

**Exh. JLB-7T
Dockets UE-150204/UG-150205
Witness: Jason L. Ball**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION, d/b/a
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-150204 and
UG-150205 (*Consolidated*)**

TESTIMONY OF

Jason L. Ball

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Revenue Requirement Tables & Earnings Sharing

September 13, 2019

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1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Jason L. Ball, and my business address is 621 Woodland Square Loop
5 SE, Lacey, Washington, 98503. My business mailing address is P.O. Box 47250,
6 Olympia, Washington, 98504-7250. My business email address is
7 jason.ball@utc.wa.gov.

8

9 **Q. By whom are you employed and in what capacity?**

10 A. I am employed by the Washington Utilities and Transportation Commission
11 (Commission) as the Deputy Assistant Director in the Energy Section of the
12 Regulatory Services Division.

13

14 **Q. How long have you been employed by the Commission?**

15 A. I have been employed by the Commission since June 2013.

16

17 **Q. Please state your qualifications to provide testimony in this proceeding.**

18 A. I earned a degree from New Mexico State University in 2010 with a dual major in
19 Economics and Government. In 2013, I graduated with honors from New Mexico
20 State University with a Master of Economics degree specializing in Public Utility
21 Policy and Regulation. Since that time I have worked on multiple major projects at
22 the Commission including: leading the inquiry into reliability reporting, under
23 Docket UE-190027; developing cost of service rules through the ongoing

1 rulemakings in Dockets UE-170002 and UG-170003; and leading the Washington
2 negotiation team for the Pacific Power & Light Company's (Pacific Power) multi-
3 state process.

4

5 **Q. Have you testified previously before the Commission?**

6 A. Yes. I testified on cost of service, rate spread, and rate design for both electric and
7 natural gas in Puget Sound Energy's (PSE's) 2017 general rate case (UE-170033)
8 and the general rate case filed by Avista Corporation d/b/a Avista Utilities ("Avista"
9 or "Company") in Docket UE-160228. I sponsored testimony in Pacific Power's
10 general rate case in Docket UE-152253 on overall policy, revenue requirement,
11 decoupling mechanism, and proposed rate plan. I presented power supply and load
12 forecasting testimony in Avista's general rate case in Docket UE-140188. I presented
13 an economic feasibility study relating to line extensions for PSE in Docket UE-
14 141335.

15

16 **Q. Did you testify previously in the current docket?**

17 A. Yes. I provided testimony on restating and expense adjustments, including those
18 related to power supply.

19

20 **II. SCOPE AND SUMMARY OF TESTIMONY**

21

22 **Q. What is the scope and purpose of your testimony?**

1 A. I provide the total revenue requirement models for the calculation of rates pursuant
2 to the remand,¹ incorporating the amounts calculated by Mr. McGuire. I also briefly
3 address how power supply costs are incorporated and unchanged from the previous
4 decisions of the Commission. Finally, I respond to the Company's arguments on
5 revenue decoupling and earnings sharing.

6 While I do not directly address rate spread, or rate design I am available to
7 discuss these issues, should the need arise.

8

9 **Q. Please summarize your recommendations.**

10 A. In general, I recommend the Commission accept Staff's calculation of the refund as
11 presented by Mr. McGuire. I also recommend the Commission not include any offset
12 for earnings sharing.

13

14 **Q. Have you prepared any exhibits in support of your testimony?**

15 A. Yes. I prepared Exhibits JLB-8 through JLB-9.

16

17 **III. REVENUE REQUIREMENT TABLES**

18

19 **Q. Please describe your exhibits.**

20 A. I have provided updates to the revenue requirement tables that the Commission
21 created in Order 05 in this docket.² I have updated these tables to reflect the revised

¹ *Wash. Att'y Gen.'s Office, Pub. Counsel Unit v. Wash. Utils. & Transp. Comm'n*, 4 Wn. App. 2d 657 (2018) (Court Remand Decision).

² *Wash. Utils. & Transp. Comm'n v. Avista Corp.*, Dockets UE-150204 & UG-150205, Order 05, Appendix A and Appendix B (Jan. 6, 2016) (2015 GRC Order).

1 attrition amounts calculated by Mr. McGuire. Consistent with the Court Remand
2 Decision and the Commission’s pre-hearing conference order (Order 07), Staff is not
3 recommending changes to any element of rates other than rate base related to
4 attrition.

5
6 **Q. Why is Staff providing updated Electric and Natural Gas Revenue Requirement**
7 **Tables?**

8 A. Revenue Requirement is an important context when discussing the recalculation of
9 rates. As Ms. Andrews correctly points out, the court ordered the Commission to
10 “recalculate Avista’s *rates* without relying on rate base that is not used and useful.”³
11 Rates are the final element of a rate case that follow from rate design, rate spread,
12 and revenue requirement. Therefore, Staff has provided the revenue requirement
13 tables that show the final results of the decisions made in the 2015 GRC Order
14 updated for the results of the remand. This includes, for example, elements on power
15 supply as it is one of the many components of a company’s revenue requirement. If
16 the Commission wishes to see further detail about the effects of the remand through
17 rate spread, rate design, or the incorporation of power supply costs I am happy to
18 provide to that information.
19

³ Andrews, Exh. EMA-9T at 3:21. (Emphasis added.)

