

**Cameron-Rulkowski, Jennifer (UTC)**

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**From:** Casey, Chris (UTC)  
**Sent:** Tuesday, August 1, 2017 10:38 AM  
**To:** Meyer, David; Cameron-Rulkowski, Jennifer (UTC); Schooley, Thomas (UTC); McGuire, Chris (UTC); Gomez, David (UTC)  
**Cc:** Norwood, Kelly; Andrews, Liz; Ehrbar, Pat; Kalich, Clint; Johnson, Bill; Gall, James  
**Subject:** RE: Avista Dockets UE-170485 and UG-170486 / Supplemental Testimony

Mr. Meyer,

Staff appreciates the Company's proposal to file Supplemental Direct Testimony by Friday, August 11, 2017, in an effort to remedy what Staff views as significant deficiencies in Avista's rate case filing. Please note, however, that Staff is not agreeing that addressing the issues outlined below through supplemental testimony will suffice to resolve Staff's concerns or allow the parties to maintain the current procedural schedule.

As we discussed, Avista made numerous changes to both the dispatch model's inputs and to the parameters of the model itself, but failed to identify any of these changes, explain why these changes were made, or explain how these changes impact the results of the dispatch model. As a result, the fact that Mr. Kalich's testimony is "nearly identical" to his testimony in Avista's prior GRC filings is irrelevant in this context because it lacks sufficient information to facilitate review of the Company's proposed power costs.

Generally, the Company should provide any additional information necessary to explain what modifications it made to the dispatch model and the model's inputs, why it made them, and the associated expense/revenue impacts of the modifications. Staff would also like to clarify that with respect to the first bullet point below, the Company should explain what is driving the delta between the current power cost baseline and the power cost actuals. With respect to the second bullet point below, the Company should include citations to any Commission orders that direct it to modify AURORA inputs to match the 3-month average of forward market prices for electricity prices.

As you are aware, it is Avista's burden to justify and explain its requested rate relief. Staff identified the issues in the email below as necessary topics for the Company to address to justify its power costs, but Staff gives no assurances that the list is comprehensive.

Please let me know if you have any further questions. Thank you for your cooperation.

**Christopher M. Casey**

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**From:** Meyer, David [mailto:David.Meyer@avistacorp.com]  
**Sent:** Monday, July 31, 2017 11:58 AM  
**To:** Casey, Chris (UTC); Cameron-Rulkowski, Jennifer (UTC); Schooley, Thomas (UTC); McGuire, Chris (UTC); Gomez, David (UTC)

**Cc:** Norwood, Kelly; Andrews, Liz; Meyer, David; Ehrbar, Pat; Kalich, Clint; Johnson, Bill; Gall, James

**Subject:** Avista Dockets UE-170485 and UG-170486 / Supplemental Testimony

To all: This email is meant to capture the agreed-upon areas that would be addressed in the Supplemental Direct Testimony of Clint Kalich, to be filed by Avista with respect to power supply costs. It is the result of discussions held with Staff on July, 28, 2017, and as further clarified through discussions with Tom Schooley and Chris McGuire this morning, July 31, 2017.

While Avista's direct testimony with respect to the power supply adjustment contained in Mr. Kalich's testimony was nearly identical in this respect to prior GRC rate filings by Avista – i.e., containing the same type of information and in the same format – Staff has requested that the following additional information be provided, and the Company has agreed to provide Supplemental Testimony in that regard by Friday, August 11, 2017:

- Explain deltas between ERM and authorized power supply costs
  - History of ERM results
  - Explanation of the delta drivers
  - How Aurora optimizes resources to maximize dispatch margin
- Detail why the company modifies AURORA inputs to match the 3-month average of forward market prices for electricity prices
- Referencing Kalich testimony at page 7, lines 8-18, explain changes and impacts of the following relative to the 2015 GRC (UE-150204), including:
  - bid adders
  - Noxon Rapids spill
  - gas prices
  - Avista load, resources, and contracts
  - non-Avista resources, wind, transmission and loads
  - Aurora "system settings" for:
    - dispatch, commitment, and resource
  - Impacts (if any) of changing Aurora versions
  - Explain changes to Avista's filing as compared to the 2016 v5 database provided with Aurora
- Why purchase and sale volumes in GRC are less than actual

If Staff has any additional edits, please let me know before the end of the day today so that we may proceed with our Supplemental Testimony. Thank you for your cooperation.

David

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