

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AVISTA RESPONSE TO BENCH REQUEST

DATE PREPARED: October 22, 2024
DOCKETS: UE-240006-UG-240007
REQUESTER: Bench

WITNESS: Elizabeth Andrews
RESPONDER: Elizabeth Andrews
TELEPHONE: 509-495-8601

BENCH REQUEST NO. 2:

During the evidentiary hearing on October 1, 2024, in the above-referenced dockets, Commissioner Ann Rendahl asked Staff Witness Erdahl, subject to check, several questions related to Avista’s 2023 provisional plant review. Specifically, a question regarding the number of plant business cases that were included in that review filing.

On March 29, 2024, Avista filed its 2023 Washington Annual Provision Capital Report in Dockets UE-220053 and UG-220054, consolidated. In that filing, Avista provided supporting documents including an excel file labeled “2023 WA Provisional Capital Native Model” (Native Model) and a pdf document labeled “Attachment D.” In the Native Model file within the Tab labeled “Variance Summary - Attachment A,” the Company indicates that Appendix D contains Business Cases not included in direct filing under threshold. It appears that 20 projects were designated in Column F as “Attachment D.” However, in the pdf file labeled Appendix D there are only 17 distinct projects listed in Table No. 1.

On October 8, 2024, Staff filed a Subject to Check letter with the Commission clarifying their review indicates 123 total business cases including eight new business cases.

All parties are asked to provide a response to clarify the discrepancy between documents with dollar values represented for the costs associated for Washington customers only, or if the discrepancy cannot be resolved, provide a response as to the respective party’s understanding of the documents filed in Avista’s 2023 provisional plant review submission.

Further, all parties are asked to brief any legal issues regarding the 2023 provisional plant review process, how the Commission should address any remaining 2023 discrepancy, as well as how the Commission should address future provisional plant review processes.

RESPONSE:

As provided in the data below, in 2022 and 2023 the total “New” Business Cases equate to **3 (out of 117 cases) in 2022** totaling \$1.5 million, and **8 (out of 123 cases) in 2023** totaling \$7.6 million, on a system basis.

For 2022, Washington’s share of the 3 “New” Business Cases (\$1.5 million) totals approximately \$556,000 for Washington electric and \$496,000 for Washington natural gas. For 2023,

Washington’s share of the 8 “New” Business Cases (\$7.6 million) totals approximately \$4,836,000 for Washington electric and \$134,000 for Washington natural gas.¹

The tables below, for 2023 and 2022, demonstrate that the Company did, in fact, transfer to plant the projects it had included in the case.

2023 Transfers to Plant (System Level)				
	Business Cases	As Filed	Actual	(Under)/Over
1. Business Cases Included in GRC	93	\$445,376,581	\$432,014,204	\$(13,362,377)
2. Additional Business Cases				
a. Prior GRC Trailing Transfers	17	\$ -	\$ 1,344,368	\$ 1,344,368
b. Brand New Business Cases	8	\$ -	\$ 7,619,530	\$ 7,619,530
c. Bus. Case Provided-Timing Change	5	\$ -	\$ 23,184,311	\$ 23,184,311
Total Transfers	123	\$445,376,581	\$464,162,413	\$ 18,785,832
2022 Transfers to Plant (System Level)				
	Business Cases	As Filed	Actual	(Under)/Over
1. Business Cases Included in GRC	96	\$ 449,877,418	\$ 467,463,177	\$ 17,585,759
2. Additional Business Cases				
a. Prior GRC Trailing Transfers	2	\$ -	\$ 359,231	\$ 359,231
b. Brand New Business Cases	3	\$ -	\$ 1,536,193	\$ 1,536,193
c. Bus. Case Provided-Timing Change	16	\$ -	\$ 35,970,319	\$ 35,970,319
Total Transfers	117	\$449,877,418	\$505,328,919	\$ 55,451,501

