

21 Q. And then is it correct that you used an
22 energy cost of 7.8 cents per kilowatt hour to
23 calculate the benefit from behavioral energy
24 efficiency?

25 A. (BY MR. LA BOLLE): That is correct.

1 Q. Okay.

2 And, again, is the resulting net present
3 value of the behavioral energy efficiency also a
4 savings to the customer in the form of lower bills?

5 A. (BY MR. LA BOLLE): Yes. Yes, that's
6 correct. It's at the bottom of Part 3 of that answer
7 10.772 million.

8 Q. Okay. I see that. Thank you.

9 Is the price per kilowatt hour to the
10 customer the same as the avoided cost per kilowatt
11 hour used in energy efficiency program benefit cost
12 analysis or in the IRP?

13 A. (BY MR. LA BOLLE): I'm not sure how
14 those would relate. We did not compare those two
15 costs, but I would submit that it's a -- we would be
16 open to having a discussion about what is the most
17 appropriate cost to use going forward.

18 Q. Okay. Thank you.

19 Now, could we turn to cross-examination
20 Exhibit HR/LL-5X. That's the Avista 2021 integrated
21 resource plan.

22 A. (BY MR. LA BOLLE): Okay.

23 Q. And are you familiar with this data
24 request for this exhibit?

25 A. (BY MR. LA BOLLE): Yes.

1 Q. Would you agree that this is a
2 presentation from Avista that it gave at a public
3 meeting on its 2021 IRP?

4 A. (BY MR. LA BOLLE): It does appear to be
5 so, yes.

6 Q. Could you please turn to Page 10 of this
7 presentation.

8 A. (BY MS. ROSENTRATER): I'm there.

9 A. (BY MR. LA BOLLE): Okay.

10 Q. This was a presentation to the public,
11 and if you can look at the pie chart on the top left,
12 that says "Electric" under "What is your energy rate?"
13 Do you see that?

14 Do you see the pie chart that I'm
15 referring to?

16 A. (BY MR. LA BOLLE): Nina, could you give
17 me the page number again? I'm sorry.

18 Q. No problem. That's Page 10.

19 A. (BY MR. LA BOLLE): Yeah. I was trying
20 to see where it said "This is your energy" --

21 Q. Now, I understand that this is not an
22 exhibit prepared by you, but as a general rule, when
23 I'm looking at the energy rate, that price per
24 kilowatt hour, would you agree that it is a
25 combination of all of these pieces of this pie, so

1 transmission, distribution, common and production?

2 A. (BY MR. LA BOLLE): Yes, that's correct.

3 Q. Okay.

4 Do you know -- would you happen to know
5 which of these components, if any, of the cost of
6 energy are included in the energy efficiency avoided
7 cost calculation?

8 A. (BY MR. LA BOLLE): I know that those
9 are, but I know that there are several additional
10 costs included in the avoided cost as well.

11 Q. Okay. That's fine.

12 Let's move on to cross-examination
13 Exhibit HR/LL-4X.

14 A. (BY MR. LA BOLLE): Okay.

15 Q. And this is the Avista response to Public
16 Counsel Data Request No. 321, with attachment.

17 A. (BY MR. LA BOLLE): I'm sorry. Are you
18 waiting for us to respond?

19 A. (BY MS. ROSENTRATER): We're there.

20 Q. Sorry. I was just giving you a moment to
21 find it.

22 A. (BY MR. LA BOLLE): Sorry about that.

23 Q. No problem. It's hard when we can't see
24 each other.

25 Are you familiar with this data request

1 and attachment?

2 A. (BY MS. ROSENTRATER): Yes.

3 A. (BY MR. LA BOLLE): Yes.

4 Q. And would you agree that this data
5 request asks for the data and calculations underlying
6 the energy and cost savings from conservation voltage
7 reduction attributed to Avista's AMI system?

8 THE REPORTER: I'm sorry, Counsel.

9 "Attributed to" --

10 MS. SUETAKE: Avista's AMI system.
11 Advance metering infrastructure system.

12 MR. LA BOLLE: Yes.

13 JUDGE O'CONNELL: Let me pause for just a
14 moment. I'm hearing a lot of background noise that
15 sounds like a semi-truck trailer. If you are on the
16 telephone, will you please mute. Thank you.

17 Ms. Suetake, please continue.

18 MR. LA BOLLE: Would you please restate
19 the question so we have it in mind?

20 MS. SUETAKE: Sorry. Yes, I can. One
21 second.

22 I believe that's the seaplane that was
23 taking off next to my apartment.

24 Q. Would you agree that this data request
25 asks for the data and calculations underlying the

1 energy and cost savings from the conservation voltage
2 reduction attributed to Avista's AMI system?

3 A. (BY MR. LA BOLLE): That is correct.

4 Q. Could you please turn to Page 3 of the
5 exhibit.

6 A. (BY MR. LA BOLLE): I'm there.

7 Q. In the top left corner, where it says
8 "Awarded Cost Calculation," there's an item labeled
9 "Energy Price." Do you see that?

10 A. (BY MR. LA BOLLE): Labeled what?

11 Q. "Energy Price."

12 A. (BY MR. LA BOLLE): Okay. Yes. 44.63.

13 Q. Yes.

14 Is it correct that \$44.63 for
15 megawatt-hour energy price was used to calculate the
16 conservation voltage reduction benefits from the AMI
17 system?

18 A. (BY MR. LA BOLLE): That was one of the
19 component costs that was included in the avoided cost
20 calculation used for this benefit.

21 Q. Could you explain what the other
22 component costs were?

23 A. (BY MR. LA BOLLE): They are listed in --
24 almost in their entirety in the table down below, the
25 2014 through 2033 levelized costs, showing at the

1 bottom \$67.92.

2 The difference is the distribution
3 premium charge that's added to that, I believe to
4 yield the \$68.05 avoided cost per megawatt hour that
5 was used in the calculations.

6 Q. Thank you for that clarification.

7 Now I will turn to my questions prepared
8 for Mr. DiLuciano and Mr. La Bolle.

9 A. (BY MR. LA BOLLE): Ms. Suetake, if you
10 don't mind just for a moment, I wanted to note that in
11 Avista's 2021 integrated resource plan, the avoided
12 cost of energy achieved through energy conservation
13 savings is \$105.83 per megawatt hour, so at some point
14 here we will be updating the financials for CVR
15 reflecting that 54 percent higher avoided cost than
16 the current benefits are based on. Thank you.

17 Q. To follow up, that information is not
18 currently in the record; is that correct?

19 A. (BY MR. LA BOLLE): I'm looking at --
20 Nina, I'm looking at my lawyer.

21 MR. MEYER: It is now.

22 MS. SUETAKE: I'd have to object to the
23 admission of that as record evidence in this
24 proceeding, given we have no actual testimony to that
25 effect except what the witness is stating right now.

1 It's neither in Avista's original filing nor in any
2 current updates.

3 MR. MEYER: Your Honor, if that were the
4 test, nothing of substance could be said in response
5 to cross-examination unless it had been previously
6 said in the prefiled materials, and that's, of course,
7 an absurd result. That's the -- that's the risk,
8 that's the gamble you take if you ask for additional
9 information or if it's provided.

10 MS. SUETAKE: But is Avista's current
11 business case based upon that number?

12 MR. MEYER: No, Avista --

13 JUDGE O'CONNELL: Let's wait right there.
14 Let me stop you right there.

15 I want to make sure I understand what
16 number Mr. La Bolle just quoted for me. Is that a
17 number that you're saying Avista is going to update
18 the CVR to?

19 MR. LA BOLLE: Yes, that's correct. I'm
20 just noting that the \$68.05 cost has been out of date
21 for some time. We will be updating the AMI benefits
22 workbook and the overall project benefits based on the
23 most recent avoided cost calculation.

24 JUDGE O'CONNELL: Okay. So that it's
25 Avista's intent to update it, but it hasn't been

1 updated yet, and it's not part of the rate request
2 that Avista has made in this case, correct? It's just
3 information you're offering that it will be updated in
4 the future?

5 MR. LA BOLLE: That is correct.

6 JUDGE O'CONNELL: Ms. Suetake, I want to
7 clarify. Do you still have an objection?

8 MS. SUETAKE: I guess I just have one
9 follow-up question.

10 JUDGE O'CONNELL: Okay. Go ahead.

11 But before we go on, Mr. La Bolle, you
12 can refer to the counselors asking you questions by
13 their last name or you can refer to them as the
14 counselor.

15 So go ahead. Ms. Suetake.

16 MR. LA BOLLE: Thank you.

17 Q. BY MS. SUETAKE: Mr. La Bolle, at what
18 point do you expect to update Avista's AMI business
19 case?

20 A. (BY MR. LA BOLLE): Sometime after this
21 proceeding is over. In particular, when we, you know,
22 begin doing some of the more formal reporting of the
23 measures that we're going to be reporting out on, and
24 energy efficiency savings is one of those.

25 Q. So that would be after this proceeding is

1 over; am I correct?

2 A. (BY MR. LA BOLLE): That would be fine.

3 Q. Okay. Thank you.

4 I'd like to shift to my questions

5 prepared for Mr. DiLuciano and Mr. La Bolle.

6 JUDGE O'CONNELL: Please go ahead.

7 MS. SUETAKE: Thank you.

8 Q. Is it correct that you both sponsored
9 rebuttal testimony on capital investments made in
10 Avista's electric system?

11 A. (BY MR. DILUCIANO): Yes.

12 A. (BY MR. LA BOLLE): That's correct.

13 Q. And is it correct that as part of your
14 rebuttal testimony, you discussed Avista's life-cycle
15 cost analysis?

16 A. (BY MR. LA BOLLE): I couldn't hear that
17 very well. I'm sorry.

18 Q. Sure. I can repeat it.

19 Is it correct that as part of your
20 rebuttal testimony, you discussed Avista's life-cycle
21 cost analysis?

22 A. (BY MR. LA BOLLE): Oh. Sure. Yes.

23 A. (BY MR. DILUCIANO): Yes.

24 Q. Could you please turn to Exhibit JD/LL-3X.

25 A. (BY MR. LA BOLLE): I'm there.

1 JUDGE O'CONNELL: Ms. Suetake, please
2 give the Commissioners and myself a moment a pull that
3 up.

4 MS. SUETAKE: No problem.

5 JUDGE O'CONNELL: Okay, I think that
6 we're all there. Thank you.

7 MS. SUETAKE: Okay.

8 Q. This is Avista's response to Public
9 Counsel Data Request 367. Are you familiar with this
10 data request?

11 A. (BY MR. LA BOLLE): Yes.

12 A. (BY MR. DILUCIANO): Yes.

13 Q. Under Subpart C for the questions, would
14 you agree that Public Counsel asked Avista to identify
15 any U.S. utility of which Avista is aware which uses
16 economic end-of-life age to determine that equipment
17 currently operating safely and reliable -- reliably
18 should be replaced?

19 Would you agree that that's what we asked
20 you?

21 A. (BY MR. DILUCIANO): That's --

22 A. (BY MR. LA BOLLE): It says "or
23 documentation from any industry." Is that --

24 Oh, C. Okay. Yes.

25 Q. And would you agree that your answer to C

1 points to the answer to A, which subsequently points
2 to the answer to B?

3 A. (BY MR. LA BOLLE): What I would say is
4 that answer C provides our example of the analysis
5 that we do that comports with the request in Part C,
6 and also points back to Part A.

7 Q. I am looking at Page 4 of the exhibit.
8 It says, "Answer C. Please see company's response to
9 Part A."

10 A. (BY MR. LA BOLLE): Right.

11 Q. And then Part A says, "Please see our
12 response to Part B." Am I correct?

13 A. (BY MR. LA BOLLE): Yeah. Yes, Part A
14 points to Part B.

15 Q. Okay.

16 And then in answer B, could you please
17 point out to where in the response Avista provides the
18 identity of a U.S. utility as requested in Question C.

19 A. (BY MR. LA BOLLE): We have not done that
20 in this -- in this particular answer, but we have in
21 several other data requests, which are not cross
22 exhibits.

23 Q. Does Avista know of any utilities using
24 an economic end-of-life to justify the replacement of
25 equipment known to be operating safely and reliably?

1 A. (BY MR. LA BOLLE): We know specifically
2 that Portland General Electric uses the Availability
3 Workbench applications like the company does, but we
4 haven't made a survey of U.S. utilities to try to find
5 out which are using these analyses and which are not.

6 I would add, though, that utilities make
7 economic end-of-life decisions every single day,
8 whether you have Availability Workbench software or
9 not.

10 Q. Thank you.

11 A. (BY MR. LA BOLLE): When you don't let a
12 power transformer run to failure, you are --

13 Q. Sir, thank you.

14 A. (BY MR. LA BOLLE): -- making that
15 decision.

16 Q. Sir, please limit --

17 Or, Mr. Meyer, I would ask that you ask
18 your witnesses to just simply answer the question.

19 JUDGE O'CONNELL: Let me step in,
20 Mr. Meyer, Ms. Suetake.

21 Mr. La Bolle, you get to answer
22 Ms. Suetake's questions fully to the best of your
23 ability. However, please answer the question that she
24 asks you. If it requires a yes-or-no answer, say yes
25 or no, and then after providing that, you can explain.

1 Ms. Suetake, we are familiar with the
2 topic and your question, and if the answer goes beyond
3 what is relevant to the question, we're going to know
4 that. However, if it does continue, I will entertain
5 an objection from you as to narrative and
6 unresponsive.

7 So with that, let's go forward with the
8 next question.

9 MR. LA BOLLE: Your Honor, thank you.

10 MS. SUETAKE: Thank you, Your Honor.

11 Q. Could you please turn to Exhibit JDLL4X.

12 A. (BY MR. LA BOLLE): Yes, I'm there.

13 Q. This is Avista's response to Public
14 Counsel Data Request 341.

15 A. (BY MR. LA BOLLE): Yes.

16 Q. Are you familiar with this data request?

17 A. (BY MR. LA BOLLE): Yes, I am. Thank
18 you.

19 A. (BY MR. DILUCIANO): Yes.

20 Q. Now, do you see -- could you please turn
21 to Page 2 of this exhibit.

22 A. (BY MR. LA BOLLE): Okay.

23 Q. Do you see that box at the top of Page 2,
24 which states --

25 A. (BY MR. LA BOLLE): That's correct.

1 Q. Okay.

2 Would you agree that the bullet points in
3 this box describe three different ways that the
4 Institute for Asset Management has stated that the end
5 of life of an asset can be determined?

6 A. (BY MR. LA BOLLE): I would agree.

7 Q. Of these three ways in this box -- of the
8 bullet points, which of the descriptions in the box
9 most closely matches Avista's approach to replacing
10 equipment?

11 A. (BY MR. LA BOLLE): I'm sorry. Most
12 closely matches Avista's what?

13 Q. Approach to asset management.

14 A. (BY MR. LA BOLLE): Well, we practice all
15 three forms of replacement, except -- I'm sorry -- the
16 first two forms of replacement, not the bottom one.
17 We do not apply the bottom one.

18 But the form of replacement or the means
19 of the life-cycle cost analysis that has been used in
20 this case is the middle bullet, the economic end of
21 life.

22 Q. Thank you.

23 Can we now turn to Public Counsel's Cross
24 Exhibit JDLL6X.

25 A. (BY MR. LA BOLLE): Okay, I'm there.

1 Q. This is Avista's response to Public
2 Counsel Data Request 361.

3 Now, are you familiar with this data
4 request?

5 A. (BY MR. LA BOLLE): Yes.

6 Q. Now, in this data request Public Counsel
7 asked Avista about the terms failure in service and
8 functional failure use of classified types of
9 equipment failures. Can you please explain what
10 Avista means by functional failure as it relates to
11 its equipment?

12 A. (BY MR. LA BOLLE): Functional failure of
13 equipment means that there are identifying
14 characteristics determined through inspection that
15 tell us, through the analysis that we've performed in
16 the company, that that piece of equipment no longer
17 meets the service standards that we require of
18 equipment in service because it's at end of life and
19 is much more likely to fail in service.

20 So functional failure is like a set of
21 tires worn down to the wear bar. You know that it's
22 time to replace those because there's much greater
23 likelihood of failure. That's an example.

24 In our Public Counsel meeting, online
25 meeting, that we had on June 7th, we also talked about

1 the example of a wood pole that has been drilled and
2 tested by inspection and found to lack the strength
3 required to remain in service. Even though it's still
4 standing up and for the moment is still holding the
5 wire, we all agreed that that is a functional failure
6 because it no longer has the strength to withstand the
7 service requirements.

8 Q. Okay. Thank you.

9 If you could please turn to that list in
10 the questions, so Item B, where it says, "Equipment
11 was damaged by lightning, weather, animal or third
12 party." Do you see that?

13 A. (BY MR. LA BOLLE): I do.

14 Q. Is it correct that Avista classified
15 these reasons for failure as, quote, "failed in
16 service"?

17 A. (BY MR. LA BOLLE): Right, equipment that
18 is removed from service because it has been damaged is
19 a failure in service, because it -- because it
20 represents a failure when it was in service at that
21 particular location, that particular circumstance.

22 Q. Okay.

23 Can you tell me whether or not equipment
24 that is classified -- that have failed due to
25 lightning, weather, animal or third-party reasons are

1 included in equipment failure rates?

2 A. (BY MR. LA BOLLE): Yes, they are.

3 They're included in failure analysis.

4 Q. Okay.

5 By including outages caused by equipment
6 failure rates, what happens to those equipment failure
7 rates?

8 Sorry. Let me rephrase that.

9 By including outages caused by lightning,
10 weather, animal or third-party reasons in your failure
11 rates, what happens to those equipment failure rates?
12 As compared to if you did not include lightning,
13 weather, animal or third-party.

14 A. (BY MR. LA BOLLE): Well, what happens
15 when we include those in our failure rates is that the
16 failure data then accurately depicts how equipment
17 lasts in our system.

18 Q. Does it make the failure rates -- does it
19 make --

20 Sorry. Did you want to continue?

21 A. (BY MR. LA BOLLE): Sorry. No.

22 JUDGE O'CONNELL: This is Judge
23 O'Connell. It is difficult. We have three witnesses
24 on at a time. It is cross-examination. We all need
25 to be mindful that we don't speak over one another,

1 not just out of respect for each other but also
2 because the court reporter is only able to record one
3 person talking at a time.

