

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES,

Respondent.

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

**CROSS-ANSWERING TESTIMONY OF GLENN A. WATKINS
ON BEHALF OF
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT**

EXHIBIT GAW-7T

May 28, 2021

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

CROSS-ANSWERING TESTIMONY OF GLENN A. WATKINS

EXHIBIT GAW-1T

EXHIBITS LIST

Exhibit GAW-8 Avista's Response to Commission Staff Data Request No. 161

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

2 A. My name is Glenn A. Watkins. My business address is 6377 Mattawan Trail,
3 Mechanicsville, Virginia 23116.

4 **Q. Have you previously filed testimony in this proceeding?**

5 A. Yes. I pre-filed response testimony on behalf of Public Counsel on April 21,
6 2021, which is designated as Exhibit GAW-1Tr.¹

7 **Q. What is the purpose of your cross-answering testimony?**

8 A. The purpose of this testimony is to provide a minor correction to my response
9 testimony and respond to the testimony of Commission Staff witness
10 Elaine L. Jordan on issues concerning Avista's electric and natural gas class cost
11 of service studies and class rate spreads.

12 **Q. Please provide and explain the minor correction to your response testimony.**

13 A. On page 20 of my response testimony, I noted that for purposes of estimating
14 each class's peak demands, the Company used its 2009 profiles of hourly usage
15 which is not from the Company's 2014 Load Study. Subsequent to the filing of
16 my response testimony, Staff filed a data request seeking clarification of this
17 issue.² In its response, the Company indicated that hourly usage profiles are from
18 the 2014 Load Study and that the reference to the 2009 Load Study was simply an
19 error. As such, my response testimony starting on page 19, line 18 through page
20 20, line 12 should be stricken.³

¹ Public Counsel filed a revised Response Testimony of Glenn A. Watkins, Exh. GAW-1Tr on May 24, 2021.

² Glenn A. Watkins, Exh. GAW-8, Avista's Response to Commission Staff Data Request No. 161.

³ Public Counsel filed a revised Response Testimony of Glenn A. Watkins, Exh. GAW-1Tr on May 24, 2021 to strike this portion of Mr. Watkins response testimony.

1 **Q. Did Ms. Jordan opine on the reasonableness of Avista’s electric and natural**
2 **gas class cost of service studies in this case?**

3 A. No. Ms. Jordan’s entire discussion of her evaluation of Avista’s class cost
4 allocation studies is contained in one question and answer on page 7 of her direct
5 testimony, wherein she determined that the Company’s studies comply with the
6 requirements of Chapter 480-85 WAC.⁴ In this regard, Ms. Jordan does not
7 indicate whether she agrees, disagrees, or has evaluated the reasonableness of the
8 myriad of judgments, assumptions, and estimations embedded within Avista’s
9 studies. Rather, Ms. Jordan simply indicates that the Company’s studies comport
10 with the Commission’s regulations concerning the structure and overall
11 approaches that should be utilized in presenting class cost allocation studies.⁵

12 **Q. Does compliance with the Commission’s regulations necessarily mean that a**
13 **particular class cost of service study is reasonable or reasonably reflects a**
14 **particular class’ cost of service?**

15 A. No. Chapter 480-85 WAC simply sets forth the required structure along with the
16 general methods that should be utilized in allocating jointly incurred costs. Class
17 cost allocations require a host of informed judgments as to an analyst’s perception
18 of how a utility’s total costs are incurred as well as decisions on what specific
19 parameters should be used as the basis for assigning costs across classes. These
20 judgments then require numerous calculations based on estimates and
21 assumptions. As a result, an evaluation of a particular class cost allocation study

⁴ Response Testimony of Elaine L. Jordan, Exh. ELJ-1T, at 7:3–14.

⁵ *Id.*

1 is not simply a matter of determining whether the study complies with a
2 prescribed overall structure and framework; i.e., whether all of the required forms
3 and “boxes are checked.” Rather, the reasonableness and accuracy of the
4 numerous parameters embedded within a study are critical in evaluating a study’s
5 results.