Looking at 2023 in particular, the Company included 93 Business Cases for that Rate Year. Those Business Cases did transfer to plant, with only a 3% dollar variance. In 2023 we also had additional transfers. As shown in the table, “2a” shows that 17 additional projects had transfers to plant, but which only accounted for \$1.3 million on a system basis. These are essentially trailing charges from projects included in prior general rate cases (i.e. 2021 and 2022 projects).² As for “2b”, we did have 8 new business cases in 2023 that were not contemplated in the 2022 general rate case, for a total of only \$7.6 million on a system basis. As one would expect, priorities necessarily change in rate effective periods. In this case, the Company allocated funds to projects such as Noxon Rapids Spillgate Refurbishment (\$3.7 million), a stability project at Long Lake

¹ In 2023, Rate Year 1 of Docket UE-220053, et. al., 2023 net plant investment impacts Company results on an AMA basis. Therefore, the AMA amounts in 2023 of the 8 projects total approximately \$1,409,000 for Washington electric and \$8,000 for Washington natural gas. The combined total of 2022 and 2023 New Business Cases (11) in RY1 (2023) for Washington has an overall regulatory lag on rate base of \$2.0 million electric and \$504,000 natural gas, resulting in a revenue requirement regulatory lag of approximately \$184,000 electric and \$47,000 natural gas. This equates to 0.84% of “NEW” TTP versus that approved by the Commission in RY1 (2023), i.e. less than 1%. This same capital results in a Washington total rate base regulatory lag in 2024 (Rate Year 2 of Docket UE-220053 et. al.) of \$5.4 million electric and \$630,000 natural gas, resulting in a revenue requirement regulatory lag of approximately \$504,000 electric and \$59,000 natural gas on this investment.

² Recall, detail transactions and totals provided, and amounts authorized by the Commission, relate to actual and authorized transfers-to-plant, not capitalized spend. As such, certain trialing costs on projects may span time periods.

(\$1.1 million) and a roof replacement at Nine Mile Generating Station (\$0.8 million). These projects were necessary, and information regarding them was provided in the 2023 Capital Report. Finally, we had 5 projects (\$23.2 million) that related to Business Cases provided with the 2022 direct filed case, however timing of plant transfers moved between years versus originally planned in 2022-2024. These projects include funding Clean Energy Fund 3 grant work (\$2.6 million) and Saddle Mountain 230 KV integration (\$17.6 million). In the end, for 2023, the Company transferred to plant \$18.8 million (system) more than what was included in customer rates, and absorbed the regulatory lag associated with not having those projects in rates.

Similarly in 2022, there were only 3 new business cases totaling \$1.5 million system (2b) and additional trailing costs from 2 additional business cases totaling \$0.4 million system (2a). There were 16 business cases (2c), totaling \$34.0 million which related to business cases filed with the Company's 2022 case, but the timing of transfers occurred differently than had planned, the largest of which was the Kettle Falls Fuel Yard Equipment Replacement project, of \$31.1 million which transferred to plant in September 2022 with trailing costs into 2023, rather than transferring in Q'1 of 2023, as originally contemplated.³ The remaining business cases were mainly minor timing transfers between years; again those business cases had been provided with the Company's 2022 direct filed case.

As demonstrated in this Response to Bench Request #2, if one were to simply take the "Business Cases included in GRC" for 2022 and 2023 as noted in the tables above, and compare to the amount included in rates, in aggregate (\$895.3 million system) to actuals (\$899.5 million system), one would see a difference of only 0.47%.

See also Bench Request 002 – Attachment A for a native version of the tables and details of above.

Reconciliation of Avista's 2023 Washington Annual Provision Capital Report – Native Variance Summary - Attachment A vs Attachment D vs Staff's "Subject to Check" filing.

Below is the reconciliation of Avista's filed 2023 Washington Annual Provision Capital Report in Dockets UE-220053 and UG-220054, consolidated, between the following:

- 1) Native Model "Variance Summary - Attachment A" tab and pdf, showing a total of 123 business cases in 2023, which 20 distinct line items were labeled "Attachment D" in Column F.
- 2) "Attachment D" – pdf document, which show 17 distinct line items.
(See Illustration No. 1 below reconciling 1) and 2))
- 3) Staff "Subject to Check" Filing – which shows 8 NEW Business Cases
(See Illustration No. 2 below)

³ See Capital Additions Variance Explanation Form "KF_Fuel Yard Equipment Replacement," Exh. TCB-4, page 214. As described in the variance form, completing the project early, resulted in over \$30,000 in short-term O&M savings and \$225,000 in forecasted AFUDC capital expense savings.

