

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET UE-220053

DOCKET UG-220054

DOCKET UE-210854

(Consolidated)

JOINT TESTIMONY OF

PATRICK D. EHRBAR (AVISTA)
ELIZABETH M. ANDREWS (AVISTA)
DEBORAH REYNOLDS (COMMISSION STAFF)
BRADLEY MULLINS (ALLIANCE OF WESTERN ENERGY CONSUMERS)
LAUREN MCCLOY (NW ENERGY COALITION)
BRADLEY CEBULKO (THE ENERGY PROJECT)
ED BURGESS (SIERRA CLUB)
ALEX J. KRONAUER (WALMART)
JAMES F. WILSON (SMALL BUSINESS UTILITY ADVOCATES)

IN SUPPORT OF THE FULL
MULTIPARTY SETTLEMENT STIPULATION

I. INTRODUCTION

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Q. Please state your names, titles, and the party you represent in this matter.

- A. Our names, titles, and representations are as follows:
- Patrick D. Ehrbar, Director of Regulatory Affairs, Avista
 - Elizabeth M. Andrews, Senior Manager of Revenue Requirements, Avista
 - Deborah Reynolds, Assistant Director of Conservation and Energy Planning, Commission Staff
 - Bradley Mullins, Consultant for MW Analytics, representing Alliance of Western Energy Consumers (AWEC)
 - Lauren McCloy, Policy Director, NW Energy Coalition (NWEC)
 - Bradley Cebulko, Manager at Strategen Consulting, The Energy Project
 - Ed Burgess, Senior Director at Stratagen Consulting, Sierra Club
 - Alex J. Kronauer, Senior Manager, Energy Services, Walmart
 - James F. Wilson, representing Small Business Utility Advocates

Together we are representatives of the “Settling Parties”¹ in this Joint Testimony.

Q. Are you sponsoring Joint Testimony in support of the Full Multiparty Settlement Stipulation filed with this Commission on June 28, 2022?

A. Yes. This Joint Testimony of the Settling Parties recommends approval of the Full Multiparty Settlement Stipulation (hereinafter “Settlement”) by the Washington Utilities and Transportation Commission (the “Commission” or “UTC”) that would resolve all issues as between them. As such, this Settlement resolves all issues in this proceeding, with the exception of matters affecting electric and natural gas revenue requirements, and such other issues as may be identified by Public Counsel. The Settlement represents a

¹ This Full Multiparty Settlement Stipulation is entered into by Avista Corporation (“Avista” or the “Company”), the Staff of the Washington Utilities and Transportation Commission (“Staff”), Alliance of Western Energy Consumers (“AWEC”), NW Energy Coalition (“NWEC”), The Energy Project (“TEP”), Sierra Club, Walmart, and Small Business Utility Advocates (“SBUA”), jointly referred to herein as the “Settling Parties.” These parties represent all parties to the case with the exception of the Public Counsel Unit of the Washington Attorney General’s Office (“Public Counsel”), which does not join the Settlement Stipulation.

1 compromise among differing points of view. Concessions were made by the Settling Parties
2 to reach a reasonable balancing of interests. As will be explained in the following
3 testimony, the Settlement received significant scrutiny and is supported by sound analysis
4 and sufficient evidence. Its approval is in the public interest. The Settlement has been
5 marked as Exh. JT-2.

6 **Q. Are you sponsoring any other exhibits other than Exh. JT-2?**

7 A. No, we are not.

8 **Q. What is the scope of your testimony?**

9 A. This Joint Testimony addresses Avista's general rate case filings in these
10 consolidated dockets and the scope of the Settlement and its principal aspects. It also
11 includes statements of the Settling Parties' views about why the Settlement satisfies their
12 interests and is in the public interest.

13 **Q. Would you briefly summarize the Full Multiparty Settlement**
14 **Stipulation?**

15 A. Yes. As part of the Settlement, the Settling Parties agree that, effective with
16 service on and after December 21, 2022 for Rate Year 1, Avista's annual electric revenues
17 would increase by \$38.0 million above October 1, 2021 approved levels, representing a
18 \$14.9 million reduction from the Company's original request of \$52.9 million. For Rate
19 Year 2, the Parties agree that effective with service on and after December 21, 2023,
20 Avista's annual electric revenues would increase by \$12.5 million above Rate Year 1 levels,
21 representing a \$4.6 million reduction from the Company's original Rate Year 2 request of
22 \$17.1 million.

23 In addition, the Settling Parties, agree to an annual overall natural gas revenue

1 increase of \$7.5 million effective December 21, 2022, above October 1, 2021 approved
2 levels; this is a \$3.4 million reduction from Avista's original request of \$10.9 million. For
3 Rate Year 2, the Parties agree that effective with service on and after December 21, 2023,
4 Avista's annual natural gas revenues would increase by \$1.5 million above Rate Year 1
5 levels, representing a \$0.7 million reduction from the Company's original Rate Year 2
6 request of \$2.2 million.

7 The overall increase in base electric rates in Rate Year 1 would be 6.9 percent² under
8 the Settlement, prior to Schedule 78 Customer Tax Credit refund described below – i.e.,
9 down from Avista's original request to increase base electric rates by 9.6 percent. The
10 Settling Parties agree that the electric Tax Customer Credit of \$27.6 million will be returned
11 to customers over a two-year period beginning December 21, 2022, through December 20,
12 2024, as described below, resulting in an overall billed rate increase of 4.3 percent for Rate
13 Year 1.

14 The incremental overall increase in base electric rates in Rate Year 2 would increase
15 by 2.1 percent³ under the Settlement, down from Avista's original Rate Year 2 request to
16 increase base electric rates by 2.8 percent.

17 For the overall natural gas increases, base rates for Rate Year 1 would increase
18 overall by 6.5 percent⁴ with the Settlement, prior to Schedule 178 Customer Tax Credit
19 refund described below – i.e., down from Avista's original request to increase base natural
20 gas rates by 9.5 percent. The Settling Parties agree that the natural gas Tax Customer Credit
21 of \$12.5 million will be returned to customers over a two-year period beginning December

² The net overall increase in electric billed rates, prior to the effect of the Customer Tax Credit refund, is 6.8 percent.

³ The net overall increase in electric billed rates is 2.2 percent.

1 21, 2022, through December 20, 2024, as described below, resulting in an overall increase
2 in billed rates of 0.7 percent.

3 The incremental overall increase in base natural gas rates in Rate Year 2 would
4 increase by 1.2 percent⁵ under the Settlement, down from Avista's original Rate Year 2
5 request to increase base electric rates by 1.7 percent.

6 Further, with the exception of certain items specifically called out below (e.g.,
7 overall Rate of Return), the overall electric and natural gas revenue requirements over the
8 Multi-Year Rate Plan (Rate Year 1 and Rate Year 2) are part of a "black box" settlement,
9 reflecting the give-and-take on multiple issues.

10 The Settling Parties have specifically agreed to an authorized Rate of Return of 7.03
11 percent.

12 The Settlement also addresses other items agreed to by the Settling Parties, including
13 electric and natural gas rate spread and rate design, as well as certain miscellaneous agreed-
14 to items including, but not limited to, agreement on Wildfire and Insurance balancing
15 accounts, Capital Project Review, Pro Forma Power Supply and Energy Recovery
16 Mechanism ("ERM") baseline, Performance Based Ratemaking metrics, specific Low
17 Income Terms, as well as agreement regarding the amortization of certain deferrals, as
18 further described below.

19 Lastly, as part of the Settlement, the Settling Parties agree to exclude all costs
20 associated with the Colstrip Unit 3 and 4 Dry Ash Project from the agreed-upon revenue
21 requirement, and Avista agrees to develop a separate tracking mechanism and tariff

⁴ The net overall increase in natural gas billed rates, prior to the effect of the Customer Tax Credit refund and including the effects of all other rate schedules such as inclusion of the cost of gas, is 4.0 percent.

⁵ The net overall increase in natural gas billed rates is 0.8 percent.

1 (“Schedule 99, Colstrip Tracker”) for all other Colstrip Unit 3 and 4 costs (exclusive of
2 transmission investment and those costs included in the ERM) including but not necessarily
3 limited to O&M expense, depreciation expense, D&R costs, and return on rate base.

4 Later in our testimony, we discuss in more detail the elements of the Settlement,
5 specifically the revenue requirement, electric and natural gas rate spread/rate design,
6 Colstrip Units 3 and 4 accounting, and all other issues as outlined in the Settlement.

7 **Q. What is the proposed effective date of the Settlement over the Multi-**
8 **Year Rate Plan?**

9 A. The Settlement calls for an effective date for Rate Year 1 of December 21,
10 2022 and for Rate Year 2 of December 21, 2023.

