

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Joint Application of HYDRO ONE LIMITED and AVISTA
CORPORATION For an Order Authorizing Proposed Transaction.

DOCKET U-170970

SETTLEMENT TESTIMONY OF COREY J. DAHL (EXH. CJD-1T)

ON BEHALF OF
PUBLIC COUNSEL

APRIL 10, 2018

SETTLEMENT TESTIMONY OF COREY J. DAHL (CJD-1T)

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EXHIBITS LIST

Exhibit CJD-2 Avista's Response to Public Counsel Data Request 30, Section I of Attachment B

1 I. INTRODUCTION / SUMMARY

2 **Q: Please state your name and business address.**

3 A: My name is Corey J. Dahl, and my business address is 800 5th Avenue, Seattle,
4 WA 98104.

5 **Q: By whom are you employed and in what capacity?**

6 A: I am a Regulatory Analyst for the Public Counsel Unit of the Washington State
7 Office of the Attorney General (Public Counsel). Public Counsel is a statutory
8 party to proceedings before the Washington Utilities and Transportation
9 Commission (Commission) under RCW 80.01.100, RCW 80.04.510, and RCW
10 81.04.500.

11 **Q: On whose behalf are you testifying?**

12 A: I am testifying on behalf of Public Counsel.

13 **Q: Please describe your professional qualifications.**

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

21 My current employment with Public Counsel began in October 2016.
22 Since joining the Attorney General's Office, I have worked on a variety of energy
23 and telecommunications matters, including Cascade's 2017 General Rate Case
24 (UG-170929), Puget Sound Energy's 2017 General Rate Case (Dockets UE-

1 170033 and UG-170034), Avista's 2017 General Rate Case (Dockets UE-170485
2 and UG-170486), the Puget Sound Energy Greenwood Explosion Complaint (PG-
3 160924), Pacific Power's Schedule 300 Tariff Revision case (UE-161204), and
4 the CenturyLink-Level3 Merger (UT-170042). I testified on behalf of Public
5 Counsel in support of the settlement regarding the merger of CenturyLink and
6 Level3 Communications (Docket UT-170042) in May 2017, and on low-income
7 issues in the ongoing Cascade General Rate Case (UG-170929).

8 Beyond adjudications, I have worked on low-income rate assistance,
9 energy conservation, and integrated resource plan issues for multiple Washington
10 utilities. In particular, I participate in conservation advisory groups for Pacific
11 Power, Northwest Natural Gas, and Cascade Natural Gas, as well as the
12 Northwest Natural Gas IRP Technical Working Group. I also participate in low-
13 income advisory groups for Cascade Natural Gas, Puget Sound Energy, and
14 Avista. Additionally, I completed Michigan State University and the National
15 Association of Regulatory Utility Commissioners' Utility Rate School in May
16 2017.

17 **Q: What is the purpose of your testimony in this proceeding?**

18 A: I am testifying in support of the Settlement Stipulation and Agreement
19 (Settlement), filed in this docket on May 27, 2018. My testimony will describe
20 Public Counsel's interests in this proceeding, why Public Counsel believes the
21 Settlement is in the public interest, and why the Settlement meets the statutory net
22 benefit standard.

23 Mr. J. Randall Woolridge is also testifying on behalf of Public Counsel,
24 Exhibit JRW-1T. His testimony focuses on the financial, corporate governance,

1 and political risks associated with the transaction between Hydro One Limited
2 (Hydro One) and Avista Corporation (Avista) (together referred to as Joint
3 Applicants), and the commitments within the Settlement that mitigate these risks.
4 Additionally, Mr. Woolridge's testimony addresses the enhanced customer rate
5 credit and whether the Settlement meets Washington's net benefit standard.
6 Together, our testimony will illustrate why the Settlement terms are sufficient to
7 meet statutory requirements and are in the public interest.

8 **Q: Please provide a brief outline of your testimony.**

9 A: In my testimony, I will address the following:

- 10 • The difference between the former no harm standard and the current net
11 benefits standard in RCW 80.12.020;
- 12 • Public Counsel's support of the Settlement;
- 13 • Public Counsel's view of how the Joint Applicant's commitments under
14 the Settlement satisfy the net benefit standard; and
- 15 • Public Counsel's suggested framework to determine if the statutory
16 threshold is met.

