

Exh. CGK-9T

WUTC DOCKET: UE-200900 UG-200901 UE-200894

EXHIBIT: CGK-9T

ADMIT  W/D  REJECT

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-200900

DOCKET NO. UG-200901

DOCKET NO. UE-200894

REBUTTAL TESTIMONY OF

CLINT G. KALICH

REPRESENTING AVISTA CORPORATION

**I. INTRODUCTION**

1  
2 **Q. Please state your name, the name of your employer, and your business**  
3 **address.**

4 A. My name is Clint G. Kalich. I am employed by Avista Corporation at 1411  
5 East Mission Avenue, Spokane, Washington.

6 **Q. Have you filed direct testimony in this proceeding?**

7 A. Yes. I have filed direct testimony in this case contained in Exhibit CGK-1T. I  
8 also provided support for my testimony in Exh. CGK-2 through Exh. CGK-8.

9 **Q. Please provide a summary of your testimony.**

10 A. First, I will speak to the conclusion of the Commission-directed power supply  
11 workshops resulting in, with the exception of two issues, a more uniform methodology for  
12 setting base power supply costs. I will also discuss items included in the proposed 60-day  
13 power supply update, a methodology agreed to by the parties in the workshop process, plus  
14 how various other changes will be part of this update. Finally, I will address AWEC witness  
15 Mr. Mullin's proposal that would affect the 5-year average availability calculation for  
16 Colstrip.

17  
18 **Power Supply Workshops and Final Methodology**

19 **Q. In your direct testimony you explain that the Commission-ordered power**  
20 **supply workshops and resultant modeling methodology were substantially complete.**  
21 **Would you please update the Commission on this effort?**

22 A. Yes. The workshops resulted in the power modeling methodology strawman  
23 that I included in my direct testimony (Exh. CGK-1T). As noted by Staff witness Mr. Gomez,

1 “at the time the Company filed this current GRC, the collaborative team was close to finalizing  
2 a power supply methodology”.<sup>1</sup> The final methodology agreed to by participants in the final  
3 workshops that occurred post-filing of our general rate case did not change. For the record I  
4 have provided the final methodology as Exh. CGK-10.

5 **Q. Was the methodology agreed to unanimously by the workshop**  
6 **participants?**

7 A. Yes. All parties contributed significantly to the final methodology and agreed  
8 to its results. Mr. Gomez, in his direct testimony, was even kind enough to “applaud” the effort  
9 of Avista.<sup>2</sup> We very much appreciate the support and similarly wish to highlight the positive  
10 contribution Mr. Gomez made with his leading role in the successful outcome of the  
11 workshops. Were it not for the truly good-faith efforts by Mr. Gomez, and the other parties,  
12 power supply modeling testimony in this case certainly would be much longer and more  
13 contentious, and the ultimate result likely less acceptable to everyone.

14  
15 **60-Day Power Supply Cost Updates**

16 **Q. The power supply methodology provided as Exh. CGK-10 provides for a**  
17 **60-day update prior to final rates going into effect. What will be updated in that filing?**

18 A. The following language from the methodology generically summarizes the 60-  
19 day update:<sup>3</sup>

20 In cases including pro forma power supply adjustments, certain  
21 power supply model data will be updated 60 days prior to rates going  
22 into effect to better approximate actual costs. These include  
23 refreshing natural gas and electricity market prices, updating non-

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

<sup>2</sup> Id. p. 67, ln. 9.

<sup>3</sup> Exh. CGK-10, p. 4.

1                    natural gas fuel prices where such prices are the result of a contract,  
2                    adding all incremental contracts with terms of less than one year  
3                    affecting the pro forma period for natural gas and electricity, and  
4                    updating rate changes to any power and transmission service  
5                    contracts included in the filing. (emphasis added) (footnote  
6                    omitted).  
7

8                    Per the agreed-upon methodology, Avista will file in this case an update on or before  
9                    August 1. The update will include the 60-day model run results, revised exhibits, and a new  
10                    ERM baseline reflecting the revised loads and proposed EIM benefits, as discussed below.  
11                    The Company also will provide a revised electric revenue requirement model sponsored by  
12                    Ms. Andrews that includes an updated Pro Forma Power Supply Adjustment (3.00P) reflecting  
13                    all changes, to replace the current adjustment included by Ms. Andrews in her rebuttal revenue  
14                    requirement.

