

Exh. SJK-5T

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

EXHIBIT: JRT-25X

ADMIT W/D REJECT

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-170485

DOCKET NO. UG-170486

REBUTTAL TESTIMONY OF

SCOTT J. KINNEY

REPRESENTING AVISTA CORPORATION

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I. INTRODUCTION

Q. Please state your name, employer and business address.

A. My name is Scott J. Kinney and I am employed as the Director of Power Supply for Avista Utilities, at 1411 East Mission Avenue, Spokane, Washington.

Q. Have you filed direct testimony in this proceeding?

A. Yes. I have filed direct testimony in this case addressing the Company’s Resource Planning and Power Operations, generation capital projects, and hydro relicensing.

Q. What is the scope of your rebuttal testimony in this proceeding?

A. My rebuttal testimony will address the Company’s generation capital projects included in the Company’s pro forma capital adjustment based on a “functionalized” threshold as discussed by Company witness Ms. Schuh, in response to the use of a much higher, and inappropriate, threshold used by Staff witness Ms. Scanlan. I will also address Staff’s discussion and commentary about Colstrip capital and Public Counsel’s Energy Imbalance Market evaluation request.

Q. Are you sponsoring any exhibits?

A. No.

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1 **II. THE COMPANY’S RESPONSE TO STAFF’S USE OF ITS THRESHOLD**

2 **Q. In its original filing in May 2017, did the Company provide a description**
3 **of the need and timing for each capital project in its filing for purposes of deriving a**
4 **revenue requirement?**

5 A. Yes. In my direct testimony, labeled Exh. SJK-1T, I explained why the
6 Company’s electric generation investments are necessary and how they are generally driven
7 by the need to update and replace century-old equipment in many of the Company’s hydro
8 facilities, provide for regular responsive maintenance to keep generating plants operational,
9 and address plant safety and electrical capacity issues. I also discussed compliance
10 requirements arising from the Company’s settlement agreements associated with its Spokane
11 River and Clark Fork River FERC licenses, and efficiency upgrades and improvements to
12 meet energy and capacity requirements as determined through the Integrated Resource Plan.
13 These projects are also driven by the “Investment Driver” classification used to categorize our
14 infrastructure investment needs.¹ In addition, I provided the capital Business Case summary
15 documents for each of the generation investments described in my testimony in Exh. SJK-4.
16 The Business Cases generally provide an overall description of the project, the problem being
17 addressed, as well as proposals and a recommended solution, together with approvals and
18 authorizations.²

¹ The six investment driver criteria include: 1) Respond to customer requests for new service or service enhancements; 2) Meet our customers’ expectations for quality and reliability service; 3) Meet regulatory and other mandatory obligations; 4) Address system performance and capacity issues; 5) Replace infrastructure at the end of its useful life based on asset condition; and 6) Replace equipment that is damaged or fails, and support field operations.

² “Project” refers to an individual investment for a specific period of time. “Programs” represent investments that address systemic needs that are ongoing with no recognized endpoint, such as wood pole management program. For ease of reference, the term “project” will be used to represent both capital projects and capital programs.

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1 **Q. Of the 22 projects contained in the original filing that you supported, how**
2 **many projects were the subject of additional discovery by Staff?**

3 A. In Staff’s response to data request No. 1, Ms. Scanlan points to pages 20 and
4 21 of Exh. KBS-1T, Tables 1 and 2, which identify those projects that exceeded Staff’s 0.5%
5 “threshold”, and were the subject of additional discovery by Staff. These tables include a total
6 of only 1 of the 22 projects I supported in the original filing. Stated differently, Staff chose
7 to audit over the last five months, only 1 project out of the 22 projects for which information
8 was provided, based on the application of a “threshold”. There were no other constraints on
9 time or the availability of supporting documentation that would prevent an audit.

10 **Q. What is your understanding of why Staff only selected certain projects?**

11 A. As described in greater detail in Ms. Schuh’s rebuttal testimony, Staff’s case
12 only includes those projects where the Washington-allocated share of the total project cost is
13 greater than 0.5% of the Company’s latest year-end Washington-allocated net utility plant in
14 service.

15 **Q. What is the result of applying such a threshold in this case for purposes of**
16 **deriving a revenue requirement as it relates to the projects you are supporting?**

17 A. For electric service, the use of an \$8.6 million threshold does not capture any
18 capital investment in generation plant, out of a total of 22 projects and \$43.5 million dollars
19 included in Avista’s initial filing.³ This threshold says nothing about the level of plant that
20 will be in service and used and useful when rates go into effect in May 2018. In the end it
21 leaves all 22 projects and all \$43.5 million on the “cutting room floor”, which is not an

³ Although Staff audited 1 generation project, it did not meet the selected threshold, and therefore was excluded from Staff’s case.