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II. QUALIFICATIONS OF WITNESSES

13 **Q. Patrick D. Ehrbar, please state your name, address and provide**
14 **information pertaining to your educational background and professional experience.**

15 A. My name is Patrick D. Ehrbar, and my business address is 1411 East Mission
16 Avenue, Spokane, Washington. I am presently assigned to the Regulatory Affairs
17 Department as the Director of Regulatory Affairs. I filed direct testimony in this proceeding
18 on behalf of Avista on January 21, 2022, and my educational background and professional
19 experience are described in that testimony, in Exh. PDE-1T.

20 **Q. Elizabeth M. Andrews, please state your name, address and provide**
21 **information pertaining to your educational background and professional experience.**

22 A. My name is Elizabeth M. Andrews, and my business address is 1411 East
23 Mission Avenue, Spokane, Washington. I am presently assigned to the Regulatory Affairs

1 Department as Senior Manager of Revenue Requirements in the Regulation Affairs
2 Department. I filed direct testimony in this proceeding on behalf of Avista on January 21,
3 2022, and my educational background and professional experience are described in that
4 testimony, in Exh. EMA-1T.

5 **Q. Deborah J. Reynolds, please state your name, address and provide**
6 **information pertaining to your educational background and professional experience.**

7 A. My name is Deborah J. Reynolds, and my business address is 621 Woodland
8 Square Loop SE, Lacey, Washington, 98503. I graduated from Washington State University,
9 receiving a Bachelor of Science degree in General Studies and a Master of Regional
10 Planning degree. I have attended many regulatory courses, including the 46th Annual
11 National Association of Regulatory Utility Commissioners (“NARUC”) Regulatory Studies
12 Program; “The Basics: Regulatory Principles Training” seminar presented by Center for
13 Public Utilities and NARUC; the Electric Utility Consultants, Inc.’s cost of service and rate
14 design workshops; and the International Energy Program Evaluation Conference; as well as
15 a number of other utility-related seminars, conferences, and training opportunities.

16 I am responsible primarily for the oversight of Commission Staff members who
17 review and evaluate conservation programs, participate in conservation and integrated
18 resource planning, and analyze issues such as decoupling, reliability, service quality, low-
19 income, and other issues in general rate case (“GRC”) and other tariff filings of electric and
20 natural gas utilities regulated by the Commission.

21 I provide technical assistance to companies on energy regulatory matters, participate
22 in the development of Commission rules, and examine utility reports for compliance with

1 Commission regulations. I have also presented Staff recommendations at numerous open
2 public meetings.

3 **Q. Lauren McCloy, please state your name, address and provide**
4 **information pertaining to your educational background and professional experience.**

5 A. My name is Lauren McCloy, and I am the Policy Director for the NW
6 Energy Coalition (“NWECC”). My business address is 811 1st Ave, Suite 305, Seattle, WA. I
7 have been employed by the NWECC since 2021. Previously, I worked as Senior Policy
8 Advisor to Governor Jay Inslee, where I led and managed a broad range of issues in support
9 of the Governor’s energy priorities, including the Clean Energy Transformation Act,
10 Climate Commitment Act, and elements of the state’s response to the COVID-19 pandemic.
11 Prior to serving in that role, I was the Legislative Director for the UTC, where I served as
12 the Commission’s liaison to the state Legislature and the Governor’s office, coordinated the
13 UTC’s legislative activities, and advised commissioners on energy policy and legislative
14 issues. Before joining the UTC’s policy staff, I worked as a Compliance Investigator in the
15 UTC’s Consumer Protection Division. I completed Utility Regulation 101 training with the
16 National Regulatory Research Institute in 2015 and Rate Spread and Rate Design training
17 with EUCI in 2016. I have a B.A. from the University of North Carolina at Chapel Hill and
18 an M.S. in International Development from Tulane University Law School.

19 **Q. AWEC, please state your name, address and provide information**
20 **pertaining to your educational background and professional experience.**

21 A. My name is Bradley G. Mullins. I am an energy and utilities consultant
22 representing utility customers in the western United States, and am appearing on behalf of
23 AWEC in this proceeding. My business address is Lummintie 13 FIN-90460 Oulunsalo,

1 Finland. I have a Master of Accounting degree from the University of Utah. After obtaining
2 my master's degree, I worked at Deloitte in San Jose, California, where I specialized in
3 performing research and development tax credit studies. I later worked at PacifiCorp as an
4 analyst involved in power cost forecasting. I currently provide services to utility customers
5 on matters such as revenue requirement, power cost forecasting, and rate spread and design.
6 I have sponsored testimony in regulatory jurisdictions around the United States, including
7 before the Washington Utilities and Transportation Commission (the "Commission").

8 **Q. The Energy Project, please state your name, address and provide**
9 **information pertaining to your educational background and professional experience.**

10 A. My name is Bradley Cebulko. I am a Manager at Strategen Consulting
11 located at 10265 Rockingham Dr. Suite #100-4061, Sacramento, CA 95827. I have been
12 employed by the Strategen since August 2021. Prior to joining Strategen, I served as a
13 Senior Advisor for Energy Strategy to the commissioners at the Washington Utilities and
14 Transportation Commission. At Strategen, I work with a range of clients on electric and
15 natural gas utility regulatory issues including new regulatory business models, integrated
16 resource planning, and gas decarbonization strategy. Prior to joining Strategen in 2021, I
17 worked at the Washington Utilities and Transportation Commission ("WUTC") for 8 years.
18 From 2016-2021, I was an Advisor to the commissioners of the WUTC, where I led the
19 commissioners' review of major filings and adjudications, rulemakings, and integrated
20 resource plans. From 2013-2016, I was an analyst with the WUTC Commission Staff
21 focused on electric and natural gas integrated resource planning ("IRP"), electric and natural
22 gas energy efficiency programs, and new program design and implementation. I have a
23 Master's in Public Policy and Governance from the University of Washington and a

1 Bachelor of Arts in Political Science from Colorado State University. I testified before the
2 UTC regarding Avista's service quality and reliability metrics in 2014 and 2015, and in
3 2016 on Puget Sound Energy's proposed appliance leasing program.⁶

4 **Q. Ed Burgess, please state your name, address and provide information**
5 **pertaining to your educational background and professional experience.**

6 A. My name is Edward Burgess. I am a Senior Director at Stratagen Consulting,
7 located at 10265 Rockingham Dr., Suite 100-4061, Sacramento, CA 95827. I oversee much
8 of the firm's utility-focused practice for governmental clients, non-governmental
9 organizations, and trade associations. Stratagen's team is globally recognized for its
10 expertise in the electric and gas utility sectors on issues relating to resource planning,
11 transmission planning, renewable energy, energy storage, rate design, cost of service,
12 program design, and utility business models and strategy. At Stratagen, I have managed or
13 supported projects for numerous client engagements related to these issues. I have testified
14 before the Washington UTC in UE-200900, Avista's GRC, and before analogous
15 commissions in California, Oregon, Indiana, Louisiana, Massachusetts, Michigan, Nevada,
16 and South Carolina. Before joining Stratagen in 2015, I worked as an independent
17 consultant in Arizona and for Arizona State University, where I helped launch their Utility
18 of the Future initiative as well as the Energy Policy Innovation Council. I have a
19 Professional Science Master's degree in Solar Energy Engineering and Commercialization
20 from Arizona State University as well as a Master of Science in Sustainability, also from

⁶ See *Washington Utilities and Transportation Commission v. Avista Corporation d/b/a Avista Utilities*, WUTC Dockets UE-140188 & UG-140189, *Washington Utilities and Transportation Commission v. Avista Corporation d/b/a Avista Utilities*, WUTC Dockets UE-150204 & UG-150205, and *Washington Utilities and Transportation Commission v. Puget Sound Energy*, WUTC Dockets UE-151871 & UG- 151872.

1 Arizona State. I also have a Bachelor of Arts degree in Chemistry from Princeton
2 University.

3 **Q. Alex J. Kronauer, please state your name, address and provide**
4 **information pertaining to your educational background and professional experience.**

5 A. My name is Alex J. Kronauer. My business address is 2608 SE J St.,
6 Bentonville, AR 72716-0550. I am employed by Walmart Inc. ("Walmart") as a Senior
7 Manager, Energy Services.

