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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. GNR-E-02-01

REBUTTAL TESTIMONY OF LARRY CROWLEY
FOR PLUMMER FOREST PRODUCTS – POTLATCH CORPORATION

1 Q. Please state your name and your business affiliation.

2 A. My name is Larry Crowley and I am the Founder and Director of The Energy
3 Strategies Institute.

4 Q. Are you the same Larry Crowley who previously filed direct testimony in this
5 proceeding?

6 A. Yes I am.

7 Q. What is the purpose of your rebuttal testimony?

8 A. I will comment on the direct testimony of Avista witness Clint Kalich with
9 respect to Avista Corporation's determination of their first deficit year and the
10 testimony of IPUC Staff witness Sterling.

11 Q. What does Avista propose for a first deficit year?

12 A. Avista proposes a first deficit year of 2007.

13 Q. What does Avista offer as evidentiary support for this proposal?

14 A. Witness Kalich's testimony does not contain any detailed description or
15 discussion of Avista's load and resource circumstances. All that is offered is a
16 one page table identified in the prefiled testimony of Mr. Kalich as Kalich
17 Exhibit 1 and which is also identified as Exhibit No. 201, page 1 of 16 in Case
18 No. GNR-E-02-11. I am attaching the Kalich Exhibit 1 to my rebuttal testimony
19 as Exhibit 506. Also attached is the load resource chart from Avista's 2001 IRP
20 identified as Table G-3, which is exhibit 502 to my direct testimony.

21 Q. Have you compared Kalich Exhibit 1 with Table G-3 of the company's 2001
22 Electric Integrated Resource Plan?

1 A. Yes I have. Kalich Exhibit 1 bears little resemblance to Table G-3 in the
2 company's 2001 IRP. For example, Exhibit 1 shows only average deficit
3 numbers, not peak and average numbers as set forth in the company's 2001 IRP
4 Table G-3. Kalich Exhibit 1 only summarizes loads and resources rendering it
5 impossible to make any judgment about the accuracy of the representations made
6 in such a summary form.

7 Q. Do you have any other comments or observations regarding the discrepancies
8 between the company's Exhibit 1 and Table G-3 of its 2001 IRP?

9 A. Yes. In its 2001 IRP the company goes to great lengths to support its immediate
10 need for additional resources and the criteria by which it made such
11 determinations. For example on page 1 of the 2001 IRP, the company states that
12 there have been many updates to its previous IRP (1997) and that these "updates
13 show significant peak and energy deficits for the company starting in 2004
14 without additional resources." On page 2 of its IRP, the company also points out
15 the dramatic increases in market price and volatility which has caused the
16 company to move away from reliance on the short-term market to a plan to
17 implement a "resource acquisition strategy to serve its needs." Based on the
18 results of the changes in the energy market and the company's identified resource
19 deficiencies, it issued a Request for Proposal (RFP) for additional firm resources
20 to respond to the serious shortfall or identified deficiency of resources required to
21 serve its loads.

22 Q. Did you notice any other differences between the company's 2001 IRP and
23 Exhibit 1?

1 A. Yes. As shown on Exhibit 502, which is Table G-3 of the company's 2001 IRP,
2 the company shows significant peak and average deficiencies for all years
3 beginning in 2000 and ending in 2009. For purposes of preparing this table, the
4 company relied on one-year critical water conditions (1936/37) for calculating the
5 availability of hydro resources. Exhibit 1, however, only shows average energy
6 surpluses or deficiencies and does not show peak deficiencies at all. In addition,
7 there appears to be a shift on the part of the company from critical water planning
8 to average water conditions for estimating the availability of hydro resources (see
9 footnote 3 on Exhibit 1). As a result of the changes made by the company, the
10 average resource deficiency of (149 aMW) for the year 2003 as shown on Table
11 G-3 of the company's IRP table becomes a surplus of 68 aMW for the same year
12 as shown on Kalich Exhibit 1.

13 Q. Have you prepared or supervised the preparation of an exhibit which summarizes
14 the resource requirements and deficiencies between the company's 2001 IRP and
15 Kalich Exhibit 1?

16 A. I have prepared Exhibit No. 507 which is a comparison tabulation of the resource
17 requirements and deficiencies for Avista Corporation for the years 2003 through
18 2009 using the information contained in the company's 2001 IRP and Kalich
19 Exhibit 1. As shown by Exhibit No. 507, the company's 2001 IRP shows
20 significant peak and energy deficiencies for each year beginning in 2003 while
21 Exhibit 1 shows surplus energy resources for the years 2003 through 2006 with
22 2007 being its first deficit year based on Exhibit 1. It should also be noted that

1 the company's Exhibit 1 does contain any information regarding possible peak
2 deficiencies for the years 2003 through 2009.

3 Q. In his testimony Staff Witness Sterling proposed elimination of the first deficit
4 year calculation, pointing out several difficulties with the calculation. (Sterling,
5 pages 7-10). Do you support Mr. Sterling's recommendation?

6 A. Yes I do with the understanding that Mr. Sterling is suggesting that from the issue
7 date of the Commission's order in this proceeding all qualifying projects would be
8 offered an immediate rate that is comparable to that which would be offered in
9 any utility or Commission-determined first deficit year and that the rate would
10 include recovery of all variable expenses and all fixed costs. As shown on
11 Exhibit 507, Kalich Exhibit 1, and the company's 2001 IRP, there are many good
12 illustrations of the kinds of problems identified by witness Sterling. It shows that
13 planning or rate making assumptions can be modified to achieve a desired result
14 and that deficits can differ depending on whether they are calculated on a peak or
15 average basis. I think Kalich Exhibit 1 supports many of Mr. Sterling's
16 arguments for elimination of the first deficit year as criteria for determining
17 avoided costs.

18 Q. If the Commission declines to accept witness Sterling's proposal, what do you
19 then recommend?

20 A. I recommend that Avista's first deficit year be based on the latest IRP data which
21 shows a deficit year of 2000. I say this for two reasons. First, it is consistent with
22 Commission practice which relies on IRP data for setting avoided costs whenever
23 possible. Second, the IRP process is an open public process which insures that

1 the data receives some level of scrutiny and investigation. By contrast, there has
2 been no opportunity to examine or investigate the data, or lack thereof, underlying
3 Kalich Exhibit 1. In my opinion, Kalich Exhibit 1 does not contain sufficiently
4 detailed or credible information upon which to base a decision regarding the
5 company's first resource deficit year.

6 Q. Does that conclude your prepared rebuttal testimony?

7 A. Yes it does.