4 So Ms. Suetake is going to ask a
5 question, and when she's done asking the question,
6 Mr. La Bolle, you can respond, and, Ms. Suetake, when
7 he's done, you can ask the next one.

8 Let's go back to Ms. Suetake, your most
9 recent question.

10 MS. SUETAKE: Yes.

11 Q. To clarify, when outages such as damages,
12 lightning -- damaged by lightning or weather -- when
13 those are added to the equipment failure rates, do the
14 failure rates go up or do they go down? Meaning is
15 there a higher failure rate once you add these into
16 the total failure rate?

17 A. (BY MR. LA BOLLE): I'm sorry but the
18 question doesn't make sense to me.

19 What we're trying to do with the failure
20 data is accurately describe the failure
21 characteristics of assets in service in our system,
22 and since those assets --

23 Q. Sorry. I can't see when you're speaking.
24 It doesn't always show up on Teams. I apologize.

25 A. (BY MR. LA BOLLE): Oh.

1 Q. Yeah.

2 MR. MEYER: Just so -- this is David
3 Meyer. I think she's just asking directionally, is it
4 up or down.

5 MS. SUETAKE: Yes.

6 MR. MEYER: That's all.

7 A. (BY MR. DILUCIANO): I'll answer that
8 one.

9 A. (BY MR. LA BOLLE): Well, the earlier
10 things fail, the lower the average age would be. Is
11 that what you mean?

12 Q. BY MS. SUETAKE: Yes.

13 A. (BY MR. DILUCIANO): I would say that
14 because the denominators stay the same, same over
15 assets, flat, but now we're including more asset
16 failures, the number would probably -- a rate would go
17 down, so we would show the assets could fail sooner by
18 including the full picture of what's going on in the
19 system.

20 Q. So the end-of-life age of that asset.

21 A. (BY MR. DILUCIANO): Yes.

22 Q. Okay. Thank you for that clarification.
23 I apologize if the question wasn't clear.

24 And then can we next turn to
25 Exhibit JDLL8X.

1 A. (BY MR. LA BOLLE): Okay.

2 Q. Are you familiar with this exhibit?

3 A. (No audible response.)

4 Q. In this data request Public Counsel
5 prefaced the question stating, "Avista considers
6 substation equipment to be overloaded and in need of a
7 capacity upgrade once actual loads reach 80% of rating
8 capacity."

9 Do you see that?

10 A. (BY MR. LA BOLLE): Yes.

11 Q. Is it correct that Portland General
12 Electric is the only utility of which Avista is aware
13 which practices the 80 percent loading standard?

14 A. (BY MR. LA BOLLE): That is accurate, to
15 my understanding.

16 Q. Okay.

17 And is it correct that Portland General
18 Electric applies this standard to a single equipment
19 type, which it says power transformers?

20 A. (BY MR. DILUCIANO): Yes, based on what
21 we have stated there.

22 Q. Okay. Thank you.

23 And then finally, can we turn to
24 cross-examination Exhibit JDLL9X.

25 Not finally. I have more after this.

1 Sorry to get your hopes up.

2 This is Avista's response to Public
3 Counsel Data Request 364.

4 Do you have this data request in front of
5 you?

6 A. (BY MR. DILUCIANO): Yes.

7 Q. At the -- in this question Public Counsel
8 quotes Avista's rebuttal testimony, which states,
9 "Some of our substations are on radial transmission,
10 and in addition there are no interconnected adjacent
11 substations that can pick up the customers in the
12 event of an outage."

13 Do you see that?

14 A. (BY MR. DILUCIANO): Could you repeat
15 where that's at again?

16 Q. Sure. I can point to you in your actual
17 testimony, if you would prefer. I was trying to go a
18 bit quicker but --

19 A. (BY MR. DILUCIANO): Just at the top,
20 right? So it's not --

21 Q. Yes.

22 And we were quoting your testimony -- in
23 an effort to move faster, I was trying to just point
24 to the data request rather than trudge through your
25 rebuttal testimony.

1 Would you agree that that's a quote from
2 your testimony?

3 A. (BY MR. DILUCIANO): Yes.

4 Q. Is it -- is my understanding correct,
5 then, that Avista applies the 80 percent loading
6 standard to its substations because there are
7 customers that are not fully backed up by a
8 neighboring substation?

9 A. (BY MR. DILUCIANO): No. Avista uses the
10 80 percent loading factor as one of the many
11 considerations when we're evaluating substation
12 capacity. So our radial substation, we could be
13 looking at 80 percent capacity and have other
14 considerations, commercial load growth, other changes
15 in the environment that we'd have to consider. So
16 80 percent is one of our indicators to start
17 evaluating if it needs replacement, whether it's
18 radial or in an urban or suburban environment.

19 Q. And then how does the factor of whether
20 or not it has an adjacent substation play into that?

21 A. (BY MR. DILUCIANO): So if it had an
22 adjacent substation to it and we had load growth, we
23 would evaluate can we serve customers in a way that --
24 from adjacent loads or not. So the adjacency helps us
25 determine how much capacity we need in a region, and

1 if there's adjacent forces, we can do something
2 different sometimes.

3 Q. Okay.

4 In response to this data request, you
5 provided a spreadsheet for each substation; is that
6 correct?

7 A. (BY MR. DILUCIANO): That's correct.

8 Q. If you can turn to Page 4 of this
9 exhibit.

10 A. (BY MR. DILUCIANO): Okay.

11 Q. Which of the columns would indicate which
12 substations are interconnected to an adjacent
13 substation? Is that the one that's labeled
14 "Substation Ties"?

15 A. (BY MR. DILUCIANO): That's correct.

16 MS. RENDAHL: Ms. Suetake and Judge
17 O'Connell, are we looking at JPLLL9X?

18 MS. SUETAKE: Correct.

19 MS. RENDAHL: Mine has three pages. It
20 says "3 of 3."

21 MS. SUETAKE: Do you --

22 JUDGE O'CONNELL: Commissioner, my
23 exhibit is five pages.

24 In the very first page of the exhibit
25 you're seeing, Commissioner, does it indicate what

1 request number you're looking at?

2 MS. RENDAHL: It says "Public Counsel
3 354."

4 I'll look on the online version. So
5 thank you.

6 MS. SUETAKE: I apologize if there's any
7 confusion.

8 JUDGE O'CONNELL: Let's wait a moment,
9 Ms. Suetake. I want to make sure that we can all see
10 this table that you're asking about.

11 Commissioner, there is, in the exhibit
12 list, a way for you to connect to the 9X.

13 MS. RENDAHL: Thank you for your
14 patience. I'm there.

15 JUDGE O'CONNELL: Please go ahead,
16 Ms. Suetake.

17 MS. SUETAKE: Thank you.

18 Q. Looking at the table starting on Page 4
19 of this exhibit, could you indicate which column
20 indicates which substations are interconnected to an
21 adjacent substation. Is that the column labeled
22 "Substation Ties"?

23 A. (BY MR. LA BOLLE): Correct.

24 Q. And is it correct that if a particular
25 substation is not interconnected to any adjacent

1 substation, this column says "None"?

2 A. (BY MR. DILUCIANO): That is correct.

3 Q. And is it correct that the last column
4 lists the customer accounts on each of these
5 substations?

6 A. (BY MR. DILUCIANO): That's correct.

7 Q. Okay. Thank you.

8 And last but not least, if we could turn
9 to Exhibit JDLL10X.

10 A. (BY MR. LA BOLLE): I'm there.

11 Q. Are you familiar with this exhibit?

12 A. (BY MR. DILUCIANO): Yes.

13 Q. Now, is it correct that in this
14 exhibit -- or in this data request Public Counsel
15 asked Avista to identify any U.S. utility of which
16 Avista is aware which reviewed every heater once every
17 60 years for equipment replacement at installation
18 opportunities?

19 A. (BY MR. LA BOLLE): Yes, that's correct.

20 Q. Could you point to where in this response
21 Avista made this identification.

22 A. (BY MR. LA BOLLE): Avista did not
23 identify any because we're not aware of any that uses
24 that 60-year cycle interval.

25 Q. Okay. Thank you.

1 Your Honor, with that, that is all my
2 questions for this panel.

3 JUDGE O'CONNELL: Okay. Thank you.

4 Mr. Meyer, I'd like to turn back to you
5 for redirect, if you would like.

6 MR. MEYER: Yes, I would. I just have
7 just a few areas to touch on.

8 I'll put my screen on, if that's all
9 right. I'm not blocking anyone else, am I?

10 JUDGE O'CONNELL: No. Thank you for
11 turning it on.

12

13

REDIRECT EXAMINATION

14 BY MR. MEYER:

15 Q. So there was some discussion of the
16 80 percent loading factor, the use of that, and I
17 believe that you mentioned that Portland General was
18 an example of a sister utility that used it; is that
19 correct, Mr. La Bolle?

20 A. (BY MR. LA BOLLE): That is correct.

21 Q. But did the company otherwise survey the
22 industry at large to determine if others use that?

23 A. (BY MR. LA BOLLE): No, we have not. We
24 have not.

25 Q. All right.

1 And similarly with respect to this
2 60-year cycle on wood poles -- you were just asked
3 about that. Has the company surveyed the industry at
4 large to determine whether other utilities use the
5 same cycle?

6 A. (BY MR. LA BOLLE): No, we have not.

7 Q. Okay.

8 And the use of this 80 percent loading
9 factor, did that come into play during the recent
10 spell of hot weather?

11 A. (BY MR. LA BOLLE): I believe
12 Ms. Rosentrater would be best able to respond to that.
13 Thank you.

14 Q. So the more precise question is: How
15 does that relate, then, to redundancy of substations?

16 A. (BY MS. ROSENTRATER): So the most recent
17 events that we had last week tested our system, as
18 everyone is familiar with at this point, and, as has
19 been stated, we do, especially for our circuits that
20 are in our urban/suburban areas that have those
21 adjacent circuits to be able to transfer load to --
22 during outages, we have a feeder philosophy of
23 actually 66 percent and a transformer substation
24 philosophy of 80 percent to allow that capacity when
25 you have outages on adjacent feeders or substations to

1 be able to pick up that load by switching.

2 And during our most recent heat event
3 last week, all of that additional capacity that was
4 built in through that design was quickly and
5 unexpectedly used up based on the extreme
6 temperatures, and really three transformers had a
7 alarm because they were at their capacity, without
8 having -- switching from adjacent feeders. So just
9 alone with the load that they had, they were being
10 loaded above their capacity.

11 Q. So is that an example of the company not
12 having sufficient redundancy to avoid, in those
13 circumstances, an outage?

14 A. (BY MS. ROSENTRATER): Unfortunately,
15 that's what we saw in the situations last week.

16 Q. All right.

17 Now, I'd like to, Mr. La Bolle, turn back
18 to the questioning on Exhibit -- Cross Exhibit JDLL9X,
19 and refer to the bottom of Page 2 of that, please.

20 A. (BY MR. LA BOLLE): Yes. I'm there.

21 Q. Are you there?

22 A. (BY MR. LA BOLLE): Yes.

23 Q. So in that exhibit there is a -- a table
24 of sorts at the very bottom indicating that
25 percentagewise there are various levels of

1 interconnection between substations, correct?

2 A. (BY MR. LA BOLLE): That is correct on
3 our system.

4 Q. And does that show that there are only
5 55 percent of substations that are fully
6 interconnected?

7 A. (BY MR. LA BOLLE): That is correct.

8 MR. MEYER: All right. That's all I
9 have. Thank you.

10 JUDGE O'CONNELL: Ms. Suetake, I don't
11 expect that the redirect would have raised any further
12 cross, but I'd like to ask if there is a follow-up
13 within that narrow scope of what Mr. Meyer asked.

14 MS. SUETAKE: No, Your Honor.

15 JUDGE O'CONNELL: Okay. Thank you.

16 We do have bench questions from the
17 Commissioners for these three witnesses. I believe
18 that we can have -- go ahead and have those questions
19 now, and when we conclude with the bench questions we
20 can break for lunch.

21 So I guess at this point I'm going to
22 turn it over to the Commissioners to ask Rosentrater,
23 La Bolle and DiLuciano questions. If you would like
24 to go ahead, Commissioners.

25 MR. BALASBAS: Thank you, Your Honor.

1 I'd like to start with some questions for
2 Ms. Rosentrater, but, Ms. Rosentrater, if you'd like
3 to defer to Mr. DiLuciano or Mr. La Bolle, please feel
4 free as I go through these.

5 So following up on the recent heat event,
6 Avista reported that several of these transformers and
7 feeder lines were proactively shut down and that led
8 to the rolling outages for some customers, and some of
9 these customers were impacted by multiple outages in a
10 day, as I understand. So for those transformers and
11 feeder lines that were mostly impacted and were shut
12 down, has the company previously experienced issues
13 during high load or extreme temperature events with
14 those particular transformers and feeder lines?

15 MS. ROSENTRATER: Those are exactly the
16 questions we've been following up on, and I have
17 actually a list in front of me from the previous three
18 years, including 2018, 2019, 2020, and then this peak
19 and what each of those transformers, and we -- so we
20 had -- we had four transformers that we had these --
21 what we called protected outages on them, and one of
22 those transformers, on Tuesday we found out that it
23 was a CT or current transformer setting error that
24 caused the issue, so we were able to fix that in real
25 time and had no longer issues on that transformer. So

1 it left us with three transformers that truly were
2 hitting their capacity.

3 And then we had two feeders that were
4 specifically constrained due to the temperature, and
5 so we created a list of those -- the 2018, 2019 and
6 2020, and including this last week's peak event, and
7 what the percent loading was during the peak of each
8 of those years.

9 And I can also share that we -- as we've
10 shared, we did experience a new historic system peak
11 this last week, and our previous historic system peak
12 was in 2018, in August, with a temperature of 105, so
13 a somewhat similar temperature.

14 We measure our temperature based on one
15 of our substations that's called Beacon. The
16 experience last week was 106 degrees at Beacon on
17 Monday, 108 degrees at Beacon on Tuesday, and
18 106 degrees at Beacon on Wednesday. So what was
19 actually seen from a temperature perspective was
20 higher, but not extremely higher than what we
21 experienced in 2018 from a temperature perspective.

22 And the peak loading that we actually saw
23 for those devices was some in the 66 percent loaded --
24 that was our Northeast transformer, one of the three
25 transformers. The second transformer was a sunset

1 transformer; the previous peak in 2018 was 77.5
2 percent loaded. And the Waikiki transformer in 2018
3 during that peak was 86 percent loaded.

4 And for the -- other than sunset -- it
5 saw an 83 percent peak loading last year. Those were
6 the -- sorry. The Northeast saw a 78.5 peak loading
7 last year as well.

8 So for those transformers, what we saw
9 this peak event last week were all 90 to 95 to
10 99 percent, so a significant jump in capacity compared
11 to what we've ever seen historically even with similar
12 temperatures.

13 The feeders, it was a 10th and Stewart
14 feeder that's down in Lewiston and a Francis and Cedar
15 feeder. Those are the two feeders that experienced
16 issues.

17 And during that 2018 peak 10th and
18 Stewart saw 78 percent loading compared to its
19 capacity, and Francis and Cedar saw 79 percent loading
20 compared to its capacity. Again, that was our peak in
21 2018.

22 In 2020 we saw 85 percent at 10th and
23 Stewart and 80 percent at Francis and Cedar. And I
24 think some of that information is reflective of the
25 change in usage, the profile change of our feeders

1 based on COVID and the impact of customers working
2 from home.

3 We historically see our peaks pre-COVID
4 on -- during the week on our more commercial business
5 feeders; however, what we saw this last week was
6 primarily in our residential neighborhoods. And as I
7 shared, we saw unforeseen jumps in those -- the result
8 of that peak loading on each of those transformers and
9 feeders. We were --

10 I'll end there for your question. Thank
11 you.

12 MR. BALASBAS: All right. Thank you,
13 Ms. Rosentrater.

14 I guess I'd like to follow up on that --
15 and thank you for sharing that information there. I'd
16 like to follow up and ask, so specifically for those
17 transformers and the feeder lines that you were just
18 discussing, what is Avista's plan to mitigate future
19 outages during high load or extreme temperature
20 events?

21 MS. ROSENTRATER: Yes, thank you for that
22 question as well.

23 We had a specific meeting yesterday with
24 my director team of engineering and operations and
25 system operations to have that very discussion and

1 have it high urgency with next steps. We discussed
2 near-term steps that we needed to take to prepare if
3 this were to happen in two weeks from now, how would
4 we be prepared from an operational perspective, what
5 additional tools do we have to support those areas
6 from additional switching to potential -- well, I'll
7 talk about some of the others, so switching being one
8 of the big ones, switching to continue to analyze
9 the -- what we learned from this last week, the AMI
10 data has helped us significantly, even during the
11 event last week, to minimize the number of customers
12 that we saw out each day.

13 Like I said, all three days had very
14 similar temperatures, and we were able to reduce each
15 day the number of outages to Wednesday, when we still
16 had 106 degrees, to zero customers that saw outages in
17 Washington, those protective outages.

18 So we had a meeting yesterday that talked
19 about, again, these near-term actions that we need to
20 take, midterm actions that we need to take, so for
21 next summer, how can we be better prepared for things
22 like -- we have some large batteries on order for
23 other projects that could be redirected to these
24 projects -- to these areas, if necessary, as well as
25 we have a mobile substation that can be utilized as

1 well, and we did utilize it during the events last
2 week to support our sunset transformer.

3 And then we also discussed the
4 longer-term options beyond the summer of 2022, and by
5 experiencing the temperatures that we saw and the load
6 growth that we saw last week, that will likely pull
7 forward many of the projects that we already had in
8 our five-year capital budget to -- to focus on these
9 areas that we saw had challenges last week.

10 So we have significant -- from an
11 operational and engineering and project perspective,
12 significant work going on. We also have work going on
13 related to heat events.