8 In 2011, I earned a Master of Business Administration at the McCombs School of
9 Business at The University of Texas at Austin with a concentration in Finance and
10 Investment Management. From 2011 to 2012, I was a Senior Financial Analyst at TXU
11 Energy, a Texas-based power supplier. My duties included load forecasting and analysis.
12 From 2012 to 2019, I was a Financial Analyst and later a Senior Financial Analyst at
13 CyrusOne, a data center provider in Dallas. I was involved in several power-related areas,
14 including demand response, power procurement, and power expense forecasting. I joined
15 the Walmart Energy Department in July 2019 as a Senior Manager. Since joining Walmart,
16 I have completed several utility-related training seminars and earned the Certified Rate of
17 Return Analyst ("CRRA") certification. I have submitted testimonies for state regulatory
18 commissions in Arkansas, Colorado, Massachusetts, Maryland, New Mexico, New York,
19 Oregon, Pennsylvania, Texas, and Washington on topics including return on equity and cost
20 of capital, fuel recovery, revenue allocation, and rate design.

21 **Q. James F. Wilson, please state your name, address and provide**
22 **information pertaining to your educational background and professional experience.**

23 A. My name is James F. Wilson. I am an economist and independent consultant

1 with over thirty-five years of consulting experience, primarily in the electric power and
2 natural gas industries. For the past 10 years, I have served as the Principal at Wilson Energy
3 Economics with a business address at is 4800 Hampden Lane 11 Suite 200, Bethesda,
4 Maryland 20814.

5 My experience in the utility field is diverse and extensive. Many of my assignments
6 have pertained to the economic and policy issues arising from the interplay of competition
7 and regulation in the electric power and gas industries, including restructuring policies,
8 market design, market analysis and market power. Other engagements have involved
9 resource adequacy and capacity markets, contract litigation and damages, forecasting and
10 market evaluation, pipeline rate cases, and evaluating allegations of market manipulation.

11 During the span of my career, I have submitted affidavits and testified before
12 numerous state regulatory agencies and the Federal Energy Regulatory Commission. My
13 papers have appeared in *the Energy Journal*, *Electricity Journal*, *Public Utilities Fortnightly*
14 and other publications. I have a Bachelor's degree in mathematics from Oberlin College
15 (1977) and a Master's degree in Engineering Economic Systems from Stanford University
16 (1982). I also spent five years in Russia in the early 1990s advising on the reform,
17 restructuring, and development of the Russian electricity and natural gas industries for the
18 World Bank and other clients.

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III. SETTLEMENT PROCESS

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Q. Would you please describe the process that led to the filing of the Settlement?

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A. Yes. Representatives of all parties appeared telephonically at an initial

1 settlement conference held on May 25 and 26, 2022, with additional telephonic and email
2 discussions through June 10, 2022, which led to this Settlement.

3 Extensive discussions occurred on all components of the Company's filing, such as
4 the cost of capital, rate base, and various expense items. Ultimately, with the exception of
5 certain items specifically called out below (e.g., Rate of Return), the overall electric and
6 natural gas revenue requirements for Rate Year 1 and Rate Year 2 were agreed to as part of
7 a "black box" settlement, reflecting the "give-and-take" on multiple issues by the Settling
8 Parties that characterizes settlement discussions and reflects a reasonable balance of
9 differing interests.⁷ Each of the Settling Parties ultimately agreed to concessions on matters
10 which would not have been agreed to if each of the Settling Parties were to proceed to
11 evidentiary hearings.

12 Significant discovery occurred over the months preceding finalization of the
13 Settlement. The Company responded to over 650 data requests (including sub-parts) and
14 provided the responses to all parties. As a result, the Settling Parties believe that the issues
15 were thoroughly vetted among themselves.

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IV. REVENUE INCREASES

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**Q. Please explain the Electric and Natural Gas Revenue increases outlined
in the Settlement over the Multi-Year Rate Plan.**

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A. After extensive discussions, the Settling Parties agree that Avista should
receive a \$38.0 million electric revenue increase for Rate Year 1, effective December 21,
2022. The Settling Parties also agree that Avista should receive a \$12.5 million electric

1 revenue increase for Rate Year 2, effective December 21, 2023. While Avista’s filing
2 requested an electric revenue increase of \$52.9 million for Rate Year 1 and \$17.1 million for
3 Rate Year 2, the agreed upon revenue increase reduces these Multi-Year Rate Plan amounts
4 by approximately \$14.9 million in Rate Year 1 and by approximately \$4.6 million in Rate
5 Year 2.

6 Similarly, the Settling Parties agree that Avista should receive a \$7.5 million natural
7 gas revenue increase for Rate Year 1, effective December 21, 2022. The Settling Parties
8 also agree that Avista should receive a \$1.5 million natural gas revenue increase for Rate
9 Year 2, effective December 21, 2023. While Avista’s filing requested a natural gas revenue
10 increase of \$10.9 million for Rate Year 1 and \$2.2 million for Rate Year 2, the agreed upon
11 revenue increase reduces these Multi-Year Rate Plan amounts by approximately \$3.4
12 million in Rate Year 1 and by approximately \$0.7 million in Rate Year 2.

13 **Q. Please explain the Settling Parties’ agreement in regard to the cost of**
14 **capital.**

15 A. The Settling Parties agree to a Rate of Return of 7.03 percent for both years
16 of the Multi-Year Rate Plan. The 7.03 percent also represents the “Allowance For Funds
17 Used During Construction” (“AFUDC”) rate used by the Company for various purposes.
18 However, as a “black box” settlement, it was not necessary to reach agreement on each of
19 the specific components of the cost of capital that otherwise make up the agreed-upon Rate

⁷ On or before September 14, 2022 the Company, on behalf of all parties, will file a “Joint Issues Matrix,” as is required in litigated rate cases. This will identify the components of Avista’ requested rate relief.

1 of Return.⁸

2 **Q. Please explain the components of the Stipulation related to the use of**
3 **Residual Tax Customer Credit refund amounts.**

4 A. The Settling Parties agree that the Residual Tax Customer Credit of
5 approximately \$27.6 million (electric) and \$12.5 million (natural gas) will be returned to
6 customers through separate Tariff Schedules 78 (electric) and 178 (natural gas) over a two-
7 year amortization period beginning December 21, 2022 through December 20, 2024.⁹

8 As discussed by Ms. Andrews at Exh. EMA-1T, the return of Washington's share of
9 remaining deferred tax credit balances expected as of December 31, 2023,¹⁰ over the two-
10 year period beginning December 21, 2022 and ending December 20, 2024, would mitigate,
11 in part, the Company's overall approved increases. The impact of the Residual Tax
12 Customer Credit offsets reduces the bill impact to Washington electric and natural gas
13 customers over the Two-Year Rate Plan. Inclusive of the Residual Tax Customer Credit and
14 all other rate adjustments, the Company's total increase approved by the Settling Parties in
15 Rate Year 1 to billed rates is 4.3 percent for electric operations and 0.7 percent for natural
16 gas operations. The allocation of the refund amounts across rate schedules will be
17 consistent with the agreed-upon proposal contained in Attachment A to Exh. JT-2.

⁸ While various formulations could be used to arrive at this Rate of Return, and no Settling Party has agreed upon any precise formulation of the components, a 7.03 percent Rate of Return could be derived using Avista's currently-authorized Return on Equity of 9.4 percent, 48.5 percent equity layer, 51.5 percent debt layer, and a 4.8 percent cost of debt that was updated during the case. This would produce a result within the zone of reasonableness.

⁹ As discussed by Ms. Andrews in Exh. EMA-1T, at page 52 - 55, these additional tax credits are in addition to the tax credits being returned to customers over the two-year period October 1, 2021 through September 2023 per Order 08/05 in Dockets UE-900200 et. al.

¹⁰ These balances reflect the actual deferred tax credit balances as of December 31, 2020 for Washington electric and natural gas operations, adjusted to include the annual estimated incremental tax credit deferrals from January 1, 2021 through December 31, 2023, and adjusted to exclude the annual estimated amortizations of the tax credit deferred balances per Order 08/05 in Dockets UE-200900, et al. (amortized October 1, 2021 through September 30, 2023).

V. RATE SPREAD/RATE DESIGN

Q. Please explain the provisions in the Settlement related to the electric and natural gas rate spread and rate design over the Multi-Year Rate Plan?

