

**Exh. AIW-1T
Dockets UE-200900, UG-200901,
UE-200894
Witness: Amy I. White**

**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-200984 (*Consolidated*)**

TESTIMONY OF

Amy I. White

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

***Advanced Metering Infrastructure (AMI)
Wildfire Mitigation Deferral
Wildfire Mitigation Plan***

April 21, 2021

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SCOPE AND SUMMARY OF TESTIMONY 2

III. ADVANCED METERING INFRASTRUCTURE (AMI) 6

 A. AMI Background 6

 B. Avista’s Filing And Its Update 7

 C. Ratemaking Treatment..... 10

IV. WILDFIRE PLAN COSTS DEFERRAL AND WILDFIRE PLAN PRO FORMA
ADJUSTMENT 13

 A. Wildfire Operations And Maintenance Costs Deferral, Docket UE-200894 13

 B. Pro Forma Adjustment 3.17, Wildfire Mitigation Plan Expenses 18

 C. Avista’s Proposed Wildfire Balancing Account..... 26

 D. Alternative Wildfire Mitigation Cost Treatments..... 29

LIST OF EXHIBITS

- Exh. AIW-2 Staff's Calculation of Adjustments 1.04 E-AMI and 1.04 G-AMI, Remove AMI Rate Base
- Exh. AIW-3 Avista's Response to UTC Staff Data Request No. 107, Adjustment 3.16, Attachment A, filed March 9, 2021. Updates the Company's AMI workpaper calculating old AMI to be removed from rate base.
- Exh. AIW-4 Avista's Response to UTC Staff Data Request No. 107, Adjustment 3.16, Attachment B, filed February 26, 2021. Updates the Company's AMI workpaper calculating new AMI added to rate base.
- Exh. AIW-5 Avista's Response to UTC Staff Data Request No. 107, Adjustment 3.16, Attachment C, filed February 26, 2021. Updates the Company's AMI workpaper detailing cost savings as a result of AMI installation and calculates the increased cost due to the "last knock" requirement.
- Exh. AIW-6 Avista's Response to UTC Staff Data Request No. 107, Supplemental 3, filed March 9, 2021. The Company summarizes various adjustments, including AMI adjustment 3.16 in section f.).
- Exh. AIW-7 Staff's Calculation of Adjustment 3.16 E-AMI (electric) and G-PAMI, Pro Forma AMI Capital Additions (natural gas)
- Exh. AIW-8 Avista's response to Public Counsel Data Request No. 143. AMI-related answers from the Company including section j) regarding Avista's decision not to install AMI meters for approximately 17,500 customers in "natural gas only" areas.
- Exh. AIW-9 Avista's response to UTC Staff Data Request No. 61. Calendar Year 2020 O&M spending related to the Wildfire Mitigation Plan.
- Exh. AIW-10 Staff's Calculation of Wildfire O&M allocated to Washington
- Exh. AIW-11 Avista's Response to UTC Staff Data Request No. 107, Adjustment 3.17. Avista's updated calculation for adjustment 3.17, the Wildfire Mitigation Plan.
- Exh. AIW-12 Staff's Calculation of Adjustment 3.17, Pro Forma Wildfire Plan Calendar Year 2020 Capital and O&M Spending
- Exh. AIW-13 Avista's response to Public Counsel Data Request No. 256, as revised on March 23, 2021. Avista's acknowledgment that Wildfire Mitigation Plan costs will be refined with the 2021 construction season costs.

- Exh. AIW-14 Avista's response to Alliance of Western Energy Consumers (AWEC) Data Request No. 28. Avista's projected completion levels of the AMI project by June 2021.
- Exh. AIW-15 Avista's response to Alliance of Western Energy Consumers (AWEC) Data Request No. 29. Avista's projected completion data for the AMI project, June 2021.
- Exh. AIW-16 Avista's response to Alliance of Western Energy Consumers (AWEC) Data Request No. 106. Avista's count of the actual number of AMI meters installed December 31, 2020, by customer class.

1 **I. INTRODUCTION**

2

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

4 A. My name is Amy I. White, 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 Amy.White@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 a Regulatory Analyst in the Energy Regulation 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 2007.

16

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

18 A. I have a Master's degree in Public Administration as well as a Master's degree in
19 Business Administration from City University of Seattle, and a Bachelor's degree in
20 accounting and business administration from the University of Washington. I
21 attended the National Association of Regulatory Utility Commissioners' Annual
22 Regulatory Studies Program in August 2007, the Western Utility Rate School
23 sponsored by Michigan State University in May 2008, and have attended other

1 sector-specific workshops, trainings, and conferences during my employment by the
2 Commission.

3

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

5 A. I previously filed testimony in Docket UW-101818 regarding Cristalina Water, LLC,
6 in Dockets UW-110107 and UW-110220, both concerning Summit View Water
7 Company, in Dockets UE-170485 and UG-170486, general rate cases filed by Avista
8 Corporation (“Avista” or “Company”), and in Dockets UG-170929 and UG-200568,
9 general rate case filings by Cascade Natural Gas Corporation.

10

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

12

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

14 A. I address two issues, Avista’s costs and investments in Advanced Metering
15 Infrastructure (AMI) and its Wildfire Resilience Plan. In the course of doing so I
16 address three sets of adjustments.

17 In terms of those adjustments, I first address Restating Adjustments 1.04 E-
18 AMI and 1.04 G-AMI, Remove AMI Rate Base, which remove retired Automatic
19 Meter Reading (AMR) rate base and associated expenses and deferrals as previously
20 ordered.