14 We've never experienced outages due to a
15 heat event before related to protective outages. Yes,
16 we've had some equipment fail, such as fuses that melt
17 in the heat, but never had protective outages such as
18 these, and so we were caught flatfooted in terms of
19 being prepared from a customer perspective. But we
20 learned quickly, we put a process together by Tuesday
21 to do our best to proactively communicate to
22 customers, and those are the kinds of things we would
23 put into what we're calling a heat event plan, and we
24 would have, again, operational customer and
25 communications components of that plan, with the goal

1 to have a draft of that plan by the end of next week
2 for us to be able to utilize if we were to see this
3 kind of situation in our forecast.

4 We also -- the third component of what we
5 discussed yesterday was a reevaluation of our planning
6 criteria. Historically we've utilized our peak loads
7 and our peak temperatures from history, to then apply
8 growth from knowledge about customer growth and
9 commercial growth in different areas, to be able to
10 forecast and apply what new capacity may be needed in
11 areas. We are recognizing that we need to look at all
12 of our planning criteria assumptions.

13 We have temperatures that we use for our
14 summer peaks in terms of ambient temperature
15 assumptions of 104 degrees. We believe that those
16 likely need to be increased. That was one of the
17 challenges we experienced again last week, was the
18 unexpected load, specifically on certain feeders, as
19 well as when you go above that 104 degrees, you are
20 reducing your capacity of equipment with every degree
21 above that.

22 And so we saw a significant increase in
23 load; at the same time we were experiencing a
24 reduction in the capacity of our equipment, which
25 compounded to create the issue that we saw.

1 So, again, that third component of the
2 planning to reduce this chance in the future is around
3 reviewing all of our planning assumptions, and that
4 will be a longer process to review those assumptions,
5 and then once those are agreed upon, to apply those to
6 our system, which will also take some time to
7 determine what other constraints do we see when we
8 apply those updated planning criteria to the system.

9 MR. BALASBAS: Okay. Thank you for that.

10 So you touched on this a little bit, so
11 my last question here -- then I will turn to my
12 colleagues to see if they have additional questions,
13 but my last question here is: If you're going to
14 create what you refer to as a heat event plan, how is
15 that connected with the rest of the plans and how does
16 that all fit within the grid modernization piece that
17 is in this case and that we're considering here? How
18 does this all tie together with the other
19 prioritization and investments that the company makes?

20 MS. ROSENTRATER: Right. I've been
21 categorizing it into two categories: the near-term --

22 (Audio lost.)

23 JUDGE O'CONNELL: Let me pause for
24 everyone.

25 Ms. Rosentrater, I lost my audio from

1 you.

2 And let me turn to the court reporter.

3 Did you also lose audio?

4 THE REPORTER: Yes.

5 JUDGE O'CONNELL: Okay. Let me ask,
6 Ms. Rosentrater, that you restart your answer. Thank
7 you.

8 No, we cannot hear you.

9 That sounds like it's working.

10 MR. MEYER: This is David Meyer. Can
11 anyone hear me?

12 JUDGE O'CONNELL: Yes, we can hear you.

13 MS. ROSENTRATER: Okay.

14 MR. MEYER: The least important person.

15 Now let's try the most important person.

16 JUDGE O'CONNELL: We can hear -- we can
17 hear you now, Ms. Rosentrater.

18 MS. ROSENTRATER: You can hear me now?

19 JUDGE O'CONNELL: Yes. Thank you.

20 MS. ROSENTRATER: Okay. Thank you.

21 So to answer your question, Commissioner,
22 thank you. I've been -- we've been categorizing
23 our -- how we respond in these situations, and it
24 overlaps with all of our other work in terms of
25 near-term planning and long-term planning, and the

1 heat event plan would be near-term planning, where we
2 have different tools -- limited -- more limited tools
3 in terms of being able to mitigate any constraints
4 that we might be seeing, and it's much more focused on
5 community and customer communications as a key
6 component and focus of those kinds of plans for
7 near-term planning.

8 I would say that the grid modernization
9 and the other programs that have been discussed would
10 be in the category of being impacted by the long-term
11 planning, and the updated planning assumptions --
12 planning criteria assumptions would be what could
13 potentially impact and modify, and I would say likely
14 pull forward, potentially, some of these projects that
15 have been identified in our broader capital
16 transmission and distribution work.

17 Josh would like to add something.

18 MR. DILUCIANO: Yeah. So I -- just real
19 quickly, so I think about it the same way as Heather's
20 perspective. The playbook or the plan that Heather is
21 talking about, a lot of that is a tactic, so
22 unfortunately if we do get in that situation, before
23 we can mitigate system issues, best to have a strong
24 response and we can handle it -- deal with it quickly
25 and minimize impact to customers and communicate.

1 And then we have a lot of the work we
2 have to do between now and then. There will hopefully
3 never be an event where the temperatures get to the
4 extent we can't serve those loads.

5 And in this rate case things like grid
6 modernization and substation rebuild are examples of
7 projects that have directly reduced risk on most of
8 our systems for our customers.

9 So those projects that we have in the
10 rate case are examples of work we've done historically
11 that keep us meeting our planning criteria when we
12 have known events.

13 MR. BALASBAS: Thank you. That's all I
14 have, and I will turn to my colleagues if they have
15 other questions.

16 MS. RENDAHL: Counsel, I guess --

17 Ms. Rosentrater, thank you. That was
18 very helpful information.

19 I wonder if I can ask a bench request to
20 have you submit that information you were referring to
21 in terms of the loading of the different years, of
22 2018 and 2020 and 2021.

23 Now, is that -- so that would be that
24 bench request, but just -- is it just for those
25 circuits and feeders that were affected, the

1 transformer and feeders, but not for the system?

2 MS. ROSENTRATER: Right. That's what
3 we've pulled together, recognizing those are the only
4 areas that we did execute the protective outages --
5 protective plus preempted outages on those devices.

6 MS. RENDAHL: Okay.

7 So, Judge O'Connell, I don't know what
8 bench request number that would be -- I think maybe
9 3 -- but that would be for the specific information
10 that Ms. Rosentrater discussed on the record today.

11 JUDGE O'CONNELL: Yes. We're going to
12 number that Bench Request 8, requesting the different
13 years -- the loading from different years on the
14 transformers and the feeders where there were the
15 protective outages just last week, please.

16 And I will include that in my list of
17 bench requests that I will send out to the parties at
18 the ends of today's hearing.

19 MS. RENDAHL: Thank you.

20 MR. MEYER: When would you like that
21 response by?

22 When would you like --

23 JUDGE O'CONNELL: Yes, I heard you,
24 Mr. Meyer. I was taking a moment to think about that.

25 Would next Wednesday, July 14th, be

1 reasonable?

2 MS. ROSENTRATER: Yes, that works for us.

3 JUDGE O'CONNELL: Okay. I will set that
4 date as July 14th.

5 MS. RENDAHL: Okay. Great.

6 So just to follow up a bit,
7 Ms. Rosentrater, on Commissioner Balasbas's questions.
8 Your initial testimony references and includes as
9 exhibits the company's electric distribution
10 infrastructure plan in HLR-2, the electric
11 transmission infrastructure plan in HLR-6, and the
12 electric substation infrastructure plan in HLR-7,
13 correct?

14 MS. ROSENTRATER: Yes, I believe so.
15 Yes.

16 MS. RENDAHL: Okay.

17 And so were the feeders -- I think you
18 were just talking about this, but were the feeders and
19 the transformers that were overheating and overloaded
20 during the recent heat event parts of the distribution
21 system that are covered by the substation plan or
22 individual transformers at the distribution level
23 covered in the distribution infrastructure plan?

24 MS. ROSENTRATER: Yes, that's a great
25 question. Because we did have more -- we did have

1 some issues with transformers downstream, but that was
2 much -- much smaller issues. We -- the transformers
3 that were impacted with these protective outages would
4 be covered by the substation plan. They are located
5 in the substation. And the feeders would be covered
6 in the distribution plan.

7 MS. RENDAHL: Okay. I'm just writing
8 that down.

9 So given that the distribution
10 infrastructure plan includes the company's grid
11 modernization program, are the feeders at issue -- and
12 I think you just talked about this but I just need a
13 little bit more information. How does the grid
14 modernization plan that's in the distribution plan
15 include these? Because there's so many different
16 plans, I'm trying to figure out how they work
17 together.

18 MS. ROSENTRATER: Right. So the grid
19 modernization program is holistically the asset
20 management program, and so we coordinate between
21 primarily growth-based needs across the system with
22 the asset management asset condition needs that we
23 identify across the system.

24 So where we can, we get both done at the
25 same time, and so the Francis and Cedar 12F1 is a good

1 example of that. We -- that's one of the feeders that
2 we experienced challenges with last week, and it's
3 also part of our grid modernization program. So we're
4 continuing forward with a project on that as our
5 midterm solution to that -- the issue on that feeder.

6 And so it would be not the near term this
7 summer solution, but by next summer that project
8 should alleviate the overloading issue that we
9 experienced as well as several other asset condition
10 types of issues that are on that feeder.

11 MS. RENDAHL: Okay.

12 So I assume that you are -- in your
13 review of what happened during the heat event, that
14 you're going to be including -- or doing a review of
15 all the distribution feeders and circuits and
16 transformers to see the loading that occurred during
17 this event?

18 MS. ROSENTRATER: Yes, absolutely. So
19 we -- we have near-term work going on to look at that
20 loading, and really, again, these are the areas of
21 biggest issue based on what we experienced last week,
22 but we are looking beyond just these areas. And we
23 looked beyond these areas last week as well as we were
24 operating through it, to help identify areas that were
25 at higher risk even though they weren't imminent, and

1 we had those on a map that we showed to customers that
2 those were areas that we were monitoring in addition
3 to these areas.

4 And then, as I mentioned, the updated
5 planning criteria after we go through that process
6 would be applied over the entire system, and likely
7 additional projects will be identified once applying
8 the updated planning criteria. That would be beyond
9 these areas as well.

10 MS. RENDAHL: Okay.

11 And so the updating those criteria
12 includes evaluating the impact of climate change and
13 warming, obviously, which you've described in your
14 response to Commissioner Balasbas. So what models are
15 you looking to look for future weather and also, in
16 addition, given COVID impacts, are you looking at how
17 you look at customer demand differently post-COVID?
18 So would those both be elements of your criteria?

19 MS. ROSENTRATER: Yes. Absolutely. I
20 would say to be determined in terms of what model.
21 That's the work that needs to be done, is identifying
22 are there others that are industry leaders in terms of
23 identifying not just looking at historic but looking
24 forward and recognizing that we're seeing more extreme
25 weather events and more frequent weather events and

1 how to apply that into our long-term planning so
2 the --

3 I'm sorry, Commissioner. What was the
4 second part of what you were asking? I remember the
5 weather part, and then --

6 MS. RENDAHL: Obviously, weather is more
7 top of mind, but I think you had also mentioned the
8 impact of post-COVID what the demand -- what the
9 demand on each circuit and feeder is going to look
10 like, you know, going forward.

11 MS. ROSENTRATER: Thank you. Yes.

12 And that's, again, where AMI will be
13 significantly beneficial to us updating our models,
14 because we have granular information from all of our
15 Washington circuits and transformers to be able to
16 update the load profile that we could expect, and so
17 some different things that are included in our
18 planning models above and beyond just the ambient
19 temperature that we should be looking at, what
20 equipment rating we should be using.

21 We also have a diversity factor that we
22 use. We assume, as all utilities do, that not
23 everyone is using everything in their house at the
24 exact same time, and so there's a diversity factor
25 that is assumed when we're designing our system, and

1 that assumption for the diversity factor was tested as
2 well, because normally we have AC units that are
3 cycling and so not all of them are on at the same
4 time, and with this extreme temperature and having
5 high nighttime temperatures as well, there were so
6 many different aspects that created the perfect storm
7 last week, and so reassessing what that diversity
8 factor will be, and then as you note with our
9 customers using energy differently at different times
10 of day than we've historically experienced due to
11 COVID, and likely beyond COVID. We know that the
12 workforce likely will be more flexible and hybrid, and
13 so we can't use our same assumptions from history in
14 terms of what the load profile will be on each of our
15 circuits going forward.

16 So we had the opportunity to learn a huge
17 amount last week, and we will be taking that
18 information, using our AMI data we have, what -- we
19 model our distribution system with a system called
20 Synergy, and so we can load in our AMI data from last
21 week into our Synergy model to understand what
22 additional constraints we might see as we continue to
23 see new customer growth and potential increases in
24 existing customer usage as well.

25 MS. RENDAHL: Thank you.

1 So, Judge O'Connell, I have several other
2 questions for Ms. Rosentrater, and there are other
3 questions, I believe, that we might have for
4 Mr. DiLuciano and Mr. La Bolle. I wonder, do you want
5 to break now for lunch or do you want to keep going
6 through with these witnesses?

7 JUDGE O'CONNELL: It is time for our
8 lunch break. I didn't want to go beyond 12:30. And
9 seeing that there are going to be several more
10 questions for these witnesses, I'm not sure how long
11 it's going to last.

12 If it were -- I think it's going to be
13 more than just five minutes, so that being the case, I
14 would -- if it is okay with the Commissioners, I would
15 prefer to have our break now, bring back the panel,
16 and then we can finish with the panel after lunch.

17 MR. DANNER: Judge, there appears to be a
18 polka festival in the park across the street, which is
19 making it hard for me to hear, so I think this would
20 be a great time to break, because I think that they
21 will be done dancing at one o'clock.

22 MS. RENDAHL: Too bad we're not there; we
23 could all join in.

24 JUDGE O'CONNELL: Okay. Let's reconvene
25 in an hour, at 1:30 p.m. We'll take our lunch break

1 now. And we'll ask that this panel of three witnesses
2 come back and be prepared to answer a couple more
3 questions.

4 Thank you all, and we'll be off the
5 record until 1:30. Thank you.

6 (A luncheon recess was taken at
7 12:32 p.m.)

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1 WEDNESDAY, JULY 7, 2021

2 1:32 P.M.

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5 JUDGE O'CONNELL: Let's be back on the
6 record.

7 Welcome back. We've just had our lunch
8 break. The time is approximately 1:30 p.m., and we
9 are going to continue with our witness panel from
10 Avista of Rosentrater, DiLuciano and La Bolle.

11 I will turn it back over to the
12 Commissioners to continue our questions.

13 MS. RENDAHL: Unless my colleagues have
14 questions, I'll continue.

15 Okay. So thank you for the responses,
16 Ms. Rosentrater, to the questions about the recent
17 heat event. I know it's somewhat tangential to the
18 case, but it's also relevant to the various plans that
19 the company has included.

20 And just going back to those
21 infrastructure plans, so the electric distribution
22 infrastructure plan, which is HLR-2, it references a
23 number of different programs: the company's
24 distribution grid modernization program, a transformer
25 change-out program, the wood pole management program,

1 AMI, vegetation management, and the wildfire
2 resiliency program, among other programs, correct?

3 MS. ROSENTRATER: Yes.

4 MS. RENDAHL: Okay.

5 And the transmission infrastructure plan
6 that's in HLR-6 includes some of the same
7 distribution-level substation projects that are also
8 included in the substation infrastructure plan, which
9 is in HLR-7, correct?

10 MS. ROSENTRATER: They would I think
11 include the transmission portions of that work.

12 MS. RENDAHL: Okay.

13 So, in fact, the plans cross-reference
14 each other, and I'll give you some page references,
15 but in the -- in the case of the substation rebuild
16 program, which is on Page 20 of HLR-7, would you agree
17 that it says, "Please note the capital allocated for
18 this program is shared between transmission
19 substations and distribution. The transmission
20 creates and manages the program"?

21 MS. ROSENTRATER: Sorry. I'm accessing
22 it right now.

23 MS. RENDAHL: That was HLR-7 at Page 20.

24 MS. ROSENTRATER: Okay.

25 MR. DILUCIANO: I would like to answer

1 that question.

2 MS. RENDAHL: Okay. You're a panel.

3 Either one of you. Please go ahead.

4 MR. DILUCIANO: So with that particular
5 business case, what we're trying to describe is if
6 we're going to rebuild a substation, it's going to
7 take substation work, transmission work and
8 distribution work to be successful. So the substation
9 engineering department manages the specific business
10 case, and then it works with the adjacent -- and even
11 protection department to help fulfill that role.

12 So we're going to need new transmission
13 come-ins and we're going to need new distribution
14 go-out-ofs when we do that work. So that's what we're
15 trying to explain there.

16 That business case -- the substation
17 rebuild business case will include substation
18 distribution and transmission work under that one
19 business case.

20 MS. RENDAHL: Okay.

21 So in that particular case, where is the
22 capital budgeting occurring?

23 MR. DILUCIANO: It would be in our
24 substation rebuild business case, and so we would
25 have -- at that level, that work, when we do our

1 planning for that work, we meet monthly and biannually
2 and we go through and we talk those elements of those
3 projects to make sure we're accounting for the work
4 that's going to get done.

5 MS. RENDAHL: But when you include for
6 the capital projects, it appears to be appearing
7 across several different plants, so my question is:
8 Are you spreading the cost or is that the same cost
9 that's appearing across each of those plans?

10 How do we know that we're not recovering
11 in multiple different ways? That's the basic gist of
12 my question. Given that --

13 I mean, this isn't the only instance,
14 either, and I'll go into that later.

15 MR. DILUCIANO: Right. So the way I'm
16 hearing that question, you know, if you're talking
17 about investment in those plans, and you talk about in
18 the substation, then you talk about the investment in
19 distribution, you talk about it in transmission, are
20 we triple counting the work that was getting done.

21 So the way the plans are laid out, the
22 plans, from my perspective, are high-level goals and
23 describing how we approach our system, but individual
24 business cases don't double count. So my substation
25 rebuild business case won't have -- will have the

1 knowledge of the transmission integration, and then my
2 transmission minor rebuild or major rebuild won't have
3 any of those costs included in that work. They're
4 separated at the business case level. The plans may
5 address it and talk about the work that's getting done
6 around that investment.

7 An example is my sub -- or my
8 transmission engineering manager I believe currently
9 has around \$40 million in investment he's doing this
10 year. However, for his business cases, it's probably
11 more like 17 that he's accounting for. He's just
12 doing work for other business cases throughout the
13 company.

