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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR THE AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR ELECTRIC AND NATURAL GAS SERVICE TO ELECTRIC AND NATURAL GAS CUSTOMERS IN THE STATE OF IDAHO	)	CASE NO. AVU-E-17-01 DIRECT TESTIMONY OF JEFF A. SCHLECT

FOR AVISTA CORPORATION

(ELECTRIC ONLY)

I. <u>INTRODUCTION</u>

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

A. My name is Jeff A. Schlect. I am employed by Avista Corporation as Senior Manager, FERC Policy and Transmission Services. My business address is 1411 East Mission, Spokane, Washington.

Q. Please briefly describe your educational background and professional experience.

A. I am a 1988 graduate of Washington State University with a degree in Electrical Engineering. I spent five years with Puget Sound Energy in distribution engineering and operations positions prior to joining the Company in 1993 as a Transmission Planning Engineer. Over the past 23 years, in addition to stints in Customer Service and Power Supply I have worked primarily in the Transmission Operations area with responsibilities covering Federal Energy Regulatory Commission (FERC) transmission policy and compliance with open access transmission regulations, transmission contracts, transmission and generation interconnection processes, and regional transmission policy coordination. I have authored testimony in Bonneville Power Administration (BPA) power and transmission rate proceedings and provided comment before the US Senate

Subcommittee on Water and Power. In my current role I have responsibility for all transmission revenue and expenses and provide support to the Company's transmission capital planning process.

Q. What is the scope of your testimony?

A. My testimony presents Avista's transmission revenues and expenses included in the Company's request for rate relief over the Two-Year Rate Plan effective January 1, 2018 and ending December 31, 2019.

A table of contents for my testimony is as follows:

Description **Page**

Q. Are you sponsoring any exhibits?

A. Yes. Exhibit No. 9, Schedule 1 provides the transmission revenue and expense during the Two-Year Rate Plan effective January 1, 2018.

II. TRANSMISSION EXPENSES FOR TWO-YEAR RATE PLAN

Q. Please describe the adjustments to the twelve-months-ended December 31, 2016, test year transmission expenses, to arrive at transmission expenses included in this case effective January 1, 2018.

A. Adjustments were made in this filing to incorporate updated information for any changes in transmission expenses from the 2016 test year to that used in this case effective January 1, 2018. As can be seen in Exhibit No. 9, Schedule 1, I have provided the expected changes in transmission expenses from the 2016 test year through 2019. As noted on Exhibit No. 9, Schedule 1, the calendar 2018 Pro Forma level of transmission expenses are used during the Two-Year Rate Plan (January 1, 2018 – December 31, 2019), as these amounts will be known by the new rate effective date beginning January 1, 2018, and are not expected to change materially during 2019. Company witness Ms. Andrews pro forms this level of transmission expense within her requested revenue requirement in this case. The changes in expenses and a description of each is summarized in Table No. 1 below, and an explanation of each change follows the table. Each expense item described below is at a system level and is included in Exhibit No. 9, Schedule 1. Supporting workpapers for each of the expense items have been included with the Company's filed case.

Table No. 1:

Transmission Expense Adjustment	
	(System) (1)
NWPP	$ 12,000
Colstrip O&M - 500kV Line	32,000
ColumbiaGrid Funding	15,000
ColumbiaGrid PEFA	70,000
ColumbiaGrid Order 1000 Functional Agreement	25,000
NERC CIP	(12,000)
OASIS	10,000
PEAK Reliability - Reliability Coordination	37,000
WECC Dues	24,000
WECC - Loop Flow	10,000
Addy BPA Substation	-
Hatwai BPA Substation	-
Total change in Transmission Expense	**$223,000**

(1) Represents the change in expenses above or below the 2016 historical test year level.

Northwest Power Pool (NWPP) ($12,000) – Avista pays its share of NWPP operating costs. The NWPP serves the electric utilities in the Northwest by facilitating coordinated power system operations and planning, including contingency generation reserve sharing, Columbia River water coordination and providing support to coordinated regional transmission planning. Avista's share of the costs is expected to be $76,000, an increase of $12,000 over the 2016 test year. This estimated increase in expense is based upon the three-year average growth rate in actual NWPP expenses.