21 I then address Pro Forma Adjustments 3.16 E-AMI and 3.16 G-PAMI, AMI
22 Capital Additions and Regulatory Amortization, which involve the Company’s
23 investment in AMI.

1 Finally, I testify about both the Company's deferral Petition in Docket UE-
2 200894 related to the Company's Wildfire Mitigation Plan in which the Company
3 requested to defer operating and maintenance (O&M) expenses for the nine months
4 of January 1, 2021 through September 30, 2021, and the Company's Pro Forma
5 Adjustment 3.17 E-WF, Wildfire Plan. Adjustment 3.17 seeks ratemaking treatment
6 for 12 months' worth of pro forma O&M expenses estimated for October 1, 2021
7 through September 30, 2022, and 17 months' worth of capital expenses for the time
8 period August 1, 2020, through December 31, 2021, including both actual costs and
9 cost estimates. Notably, the Company incurred O&M expenses during calendar year
10 2020 that it has not sought to recover in rates.

11
12 **Q. Please provide a summary of your conclusions and recommendations.**

13 A. I do not contest Avista's AMI Adjustments 1.04 and 3.16, as updated by Avista
14 through discovery, but do modify the dollar amounts involved due to use of Staff's
15 proposed capital structure rather than the Company's. I disagree with the Company's
16 proposals for a Wildfire Plan O&M cost deferral and for inclusion of its Adjustment
17 3.17 Wildfire pro forma adjustment in rates, but offer a Staff proposal for a pro
18 forma adjustment related to Avista's Wildfire Plan.

19
20 **Q. Have you prepared any exhibits in support of your testimony?**

21 A. Yes. I have prepared Exhibits AIW-2 through AIW-13.
22 • Exh. AIW-2 shows Staff's calculation related to adjustments 1.04 E-AMI and
23 G-AMI, Remove AMI Rate Base.

- 1 • Exh. AIW-3 shows the Attachment A summary calculations for the
2 Company’s filing which updated rate base additions through January 2021
3 regarding adjustments 3.16 E-AMI and 3.16 G-PAMI, Pro Forma AMI
4 Capital Additions, in its updated response to UTC Staff Data Request No.
5 107 as filed on March 9, 2021.
- 6 • Exh. AIW-4 shows the Attachment B background accounting data for the
7 Company’s filing which updated rate base additions through January 2021
8 for adjustments 3.16 E-AMI and 3.16 G-PAMI, filed on February 26, 2021.
- 9 • Exh. AIW-5 shows the Attachment C update that includes the Company’s
10 revised calculations for cost savings, including its updated calculation
11 regarding the “last knock rule” which affects realized cost savings from AMI
12 filed on February 26, 2021.
- 13 • Exh. AIW-6 shows Avista’s updated response to UTC Staff Data Request
14 No. 107, Supplemental 3, as filed on March 9, 2021.
- 15 • Exh. AIW-7 shows Staff’s calculation related to adjustments 3.16 E-AMI and
16 3.16 G-PAMI, Pro Forma AMI Capital Additions (gas).
- 17 • Exh. AIW-8 shows the Company’s response to Public Counsel Data Request
18 143, regarding the remaining number of meters left to install in the AMI
19 project.
- 20 • Exh. AIW-9 shows the Company’s response to UTC Staff Data Request No.
21 61, actual calendar year 2020 O&M spending related to the Wildfire Plan for
22 its entire system.

- 1 • Exh. AIW-10 shows Staff’s calculation of Wildfire O&M allocated to
2 Washington for the calendar year 2020.
- 3 • Exh. AIW-11 shows the Company’s response to UTC Staff Data Request No.
4 107, updating its Wildfire spending for the calendar year 2020.
- 5 • Exh. AIW-12 show’s Staff’s calculation of total Wildfire spending (both
6 O&M and capital) for the calendar year 2020.
- 7 • Exh. AIW-13 shows Avista’s Response to Public Counsel Data Request No.
8 256, which discusses the need to refine Avista’s cost estimates related to its
9 Wildfire Plan upgrades.
- 10 • Exh. AIW-14 shows Avista’s Response to AWEC Data Response No. 28,
11 which shows Avista’s planned completion date of June 30, 2021, for nearly
12 all Advanced Metering Infrastructure (AMI) project elements.
- 13 • Exh. AIW-15 shows Avista’s Response to AWEC Data Response No. 29,
14 which shows that approximately 300 installations related to AMI remain as of
15 March 22, 2021.
- 16 • Exh. AIW-16 shows Avista’s Response to AWEC Data Response No. 106,
17 which shows the Company’s actual numbers of AMI meters installed as of
18 December 31, 2020, reported by customer class.
- 19

1 **III. ADVANCED METERING INFRASTRUCTURE (AMI)**

2

3 **A. AMI Background**

4

5 **Q. Please provide background on the Company’s AMI project.**

6 A. The Company’s AMI project is substantially complete. This project, begun in 2015,
7 has replaced approximately 261,000 electric meters and 153,000 natural gas meters.¹
8 The issue has been before the Commission repeatedly, first in Dockets UE-150204
9 and UG-150205, when the Commission deemed it was “not [yet] ripe for”
10 Commission “determination.”² In January 2016, in Docket UE-160100, the
11 Company filed a petition seeking an order authorizing deferred accounting treatment
12 of the remaining undepreciated net book value of its existing electric meters. Avista
13 ultimately amended this petition to include the natural gas meters and to allow
14 deferral of unrecovered book values of the existing meters upon removal. The
15 Commission approved the amended petition upon the condition that Avista had to
16 execute contracts with vendors and move forward with the project.³ The
17 Commission also approved the deferral of depreciation expense and carrying charges
18 at the FERC rate associated with the new meters as they were installed in Dockets
19 UE-170327 and UE-170328.⁴

20

¹ Exh AIW-8, Avista’s response to PC Data Request 143.