14 That didn't help.

15 MS. ROSENTRATER: It looks like you're on
16 mute.

17 MS. RENDAHL: Thank you.

18 So it is hard to track, I guess, from the
19 planning level, then to the program level, and then
20 talking about -- so the wildfire resiliency plan is
21 in -- or the wildfire resiliency program is within the
22 distribution infrastructure plan, but is that a
23 planning, then, for the wildfire plan, which is
24 separate, for which the company is seeking recovery
25 for in this proceeding?

1 So how do we map out --

2 And then there's various impacts for the
3 resiliency plan or the wildfire plan that pop up in
4 the different infrastructure plans across the board.
5 And so, again, there's got to be a way to track this
6 pretty clearly, because the way it's explained in the
7 plans is somewhat confusing, at least from my
8 perspective.

9 So how do we track this? How do we make
10 sure there's no double, triple recovery here?

11 MS. ROSENTRATER: Yeah, I think that's
12 really helpful feedback in terms of how we share our
13 information. The plans are an attempt -- because
14 there aren't clear lines between transmission
15 substation and distribution, and so the plans are an
16 attempt to characterize, you know, and acknowledge the
17 overlap between them, but from a financial charging
18 perspective, that's something that I believe Liz
19 Andrews could help clarify in her part of the hearing,
20 to help understand how we actually -- through the
21 business cases, as Josh mentioned, how we actually
22 ensure that there's no way that we are double or
23 triple counting the actual work that is being
24 completed that the plans are attempting to describe.

25 MS. RENDAHL: So the plans that are

1 attached to your testimony, Ms. Rosentrater, are the
2 high-level planning, and then the capital budgeting is
3 done separately, so that you can track by which budget
4 request or project these things are falling under.

5 MS. ROSENTRATER: Yes.

6 MS. RENDAHL: Sorry for the
7 emergencies -- the emergency noises.

8 MS. ROSENTRATER: No problem.

9 Yeah, so we have a capital planning group
10 that is made up of our directors across the company,
11 and that group isn't planning to these high levels,
12 they are planning to the business case requests that
13 come in, and they're allocating money to the business
14 cases based on the -- based on the business case that
15 is made, and that's how the projects get approved, and
16 then they are charged appropriately and with controls
17 in place to ensure that we aren't double counting any
18 of the costs of the project.

19 MS. RENDAHL: Okay.

20 So you're suggesting we talk to
21 Ms. Andrews about that particular how the accounting
22 is done?

23 MS. ROSENTRATER: Yes. She should be
24 able to help with that.

25 MS. RENDAHL: Okay.

1 So I don't know if my colleagues have
2 further questions on this point.

3 MR. DANNER: I just want to state that I
4 had exactly the same concerns that Commissioner
5 Rendahl raised, because I looked at this. Yes,
6 everything was overlapping, and, you know, you say,
7 Okay, here's the wildlife -- or the wildfire plan and
8 it's got these components, and you look over here,
9 it's grid hardening, and, you know, it's -- my first
10 question was: Okay. What's getting assigned to what?
11 Are things getting assigned to more than one category?
12 Is there a potential for double or triple or quadruple
13 recovery?

14 What you're saying is, no, there isn't,
15 but we need to talk to Ms. Andrews; is that -- that is
16 it?

17 MS. ROSENTRATER: Yes. Again --

18 MR. DANNER: Okay.

19 But in your view the record this case is
20 clear. We should be able to glean from the record
21 that there's no double or triple or quadruple
22 accounting?

23 MS. ROSENTRATER: Yes.

24 MR. DANNER: All right. Thank you.

25 MR. LA BOLLE: Mr. Chairman, I think I

1 can help just a little bit. The capital budget
2 committee approves the business cases, as has been
3 discussed, and it's the business cases that are
4 presented in this case for recovery. Those high-level
5 infrastructure plans, quite ironically, were designed
6 to try to provide folks a better idea of the different
7 factors that are driving the need for investment and
8 how some of these investments overlap. But they don't
9 have anything to do with accounting for projects.

10 The capital budget committee's approval
11 of business cases is just reflected in those
12 infrastructure plans in the ways that those costs can
13 overlap.

14 MR. DANNER: Okay.

15 I think you were very successful in
16 showing us that they overlapped. So we'll talk to
17 Ms. Andrews. Thank you.

18 MR. BALASBAS: Just to clarify one --
19 just on that point, though. Mr. La Bolle and
20 Ms. Rosentrater, what I -- and Mr. DiLuciano. You all
21 referenced this. What I'm hearing all of you say is
22 what is being presented in this case are requests for
23 recovery of individual business cases that the company
24 has spent money on and is now seeking recovery of, but
25 that all of those business cases, effectively they

1 roll up into these plans, and then the plans kind of
2 just describe really what -- I mean, what's happening,
3 really, in different categories of things, but really
4 we have to look at the business cases and the merits
5 of those as we consider whether to approve those.

6 MS. ROSENTRATER: Yes, that's
7 characterized very well.

8 Just to maybe give a little bit more
9 explanation on the infrastructure plan, for an attempt
10 to -- if you've only read the substation one, you
11 would have the holistic understanding of even the
12 transmission and feeder aspects of the substation; if
13 you just read the transmission, you would understand
14 the substation aspect. So I can -- it's good --
15 again, it's good feedback that it can feel like we're
16 duplicating the way that it's put together.

17 Thank you.

18 MS. RENDAHL: Okay. Thank you.

19 So I don't know if my colleagues have
20 questions on other topics for this panel.

21 I can keep going.

22 Just interrupt me if you have a question.

23 So, Mr. DiLuciano, I have some questions
24 for you about AMI, and in particular your initial
25 testimony, Exhibit JDD-1T, at Page 4. So do you have

1 that in front of you?

2 MR. DILUCIANO: Give me one moment.

3 MS. RENDAHL: Yes.

4 MR. DILUCIANO: Okay. I believe I'm
5 there.

6 MS. RENDAHL: Okay.

7 And so you may not actually need the
8 testimony for this, but I just wanted to give you a
9 reference for where this was. So on Page 5 -- I'm
10 sorry -- Page 4, Line 7, through Page 5, Line 5, you
11 testified that the AMA -- AMI project is largely
12 completed, about 98 percent, and that only portions of
13 natural gas metering is still being installed. So can
14 you provide an update on how complete the AMI rollout
15 is for both electric and natural gas at this point?

16 MR. DILUCIANO: Commissioner, Heather
17 actually has that prepared, so if it's all right, can
18 she answer? I don't have that data in front of me.

19 MS. RENDAHL: Absolutely. You're a
20 panel.

21 MS. ROSENTRATER: Yes. I have -- so we
22 have -- on the non-gas-only areas, we have 99.9
23 percent complete. I think there's about 300 meters of
24 the over 400,000 meters that still need to be
25 installed, and those are in the fringe areas, where

1 it's either challenging access or challenging network.

2 And then on the gas meters, I just -- I
3 thought I --

4 Can you give me just one moment to give
5 you the updated information on that?

6 MS. RENDAHL: Yes.

7 MS. ROSENTRATER: Thank you.

8 If it would be better --

9 MR. DILUCIANO: So --

10 MS. ROSENTRATER: Go ahead.

11 MR. DILUCIANO: I have it.

12 So we're 79 percent complete. We've
13 installed 15,000 of our gas modules, and we have 3,900
14 left to go.

15 MS. RENDAHL: Okay.

16 And --

17 MR. DANNER: How many left to go?

18 MR. DILUCIANO: 3,900.

19 MS. RENDAHL: And at one point you had --
20 there's reference in the -- someone's testimony --
21 sorry, I don't have that -- about not pursuing all of
22 the natural gas metering. Is that still the case?

23 MR. DILUCIANO: That is correct.

24 MS. ROSENTRATER: That is what is
25 reflected in the non-gas-only areas, that we are doing

1 mobile to collect that information instead of building
2 a network. It's more challenging in the gas-only
3 areas because we don't own the electric
4 infrastructure, and we leverage the electric
5 infrastructure in our electric areas to install the
6 communication devices, and so in the gas-only areas,
7 it can be -- have more components, a higher cost to be
8 able to install, and we had challenges with the
9 hardware and software from Itron to install in the
10 gas-only areas, install the network, and so we made
11 the decision as a company to move forward with
12 those -- some 17,000 meters that were in the gas-only
13 areas, to upgrade the modules and to collect the
14 information via mobile, to be a cost-effective
15 solution for our customers and minimize the risks
16 associated with the software and hardware changes.

17 MS. RENDAHL: Okay.

18 And on the -- again, whoever wishes to
19 answer this question. In Mr. DiLuciano's initial
20 testimony at Page 7 -- this is JDD-1T, at Page 7,
21 Line 13, through Page 8 at Line 10, you reference
22 Avista's AMI opt-out tariff pilot, which was effective
23 on August 2nd, 2018, and that you're tracking costs
24 for manually reading meters for opt-out customers. Do
25 you have a number of how many Avista customers are

1 currently participating in the AMI opt-out by gas and
2 electric customers?

3 MR. DILUCIANO: We didn't track it by gas
4 and electric; we just have a total opt-out number.

5 MS. RENDAHL: Okay.

6 I'm wondering if it would be good, Judge
7 O'Connell, to ask a bench request for those -- for the
8 total number and then the breakout of, I guess,
9 electric, which would include those that were gas
10 customers, and then the gas-only.

11 MR. DILUCIANO: So our numbers right
12 now -- and just so you know, I'm looking at the bench
13 request (inaudible). So right now we have 2,357
14 customers who have completed the opt-out process, and
15 there's five that are pending -- that are in the
16 process of application and evaluation.

17 MS. RENDAHL: Okay.

18 And do you currently have a cost that
19 you've identified, now that you've been operating
20 under the opt-out, what the annual costs are for
21 reading per meter? Or do you have an overall cost?

22 MS. ROSENTRATER: We don't have that at
23 hand, but it's something we could get.

24 MS. RENDAHL: We'll add that to the bench
25 request, so that will be Part B, I guess, of the bench

1 request.

2 JUDGE O'CONNELL: We will number that as
3 Bench Request 9, and the request is for how many
4 Avista customers in total are opting out of the AMI
5 program, and then specifically the breakdown of how
6 many are in gas-only and how many are in the electric
7 and gas areas.

8 Then the Part B will be what are Avista's
9 annual costs for manually reading those meters.

10 MS. RENDAHL: What the breakdown of
11 basically a cost per meter, cost per customer, I
12 believe, who is in the opt-out.

13 JUDGE O'CONNELL: Okay.

14 MS. RENDAHL: I defer to my colleagues if
15 they have questions they wish to ask.

16 MR. LA BOLLE: Your Honor, may I add a
17 comment that's pertinent to one of the questions that
18 Commissioner Rendahl just asked?

19 MS. RENDAHL: Well, if you have data
20 that -- I mean, it can be reported in the bench
21 request, but if you have data now.

22 MR. LA BOLLE: I have better data now.

23 The natural gas meter modules that we
24 just reported out on the percent installed, those are
25 the natural gas meter modules in our non-AMI areas.

1 The natural gas meter modules -- and this is where we
2 would need to provide you the final percentage, but
3 should be nearly all installed.

4 So we reported just on the non-AMI
5 natural gas meter modules as being 77 percent
6 complete, of whatever that value was.

7 MS. RENDAHL: And maybe you can clarify
8 in the bench request which ones are non-AMI and which
9 ones are the AMR.

10 MR. LA BOLLE: Yes. Yeah, thank you.

11 MS. RENDAHL: Okay. Thank you.

12 Can you add that to the bench request,
13 Judge O'Connell? For the number of -- it's the number
14 of gas -- you know, where they are on the gas-only
15 meter completion, which are AMI and which are AMR.

16 MS. ROSENTRATER: Right. So we see the
17 project as materially complete. You know, overall --
18 we have over 99 percent of the meters installed of the
19 overall project.

20 MS. RENDAHL: Okay. Thank you.

21 MR. DANNER: I just have a follow-up on
22 that.

23 I don't have citations to point to, but
24 it's my sense that throughout the testimony you talk
25 about projections of financial benefits in multiple

1 areas, and that you have plans for the realization of
2 those benefits. At this point are those still just
3 estimations, or have you begun quantifying the
4 benefits of AMI?

5 MS. ROSENTRATER: We have -- a lot of the
6 benefits are already being achieved, and many of the
7 benefits have been achieved as soon as that individual
8 meter was installed, which started several years ago,
9 so we've been accumulating many of the benefits along
10 the way from the meter reading costs to things like
11 even budget alerts. We started last year with those
12 meters that had been installed.

13 So we've -- we've incorporated the
14 activities to achieve the benefits as we've gone along
15 the way, and we are updating the benefit results based
16 on actual to date as we've updated the business case.

17 And, Larry, do you have anything to add
18 to that?

19 MR. DANNER: So what -- I guess I
20 haven't -- I'm not seeing the data. I'm seeing the
21 estimates.

22 It sounds like you say you have
23 quantified the benefits. I would like to see, for
24 example -- we -- you know, we have identified in other
25 rate cases certain benefits, like, you know,

1 time-of-use rates, realtime energy use, feedback for
2 customers, behavior-based programs, data
3 disaggregation, great interact with efficient
4 buildings, and Volt/VAR optimization of others.

5 Is this something that you've broken down
6 into those areas? Is there some -- something that
7 would be a concise explanation of those benefits that
8 we could get our hands on?

9 MS. ROSENTRATER: So we have a chart
10 specifically in the JDD-2R, which includes the actual
11 report, that includes those specific use cases and our
12 analysis of some of the -- the projections are the net
13 present value for the life of the project in terms of
14 the benefits, but where we have already started
15 achieving benefits, those actual -- that actual
16 information has been included and then extrapolated
17 for the future lifetime net present value of the
18 benefits.

19 So you can see on Page -- it's Page 4 of
20 the report that's in that testimony, and you can see
21 the table --

22 JUDGE O'CONNELL: Please --
23 Ms. Rosentrater, please go slower. I'm having trouble
24 keeping up.

25 MS. ROSENTRATER: Thank you.

1 JUDGE O'CONNELL: I have JDD-2R, and I am
2 turning to Page -- what is numbered as Page 4 within
3 the exhibit.

4 MS. ROSENTRATER: Yes.

5 JUDGE O'CONNELL: Okay.

6 So -- I see that as Page 12 of 107. Or
7 it would be Page 11 of 106.

8 MR. DANNER: So those are the Avista
9 analysis numbers of the six items that I just
10 mentioned.

11 MS. ROSENTRATER: Right. The net present
12 value of the life-cycle value of those numbers.

13 And, as I mentioned, so things like the
14 behavior-based program, we have budget alerts that
15 we've already executed on last year. We've rolled
16 that out to customers to enable them to enter in a
17 planned budget for a month and be able to get e-mail
18 or text alerts if they are trending over that budget,
19 and even this -- we are planning on reminding
20 customers of that tool as we have experienced this
21 heat wave over the last couple weeks, so we'll be
22 sending out an e-mail later this week to remind
23 customers of these kinds of tools that we have that
24 are enabled by AMI, so that they can look at the
25 charts that are -- to that realtime energy use

1 feedback for customers.

2 We have charts that are available that
3 show that near realtime information to customers so
4 that they don't have to wait until the end of the
5 month and then receive the bill to know how this heat
6 wave has impacted their bill, but they can go in real
7 time and determine if they can, you know, modify their
8 behavior based on what we're sending them as a
9 forecasted bill for the month based on the heat wave
10 we've experienced.

11 So we have examples in each one of those
12 use cases that you noted, Chairman Danner, and then
13 later in the report we have more details related to
14 what's behind those numbers and the programs
15 associated with each of those use cases.

16 MR. DANNER: So really what I'm
17 interested in is you've got these numbers, and you do
18 state in the report on Page 9 -- you say that new
19 areas of benefit are the result of continuing efforts
20 to capture greater customer value, so I assume that
21 you are still looking for ways that you can get
22 benefits out of AMI.

23 How do you plan on doing that, tracking
24 your success, and then letting us know?

25 MS. ROSENTRATER: Absolutely. I know

1 that -- and, yes, we absolutely are continuing to look
2 for new use cases, and I will say last week we found
3 several new use cases that weren't noted in the
4 quantified or the nonquantified benefits, and so they
5 will definitely be added as we update this.

6 And those -- again, those use cases
7 were -- we were able to, you know, minimize outages,
8 both the number of customers that were impacted and
9 the -- that we -- being able to actually reduce the
10 outage that was experienced on Wednesday, so we were
11 able to reduce the number from Monday to Tuesday by
12 using the AMI data from Monday to do switching and
13 minimize customers that were out on Tuesday, and then
14 we continued to fine-tune the system from Tuesday and
15 Wednesday by both doing feeder switching, so from --
16 when you have that refined data, you can truly
17 identify smaller groups of customers that you can move
18 from one feeder to another feeder. The adjacent
19 feeder might just be slightly less loaded, and because
20 we have that really refined AMI data, we can have that
21 fine-tuning of the system to move just even a small
22 group of customers over to another adjacent feeder to
23 minimize the other feeder.

24 So those are -- also feeder balancing, so
25 each --

1 Sorry. I'll slow down. I get a little
2 excited when I talk about these things.

3 Feeder balancing is each feeder has three
4 phases, a feeder -- an A phase, a B phase, and a C
5 phase, and many customers -- our residential customers
6 are only connected to one of those phases.

7 And so extreme heat, you may find that A
8 phase has more customers that have air-conditioning on
9 it than B or C. And so during a normal day you may be
10 will very well balanced between phases A, B and C, but
11 when you have these extreme temperatures you find that
12 A phase actually may be more overloaded than B or C
13 phase.

14 And, again, the AMI data is what helps us
15 to identify those issues, identify which customers,
16 small groups of customers that we can move from one
17 phase to another phase to balance that feeder, to
18 reduce the probability that it would overload, and we
19 got through -- again, like I said on Wednesday, with
20 those fine-tuning with our engineers, you know, real
21 time looking at that data, making those switching
22 notices for operations employees to go out, and by
23 Wednesday, with the fine-tuned information, we were
24 able to, you know, eliminate all of our Washington
25 protective outages that we experienced on Wednesday.

1 And, as I mentioned, that benefit was not
2 something we would have thought of and we didn't
3 include in our existing business case.