<u>Colstrip O&M – 500kV Line</u> ($32,000) – Avista is required to pay its portion of the operation and maintenance (O&M) costs associated with its joint ownership share of the Colstrip Transmission System pursuant to the Colstrip Project Transmission Agreement. Under this agreement, NorthWestern Energy (NWE) operates and maintains the Colstrip Transmission System. In accordance with NWE's proposed Colstrip construction and maintenance plan, the Company's expected share of Colstrip O&M expense during the rate year is $319,000. This is an increase of $32,000 from the actual expense of $287,000 incurred during the 2016 test year.

<u>ColumbiaGrid Funding</u> ($15,000) – Avista became a member of the ColumbiaGrid regional transmission organization in 2006. ColumbiaGrid's purpose is to enhance transmission system reliability and efficiency, provide cost-effective coordinated regional transmission planning, develop and facilitate the implementation of solutions relating to improved use and expansion of the interconnected Northwest transmission system, and support effective market monitoring within the Northwest and the entire Western interconnection. Avista supports ColumbiaGrid's general developmental and regional coordination activities under the ColumbiaGrid Funding Agreement and supports specific functional activities under the Planning and Expansion Functional Agreement (PEFA) and the FERC Order 1000 Functional Agreement. Avista's ColumbiaGrid general funding expenses for the 2016 test year were $89,000. The general funding expenses during the rate year are expected to be $104,000.

ColumbiaGrid PEFA ($70,000) – The ColumbiaGrid PEFA[1] was accepted by FERC on April 3, 2007, and Avista entered into the PEFA on April 4, 2007. Coordinated transmission planning activities under the PEFA allow the Company to meet its coordinated regional transmission planning requirements set forth in FERC Order 890 issued in February 2007, and as outlined in the Company's Open Access Transmission Tariff. Actual PEFA expenses for the 2016 test year were $132,000. The Company's PEFA expenses during the rate year are expected to be $202,000,

[1] Under the PEFA, ColumbiaGrid coordinates regional grid expansion planning based on a single-utility concept for the combined transmission grids of its planning parties. The goal of grid expansion planning is to determine reasonable solutions to transmission grid issues pertaining to serving load and complying with reliability standards. The PEFA sets forth the responsibilities of ColumbiaGrid and each planning party to complete annual transmission system assessments and a Biennial Transmission Expansion Plan. While the Company is required by FERC to participate in a coordinated regional planning process, the biennial transmission planning process under the PEFA is enhanced by the participation of many non-FERC jurisdictional entities, including BPA, with whom the Company has more transmission interconnections than with any other entity.

reflecting ColumbiaGrid's staffing levels and planning-related expenses to support the PEFA.

<u>ColumbiaGrid Order 1000 Functional Agreement</u> ($25,000) – FERC Order 1000 requirements are implemented under the Amended and Restated Order 1000 Functional Agreement, signed on November 11, 2014 (Order 1000 Agreement). This contract with ColumbiaGrid called for a $50,000 payment late in 2014 that covered two years of payments for 2015 and 2016 (expensed in 2015). Beginning in 2017, this contract calls for an annual payment of $25,000.

<u>NERC Critical Infrastructure Protection (CIP)</u> (-$12,000) – The Company has purchased several software and hardware products to assist in protecting critical transmission control systems from intrusion and to meet applicable North American Electric Reliability Corporation (NERC) standards. These products provide for physical security, intrusion detection, virus protection and vulnerability assessment. The Company's NERC CIP expenses are expected to be $75,000 during the rate year, a decrease of $12,000 from the 2016 test year actual expenses of $87,000.

<u>OASIS</u> ($10,000) – These Open Access Same-Time Information System (OASIS) expenses are associated with travel and training costs for transmission pre-scheduling and OASIS personnel.

This travel is required to monitor and adhere to NERC reliability standards, regional criteria development, FERC OASIS requirements and OASIS user group forums with software vendor Open Access Technology International, Inc. (OATI). Issues regarding the software are discussed and requests are made with the vendor for additional features that will be needed for compliance standards mandated by NERC, NASB and FERC. Expenses during the 2016 test year were $0 due to the Company hosting a major OATI user group forum in lieu of traveling. Accordingly, these expenses are expected to go up by $10,000 during the rate year.