17 **Q: Briefly explain Public Counsel's recommendations.**

18 A: Public Counsel recommends that the Commission approve the Settlement without
19 condition, because the Commitments mitigate transactional risk and provide a net
20 benefit for Avista's Washington customers. This is consistent with the statutory
21 standard for utility transactions in RCW 80.12.020. Extensive negotiations
22 among all Parties produced a settlement that provides strong ring-fencing
23 protections, a rate credit to customers, energy efficiency and environmental

1 benefits, significant low-income benefits, service quality enhancements, and
2 many other commitments. When considered as a whole, the 81 Settlement
3 commitments are sufficient to create a net benefit.

4 Furthermore, Public Counsel recognizes the precedential nature of this
5 proceeding. The Commission has not evaluated a utility transaction of this
6 magnitude under the net benefits standard. As a result, Public Counsel offers an
7 analytical framework to assist decision-making in this and future merger or utility
8 transaction dockets.

9 **II. PUBLIC COUNSEL’S ASSESSMENT OF THE NET BENEFIT**
10 **STANDARD**

11 **Q: From Public Counsel’s point of view, did the change in statutory language**
12 **from “no harm” to “net benefit” provide a signal regarding what is required**
13 **of utilities that wish to merge with another entity?**

14 A: Yes. From Public Counsel’s point of view, the Washington state Legislature
15 strengthened the standard in RCW 80.12.020. The decision to move from a “no
16 harm” standard to a “net benefits” standard was a clear indication that merging
17 companies must provide more than simple mitigation of potential harm to a
18 utility’s customers. Instead, a proposed transaction must provide a tangible
19 benefit to the utility’s customers to obtain the Commission’s approval.

20 **Q: What is required beyond mitigating potential risks of utility transactions?**

21 A: Because the net benefits standard requires more than mere mitigation of risk, the
22 proposed transaction must do more than shield the utility’s customers from the
23 risks inherent to the transaction. As a result, Public Counsel believes that the net
24 benefits standard is satisfied when two conditions are satisfied:

- 1 • First, transactional risks must be mitigated to do no harm to Washington
2 customers, and
- 3 • Second, once transactional risks are mitigated, tangible benefits to
4 customers must flow from the transaction.

5 Put simply, a transaction must first do no harm before it can provide
6 benefits. To meet the current statutory requirement of net benefits, the benefits
7 provided to customers must be tangible. Benefits provided without first
8 sufficiently protecting customers from financial, investor-related, or political
9 pressures at the parent company level would not be sufficient under the net
10 benefits standard, from Public Counsel's perspective, because benefits achieved
11 under such conditions would be eroded by the unmitigated risks.

12 **Q: Does the Settlement proposed by the Parties in this case meet the net benefit**
13 **standard?**

14 A: Yes. Public Counsel believes that the terms of the Settlement both mitigate
15 transactional risk and provide substantial benefits to Avista's Washington
16 customers. I will describe further in my testimony below how Public Counsel's
17 interests are satisfied.

18 **Q: Please compare the Settlement with the Joint Applicant's initial filing.**

19 A: Public Counsel evaluated whether the Joint Applicant's initial filing provided
20 sufficient compensation to Avista's residential and small business customers for
21 the transactional risk and whether the commitments offered by the Joint
22 Applicants produced tangible benefits. Public Counsel believed that the Joint
23 Applicants' initial filing failed to meet that mark.

1 The Settlement, however, provides customers with benefits that are only
2 achievable through settlement, along with other benefits that could have been
3 achieved through litigation. The terms meet the diverse needs of the Parties.
4 With this in mind, Public Counsel believes the Settlement presented by the Parties
5 meets the legal standard by both protecting ratepayers and providing tangible
6 benefits.

7 **Q: Specifically, which commitments are addressed in Public Counsel’s**
8 **testimony supporting the Settlement?**

9 A: Public Counsel accepts the package of commitments as a whole and firmly
10 believes that, together, all of the commitments result in a net benefit to Avista’s
11 Washington customers. Public Counsel takes particular interest in certain key
12 terms that are critical to protecting ratepayers, provide material benefits, or are
13 unobjectionable based on the impact on ratepayers. As such, Mr. Woolridge and I
14 will examine terms related to the following in greater detail:

- 15 • \$30.7 million in rate credits over five years for Washington customers¹
16 (See Exhibit JRW-1T)
- 17 • Post-merger test years in General Rate Case filings² (see below)
- 18 • Preservation of service quality indices for 10 years and new system
19 reliability standards³ (see below)

¹ Settlement Stipulation and Agreement, Appx. A at 7 (Commitment No. 19).