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1 immaterial amount.⁴ Table No. 1 below provides a comparison of the capital projects included
2 in the Company's filed case, to that of Staff, and the Company's rebuttal case.

3 **Table No. 1: Capital Project Comparison (For Projects Addressed in My Testimony)**

	<u>Total Investment</u>	<u>Number of</u>
	<u>Amount (Gross Plant)</u>	<u>ER Projects</u>
4 Avista Filed	\$ 43,472	22
5 Staff	-	0
6 Avista Rebuttal	\$ 19,550	8

7 **Q. As Ms. Schuh discusses in her testimony, please briefly explain the**
8 **Company's methodology on rebuttal regarding pro forma capital additions.**

9 A. Certainly. As Ms. Schuh describes in further detail in her rebuttal testimony at
10 Exh. KKS-3T, the Company is removing the original pro forma adjustment proposed in its
11 direct filed case and also removing the capital associated with the 2017 EOP Study. On
12 rebuttal, the Company is including, instead, a calculation for only a subset of pro forma
13 adjustments that are calculated using a similar methodology as Staff used in the recent Puget
14 Sound Energy general rate case (Docket Nos. UE-170033 and UG-170034). In that case, Staff
15 witness Mr. Wright used a "functionalized" threshold for determining the capital projects
16 included in that case. He states:

17 First, the Commission recently found it reasonable to define a major plant
18 addition as at least 0.5 percent of the utility's rate base.⁵ However, Staff
19 found smaller adjustments that would otherwise be reasonable, such as
20 Distribution plant adjustments, would not be captured if the threshold were
21 only applied to gross rate base. Therefore, Staff refined the standard in this
22 case, applying the one-half of one percent threshold to net utility plant in

⁴ In reference to the exclusion of "minor" projects, Ms. Scanlan states "minor plant transfers often have a largely immaterial effect on the overall revenue requirement calculation." (Exh. KBS-1T, p. 13, ll. 1-2).

⁵ Wash. Utils. & Transp. Comm'n. V. Avista Corp., Dockets UE-150204 and UG-150205, Order 05, ¶ 40 (Jan. 6, 2016).

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1 service by category instead of rate base.⁶ Staff believes the refinement will
2 allow a better review of plant adjustments in this, and future, rate cases.⁷

3 **Q. In your rebuttal testimony, which generation projects that were originally**
4 **included in Avista's filing are still accounted for in the Company's rebuttal case?**

5 A. Using the functionalized threshold methodology discussed by Ms. Schuh, in
6 my area, of the 22 generation projects (\$43.5 million) which I previously testified to in
7 Exh. SJK-1T, Avista's rebuttal case still only captures 8 generation projects (\$19.6 million
8 actuals through October), thereby excluding 14 projects and \$23.9 million.

9 **Q. What are the projects included using this "functionalized" threshold?**

10 A. Table No. 2 below represents the capital projects included in the Company's
11 functionalized threshold methodology and represented in my testimony. What that table
12 shows are the ER number and Business Case name, by functional area, for electric service.
13 The next column, "Total Project Amount, As Filed, for 2017" shows the total amount of the
14 project, through December 31, 2017, that was included in Avista's original case. As Ms.
15 Schuh describes in her testimony, Avista is only including on rebuttal the actual transfers to
16 plant for each ER, as functionalized, through October 2017. As you will see, the overall
17 amount transferred through October by plant category is significantly less than the annual
18 amount for 2017. Typically such a variation is due to the projects in those ER's being placed
19 in service and transferring to plant in November or December 2017. The final two columns
20 shown in the table provide where in my exhibits you will find the Business Cases supporting
21 the project, as well as where I describe the project in my direct testimony.

22

⁶ The categories are Production, Distribution, Transmission, and General, as reported on the most recent FERC reports. 2015 Puget Sound Energy, Inc., FERC Form 1 and Form 2.