² *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Dockets UE-150204 & UG-150205, Order 05, 71, ¶ 199 (Jan. 6, 2016).

³ *In re Petition of Avista Corp.*, Docket UE-160100, Order 01, 5, ¶ 18 (Mar. 15, 2016).

⁴ *In re Petition of Avista Corp.*, Dockets UE-170327 & UG-170328, Order 01, 1-2, ¶ 3, 5, ¶ 26 (Sept. 14, 2017).

1 **Q. Has the Commission recently provided guidance about what it expects from**
2 **utilities seeking to recover AMI costs?**

3 A. In Docket UE-190529, the Commission urged Puget Sound Energy (PSE) to “take
4 great strides to ensure that both the Company and its customers receive maximum
5 value from its AMI system”⁵ and directed PSE’s attention to a Utility Dive article
6 which listed six basic use cases: Time-of-use rates; real-time energy use feedback for
7 customers; behavior-based programs; data disaggregation; grid-interactive efficient
8 buildings; and CVR or volt/VAR optimization.⁶ The Commission expressed its
9 interest in PSE’s analysis of how AMI provided customer benefits in those six
10 cases.⁷ Because PSE had not yet demonstrated AMI’s benefits, the Commission
11 authorized PSE to recover the *return of* its investment in AMI, but required it to
12 continue to defer the *return on* that investment.⁸

13
14 **B. Avista’s Filing And Its Update**

15
16 **Q. Does Avista’s general rate case filing include adjustments for AMI related costs**
17 **and investments?**

18 A. Yes, two, in fact. The first is Restating Adjustment 1.04; the second is Pro Forma
19 Adjustment 3.16. Each is applicable to both electric and natural gas operations.

20

⁵ *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Dockets UE-190529, UG-190530, UE-190274, UG-190275, UE-171225, UG-171226, UE-190991, & UG-190992, Order 08, 50 ¶ 157 (July 8, 2020) (hereinafter “PSE Order”).

⁶ *Id.*

⁷ *Id.*

⁸ *Id.* at 49, ¶ 156.

1 **Q. Please describe Restating Adjustments 1.04 E-AMI and 1.04 G-AMI, Remove**
2 **AMI Rate Base.**

3 A. These two adjustments remove electric and natural gas AMR rate base and expense
4 that were included in the Company's test year ending December 31, 2019, on an
5 average of monthly averages (AMA) basis. The difference between the Company's
6 proposed adjustments and Staff's recommendation, which I set out below, results
7 from the use of Staff's proposed capital structure.

8

9 **Q. Please describe Staff's Pro Forma Adjustments 3.16, E-AMI and 3.16, G-AMI,**
10 **AMI Capital Additions and Regulatory Amortization.**

11 A. These adjustments add the Company's AMI rate base, amortize the regulatory asset
12 associated with the old AMR meters, increase depreciation to reflect ongoing
13 expense related to the new meters, and reduce expenses to reflect offsets to costs
14 such as the reduction in costs related to meter reading. Again, the difference between
15 the Company's proposed adjustments, as revised, and Staff's recommendation, also
16 set out below, results from the use of Staff's proposed capital structure.

17

18 **Q. In its filing, has Avista attempted to analyze the use cases noted by the**
19 **Commission in the PSE order?**

20 A. Yes. In Exhibit JDD-2, the Company provided the results of analysis for each of the
21 Utility Dive use cases cited by the Commission in the PSE case. Avista's analysis

1 showed benefits in five of the six use cases with the sixth, data disaggregation, being
2 integrated among the other benefits.⁹

3

4 **Q. Has the Company updated its filed case related to its AMI project?**

5 A. Yes, Avista filed revisions to the workpapers it used in preparing its AMI
6 adjustments when it responded to UTC Staff Data Request No. 107. These updates
7 included actual costs through January 2021 and also made adjustments for Avista's
8 decision not to install natural gas meters in some of its natural-gas-only territories.

9

10 **Q. Did you include these updates as exhibits to your testimony?**

11 A. Yes. The Company updated its cost information in three attachments to its responses
12 to Data Request No. 107. Exh. AIW-3 shows the Attachment A summary
13 calculations for the Company's filing, which updated rate base additions through
14 January 2021 regarding adjustments 3.16 E-AMI and 3.16 G-PAMI, Pro Forma AMI
15 Capital Additions. Exh. AIW-4 shows the Attachment B background accounting data
16 for the Company's filing. And Exh. AIW-5 shows the Attachment C update that
17 includes the Company's revised calculations for cost savings, including its updated
18 calculation regarding the "last knock rule," which affects the cost savings realized
19 from AMI. Exhibit AIW-6 shows Avista's Supplemental response to Data Request
20 No. 107, which updates the Company's adjustment.

21

⁹ DiLuciano, Exh JDD-2 at 10-11.

