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. 344 on Capital Additions

September 14, 2022

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	09/07/2022
CASE NO.:	UE-220053 & UG-220054	WITNESS:	Patrick Ehrbar
REQUESTER:	Public Counsel	RESPONDER:	Patrick Ehrbar
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	PC – 344	TELEPHONE:	(509) 495-8620
		EMAIL:	pat.ehrbar@avistacorp.com

SUBJECT: Capital Additions

REQUEST: Re: Capital Additions. **Refer to Rebuttal Testimony of Elizabeth M. Andrews, Exh. EMA-7T at 68 and Illustration No. 5 and Table 13.** Please:

a. Explain why the Company consistently overspent its capital budget from 2017 to 2021.

b. Explain if the Company often underspends in certain programs and uses that underspend amounts to offset overspending in other programs.

c. Provide a list of programs and projects for each year 2019 to 2021 where the Company either overspent or underspent by 20 percent or greater and explain why. Provide the budget and actual amounts with the variance amount and percent variance with explanations in Excel.

d. Explain why in conjunction with the start of the multi-years rate plan the Company has escalated forecasted capital expenditures from a range of $405 million to $414 million in 2017 through 2021 to a level exceeding $445 million in 2022-2024.

RESPONSE:

a. With the capital budget constraints set forth by Senior Management and approved by the Board, the Capital Planning Group allocates those funds to certain business cases. Included in that funding is funding for estimated electric and natural gas customer growth (which is based on estimated customer growth for the coming year). To the extent that actual customer growth exceeds estimates, that will cause increased pressure on the capital budget. It has been a long-standing practice that Avista does not otherwise limit the capital additions related to customer growth, such that if customer growth is more robust than estimated, Senior Management allows for additional capital spend so that we can fulfill our obligation to serve, while also addressing all of the other capital needs prioritized for that year.

b. During the capital planning process, business cases are approved for funding based on estimated costs. Of course business case costs can vary, up or down. The Capital Planning Group (discussed in Mr. Ehrbar's testimony Exh. PDE-1T) meets monthly to review levels of spend as compared to the budget, and to the extent some business cases release funds (i.e., less capital is needed to complete a specific business case), those funds may then be applied to other business cases that require additional funds, or to new emergent and necessary business cases that come up during the year.

c. The Company has not conducted such an analysis.

d. The Company increased its capital budget from $405M to $445M in 2022 because of added pressures related to capital additions. As noted in Exh. PDE-1T, p. 16 and shown below, the need from the organization is far higher than the budgets approved:

Year	Requested	Approved	Delayed	% Capital Delayed
2017	$461	$405	$56	**12%**
2018	$455	$405	$50	**11%**
2019	$528	$405	$123	**23%**
2020	$505	$405	$100	**20%**
2021	$516	$407	$109	**21%**
2022	$501	$445	$56	**11%**
2023	$519	$445	$74	**14%**
2024	$501	$445	$56	**11%**
2025	$486	$445	$41	**8%**

Of note is that the approved capital budget of $405M from 2017 through 2021 was held flat, even while inflation of any kind was generally at least 2% annually. If Avista simply increased our capital budget annually by a 2% escalator starting after 2017, by 2022 the capital budget would have been $447M.

2% Escalation (annual)	
	$M
2017	$405
2018	$413
2019	$421
2020	$430
2021	$438
2022	$447
2023	$456
2024	$465
2025	$475

Put another way, time value of money degraded the utility of the flat $405M budget, and more funds were necessary to keep up with the work required on our system. Again, the example above using an arbitrary yet conservative annual increase of 2% was not the justification for increasing the capital budget to $445M, nor $475M discussed later. It is simply to demonstrate that $405M in 2017 is not equivalent to $405M in 2021 in terms of the work Avista could complete in service to customers.

Inferred from the question is that Avista simply increased capital budgets (on a system basis) because of SB 5295. That is simply not the case. And, of note, is that even this year Avista has increased the capital budget, again, to a level of $475M starting in 2023 simply due to the needs of the system and increased costs of material and labor. Avista will absorb the regulatory lag associated with those increased capital expenditures beyond that included in the Rate Plan. Avista is cognizant that such an additional increase will put pressure on customer rates in the future, but also has the responsibility to invest in its system to address risks and serve customers.