4 I would also say things that -- the
5 grid-interactive efficient building category, there is
6 some value associated with that, but we hope that at
7 some point you can come visit our ecodistrict and our
8 Catalyst building here in the South Landing area.
9 It's absolutely incredible in terms of the -- the
10 ability that that building with the thermal storage it
11 has, with the battery storage it will have, with the
12 solar panels that it has, with the -- with the
13 electrical system that is centralized, so we truly
14 have the ability to take information from the grid,
15 take information from the supply side, and work --
16 partner with that building and all of the incredible
17 resources that that building and then the future
18 buildings will have. Actually, there's two existing
19 buildings.

20 So those future buildings will enable us
21 to learn a huge amount, of which we can apply to other
22 buildings in the future, and I would say that that's
23 an area that is -- is underrepresented, is a
24 conservative number, based on the opportunity and the
25 capabilities that we believe are available by breaking

1 down those historic barriers between the building
2 operator and the grid operator.

3 And, again, what we experienced last week
4 was just another strong point of how important those
5 kinds of resources and that kind of partnership with
6 our customers is going to be to us into the future.

7 MR. DANNER: Well, that's an interesting
8 story.

9 I assume you're not the only utility with
10 advanced meter infrastructure, and I just wonder what
11 kind of sharing of best practices you're doing so that
12 when others are discovering benefits and you're
13 discovering benefits, that that's getting shared.

14 I mean, I really -- I have an interest in
15 making sure that we are continually looking to
16 maximize the benefits of AMI, and it sounds like you
17 are too. But I just want to make sure that that's a
18 process and we don't need to have a heat wave to
19 discover those benefits but that we're actually
20 deliberately going out and fine-tuning.

21 MS. ROSENTRATER: Absolutely. As you can
22 imagine, our metering partners, such as Itron, also
23 have a very strong interest in finding additional use
24 cases and ensuring that utilities are making the most
25 of the metering systems, and so they actually sponsor

1 several user groups that we connect with both from the
2 technical side and from the operational side, and
3 business use case benefits side as well, to ensure
4 that we are sharing those lessons learned and best
5 practices between all the utilities.

6 MR. DANNER: All right. Thank you,
7 Judge. I don't have any further questions.

8 MS. RENDAHL: I guess I just have one
9 last few questions related to AMI, and that relates to
10 the customer benefit provisions of the Clean Energy
11 Transformation Act, which I know you're familiar with.

12 Can you explain how Avista is looking to
13 its investment in AMI to explore -- or achieve these
14 customer benefit mandates? Is this a new use case
15 that you're looking to at this point, and can you
16 describe what you're doing if you are?

17 MS. ROSENTRATER: I'd say we're at the
18 very beginning of understanding how AMI can support
19 the Clean Energy Transformation Act. We do have a
20 well-defined group internal to Avista who is working
21 on the multiple areas associated with that, and I'm
22 involved in that. We have our director of R&D and
23 grid innovations that's involved in that as well, to
24 ensure that we are taking advantage of our metering
25 systems and the capabilities that we have, as well as

1 all of the grid-edge innovation work that we've been
2 doing as part of the Clean Energy Fund projects in the
3 past, and even going back to our DOE, American
4 Recovery and Reinvestment Act and the foundation that
5 we've built.

6 So the grid components that we have as
7 well as our AMI system that is basically materially
8 complete will be very involved in identifying how they
9 can support the goals of the CETA program. But I
10 would say it's early in that process.

11 MS. RENDAHL: Okay.

12 And is Avista considering or envisioning
13 that it will work with its equity advisory group in
14 exploring the customer benefits from AMI for
15 vulnerable populations and highly impacted
16 communities?

17 MS. ROSENTRATER: Yes, I can say that we
18 will ensure that happens.

19 MS. RENDAHL: Okay.

20 I have no further questions. Thank you.

21 MS. ROSENTRATER: Thank you.

22 MR. MEYER: Your Honor, this is --

23 I'm sorry. Are the bench questions --
24 Commissioner questions finished? I don't mean to
25 interrupt.

1 MS. RENDAHL: Yes, I'm done.

2 JUDGE O'CONNELL: Mr. Meyer, I do believe
3 that the Commissioners' questions are done for this
4 panel.

5 MR. MEYER: May I just follow up with
6 just a very brief line of inquiry?

7 I don't want to leave a lingering
8 impression about the percentage of completion of gas
9 AMI, and I know there's a bench request, but I just
10 want to dispel any notion that the figure of
11 79 percent is -- that does not represent the
12 79 percent of the universe of gas meters that will
13 have AMI installed. That is nearly complete --

14 JUDGE O'CONNELL: Mr. Meyer, I would --
15 I'd like to interrupt you. I would like some clarity
16 on that, actually, as it was confusing to me when we
17 through it. So, yes, if you would like to pose a
18 question or two to your witnesses to clarify that
19 information and what exactly it refers to, that would
20 be very useful. So please go ahead.

21 MR. MEYER: Thank you for the
22 opportunity.

23 / / /

24 / / /

25 / / /

1 FURTHER REDIRECT EXAMINATION

2 BY MR. MEYER:

3 Q. So, Ms. Rosentrater, you said that, with
4 respect to the universe of gas-only meters, that the
5 company elected not to install AMI on approximately
6 17,000 of those gas-only meters and instead install
7 ERTs; is that correct?

8 A. (BY MS. ROSENTRATER): Yes.

9 Q. And so those 17,000 meters are no longer
10 meant for AMI insulation, correct?

11 A. (BY MS. ROSENTRATER): Correct.

12 Q. And we have about 3,900 ERTs left to
13 install on that universe of 17,000 non-AMI meters,
14 correct?

15 A. (BY MS. ROSENTRATER): Yes, that's
16 correct.

17 Q. And we are not asking for recovery of any
18 ERT insulation or material costs, are we?

19 A. (BY MS. ROSENTRATER): Correct.

20 Q. And lastly, so just looking at those gas
21 meters that are meant for AMI, what percentage are in
22 service used and useful and providing benefits?

23 A. (BY MS. ROSENTRATER): 99 percent.

24 99.9 percent.

25 Q. Okay. Thank you.

1 A. (BY MS. ROSENTRATER): Thank you.

2 MS. RENDAHL: Just to follow-up quickly,
3 can you give the definition of the acronym ERTs?

4 MS. ROSENTRATER: Encoded receiver
5 transmitter.

6 MR. DILUCIANO: It's an encoder receiver
7 transmitter. It's an older meter, that just sends the
8 data out. There's no two-way communications.

9 So we -- when we say mobile, that means
10 we drive a van once a month through those
11 neighborhoods, and it picks up a read to do the
12 billing from.

13 MS. RENDAHL: Right. I just want it on
14 the record what an ERT was. Thank you.

15 MR. DILUCIANO: Oh.

16 JUDGE O'CONNELL: Okay. Thank you,
17 Ms. Rosentrater, Mr. La Bolle, Mr. DiLuciano. Thank
18 you for your testimony. You'll be excused, and we are
19 going to shift to Avista's witness Andrews.

20 Now, Commissioners, before you came into
21 the hearing, staff indicated that they are waiving
22 their cross of Andrews, and that means that the
23 cross-examination will begin with Public Counsel's
24 cross-examination.

25 So I'd like to ask if, Mr. Meyer, you can

1 turn on your video and if your witness Andrews can
2 turn on hers. I will swear in Ms. Andrews and then I
3 will turn it over to you, Mr. Meyer, to introduce your
4 witness.

5 MR. MEYER: Thank you, Your Honor.

6 Just a moment.

7 JUDGE O'CONNELL: Sure. I was
8 deliberately trying to speak slowly to give some time
9 for everyone to shuffle around. I understand that we
10 need to be conscious of these things.

11 MR. MEYER: Sure.

12 JUDGE O'CONNELL: And what I'm finding is
13 that whenever someone is speaking on their video, when
14 they're speaking quickly, I tend to get more
15 electronic interference, and just a reminder to
16 everyone. If you speak more slowly, even a little
17 technical or electronic interference, I can and I'm
18 sure the court reporter can understand what you're
19 saying even if there's a slight disturbance.

20 MR. MEYER: Thank you.

21 Okay. We are ready.

22 JUDGE O'CONNELL: Okay.

23 Do I still have -- it's probably
24 something with my settings, but I've lost two of the
25 Commissioners.

1 Okay. Here we all are. Thank you.

2 So, Ms. Andrews, will you please raise
3 your right hand.

4 (Witness sworn)

5 JUDGE O'CONNELL: Thank you.

6 You can put your hand down.

7 Mr. Meyer.

8 MR. MEYER: Yes.

9 For the record, would you please state
10 your name and your position with the company.

11 MS. ANDREWS: Yes. It's Elizabeth
12 Andrews, and I am the senior manager of revenue
13 requirements at Avista.

14 MR. MEYER: And with that, she is
15 available for cross-examination.

16 JUDGE O'CONNELL: Okay. Thank you.

17 Mr. Meyer, you can turn off your video
18 unless you need to jump in to be heard.

19 I'd like to ask Ms. Suetake -- thank you
20 for turning on your video. I will turn it over to you
21 now, Ms. Suetake, to conduct cross.

22 MS. SUETAKE: Thank you, Judge O'Connell.

23 / / /

24 / / /

25 / / /

1 CROSS-EXAMINATION

2 BY MS. SUETAKE:

3 Q. Good afternoon, Ms. Andrews. I can't see
4 on you my screen but --

5 A. Good afternoon.

6 Q. -- I will direct my questions to you.

7 Before I start, do you have a copy of
8 your rebuttal testimony in front of you?

9 A. (No audible response.)

10 JUDGE O'CONNELL: I'm sorry.

11 Ms. Andrews, we could not hear you. Perhaps the
12 microphone needs to be closer to you when you answer
13 the questions.

14 Can you please repeat your answer to the
15 last question?

16 THE WITNESS: I do. Can you hear that?

17 JUDGE O'CONNELL: Yes. Thank you.

18 Q. BY MS. SUETAKE: I would like to ask you
19 a few questions about insurance expenses, which is
20 your adjustment 3.07. Could you please turn to
21 Page 38 in the rebuttal testimony, which is EMA-16.

22 A. Yes, I am there.

23 Q. Now, I'm aware that this is one of the
24 pages that you revised, but my questions will be
25 discussing material on the page that was not modified

1 in your revised version. So --

2 A. Yes.

3 Q. Looking at Table 12, the updated
4 insurance expense, is it correct that this table shows
5 updated costs for directors and officers liability
6 insurance?

7 A. It does.

8 Q. And is it correct that the directors and
9 officers liability insurance costs increased from
10 894,646 in 2020 to 1,029,578 in 2021?

11 A. The -- could you repeat the 2019 level of
12 costs?

13 Q. I am looking at the 894,000 in December
14 of 2020.

15 A. Oh. Okay. I'm sorry. I was looking at
16 the test period level that's in our case, so, of
17 course, we're pro forming from that level. I'm sorry.

18 Yes, I see in 2020 894, correct.

19 Q. Okay.

20 And then an increase to about
21 1.03 million in 2021; is that correct?

22 A. Yes, based on invoices received and
23 prepaid in the beginning of 2021.

24 Q. Okay.

25 I was actually going to ask you about

1 those invoices. Is it correct that those invoices
2 were received in April 2021?

3 A. Yes.

4 Q. Okay.

5 And then could you tell me what the
6 coverage period reflected in that invoice. Is it
7 January to April, March to April?

8 A. I think it is -- it's either -- I believe
9 it's January -- the invoice period, we typically get
10 those in --

11 Let me think about this.

12 You're right. So if we received them, I
13 believe they are April 1st through March of the
14 following year.

15 Q. Okay. Thank you.

16 A. Whereas the -- all of the others, because
17 we typically get them in December, and those are the
18 ones we updated earlier on, is because those I believe
19 are basically the annual, where D&O insurance is
20 received more like the end of March, and so they're
21 prepaid at that point.

22 Q. Thank you. That was really helpful.

23 Now, can we turn to Page 48 of your
24 rebuttal testimony.

25 A. And I would like to just note that on our

1 rebuttal, I realize that we had filed the D&O
2 insurance after the parties had, so we had updated and
3 lowered our numbers slightly for -- related to those
4 D&O insurance. And so on our rebuttal numbers, they
5 include all updated invoices received and prepaid to
6 that point. So . . .

7 Q. Okay. Thank you.

8 Now, on Page 48, referring to injuries
9 and damages. Are you there?

10 A. Yes.

11 Q. Referring to the sections beginning on
12 Line 5, you discuss Ms. Crane's injuries and damages
13 adjustment. Is it your understanding that Ms. Crane
14 is recommending a five-year average in this case
15 instead of a six-year average used by Avista?

16 A. Yes, I do understand that.

17 Q. And is it correct that Avista has been
18 using a six-year average since 1988?

19 A. Yes, since the Commission approved that
20 secure averaging, we have been using that methodology
21 since that time.

22 Q. Okay.

23 And is it correct that that six-year
24 average was established in response to a 1985 gas
25 explosion?

1 A. I believe so, yes. I do explain that in
2 my testimony.

3 Q. And then on Page 49 of your rebuttal
4 testimony, on Lines 6 and 7 --

5 A. Yes.

6 Q. Is it correct that that methodology was
7 established to deal with an extraordinary event?

8 A. I believe that the six-year average
9 became a recommendation by either staff or the company
10 to begin using a secure average because those types of
11 things can happen, and as I believe I mentioned in
12 this case, I don't see this particular item that
13 Public Counsel is excluding to, one, being material,
14 and -- but it's -- to me, the way the injury and
15 damages adjustment has worked for years has allowed
16 the company to recover its costs but over a six-year
17 period.

18 And so, therefore, if you do have any
19 major events, we have had instances like ice storm,
20 for example, where that might have been pulled out
21 to -- because it was large and dealt with differently.

22 But I don't see that as the opportunity
23 here. I see this as more of a smaller item.

24 Anyway, I'll leave it at that.

25 Q. Okay.

1 So going back to something you just said,
2 is it correct that since the six-year average has been
3 adopted, other extraordinary events, such as the ice
4 storm that you mentioned and the fire storm included
5 in your testimony, have been excluded from that
6 six-year average and dealt with separately?

7 A. Yes, because those -- I see those
8 as -- you know, as you mentioned, there's been very
9 view. Ice storm and fire storm are the only ones that
10 I can recall that were ever excluded as being
11 significant or extraordinary and that were dealt with
12 outside of the six-year rolling average, and typically
13 they were dealt with as a separate amortization.

14 Q. Okay.

15 Given that the six-year average was
16 established originally to deal with an extraordinary
17 event and that extraordinary events are now dealt with
18 outside of the six-year average adjustment, has the
19 company ever considered proposing a different
20 methodology in determining injuries and damages
21 adjustment?

22 A. Well, the way I look at injury and
23 damages is I think you can have value that can vary
24 over time, and so in particular what we're talking
25 about here is a \$295,000 item that you would

1 consider -- the Public Counsel is considering
2 extraordinary.

3 I don't think that this particular item
4 fits in the same category as ice storm or fire storm.
5 I think what injury and damages does by using a secure
6 average is it allows it to somewhat normalize these
7 costs that typically, by doing a six-year average,
8 have not been -- does this materially change the
9 result, to be honest, one way or another.

10 As you mentioned with this adjustment,
11 it's a -- the impact we're talking about here is
12 reducing electric expense by \$28,000.

13 JUDGE O'CONNELL: Let me stop you both
14 for one moment.

15 Ms. Andrews, when you're being asked a
16 question, please respond with a direct answer, and
17 then you can explain. What I'm hearing a lot of is
18 the explanation, which you are allowed to give, but I
19 would appreciate an answer directly to the question
20 that was being asked.

21 And, as I recall, Ms. Suetake, you were
22 asking if Avista had considered something, and we've
23 heard the explanation of why you're qualifying that,
24 Ms. Andrews, but, Ms. Suetake, would you please ask
25 the question one more time, and so we can just have

1 the direct answer, and then we already have the
2 explanation.

3 MS. SUETAKE: Thank you, Your Honor.

4 Q. To repeat myself, given that the six-year
5 average was established to deal with an extraordinary
6 event, and that now extraordinary events are dealt
7 with outside of the six-year average, has the company
8 considered proposing a different methodology for
9 determining injuries and damages?

10 A. No, the company has not considered -- it
11 has not deemed it necessary at this point in time.

12 Q. Thank you.

13 Have you tracked -- has Avista tracked
14 actual injuries and damages expenses compared to the
15 six-year average recovery and rates to determine
16 whether the company has under-recovered or
17 over-recovered?

18 A. No, we -- no, we have not. I mean, you
19 can see every -- each case, the six-year period of
20 time in secure costs, and from what I have seen from
21 case to case, I haven't seen a material change from
22 year to year of what those costs would be. So I
23 would -- I would assume that over the six-year time it
24 would ebb and flow, and more than likely it would
25 normalize, and we have probably recovered our costs,

1 but I wouldn't expect that we have either under --
2 significantly under- or over-recovered our costs.

3 Q. Okay.

4 Can we turn back to Page 48 in your
5 rebuttal testimony. At Lines 18 through 21.

6 A. Yes, I'm there.

7 Q. Okay.

8 You discussed here the reserve method of
9 counting that was also adopted in 1988. Do you see
10 that?

11 A. Yes.

12 Q. On Line 21. Okay.

13 Do the expenses that are contained in
14 your six-year average represent additions to the
15 reserve or actual payouts for injuries and damages?

16 A. Those are actual payouts to injury and
17 damages. So what we're recovering is an average of
18 the actual expense or actual payout.

19 Q. Okay. Thank you. That's very helpful.

20 I would like to discuss generally now --
21 switch to incentive compensation.

22 With regards to executives, is it correct
23 that there are two programs, the short-term incentive
24 compensation plan and the long-term incentive
25 compensation plan?

1 A. Yes, for our executives, there is both a
2 short-term incentive plan, which has two different
3 portions; it's very different than our non-officer
4 compensation or incentive plan. So they're made up
5 typically of about 40 percent of our short-term that's
6 typically recovered by customers and the other
7 60 percent as a short-term plan which is excluded from
8 recovering from customers. And then we also have a
9 long-term incentive plan for officers that are fully
10 excluded from recovery from customers.

11 Q. That was my next question, actually.

12 So then turning to the short-term
13 incentive plan, is it correct that the short-term
14 incentive plan for officers applies to about 13
15 individuals in Avista?