⁷ Docket Nos. UE-170033 and UG-170034, Exh. ECW-1T, pp. 6:21 – 7:6

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1 **Table 2: Capital Projects By Functional Group Included in Company’s Rebuttal Case**

2

3

ER	Business Case Name	Total Project Amount, As Filed, for 2017	Rebuttal Case Actual Transfers Through October	Business Case Ref. - SJK-4	Testimony Ref. - SJK-1T
4	4116 Colstrip Capital Additions	\$ 6,244	\$ 3,679	pg. 1, 100-102	pg. 13, 25
	4149 Base Load Thermal	1,639	1,507	pg. 1, 91-94	pg. 13, 23-24
5	4172 Kettle Falls Stator Rewind	4,152	2,557	pg. 1, 27-32	pg. 13, 17
	4182 Purchase Certified Rebuilt Cat D10R Dozer	535	478	pg. 1, 73-77	pg. 13, 22
6	4140 Nine Mile Redevelopment	6,262	408	pg. 1, 55-58	pg. 13, 19
	4148 Regulating Hydro	4,030	2,489	pg. 1, 95-99	pg. 13, 24
	4152 Little Falls Powerhouse Redevelopment	6,889	6,721	pg. 1, 39-43	pg. 13, 14
7	4171 Noxon Station Service	1,645	1,709	pg. 1, 59-63	pg. 13, 20
	Total (Kinney)	\$ 31,397	\$ 19,550		

8

9 **Q. Will you give a brief description for the Electric Generation projects**
10 **included in Table No. 2 above that are above the “threshold” applied on a**
11 **“functionalized basis?”**

12 **A. Yes.** Summarized below are excerpts from my direct testimony, Exh. SJK 1T,
13 that describe each of these projects:

14 **ER 4116 – Colstrip Capital Additions:**

15 The Colstrip capital additions include Avista’s pro rata share of ongoing capital expenditures
16 that consist of a mix of required environmental projects, as well as the replacement of worn
17 or damaged equipment to maintain the operation, reliability and/or safety of the plant. These
18 projects are associated with normal outage activities on Units 3 & 4 at Colstrip. The electric
19 generation capital investment of \$3.7 million included in the Company's rebuttal case for this
20 project has transferred to plant and I can attest that the amounts included are used and useful
21 and in service for customers as of October 31, 2017.

22
23 **ER 4149 – Base Load Thermal:**

24 The Base Load Thermal Plant program is an ongoing program necessary to sustain or improve
25 the operation of base load thermal generating plants, including Coyote Springs 2, Colstrip,
26 Kettle Falls, and Lancaster. Capital projects include replacement of items identified through
27 asset management decisions and programs necessary to maintain reliable operations of these
28 plants. The program also includes initiatives associated with regulatory mandates for air
29 emissions and monitoring, and projects to meet NERC compliance requirements. The electric
30 generation capital investment of \$1.5 million included in the Company's rebuttal case for this
31 project has transferred to plant and I can attest that the amounts included are used and useful
32 and in service for customers as of October 31, 2017.

33
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1 **ER 4172 – Kettle Falls Stator Rewind:**

2 The generator rewind at Kettle Falls was done specifically to maintain reliability of the
3 generator going forward. As mentioned in the Business Case for this project, the generator
4 was over 30 years old. Field inspection by the Original Equipment Manufacturer (General
5 Electric) and Avista crews discovered and documented the degradation of the winding
6 insulation over time. The work was performed to ensure uninterrupted and efficient
7 operations. The electric generation capital investment of \$2.6 million included in the
8 Company's rebuttal case for this project has transferred to plant and I can attest that the
9 amounts included are used and useful and in service for customers as of October 31, 2017.

10
11 **ER 4182 – Purchase Certified Rebuilt Cat D10 Dozer:**

12 The D10R had never been completely rebuilt from the frame up, which had 36,000 hours of
13 operation. The engine had nearly 9,000 operating hours, while the transmission was at 11,000
14 hours. The dozer was due for rebuild or replacement, as the D10 engine had never reached
15 9,000 hours of operation between failures and the transmission has never previously reached
16 12,000 hours without failing. The Kettle Falls Generation Station utilizes this dozer to move
17 waste wood (nearly 500,000 tons) around the storage area and the facility cannot operate on
18 wood waste without the use of a dozer. The electric generation capital investment of \$0.5
19 million included in the Company's rebuttal case for this project has transferred to plant and I
20 can attest that the amounts included are used and useful and in service for customers as of
21 October 31, 2017.