1 **C. Ratemaking Treatment**

2

3 **Q. Do you contest Avista’s Restating Adjustment 1.04 or Pro Forma Adjustment**
4 **3.16?**

5 A. No. I reviewed and do not contest Restating Adjustments 1.04 E-AMI and 1.04 G-
6 AMI, Remove AMI Rate Base. I also reviewed and do not contest Pro Forma
7 Adjustments 3.16, AMI Capital Additions and Regulatory Amortization, as updated
8 by the Company using amounts included in its second response to Data Request No.
9 107. However, as discussed below, Staff recommends that the Commission accept
10 Staff’s revised adjustments 1.04 and 3.16 to reflect Staff’s proposed rate of return.

11

12 **Q. Before turning to Staff’s adjustments, given that Avista’s installation of AMI is**
13 **not yet complete, why does Staff not oppose its inclusion in rates?**

14 A. In Docket UE-190529, the Commission instructed PSE to continue to defer costs
15 related to its ongoing AMI installation until the project is complete.¹⁰ Staff views
16 Avista’s project as effectively complete, although it cannot pass judgment on costs
17 incurred past January 2021 as those costs are currently projected. But those costs
18 should be very small in context of the project as a whole. Avista estimated the
19 project to be 98 percent complete as of September 1, 2020, when the Company
20 estimated that only 20,000 meters remained to be installed.¹¹ The Company also
21 updated its cost projections in February 2021 to reflect its decision not to install
22 approximately 17,500 AMI meters in areas in its natural-gas only service territories,

¹⁰ PSE Order at 49 ¶ 155.

¹¹ DiLuciano, Exh-JDD-2 at 1.

1 leaving the AMR meters in place in those areas.¹² By December 31, 2020, meters
2 installed by customer class ranged from 99.8% complete to 100% complete.¹³ As of
3 March 22, 2021, the Company states approximately 300 meters remain to be
4 installed.¹⁴ Finally, Avista reiterated its plans to be essentially 100 percent complete
5 with the AMI installation project by June 30, 2021, in its responses to AWEC Data
6 Request No. 28¹⁵ and AWEC Data Request No. 106.¹⁶

7

8 **Q. Does Staff have any other ratemaking concerns related to the delay in including**
9 **Avista's AMI investment in rates?**

10 A. Yes. A further delay in including the AMI rate base in the Company's rates will
11 unnecessarily increase the cost of the *return on* the rate base, thus increasing costs to
12 ratepayers.

13

14 **Q. Have you prepared revised restating adjustments related to Restating**
15 **Adjustments 1.04, E-AMI and G-AMI, Remove AMI Rate Base?**

16 A. Yes. Exhibit AIW-2 shows the calculation for both electric and natural gas.

17

18 **Q. What effects do Staff's adjustments have?**

19 A. Staff's adjustment decreases net operating income by approximately \$260,000 and
20 decreases the revenue requirement by approximately \$4.2 million for electric. The

¹² Exh. AIW-8, Response to Public Counsel Data Request No. 143, paragraph j.

¹³ Exh. AIW-16, Response to AWEC Data Request No. 106.

¹⁴ Exh. AIW-15, Response to AWEC Data Request No. 29.

¹⁵ Exh. AIW-14, Response to AWEC Data Request No. 28.

¹⁶ Exh. AIW-16, Response to AWEC Data Request No. 106.

1 gas adjustment decreases net operating income by approximately \$99,000, and
2 decreases the revenue requirement by approximately \$1.6 million.

3
4 **Q. Have you prepared revised pro forma adjustments related to Pro Forma**
5 **Adjustments 3.16, E-AMI and 3.16 G-PAMI, AMI Capital Additions and**
6 **Regulatory Amortization?**

7 A. Yes. Exh. AIW-7 shows the calculation for both electric and natural gas.

8
9 **Q. What effects do Staff's adjustments have?**

10 A. Staff's adjustment decreases net operating income by approximately \$7.1 million,
11 and increases the revenue requirement by approximately \$17.7 million for electric.
12 The gas adjustment decreases net operating income by approximately \$2.5 million,
13 and increases the revenue requirement by approximately \$6.4 million.

14
15 **Q. Does Staff recommend that the Commission take any other action regarding**
16 **Avista's AMI project?**

17 A. Yes. The record does not currently contain Avista's actual post-January 2021 AMI
18 investment. Staff recommends that the Commission require the Company, via a
19 bench request, to further update actual cost data through July 2021. This update
20 should occur prior to the rate effective date so that the Commission may verify that
21 the project is complete and all investment that Avista seeks to recover in rates in this
22 case is both known and measurable and used and useful and offset by any savings
23 resulting from the installation of the meters.

1 **IV. WILDFIRE PLAN COSTS DEFERRAL AND WILDFIRE PLAN PRO**
2 **FORMA ADJUSTMENT**
3

4 **A. Wildfire Operations And Maintenance Costs Deferral, Docket UE-**
5 **200894**
6

7 **Q. Please provide background on this issue.**

8 A. On October 30, 2020, Avista filed a Petition for An Accounting Order Authorizing
9 Accounting and Ratemaking Treatment of Costs Associated with The Wildfire
10 Resiliency Plan (Petition) which asked for permission to defer O&M costs to be
11 incurred January 1, 2021, through September 30, 2021, the suspension period in the
12 pending rate case. The Commission consolidated the Petition with Avista's general
13 rate case filings on December 23, 2020.
14

15 **Q. What information did the Company file with its Petition?**

16 With the Petition, Avista filed a suite of documents,¹⁷ developed with a cadre of
17 internal and external subject matter experts, which constitute a plan to harden the
18 Company's grid and increase its resiliency in the face of climate change while
19 presumably also making the system more resistant to utility-caused wildfires. These
20 identical documents were filed again in the general rate case docket by Avista

¹⁷ The documents included Avista's Wildfire Resiliency Plan, dated May 2020; a Wildfire Risk Analysis Summary (Actions Under Consideration), dated September 2019; a Wildfire Resiliency Cost Forecast, dated January 2020; a transmission and distribution system map with Wildland Urban Interface (WUI) Risk gradings shown; and a Communications Plan related to the wildfire plan.