A. Regarding rate spread, the Settling Parties agree to the following for electric for Rate Year 1 and Rate Year 2:

Electric Rate Spread (000s)

Rate Year 1

<u>Rate Schedule</u>	<u>Increase in Base Rates</u>	<u>Increase in Base Rates</u>	<u>Increase in Billing Rates before Offset</u>	<u>Increase in Billing Rates with Offsets</u>
Residential Schedules 1/2	\$ 26,025	10.3%	10.8%	5.5%
General Service Schedules 11/12	\$ 3,264	4.0%	3.7%	3.7%
Large General Service Schedules 21/22	\$ 5,247	4.0%	3.7%	3.7%
Extra Large General Service Schedule 25	\$ 823	2.0%	2.0%	2.0%
Extra Large Special Contract	\$ 435	2.0%	1.9%	1.9%
Pumping Service Schedules 31/32	\$ 1,497	10.3%	9.5%	4.9%
Street & Area Lights Schedules 41-48	\$ 709	10.3%	10.0%	5.1%
Overall	\$ 38,000	6.9%	6.8%	4.3%

Rate Year 2

<u>Rate Schedule</u>	<u>Increase in Base Rates</u>	<u>Increase in Base Rates</u>	<u>Increase in Billing Rates</u>
Residential Schedules 1/2	\$ 6,318	2.3%	2.5%
General Service Schedules 11/12	\$ 1,919	2.3%	2.1%
Large General Service Schedules 21/22	\$ 3,087	2.3%	2.1%
Extra Large General Service Schedule 25	\$ 420	1.0%	1.0%
Extra Large Special Contract	\$ 222	1.0%	1.0%
Pumping Service Schedules 31/32	\$ 362	2.3%	2.2%
Street & Area Lights Schedules 41-48	\$ 172	2.3%	2.3%
Overall	\$ 12,500	2.1%	2.2%

1 **Natural Gas Rate Spread (000s)**

2 **Rate Year 1**

3 <u>Rate Schedule</u>	Increase in Base Rates	Increase in Base Rates	Increase in Billing Rates before Offset	Increase in Billing Rates with Offsets
4 General Service Schedules 101/102	\$ 5,931	6.6%	4.3%	0.7%
5 Large General Service Schedules 111/112/116	\$ 1,325	6.6%	3.1%	0.5%
Interrupt. Sales Service Schedules 131/132	\$ 15	6.6%	2.8%	0.5%
Transportation Service Schedule 146	\$ 229	6.6%	7.1%	1.2%
Overall	\$ 7,500	6.5%	4.0%	0.7%

6 **Rate Year 2**

7 <u>Rate Schedule</u>	Increase in Base Rates	Increase in Base Rates	Increase in Billing Rates
8 General Service Schedules 101/102	\$ 1,185	1.2%	0.8%
9 Large General Service Schedules 111/112/116	\$ 265	1.2%	0.6%
Interrupt. Sales Service Schedules 131/132	\$ 3	1.2%	0.6%
Transportation Service Schedule 146	\$ 47	1.2%	1.4%
Overall	\$ 1,500	1.2%	0.8%

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12 Regarding rate design, the Settling Parties agree to the rate design as proposed by

13 Avista in its direct case (Exh. JDM-1T at 10:11 (electric) and 26:8 (natural gas)), with the

14 exception of the basic charge proposals for Schedules 01/02 (electric) and 101/102 (natural

15 gas), which will remain at current levels. Attachment A to Exh. JT-2 provides a summary

16 of the current and revised rates and charges for electric and natural gas services.¹¹

17 **Q. Please describe the rate design that was agreed to in the Stipulation for**

18 **Rate Year 1 for electric service, as shown on page 2 of Attachment A.**

19 A. The components of rate design for Rate Year 1 are as follows:

- 20 1) The Residential Basic Charge (Schedule 1) will remain at \$9.00 per
- 21 month.
- 22 2) For the rate design of Schedule 1, the revenue applicable to the
- 23 volumetric rates is spread on a uniform percentage basis to the energy

1 blocks.

2 3) The Rate Design for all other Schedules will be as follows:

3 a) Schedules 11/12 will have an increase in the Basic Charge from
4 \$20.00 to \$21.00, and the variable demand charge will increase from
5 \$7.00 to \$7.50 per kilowatt in excess of 20 kW per month. The
6 remaining increase will be applied on a uniform percentage to the
7 energy blocks.

8 b) Schedules 21/22 will have an increase in the Basic Charge from \$550
9 to \$600 per month, and the variable demand charge will increase from
10 \$7.00 to \$7.50 per kilowatt in excess of 50 kW per month. The
11 remaining increase will be applied on a uniform percentage increase
12 to all energy blocks.

13 c) Schedules 25/Special Contract will have no increase in the Basic
14 Charge and variable demand charges. The increase will be applied
15 solely on a uniform percentage increase to all energy blocks.

16 d) Schedules 31/32 will have an increase in the Basic Charge from
17 \$20.00 to \$21.00. The remaining increase will be applied on a
18 uniform percentage increase to all blocks applicable to the schedules.

19 e) Street and Area Lighting (Schedules 41-48) will see a uniform
20 percentage increase.

21 **Q. Please describe the rate spread and rate design components of the**
22 **electric Residual Tax Customer Credit?**

23 A. The Settling Parties agree that the Residual Tax Customer Credit of
24 approximately \$27.6 million (electric) will be returned to customers through separate Tariff
25 Schedules 78 (electric) over a two-year amortization period beginning December 21, 2022.
26 The rate spread allocation of the refund amounts across rate schedules will be consistent
27 with the agreed-upon proposal contained in Attachment A, page 1 of the Stipulation. For

¹¹ Included with the Company's compliance filing in this proceeding, the Company will file a new level of

1 purposes of rate design, the Residual Tax Customer Credit will be returned to customers on
2 a uniform cent to the volumetric energy blocks by rate schedule.

- 3 a) The period by the Parties to review and file any responses to Avista’s Capital
4 Report, will be revised from 3 months to 4 months.¹⁸
- 5 b) Within 30 days of the completion of the review, Avista would file a petition
6 with the UTC to provide refunds, if any.
- 7 c) Any rate refunds to customers will occur through a separate tariff, with refunds
8 spread on an equal share of base rate revenues, exclusive of tax credit refunds.
- 9 d) For purposes of the Capital Projects Review and comparison of provisional
10 capital additions included in Rate Year 1 (2022 and 2023) and Rate Year 2
11 (2024), capital additions and the overall Rate Base are as filed, excluding the
12 Colstrip Dry Ash investment. Rate Year 1 overall rate base (net plant after
13 Accumulated Deferred Federal Income Taxes (“ADFIT”)) balances reflect
14 amounts as shown in Exh. EMA-1T, Table No. 4 of \$1,987,156,000 (less Dry
15 Ash of approximately \$3.1 million) for Washington electric, and \$510,148,000
16 for Washington natural gas. Rate Year 2 overall rate base (net plant after
17 ADFIT) balances reflect amounts as shown in Exh. EMA-1T, Table No. 4 of
18 \$2,067,662,000 (less Dry Ash of approximately \$2.1 million) for Washington
19 electric, and \$532,346,000 for Washington natural gas.

20
21 **XIII. NATURAL GAS TRANSITION ISSUES**

baseline values for the electric and natural gas decoupling adjustment mechanism, reflecting this Settlement.

¹⁸ Avista will file each Annual Report no later than three months after the calendar year-end (on or before March 31st) annually. The Parties filing in response will be no later than 4 months, or July 31st, annually.

1 **Q. Please explain the Natural Gas Transition Issues agreed to by the**
2 **Settling Parties per the Settlement.**

3 A. The Settling Parties agree to the terms set forth below:

4 a) Line Extension Allowances proposal - Avista shall provide in the
5 Compliance Filing immediately after issuance of the final order in this
6 case, with effective dates January 1, 2023, January 1, 2024, and January
7 1, 2025 the following tariff revisions for natural gas line extension
8 allowances:

9 i. No later than January 1, 2023, such tariff revisions shall reflect an
10 allowance based on the net present value (“NPV”) methodology
11 using a two-year timeframe.

12 ii. No later than January 1, 2024, such tariff revisions shall reflect an
13 allowance based on the NPV methodology using a one-year
14 timeframe.

15 iii. No later than January 1, 2025, such tariff revisions shall reduce
16 the line extension allowance to zero.

17 b) Avista shall integrate the consideration of “non-pipe alternatives” in its
18 gas distribution planning process. “Non-pipe alternatives,” at minimum,
19 shall include the use of demand-side management (“DSM”) measures,

1 including but not limited to building envelope efficiency measures,
2 electrification, and gas demand response programs. Avista must discuss
3 its consideration of “non-pipe alternatives” within its future natural gas
4 Integrated Resource Plans (“IRP”) and agrees to discuss with its Energy
5 Efficiency Advisory Group (“EEAG”) how DSM measures or programs
6 may best be used as a “non-pipe alternative.”

7 c) Avista shall provide quarterly reporting on the number of new gas
8 customer additions relative to new electric customer additions.

9 d) Avista agrees to include in its 2023 Natural Gas IRP, a natural gas system
10 decarbonization plan for complying with the Climate Commitment Act.