² Settlement Stipulation and Agreement, Appx. A at 7 (Commitments No. 17).

³ Settlement Stipulation and Agreement, Appx. A at 6, Commitments No. 15).

- 1 • Low-income benefits, including remote disconnection protections,
2 weatherization funding, low-income renewable energy projects, and low-
3 income transportation electrification⁴ (see below)
- 4 • Environmental protections, including strengthened emissions and
5 renewable energy standards⁵ and accelerated depreciation of Avista's
6 ownership share of Units 3 and 4 of the Colstrip coal-fired generating
7 plant through 2027⁶ (see below)
- 8 • A \$3 million contribution to the community transition fund for Colstrip,
9 Montana, using non-ratepayer funds⁷ (see below)
- 10 • Ring-fencing provisions to separate Hydro One's liabilities and Avista's
11 business operations⁸ (See Exhibit JRW-1T)
- 12 • Agreement to continue employing union labor and meeting professional
13 training goals for employees⁹ (See below)
- 14 • Most-favored nation clause to ensure favorable terms from other Avista
15 jurisdictions to be enforced in Washington¹⁰

16 Importantly, the Settlement includes a substantial number of commitments
17 that were not included in the Joint Applicant's initial filing or strengthen the
18 commitments initially proposed. The augmentation of the commitments is
19 essential for Public Counsel's support of the Settlement. The augmented

⁴ Settlement Stipulation and Agreement, Appx. A at 19-21 (Commitment Nos. 62, 65-73).

⁵ Settlement Stipulation and Agreement, Appx. A at 17-20 (Commitment Nos. 52-63).

⁶ Settlement Stipulation and Agreement, Appx. A at 22, 23 (Commitments Nos. 76 and 78).

⁷ Settlement Stipulation and Agreement, Appx. A at 22-23 (Commitment No. 77).

⁸ Settlement Stipulation and Agreement, Appx. A at 13-17 (Commitments Nos. 36-51).

⁹ Settlement Stipulation and Agreement, Appx. A at 23-25 (Commitment No. 80).

¹⁰ Settlement Stipulation and Agreement, Appx. A at 25-26, (Commitment No. 81).

1 commitments allow the proposed transaction to meet the statutory net benefits
2 standard.

3 **III. DISCUSSION OF COMMITMENTS AND NET BENEFIT STANDARD**

4 **Q: Certain commitments under the Settlement require funding. How does the**
5 **settlement address funding?**

6 A: Because the proposed Settlement includes millions of dollars in customer
7 benefits, it is critical that funding sources are clear. Furthermore, ratepayers
8 should not ultimately pay more for the benefits through rates, which would
9 effectively eliminate any net benefit. The Joint Applicants commit that they will
10 not arrange funding for *any* commitments through rate increases for Avista's
11 customers or Hydro One's customers in Ontario.¹¹ These commitments should be
12 funded by the Applicants, whether at the parent level or lower level. One
13 exception that uses ratepayer funding is the term related to depreciation of
14 Avista's coal-fired electric generation plant in Colstrip, Montana (Commitment
15 76). That term provides for accelerated depreciation for Avista's interest in
16 Colstrip, Units 3 and 4, and the accelerated depreciation is funded through
17 benefits provided by changes in federal tax law. As a result, ratepayers will not
18 experience an increase to the depreciation collected in rates. I will discuss this
19 term in more detail below.

20 **Q: Please discuss Commitment 17, Pre-Transaction Test Year, and the benefits**
21 **it provides to Avista's Washington ratepayers.**

¹¹ Settlement Stipulation and Agreement, Appx. A at 22 (Commitment No. 75).

1 A: This term deals with the way Avista will build its case for rate relief in a future
2 General Rate Case. Requiring Avista to use certain test years will allow Parties to
3 evaluate whether savings from this transaction are accruing, and if so, Parties will
4 be able to quantify the savings. Under Commitment 17, if Avista files a new
5 general rate case immediately following the conclusion of the pending rate case
6 (Dockets UE-170485 and UG-170486) or any time through December 31, 2018,
7 Avista will present a normalized test period using the most recent 12-month
8 period available.