1 witness David Howell as his exhibits 2 through 6. The Petition also includes a
2 statement, among several other similar statements, that “Avista would seek a
3 prudence determination and recovery method of the deferred costs in a future
4 Commission proceeding.”¹⁸

5
6 **Q. Please give a brief overview of the Company’s Wildfire Plan.**

7 A. Avista’s Plan focuses on the following objectives:

- 8 • Protect lives and property;
- 9 • Ensure emergency preparedness and align operating practices with fire threat
10 conditions, and;
- 11 • Protect Avista’s energy delivery infrastructure.¹⁹

12
13 **Q. What actions does Avista propose to achieve its stated areas of focus?**

14 A. In its plan, Avista seeks to increase investment in four primary areas:

- 15 • Enhanced vegetation management, including digital data
16 collection/visualization of power lines; more work with fuel reduction
17 partners, such as the Department of Natural Resources; standardizing rights-
18 of-way; and increased danger tree removal.
- 19 • Improved situational awareness, including development of more local
20 weather monitoring stations; improved recloser communications; and the
21 installation of SCADA technology on all its substations.

¹⁸ *In re Petition of Avista Corp.*, Docket UE-200894, Petition of Avista Corp., 1, ¶ 1 (Oct. 30, 2020) (hereinafter “Petition”).

¹⁹ *Petition* at 5, ¶ 6.

- 1 • Operations Toolkit: increased training for and with emergency responders;
2 subscription to a national fire ignition tracking and notification system; and
3 several smaller projects.
- 4 • Grid Hardening and Dry Land Management: increased transmission patrols;
5 use of fire mesh wrap to protect poles; additional reclosers; and increased
6 grid hardening, including a move from wooden poles to steel and
7 replacement of wooden crossarms with fiberglass ones to prevent pole files.
8 Increased grid hardening accounts for nearly half the Wildfire Plan capital
9 spending outlay.²⁰

10

11 **Q. Along with the O&M costs Avista sought to defer in its Petition, did the**
12 **Company file to recover other costs related to the Wildfire Plan?**

13 A. Yes. Avista also seeks ratemaking treatment for O&M and capital costs in its general
14 rate case. Staff will discuss these costs below, but notes that the piecemeal nature of
15 the requests lends complexity to the filing.

16

17 **Q. What action does Staff recommend regarding the Company's Petition to defer**
18 **O&M expenses?**

19 A. Staff recommends the Commission deny the Petition for the January through
20 September 2021 O&M expenses. Staff instead recommends that the Commission pro
21 form O&M expenses incurred in calendar year 2020 into rates, as discussed later in
22 this testimony.

23

²⁰ *Petition* at Attachment C, 2-3.

1 **Q. Please explain why Staff recommends that the Commission deny the deferral**
2 **Petition.**

3 A. Staff does not believe the Petition meets the Commission’s standards for deferring
4 costs.

5
6 **Q. Why not?**

7 A. A deferral involves removing costs from one period and then including them in
8 another for rate recovery. Doing so disturbs the relationship between costs and
9 potential savings in the year in which the costs were incurred, potentially resulting in
10 an overstated or understated revenue requirement and rates that are not fair, just,
11 reasonable, or sufficient. The Commission has therefore required a showing of
12 extraordinary circumstances²¹ involving material costs²² before approving a deferral.

13
14 **Q. Are there extraordinary circumstances supporting the Company’s Petition?**

15 A. Yes and no. Avista attributes the urgency of the situation requiring additional
16 hardening of its grid for wildfire resiliency to climate change and worsening wildfire
17 conditions in the West, which is clearly beyond the Company’s control. However,
18 *the way in which Avista chooses to respond to this urgency is within the Company’s*
19 *control.* A ten-year grid hardening project, while urgent, does not fit the pattern of
20 occurrences that the Commission has considered extraordinary, even though the
21 Wildfire Plan generates costs that have a material impact on the utility’s financial

²¹ *Wash. Utils. & Transp. Comm’n v. Pac. Power & Light Co.*, Dockets UE-140762, UE-140617, UE-131384, UE-140094, Order 08, 114, ¶ 273 (Mar. 25, 2015).

²² *Wash. Utils. & Transp. Comm’n v. Nw. Natural Gas Co.*, Docket UG-080519, Order 01, 3, ¶ 7 (May 2, 2008).

1 results. These are long-lived assets that will be upgraded over a reasonably long
2 timeframe, not all at once over a very short time under exigent circumstances.

3

4 **Q. Are there other reasons to deny the Petition?**

5 A. Yes. The Commission can deal with Avista’s request without resorting to
6 extraordinary ratemaking devices. Staff’s proposal, which the Commission should
7 adopt, includes the actual 2020 O&M expense amount in rates as a pro forma
8 adjustment, which took place immediately after the test year, compensating the
9 Company for ongoing work as it continues its Wildfire Plan. With O&M costs
10 embedded in rates, deferring O&M costs becomes unnecessary and the request for
11 the Petition becomes moot.