Illustration No. 1 – Reconciliation of Native “Variance Summary - Attachment A” and Attachment D

Business Cases included in Attachment A (Native) versus Attachment D (System)			Filed 2023			BC Provided in	
[A]	[B]	[C]	Budgeted TTP Plan [D]	Actual TTP [E]	Variance \$ over/(under) [F]	Direct Filing [G]	
Native & Att. A	Att. D	Business Case	Gross Plant	Gross Plant	Gross Plant	Exh. Reference	Planned TTP Year & BC Per Direct Filing [H]
1 Att. A	1 Att. D	Gas Airway Heights HP Reinforcement	\$ -	\$ (4,593)	\$ (4,593)	Exh. HLR-2, p. 420	2022 Trailing
2 Att. A	2 Att. D	Gas Warden HP Reinforcement	\$ -	\$ 4,354	\$ 4,354	New 2022 Report	2022 Trailing
3 Att. A	3 Att. D	N Lewiston Autotransformer - Failed Plant	\$ -	\$ 9,613	\$ 9,613	Exh. HLR-2, p. 381	2022 Trailing
4 Att. A	4 Att. D	Long Lake Plant Upgrade	\$ -	\$ 10,793	\$ 10,793	Exh. JRT-4, p. 102	2021/2024 BC
5 Att. A	5 Att. D	Gas Operator Qualification Compliance	\$ -	\$ 31,087	\$ 31,087	Exh. HLR-2, p. 264	2021 BC - programmatic
6 Att. A	6 Att. D	Primary URD Cable Replacement	\$ -	\$ 66,024	\$ 66,024	Exh. HLR-2, p. 131	2021 trailing costs
7 Att. A	7 Att. D	Apprentice/Craft Training	\$ -	\$ 62,970	\$ 62,970	Exh. HLR-2, p.236	2021 BC - programmatic
8 Att. A	8 Att. D	Gas HP Pipeline Remediation Program	\$ -	\$ 139,102	\$ 139,102	Exh. HLR-2, p. 337	2022 BC - programmatic
9 Att. A	9 Att. D	Nine Mile Powerhouse Crane Rehab	\$ -	\$ 229,461	\$ 229,461	Exh. JRT-4, p. 243	2022 Trailing
10 Att. A	10 Att. D	Gas ERT Replacement Program	\$ -	\$ 236,730	\$ 236,730	Previous AMI BC, failures in 2023	
11 Att. A	11 Att. D	Asset Monitoring System	\$ -	\$ 264,723	\$ 264,723	NEW	
12 Att. A	12 Att. D	Meter Minor Blanket	\$ -	\$ 246,446	\$ 246,446	Exh. HLR-2, p. 118	2021 BC - programmatic
13 Att. A	13 Att. D	Westside 230/115kV Station Brownfield Rebuild Project	\$ -	\$ 269,092	\$ 269,092	Exh. HLR-2, p. 210	2021 trailing costs
14 Att. A	14 Att. D	Clearwater Wind Generation Interconnection	\$ -	\$ 273,300	\$ 273,300	Exh. HLR-2, p. 3	2021 (labeled New in error)
15 Att. A	15 Att. D	CIP v5 Transition - Cyber Asset Electronic Access	\$ -	\$ 191,787	\$ 191,787	New to 2022 GRC (Previous 2020 BC)	
16 Att. A	16 Att. D	Strategic Initiatives - Clean Energy Fund 2	\$ -	\$ 55,340	\$ 55,340	New 2022 Report	2022 Trailing, new projects each year
17 Att. A	17 Att. D	Strategic Initiatives - UIASSIST	\$ -	\$ 100,527	\$ 100,527	2022 BC, new projects each year, described in Att. D	
18 Att. A		T&D Reimbursable	\$ -	\$ (112,027)	(a)	N/A	timing of TTP vs receipt of reimbursement
19 Att. A		Payment Card Industry Compliance (PCI)	\$ -	\$ (2,207)	(b)	Misc. accrual reversals, corrections	
20 Att. A		Washington Advanced Metering Infrastructure Project	\$ -	\$ 1,659	(c)	Misc. accrual reversals, corrections	
\$ (750)	\$ (1,299)	Misc. accrual reversals, corrections or additional TTP	x	\$ (750)	(d)	Misc. accrual reversals, corrections	