11 i. The Natural Gas IRP’s decarbonization plan shall include a supply
12 curve of decarbonization resources by price and availability, e.g.
13 energy efficiency bundle 1 costs X\$/ton of carbon dioxide equivalent
14 (“CO_{2e}”) reduction and can reduce Y tons of CO_{2e}, dairy RNG costs
15 A\$/ton and can reduce B tons of CO_{2e}.

16 ii. The decarbonization plan shall consider a comprehensive set of
17 strategies, programs, incentives, and other measures to encourage
18 new and existing customers to adopt fully energy efficient appliances
19 and equipment or other decarbonization measures, which could
20 include electrification.

21 iii. The decarbonization plan shall include targets for the ratio of new gas
22 customers added relative to new electric customers added in future
23 years.

1 services to named communities.

2 b) Percent of load shifted to off-peak periods attributable to TE tariff offerings by
3 use case, including electric vehicle (“EV”) load subject to managed charging.
4

5 **XV. PERFORMANCE BASED RATEMAKING**

6 **Q. Would you please describe what the Settling Parties have agreed to**
7 **related to Avista’s Performance Based Ratemaking proposed metrics and targets?**

8 A. Yes. First, the Settling Parties agree not to implement financial performance
9 incentive mechanisms (“PIMs”) proposed by the Company (Exh. PDE-1T, starting at pp. 25,
10 line 5 to pp. 35, line 13) in this docket. Further, the Settling Parties are not proposing any
11 targets at this time. Instead, Avista agrees to track the metrics listed in Attachment B to the
12 Stipulation, publish the results on Avista’s website, and maintain and make available to
13 stakeholders the historical results. Avista will update the data quarterly or annually, as
14 applicable, starting in calendar year 2023. Data will be updated within 45 days following the
15 end of each quarter or year.

16 i. For metrics published quarterly: within 45 days after the end of Q1 2023
17 Avista will publish the data.

18 ii. For metrics published annually: beginning within the first 45 days of
19 2023, Avista will publish metrics with data already tracked or readily
20 available. In Attachment B to the Stipulation, these metrics do not have
21

¹⁹ For Schedules 111/112/116, the allowance would drop from the present level of \$1.57 per therm to \$0.64 per therm in 2023, \$0.34 per therm in 2024, and \$0.00 per therm in 2025. Per Schedule 151, the allowances for all other schedules are calculated on a case-by-case basis, using the same NPV methodology in effect for Schedules 101/102/111/112 and 116.

- 1 iii. associated footnotes.
- 2 iv. In Attachment B to the Stipulation, certain metrics have associated
- 3 footnotes indicating the availability of data. Avista will report that data
- 4 according to the timeline specified in each footnote.

5 Avista agrees to report all metrics in real terms, using an appropriate measure of

6 inflation. Avista will work with the Settling Parties to agree upon additional reliability

7 metrics by the end of Rate Year 1 and start said process no later than March 31, 2023.²⁰

8 Avista will track and report these metrics beginning in Rate Year 2 of the Multi-Year Rate

9 Plan.

10

11

XVI. LOW-INCOME

12

Q. Would you please describe what the Settling Parties have agreed to related to Avista’s low-income programs?

13

14

A. Yes. The Settling Parties agree to the terms set forth below:

15

a) The Settling Parties recommend that the Commission’s Final Order in this proceeding not approve the Company’s proposal concerning the issues identified in section 24(a)(i) of the Stipulation. On July 1, 2023, Avista will make a subsequent filing (pursuant to WAC 480-07-885) providing the outcome of discussions with the Energy Assistance Advisory Group (“EAAG”) concerning these and other program design and implementation issues.

16

17

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21

i. Avista commits to further consult and seek consensus with its EAAG

²⁰ These metrics will have a granularity comparable to System Average Interruption Duration Index (“SAIDI”) and System Average Interruption Frequency Index (“SAIFI”) metrics by census tract and for Named Communities.

1 concerning the following program design and implementation issues:

- 2 1. Joint administration with enrollment by Avista or the Community
3 Action Partnership (“CAP”) agencies.
 - 4 2. Use of self-attestations of income and random audits instead of
5 verifying 100 percent of participating customers’ income.
 - 6 3. Managing overlap between Low Income Home Energy Assistance
7 Program and the bill discount program.
- 8 b) Avista’s proposal for the CAP agencies’ administration and program support
9 budget represents the minimum amount that will be made available for the 2023-
10 2024 and 2024-2025 Low Income Rate Assistance Program (“LIRAP”) program
11 years. Avista will collaborate with its EAAG to determine the appropriate
12 method, amounts, and administrative structure for future program years. Avista
13 agrees to include in its July 1, 2023, subsequent filing, and its September 2024
14 annual filing, any funding increase(s) proposed by the EAAG, which is subject to
15 Commission approval.
- 16 c) Expenses allowed to be recovered, or not, through Schedules 92 and 192, until
17 otherwise directed by the Commission.
- 18 i. Avista may recover through Schedule 92 and 192:
 - 19 1. Direct Services to customers;
 - 20 2. CAP Agency Admin & Program Delivery;
 - 21 3. CAP Agency Conservation Education Staff & Labor;
 - 22 4. Avista Conservation Education; and
 - 23 5. LIRAP Outreach Costs.
 - 24 ii. Avista may not recover any other expenses through Schedule 92 and 192,
25 including:
 - 26 1. Avista labor;

1 e) Avista agrees to the following related to low-income
2 conservation/weatherization:

3 i. Increase low-income conservation/weatherization funding to \$4 million
4 in 2023 and \$4.25 million in 2024, with funding continued to be provided
5 through tariff Schedules 91 and 191.

6 ii. In consultation with its EEAG, to develop a pilot program to overcome
7 the inability to weatherize homes because of deferred maintenance or
8 large repairs.

9 iii. To work with its EEAG to survey actual installed measure costs and
10 adjust rebate amounts per survey findings, if warranted; and fully fund all
11 low-income conservation measures based on survey results.

12
13 **XVII. CLIMATE COMMITMENT ACT**

14 **Q. Would you please describe what the Settling Parties have agreed to**
15 **related to the Washington Climate Commitment Act?**

16 A. Yes. The Settling Parties agree that within 60 days of the adoption of the
17 final Department of Ecology rules (WAC 173-446), Avista will begin consulting with its
18 applicable advisory groups concerning its plans for complying with the Climate
19 Commitment Act for electric and gas service, and the terms of any future tariff filing,
20 including the following:

21 i. Reporting requirements for the consignment of no-cost allowances for the benefit
22 of ratepayers,

23 ii. The accounting treatment of any proceeds from the consignment of allowances,

1 and

2 iii. The investment of any proceeds from the sale of allowances during the rate plan
3 including investments in projects that provide benefits to ratepayers including,
4 but not limited to, weatherization, decarbonization, conservation and efficiency
5 services, and bill assistance. (RCW 70A.65.130)

6

7 **XVIII. SMALL BUSINESS ENERGY EFFICIENCY**

8 **Q. Would you please describe what the Settling Parties have agreed to**
9 **related to Small Business Energy Efficiency?**

10 A. Yes. Avista agrees to discuss with its EEAG, and interested persons,
11 eligibility criteria for small business customers in its energy efficiency offerings and to
12 further explore mirroring residential customer offerings for small business customers.
13 Discussions must begin no later than June 30, 2023 and must include discussion of budget
14 impacts, to be funded through tariff Schedules 91 and 191, and a timeline to pursue
15 additional program offerings for small business customers, to be completed no later than
16 December 31, 2023.

17

18 **XIX. ELECTRIC SERVICE RELIABILITY REPORT PLAN**

19 **Q. Would you please describe what the Settling Parties have agreed to**
20 **related to the Electric Service Reliability Report?**

21 A. Yes. Avista agrees to work with interested parties to clarify the presentation
22 and distinction of “Washington-only” metrics (versus “system-wide” metrics), particularly
23 with regard to SAIFI, SAIDI and Customer Average Interruption Duration Index

1 performance and historical trends. The final reporting plan would be included with the
2 compliance filing. Further, Avista agrees to participate in any multi-party collaborative
3 which might be established that seeks to establish common measures and reporting formats
4 among Washington investor-owned utilities for electric distribution system reliability.

5
6 **XX. MISCELLANEOUS**

7 **Q. Please explain the miscellaneous issues agreed to by the Settling Parties**
8 **per the Settlement.**

9 A. The Settling Parties agreed to additional miscellaneous items as follows:

10 a) The Settling Parties agree to customary provisions for stated depreciation rates
11 and regulatory amortizations as filed for certain adjustments by the Company.
12 Without Commission authorization, the Company would be unable to
13 amortize/depreciate these balances. The regulatory Amortizations, as discussed
14 by Ms. Andrews within her testimony at Exh. EMA-1T, relate to the
15 amortization of prior approved deferrals and remaining balances.²² See
16 Attachment D to Exh. JT-2 for the listing of Regulatory Amortizations
17 previously approved by the Commission, the amortization period and annual
18 amount over the Multi-Year Rate Plan.