12

13 **Q. Has Avista filed a similar petition with another commission?**

14 A. Yes. In May 2020, Avista filed a nearly identical petition with the Idaho Public
15 Utilities Commission (IPUC) seeking permission to defer all costs for Idaho’s share
16 of the Wildfire Plan in Case No. AVU-E-20-05.

17

18 **Q. Has the Idaho filing reached a resolution?**

19 A. Yes. The IPUC authorized the following treatment for the Wildfire Plan expenses
20 allocable to Idaho:

- 21 • Deferral of incremental O&M expenses without any carrying charge;
- 22 • Deferral of monthly depreciation expenses on capital items without any carrying
23 charge, and;

- 1 • When the capital items are included in plant in service during the next GRC, the
2 Company may collect a return on the rate base.

3

4 **Q. Does Staff propose an alternative means of handling the Wildfire O&M costs**
5 **Avista would defer?**

6 A. Yes. As I mentioned, Staff proposes including known and measurable Wildfire
7 O&M costs incurred during calendar year 2020 as a pro forma adjustment. I discuss
8 this proposal further below.

9

10 **B. Pro Forma Adjustment 3.17, Wildfire Mitigation Plan Expenses**

11

12 **Q. What costs did Avista include in Pro Forma Adjustment 3.17, Wildfire**
13 **Mitigation Plan Expenses?**

14 A. In the rate case, Avista seeks ratemaking treatment for twelve months' worth of pro
15 forma O&M expenses as estimated for October 1, 2021, through September 30,
16 2022, and 17 months' worth of capital expenses on an AMA basis for the time period
17 August 1, 2020, through December 31, 2021, to include both actual costs (for August
18 2020 through the end of January 2021, as updated) and cost estimates (for February
19 2021 through December 2021).

20

1 **Q. Did Avista propose any extraordinary mechanisms for recovering its Wildfire**
2 **Plan costs?**

3 A. Yes. The Company proposed a Wildfire Balancing Account to recover the O&M
4 costs as incurred via an annual true-up mechanism.²³

5
6 **Q. Before turning to Staff’s recommendation about Avista’s Wildfire Plan costs,**
7 **would you like to call to the Commission’s attention any other recently-litigated**
8 **filings including wildfire issues in Northwest states?**

9 A. Yes, the Oregon PUC (OPUC) recently filed a decision²⁴ which involved a proposal
10 by PacifiCorp for a Wildfire Mitigation and Vegetation Management Cost Recovery
11 Mechanism. PacifiCorp sought to include its 2020 Wildfire Mitigation capital
12 expenditures and its proposed level of 2021 O&M costs in base rates and to recover
13 incremental capital and O&M costs beginning in 2021 through a cost recovery
14 mechanism subject to earnings tests based on performance metrics. These
15 performance metrics were driven by the results of safety inspections performed by
16 OPUC Staff safety inspectors. OPUC Staff also proposed that PacifiCorp employ an
17 independent expert to assist in preparing its Wildfire Mitigation Plan.

18
19 **Q. How was the Oregon filing resolved?**

20 A. The OPUC authorized a cost recovery mechanism for PacifiCorp’s Wildfire
21 Mitigation costs, effective for three years, with annual reporting, performance
22 requirements linked to improved levels of violations as scored by the OPUC’s safety

²³ Andrews, Exh. EMA-1T at 87:16 – 89:19.

²⁴ *In re PacifiCorp, dba Pacific Power*, Docket UE-374, Order 20-473, 115-25 (December 18, 2020).

1 inspectors, and reimbursements over a base level in rates at risk. OPUC found that
2 approximately 10 percent of PacifiCorp’s proposed level of spending should be at
3 risk, assessed against PacifiCorp’s violations history, so that its owners shared in the
4 costs along with the ratepayers, should PacifiCorp not meet performance metrics.
5 PacifiCorp was ordered to engage an independent expert in utility fire risk
6 management to assist in development of its mitigation plan.

7 In the event that the Commission rejects both Avista’s proposed treatments of
8 Wildfire Plan costs (discussed above), which it should, and also Staff’s (discussed
9 below), which it should not, it could look to the OPUC’s order for alternatives.
10

11 **Q. Returning now to Avista’s filings, what information leads Staff to consider
12 wildfire mitigation as a priority?**

13 A. Staff’s research shows that there is certainly a basis for action to mitigate wildfires.
14 North America has been enduring a 20-year megadrought.²⁵ Huge fire losses have
15 occurred in all three west coast states, often utility-caused. The small eastern
16 Washington town of Malden was burned off the map during last year’s wildfires.
17 The Legislature is deliberating SSB-1168, a wildfire task force bill. All these items
18 point to the need for action to mitigate wildfires sooner rather than later.
19

20 **Q. Does Staff feel wildfire mitigation is necessary?**

21 A. Yes. Staff in no way wishes to diminish either the urgency of the situation regarding

²⁵ A. Park Williams, Edward R. Cook, Jason E. Smerdon, Benjamin I. Cook, John T. Abatzoglou, Kasey Bolles, Seung H. Baek, Andrew M. Badger, & Ben Livneh., Large contribution from anthropogenic warming to an emerging North American megadrought, *Science* (April 17, 2020), <https://science.sciencemag.org/content/368/6488/314>.