ELECTRIC OPERATIONS

6 **Q. Have you determined whether Avista’s electric class cost of service study is**
7 **based on realistic or reasonable assumptions and approximations?**

8 A. Yes. As set forth in my response testimony, I determined that the Company’s
9 electric class cost of service study is based on assumptions that do not in any way
10 relate to how Avista’s embedded costs are incurred, contain significant estimation
11 errors, and do not reflect how cost savings will be realized during the rate period.

12 **Q. Is Ms. Jordan’s only finding that the Company’s electric class cost of service**
13 **study complies with Chapter 480-85 WAC particularly important as it**
14 **relates her recommendations?**

15 A. Yes. It appears that Ms. Jordan has accepted the Company’s electric class cost of
16 service study at face value simply because these studies comply with the structure
17 and format required by Chapter 480-85 WAC. Then, Ms. Jordan relied upon the
18 end-results of the Company’s study in developing her recommended electric class
19 increases (rate spread).

1 **Q. Please provide a summary of Staff’s recommended electric rate spread.**

2 A. Ms. Jordan recommends the following relative class percent increases (i.e.,
3 percent of system average percentage increases):⁶

TABLE 1
Staff Recommended Electric Rate Spread

Class	Percent of System Average
Residential	145.38%
General Service	50.00%
Large General Service	50.00%
Extra Large General Service	100.00%
Pumping Service	100.00%
Lighting	100.00%
Total Company	100.00%

4 **Q. Is Staff’s recommended electric rate spread reasonable?**

5 A. No. Ms. Jordan’s recommended electric rate spread is predicated upon the
6 Company’s class cost of service study results that I determined to be unreasonable
7 and unreliable. Furthermore, Ms. Jordan discusses fairness and equity that should
8 be considered as a result of the COVID pandemic.⁷ In this regard, I agree
9 conceptually with Ms. Jordan in that virtually all customers have been faced with
10 hardship during this pandemic. While Ms. Jordan attempts to characterize her
11 recommended class revenue increases as reasonable in that she tempered such
12 class increases due to the economic consequences of the COVID pandemic, her
13 analyses of required increases are again based solely on the results of the
14 Company’s class cost of service study. Toward this end, Ms. Jordan asserts that
15 small businesses have been hit harder by the COVID pandemic than residential

⁶ Jordan, Exh. ELJ-1T, at 13, Table 4.

⁷ Jordan, Exh. ELJ-1T, at 15:22–16:10.

1 customers and that the pandemic's impact on residential customers has been
2 somewhat mitigated.⁸ While there is no doubt that households, commercial
3 businesses, industrial enterprises, and governmental entities have all been
4 adversely impacted by the COVID pandemic, it is a leap to imply that any one
5 group of electric consumers have been less affected than others. As a result, to the
6 extent the Commission authorizes some increase in base rate revenues, all
7 customer classes should bear this burden in the same relative amounts; i.e., equal
8 percent increases to margin rates.

NATURAL GAS OPERATIONS

9 **Q. Did Ms. Jordan also accept the Company's natural gas cost of service results**
10 **as filed?**

11 A. Yes.

12 **Q. Did you also have concerns regarding Avista's natural gas cost of service**
13 **study?**

14 A. Yes. As set forth in my response testimony, although I determined that the
15 Company's overall approach is reasonable, its studies reflect all of the costs
16 associated with Avista's AMI program but does not reflect any of the benefits that
17 will largely accrue to the Residential class. As such, I determined that little, if
18 any, weight should be given to the Company's natural gas cost of service study.

⁸ Jordan, Exh. ELJ-1T, at 14:16-4, 17:6-11.

1 **Q. Please provide a summary of Staff's proposed natural gas rate spread.**

2 A. Ms. Jordan recommends the following relative base rate percent increases across
3 classes:⁹

TABLE 2
Staff Recommended Natural Gas Rate Spread

Class	Percent of System Average
General Service	118.32%
Large General Service	25.00%
Interruptible Service	50.00%
Transportation	118.32%
Total Company	100.00%

4 **Q. Do you agree with Staff's recommended natural gas rate spread?**

5 A. No. For the same reasons set forth in my testimony on Avista's electric
6 operations, I continue to recommend that any increase authorized by the
7 Commission be spread across rate classes on an equal percent of margin basis.

8 **Q. Does this complete your cross-answering testimony?**

9 A. Yes.

⁹ Jordan, Exh. ELJ-1T, at 20, Table 6.