19 b) The Settling Parties agree to Avista's proposal to move the rate effective date for

²² As described in Andrews Testimony at Exh., EMA-1T, the electric and natural gas AMI Adjustments 3.04 (pp. 104, line 3 – pp. 105, line 7) and natural gas LEAP Adjustment 3.04 (pp. 107, line 7 – pp. 108, line 12) Regulatory Amortizations were approved in their respective Dockets as shown in Attachment D to Exh. JT-2. The amortization pro forma adjustment simply result in reflecting the appropriate amount of amortization expense during each year of the MYRP. Also described by Ms. Andrews, at Exh. EMA-1T, (pp. 105, line 8 – pp. 107, line 6), electric and natural gas Adjustment 3.05 “Other Amortizations,” results from the amortization of miscellaneous prior approved electric and natural gas Regulatory Deferral balances outstanding, with a proposed two-year amortization period.

1 the annual Schedule 98 REC filing from July 1 to August 1 to coincide with
2 other rate changes (Miller Testimony, Exh. JDM-1T, pp. 34, ll. 10-14), the
3 proposed LIRAP Schedule 92/192 effective dates from October 1 to November 1
4 (Bonfield Testimony, Exh. SJB-1T, pp. 36, ll. 9-17), and the Wildfire Deferral
5 filing date from July 31 to September 1, and the effective date from October 1 to
6 November 1, (Andrews Testimony, Exh. EMA-1T, pp. 63, ll. 6-17).

7 c) In its next general rate case, Avista agrees to provide recommendations on
8 streamlining its existing required annual reporting obligations (provided in
9 Docket U-210501). Avista agrees to provide a detailed matrix of all reporting
10 obligations annually along with any recommendations for streamlining, as
11 provided in Docket U-210501, in matrix form.

12 d) Avista agrees to provide templates and vendor contact information for any Power
13 Supply vendor software licensing agreements (i.e., Energy Exemplar, etc.)
14 between staff and vendors with each filing.

15 e) Decoupling Earnings Test – Mr. Ehrbar in his testimony, at Exh. PDE-1T, pp.
16 37-38 describes how the existing earnings test conflicts with the RCW
17 80.28.425(6) earnings test. The Settling Parties agree that the RCW 80.28.425(6)
18 earnings test will be adopted.

20 **XXI. PUBLIC INTEREST**

21 **Q. Before providing each Party's separate statement of support, what have**
22 **the Settling Parties agreed to regarding the effect of the Settlement on any future rate**
23 **proceedings?**

1 A. The Settlement represents a negotiated compromise among the Settling
2 Parties. Thus, the Settling Parties have agreed that no particular party shall be deemed to
3 have approved the facts, principles, methods, or theories employed by any other in arriving
4 at these stipulated provisions, and that the terms incorporated should not be viewed as
5 precedent setting in subsequent proceedings except as expressly provided. In addition, the
6 Settling Parties have the right to withdraw from the Settlement if the Commission adds any
7 additional material conditions or rejects any material part of the Settlement.

8 **Q. Does each Party's Statement of Support below represent each party's**
9 **view of why the Settlement is in the public interest?**

10 A. Yes. The following statements are provided from the perspective of each of
11 the Settling Parties, and as such, represent their views only. As such, no other party shall
12 be deemed to have agreed to the statements of a particular party.

13 **Statement of Avista**

14 **Q. Please explain why Avista believes the Settlement is in the public**
15 **interest.**

16 A. The Settlement was a compromise among differing interests and represents
17 give-and-take by the Settling Parties, representing a broad cross-section of Avista's
18 customer base. As such, the Settlement strikes a reasonable balance between the interests of
19 Avista and its customers on revenue requirement, Rate of Return, rate spread and rate
20 design, as well as a variety of issues included in the Settlement that are important to the
21 Settling Parties. Overall, this Settlement, if approved, provides for recovery of additional
22 costs and results in retail rates that are fair, just, reasonable and sufficient, per the
23 requirement of RCW 80.28.010, and was entered into, only after extensive discovery, audit

1 and review of the Company’s filing and books and records.

2 This case also presents the unique opportunity to make use of additional offsetting
3 Residual Tax Customer Credits. Partially offsetting the electric increase for customers, as a
4 part of this Settlement, the Settling Parties agree that the Residual Tax Customer Credit of
5 approximately \$27.6 million (electric) and \$12.5 million (natural gas) will be returned to
6 customers through separate Tariff Schedules 78 (electric) and 178 (natural gas) over a two-
7 year amortization period beginning December 21, 2022, offsetting in part, the impact of the
8 approved increase in this proceeding. Inclusive of the Residual Tax Customer Credit and all
9 other rate adjustments, the Company’s requested total increase in Rate Year 1 to billed rates,
10 is therefore, 4.3 percent for electric operations and 0.7 percent for natural gas operations.

11 This case represents the first opportunity to present a Rate Plan under the recent
12 legislation. Avista chose to propose a two-year plan to mitigate some of the risk associated
13 with a longer plan and to await further guidance from the Commission in other litigated
14 proceedings. But this two-year plan still carries with it substantial risk, if we don’t “get the
15 first year right,” in terms of revenue requirement; the problem of under-recovery will
16 compound itself through the rate plan. While still a compromise, the agreed-upon revenue
17 requirement seeks to do just that.

18 Moreover, the Settlement contains safeguards to assure that the revenue requirement
19 over the course of the rate plan is predicated only on plant that is used and useful and in-
20 service, and if not, the associated revenue requirement is subject to refund, all in accordance
21 with the capital review process. And, of course the SB 5295 earnings test is there as a
22 safeguard.

23 Other noteworthy features of the Settlement include an additional balancing account

1 for insurance expense, which along with the wildfire balancing account will address
2 substantial increases and/or fluctuations over time, to assure that customers pay no more or
3 no less than actual expenses incurred.

4 Moreover, an additional 92 metrics were agreed-upon, and detailed in Attachment B
5 to the Settlement. Those metrics address: Affordable Service (Nos. 1-15); Capital Formation
6 (Nos. 16-17); Equitable Service (Nos. 18-34); Electric Reliability (Nos. 35-49); Wildfire
7 (Nos. 50-66); Customer Experience (Nos. 67-72); Pollution and Greenhouse Gas Emissions
8 (Nos. 73-79); Electric Grid Benefits (Nos. 80-89); and Natural Gas System Benefits (Nos.
9 90-92).²³ This comprehensive set of metrics will call for substantial effort from the
10 Company to gather, collect, and analyze, requiring additional resources.

11 Also noteworthy was the effort to incorporate considerations of “equity” into the
12 planning process, especially as it relates to the disadvantaged and vulnerable populations.
13 This is true for the development of Business Cases, and additional effort will be made to
14 develop methods and standards for a “distributional equity analysis.”

15 Other provisions of the Settlement address “natural gas transition” issues, low-
16 income needs and concerns, along with program modifications, and call for increased
17 involvement by the Energy Assistance Advisory Group in the development of new
18 renewable energy projects for the direct benefit of low-income customers. Increased low-
19 income conservation/weatherization is also called for.

20 Compliance with the Climate Commitment Act is also addressed, by means of
21 consultation with advisory groups to develop plans for compliance. Further efforts to refine
22 an “electric service reliability plan” are also discussed. Finally, treatment of Colstrip

1 investments was also addressed, with an agreed-upon process for addressing future
2 investments.

3 All in all, this Settlement represents a comprehensive package designed to address
4 the concerns of all constituencies. The public interest is served by the comprehensive nature
5 of this Settlement, reflecting the views of many.

6 **Statement of Commission Staff**

7 **Q. Please explain why Staff believes the Settlement is in the public interest.**

8 A. The Settlement yields a reasonable outcome for revenue requirement over the
9 course of the next two years, including, but not limited to: cost of capital, Colstrip, capital
10 planning process, distributional equity analysis, natural gas transition issues, transportation
11 electrification, performance-based measures, low-income with a focus on named communities,
12 and the Climate Commitment Act. It strikes a balance between the needs of the Company and its
13 customers while addressing new requirements of regulation by incorporating equity
14 components.

