

**Exh. DCG-34**  
**Dockets UE-200900, UG-200901,**  
**UE-200894**  
**Witness: David C. Gomez**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

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

**Respondent.**

**DOCKETS UE-200900, UG-200901,  
UE-200894 (*Consolidated*)**

**EXHIBIT TO  
TESTIMONY OF**

**David C. Gomez**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Avista's Response to UTC Staff Data Request No. 158, CS2 Offsets*

**April 21, 2021**

**AVISTA CORP.  
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	03/29/2021
CASE NO.:	UE-200900-901 & UG-200901	WITNESS:	J. Thackston / E. Andrews
REQUESTER:	UTC Staff	RESPONDER:	L. Andrews
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	Staff – 158	TELEPHONE:	(509) 495-8601
		EMAIL:	liz.andrews@avistacorp.com

**TOPIC: Capital Additions – Pro Forma – CS2 Transformer Upgrade**

**REQUESTED:**

On March 15, 2021, Staff sent an informal data request to Avista inquiring about two capital offsets for the \$3,114,004 in CS2 capital costs contained in the Company's 2020 pro forma. Specifically, Staff had asked whether the amount included for CS2 in the 2020 pro forma is inclusive of the two offsetting factors identified by Staff witness Gomez in his testimony in UE-190334 (Avista's 2019 GRC). The offsetting factors are:

- The Company's \$5.2 million insurance claim on T#3 which would directly offset ratepayer costs; and
- Avista's write off of \$2.9 million in net book value remaining on T#3 and T#4.

Please confirm whether these offsets have been included in the pro forma amounts for CS2 which the Company is seeking to include in rates.

**RESPONSE:**

In the Company's 2019 GRC (Docket UE-190334), the Company informed the parties that while an insurance claim had been submitted, the cause for the failure was yet to be determined, and therefore no proceeds had been received. The Company further clarified that the unit had been shipped to a shop in Canada ("Canadian Company") for tear down to determine if a component failure occurred which would trigger insurance recovery, and that it was possible that if no such failure was found, Avista would not receive insurance proceeds related to this incident. It was also suggested that, if insurance recovery was triggered, it was likely that Avista would not receive any proceeds until late 2020 due to the length of time usually required to adjust such claims. Finally, it was noted, that any preliminary estimates of any proceeds would first be offset by the Company's \$1.0 million deductible.

At this time, the Company has no further knowledge as far as any proceeds from the Company's insurance claim. As of now, there are still discussions between Avista and its insurance expert, and the insurers' adjuster and their expert. However, there is nothing to report at this time. It is the Company's understanding that there have been delays due to COVID precautions, reducing the amount of work the Canadian Company could complete during 2020. Avista continues to investigate this matter, however, there is no guarantee, as to whether: 1) the claim will be covered; and 2) if the claim is covered, phase two is determining the amount of the claim that will be covered. If however, the coverage is denied, Avista will then evaluate if the Company has further recourse. So needless to say, now, and certainly at filing of the Company's direct case, Avista did not build any form of an offset for the insurance claim, as this still very unknown at this time, if a) it will come to fruition at all, and b) if it does, how much. The \$5.2 million referenced in the request above, was an early potential insurance recovery. If an amount is paid it will be a system amount received after our \$1 million deductible.

Any proceeds, if received, will be accounted for by allocating the amount between O&M and capital based on actual related CS2 transformer expenditures paid and recorded by Avista. The majority of related expenditures by Avista were capitalized. Capital portions will be posted against 108 (Accumulated Provisions), which will reduce overall rate base – so customers will receive the full benefit. Any portion allocated based on O&M expense will be credited (offset) to account 557 (Other Expenses). FERC Account 557 is tracked through the Company's Energy Recovery Mechanism (ERM).

In summary, any proceeds received will be applied against costs incurred by the Company related to CS2, and therefore customers will receive the full benefit.

With regards to recording of any retirements (not a write-off), for CS2 T#3, in September of 2020 there was a \$3.9 million (system) retirement for T#3. Although not in our 2019 test period, the Company included all actual retirements in our 2020 Pro Forma Capital addition adjustments (PF 3.11 – PF 3.15). The Company discussed in Ms. Schultz testimony (see KJS-1T) the inclusion of all estimated retirements in 2020. In response to Staff-DR-107, the Company updated PF 3.11 – PF 3.15 to include actual retirements in 2020. The Company discussed the 2020 CS2 Single Phase transformer project of \$3.1 million system in Company witness Mr. Thackston testimony (see JRT-1T) starting at page 27. The Company did not pro form CS2 capital additions beyond 2020; nor did it pro form additional retirements planned beyond 2020.

With regards to T#4, it has been moved to another location on site at CS2. Given the extreme lead time for transformers (i.e. approximately 18 months to two years for replacements), the Company has carefully disassembled T#4, and it will be preserved for reinstallation under an emergency.