9 If Avista files a new rate case between January 1, 2019 and April 30,
10 2019, Avista must use a normalized test year of October 1, 2017 to September 30,
11 2018. This test period represents the 12 months immediately preceding the
12 proposed transaction's closing.

13 If Avista files a new rate case between May 1, 2019 and April 30, 2021,
14 Avista must present two normalized test years. The first test year is the 12
15 months immediately preceding the proposed transaction's closing, October 1,
16 2017 to September 30, 2018. This test year will be provided for informational
17 purposes only. The second test year will be the most recent 12-month period
18 available, and Avista's rate request will be based on this test period. Beginning in
19 May 2019, Avista will have had at least 6 months of being managed under Hydro
20 One.

21 The intent behind this commitment is to accurately capture any savings
22 that may accrue from the proposed transaction. Commitment 17 requires Avista
23 to provide data that accurately reflects Avista's pre- and post-merger financial

1 condition, expenses, and revenues. This will help ensure that the savings are
2 appropriately passed to customers.

3 **Q: Please discuss the service quality commitments in the Settlement.**

4 A: The Settlement augments the service quality commitment proposed by the Joint
5 Applicants in their initial filing. The Settlement adds two commitments related to
6 service quality to Commitment 15 that will result in benefits to customers. First,
7 the Joint Applicants will not seek to reduce or remove any of the existing service
8 quality metrics or the associated penalties for failure to meet the metrics for 10
9 years after the merger closes. This provides the Joint Applicants with an
10 incentive to maintain the level of service Washington customers have come to
11 expect. Moreover, the existing service quality standards will not be altered in a
12 way that could result in lower quality service. Further, this Commitment does not
13 foreclose the opportunity to strengthen or add service quality metrics in future
14 proceedings.

15 Second, the Settlement provides a system reliability standard and penalty
16 for failure to meet the standards. Currently, Avista is only required to report
17 results for System Average Interruption Frequency Index (SAIFI) and System
18 Average Interruption Duration Index (SAIDI).¹² However, there are no
19 benchmarks that Avista is required to meet and, thus, no penalties for failure to
20 meet a standard. If the Commission approves the Settlement in this case, Avista
21 will have a tangible incentive to maintain its system reliability or face a financial
22 penalty. The penalty will be paid to customers as an increased rate credit,

¹² Dahl, Exh. CJD-2 at 9, Avista's Response to Public Counsel Data Request 30, Section I of Attachment B.

1 ensuring direct compensation if Avista fails to maintain safe, reliable service
2 within the metric. Specifically, if the annual average frequency or length of
3 outages (excluding those experienced on Major Event Days, such as a massive
4 storm) exceeds the previous five-year average by +7.5 percent, then the customer
5 rate credit will increase by \$250,000 per year.

6 **Q: Does Public Counsel support Commitment 11, Charitable Contribution?**

7 A: Yes. Under the Settlement, Avista will maintain an annual budget of \$4 million
8 for charitable contributions plus an additional \$2 million annual contribution to
9 Avista's charitable foundation. Ratepayers live and work in the communities
10 benefiting from Avista's charitable work. Public Counsel believes that charitable
11 donations are appropriately recorded as below-the-line expenses and not included
12 in utility rates, but we also recognize that all members of the community benefit
13 from charitable contributions, including ratepayers. Additionally, even though
14 charitable donations are not supported by rates, good corporate citizenship is
15 commendable.