15 Based on Staff's extensive review of the Company's filing, Staff believes the
16 Settlement, taken as a whole and with consideration of the issues Staff intended to present if
17 the case were to be fully litigated, meets the Commission's settlement approval standard,
18 and ultimately results in rates that are fair, just, reasonable, and sufficient. While Staff
19 believes equity is very broad and incorporates multiple dimensions, the Settlement is in the
20 public interest because it addresses the equitable distribution of benefits and Avista agreed
21 to further incorporate equity into the Company's decision-making processes going forward.

22

²³ These are all in addition to the number of metrics and reports Avista already provides to the Commission and certain parties, as outlined in Mr. Ehrbar's testimony (Exh. PDE-1T, pp. 21-24).

1 **Statement of AWEC**

2 **Q. Please explain why AWEC believes the Settlement is in the public**
3 **interest.**

4 A. AWEC finds that the settlement is in the public interest for several reasons.
5 The Settlement memorializes an outcome negotiated by all parties in this proceeding. As
6 such, it reflects the varied and comprehensive interests of a diverse group of stakeholders.
7 The fact that the Settlement is supported by most stakeholders, with limited potential
8 opposition, following extensive discovery and arm's length settlement negotiations,
9 supports the conclusion that the interests of all stakeholders are reflected in the agreement
10 and therefore, it is in the public interest. The Settlement also provides Avista with the
11 opportunity to recover additional costs while appropriately balancing impacts to customers,
12 resulting in rates that are fair, just, reasonable and sufficient in accordance with RCW
13 80.28.010. As such, AWEC recommends that the Commission approve the Settlement as
14 proposed.

15 **Statement of The Energy Project**

16 **Q. Please explain why TEP believes the Settlement is in the public interest.**

17 A. TEP believes that the Settlement is in the public interest for several reasons.
18 First, the Settlement paves the way for Avista to implement a five-tier bill discount program
19 and programs that address arrearages, the combination of which shows promise as a
20 cornerstone strategy to reduce household energy insecurity and retain access to essential
21 utility service in Washington. Second, the Settlement requires Avista to file a work plan to
22 facilitate the development a renewable energy project for the direct benefit of low-income
23 customers. Third, the Settlement includes changes that will allow Avista's low-income

1 conservation program to serve more customers. Fourth, Avista agrees to track and report
2 various metrics concerning affordability and equity. And finally, Avista agrees to
3 incorporate equity and a distributional equity analysis into its capital planning processes. As
4 a result, TEP supports the Settlement and recommends the Commission approve it in whole.
5 I describe the Settlement's treatment of low-income programs and performance-based
6 ratemaking in my separate testimony.

7 **Statement of NWEC**

8 **Q. Please explain why NWEC supports the Multiparty Settlement**
9 **Stipulation ("Settlement") filed with the Commission on June 28, 2022 in these**
10 **dockets.**

11 A. NWEC supports the Multiparty Settlement Stipulation for several reasons.

12 **Q. Does the Settlement resolve NWEC's issues as it relates to Avista's**
13 **Colstrip investments?**

14 A. The Settlement resolves our issues in part and defers our issues in part.
15 NWEC believes that any expenditures for capital additions that extend the life of the
16 Colstrip plant should be disallowed. The Settlement includes a \$4.0 million write-off of
17 Avista's Washington share of expenditures in the Colstrip Dry Ash Waste Disposal Facility.
18 We support this term. All other proposed preliminary expenditures included in Avista's
19 initial filing are removed from base rates, for potential recovery through a separate Schedule
20 99 - Colstrip tracker. The Settling parties agree to work collaboratively to develop this
21 tracker by July 31, 2022. NWEC believes that it would be reasonable for the Commission
22 to preemptively disallow the preliminary budget amounts for a number of life-extending
23 capital additions at Colstrip during the Multi-Year Rate Plan. However, as part of a

1 comprehensive settlement agreement, we support the removal of these costs from base rates
2 for separate treatment in a standalone docket. NWECC reserves the right to challenge the
3 prudence of these investments in a future proceeding.

4 **Q. Does the Settlement resolve NWECC's issues as it relates to rate design?**

5 A. NWECC has long held that customer charges should reflect only the cost of
6 adding a new customer to the grid. Generally, these costs include billing and metering and
7 should not include any additional fixed cost category, in whole or in part. NWECC believes
8 the current customer charges are sufficient to cover these billing and metering costs and
9 should not be increased.

10 Furthermore, increased customer charges have the effect of reducing the value of
11 energy efficiency investments. Given that the Washington investor-owned electric utilities
12 did not meet their most recent biennial conservation targets, we believe that now is not the
13 right time to create barriers to energy efficiency.

14 Regarding rate spread, NWECC asserts that rate parity among customer classes is but
15 one of several principles that should be necessarily balanced during the rate setting process.
16 Rate stability, incremental change, and overall fairness are similarly important and should
17 be given equal weight to rate parity. Indeed, calculating rate impacts through a cost of
18 service study is both an art and a science, and the purposeful emphasis of one rate design
19 principle at the expense of another is inherently outcome determinative.

20 Residential and small commercial customers are not financially equipped to handle
21 large augmentations to rates for the sole purpose of rate parity. For this reason, true parity
22 has not been present in rate design for some time. While rate parity is an ideal, it must be

1 effectively balanced with other principles to ensure customers are protected from rate shock
2 and the subsequent inability to pay bills. This is especially true for low-income customers.

3 NWEC believes the Settlement terms comes closer to achieving this balancing act
4 than the initial Avista proposal. It should be noted, however, that residential customers still
5 face larger rate increases than other customer classes, which should be taken into
6 consideration in future rate proceedings.

7 **Q. Does the Settlement address NWEC’s issues as it relates to natural gas**
8 **customer growth?**

9 A. Yes, though NWEC would have proposed a shorter timeline, the Settlement
10 includes a reasonable compromise to phase-out Avista’s natural gas line extension
11 allowance by 2025. We also support the commitment for Avista to integrate the
12 consideration of “non-pipe alternatives” in its gas distribution planning process, including
13 building envelope efficiency measures, electrification, and gas demand response programs.
14 We look forward to working with Avista and members of its advisory groups to implement
15 this term of the settlement.

16 **Q. Does the Settlement address NWEC’s issues as it relates to the Climate**
17 **Commitment Act (RCW 70A.65)?**

18 A. Yes, to a degree. However, more work will need to be done in future
19 dockets. For example, the Commission must adopt a forecast to be used for the allocation of
20 no-cost allowances to Avista’s electric business under RCW 70A.65.120, and Avista must
21 establish how it intends to consign allowances “for the benefits to ratepayers” under RCW
22 70A.65.120(4) and 70A.65.130(2). The Settlement does not include a provision to ensure
23 that the forecast used for allowance allocation to electric utilities will be based on a model

1 that is well-vetted, robust, and as closely representative of utility system operations as
2 possible. In order for the forecast to approximate actual system operations, it must
3 incorporate the impacts of the Clean Energy Transformation Act and the effects of a carbon
4 price on resource dispatch. The design, assumptions, and process for adopting the forecast
5 are not addressed in this Settlement. Neither does the Settlement address how Avista
6 intends to consign allowances “for the benefit of ratepayers” pursuant to RCW
7 70A.65.120(4) and 70A.65.130(2).

8 However, the Settlement includes a number of terms that commit to future work to
9 meet Avista’s compliance obligations under the Climate Commitment Act. First, Avista is
10 required to develop a decarbonization plan in its 2023 Natural Gas IRP which must consider
11 a comprehensive set of strategies, programs, incentives, and other measures to decarbonize
12 its natural gas system. This is a critical first step for Avista to effectively manage its
13 compliance obligation and reduce the costs and risks to its customers. Second, the
14 settlement requires Avista to consult with its applicable advisory groups concerning its plans
15 for complying with the Climate Commitment Act for electric and gas service. This
16 consultation must include the terms of any future tariff filing, as well as reporting
17 requirements, accounting treatment of any proceeds from the sale of allowances, and the
18 investment of any proceeds from the sale of allowances pursuant to RCW 70A.65.130.
19 Given that the cap-and-trade program goes into effect in January 2023, it is appropriate for
20 Avista to begin working with stakeholders and the Commission 60 days after the final rule
21 is adopted, to develop a plan for compliance and accounting treatment for any costs and
22 revenues that accrue to Avista under the program. NWECA believes that the no-cost
23 allowances created by the program are regulatory assets conferred by the state of

1 Washington to utilities for the purpose of demonstrating compliance with the Climate
2 Commitment Act. While the UTC does not have a role in allocating these allowances or
3 overseeing the auctions, customers and the public have an interest in ensuring that the
4 utilities are achieving the requirement to consign allowances for the benefit for ratepayers.
5 We believe this issue falls within the UTC's public interest and rate-setting purview. We
6 therefore support the Settlement's commitment to future work on reporting requirements,
7 accounting treatment, and reinvestment options.