22
23 **ER 4140 – Nine Mile Redevelopment:**

24 The Nine Mile Redevelopment is a continuing capital project to rehabilitate and modernize
25 the four unit Nine Mile Hydro Electric Dam. The existing three MW Units 1 and 2, which
26 were over 100 years old, were recently replaced with two new eight MW generators/turbines.
27 The new units added 1.4 aMW of energy and 6.4 MW of capacity above the original
28 configuration generation levels. In addition to these capacity upgrades, the Nine Mile facility
29 has and will receive multiple other upgrades. The electric generation capital investment of
30 \$0.4 million included in the Company's rebuttal case for this project has transferred to plant
31 and I can attest that the amounts included are used and useful and in service for customers as
32 of October 31, 2017.

33
34 **ER 4148 – Regulating Hydro:**

35 The Regulating Hydro program covers the capital maintenance expenditures required to keep
36 the Long Lake, Little Falls, Noxon Rapids, and Cabinet Gorge plants operating at their current
37 performance levels. The program works to improve plant operating reliability so unit output
38 can be optimized to serve load obligations or sold to bilateral counterparties. The electric
39 generation capital investment of \$2.5 million included in the Company's rebuttal case for this
40 project has transferred to plant and I can attest that the amounts included are used and useful
41 and in service for customers as of October 31, 2017.

42
43 **4152 – Little Falls Powerhouse Redevelopment:**

44 This is an ongoing multi-year project to replace the Little Falls equipment that ranged in age
45 from 60 to more than 100 years old. Forced outages at Little Falls because of equipment
46 failures have significantly increased from about 20 hours in 2004 to several hundred hours in

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1 the past few years. This project replaces nearly all of the older, unreliable equipment with new
2 equipment, including replacing two of the turbines, all four generators, all generator breakers,
3 three of the four governors, all of the automatic voltage regulators, removing all four generator
4 exciters, replacing unit controls, changing the switchyard configuration, replacing the unit
5 protection system, and replacing and modernizing the station service. The main driver of the
6 project investment in 2017 was to replace Unit 1 equipment that was past its useful life and
7 was failing. The electric generation capital investment of \$6.7 million included in the
8 Company's rebuttal case for this project has transferred to plant and I can attest that the
9 amounts included are used and useful and in service for customers as of October 31, 2017.

10
11 **ER 4171 – Noxon Station Service:**

12 All generation facilities require Station Service to provide electric power to the plant. The
13 Noxon Station Service project includes the replacement of transformers, associated protection
14 devices, and control and monitoring equipment that is worn or damaged. In the fall of 2013,
15 studies in response to an electrical overcurrent coordination issue found that a majority of the
16 Station Service components at Noxon Rapids require replacement due to electrical capacity
17 and rating issues stemming from the added loads at the plant and the growth of the electric
18 system in the 50 years of service. Replacement is required in order to maintain the operation,
19 reliability, and safety of the plant. The electric generation capital investment of \$1.7 million
20 included in the Company's rebuttal case for this project has transferred to plant and I can attest
21 that the amounts included are used and useful and in service for customers as of October 31,
22 2017.

23 **Q. For the projects Avista is including using its “functionalized” threshold,**
24 **are there any O&M offsets that should be accounted for?**

25 A. For the generation projects I am supporting on rebuttal, there are no direct cost
26 savings. It is important to note that many projects undertaken by the Company do not have,
27 and have not been justified by, O&M offsets. That in no way should be a reason as to why
28 these projects are excluded from the Company's case. Ms. Schuh discusses the O&M offsets
29 for all projects that the Company is including in its rebuttal case.

30 **Q. You also mentioned 14 other projects (\$23.9 million) that have been**
31 **excluded in the Company's rebuttal filing because they still did not meet the “threshold”**
32 **even as applied on a “functional” basis. Will those projects also be completed by the end**
33 **of the year?**

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1 A. Yes. The Company excluded these projects simply as a way to strike a balance
2 between Avista’s original filing and Staff’s position, as discussed by Ms. Schuh.

3 **Q. What are some examples of the projects that have effectively been left on**
4 **“the cutting room floor”, but otherwise will be used and useful and in-service in the rate**
5 **effective period?**

6 A. Below are only three examples of projects that will be in service and used and
7 useful when rates go into effect in May 2018, yet have been excluded even from the
8 Company’s rebuttal case. Those serve to make the point that even the Company’s rebuttal
9 proposal will exclude some very basic capital investments made in the ordinary course of
10 business.

11 **Clark Fork Implement PM&E Agreement:**

12 This capital project addresses the goals, terms and conditions of the Protection, Mitigation
13 and Enhancement measures for ongoing compliance with the FERC license for Avista’s Clark
14 Fork River Project. Projects include compliance with Montana and Idaho Clean Water Act
15 requirements, the Endangered Species Act (fish passage), and state, federal and tribal water
16 quality standards as applicable. Operational requirements for items such as minimum flows,
17 ramping rates and reservoir levels, as well as dam safety and public safety requirements are
18 also included in the agreement. Continued investments are made under this project to maintain
19 compliance with the FERC License requirements.