16 **Q: Please discuss the environmental commitments included in the Settlement,
17 and why they meet the net benefits standard.**

18 A: The Settlement includes several commitments focused on environmental issues,
19 including Commitments 54, 56, 57, and 58 which were included in the Joint
20 Applicants' initial filing. Commitments 52 and 53 were included in the initial
21 filing, but are enhanced in the Settlement. Commitments 55, 59, 60, 61, 62, and
22 63 are new commitments under the Settlement. Public Counsel supports all of the
23 environmental commitments under the Settlement, but the following are important
24 from Public Counsel's perspective:

- 1 • **Commitment 53. Renewable Energy Resources:** Under this
2 commitment, Avista will submit a request for proposal to acquire 50 aMW
3 of qualifying renewable resources by 2022 either through purchased
4 power agreements or investing in generation assets. Additionally, in
5 anticipation of Colstrip Units 3 and 4 going offline, Avista commits to
6 obtaining at least 90 aMW of additional qualifying renewable resources.
7 This term is in addition to the current renewable portfolio standard
8 required under the Energy Independence Act, which could provide added
9 positive environmental benefits. Because the term exceeds the statutory
10 requirement, Public Counsel views it as one achievable only through
11 Settlement. The term also protects customers by requiring that additional
12 resources obtained under this Commitment are necessary to meet load and
13 are consistent with the lowest reasonable cost portfolio.
- 14 • **Commitment 59. Energy Imbalance Market:** The Energy Imbalance
15 Market (EIM) has been a regular topic of discussion for Avista and other
16 Washington utilities, and many Washington utilities have joined or are in
17 the process of joining the EIM. Avista commits to holding stakeholder
18 workshops to explore the feasibility of joining the EIM. Public Counsel
19 supports further evaluation of whether Avista should join the EIM. The
20 EIM may provide benefits to Avista and its ratepayers, including
21 efficiently distributing energy resources across the region, providing
22 pricing benefits, and allowing Avista to avoid building new generating
23 resources, including new peakers, to serve its load. Additionally, a large
24 share of the energy resources available on the EIM is from excess

1 California solar capacity, which has environmental benefits as a renewable
2 resource. Further, Avista may be able to sell excess hydro capacity on the
3 EIM during spring peak to other participants with resource needs.

- 4 • **Commitment 63. Professional Home Energy Audit:** Avista commits
5 to facilitating 2,000 professional energy audits (at a cost of \$300 per audit)
6 over 10 years, and Hydro One commits to arranging funding for these
7 audits. This amounts to \$600,000 in direct customer benefits from this
8 Settlement. Avista may also expand the scope of this commitment if the
9 use of advanced metering infrastructure system-wide will provide
10 opportunities to serve more homes. Thousands of Washington customers
11 will directly realize the benefit of a professional energy audit, a service
12 they otherwise would fund individually. The audits will enable customers
13 to have a better understanding of how they can use conservation to reduce
14 their monthly energy bill.

15 **Q: Would Public Counsel like to comment on any other environmental**
16 **commitments?**

17 A: Yes. For settlement purposes, Public Counsel supports inclusion of Commitment
18 61, the Industrial Customers' Self-Direct Conservation Program. In the pending
19 2017 Avista General Rate Case (Dockets UE-170485 and UG-170486), ICNU
20 proposed a self-direct conservation program, but withdrew the proposal before the
21 evidentiary hearing. Public Counsel supported withdrawal of the proposal, noting
22 that it would be appropriate for discussions regarding establishing a self-direct
23 program would be appropriately held in Avista's Energy Efficiency Advisory
24 Group.

1 The optional Self-Direct Program included in the Settlement is limited to a
2 one-time option for a large conservation project. The Settlement term is limited
3 to five years after the closing, and funding is limited to \$15 million to \$30 million
4 in investments over that time period. Additionally, no other customers will be
5 impacted financially, and customers will benefit from the resulting increased
6 energy efficiency that will be acquired. As such, Public Counsel does not oppose
7 the inclusion of this term in the full Settlement package.

8 **Q: What is Public Counsel’s position on the terms related to the Colstrip**
9 **coal-fired generating plant, Commitments 76 and 77?**

10 A: Avista owns 15 percent of Colstrip Units 3 and 4, which the Company currently
11 has set to fully depreciate by 2034 and 2036, respectively.¹³ However, the
12 Settlement approved in Puget Sound Energy’s 2017 General Rate Case fully
13 depreciates Units 3 and 4 by December 31, 2027.¹⁴ Commitment 76 aligns with
14 the terms approved in the Puget Sound Energy case. A key difference, however,
15 is that Avista’s ratepayers will not experience an increase in the depreciation
16 amount that is currently included in rates. Rather, ratepayers are shielded from
17 the rate impact of accelerating depreciation by using the benefits of recent federal
18 tax legislation, the Tax Cut and Jobs Act, to offset the increased depreciation
19 expenses.¹⁵ The benefits associated with the Tax Cut and Jobs Act constitute
20 ratepayer funds, but using these funds to offset the accelerated depreciation

¹³ *In re: Avista Corp. for an Order Authorizing the Company to Revise its Electric Book Depreciation Rates and Authorizing Deferred Accounting Treatment for the Difference in Depreciation Expense*, Docket UE-180167, Petition of Avista Corp. ¶ 17 (Feb. 22, 2018).