16 A. Yes.

17 Q. And are these basically the same
18 individuals that comprise the company's executive
19 compensation plan, which is adjustment 3.05?

20 A. Yes.

21 Q. Could you please turn to Page 51 in your
22 rebuttal testimony.

23 A. I'm there.

24 Q. On Line 1 you state, "Incentive
25 compensation is as transparent as base salary for at

1 least our executive group, given that it is probably
2 disclosed in annual practice statements and it is
3 reviewed via the shareholders' standard proposals."

4 Do you see that?

5 A. I do.

6 Q. First, does the proxy statement specify
7 the incentive compensation for the entire executive
8 group -- by that I mean all 13 individuals -- or just
9 the main executive officers? Named executive
10 officers.

11 A. I'm sorry. Was there a question there?

12 Q. Yes. Does the proxy statement specify
13 the incentive compensation for all 13 officers that
14 were discussed previously, or is it just including
15 information on the named executive officers?

16 A. So the proxy group does discuss
17 separately for the named executive officers; however,
18 the compensation or the incentive compensation for the
19 CEO is very defined. The other named executive
20 officers, the incentive plan for those named executive
21 officers are the same for all executive officers. The
22 rest of them other than the CEO.

23 Q. Okay. Thank you.

24 Do you have a copy of Exhibit EMA-13X
25 Revised in front of you? That's the 2021 process

1 statement and notice of annual meeting of
2 shareholders.

3 A. Yes, I do have it.

4 Q. Okay.

5 Are you familiar with this exhibit?

6 A. Yes, I am.

7 Q. Would you agree that this is a recent
8 proxy statement for Avista such as you referred to in
9 your testimony?

10 A. Yes, it is.

11 Q. Could you please turn to Page 34 of the
12 exhibit, which is Page 29 of the actual proxy
13 statement.

14 A. Yes, I'm there.

15 JUDGE O'CONNELL: Ms. Suetake, can you
16 slow down for just a moment?

17 MS. SUETAKE: Yes.

18 JUDGE O'CONNELL: This was a recently
19 updated exhibit. I want to make sure the
20 Commissioners are familiar with how to get their hands
21 on it.

22 You can access this through the exhibit
23 list, Commissioners.

24 And we're looking at EMA-13XR.

25 Okay. Thank you.

1 And what page are we on, Ms. Suetake?

2 MS. SUETAKE: We're on Page 34 of 69.

3 It's in the top right-hand corner.

4 JUDGE O'CONNELL: Okay. Thank you.

5 Please go ahead.

6 MS. RENDAHL: Just to clarify, my exhibit
7 says 34 of 76.

8 JUDGE O'CONNELL: Yes, Commissioner,
9 that's what I wanted to point out, that this exhibit
10 was recently updated from the 2020 to the 2021
11 version. So it's no longer 76 pages but 69 pages.

12 Let's just take a breath and let us get
13 caught up to speed on where we're at in this exhibit.

14 Okay. Please go ahead, Ms. Suetake.

15 MS. SUETAKE: Okay. Thank you.

16 Q. We're on Page 34 of this exhibit. Do you
17 see the compensation and discussion analysis?

18 A. Yes, I do.

19 Q. According to the first line of this page,
20 the information that is provided is information on the
21 named executive officers; is that correct?

22 A. Yes, it does specifically list those,
23 because that's typically what the proxy statement is
24 about. Although I will admit that during this they do
25 a pay on say approval of compensation, and that is

1 meant to be reflective of all the officers.

2 Q. Okay.

3 Can we look at the last method at the
4 bottom of this page above the tables. It says, "These
5 charts below illustrate the relationship between our
6 2020 financial performance target and our actual
7 performance."

8 Do you see that?

9 A. I do.

10 Q. And is it correct that the tracks at the
11 bottom of this page show consolidated earnings per
12 share and cost per customer as performance targets?

13 A. Yes.

14 Q. Is it correct that cost per customer is
15 considered a financial performance target, at least
16 for the purposes of this proxy statement?

17 A. The cost per customer -- I think, you
18 know, we have lots of financial performance areas
19 within the compensation, and most of those you can see
20 are separated between the different components of what
21 is considered for the incentive plan in the proxy
22 group, and I can -- what I mean by that is I can
23 direct you to the very next page, Page 30, on the
24 bottom, or Page 35, where it talks about the
25 various -- it breaks apart the various components that

1 is considered in the incentive plan.

2 So, for example, the bottom level, what
3 we're specifically talking about here is the CEO only,
4 and, as I mentioned, the incentive plan is different
5 for the CEOs as it is to all other officers. But as
6 regards to our CEO, his base salary is the first blue
7 line, and it talks about the target versus what was
8 realized. The next is the 2020 annual incentive, and
9 then it talks about the different stock units and
10 performance stock and things like that.

11 Within the 750,000 listed there as the
12 2020 annual incentive, it is broken apart between what
13 is more financial and earnings per share. That is
14 separated from -- there's components in there that
15 have been separated from what we consider and what we
16 recover from customers has to do with cost per
17 customer, customer satisfaction, reliability, that
18 sort of thing.

19 And so, for example, that particular
20 portion, just to lay this out for what's recovered
21 from customers, for our CEO, for example, only seven
22 percent of that 750,000 is included in rates today.
23 So we already do as a company a very thorough analysis
24 and separation between what is charged to customers
25 and what is charged to -- below the line or recovered

1 from shareholders only.

2 Q. Following on that actual topic, is it
3 correct that the company has excluded -- if we can go
4 back up to, sorry, the Page 34, where it says
5 "Consolidated Earnings Per Share" on the left-hand
6 table. Is it correct that the company has excluded
7 costs related to the consolidated earnings per share
8 from its revenue requirement claim in this case?

9 A. Yes, it has.

10 Q. Okay.

11 But the company didn't exclude
12 performance targets related to cost per customer,
13 correct?

14 A. To the extent they are specific to the
15 cost per customer only in reaching that goal, they are
16 included.

17 Q. Okay.

18 And then looking at this chart, is it
19 correct that according to this chart the company did
20 not meet its cost per customer target for the most
21 recent fiscal year?

22 A. For this particular year, I believe that
23 this was for -- this one in particular is for 2020
24 that was paid in 20 -- that was paid out in 2021. We
25 would have recorded it in 2020. So the results of

1 this particular incentive plan would not be what is
2 sitting in our 2019 test year.

3 Q. Okay.

4 If we can go back to that chart on
5 Page 35, the chief executive officer 2020 target
6 versus real life.

7 So just to clarify, this is a comparison
8 of the CEO's 2020 target comparison -- compensation,
9 sorry, versus real-life compensation, correct?

10 A. Correct.

11 Q. And the CEO is Mr. Vermillion; is that
12 correct?

13 A. Correct.

14 Q. For 2020, his target compensation was
15 2.25 -- or 2.25 million but his actual compensation
16 was 1.35 million, correct?

17 A. That's correct.

18 Q. If we go down to Page 50 of this same
19 exhibit --

20 50. Five zero.

21 And then go to --

22 Are you there, Ms. Andrews?

23 A. Yes, I'm there.

24 Q. Okay.

25 Is it correct this table shows the last

1 three years of compensation for the named executive
2 officers?

3 A. Yes, it is.

4 Q. And while Mr. Vermillion's 2020
5 compensation was listed as approximately 1.35 million
6 on the previous page we looked at, is it correct that
7 his compensation is listed at over 5 million on this
8 table?

9 A. Yes. That is because it considers things
10 like your change in your pension, nonqualified
11 deferred compensation, things that aren't really
12 necessarily cash payments, and so that's why the total
13 compensation is a little bit misleading of what actual
14 salaries and benefits or whatever that he would have
15 received in the year.

16 Q. So along that line of questioning -- or
17 along that line, is the change in pension and
18 nonqualified deferred compensation earnings listed on
19 this table excluded from the compensation for
20 Mr. Vermillion listed on the previous page?

21 A. Yes, I believe that's true.

22 Q. And then do you know what the other
23 differences are between the five million on this page
24 and the 1.35 million listed on the previous pages?

25 A. Let's see. You can sort of make it out.

1 You can see the 737 from his salary, you can see the
2 184 from the nonequity incentive plan compensation,
3 and then there's a breakdown of the RSUs, which are
4 just values, which is a part of -- I believe that's a
5 part of the stock awards line portions of it.

6 Q. So looking at all those components, if I
7 basically just add up the base salary plus the stock
8 awards and the nonequity incentive compensation from
9 the --

10 A. Portions of that -- the stock awards -- I
11 think it's -- the stock awards that are -- right
12 terminology -- that have -- that are available.

13 So he receives -- he received -- annually
14 he would receive stock awards, but some of them would
15 not become available for him to cash out, for example,
16 until a certain period of time.

17 Q. Okay.

18 So you wouldn't just add all of these
19 minus the change in pension --

20 A. Right.

21 So let's say Mr. Vermillion -- you know,
22 the five million is in here now, so he got -- certain
23 stock awards he received this year, that let's say he
24 were to leave at the end of the year, some of those
25 stock awards would not come to fruition for him.

1 Q. Okay.

2 So on this table there's six different
3 individuals listed. Do you see that?

4 A. I do.

5 Q. Is it correct that all six of these
6 individuals are participants in the short-term
7 executive incentive award plans?

8 A. Yes.

9 Q. And then to change the subject, could we
10 turn to your rebuttal -- back to your rebuttal
11 testimony. Page 53.

12 A. Page 53. I'm there.

13 Q. Okay.

14 And would you -- is it correct that
15 these -- the questions and answers on this page refer
16 to benchmarking studies used in setting base salaries
17 and incentive compensation?

18 A. Yes.

19 Q. Regarding those benchmarking studies, are
20 you aware of any situation at Avista where an
21 employee's salary was lowered because their salary was
22 above the median or means of a comparison group of
23 companies?

24 A. I don't study those reports over the last
25 two decades so I don't know that I could answer that

1 question for you.

2 MS. SUETAKE: Okay. Thank you. That's
3 all my questions.

4 JUDGE O'CONNELL: Okay. Thank you.

5 Mr. Meyer, if you would please turn your
6 video back on. If you would like to redirect.

7 And, Ms. Suetake, you can turn yours off
8 for the moment, unless you need to be heard.

9

10 REDIRECT EXAMINATION

11 BY MR. MEYER:

12 Q. There was some discussion, Ms. Andrews,
13 about the cost per customer metric. Do you recall
14 that exchange?

15 A. Yes.

16 Q. Okay.

17 And is there a distinction between
18 financial performance metrics and operating metrics?

19 A. Yes.

20 Q. Can you give me an example of a financial
21 performance metric.

22 A. I'm trying to recall all of the pieces,
23 but earnings per share, for example, would be an
24 obvious one.

25 Q. And contrary-wise, the operating metrics

1 or operating measures, can you give me a couple
2 examples there?

3 A. Yes. So for our cost-per-customer
4 measure that we have, it is based on certain
5 expectations of where we expect our expenses to be,
6 and we set certain targets that if we exceed those
7 targets -- and what I mean by that is we -- our cost
8 per customer is less than we anticipate it to be, then
9 there is a savings to the company, and those are
10 shared with the -- with -- or shared as part of the
11 incentive plan.

12 Q. So that would -- but that savings to the
13 company would provide a direct benefit to customers
14 through keeping rates lower than they otherwise would
15 have been, correct?

16 A. That's correct.

17 Q. So are these operating measures or
18 metrics designed to reflect direct benefits to
19 customers?

20 A. Yes, they are.

21 Q. Okay.

22 And we don't need to argue about whether
23 the financial metrics provide a direct or indirect
24 benefit. I'm just talking here about the cost per
25 customer. Understand?

1 A. Yes, I do.

2 MR. MEYER: Okay. That's all I have.

3 Thank you.

4 JUDGE O'CONNELL: Ms. Suetake, do you
5 have anything you wanted to follow up on within that
6 narrow scope?

7 MS. SUETAKE: It's actually just a
8 clarification of something Ms. Andrews earlier said
9 about the chart in the rebuttal, and this might go to
10 a revised exhibit. I just want to make sure I have
11 the correct number.

12 JUDGE O'CONNELL: Now, is this the chart
13 on Page 34 of 69?

14 MS. SUETAKE: No. Sorry. This is in
15 Ms. Andrews' rebuttal testimony, Table 12. I just
16 wanted to make sure I understood something that I
17 thought I heard.

18 THE WITNESS: Sorry. Can you direct --
19 you said it's my rebuttal testimony, Table 12?

20 MS. SUETAKE: Table 12 on Page 38.

21 JUDGE O'CONNELL: Mr. Meyer, are you
22 raising your hand?

23 THE WITNESS: I believe what you mean is
24 it's related to insurance.

25 MS. SUETAKE: Yes, insurance. Sorry.

1 It's not specifically about a recross; it's just
2 making sure I understood whether or not a number was
3 revised.

4 THE WITNESS: Okay.

5 JUDGE O'CONNELL: Yes. Ms. Suetake, go
6 ahead. I want to hear if this is -- I want to hear
7 whether this is admissible, so go ahead.

8 MS. SUETAKE: I understand.

9

10 RE CROSS-EXAMINATION

11 BY MS. SUETAKE:

12 Q. Ms. Andrews, I might have misheard this,
13 but in the line for directors and officers liability
14 for the -- are now posted for December 2021, that
15 1.029 million --

16 A. Yes.

17 Q. Has that number been revised again or is
18 that just -- that's the most updated number we have?

19 A. So that is -- when I did my rebuttal
20 testimony, I was able to incorporate the most recent
21 D&O insurance invoices that we had received. That is
22 a part of that number.

23 Of course, we do reduce that by
24 10 percent, which is the line in that table that
25 reduces basically D&O insurance. The 1.029 gets

1 further reduced by 10 percent to meet the requirements
2 of Docket UE-090134 for electric, gets reduced by
3 10 percent there, if you see that.

4 Q. Yes, I do. Okay.

5 So this is the most updated number?

6 A. Yes, it is.

7 MS. SUETAKE: Okay. Thank you. That's
8 all the clarification I needed.

9 JUDGE O'CONNELL: Okay.

10 Mr. Meyer, let me ask if you have recross
11 on that clarification of that number.

12 I'm sorry. Redirect.

13 MR. MEYER: No, I do not.

14 JUDGE O'CONNELL: Okay. Thank you.

15 Then we're going to turn to questions
16 from the bench that the Commissioners have prepared
17 for Ms. Andrews.

18 Ms. Suetake, you can go ahead and turn
19 off your video.

20 I will turn it over now to the
21 Commissioners for bench questions of Ms. Andrews.

22 Commissioner Balasbas, go ahead.

23 MR. BALASBAS: Thank you, Judge

24 O'Connell.

25 Good afternoon, Ms. Andrews.

1 THE WITNESS: Good afternoon.

2 MR. BALASBAS: So I'd like to start with
3 a follow-up question during the last part of the
4 discussion and questions we were having with
5 Ms. Rosentrater, Mr. DiLuciano, and Mr. La Bolle on
6 the accounting of the business case spending.

7 So -- then obviously they deferred that
8 question to you, so I'd like to -- I'd like to ask
9 again, am I understanding correctly that what Avista
10 is presenting for recovery in this case are for the
11 business cases for each of those projects?

12 So first, is that correct?

13 THE WITNESS: Yes, it is.

14 MR. BALASBAS: Okay.

15 So then for all of the different plans
16 and descriptions of other pieces that the other
17 witnesses had described, those business cases, if I
18 understand correctly, effectively roll up and are kind
19 of described in those plans in more general terms; is
20 that correct?

21 THE WITNESS: Yes, that's correct.

22 MR. BALASBAS: Okay. Thank you.

23 I do have a couple of questions on
24 wildfire, but before I do that, I'll turn to my
25 colleagues to see if they have any follow-up on that

1 specific accounting piece.

2 THE WITNESS: Because I'd be happy to
3 provide some clarification if you like.

4 MR. BALASBAS: Sure. I will give you
5 that opportunity to go ahead and do that.

6 THE WITNESS: Okay.

7 So those investment plans that are
8 included in Ms. Rosentrater's testimony obviously are
9 high-level -- like distribution, transmission -- or
10 distribution plans or substation infrastructure plans.
11 They're meant to be an overview across the company.

12 What we include in this case and we talk
13 about in each of our capital witnesses or the
14 witnesses that have capital additions, is we included
15 the business cases for each of our investments. And
16 for the most part 95 percent of our investments -- or
17 our business cases have one expenditure requisition,
18 is what we call, that helps it break down these costs.
19 And it's really -- our first level of accounting-wise
20 is the ER number, expenditure requisition number, and
21 for the most part, as I mentioned, many of them have
22 one ER, and we will have -- they may be specifically a
23 substation ER, a transmission ER, you know, a
24 distribution ER, that sort of thing.

25 We do have occurrences -- a really good

1 example is our Saddle Mountain project, which is one
2 specific project. It might have a few ERs because it
3 might have -- it would have a breakdown of some
4 substation costs, it would have some transmission
5 costs, its would have some communication costs. It's
6 still broken down so that as we work through that
7 specific project, those costs are separately
8 identified and recorded on our accounting system so
9 that there is no way to double-count or triple-count.
10 It's fully tracked within our system at -- whether it
11 be the expenditure level, or if we need further
12 detail, we also have what's called a budget item that
13 allows us to track at whatever level we need to, but
14 then can roll up to an ER, for example, to know
15 exactly what our costs are. So there is no
16 opportunity to double-count any of those costs.

17 MR. BALASBAS: Okay. Thank you. I
18 appreciate that clarification.

19 So I'd like to turn now for a few
20 questions on the wildfire expenses, and I'd like to
21 start with question of what wildfire capital and
22 operating expenses are included in the test year?

23 THE WITNESS: Okay. So for our test
24 year, being 2019, for the wildfire resiliency plan, we
25 did not -- you know, we were beginning to do the plan

1 in 2019, as I think we've said either at the workshops
2 or recently, that, you know, we've been working on
3 that plan for a few years -- for a few years before we
4 filed it in middle of last year. 2019 was our
5 historical test year, so we did not have any wildfire
6 capital or wildfire -- what is designated as wildfire
7 expense in our test year.