20
21 **Spokane River Implementation PM&E:**

22 This project covers the ongoing implementation of PM&E programs related to the FERC
23 License for the Company’s Spokane River Project. Overall, the License is issued pursuant to
24 the Federal Power Act. It embodies requirements of a wide range of other laws, including the
25 Clean Water Act, the Endangered Species Act, and the National Historic Preservation Act,
26 among others. These requirements are also expressed through specific license articles relating
27 to fish, terrestrial resources, water quality, recreation, education, cultural, and aesthetic
28 resources at the Project. In addition, the License incorporates requirements specific to a 50-
29 year settlement agreement between Avista, the Department of Interior and the Coeur d’Alene
30 Tribe, which includes specific funding requirements over the term of the License. The License
31 references our requirements for land management, dam safety, public safety and monitoring
32 requirements, which apply for the term of the License. Continued investments are made under
33 this project to maintain compliance with the FERC License requirements.

34

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1 **Base Hydro:**

2 The Base Load Hydro program covers the ongoing capital maintenance expenditures required
3 to keep the Upper Spokane River Plants (Post Falls, Upper Falls, Monroe Street, and Nine
4 Mile) operating within 90 percent of their current performance, as well as meeting FERC and
5 NERC mandated compliance requirements. The program focuses on ways to maintain
6 compliance and reduce overall O&M expenses while maintaining a reasonable level of unit
7 availability. Projects completed under this program include replacement of failed equipment
8 and small capital upgrades to plant facilities. Most of these projects are short in duration, and
9 many are reactionary to plant operations issues.

10 These three projects are considered to be “bread and butter” type projects that have
11 effectively been left out in an attempt by the Company to find common ground between Staff’s
12 position and the Company’s filed case.

13

14

III. COLSTRIP

15 **Q. Could you please provide additional background to address the “lingering**
16 **concerns with any other capital additions” raised by Ms. Scanlon concerning Colstrip**
17 **Units 3 and 4?**

18 A. Yes. Ms. Scanlon raised some potential concerns about details concerning the
19 Company’s spending of capital at Colstrip Units 3 and 4, exercise of its ownership interest
20 concerning capital spending, and some references to specific capital projects.⁸

21 Regarding the amount of oversight and participation that Avista exercises in regard to
22 voting on capital projects, while it is true that the ownership structure and operating agreement
23 for Colstrip do not provide a line item veto of individual capital projects, Avista does actively
24 exercise its ownership rights, even as only a 15% owner, as the overall capital plan of
25 associated projects are being developed. For example, there are capital projects that never

⁸ See Exh. KBS-1T, pages 32-34.

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1 make it to the final capital plan to be voted on, due to input from Avista and the other owners
2 during the review process.

3 There are other factors that influence the oversight and actual approval of the Colstrip
4 capital plan. The compensation structure for the plant operator is cost-based and does not
5 include a rate of return based on the capital spending at the plant. Also, the plant operator is
6 an independent power producer that relies on low plant operating costs to ensure the plant is
7 competitive in the market, so there is no financial incentive for the operator to incur needless
8 capital investment.

9 **Q. Would you please provide additional background about the SmartBurn**
10 **technology installed on Colstrip Units 3 and 4?**

11 A. Yes. The SmartBurn technology was designed to prevent the formation of NO_x
12 (nitrogen oxides). Even though there is not yet an annual legal requirement under the Regional
13 Haze Program to reduce NO_x output, the Regional Haze Program requires ongoing reductions
14 under a glide path model of attainment. The glide path can change or be adjusted over time as
15 NO_x emissions are added or subtracted to the monitored area in question. For example, the
16 attainment area for Colstrip was impacted by the closure of the J.E. Corette Coal Plant in 2015
17 and will be further impacted by the closure of Colstrip Units 1 and 2 by July 2022.