¹⁴ *WUTC v. Puget Sound Energy*, Dockets UE-170033 and UG-170034, Order 08 ¶ 71 (Dec. 12, 2017).

¹⁵ Settlement Stipulation and Agreement, Appx. A at 22 (Commitment No. 76).

1 prevents intergenerational equity issues later if the plant closes earlier than the
2 mid-2030s.

3 It is important to note that there is no promise to close Units 3 and 4.
4 Indeed, Avista has affirmatively stated that they are not making a promise to close
5 those units.¹⁶ Shielding ratepayers from the impact of accelerating the
6 depreciation on Units 3 and 4 is critical to Public Counsel's support of
7 Commitment 76.

8 Public Counsel does not oppose Commitment 77, the Montana
9 Community Transition Fund, which provides for at least \$3 million to be
10 contributed to assist Colstrip, Montana. The Community Transition Fund is
11 intended to ease the economic impact of the coal plant's eventual closure.

12 Given that the generation plant is a major employer in Colstrip, Public
13 Counsel understands that the community will need to transition when the plant
14 ultimately closes as a practical matter. However, Washington ratepayers should
15 not be responsible for funding the transition. Public Counsel views the social and
16 economic transition of Colstrip, Montana, as a corporate obligation, and under the
17 Settlement, the funds are provided by shareholders or other sources outside of
18 customer rates.¹⁷

19 **Q: Does Public Counsel support the low-income investments in the Settlement?**

20 **A:** Yes. The Settlement provides \$11 million in new commitments to Avista's
21 income-qualifying Washington customers. These commitments will supplement

¹⁶ This is not unlike the recent PSE general rate case, in which PSE was also not promising to close Units 3 and 4.

¹⁷ Settlement Stipulation and Agreement, Appx. A at 22 (Commitment No. 74).

1 existing low-income rate assistance and weatherization program budgets, which
2 the Applicants commit to continuing post-transaction.¹⁸ Low-income investments
3 are particularly important in Avista’s service territory. The Commission
4 recognizes that the “poverty rate in Avista’s service territory is higher than the
5 statewide average,” so there is a higher rate of Avista customers who qualify for
6 low-income assistance than customers served by some of the other Washington
7 investor-owned utilities.¹⁹ Customer demographics in Avista’s territory heighten
8 the importance of the low-income commitments included in the Settlement, and
9 provide a compelling reason for inclusion.

10 In particular, the following projects are new commitments provided under
11 the Settlement, but not included in the initial filing:

- 12 • **Commitment 67. Funding for Low-Income Participation in New**
13 **Renewables:** One of the major issues with supporting renewable energy
14 through incentive-based programs, is that low-income customers often do
15 not benefit. For example, low-income customers are often unable to
16 afford rooftop solar installation and, therefore, cannot take advantage of
17 any incentives. Despite the inability to participate, all customers
18 contribute to the costs of incentive programs.

19 Thus, Hydro One commits to funding a low-income renewable
20 project with at least \$5 million over up to 10 years after the transaction
21 closes. This funding could, but is not required to, fund a community solar
22 installation with the benefits flowing to a fund for low-income customers.

¹⁸ Settlement Stipulation and Agreement, Appx. A at 10 (Commitment Nos. 65 and 66).

¹⁹ *WUTC v. Avista Corp.*, Dockets UE-140188 and UG-140189, Order 05 ¶ 44 (Nov. 25, 2014).

