

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

COMPLAINANT

V.

AVISTA CORPORATION, d/b/a AVISTA UTILITIES,

RESPONDENT

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

CROSS-ANSWERING TESTIMONY OF DONNA M. RAMAS

ON BEHALF OF

PUBLIC COUNSEL

EXHIBIT DMR-38T

OCTOBER 11, 2019

CROSS-ANSWERING TESTIMONY OF DONNA M. RAMAS

DOCKETS UE-150204 and UG-105205 (*Consolidated*)

EXHIBIT DMR-38T

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I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Donna M. Ramas. I am a Certified Public Accountant licensed in the State of Michigan and Principal at Ramas Regulatory Consulting, LLC, with offices at 4654 Driftwood Drive, Commerce Township, Michigan 48382.

Q. Are you the same Donna Ramas who filed response testimony in this proceeding on September 13, 2019, on behalf of the Public Counsel Unit of the Washington Attorney General’s Office (“Public Counsel”)?

A. Yes, I am.

Q. What is the purpose of your cross-answering testimony?

A. My cross-answering testimony first explains that while Public Counsel, Commission Staff, and the Alliance of Western Energy Consumers (“AWEC”) used somewhat different approaches for determining the amount of refunds owed to customers in this proceeding, all three parties’ recommendations result in refunds owed to customers in excess of \$40 million. I then discuss AWEC witness, Bradley G. Mullins recommendation that interest be applied to the refunds.

II. APPROACHES USED IN CALCULATING REFUNDS

Q. What was the conclusion reached by the Court of Appeals of the State of Washington Division II that resulted in this remand proceeding?

A. In its August 7, 2018, decision in COA No. 48982-1-II, the Court of Appeals of the State of Washington Division II (“COA”) reached the following conclusion:

Because the projections of future rate base were not “used and useful” for service in Washington, we conclude that the WUTC

1 may not base Avista's rates on them. Accordingly, the WUTC
2 erred in calculating Avista's electric and natural gas rates. The
3 WUTC order provided one lump sum attrition allowance without
4 distinguishing what portion was for rate base and which was for
5 O&M expense or other considerations. We strike all portions of
6 the attrition allowance attributable to Avista's rate base and reverse
7 and remand for the WUTC to recalculate Avista's rates without
8 relying on rate base that is not used and useful.¹

9 **Q. Did you prepare a revised attrition study in calculating the refund amounts**
10 **recommended in your Response Testimony filed on September 13, 2019?**

11 A. No. As indicated in my Response Testimony, Exhibit No. DMR-27T, the parties
12 were unable to reconcile the attrition adjustment incorporated in the
13 Commission's Order 05. The refund calculations presented with my Response
14 Testimony relied, in part, on Avista's understanding of the amount of rate base
15 escalation incorporated in the Commission's attrition adjustments. The amount of
16 rate base escalation that Avista believes was incorporated in the Commission's
17 attrition adjustments were provided in Avista's Exhibit No. EMA-15 filed on June
18 21, 2019, in this proceeding. I did not dispute those amounts in my Response
19 Testimony.

20 **Q. Did the Commission Staff and AWEC use attrition studies in calculating**
21 **their recommended refund amounts?**

22 A. Yes. Staff witness, Chris R. McGuire utilized Avista's rebuttal Exhibit Nos.
23 EMA-6 (Electric) and EMA-7 (Natural Gas) as the starting point for recalculating
24 the attrition adjustments. As explained in Mr. McGuire's testimony, Exhibit No.
25 EMA-6 for the electric operations was modified to: 1) include the modifications
26 to the attrition methodology identified in the Commission's Order 05; 2) include
27 the Power Supply Update filed on October 29, 2015; and 3) remove the escalation

¹ Donna M. Ramas, Exh. DMR-35 at 31.

1 of rate base items.² He explained that Exhibit No. EMA-6 was filed prior to the
2 Power Supply Update causing the need to modify the attrition study to include the
3 update.³ Mr. McGuire modified Exhibit No. EMA-7 for the natural gas operations
4 to modify the escalation of O&M expense that was identified in Order 05 and to
5 remove the escalation of rate base.⁴

6 AWEC witness, Bradley G. Mullins utilized Staff's attrition models that
7 were provided in McGuire Exhibit No. CRM-2 Rev. for electric and CRM-3 Rev.
8 for natural gas that were filed on October 13, 2015, as his starting point for
9 recalculating the attrition adjustments.⁵ Mr. Mullins modified these exhibits to
10 reflect his understanding of modifications to the attrition models that were
11 approved by the Commission in Order 05. Mr. Mullins also modified the attrition
12 models to: 1) remove the return on rate base; 2) remove the return of rate base;
13 and 3) incorporate Avista's October 29, 2015, Power Cost Update.⁶ Since the
14 Power Cost Update was filed on October 29, 2015, it would not have been
15 included in the electric attrition model filed on October 13, 2015, as Exhibit
16 No. CRM-2 Rev.