Peak Reliability – Reliability Coordination ($37,000) – The Company's Peak Reliability (PEAK) fees are expected to increase from the amount paid in the historical test year from $678,000 to $715,000 during the rate year. The formation of PEAK is attributable to the FERC requirement that the western interconnection reliability coordination function be corporately and physically separated from other Western Electricity Coordinating Council (WECC) functions. This "bifurcation" was primarily the result of a transmission system outage in the Pacific Southwest on September 8, 2011. A reference to the disturbance including "Causes and Recommendations" may be found at:

http://www.ferc.gov/legal/staff-reports/04-27-2012-ferc-nerc-report.pdf. The Company is required to obtain reliability coordination services under NERC standards. PEAK's budget is approved by its independent board of directors and is allocated to the members of PEAK based upon net energy used to serve load within a member's balancing area. Detailed allocation information is available on PEAK's website www.peakrc.com. The Company's total WECC and PEAK allocations have increased an average of 13.7% over the past five years. The Company is expecting its PEAK allocation to increase approximately 5.5% during the rate effective period.

WECC – Dues ($24,000) – WECC is the designated Regional Entity under federal statute responsible for coordinating and promoting Bulk Electric System reliability throughout the western interconnection. WECC is responsible for monitoring and measuring Avista's compliance with reliability standards and has substantially increased its staff and other resources to meet these FERC requirements. The Company's 2016 test year WECC dues and fees were $421,000. The Company's total WECC and PEAK allocations have increased an average of 13.7% over the past five years. The Company's WECC allocation is expected to be $445,000, an increase of 5.7%, during the rate effective period.

WECC - Loop Flow ($10,000) – Loop Flow charges are spread across all transmission owners in the west to compensate utilities that make system adjustments to eliminate transmission system congestion throughout the operating year. WECC Loop Flow charges can vary from year to year since the costs incurred are dependent on transmission system usage and congestion. Loop Flow expenses for the 2016 test year were $35,000. Loop Flow expenses are expected to be at $45,000 during the rate year.

Addy BPA Substation ($0) – The Company pays operation and maintenance fees to BPA associated with a 115kV circuit breaker in BPA’s Addy Substation that provides a direct interconnection for Avista’s retail load. These expenses for the 2016 test year were $9,000 and are expected to remain unchanged during the rate year.

Hatwai BPA Substation ($0) – The Company pays operation and maintenance fees to BPA associated with a 230kV circuit breaker owned by Avista, but located in BPA’s Hatwai Substation. These expenses for the 2016 test year were $23,000 and are expected to remain unchanged during the rate year.

III. <u>TRANSMISSION REVENUES FOR TWO-YEAR RATE PLAN</u>

Q. Please describe the adjustments to 2016 test year transmission revenues to arrive at transmission revenues included in this case effective January 1, 2018.

A. Adjustments have been made in this filing to incorporate updated information for transmission revenue from the 2016 test year to that used in this case for the Two-Year Rate Plan, effective January 1, 2018. As can be seen in Exhibit No. 9, Schedule 1, revenues have been adjusted to 2018 Pro Forma levels, and there are no expected changes in transmission revenues during 2019.

Each revenue item described below is at a <u>system</u> level and is included in Exhibit No. 9, Schedule 1. Ms. Andrews has pro formed the transmission revenues within the revenue requirement in this case, reducing transmission revenues downward by $2,163,000 effective January 1, 2018. Table No. 2, below, provides a detailed summary of the changes in transmission revenues. An explanation of each change follows the table. Supporting workpapers for each of the revenue items have been included with the Company’s filed case.

Table No. 2:

Transmission Revenue Adjustment	
	(System) (1)
BPA - Transmission	$ (68,000)
- Low Voltage	184,000
- Ancillary Services	456,000
Consol Irrig Dist - Transmission	-
- Low Voltage	4,000
- Ancillary	4,000
East Greenacres - Transmission	-
- Low Voltage	-
- Ancillary	1,000
Grant PUD Transmission	-
Spokane Indian Tribe - Transmission	-
- Low Voltage	-
- Ancillary	2,000
Seattle/Tacoma Main Canal	(7,000)
Seattle/Tacoma Summer Falls	62,000
OASIS nf & stf Whl (Other Whl)	535,000
Pacificorp - Dry Gulch	14,000
Spokane Waste to Energy Plant	-
Columbia Basin Hydropower	-
First Wind Transmission	(200,000)
Palouse Wind O & M	-
Stimson Lumber	-
BPA Parallel Capacity Support	(2,268,000)
Morgan Stanley Capital Group	(600,000)
Hydro Tech Systems - Meyers Falls	-
Deep Creek Hydro	-
Kootenai Electric Cooperative Transmission	-
Kootenai Electric Cooperative Ancillary	5,000
BPA Excess Transmission Sales(2)	(287,000)
	$ (2,163,000)

(1) Represents the change in revenues above or below the 2016 historical test year level.