1 As a result of this investment, more low-income customers will be able to
2 benefit from renewable energy.

- 3 • **Commitment 69. Replacement of Manufactured Homes:** Hydro One
4 commits to providing \$2 million over 10 years to replace manufactured
5 homes for income-qualifying customers, particularly for customers whose
6 home was manufactured before 1976. Manufactured homes, particularly
7 older ones, tend to be very energy inefficient, causing low-income
8 customers to face high energy bills even if they attempt to consume as
9 little energy as possible. Avista commits to working with the Demand
10 Side Management Advisory Group to craft the details of the program and
11 how funds will be administered. Through the advisory group process,
12 stakeholders will determine the best way to disburse funds. If the full \$2
13 million is not used over the 10-year period, the remaining funds will be
14 used to fund low-income weatherization programs.

- 15 • **Commitment 70. Low Income Weatherization:** Hydro One agrees to
16 provide an additional \$4 million in low-income weatherization over 10
17 years. These funds will supplement the funds already collected through
18 Schedules 90 and 190. Based on the income demographics, additional
19 funds will help satisfy the unmet need for weatherization services among
20 income-qualifying customers. Furthermore, as more homes are
21 weatherized, savings will accrue to Avista's conservation targets and
22 reduce the need for new generation resources in the future.

- 1 • **Commitment 79. On-bill repayment:** Public Counsel has long
2 advocated for an on-bill financing option. While on-bill repayment is not
3 the same as on-bill financing, Public Counsel views this as a step in the
4 right direction that will provide material customer benefits. On-bill
5 repayment will allow customers to upgrade a furnace, water heater, or
6 some other significant investment related to their electric or natural gas
7 service and pay the financing costs on their utility bill, rather than having
8 to make separate payments to the financier. Hydro One commits to
9 providing funds for software upgrades and administrative costs to
10 establish the on-bill repayment program.

11 **Q: Are there additional low-income terms that do not directly involve financial**
12 **commitments?**

13 **A:** Yes. In addition to the significant low-income funding included in the Settlement,
14 the Joint Applicants commit to directing resources and providing additional
15 protections to low-income customers. One of the commitments is included in
16 Commitment 62, Transport Electrification. Avista commits to a goal of directing
17 30 percent of any transportation electrification efforts to low-income customers,
18 who often cannot afford to purchase electric vehicles. This commitment
19 represents a significant step forward to ensure that all customers can benefit from
20 programs funded through rates.

21 In Commitment 71, the Joint Applicants commit to eliminate security
22 deposits for new customers and return deposits held longer than six months.
23 Although this does not have a specific number of dollars attached, customers will
24 realize a financial benefit from having their money available to them instead of

1 held as deposits. Additionally, this commitment will have a proportionately
2 larger impact on customers of modest financial means.

3 Commitment 72 includes significant new protections for customers who
4 are unable to afford their bills and face the threat of disconnection for
5 nonpayment. With Avista's plans to fully implement advanced metering
6 infrastructure, the Company will have the technological ability to disconnect
7 service remotely, which prevents customers from speaking face-to-face with a
8 company representative about the disconnection.²⁰

9 Current rules prevent utility service providers from proceeding with a
10 disconnection as soon as the customer initiates the process to receive bill
11 assistance.²¹ However, customers still face the threat of having their electric or
12 natural gas service shut off if they are unable to pay. This is especially dangerous
13 in extreme heat or cold weather events. The Settlement provides that Avista
14 cannot initiate remote disconnection if regional forecasts are 38 degrees (or less)
15 or 100 degrees (or greater). This commitment is stronger than the protections
16 currently included in rules, since it does not require customers to take any action
17 to prevent a disconnection for non-payment under certain weather conditions. As
18 a result, the Commitment provides customers with a tangible and material benefit.

19 **Q: Does Public Counsel support Commitment 80, Contract Labor?**

²⁰ A policy discussion still needs to occur regarding whether remote disconnection will be allowed in Washington, or whether Washington will require that a company representative visit the customer site prior to disconnection. Public Counsel is not conceding that remote disconnection for nonpayment is good policy and continues to strongly prefer that a company representative be sent to customer locations prior to disconnection.

²¹ WAC 480-100-128 (9).

1 A: Yes. Public Counsel understands that the terms contained in Commitment 80
2 maintain the status quo with respect to the use of contract workers, and that it
3 maintains the current training levels. Having an adequate workforce with
4 sufficient training is beneficial to ratepayers.

