BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION D/B/A/ AVISTA UTILITIES

Respondent.

DOCKETS UE-220053, UG-220054, and UE-210854 (Consolidated)

CROSS EXAMINATION EXHIBIT OF ELIZABETH M. ANDREWS
ON BEHALF OF THE
WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL
PUBLIC COUNSEL UNIT

EXHIBIT EMA-__X

Avista's Response to Public Counsel's Data Request No. 335 on Miscellaneous Expense

September 14, 2022

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/07/2022
CASE NO.:	UE-220053 & UG-220054	WITNESS:	Elizabeth Andrews
REQUESTER:	Public Counsel	RESPONDER:	Patrick Ehrbar
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	PC – 335	TELEPHONE:	(509) 495-8620
		EMAIL:	pat.ehrbar@avistacorp.com

SUBJECT: Miscellaneous Expense

REQUEST: Re: Miscellaneous expense. **Refer to Rebuttal Testimony of Elizabeth M. Andrews, Exh. EMA-7T at 40:1–10.** Please:

a. Explain why you find the use of the inflation rates used by Sebastian Coppola, which were provided by the Company, to be arbitrary and unfounded given the typical definitions of those terms.

b. Does the Company believe that it should pass on to customers cost increases above the actual or forecasted retail inflation rates of 4.1 percent (2021), 3.7 percent (2022), 2.4 percent(2023), and 2.3 percent (2024) calculated by Dr. Forsythe and provided in response to Public Counsel Data Request No. 121? If yes, does the Company believe that it has a responsibility to manage its costs and achieve cost reductions and efficiencies to offset input cost pressures in order to limit rate increases to customers?

RESPONSE:

a. As discussed by Company witness Dr. Forsyth in his rebuttal testimony Exh. GDF-3T, in the current regulatory model, it is input inflation (i.e., price changes of inputs purchased by the Company), and not consumer inflation, that will affect the Company's costs and ultimately flow into general rate requests. That input inflation index is related to the Producer Price Index (PPI), and not the Consumer Price Index (CPI). As such, while Avista did provide Public Counsel with CPIs, we did not use those for the purposes of the Miscellaneous Expense Adjustment, nor did we even use the PPI - which Dr. Forsyth demonstrates in the first half of 2022 (through June), year-over-year inflation associated with goods inputs (excluding food and energy), service inputs, and construction inputs averaged approximately 20%, 10%, and 13%, respectively.[1] In short, use of the CPI is inappropriate, and the escalation rates used by the Company (based on historical expense increases and not projections) is even understated as compared to what we are seeing with PPI. As such, reducing the Misc. Expense adjustment based on CPI is arbitrary and unfounded.

b. The Company did not escalate Miscellaneous expense by CPI or PPI. The Company will necessarily need to continue to diligently manage its costs during the rate plan, as Mr. Ehrbar states in Exh. PDE-1T. Specifically, what was already a challenge to control costs before, has now become even more challenging. And this inflationary pressure will likely persist through the Two-Year Rate Plan. None of which was built into this filing.

[1] Exh. GDF-3T, p. 7, ll. 2-5.