15                    **Q.     Do the results of the currently running BPA transmission rate case fall**  
16                    **under “changes to...transmission service contracts?”**

17                    A.     Yes. The BPA 2021 transmission rate case is nearing conclusion. New rate  
18                    levels effective October 1, 2021, should be known by the time of the 60-day update. Based  
19                    on our observations of the proceedings, and settlement discussions well underway, a 12%  
20                    increase for our point-to-point transmission contracts is highly likely. Applying this change  
21                    to our five-year average quantities of purchased transmission should increase our costs by  
22                    approximately \$1.5 million on a system basis relative to my original direct testimony. This  
23                    transmission increase should nearly be offset by removal of the 50 MW Coyote Springs 2  
24                    BPA transmission contract discussed below (which is a decrease of \$1.1 million on a system  
25                    basis).

26                    **Q.     Are you proposing additional changes for the 60-day update?**

1           A.       Yes. In that filing Avista intends to reflect three additional changes in the 60-  
2 day update based on discussions with parties and new information available since our filing.  
3 First, as discussed by Company witness Mr. Kinney in his rebuttal testimony (Exh. SJK-13T),  
4 Avista is proposing a \$3.4 million (system) offset to power supply expenses relating to the  
5 EIM adjustment discussed elsewhere.<sup>4</sup> The \$3.4 million value is a prorata share of the \$5.8  
6 million annual value he supports. The prorata share is due to the fact that we will be EIM  
7 market participants for only 7 of the 12 months of the rate year. Revenues will be recorded  
8 equally in the months where we participate, starting March 2022. To delineate the EIM  
9 revenues in the 60-day update, my pro forma power supply base will include a separate line  
10 for EIM revenues.

11           Second, the Company will reduce power supply expenses to reflect not having  
12 contracted with BPA for an additional 50 MW of firm transmission rights for Coyote Springs  
13 2. We were recently notified by BPA that they retracted their offer for transmission services,  
14 indicating a lack of availability over that path. The impact of this change will be a \$1.1 million  
15 reduction in proforma transmission costs, on a system basis.

16           Third, the Company will lower power supply loads to reflect Company witnesses  
17 Andrews (Exh. EMA-6T) and Knox (Exh. TLK-4T) discussion of the overall impacts of the  
18 imminent closure of the Triumph aircraft wing manufacturing facility located in Airway  
19 Heights, Washington. The impact of this change presently is estimated as a \$0.2 million  
20 reduction in power supply expense for Washington.

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<sup>4</sup> Exh. SJK-13T, p. 1, ll. 18-22.

1     **Colstrip Availability**

2             **Q.     Do you agree with AWEC Witness Mr. Mullins that 2018 Colstrip outage**  
3 **values should be removed from the 5-year average used in the power supply model?**

4             A.     I disagree with AWEC's conclusion. Mr. Mullins infers that, because the  
5 Commission denied the approval of 2018 outage replacement power costs in Docket UE-  
6 190882, then the actual outage itself was not prudent.<sup>5</sup> Based on this conclusion he  
7 recommends the outage be excluded from the 5-year average outage rate used in the  
8 Company's power supply modeling.

9             **Q.     Why is Mr. Mullins conclusion faulty?**

10            A.     First and most importantly, is the premise. Avista agrees that the Commission  
11 did find the replacement power costs in that referenced Docket were not prudent. Yet the  
12 Commission did not deem the referenced 2018 Colstrip outage imprudent. In general the  
13 outage needed to occur, and could have occurred in a lower cost timeframe (2<sup>nd</sup> Quarter of  
14 2018) versus the higher price timeframe (3<sup>rd</sup> Quarter of 2018). Notably the Commission  
15 approved recovery of all of the costs associated with remediating the cause of the outage (to  
16 get back into MATS compliance). As such, the outage was necessary to fix an operating  
17 problem at the facility, was prudent, was a part of ongoing business operations, and should be  
18 included in the 5-year average outage rate.

19            Second, the agreed power supply cost modeling methodology states that a 5-year  
20 average of outage data be used for power supply ratemaking unless an outage during the period  
21 was extraordinary. Mr. Mullins in his testimony did not argue the 2018 outage was

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<sup>5</sup> Generally at Exh. BGM-1T, p. 36.

1 extraordinary. For perspective, in past general rate cases, the Commission included in the 5-  
2 year outage rates in those cases calendar years 2009 and 2013. Both of those years had outage  
3 levels significantly higher than what occurred in 2018. Further, 2018, 2019 and 2020 outage  
4 levels exceeded the filed 5-year average. Simply updating the calculation today using a five-  
5 year average through 2020 (instead of 2019 as filed), the outage rate in this case would be  
6 larger, and our filed level of power supply expenses would be higher.

7 **Q. Does this conclude your rebuttal testimony?**

8 A. Yes.