1 IV. EARNINGS SHARING

2

3 **Q. Does the Company propose to incorporate the effects of Earnings Sharing into**
4 **the calculation of a refund?**

5 A. Yes. Ms. Andrews testifies that “[w]hen determining any additional amounts to
6 refund to customers through this Docket, funds already refunded to customers must
7 be considered, or any future refund would be double counted, or returned to
8 customers twice.”⁴ The company suggests offsetting any refund from the remand by
9 the amount already provided to customers through the earning sharing mechanism.

10

11 **Q. Do you agree with the Company that the results of the earnings sharing**
12 **mechanism should be used to offset any refund in this case?**

13 A. No. I am perplexed why the Company suggests offsetting a change in revenue
14 requirement with over-earnings from the decoupling earnings sharing mechanism.
15 The remand is essentially a recalculation of rates that would have gone into effect in
16 2016; yet, the Company is arguing that even if they had a different level of revenue,
17 the same excess earnings would have occurred they would have given that amount to
18 customers. This contradicts their own testimony: “[a]ny electric refund ordered by
19 the Commission should consider amounts already paid to customers *and how the*
20 *2015 remand of attrition-related amounts would have impacted the actual 2016*
21 *over-earnings calculation.*”⁵ The Company’s assertion that the refund to customers
22 should be offset by the amount already paid in the earnings sharing mechanism is not

⁴ Andrews, Exh. EMA-9T at 17:16-18.

⁵ Andrews, Exh. EMA-9T at 16:1-3. (Emphasis added.)

1 just contradictory but counterintuitive – there is a definitive effect on a company’s
2 earnings if they had received \$15.6 million less in annual revenue.

3

4 **Q. Has the Company identified what level of earnings would have occurred in 2016**
5 **had they received less revenue?**

6 A. No. When asked how earnings would have been impacted by additional revenue,
7 Avista responded as follows:

8 The Company has not performed an analysis to determine its earnings if the
9 Company had earned a hypothetical level of revenue that is higher or lower
10 than that actually authorized by the Commission. *Results for 2016 were*
11 *based on specific actions undertaken by the Company, both in and outside the*
12 *Company’s control, based on approved revenue levels by the Commission,*
13 *the Company will not speculate on its results had a different level of revenue*
14 *requirement been approved.*⁶

15 The Company’s response undermines its own argument – the results for 2016 were
16 based on the revenue authorized by the Commission at the time. If the Commission
17 had reduced the annual revenue requirement by \$15.6 million, the Company would
18 have engaged in different actions, resulting in a different level of earnings sharing.
19 Unfortunately, and contrary to the position of the Company, that level of excess
20 earnings is unknowable. It is therefore not reasonable to take into account the results
21 of the earnings sharing mechanism in determining the amount owed to customers.

22

23 **Q. Should any amount from the earnings sharing mechanism be considered in the**
24 **present case?**

⁶ Avista Response to UTC Staff Data Request No. 221. (Emphasis added.)

1 A. No. While Staff appreciates the Company’s efforts to be thorough in carrying-
2 forward the impacts of the effects from the remand, there are three main reasons why
3 the earnings sharing mechanism is not relevant in the present case:

- 4 • As I discuss above, it is not possible to know what actions, such as what
5 investments or expenses, the Company would have incurred, or avoided, with
6 different rates. Therefore the exact amount of earnings sharing that could offset
7 any amount owed to customers is unknowable.
- 8 • The policy objective of the earnings sharing mechanism is undermined if its
9 dispersion is changed due to a recalculation of rates almost four years later. The
10 purpose of the earnings sharing mechanism is to encourage the utility to find cost
11 savings wherever feasible. If earnings sharing can easily be “undone” four years
12 after the fact then the profit motive to reduce expenses could be muted. This is
13 true regardless of whether the calculation benefits ratepayers or the Company.
- 14 • Several schedules are specifically not subject to decoupling, and by extension
15 earnings sharing.⁷ In order to properly calculate the effects of earnings sharing,
16 the Company would need to recalculate the full suite of rates in all of its tariffs,
17 recalculate the amount decoupled and non-decoupled customers would have
18 paid, and then reset the decoupling deferral and earnings test. This is not just an
19 incredibly complex analysis, but there is no guarantee the final number would
20 even be correct. Customers ultimately respond differently to different price
21 signals, and changing their rates would naturally change how much electricity
22 they consumed; this would start the cycle of analysis all over again.

⁷ These include Electric Schedules 25, and 41-48, and Natural Gas Schedules 132, 146, and 148. *See* Company Response to AWEK Data Request No. 270.

1 **Q. Does this conclude your testimony?**

2 A. Yes.