5 **Q: Does Public Counsel support other Settlement conditions not specifically**
6 **mentioned in this testimony or the Settlement Testimony of Mr. Woolridge?**

7 A: Yes. Public Counsel supports Commission approval of all 81 commitments listed
8 in the Stipulation. The terms of the Settlement are the result of extensive good
9 faith negotiations with all Parties participating. Lack of discussion about specific
10 terms in Public Counsel's testimony does not indicate lack of support for the full
11 Settlement package. When considered all together, the conditions amount to a
12 tangible net benefit for customers across Avista's Washington territory.

13 **IV. PUBLIC COUNSEL'S FRAMEWORK FOR ASSESSING NET BENEFITS**

14 **Q: Please describe Public Counsel's process for assessing whether or not the**
15 **Settlement met the net benefit standard.**

16 A: Public Counsel considered a wide variety of factors in determining whether the
17 Settlement terms mitigated transactional risk and provided a net benefit to
18 Washington customers. In other words, there was not one single, particular goal
19 or program that would create sufficient net benefit.

20 **Q: What criteria did Public Counsel use to assess the Settlement?**

21 A: Public Counsel conducted extensive research about utility mergers nationwide
22 and the standard each jurisdiction applies to determine if the commitments are
23 sufficient. Mr. Woolridge describes this information in detail in his Testimony,
24 Exhibit JRW-1T, and provides a summary of standards in his Exhibit JRW-3.

1 Although legal standards varied from jurisdiction to jurisdiction, many utility
2 commissions apply a legal test to determine if merger commitments meet the
3 relevant standard. For example, the Washington D.C. Public Service Commission
4 applies a 7-Factor Test to each utility transaction. If any one of the seven factors
5 is not satisfied by the conditions, then the terms are not sufficient in that
6 jurisdiction to create a net benefit for customers.

7 Recognizing that each transaction will have its own facts and
8 circumstances, Public Counsel believes that the Commission should consider
9 identifying a framework under which to evaluate utility transactions. Public
10 Counsel suggests that a framework similar to that used by the Washington D.C.
11 Commission would be useful in this state. We believe that a transaction providing
12 benefits in the following categories would be sufficient to meet the net benefits
13 standard:

- 14 • Ratepayers, shareholders, and financial health of company
- 15 • Utility management and administrative operations
- 16 • Public safety and reliability of services
- 17 • Risks associated with all of applicants' affiliated non-jurisdictional
18 business operations
- 19 • The Commission's ability to regulate the resulting entity
- 20 • Conservation of natural resources and preservation of environmental
21 quality
- 22 • Good corporate citizenship and community involvement

1 Application of this framework, or something similar, will ensure that
2 transactional conditions are not too few or narrow in scope and that transactions
3 involving Washington utilities adhere to the legislative intent behind the net
4 benefit standard (see Exhibit JRW-1T for more on the legislative history).
5 Furthermore, the proposed transaction in this case affords the Commission an
6 opportunity to apply the new net benefits standard to a major transaction.
7 Therefore, this case is important for its precedential value. As a result, it would
8 be beneficial for the Commission to provide guidance for future transactions.

9 **Q: Does the application of this framework limit the Commission's discretion in**
10 **approving or denying a future application?**

11 A: No, that is not the intent behind establishing an analytical framework. This type
12 of framework is simply a way to ensure that a variety of interests are included in
13 utility transaction commitments. The Commission should always consider the
14 specific circumstances behind a merger or other utility transaction subject to
15 RCW 80.12.020, such as the complexity of the transaction, the financial
16 circumstances of the entities involved, and the characteristics of the Washington
17 utility's customer base. In other words, there is no one-size-fits-all approach to
18 assessing what quantifies net benefits in any given utility transaction. However,
19 the framework suggested by Public Counsel can provide guidance to utilities and
20 other parties.

21 **Q: What is Public Counsel's overall recommendation?**

22 A: Public Counsel recommends that the Commission approve the Settlement without
23 condition. Our independent review finds that transactional risk is mitigated and
24 Avista's Washington customers will receive tangible net benefits as a result of the

1 Applicants' Commitments under the Settlement. Public Counsel believes that the
2 proposed Settlement meets the statutory threshold and, as a result, the proposed
3 transaction may go forward if the Commission approves the Settlement. We also
4 recommend that the Commission develop a test or framework to evaluate utility
5 transactions to provide guidance in future cases.

6 **Q: Does this conclude your testimony?**

7 A: Yes.