17 **Q. Do you agree that using an attrition model can be a reasonable approach in**
18 **calculating the amount of refund owed to customers in this proceeding?**

19 A. Yes, I do. Since the COA decision struck the portions of the attrition allowance
20 attributable to rate base, the attrition models could be used to determine what the
21 attrition allowance would be if the escalation of rate base were excluded. The

² Testimony of Chris R. McGuire, Exh. CRM-7T at 10:12 – 11:2.

³ McGuire, Exh. CRM-7T at 9:14-20.

⁴ McGuire, Exh. CRM-7T at 11:4 – 13.

⁵ Response Testimony of Bradley G. Mullins, Exh. BGM-7T at 6:6-10.

⁶ Mullins, Exh. BGM-7T at 13:2 – 13.

1 parties in this case do not have the final adjusted version of the attrition model
2 used by the Commission in determining its attrition adjustment. Staff witness, Mr.
3 McGuire and AWEC witness, Mr. Mullins based their calculations of the revised
4 attrition adjustments on their understanding of the model that the Commission
5 used to input its modifications in determining the Commission's attrition
6 adjustment. Both Mr. McGuire and Mr. Mullins revised the attrition models to
7 incorporate their understanding of the modifications to the model described in the
8 Commission's Order 05 and to remove the escalation of rate base as required by
9 the COA. I agree that this is a reasonable approach to use. The Commission itself
10 should know which models it used as the starting point in determining the attrition
11 adjustment it incorporated in Order 05. AWEC witness, Mr. Mullins also removed
12 the escalation of depreciation (i.e., the escalation of the return of rate base) from
13 the model he used in determining the revised attrition adjustment.

14 **Q. Staff and AWEC used different attrition models as their starting points in**
15 **calculating the recommended refunds, and you did not prepare a revised**
16 **attrition adjustment in calculating your recommended refund amounts.**
17 **Given the differences in approach, do all three parties recommend**
18 **substantial refunds in this case?**

19 A. Yes. As addressed in my Response Testimony, Public Counsel recommends that
20 Avista's electric customers be refunded \$36,189,000 and Avista's natural gas
21 customers be refunded \$4,907,000 for a combined total refund of \$41,096,000.⁷
22 Commission Staff is recommending a refund of \$35,997,000 to Avista's electric
23 customers and a refund of \$7,101,000 to Avista's natural gas customers, for

⁷ Response Testimony of Donna M. Ramas, Exh.DMR-27T at 3:20-24 and 30:12-16.

1 combined total refunds of \$43,078,000.⁸ It should be noted that Public Counsel’s
2 recommended refund incorporates offsets for earnings sharing while Staff’s does
3 not.

4 AWEC is recommending refunds of \$57,810,000 for electric customers
5 and \$19,223,000 for natural gas customers for combined total refunds of
6 approximately \$77 million.⁹ If the interest component and the depreciation (or
7 “Return on Rate Base”) were excluded from AWEC’s refund calculation for
8 comparability purposes, the result would be refunds of \$37,690,000 for electric
9 customers and \$9,789,000 for natural gas resulting in combined total refunds of
10 \$47,479,000.¹⁰

11 It is the opinion of all three parties - Public Counsel, Commission Staff
12 and AWEC – that the rates from Order 05 were in effect from January 11, 2016,
13 to April 30, 2018. It is also the opinion of all three parties that the amount of
14 refunds owed exceeds \$40 million.

15 III. INTEREST ON REFUNDS

16 **Q. Have any of the parties recommended that interest be applied to the amount**
17 **of refunds owed to ratepayers?**

18 **A. Yes. AWEC witness, Mr. Mullins recommends that interest be applied based on**
19 **Avista’s pre-tax cost of capital.¹¹**

⁸ McGuire, Exh. CRM-7T at 2:11-12.

⁹ Mullins, Exh. BGM-7T at 3:5-7.

¹⁰ Amounts calculated based on amounts presented in Mullins, Exhibit BGM-7T at 3 in Table 1.

¹¹ Mullins, Exh. BGM-7T at 34:6-11.

1 **Q. What is your recommendation regarding the application of interest on**
2 **the amounts owed to customers in this proceeding?**

3 A. I recommend that the Commission be consistent in its application of interest
4 across proceedings. If the Commission regularly applies interest on amounts owed
5 to Avista from customers, then interest should also be applied to amounts owed to
6 customers from Avista. I am not familiar with the Commission's policies
7 regarding the application of interest on amounts owed to or from customers as
8 applied to Avista. Thus, I am not opining on whether or not interest should be
9 applied in this case beyond the recommendation that the treatment be consistent.

10 **Q. Does this conclude your cross-answering testimony?**

11 A. Yes, it does.