1 wildfire mitigation for our state nor denigrate the effort on Avista's part. Part of the
2 complexity of this filing is the fact that Avista is the first investor-owned utility in
3 Washington to file such a Plan. As such, Avista deserves commendation for taking
4 such a proactive step. A coordinated, consolidated wildfire effort, in concert with the
5 managers of Washington's public lands and the state's emergency responders, Staff
6 believes, is going to be increasingly vital as climate change intensifies. As well, Staff
7 believes that action on this issue should be more than merely hoping for good results
8 from the Company's transmission and distribution system as it is currently
9 configured. High winds and a small failed "c-hook" are blamed for the Camp Fire
10 which killed 84 and destroyed Paradise, California.²⁶ Undoubtedly Pacific Gas and
11 Electric, the utility company involved, has since regretted its ineffective maintenance
12 and upgrade programs; this is likely a lesson for Washington state as well.

13 Staff does believe the plan to be a good-faith effort by the Company and its
14 subject matter experts. Staff's expertise lies elsewhere than in wildfire mitigation and
15 must leave picking and choosing among facets of the Wildfire Plan to the subject
16 matter experts who developed the Plan. As such, Staff does not feel that singling out
17 individual parts of the plan for potential denial, such as crossarm replacement, is
18 within the scope of Staff's expertise. Such an errand would be, in Staff's estimation,
19 analogous to the managed care plan accountant who dictates what care a patient can
20 and cannot receive, overriding what a patient and their physician have decided on the
21 best course of treatment for that patient.

²⁶ Butte County District Attorney, The Camp Fire Public Report-A Summary of the Camp Fire Investigation, 2-3 (June 16, 2020), <https://www.buttecounty.net/Portals/30/CFReport/PGE-THE-CAMP-FIRE-PUBLIC-REPORT.pdf?ver=2020-06-15-190515-977>.

1 **Q. Are there other factors that Staff has considered regarding the Petition and**
2 **Wildfire Plan?**

3 A. Staff believes the wildfire mitigation cost forecasts are still highly nebulous and thus
4 it is impossible to embed a correct amount in rates. For example, the Company
5 predicted 2020 capital spending of \$5.265 million,²⁷ while actual system-wide
6 capital costs related to the wildfire plan were \$3.2 million, with \$1.7 million
7 allocated to Washington.²⁸ Staff concedes that 2020 actuals likely have been affected
8 by the Coronavirus Disease 2019 (COVID) pandemic. But, given the ongoing
9 uncertainty related to the pandemic, Staff also finds it unlikely that 2021 spending
10 will rebound to the levels predicted in the Company's Plan. Further, the Company's
11 cost predictions are somewhat in flux, as shown by this comparison of costs as
12 predicted in its original plan (black face) and revised costs from Avista witness
13 Andrews' testimony.

14 Comparison of Forecasted Costs

15 From the Company's Original Plan²⁹

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Capital	\$5,265	\$16,985	\$27,055	\$31,380	\$31,380	\$31,380	\$31,380	\$31,380	\$31,380	\$31,380
Operating	\$3,016	\$5,154	\$6,800	\$7,319	\$7,337	\$6,755	\$6,524	\$6,042	\$5,611	\$5,079

17 From Company Witness Andrews' Testimony³⁰

18
19

²⁷ Andrews, Exh. EMA-1T at 84, Table No. 8.

²⁸ Exh. AIW-12.

²⁹ Howell, Exh. DRH-4 at 3.

³⁰ Andrews, Exh. EMA-1T at 84, Table No. 8.

Table No. 8 –Wildfire Annual System Capital Investment & Operating Expense

(000s)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	10-YR Ttl
Capital	\$5,265	\$16,985	\$27,055	\$31,380	\$31,380	\$31,380	\$31,380	\$31,380	\$31,380	\$31,380	\$268,965
O&M	\$2,416	\$5,371	\$6,917	\$7,435	\$7,354	\$6,772	\$6,540	\$6,059	\$5,627	\$5,096	\$59,586

1 **Q. Has Staff considered fairness or equity issues related to the proposal?**
2 Yes. Staff views this issue as analogous to pipeline safety or environmental
3 remediation in that the results provide a social good, a lessened probability of
4 wildfire disaster, that is desirable for all customers. However, Staff also recognizes
5 that *the Company and its owners also reap benefits in making the Company's assets*
6 *less susceptible to loss* by wildfire while perhaps lowering the Company's potential
7 liability should a wildfire occur. In fact, the Company has made "Protect[ion of]
8 Avista's energy delivery infrastructure"³¹ one of the primary objectives of the
9 Wildfire Plan. Thus, Staff feels it is unfair to place the entire burden for all costs on
10 the ratepayers and that the Company and its stockholders should contribute toward
11 costs as well. If stockholders share costs, they will share an interest in keeping the
12 Company's accountable in executing the Wildfire Plan. Any difference between
13 Staff's proposed pro forma adjustment using 2020 actuals and whatever future
14 spending does force the Company to invest its own funds to some degree, which
15 addresses these equity issues.

16
17 **Q. Has the Company estimated offsetting factors that might decrease the impact of**
18 **the Wildfire Plan costs?**

³¹ Petition at 5, ¶ 6.

1 No. Staff is concerned over the Company's current inability to predict costs that may
2 decrease as a result of the Wildfire Plan spending, such as decreased line patrols, less
3 tree trimming as problem trees are removed during the program, and fewer fire
4 responses. Benefits from these expense reductions should accrue to ratepayers if they
5 are paying the expenses that generate these savings. The Commission should order
6 Avista to report on offsetting savings if the Commission orders any annual reporting
7 by the Company about its Wildfire Plan. Savings should be netted against identified
8 costs if any kind of true-up mechanism is adopted.

