

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

DOCKET NO. UE-991606

DOCKET NO. UG-991607

REBUTTAL TESTIMONY OF ROBERT D. ANDERSON

REPRESENTING THE AVISTA CORPORATION

WUTC		
DOCKET NO. <u>UE-991606</u>		
EXHIBIT # <u>T-349</u>		
ADMIT	W/D	REJECT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Exhibit T-349 (RDA-T)

I. INTRODUCTION

1 Q. What is your name, business address, and permanent position?

2 A. My name is Robert D. Anderson. I am the Manager of the Hydro Licensing
3 and Safety Department at Avista Corp., 1411 E. Mission Avenue, Spokane, Washington.

4 Q. Did you previously file direct testimony in this case?

5 A. Yes, I did.

6 Q. What is the purpose of your rebuttal testimony in this case?

7 A. My purpose here is to address the issues raised in direct testimony by Staff
8 witness Thomas E. Schooley regarding the costs necessary to comply with the new FERC
9 License Order and Settlement Agreement for the re-licensing of the Company's Clark Fork
10 River hydro projects, the 236 mw Cabinet Gorge Plant and the 466 mw Noxon Rapids
11 Plant.

12 Q. How do you respond to staff witness, Thomas E. Schooley, as described in
13 Exhibit _____ (TES - T) on page 10, that the Company should be allowed only a total
14 of \$1,268,000 for implementation of the Clark Fork Settlement Agreement?

15 A. Mr. Schooley's proposal allows only those expenses identified in each of
16 the Protection, Mitigation and Enhancement Measures (PM&E) with no allowance for
17 administrative costs to manage the 26 PM&Es. Mr. Schooley further states on page 11 of
18 Exhibit T - _____ (TES - T), that "the Company provides inadequate details to quantify
19 any known and measurable incremental costs" and contains "mere guesses as to legal fees
20 or company labor." Within my testimony, and in my Exhibits ____ (RDA-1) and
21 ____ (RDA-2) I am providing the detail to address Mr. Schooley's concern.

22 Q. Would you please explain Exhibit ____ (RDA-1)?

1 A. Yes, Exhibit ___ (RDA-1) is a revised and updated budget totaling
2 \$965,064 for administration costs supporting the Clark Fork Project License Order &
3 Settlement Agreement. This amount is significantly less than the \$1,390,000 included in
4 the original 1998 budget version and includes only the administrative costs not included in
5 the 1998 test year data, previously submitted to the Commission. An explanation of why a
6 significant portion of the administrative costs were not included in 1998 test year data is
7 included later in my testimony.

8 Q. Would you provide an explanation for the revision to the administrative
9 costs?

10 A. Yes. The revised administrative budget couples our previous 1998 estimate
11 with over a year's knowledge and experience gained implementing the Settlement
12 Agreement. We have now filled all staff and agency positions, and have worked closely
13 over the past year with the Management Committee, established by the Settlement
14 Agreement, to develop and obtain approval of the annual work plans and budgets. Avista
15 funds the 26 PM&Es within the Settlement Agreement, which amounts to approximately
16 \$2.7 million annually in both expense and capital items for direct "on the ground"
17 programs. Administrative costs are accounted for separately from the 26 PM&E funds
18 resulting in a total annual cost of approximately \$3.7 million in capital, expense, and
19 administration costs. Another \$3.0 million, in one-time and periodic costs, is committed
20 within the PME's for "on the ground" programs. In addition, the administrative costs do
21 not account for the potential expenditures to manage the mitigation program for high
22 dissolved total gas levels below Cabinet Gorge or costs which may occur above the
23 budgeted amounts for fish passage. To manage and implement these programs
24 cooperatively, with prudent application of Avista funding, requires a complement of Avista

1 personnel and agency personnel who are accountable for showing progress toward
2 achieving goals established by the Settlement Agreement and ultimately FERC.

3 Q. Would you provide a detailed description of the staffing needs and
4 accountabilities necessary to implement the Settlement Agreement, and comply with the
5 FERC License Order for the Clark Fork Projects.

6 A. Yes. Exhibit ___ (RDA-2) lists the Avista and agency personnel assigned
7 to the Clark Fork Projects and major accountabilities. It is important to note that personnel
8 responsible for program management are accountable for managing Avista funding in
9 addition to their other tasks including field work, conducting studies and report writing.

10 Q. Would you characterize how the administrative costs and organizational
11 structure necessary to implement the Settlement Agreement benefits Avista ratepayers in
12 Washington State.

13 A. The committees, and staffing requirements necessary to manage the provisions of
14 the Settlement Agreement, were established to provide a highly interactive and
15 collaborative framework, to continue the successful working relationships established
16 during the three year negotiation process, and minimize conflict and adversity too often
17 observed with other hydro re-licensing proceedings. The collaborative approach taken by
18 Avista to reach this precedent setting Settlement Agreement, and then to collaboratively
19 manage the agreement into the future, has been instrumental for preserving the economic
20 load following and peaking operation of the Clark Fork Projects and maintaining certainty
21 of costs over the 45-year license term. The economic analysis conducted by FERC in the
22 Final EIS showed a loss of the net annual benefit of only 9.3% and when compared to
23 other recently re-licensed hydro projects demonstrates an exceptionally favorable outcome

1 benefiting ratepayers. This information was previously provided to Staff and Intervenors
2 in Staff Data Request No. 8.

3 Q. Would you provide additional information regarding the detailed
4 breakdown of the revised budget for administrative costs, as it relates to 1998 test year
5 data?

6 A. Yes. None of the expenses shown in Exhibit ___ (RDA-1) were reflected in
7 the 1998 test year expenses submitted to the Commission. Reasons include the hiring of
8 additional Avista staff since 1998, capitalization of expenditures incurred in 1998 that will
9 be expensed in subsequent years, and the contracts now in place for the three aquatic
10 program leaders with the U.S. Fish and Wildlife Service, Idaho Fish and Game, and
11 Montana Dept. of Fish, Wildlife and Parks.

12 Q. Are you submitting a revision to the total costs requested by the Company
13 to comply with the FERC License Order and Settlement Agreement?

14 A. Yes. Exhibit ___ (RDA-3) is a revision to my earlier Exhibit No. 346. The
15 major difference between Exhibit No. 346 and Exhibit ___ (RDA-3) is the inclusion of all
16 the administrative costs in the latter. Exhibit No. 346 was mistakenly reduced by \$736,180
17 for re-licensing administrative costs that were capitalized during 1998. This has been
18 corrected in Exhibit ___ (RDA-3). The revised budget, requested by the Company for
19 implementation of the Clark Fork Settlement Agreement, is therefore \$2,173,100, as
20 shown in Exhibit ___ (RDA-3).

21 Q. Does this conclude your rebuttal testimony in this case?

22 A. Yes, it does.