(2) Removes test year revenue associated with marketing unused BPA transmission capacity to other BPA transmission customers.

The Company provides transmission service to wholesale customers under the jurisdiction of the FERC. The components of what has traditionally been known as “wheeling” service include: (i) transmission service over the Company’s transmission facilities that are operated at or above 115kV, (ii) ancillary services (generation-related services that are required to be offered in conjunction with transmission service) and (iii) low-voltage wheeling services over substation and distribution facilities that are operated below 115kV. With respect to ancillary services, the Company attained FERC acceptance of revised ancillary service rates effective September 1, 2016. Rates for Regulation Service and Operating Reserves – Spinning increased from $8.94/kW-month to $12.83/kW-month, while the rate for Operating Reserves – Supplemental increased from $8.94/kW-month to $11.82/kW-month. All ancillary service rate adjustments noted herein are due primarily to this rate change.

Bonneville Power Administration (**Transmission**: -$68,000) (**Low Voltage**: $184,000) (**Ancillary Services**: $456,000) – Network Integration **Transmission** Service revenue, which is dependent upon variable BPA load amounts each month, is estimated based upon a three-year average for the 2014-2016 time period, resulting in a figure of $6,164,000 for the rate year compared to $6,233,000 for the 2016 test year. The Company attained FERC acceptance of increased substation and **low**

voltage charges effective April 1, 2016, so the 2016 test year included three months' time with the prior charges. Estimated revenues for the rate year are $1,663,000 compared to $1,479,000 during the 2016 test year, reflecting an increase of $184,000 from the test year. Using three-year average monthly peak load figures and the new **ancillary service** rates effective September 1, 2016, the Company estimates annual ancillary service revenue of $2,244,000 during the rate year compared to $1,788,000 during the test year, an increase of $456,000.

Consolidated Irrigation District (**Transmission**: $0) (**Low Voltage**: $4,000) (**Ancillary Services**: $4,000) – The prior transmission and distribution service agreements expired on September 30, 2016 and new agreements were executed to be effective through September 30, 2021. Point-to-Point **Transmission** Service revenue for the 2016 test year was $32,000 and is expected to remain unchanged during the rate year. **Low voltage** revenue for the 2016 test year was $81,000 while charges under the new Electric Distribution Services Agreement will result in revenue of $85,000 per year during the rate year. **Ancillary service** revenue during the 2016 test year was $6,000 and, using three-year average peak load figures, is expected to be $10,000 during the rate year.

East Greenacres Irrigation District (**Transmission**: $0) (**Low Voltage**: $0) (**Ancillary Services**: $1,000) – Current transmission and distribution service agreements will remain in effect through September 30, 2019. Point-to-Point **Transmission** Service revenue for the 2016 test year was $11,000 and is expected to remain unchanged during the rate year. **Low voltage** revenue under the current Electric Distribution Service Agreement for the 2016 test year was $51,000 and is expected to remain unchanged during the rate year. **Ancillary service** revenue during the 2016 test year was $5,000 and, using three-year average peak load figures, is expected to be $6,000 during the rate year.

Grant County PUD – Transmission ($0) – Revenue under the Power Transfer Agreement was $28,000 for the 2016 test year. Using three-year average load figures the Company is estimating annual revenue of $28,000 during the rate year.

Spokane Tribe of Indians (**Transmission**: $0) (**Low Voltage**: $0) (**Ancillary Services**: $2,000) – Current transmission and distribution service agreements will remain in effect through December 31, 2019. Point-to-Point **Transmission** Service revenue for the 2016 test year was $29,000 and is expected to remain unchanged during the rate year. **Low voltage** revenue under the current Electric Distribution Service Agreement for the 2016 test year was $20,000 and is expected to remain unchanged during the rate year. **Ancillary service** revenue during the 2016 test year was $5,000 and, using three-year average peak load figures, is expected to be $7,000 during the rate year.

Seattle and Tacoma – Main Canal Project (-$7,000) – Effective March 1, 2008, and continuing through October 31, 2026, the Company entered into long-term point-to-point transmission service arrangements with the City of Seattle and the City of Tacoma to transfer output from the Main Canal hydroelectric project, net of local Grant County PUD load service, to the Company's transmission interconnections with Grant County PUD. Service is provided during the eight months of the year (March through October) in which the Main Canal project operates, and the agreements include a three-year ratchet demand provision. Revenues under these agreements totaled $362,000 during the 2016 test year and are expected to be $355,000 during the rate year.