Illustration No. 1 above reconciles the differences between Avista’s 2023 Provisional Capital Report files 1) Native Model “Summary Attachment A” file showing 20 line items (see Column A) and 2) PDF Attachment D showing 17 line items (see Column B).

As noted in the reconciling table above, the first 17 line items represent Business Cases that match in both Attachment A (Column A) and Attachment D (Column D). The differences between Attachment A (20) versus Attachment D (17), relate to 3 individual items and a summary “Misc. accruals reversals, corrections or additional TTP” item.

These individual items are excerpted from the table above, and described below:

[A]	[B]	[C]	[D]	[E]		
Native & Att. A	Att. D	Business Case	Gross Plant	Gross Plant		
18 Att. A		T&D Reimbursable	\$ -	\$ (112,027)	(a)	N/A Receipt - Reimbursement
19 Att. A		Payment Card Industry Compliance (PCI)	\$ -	\$ (2,207)	(b)	\$ (2,207) Misc. accrual reversal, correction, etc.
20 Att. A		Washington Advanced Metering Infrastructure Project	\$ -	\$ 1,659	(c)	\$ 1,659 Misc. accrual reversal, correction, etc.
\$ (750)	(f) \$ (1,299)	Misc. accrual reversals, corrections or additional TTP	x	\$ (750)	(d)	\$ (750) Attachment A Total Misc. accrual reversal, correction, etc.
						\$ (1,299) Attachment D Total

Items 18 (a), 19 (b) and 20 in the table above were included in Attachment A as individual reconciling items to total transfer to plant overall system transactions. Attachment A also had a line item labeled “Misc. accruals reversals, corrections or additional TTP” total of \$750.00.

Attachment D – excluded Item 18 (a) as it was not a new or reconciling Business Case addition, but rather it was the receipt of a reimbursement amount. Items 19 (b) and 20 (c) were added together with the \$750 “Misc. accruals reversals, corrections or additional TTP” line item previously shown in Attachment A, resulting in a total of \$1,299 of Misc. accrual reversal, correction, etc. Again these miscellaneous items were not “new” business cases amounts, but merely non-material reconciling amounts that needed to be reflected in the Company’s total

transfer balances, but do not represent new business cases. It was an error on Avista’s part to include the consolidated line item for “Misc. accruals reversals, corrections or additional TTP” within Attachment D, and it will not do so in the future. Similarly, it was an error on Avista’s part to label as Attachment D corrections or de minimus trailing costs from prior years. The Company will provide a better description of these types of costs in its 2024 Provisional Capital Report and future reports.

Specific to the pdf Attachment D to Avista’s 2023 Provisional Capital Report, and summarized in Illustration No. 1 above, this pdf included Items 1-17. These balances were simply provided by Avista to represent TTP amounts that had actual balances during 2023, whereas there were no balances planned for in its 2022 GRC filed case. Each item shown in Illustration No. 1 above were items shown in Attachment D because the variance was >10%, but the \$ amount was a non-material amount less than \$500,000 (system). Avista then provided a description of the item in Attachment D detail summaries that followed the table in Attachment D. Most of the line items above (14 of the 17) however, were not “new” business cases, but simply trailing costs from previous years, and impacting business cases that were provided in Avista’s 2022 GRC, and therefore were excluded by Staff’s “Subject to Check” filing. Also for each line item, Illustration No. 1 provides a “Direct Filed Exhibit # and page #” reference (Column G) where information was provided in Avista’s 2022 direct case, and a better descriptor (Column H) is provided of what each of the line items represent.