8 **Q. Does the Settlement resolve NWECC's issues as it relates to TE?**

9 A. Yes, the Settlement includes a compromise on Avista's request for an
10 incentive Rate of Return on TE investments, subject to the establishment of two
11 performance metrics that we support, and a commitment to ensure that all of Avista's
12 publicly-accessible charging stations must meet minimum payment method requirements
13 pursuant to RCW 19.94.565. Concerning performance metrics, Avista has committed to
14 track the following:

- 15 a. Percent of utility-owned and supported EVSE by use case located within
16 and/or providing direct benefits and services to named communities.
17 b. Percent of load shifted to off-peak periods attributable to TE tariff offerings
18 by use case, including EV load subject to managed charging.

19 We believe these metrics capture two of the most important policy goals of Avista's
20 TE programs – the need to provide direct benefits and services to named communities and
21 the need to avoid TE adding to peak load through managed charging.

22 Concerning minimum payment methods, we acknowledge that the Settlement only
23 requires Avista to comply with RCW 19.94.565. In 2021, the Washington legislature
24 passed SB 5192, which among other things, requires all publicly accessible electric vehicle
25 charging stations to offer multiple payment methods. The bill requires the Washington

1 Department of Agriculture to adopt rules to implement this statewide requirement under its
2 weights and measures authority. The draft rule language, issued on April 11, 2022, aligns
3 with California’s minimum payment method standards, which require three minimum
4 payment methods:

- 5 • A credit card reader that accepts an Europay, Mastercard, and Visa (“EMV”)
6 chip at the EVSE unit or a kiosk
- 7 • A mobile payment device on the EVSE unit or kiosk
- 8 • A toll-free number on each EVSE unit or kiosk

9 We believe that the inclusion of all three payment methods is essential because it is
10 necessary to facilitate charging sessions for unbanked, underbanked, or low-moderate
11 income drivers, as required by RCW 19.94.565. In particular, EMV chip card readers
12 provide the broadest convenient and reasonable access to EV charging. According to the
13 California Air Resources Board’s Technology Review, over 85 percent of all card-present
14 transactions globally used EMV chip technology and EMV chip cards will continue to be
15 the foundation for payment processing.²⁴ Further, 43 percent of drivers with incomes less
16 than \$50,000 do not have a tap card and 30 percent of drivers with incomes less than
17 \$50,000 do not have access to smartphones with contactless payment ability.²⁵

18 We acknowledge that the final rules implementing this statute have not yet been
19 adopted by the Washington State Department of Agriculture.

²⁴ California Air Resources Board, Electric Vehicle Supply Equipment Standards Technology Review (Feb. 2022)

<https://ww2.arb.ca.gov/sites/default/files/2022-02/EVSE%20Standards%20Technology%20Review%204Feb22.pdf>.

²⁵ According to the California Air Resources Board, at the end of 2020, there were nearly 11 billion EMV chip cards in global circulation, and over 85 percent of all card-present transactions globally used EMV chip technology. Credit card-issuing companies and EMVCo have indicated that EMV chip cards will continue to be the foundation for payment processing while tap is rolled out. Notably, veterans’ benefits, social security, and SSI disability payments are all paid out on the Direct Express Debit MasterCard, which does not require a bank account. This is an EMV chip card, which does not have tap/contactless payment capability. Credit card readers are therefore one way to make it easier for consumers to use this equipment, and to expand access to these services to vulnerable populations, which is critical to meeting our climate goals and equity goals.

1 **Q. Does the Settlement resolve NWEC’s issues in regard to Avista’s**
2 **implementation of performance measures, as required by RCW 80.28.450?**

3 A. NWEC supports the list of metrics included in the Settlement.

4 **Q. What is your recommendation with regards to the Settlement?**

5 A. I recommend the Commission approve the Settlement in full. The agreement
6 represents an example of a successful solution developed from diverse interests coming
7 together to forge collective agreement.

8 **Statement of Sierra Club**

9 **Q. Please explain why Sierra Club believes the Settlement is in the public**
10 **interest, and in the interest of public health and the environment.**

11 A. Sierra Club intervened in this proceeding to advocate for a responsible,
12 equitable transition away from reliance on fossil fuels and toward a clean energy portfolio.
13 The Settlement advances these economic, public health, and environmental interests by
14 phasing out Avista’s gas line extension allowances and tracking key metrics that will help
15 assess and advance progress toward an equitable clean energy transition in future
16 proceedings.

17 Washington law, including the Climate Commitment Act, the Clean Energy
18 Transformation Act, and Senate Bill 5295, requires utilities to take key steps to equitably
19 and rapidly reduce greenhouse gas emissions. Investments in further expansion of the gas
20 distribution system and addition of new gas customers are inconsistent with utilities’ climate
21 obligations under Washington law. Not only do these investments imperil progress toward
22 Washington’s climate commitments and expose residents to harmful indoor and outdoor air
23 pollution, they also risk shouldering ratepayers with stranded asset costs as the clean energy

1 transition continues.

2 Line extension allowances for new gas customers are a significant driver of gas
3 system expansion. The Settlement will advance the public interest and Washington’s climate
4 commitments by phasing these allowances out between 2023 and 2025.

5 The Settlement also includes several measures to increase transparency and monitor
6 progress toward an equitable clean energy transition. These include consideration of “non-
7 pipe alternatives” in gas distribution planning (which include electrification and other
8 demand-side management measures), reporting on new gas customer additions and
9 development of related targets, a gas system decarbonization plan that assesses the cost and
10 availability of decarbonization resources (which could include electrification), publication
11 of metrics related to equitable service and emission reductions, and others. These measures
12 will help incorporate Washington’s equitable decarbonization commitments into Avista’s
13 planning and future Commission proceedings, resulting in decisions that better serve the
14 public interest.

15 **Statement of Walmart**

16 **Q. What is Walmart’s Recommendation to the Commission?**

17 A. Walmart recommends that the Commission accept the Settlement Stipulation.
18 The Settlement Stipulation is a fair outcome of arm’s length negotiations between the
19 parties and is in the public interest.

20 **Statement of SBUA**

21 **Q. What is SBUA’s Recommendation to the Commission?**

22 A. SBUA recommends that the Commission accept the Settlement Stipulation.
23 This Settlement Stipulation benefits small commercial ratepayers by starting a process for

1 them to potentially receive new benefits associated with Avista’s energy efficiency offerings
2 and by tracking performance based ratemaking metrics associated with small commercial
3 customers. SBUA further agrees that other components of the settlement agreement
4 represent a fair compromise and reasonable balancing of interests between the settling
5 parties. Because the Settlement Stipulation resulted from fair, arms-length negotiations
6 between a broad range of parties representing various customer classes, including small
7 commercial customers, SBUA believes it is in the public interest and should be adopted.

8

9

XXII. CONCLUSION

10 **Q. In conclusion, why is this Settlement “in the public interest?”**

11 A. This Stipulation should be approved for the following reasons:

12

13 • It strikes a reasonable balance between the interests of the Company
14 and its customers, including its low-income customers. As such, it
15 represents a reasonable compromise among differing interests and
16 points of view.

17

18 • The Company’s general rate case filing has been subjected to great
19 scrutiny through the discovery process: approximately six months
20 have passed since the case was filed and the Company has responded
21 to over 650 data requests (including sub-parts).

22

23 • Ample opportunity has been afforded all Settling Parties to participate
24 meaningfully in the settlement process.

25

26 • In the final analysis, any settlement reflects a compromise, in the
27 give-and-take of negotiations; the Commission, however, has before
28 it a Settlement that is supported by sound analysis and sufficient
29 evidence. Its approval is “in the public interest,” and satisfies the
30 requirement that rates be fair, just, reasonable and sufficient.

31

32 **Q. Are there legal standards that must be satisfied with respect to any**
33 **settlement?**

1 A. Yes. The Commission’s charge is to regulate in the public interest. The
2 settlement, if approved, must result in rates that are fair, just, reasonable, and sufficient.
3 (RCW 80.28.010.) As such, the Commission must not only assure fair prices and services
4 to customers, but also “provide the utility with rates sufficient to cover its prudently
5 incurred costs and an opportunity to recover a return on its investment.” (WUTC v Avista
6 Corporation, Docket Nos. UE-050482/UG-050483, Order No. 05 (December 21, 2005) at p.
7 10.) In the final analysis, it is the “end result” that matters, not the methods by which rates
8 are determined. (Id., at p.11). The settlement represents the Settling Parties’ best efforts at
9 arriving at an end result that satisfies these requirements.

10 **Q. Does that conclude your pre-filed direct testimony?**

11 A. Yes, it does.