Seattle and Tacoma – Summer Falls Project ($62,000) – Effective March 1, 2008, and continuing through October 31, 2024, the Company entered into long-term use-of-facilities arrangements with the City of Seattle and the City of Tacoma to transfer output from the Summer Falls hydroelectric project across the Company's Stratford Switching Station facilities to the Company's Stratford interconnection with Grant County PUD. Charges under these use-of-facilities arrangements are based upon the Company's investment in its Stratford Switching Station and are not impacted by the Company's transmission service rates under its Open Access Transmission Tariff. The Company attained FERC acceptance of revised use-of-facilities rates effective August 2016. Revenues under these two contracts totaled $118,000 in the 2016 test year and under the revised rates will be $180,000 during the rate year.

OASIS Non-Firm and Short-Term Firm Transmission Service ($535,000) – OASIS is an acronym for Open Access Same-time Information System. This is the system used by electric transmission providers for selling available transmission capacity to eligible customers. The terms and conditions under which the Company sells its transmission capacity via its OASIS are pursuant to FERC regulations and Avista's Open Access Transmission Tariff. The Company calculates its rate year adjustments using a three-year average of actual OASIS Non-Firm and Short-Term Firm revenue. OASIS transmission revenue may vary significantly depending upon a number of factors, including current wholesale power market conditions, forced or planned generation resource outage situations in the region, the current load-resource balance status of regional load-serving entities, and the availability of parallel transmission paths for prospective transmission customers.

The use of a three-year average is intended to strike a balance in mitigating both long-term and short-term impacts to OASIS revenue. A three-year period is intended to be long enough to mitigate the impacts of non-substantial temporary operational conditions (for generation and transmission) that may occur during a given year, and short-enough so as to not dilute the impacts of long-term transmission and generation topography changes (e.g., major transmission projects which may impact the availability of the Company’s transmission capacity or competing transmission paths, and major generation projects which may impact the load-resource balance needs of prospective transmission customers). If there are known events or factors that occurred during the period that would cause the average to not be representative of future expectations, then adjustments may be made to the three-year average methodology. However, volatility in OASIS revenue from year-to-year can be expected, entirely outside the scope and purview of the Company as a transmission provider. In this filing, the Company is using a three-year average for the time period of January 2014 to December 2016. The OASIS revenue for the 2016 test year was

$2.373 million and the three-year average calculated during the rate year is $2.908 million.

PacifiCorp Dry Gulch ($14,000) – Revenue under the Dry Gulch use-of-facilities agreement has been adjusted to $232,000 during the rate year, which is a $14,000 increase from the 2016 test year actual revenue of $218,000. The Company is calculating its adjustment using a three-year average of actual revenue. Revenue under the Dry Gulch Transmission and Interconnection Agreement with PacifiCorp varies depending upon PacifiCorp's loads served via the Dry Gulch Interconnection and the operating conditions of PacifiCorp's transmission system in this area. The use of a three-year average is intended to mitigate the impacts of potential annual variability in the revenues under the contract. The contract includes a twelve-month rolling ratchet demand provision and charges under this agreement are not impacted by the Company's open access transmission service tariff rates.

Spokane Waste to Energy Plant ($0) – The City of Spokane pays a use-of-facilities charge for the ongoing use of its interconnection to Avista's transmission system. Use-of-facilities charges for the 2016 test year were $28,000 and are expected to remain unchanged during the rate year.

Columbia Basin Hydropower ($0) – The Company provides operations and maintenance services on the Stratford-Summer Falls 115kV Transmission Line to Columbia Basin Hydropower (formerly known as the Grand Coulee Project Hydroelectric Authority) under a contract signed in March 2006. These services are provided for a fixed annual fee. Annual charges under this contract totaled $8,100 in the 2016 test year and will remain the same during the rate year.

First Wind Transmission (-$200,000) – First Wind Energy Marketing (FWEM) signed a transmission service contract with the Company based on its initial intent to sell the output from a wind facility to an entity other than Avista. FWEM subsequently sold the output of its Palouse Wind facility to Avista, thus voiding its need for transmission service. FWEM extended its start date for transmission service the maximum allowed five years and, as of February 2017 has defaulted on the transmission service contract. The Company filed a request with FERC in March 2017, to terminate the contract and obtained FERC acceptance of cancellation effective May 31, 2017. The Company received $200,000 in revenue under this agreement in the 2016 test year and, following termination, will not receive any further revenue[2].