18 There is an expectation that additional NO_x reductions will be required for Colstrip
19 Units 3 and 4 in the future. The Company's 2017 Electric IRP plans call for a Selective
20 Catalytic Reduction (SCR) on Colstrip Units 3 and 4 in 2028. The SmartBurn technology
21 prevents NO_x from being formed, which reduces the size of any future SCR technology and
22 also reduces the amount of chemicals needed to operate the SCR. The SmartBurn technology
23 saves future capital expenditures, reduces future O&M expenditures, and, most importantly,

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1 provides an earlier environmental benefit by reducing the production of NO_x. This is a more
2 cost effective approach to NO_x reduction than simply waiting until a specific obligation is
3 determined, resulting in the need to install an even larger SCR technology with higher capital
4 costs and the use of additional chemicals resulting in higher O&M expenditures. Using the
5 SmartBurn technology is analogous to making a home as energy efficient as possible before
6 adding solar panels, thereby reducing the overall required size of the solar array and lowering
7 the subsequent cost.

8 The SmartBurn technology reduced the first increment of NO_x in the most cost
9 effective way based on a review of the technology and the relatively low capital cost to install.
10 Also, the use of SmartBurn technology was determined to be an integral part of any future
11 control technology for Colstrip Units 3 and 4. SmartBurn accomplishes a significant amount
12 of the target NO_x reduction for a significantly lower cost than a full control modification
13 approach. The early installation of SmartBurn provides several years of operational boiler data
14 that will allow for the design and eventual installation of the appropriate sized SCR or other
15 control technology. SmartBurn also provides an additional tool to maintain NO_x emissions
16 within the current operating requirements as the plant ramps more frequently to support the
17 integration of variable energy in the region.

18 The SmartBurn technology was installed during a previously scheduled outage,
19 reducing implementation costs. If the SmartBurn needed to be added at a later date for more
20 near-term compliance needs, a separate outage might be required in consecutive years—the
21 first outage to install the SmartBurn technology and the second outage to install additional
22 plant controls. Depending on market conditions at the time of the outage, the additional cost
23 of an extra week-long outage could be approximately one-half of the cost of installing

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1 SmartBurn. Finally, the operational effectiveness of SmartBurn may allow for a different and
2 more cost effective technology to be installed in place of SCR or perhaps the installation of a
3 smaller SCR.

4

5

IV. ENERGY IMBALANCE MARKET

6 **Q. Could you please respond to Public Counsel witness Ms. Wilson's**
7 **recommendation that Avista should join the Western Energy Imbalance Market?**

8 A. Yes. Public Counsel witness Ms. Wilson suggested "that Avista more fully
9 explore the possibility of joining the Western Energy Imbalance Market."⁹

10 Avista continues to actively monitor the development and expansion of the CAISO
11 Energy Imbalance Market (EIM) and regularly participates in regional meetings and dialogue
12 associated with the EIM. At this time Avista does not have the same anticipated economic
13 benefits or operational drivers to justify joining the market as other EIM participants.
14 Preliminary economic analysis is not compelling based on estimated costs and benefits of
15 joining the EIM. A previously conducted gap analysis, completed with the help of a
16 consultant, estimates Avista's implementation costs to be \$13 to \$15 million with \$3 to \$4
17 million in on-going annual costs. Avista is currently reviewing the EIM implementation cost
18 analysis based on updated information provided by the consultant and will use this
19 information in its economic analysis associated with EIM participation.

20 Avista is currently working with another consultant to conduct a benefit assessment
21 associated with participation in the EIM. Studies conducted by other utilities, with somewhat
22 similar resource portfolios, show annual benefits ranging from \$3 to \$5 million. Avista

⁹ Exh. RSW-1CT, p. 5, ll. 1-2

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1 anticipates its modeled benefits to be similar to this range, but will use final calculated benefit
2 values from its current study to complete a full cost benefit analysis by the end of 2017.

3 Avista is also monitoring and evaluating other operational benefits associated with
4 EIM participation. One of the largest operational benefits for current EIM participants is the
5 ability to balance and regulate large quantities of renewable resources with resources
6 dispatched through the market instead of relying on internal resources. However, Avista does
7 not currently have a significant amount of renewable resources integrated in its service
8 territory, so the value of market participation to balance renewable energy is not as significant
9 for Avista as for other EIM participants. However, if additional renewable resources are
10 integrated into Avista's service territory, a tipping point may be reached where Avista's
11 existing resource mix is not able to reliably or economically regulate the new resources. Avista
12 is also monitoring impacts to the bi-lateral trading market as more entities join the EIM. Avista
13 has not seen a significant change in bi-lateral trading behavior at this time, but will continue
14 to monitor the bi-lateral market impacts as additional utilities join the EIM. The results of the
15 economic analysis currently being evaluated, along with the evaluation of other operational
16 drivers discussed above, will determine the need and timing for Avista to join the CAISO
17 EIM.

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

19 **A. Yes.**