As shown in Illustration No. 1, only 3 distinct items (highlighted in orange) that had been noted as “Attachment D” in Attachment A and included in Attachment D were actually “new” business cases, totaling \$729,810.00 system.⁴

Adding these 3 “New” labeled Attachment D distinct items, to the additional 5 “New” Business Cases which were described, and the Variance Form and Business Case were attached to “Attachment C” of the 2023 Provisional Capital Report, reflect the 8 total “New” Business Cases totaling \$7.6 million referenced by Staff’s Subject to Check” Filing. These “New” Business Cases are summarized in Illustration No. 2 below:

Illustration No. 2 – New Business Cases – Agrees to Staff “Subject to Check” Filing

Staff "Subject to Check" Filing" - New Business Cases		System Values	
<u>New Business Cases - see 2023 Capital Report Attachment C</u>			<u>Attachment C</u>
1	Long Lake Stability Enhancement	\$ 1,114,534	New Business Cases: > \$500,00 & 10% - Variance Explanation and New Business Case Provided in Attachment C of 2023 Report.
2	Metro 115kV Substation	\$ 545,256	
3	NexGen Control System Networks	\$ 694,741	
4	Nine Mile Powerhouse Roof Replacement	\$ 840,745	
5	Noxon Rapids Spillgate Refurbishment	\$ 3,694,444	
<u>New Business Cases - See Attachment D (see also Illustration No. 1 above)</u>			
6	Asset Monitoring System	\$ 264,723	Attachment D
7	Clearwater Wind Generation Interconnection	\$ 273,300	Attachment D
8	CIP v5 Transition - Cyber Asset Electronic Access	\$ 191,787	Attachment D
		8 \$ 7,619,530	

⁴ During the preparation of this Bench Request #2, it has come to Avista’s attention that 1 of these 3 business cases “Clearwater Wind Generation Interconnection” was labeled new in error, and is in fact not new, as it was discussed in Exh. HLR-2, p. 3, related to a 2021 Business Case.

Finally, as discussed in Ms. Andrews rebuttal testimony (Exh. EMA-6T, at 11) both the 2022 and 2023 Provisional Capital Reports were reviewed by Commission Staff, and acknowledged by the Commission, that Avista’s individual reports were in compliance with Order 10/04 of Dockets UE-220053, et. al. With completion of the 2023 Provisional Capital report, the total Washington actual transfers to plant (TTP) and overall net plant versus that authorized by the Commission in Dockets UE-220053, et. al. is available, providing the final results impacting Rate Year 1 (2023):

Provisional Capital Report Results – Rate Year 1 (2022-2023)

Washington Electric (000s)			
2023 Actual Gross Transfer-To-Plant & Net Plant After ADFIT versus Authorized			
Transfers to Plant (additions)	2022 EOP	2023 AMA	Total Rate Year 1
Year of Additions:	2022	2023	2022-2023
Actual Gross Transfers-To-Plant	\$ 214,330	\$ 36,719	\$ 251,049
As-Filed Gross Transfers-To-Plant	\$ 167,665	\$ 64,127	\$ 231,792
Variance Over Authorized	\$ 46,665	\$ (27,408)	\$ 19,257
			Rate Year 1
Net Plant After ADFIT	2022 EOP	2023 AMA	2023 AMA
Actual Net Plant After ADFIT	\$ 2,001,820	\$ 2,004,497	\$ 2,004,497
As-Filed Net Plant After ADFIT	\$ 1,968,698	\$ 1,984,056	\$ 1,984,056
Variance Over Authorized	\$ 33,122	\$ 20,441	\$ 20,441