8 We separately track our wildfire expenses
9 from anything else, so I know that there has been some
10 confusion, I think by staff, regarding, okay, we've
11 had vegetation management, for example, and we've
12 obviously had that for years, and I have a table in my
13 testimony that shows what those wildfires -- or,
14 excuse me, those vegetation management expenses have
15 been, but we separately track those by a separate code
16 that we know exactly how much is wildfire and exactly
17 how much that existing vegetation management cost is.

18 Does that answer your question?

19 MR. BALASBAS: I think it does, but let
20 me clarify.

21 So what I'm hearing you say is in the
22 2019 test year, any of those expenses, such as
23 vegetation management, for example, are not -- are not
24 tied to the wildfire plan but are considered -- are
25 they considered business as usual expenses?

1 THE WITNESS: Yes, and I've got actually
2 a great table -- at least I think it is -- on Page 130
3 of EMA-6T. In order to try to provide some clarity
4 around the wildfire expense --

5 And I'll give you a chance to get there;
6 I just will set it up.

7 I provided this table to provide some
8 clarity because I could understand the confusion that
9 that was there. So if you look at Table No. 32 on
10 Page 130 of my EMA-6T --

11 I'll let you tell me when all three of
12 you are there.

13 MR. BALASBAS: I'm looking at it right
14 now.

15 THE WITNESS: Okay. Perfect.

16 So what I've done there is I've tried to
17 separate the cost between normal operating vegetation
18 management, and while I will say that obviously our
19 wildfire expenses are not all risk tree, there are
20 some other costs, but for the most part it is around
21 this wild risk -- this wild fire risk tree vegetation
22 management.

23 Our normal operating veg management that
24 was included in our test year, as you can see on that
25 Table 32, shows that there's about \$6.4 million. We

1 have since revised that going forward to be
2 6.1 million. And you can see that that is the plan
3 going forward. That's going to be our ongoing normal
4 maintenance.

5 Beginning in 2020 -- and bear in mind,
6 there is only, you know, five or six months from when
7 the plan started, that's the reason why for the
8 smaller million and a half dollars there for 2020, we
9 had specifically identified and tracked wildfire risk
10 tree cost of 1.5 starting in 2020.

11 And then going forward, you can see what
12 the plan is, and these are Washington's share of those
13 costs -- of our overall costs for this plan.

14 And as we go through time, you can see
15 what -- how it grows in '21 and '22, and, of course,
16 as I explained on my test -- my testimony, I actually
17 used a pro rata amount to come up with a rate period.
18 So I have three months of the 2020 -- '21, and I have
19 a nine month of 2022, that come up with that rate
20 period value.

21 But I recognized that in -- because my
22 test period level for the ongoing vegetation
23 management was 6.4, but yet we only expect it to be
24 6.1, I actually reduced the portion that we included
25 for wildfire expense by Washington's share, which was

1 184,000, so I basically eliminated any duplication, to
2 be sure. And then that's how we ended up with -- we
3 basically have in our case 6.1 million of normal
4 operating vegetation management and 4.025 for --
5 specifically associated with wildfire, and for the
6 most part it's the risk tree vegetation management.

7 MR. BALASBAS: Okay. Thank you. I
8 appreciate that. And thank you for pointing me back
9 to that table after I had initially read it.

10 So you touched on this in your
11 explanation just a minute ago about the six months of
12 spending in 2020 on the wildfire expenses. So am I
13 correct in assuming that the company is stating that
14 it has no wildfire capital or operating expenses in
15 the first half of 2020?

16 THE WITNESS: Not that we had designated
17 as wildfire, no.

18 No, we -- no. I'll just say, no, we do
19 not, because in that first six months we were still
20 operating our vegetation management, we had not ramped
21 up any of the capital additions in 2020, and we had
22 not started the risk tree vegetation management, those
23 expenses, until the second half of 2020.

24 MR. BALASBAS: Okay. All right.

25 Now, I'd like to ask just a general

1 question about the two-way balancing account, and then
2 I will defer to my colleagues for other questions
3 here.

4 So my main question here is: Why a
5 two-way balancing account? Or is it the same as
6 proposing a tracker fore those expenses?

7 THE WITNESS: It could. You could
8 consider it, basically. But I'm going to take this in
9 two parts: one, why a two-way balancing account. And
10 so I want to take you to Page 134 of my testimony, and
11 there is an Illustration No. 2, that basically shows
12 our expectation of our expenses, and so when I thought
13 about the level of expenses to build in this -- into
14 this case and what our expectation is over the 10-year
15 plan, and I was also taking into consideration the
16 fact that we would -- we would be looking -- we could
17 be looking at multiyear rate plans and things like
18 that.

19 So the way I look at this is when you
20 look at this chart you can see that we begin to ramp
21 up for the next two or three years the vegetation
22 management expenses, and I know that you're going to
23 talk to Mr. Howell, possibly, later on, and what he
24 would -- he would say that these level of expenses we
25 absolutely do expect. In fact, we think we will have

1 pressure to do more, because what's going to be really
2 important is getting that -- the risk tree area and
3 the vegetation management is a very important part of
4 our plan, and we need to move from the five-year that
5 we do now of getting through our system -- there's
6 areas we need to get through -- get to now, especially
7 those risk areas.

8 And so we absolutely will ramp those
9 costs up, but at some point we expect that those costs
10 would start to decline. And so in my mind it is just
11 as important to have this balancing account not only
12 to protect the company but, more importantly, to
13 protect your customers, because you can see, the last
14 several years of that -- of our plan those costs are
15 going to go down, and so if we don't hit -- if we
16 don't have a balancing account -- a two-way balancing
17 account, then there's -- in my mind there's absolutely
18 going to be a point in time where we are
19 over-collecting vegetation management from our
20 customers, and so this is a way of protecting it.

21 So whether you want to call it a tracker
22 or however, I mean, it certainly is a form of tracker.
23 I just didn't see it as a full mechanism, so that's
24 why we had proposed just a balancing account that we
25 could track the costs and then update that level in

1 the future, in any case, and guarantee that customers
2 pay no more, no less than our actual costs.

3 MR. BALASBAS: Okay.

4 So just two more questions related to
5 this and then I will defer to my colleagues for
6 others.

7 So would this balancing account include
8 just operating expenses or both operating and capital
9 expenses for the wildfire --

10 THE WITNESS: This balancing is only for
11 expenses only. All that we have included in this case
12 is an assumption that we would pro form in capital
13 additions in each future general rate case, but the
14 expenses, it's harder -- kind of harder to do that.

15 MR. BALASBAS: Okay. Thank you for that
16 clarification.

17 And then related to that, did Avista
18 consider -- or has Avista considered another -- a
19 different proceeding other than a general rate case to
20 true up these expenses? Both maybe on -- like on the
21 expense side.

22 A. We have not. That typically has not
23 been -- we don't -- we don't typically have a lot of
24 deferral mechanisms and trackers that we -- Avista
25 trues up. Obviously there's other avenues, like some

1 form of CRM mechanism or something like that, that
2 could track both capital and expense, and the company
3 is certainly not opposed to that.

4 I know I talked briefly about the CRMs in
5 my testimony because they were brought up by other
6 parties, and we would welcome that, obviously. I
7 think that with wildfire, my only request is that if
8 we do go down that avenue, that's different from the
9 CRM that's in place today for the AldylA mechanism,
10 for example. That was something that was mainly just
11 capital. There really wasn't this enhanced O&M side
12 to that particular project, where in this case
13 wildfires is just as much an expense issue as it is a
14 capital issue.

15 And I can say I think wildfire, as an
16 example, the increase in wildfire expense above our
17 current level, for example, of veg management, is like
18 a 68 percent growth in expense. So we see that as
19 material, and material enough to do something about.
20 And so whether that be a deferral mechanism, a
21 balancing account, or some other form of capital and
22 expense tracker, we obviously are open to that, and we
23 are open to any changes annually, reporting, whatever
24 the Commission decides is appropriate.

25 MR. BALASBAS: Okay. Thank you. That's

1 all I have for now.

2 THE WITNESS: Thank you.

3 MR. DANNER: So, Ms. Andrews, can you
4 tell me, what is the company doing to keep insurance
5 rates down -- insurance costs down? I mean, are
6 you -- have you presented the wildlife mitigation plan
7 to insurers? What conversations are ongoing? What
8 hope do we have in this area?

9 THE WITNESS: Well, and, you know, this
10 kind of leads to -- in a way this leads to the level
11 of insurance that we filed on our direct. In our
12 direct case we significantly -- we overstated what
13 insurance was that we expected to have, and most of it
14 was around wildfire. And part of that was because
15 there were (inaudible) --

16 THE REPORTER: I'm sorry. You cut out
17 and I missed something. You said, "And part of that
18 was because there were."

19 THE WITNESS: I'm not sure so I'll just
20 start over, if that's okay. Not all the way to the
21 beginning but start over a little bit.

22 When we first filed our direct case, I
23 admit that we overstated those wildfire expenses, and
24 that was because of conversations with our risk -- our
25 risk -- our director of risk in this company around --

1 that does most of the insurance and works with others
2 in the company. And they were having ongoing
3 discussions with our insurance companies and policy
4 providers, and concerns over wildfire risks across the
5 United States, that obviously there was an expectation
6 that those were going to impact our premiums.

7 And, in fact, the initial numbers that
8 were given to us as possibilities, I didn't even go
9 that far when we pro formed it in our case. So we
10 were pleased to see that our company was able to work
11 with those insurance companies and make changes.

12 I'm not the insurance -- I'm not the
13 person in our company that has those conversations so
14 I don't know how much more clarity I can provide you,
15 but I can assure you there are conversations going on
16 to see, you know, can we do different layers, can
17 we -- you know, what should our deductible be. All of
18 those things are happening to try to keep those
19 expenses lower, and we saw that with the actual
20 invoices that were received. So the original
21 discussions and concerns and things that we were
22 hearing, saying, This is what you guys could be seeing
23 coming your way, they managed to work those down and
24 even get them lower than what we had pro formed in the
25 case, which were lower than numbers we had originally

1 been given.

2 So I know that, you know --
3 unfortunately, when it comes to insurance, and
4 especially property insurance and those kinds of
5 things, there's outside sources or outside impacts
6 that are having, obviously, an impact on our insurance
7 premiums directly. Even if many of those fires or
8 many of those other lawsuits or things that are
9 happening across the United States to put pressure on
10 insurance premiums aren't caused by us, we're still
11 going to feel some of that pain. But we do work very
12 closely with our insurance providers to see what can
13 we do to reduce those expenses.

14 MR. DANNER: All right. Thank you.

15 Now I want to ask you a question about
16 the union wages. You testified in your rebuttal that
17 the three percent union increased its expenses to be
18 approved in the fourth quarter of '21, and considering
19 the known and measurable standard, what certainty can
20 you assure that that increase is going to remain at
21 three percent and not be lowered or raised or delayed?

22 THE WITNESS: Yes, I would love to give
23 more certainty. I can tell you they are still working
24 through those negotiations, and there is an
25 expectation that fourth quarter it would go for

1 ratification.

2 And the -- the only certainty I can give
3 you is that typically they -- the increases have been
4 similar to -- very similar to and are -- and I -- I
5 know I have to be careful because of confidentiality.
6 I'm not a part of those conversations, but I can say
7 typically they have been similar increases to --
8 between nonunion and union, and I know we even
9 responded -- you know, when it comes to ratification
10 of those contracts, in the past 10 years -- so just
11 providing some history, because I don't know what's
12 going to happen, but in the past 10 years, when we
13 have had contract negotiations that have finalized
14 after the expiration of those previous contracts, they
15 have been retroactive to when that contract expired.

16 So, for example, the last contract
17 expired I believe at the end of February of 2021, and
18 so even though we have not agreed to any labor change
19 at this point in time, that -- if history is any
20 indication, that if a contract is approved, they would
21 more than likely make it retroactive to March of 2021.

22 MR. DANNER: So I'm just trying to figure
23 out how to go with this, because you say you don't
24 know what's going to happen and we have a known
25 measurable standard. How does this not knowing fit

1 into that standard? I'm just trying to figure out how
2 we need to deal with this, and I will welcome your
3 thoughts on it.

4 THE WITNESS: Well, I definitely
5 understand your dilemma, and we knew it would be a
6 dilemma when we were building it in. We had hoped
7 that we would have those contract negotiations
8 completed by now, but unfortunately I cannot tell you
9 at this time that that has occurred.

10 Although it is certainly something that
11 we would be happy to track, and if there's any
12 differences from what we collect from customers, we
13 can return it.

14 MR. DANNER: I guess a follow-up to that
15 is about offsetting factors. Has the company
16 considered offsetting the costs of the wage
17 adjustment?

18 THE WITNESS: Sorry. Can you be more --
19 I'm not sure I'm following your question.

20 MR. DANNER: Well --

21 THE WITNESS: Well, maybe this might
22 help, that, you know, what we built into this case was
23 basically labor assumptions through March of '21,
24 whereas the rate period that will be in effect is
25 going to go from October of 2021 through 2022.

1 I am -- I know that I'll -- the labor --
2 the amount of labor that we have pro formed into this
3 case is conservative and understated what we will
4 actually see during the rate effective period.

5 MR. DANNER: All right. Thank you.

6 MS. RENDAHL: Ms. Andrews, I have a few
7 questions for you.

8 I guess first, do you know if the
9 company -- are you aware if the company is planning to
10 file a rate case in the fall of 2022?

11 THE WITNESS: I don't know the exact
12 timing of our -- when our filings would be. The fall
13 of 2022 seems probably a little far out there because
14 that obviously is the end of the rate effective
15 period.

16 So I -- my assumption would be that we
17 would file some -- a general rate case sometime in
18 earlier of 2022.

19 MS. RENDAHL: Okay.

20 And that rate case, under the new law,
21 will have to include multiyear rate plans, correct?

22 THE WITNESS: Yes, it would.

23 MS. RENDAHL: Okay.

24 And so for the wildfire tracker covering
25 a 10-year period, that would seem to be somewhat

1 awkward, then, covering over into a multiyear rate
2 plan. How do you reconcile the request for the
3 balancing account with looking at multiyear rate plans
4 in the future?

5 THE WITNESS: Well, if -- hopefully I'm
6 understanding your question correctly, but the
7 balancing account will only be expenses, and so the
8 balancing account, whatever we build into this case,
9 or let's say we build into the next case, we will
10 build a level of expense expected, you know, maybe for
11 the first year, and even if we do a multiyear plan
12 where maybe it revised that level, we would always be
13 able to, for the balancing account, say what is the
14 base in the particular rate year.

15 So let's say you had -- let's say rate
16 year one had \$5 million of expense and -- I don't know
17 yet how we will manage rate year two, but let's just
18 say it was some kind of a growth factor, escalation or
19 something, and so that would grow three percent. We
20 could certainly look at the expenses in the base year,
21 we could escalate that by three percent, for example,
22 to say that's your new base, and then you could track
23 the difference. Or we could always leave the base
24 alone and then just track the difference up or down
25 based on that base. And so I don't see it as really

1 being an issue for expenses.

2 When it comes to capital, we -- capital,
3 we will pro form in that first -- in that next rate
4 case, we would pro form in the capital additions that
5 have not already been included in this case.

6 So, for example, we only pro formed
7 wildfire capital through December of 2021. So when we
8 come in for a new case, we would pro form in --
9 whatever was not approved by this Commission, we would
10 build in 2022 capital and so on, and because we would
11 be pro forming those capital costs, I don't see it as
12 being any different than any other pro forma capital
13 or provisional capital, or whatever we include in
14 future cases, I don't see it as being any different.

15 If you were to do a tracker, I would
16 assume it would be -- it could be similar to like
17 AldylA, for example. We have a CRM or AldylA, or
18 there is a mechanism available. But back when that
19 mechanism first came to fruition, the company said, We
20 believe it's a part of our normal operating
21 procedures. We didn't ask for the mechanism. And at
22 that particular time we had also had a -- an attrition
23 study that started with balances and escalated out,
24 and I do recall -- and now the -- which -- the
25 Commissioner is escaping me, that basically -- and it

1 wasn't one of you. One of the Commissioners saying,
2 you know, you guys are in for a multiyear plan here.
3 Don't even think of coming in because you've got an
4 escalation.

5 So I know there was an issue back then.

6 And so we don't have that particular
7 mechanism. We just pro formed it in as a part of our
8 normal general rate case.

9 MS. RENDAHL: Okay.

10 Just -- in terms of the company's
11 pro forma proposals in this case, I guess in
12 particular about wildfire, you've based them on
13 various timelines, including actual and projected
14 costs. So did the company consider proposals for
15 pro forma capital and expense adjustments using the
16 same timeline, such as everything from August 2020 to
17 September 2021, or all of 2021 for both adjustments?

18 THE WITNESS: Well, you know, I look at
19 capital and expenses somewhat differently.

20 With capital, we try to look at a way to
21 pro forming capital that would be acceptable to the
22 parties. As you know, we pro formed in 2020 capital,
23 but we only asked for four specific other projects,
24 one of them being wildfire. And for the most part we
25 only included capital through 2021. The only

1 exception to that is the Colstrip, and for reasons --
2 Colstrip, we actually went out to the rate effective
3 period because of the short-life nature of that asset
4 having to be included in rates by 2025. So we kind of
5 took it as a special animal.

6 When it comes to expenses, for the most
7 part with expenses, if you look at some of the other
8 things we've done with labor, property tax, insurance,
9 ISIT, we built in expenses that truly were known
10 immeasurables. They may not have been when we direct
11 filed, but the expectation was that by the time we
12 were at rebuttal those costs would be known and
13 measurable.

14 With wildfire, because of the growth in
15 those expenses and the importance of the wildfire
16 plan, and just the whole approach to this plan and
17 what we know that we need to do, we tried to set it as
18 a rate period. So there really isn't other costs that
19 we went to the rate period other than wildfire.

20 But that's also in part why we thought a
21 balancing account would be useful, because it would
22 eliminate any concern that because those expenses
23 aren't known and measurable today and they could vary,
24 that balancing account would protect customers by
25 insuring that if we don't spend what we say we're

1 going to say -- or we don't spend what we say we are
2 going to spend, that it would be a part of that
3 balancing account that would get deferred.

