

**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. 336 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:	Liz Andrews
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	PC – 336	TELEPHONE:	(509) 495-8601
		EMAIL:	liz.andrews@avistacorp.com

SUBJECT: RE: IS/IT expense

REQUEST:

Refer to Rebuttal Testimony of Elizabeth M. Andrews, Exh. EMA-7T at 41:6–21.

Please:

- a. Identify the actual and not estimated expense the Company used for 2023.
- b. Explain why capital investments across all areas of the Company, such as installation and replacement of electrical lines, poles, etc., have a more direct relationship to IS/IT expense amounts than the capital investments made to install, replace and maintain IS/IT systems.

RESPONSE:

a. As discussed within the Company’s direct filed case¹, and provided in Andrews workpapers (see workpaper labeled “1) PF 3.13 PF IS Adj 9.2021”), the Company included incremental 2022 non-labor expenses for known contract changes above test period levels of \$2.125 million (system). No incremental non-labor increases in expense beyond 2022 known increases were included within the Company’s Pro Forma IS/IT Adjustment 3.13. Washington share of the incremental known non-labor increases totaled \$1.26 million for electric and \$371,000 for natural gas. In addition, the Company included incremental labor expense associated with new TSA requirements within Pro Forma IS/IT Adjustment 3.13 of \$469,000 (system)². These positions were estimated and planned for hiring in 2022. The net incremental estimated labor expense above test period levels included in the Company’s filed case, therefore, included Washington share amounts of \$224,000 electric and \$71,000 natural gas.

As shown in Exh. EMA-9, the overall IS/IT non-labor expense included in the Company’s direct filed case totaled \$20,026,679 on a system basis, an incremental \$2.125 million (system) above the test period level of \$17.9 million (system). Actual annual IS/IT non-labor expense as of April 2022, per PC-DR-117 Supplemental (provided as Exh. EMA-9, see pages 4 – 21 for details) totaled \$20,288,427 – an actual increase above pro formed levels of \$262,000 (system). Also shown within Exh. EMA-9, page 24, are actual incremental labor increases of \$296,000 (annual, system) of employees hired through May 2022 to meet TSA requirements. The Company continues to work towards hiring the unfilled TSA required positions, to be hired prior to 2022 year-end – estimated to total an additional \$481,000 annually, for a grand total of \$777,000 (system) annually in 2023.

Also shown in Exh. EMA-9, are incremental 2023 known contract changes as of Q1’2022 totaling \$376,413, resulting in a total 2023 level of \$20,664,840 system non-labor expense, prior to any

¹ See Andrews Exh. EMA-1T pp. 117:19 – 118:14. See also Kensok Exh. JMK-1T pp. 49:1 – 55:14.

² It was noted after filing the Company had inadvertently included 2022 incremental labor expense, rather the annualized 2023 incremental labor expense for the positions to be hired in 2022.

incremental labor increases required to meet TSA requirements. As noted above, these incremental increases related to 2023 have not been included in the Company's filed case.

b. The Company did not state “capital investments across all areas of the Company, such as installation and replacement of electrical lines, poles, etc., have a more direct relationship to IS/IT expense amounts than the capital investments made to install, replace and maintain IS/IT systems”, as suggested by this request. The Company stated, “capital investment across all areas of the Company ... not just capital investment specific to IS/IT investment” are a driver of incremental IS/IT costs, as noted within the direct testimony of Mr. Kensok, Exh. JMK-1T, p. 55:15 – 18:

Q. Are IS/IT capital projects the only driver of incremental IS/IT O&M expense?

A. No. As described earlier in my testimony, information technology is prevalent throughout the utility and underpins most of the modern business and operating systems as a result of the digital transformation of the utility.

Furthermore, as described by Mr. Kensok, in general, for any investment the Company makes that is enabled, supported, or secured by technology and requires ongoing licensing, maintenance and support, those expenses will be centralized in IS/IT O&M expense. The expense impact of annual and multi-year operating agreements surrounding capital investment reflects most of the overall incremental increase and are primarily driven by the digital transformation of the utility.