Washington Natural Gas (000s)			
2023 Actual Gross Transfer-To-Plant & Net Plant After ADFIT versus Authorized			
Transfers to Plant (additions)	2022 EOP	2023 AMA	Total Rate Year 1
Year of Additions:	2022	2023	2022-2023
Actual Gross Transfers-To-Plant	\$ 54,698	\$ 15,272	\$ 69,970
As-Filed Gross Transfers-To-Plant	\$ 46,387	\$ 15,948	\$ 62,335
Variance Over Authorized	\$ 8,311	\$ (676)	\$ 7,635
			Rate Year 1
Net Plant After ADFIT	2022 EOP	2023 AMA	2023 AMA
Actual Net Plant After ADFIT	\$ 504,232	\$ 511,782	\$ 511,782
As-Filed Net Plant After ADFIT	\$ 503,561	\$ 510,148	\$ 510,148
Variance Over Authorized	\$ 671	\$ 1,634	\$ 1,634

As shown above (from 2023 Provisional Capital Report, page 5, Table No. 1 (electric) and Table No. 2 (natural gas)), the total “As-Filed Net Plant After ADFIT” approved by the Commission in Dockets UE-220053, et. al., for Rate Year 1 (2023 AMA⁵), totaled \$1,984,056,000 for Washington electric and \$510,148,000 for Washington natural gas (Washington total of \$2,494,204,000). In comparison, Avista’s “Actual Net Plant After ADFIT” for Rate Year 1 (2023 AMA) totaled

⁵ 2023 Average-of-Monthly-Average balances include 2022 and 2023 net plant investment on an AMA basis for Rate Year 1.

\$2,004,497,000 for Washington electric and \$510,148,000 for Washington natural gas (Washington total of \$2,514,645,000). **This reflects an incremental actual net plant investment of \$20,441,000 for electric (or 1.0%) and \$1,634,000 for natural gas (or 0.3%) above authorized net plant approved by the Commission for Washington investment.**⁶ Combined for total Washington (\$22,075,000), Avista’s actual incremental net plant investment above that approved by the Commission in the prior 2022 general rate case, equates to 0.9% above authorized levels for Rate Year 1 (2023). This minimal incremental increase of overall 0.9% Washington net plant investment above that approved by the Commission represents regulatory lag experienced by Avista between general rate cases.

See Bench Request 002 – Attachment A for a native version of the tables, illustrations and details discussed above.

See Bench Request 002 – Attachment B for a copy of the Company’s 2023 Provisional Capital Report and Attachments filed with the Commission in March 2024. Included with the 2023 Report:

- Native file (tab Attachment A also in pdf) - provides all transfers to plant (TTP) detail by Business Case on a system basis, as well as miscellaneous adjustments, i.e. accrual reversals, accounting corrections, etc., in order to provide a complete picture of total “transfer-to-plant” detail balances. Columns also provided in Attachment A include balances for: "As-Filed TTP", "Actual TTP", "Variance \$ (Gross Plant)", and "Variance %." If a variance item meets the “\$500k & +/-10% TTP Threshold,” it was labeled "yes" and the “Direct Filed Exhibit # and page #” were provided, along with the Variance Form and Business case page #s provided in “Attachment C”. If the variance is > +/- 10%, but < \$500,000, that line item pointed to Attachment D for further information, as non-material. (All values are system values).
- Attachment C - Provides Capital Variance Explanation Forms, **new** or revised Business Cases, and other supporting documentation as justification for each Business Case that has demonstrated a variance greater than the \$500,000 and +/- 10% “significant cost variance” threshold on a system basis. The Capital Variance Explanation Forms include an explanation of the variance, discussion of management approval for cost variances and, discuss any changes to offsets for 2023.
- Attachment D - Included 2023 actual TTP detail (system values) that varied from that as-filed that were >10%+/-, but < \$500,000. This table listing included "New" Business Cases," as well as TTP variances that related to trailing costs from previously provided Business Cases (2021 or 2022), as well as early minor transfers related to a 2024 Business Case.

⁶ See 2023 Provisional Capital Report, page 5 Table No. 1 (electric) incremental of \$20.441 million / \$1,984.056 billion authorized = 1.0%. See page 5 Table No. 2 (natural gas) incremental \$1.634 million / \$510.148 million authorized = 0.3%.