4 Does that answer your question?

5 Ann looks like she's frozen to me. I
6 don't know how she looks to the rest of you.

7 JUDGE O'CONNELL: This is Judge
8 O'Connell. Yes. I'm also seeing that --

9 Let's just give one moment to make sure
10 that she heard your answers. It might be something
11 where she can hear the answer but can't --

12 THE WITNESS: When she comes back, can
13 you just tell her, if she didn't hear it, it was a
14 great answer?

15 MR. DANNER: She will have access to the
16 transcript, I'm sure.

17 THE WITNESS: It was worth a shot.

18 MR. DANNER: She'll be right back.

19 JUDGE O'CONNELL: Let's just pause.

20 MS. RENDAHL: Okay. Can you hear me now?

21 THE WITNESS: Yes.

22 MR. DANNER: Yes, we can.

23 MS. RENDAHL: I was just texting that I
24 didn't have anything further, but it looks like you've
25 gone ahead, so that's just fine.

1 JUDGE O'CONNELL: We haven't moved
2 beyond. We just wanted to make sure that you had
3 heard Ms. Andrews.

4 MS. RENDAHL: I did. I was trying to
5 talk, and obviously the system was disconnecting me.
6 So sorry about that.

7 JUDGE O'CONNELL: Okay.

8 Well, I guess no more questions, so thank
9 you, Ms. Andrews, for your testimony.

10 Mr. Meyer, has anything that we brought
11 up sparked the need to clarify?

12 MR. MEYER: It has. I'm going to keep
13 this really short.

14 JUDGE O'CONNELL: Okay. Go ahead.

15 MR. MEYER: Thank you.

16

17 FURTHER REDIRECT EXAMINATION

18 BY MR. MEYER:

19 Q. Commissioner Balasbas asked about
20 wildfire, call it tracking mechanisms or what have
21 you, or deferral mechanisms. So my question of this
22 witness is: Has, in fact, the company put before you
23 a wildfire deferral mechanism for your consideration?

24 A. Yes. Yes, you're right. I keep
25 forgetting that that's been pulled into the case, that

1 the company has proposed to defer the wildfire
2 expenses only -- it does not include capital -- for
3 the period January 1 through September 30th of 2021.
4 And the expectation there is to allow us to recover
5 those important expenses during the period before new
6 rates go into effect. It allows us to recover those
7 costs.

8 We have already absorbed any 2020 level
9 of expense, but this would allow us to recover at
10 least the nine months of those wildfire expenses that
11 without this deferral mechanism we would have no other
12 chance at recovering.

13 Q. Are those type of expenses materially
14 different in character or kind from 2020 wildfire
15 expenses?

16 A. No. And they would even more so be
17 associated with a wildfire risk tree, that's where a
18 lot of those costs and stuff should be coming from,
19 but, yes, they are consistent with the types of
20 expenses that we spent for wildfire the first six
21 months of the year.

22 Q. And is it your understanding that staff
23 has not objected to 2020 wildfire expenses?

24 A. Right. My understanding is that that is
25 what the staff has proposed, is 2020 level of

1 expenses.

2 MR. MEYER: Very good. Thank you.

3 JUDGE O'CONNELL: Okay. Thank you.

4 We have no further questions for

5 Ms. Andrews, so, Ms. Andrews, thank you for your

6 testimony. You're excused. Thank you.

7 THE WITNESS: Thank you.

8 And I just want to say it was very nice

9 seeing all of your faces for a change.

10 Have a good day.

11 JUDGE O'CONNELL: Mr. Meyer, I think we

12 have time for one more Avista witness that we have

13 bench questions for.

14 I would like to pass along to you that we

15 do not have any bench questions for your witness

16 Thackston, and as staff and Sierra Club have waived

17 their cross, Thackston can be excused.

18 MR. MEYER: All right. Thank you very

19 much.

20 JUDGE O'CONNELL: Thank you.

21 With that, I'd like to move on to the

22 next witness, and I think that's Mark Thies.

23 If we could please have him come testify

24 on camera.

25 We'll take a little breath, and this will

1 be our last witness for the day, and then we will pick
2 up on Friday morning.

3 MR. MEYER: Very good. Thank you.

4 So calling to the stand Mr. Mark Thies.

5 I'll give him just a moment to collect his materials.

6 MR. THIES: Can you hear me?

7 MR. MEYER: Are you hearing Mr. --

8 JUDGE O'CONNELL: Yes.

9 MR. THIES: Okay. Thank you.

10 MR. MEYER: Okay. So I'll get off the
11 screen in a second, but for the -- have you been
12 sworn?

13 MR. THIES: No.

14 JUDGE O'CONNELL: No. Let's go ahead and
15 do that now.

16 Mr. Thies, will you please raise your
17 right hand.

18 (Witness sworn)

19 JUDGE O'CONNELL: Thank you.

20 MR. MEYER: For the record, please state
21 your name and your position with this employer.

22 THE WITNESS: My name is Mark Thies, and
23 I'll spell it because it's different. T-h-i-e-s. I'm
24 the executive vice president and CFO and treasurer of
25 Avista.

1 MR. MEYER: All right. Thank you.

2 He's available for any questioning.

3 JUDGE O'CONNELL: Okay. Thank you,

4 Mr. Meyer. I will turn it over directly to the

5 Commissioners.

6 MS. RENDAHL: Good afternoon, Mr. Thies.

7 How are you?

8 THE WITNESS: Good afternoon,

9 Commissioner. Great.

10 MS. RENDAHL: Okay.

11 I just have a -- I think we just have a
12 couple questions for you, and I'll start.

13 Do you have your rebuttal testimony in
14 front of you?

15 THE WITNESS: I do.

16 MS. RENDAHL: Okay.

17 On Page 3, starting at Line 19, you state
18 that the level of capital investment in recent years
19 has been driven primarily by the business need to fund
20 a greater portion of the departmental requests for new
21 investments that in the past were unfunded or
22 underfunded, correct?

23 THE WITNESS: What lines, again? I'm
24 sorry, Commissioner.

25 MS. RENDAHL: Starting at Line 19, at

1 least on my --

2 THE WITNESS: Okay, I'm there. I'm
3 there.

4 MS. RENDAHL: You got it? Okay.

5 THE WITNESS: Yes. Correct.

6 MS. RENDAHL: So who is it that funds or
7 pays for these departmental requests?

8 THE WITNESS: The company does. The
9 company funds the capital, that goes through the
10 capital planning group. So our capital requests come
11 in from the departments, and there's a flowchart in
12 my, I think, direct testimony that describes the
13 process, but then it goes to the capital planning
14 group to prioritize the capital, and that's where
15 some -- some of the costs, as we constrain the capital
16 to \$405 million, or have for the last several
17 years -- you know, certain cost requests come in above
18 that, and we have to prioritize what makes the most
19 sense to fund based on the business needs and risks
20 associated with either funding or not funding that
21 capital.

22 That's done at the capital planning group
23 and then brought up to the officers and ultimately the
24 finance committee and board of directors for approval.

25 MS. RENDAHL: But it's ultimately the

1 ratepayers that fund these requests, correct?

2 THE WITNESS: Yes, when it gets into rate
3 base, yes, it is paid for through rates. As it gets
4 into used and useful and into rate base.

5 MS. RENDAHL: So turning to your initial
6 testimony, that's MTT-1T. Do you have that in front
7 of you?

8 THE WITNESS: I do have to find it.

9 MS. RENDAHL: No problem.

10 THE WITNESS: I am there.

11 MS. RENDAHL: Okay.

12 So if you would look at Page 36, starting
13 at Line 12, and going onto the --

14 THE WITNESS: Okay, I'm on Page 36.

15 And I don't hear the Commissioner
16 anymore. I believe she may be frozen.

17 JUDGE O'CONNELL: Yes.

18 Commissioner Rendahl, we lost you for a
19 moment.

20 MS. RENDAHL: Can you hear me now?

21 JUDGE O'CONNELL: We did not hear any of
22 the question, but you are back, and we can hear you.

23 MS. RENDAHL: I have a bad network
24 quality so maybe I will defer to one of my colleagues
25 to ask this question.

1 MR. DANNER: Mr. Balasbas, do you want to
2 take this one?

3 MR. BALASBAS: Sure, I can take this one.
4 Good afternoon, Mr. Thies.

5 And so to clarify this question, in your
6 direct testimony you had discussed the need for
7 mitigating cash-flow impacts and for credit metrics
8 for returning the tax benefits related to IDD No. 5
9 and then meters costing less than \$200. Do you
10 remember that testimony?

11 THE WITNESS: Yes.

12 MR. BALASBAS: All right.

13 So I'd like to ask you a question. Why
14 do you believe that amortizing the return of those tax
15 benefits over only -- over two years is necessary to
16 mitigate cash flow and credit metrics in this case,
17 but if there are any remaining amounts, amortizing it
18 over 10 years will not lead to any need to mitigate
19 cash flow or credit metric issues?

20 THE WITNESS: There -- it doesn't mean
21 that there will not be any need to mitigate some of
22 that, but it is a lesser -- the faster the
23 acceleration of all of those benefits hurts the credit
24 metrics to where our credit metrics could fall below
25 the level where we are currently rated and could

1 result in a possibility of a downgrade. So keeping it
2 to two years, as we recommend in this case or suggest
3 in this case, we believe we can point to the rate
4 agencies and suggest it's a short-term thing to get
5 our customers through.

6 And remember, when we started this we
7 were in the middle of COVID, and trying to offset the
8 negative impacts of what's out there for COVID to
9 offset the impacts to the customers' bills, and then,
10 you know, when that -- when that comes back, we would
11 be back to earning our normal cash flows, and the
12 rating agencies could look through the short-term
13 impact and say, Here's how we're going to rate you,
14 and we believe that we would not be impacted
15 negatively from a ratings perspective.

16 The longer that went and the greater
17 amount -- you know, we tried to constrain it to an
18 amount of two years, it was longer, and we did all of
19 those in a short period of time. We believe we ran
20 the risk of having a potential downgrade from the
21 rating agencies.

22 I can't say absolutely that they would do
23 that. That's up to them. They have to run their
24 metrics. But we ran our metrics, and we also
25 consulted with outside banks to determine what their

1 thoughts were, and we believe the way we filed it
2 makes the most sense for, A, the benefit of the
3 customers, to offset the cash impacts in the near
4 term, but also protects the company from a negative
5 downgrade, which we believe would negatively affect
6 the customers.

7 MR. BALASBAS: Okay.

8 I'd like to just touch on that just a bit
9 more, because to me -- and maybe I'm -- maybe I'm not
10 fully understanding, but it seems like a
11 counterintuitive argument, because -- I can understand
12 the potential credit metric impacts and obviously
13 cash-flow impacts if these benefits are returned over
14 a very short period of time. I understand that issue
15 there.

16 I guess what I am trying to -- what I'm
17 trying to grapple with is are you saying that it's
18 okay to do it for a short period of time solely for
19 purposes of zeroing out any potential rate impact to
20 the customers, but you're saying that it's just --
21 that that should only be a temporary thing, and that
22 the Commission should consider longer amortization of
23 these benefits as maybe a general -- as a general
24 consideration?

25 THE WITNESS: Yes, and then let me

1 qualify that, I guess.

2 Yes, we do believe in the interim, with
3 respect to this case, we felt it made sense to offset
4 for a period of time. We suggested two years. That's
5 our recommendation. The Commission can determine what
6 they want to do with that, but this is the
7 recommendation that we -- that we've put forth in our
8 case, that we believe makes sense.

9 The acceleration of that faster and to
10 the full extent earlier does put at risk those credit
11 metrics, but the longer period of that does not. We
12 were trying to balance, again, the cost to the
13 customer but then also the credit metrics of the
14 company. So that's why we suggested what we did.

15 And the 10 years, again, if the
16 Commission wanted to have a different outcome, we
17 believe that was reasonable and would not impact
18 negatively enough our metrics that would cause us to
19 have a downgrade.

20 MR. BALASBAS: Okay. Thank you.

21 MR. DANNER: So my only follow-up to that
22 is, you know, we talked about the possibility of a
23 downgrade, and I know you've talked with outside folks
24 and done your own metrics. Are we talking about a
25 likelihood or are we talking about a slim chance?

1 Because I hear this get bandied about,
2 you know, fear of a downgrade. What is the -- what is
3 the likelihood?

4 THE WITNESS: The likelihood -- I can't
5 give, you know -- the rating agencies are going to do
6 that. I don't have a percentage that I could give you
7 a likelihood.

8 We were on the bottom edge when we --
9 when we read our rating agency reports, our -- I use
10 funds from operations, FFO to debt -- comparisons are
11 on the lower end of their metrics for keeping our
12 current rating. So if we go below that and amortize
13 into -- effectively what that means is we reduce our
14 cash flow. To cause that metric to fall below, we
15 would have a stronger possibility of getting a
16 downgrade because we would fall below that metric.

17 If we don't, and we return to those
18 higher levels, then I would say it's a very slim
19 chance of getting a downgrade. But if we had an
20 acceleration of these -- for example, an acceleration
21 of these tax benefits, the entire -- a hundred percent
22 of the total amount -- and Ms. Andrews can have the
23 amount; I don't have the amount right in front of
24 me -- over the two-year period or three-year period,
25 when we ran the math we had a very high risk of a

1 downgrade because we would have fallen below that
2 threshold.

3 Now, that doesn't mean other things can't
4 change, but that's why we recommended it the way we
5 did, and is it a high chance of a downgrade if we
6 accelerate it too fast and all of it? I believe it
7 would be a higher chance. I can't give you a
8 percentage, Commissioner -- or Chair.

9 Though we did -- we did look at that as a
10 much higher chance of getting a downgrade than the way
11 we suggested it. We believe that this is, again,
12 trying to balance the benefit to the customers and not
13 risking the company's credit rating, which, in fact,
14 if we got a downgrade would hurt the customer in our
15 cost of debt.

16 But I don't -- I don't know -- I can't
17 say there's a 70 percent chance we'd get a downgrade
18 or a 50 percent chance we'd get a downgrade. I don't
19 know.

20 Based on the metrics, if we fall below
21 that -- those thresholds, it's a very high likelihood
22 that we run that risk. And that's where we're trying
23 to balance where we don't do that.

24 The specific number of that, I couldn't
25 tell you what number that is. We could run math for

1 you and get back to you if that's a request.

2 MR. DANNER: It's not a request. Thank
3 you.

4 THE WITNESS: Okay.

5 MR. DANNER: I have no further questions,
6 Judge.

7 JUDGE O'CONNELL: Okay.

8 And Commissioner Rendahl does not have
9 any further questions, either. She's communicated to
10 me that she can see and hear, but being able to ask
11 questions and I think upload them through her
12 connection is not possible at this time.

13 Commissioner Balasbas, do you have
14 anything else for Mr. Thies?

15 MR. BALASBAS: I do not.

16 JUDGE O'CONNELL: Okay.

17 So, Mr. Thies -- well, before I let you
18 go, Mr. Meyer, is there anything that came up that
19 warrants clarification?

20 MR. MEYER: There is not. Thank you.

21 JUDGE O'CONNELL: Okay.

22 Well, given our -- where we are at the
23 time of day and the network connection issues we're
24 experiencing, I think this is an appropriate time to
25 stop for the day. We will pick up on Friday at 9:30

1 in the morning, and we will start off with the rest of
2 the list of witnesses: Joseph Miller, David Howell,
3 and James Kensok.

4 MR. MEYER: Yes.

5 JUDGE O'CONNELL: Is there anything else,
6 Counselors, that we should talk about before we break
7 for the day?

8 MR. MEYER: Nothing -- nothing from
9 Avista, other than just to note that this is our first
10 opportunity to try a case virtually like this, and but
11 for Commissioner Rendahl's poor connections toward the
12 end of the day, I thought it went remarkably well, at
13 least from our perspective. So thank you for
14 arranging it.

15 JUDGE O'CONNELL: Good.

16 Ms. Suetake?

17 MS. SUETAKE: I have one last question.
18 About the exhibits and updates that we were going to
19 file for either the bench requests, do you also want
20 us to update the joint issues metrics with the
21 finalized numbers?

22 JUDGE O'CONNELL: Yes, please. That will
23 be very helpful to have that updated.

24 MS. SUETAKE: Okay. Thank you.

25 JUDGE O'CONNELL: Thank you.

1 Ms. Cameron-Rulkowski.

2 MS. CAMERON-RULKOWSKI: Nothing from
3 staff. Thank you.

4 JUDGE O'CONNELL: Okay. Thank you.

5 I'm seeing nothing more, I'm hearing
6 nothing more.

7 I do want to provide a heads-up for order
8 of witnesses once we come back on Friday. I would
9 prefer to have the bulk of cross-examination earlier
10 in the day rather than at the end, so -- I know I had
11 mentioned that we would have Public Counsel witnesses
12 before staff's witness. It's my preference that we
13 have staff witness Jordan go before those other
14 witnesses, due to the amount of cross that's expected.
15 So I wanted to give that heads-up and the expectation
16 to the parties.

17 Okay. I've heard nothing else, so --

18 Ms. Cameron-Rulkowski, I see you. Would
19 you like to be heard?

20 MS. CAMERON-RULKOWSKI: No. Thank you,
21 Your Honor. Duly noted.

22 JUDGE O'CONNELL: Okay. Thank you.

23 Mr. Thies, you are excused, and we will
24 be --

25 THE WITNESS: Thank you.

1 JUDGE O'CONNELL: -- off record, and we
2 will return on Friday at 9:30 a.m. Thank you.

3 MS. SUETAKE: Thank you, Your Honor.

4 MR. DANNER: Thank you, Your Honor.

5 (The proceedings were adjourned at
6 3:37 p.m.)

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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I, Ronald L. Cook, Certified Court Reporter, Registered Diplomate Reporter and Certified Realtime Reporter in and for the State of Washington, do hereby certify that the foregoing proceedings were taken stenographically by me and transcribed under my direction.

I further certify that the proceedings as transcribed are a full, true and correct transcript, including all objections, motions and exceptions of counsel, made and taken.

I further certify that I am neither attorney for nor a relative or employee of any of the parties to the action; further, that I am not a relative or employee of any attorney or counsel employed by the parties hereto, nor financially interested in its outcome.

RONALD L. COOK, CCR, RDR, CRR
State of Washington CCR #2523