Palouse Wind O&M ($0) – Per Avista's interconnection agreement with the Palouse Wind project, the interconnection customer pays O&M fees associated with directly-assigned interconnection facilities owned and operated by Avista. O&M revenue for the 2016 test year was $52,000. Revenue during the rate year is expected to remain unchanged.

Stimson Lumber ($0) – Low-voltage facilities associated with the Company's Plummer Substation are dedicated for use by Stimson Lumber resulting in low voltage use-of-facilities revenue of $9,000 during the 2016 test year. Revenue during the rate year is expected to remain unchanged.

Bonneville Power Administration – Parallel Capacity Support (-$2,268,000) – Avista and BPA executed a Parallel Operation Agreement on December 12, 2012, wherein Avista provides BPA with parallel transmission capacity in support of BPA's integration of several wind resource projects. In 2014 BPA indicated its intent to construct additional transmission facilities to bypass Avista's system and terminate this

[2] Under the cancellation terms accepted by FERC, the Company will receive proceeds totaling approximately $1,450,000. While these amounts are not reflected in either the 2016 test year or 2018 rate period, these amounts will be recorded as transmission revenue by June 2017 and reflected in the Company's Power Cost Adjustment mechanism.

agreement. Avista and BPA completed over two years of negotiations and executed a revised Parallel Capacity Support Agreement that went into effect February 1, 2017, which provides for a reduced payment stream by BPA but with an extended minimum term of ten years, through December 2026. Revenue for the 2016 test year was $3,192,000. Reduced annual revenue under the revised agreement during the rate year and beyond is $924,000, a reduction of $2,268,000 from the 2016 test year.

Morgan Stanley (-$600,000) – Morgan Stanley Capital Group purchased 25 MW of Long-Term Firm Point-to-Point Transmission Service from January 1, 2013 to December 31, 2017. Revenue for the 2016 test year was $600,000 and will be reduced to $0 during the rate year, due to the expiration of the contract.

Hydro Tech Systems ($0) – Low-voltage facilities in the Company's Greenwood Substation are dedicated for use by the Meyers Falls generation project resulting in low voltage use-of-facilities revenue of $6,000 during the 2016 test year. Revenue during the rate year is expected to remain unchanged.

Kootenai Electric Cooperative – Fighting Creek (**Transmission**: $0) (**Ancillary Services**: $5,000) – Kootenai Electric Cooperative (KEC) has purchased 3 MW of Long-Term Firm Point-to-Point **Transmission** Service from April 1, 2014 to March 31, 2019. Transmission revenue for the 2016 test year was

$72,000 and is expected to remain unchanged during the rate year. **Ancillary service** revenue during the 2016 test year was $18,000 and is expected to be $23,000 during the rate year. As noted above the Company attained FERC acceptance of revised ancillary service rates effective September 1, 2016. Rates for Regulation Service and Operating Reserves – Spinning increased from $8.94/kW-month to $12.83/kW-month, while the rate for Operating Reserves – Supplemental increased from $8.94/kW-month to $11.82/kW-month, this increase is due to this rate change.

IV. TRANSMISSION EXPENSES FOR POTENTIAL ENERGY IMBALANCE MARKET PARTICIPATION

Q. Please provide detail about any transmission expense associated with the Company potentially joining the CAISO Western Energy Imbalance Market?

A. The Company is not including any transmission expense related to participation in the California Independent System Operator (CAISO) Western Energy Imbalance Market (EIM) in this filing. As discussed by Company witness Mr. Kinney, the Company is currently evaluating the costs and benefits of joining the CAISO EIM and anticipates making a decision on when to join the market by the end of 2017. The Company is monitoring several operational drivers such as market liquidity and additional renewable integration in our service territory that could influence our timing to join the market.

Mr. Kinney explains that EIM integration expenses are estimated to be $3 million, with another $12 million in capital additions, while ongoing EIM operational expenses are expected to be from $3 to $5 million annually. The Company expects approximately two thirds of these costs will relate to transmission and system operations expense, with the remaining expense related to energy resource and technology expenses. The Company is not requesting recovery of costs in this filing. However, for any such expenses that may be incurred during the Two-Year Rate Plan proposed by the Company in this case, the Company may submit a filing for accounting or ratemaking treatment of these costs prior to the end of the Two-Year Rate Plan.

Q. Does this complete your pre-filed direct testimony?

A. Yes it does.