9
10 **Q. Does Staff recommend that the Commission accept Avista's Adjustment 3.17?**

11 A. No.

12
13 **Q. Why does Staff oppose the Company's position regarding Adjustment 3.17?**

14 A. The Company's proposal does not meet the Commission's guidance regarding pro
15 forma adjustments. Costs as proposed are not yet known and measurable. There are
16 no offsetting expense adjustments to account for savings realized because of the
17 expenses incurred. The estimated capital items are not in service by the rate effective
18 date and thus not used and useful by then. While the costs involved are part of a
19 programmatic series of investments stretching over at least ten years, the Company
20 has not identified the Wildfire Plan spending as a provisional pro forma adjustment
21 as required by the applicable Commission policy statement.³² Staff finds the multiple
22 time periods for which the Company seeks recovery, along with the Petition seeking

³² *In re Commission Inquiry into the Valuation of Public Service Company Property that Becomes Used and Useful after Rate Effective Date*, Docket U-190531, Policy Statement, 7, ¶ 20 (Jan. 31, 2020).

1 deferral of the suspension period O&M costs to be arbitrary and confusing,
2 especially in light of Avista's assertion in its Petition that it would seek prudence in a
3 later general rate case.³³
4

5 **Q. What ratemaking treatment does Staff recommend for Avista's Wildfire Plan**
6 **costs?**

7 A. Staff supports the inclusion of a pro forma adjustment, comprised of known and
8 measurable amounts spent in calendar year 2020 for both capital and O&M items, in
9 rates. This includes approximately \$1.6 million in used and useful plant transferred
10 to service by December 31, 2020, and O&M costs of approximately \$1.5 million.
11 Staff acknowledges that the 2020 actual O&M spending amounts are short of the
12 amounts the Company anticipates spending in subsequent years, but Staff feels this
13 shortfall may be compensated for by offsetting factors that the Company has not yet
14 been able to analyze, which Staff has discussed previously.
15

16 **Q. How did Staff arrive at the total O&M costs involved in its adjustment?**

17 A. The Company updated its filed case in its response to UTC Staff Data Request No.
18 61, regarding actual Wildfire O&M costs for calendar year 2020, which is included
19 as Staff Exhibit AIW-9. Avista also updated its case in its responses to Data Request
20 No. 107, which is included as Staff Exhibit AIW-11. This response to Data Request
21 No. 107 updated the adjustment with actual cost data for the time period of August

³³ Petition at 1, ¶ 1, 21, ¶47, 21, ¶50, 23, ¶55.

1 2020 through December 2020. The data in these responses provided Staff with the
2 information needed for its adjustment.

3

4 **Q. Have you prepared an adjustment using updated information related to**
5 **Adjustment 3.17, Wildfire Mitigation Plan?**

6 A. Yes. Exhibit AIW-10 shows Staff's allocation of O&M costs for 2020 to
7 Washington and Exhibit AIW-12 shows the calculation of both capital and O&M
8 costs for the adjustment.

9

10 **Q. What effect does Staff's adjustment have?**

11 A. Staff's adjustment decreases net operating income by approximately \$1.2 million and
12 increases the revenue requirement by approximately \$1.7 million.

13

14 **C. Avista's Proposed Wildfire Balancing Account**

15

16 **Q. Does Staff support Avista's plan for a balancing account for its ongoing O&M**
17 **costs?**

18 A. No.

19

20 **Q. Why not?**

21 A. Avista's balancing account plan embeds O&M estimates into base rates in violation
22 of longstanding Commission principles. The Company's proposed pro forma capital
23 adjustment embeds an especially material estimated amount into rate base and thus

1 into base rates. Avista admitted that it intends to use the 2021 construction season to
2 refine its costs estimates, showing that the amounts proposed by the Company are
3 fundamentally inaccurate.³⁴ While the cause of wildfire mitigation is worthy, it still
4 must comply with ratemaking standards long in use by the Commission.
5

6 **Q. What other objections does Staff have to Avista’s balancing account proposal?**

7 A. Staff has found it difficult and confusing to separate O&M costs, as proposed by the
8 Company, into “normal operating” and “wildfire mitigation” expense categories.
9 One of the largest components of the plan relates to increased vegetation
10 management. Many of these costs could easily be categorized as statutorily required
11 already and thus a normal operating cost. These costs would – and should - qualify
12 for standard ratemaking treatment, and no extraordinary cost recovery mechanism
13 should be needed.
14

15 **Q. Is there a specific cost Staff would like to discuss?**

16 A. Yes. Avista’s vegetation management or tree trimming has long been a subject
17 rather fraught with controversy. In Docket UE-050482, testimony showed that
18 Avista’s tree trimming had dropped to \$0 at one point following the energy crisis of
19 2001-2002.³⁵ The Company was ordered to increase tree trimming to at least \$2.8
20 million per year and to use a one-way balancing account to ensure this level of
21 spending each year with any unspent funds returned to ratepayers.³⁶ Avista was again

³⁴ Exh. AIW-13.

³⁵ *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Docket UE-050482, Testimony of James R. Dittmer, 28:11-29 (Aug. 26, 2005).

³⁶ *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Docket UE-050482, Order 05, 7-8, ¶ 15 (Dec. 21, 2005).

1 ordered to increase its vegetation management spending to \$4.025 million in Docket
2 UE-100467.³⁷ The Company was also ordered to report annually on tree trimming
3 expense as part of its annual Commission Basis Report (CBR). Subsequent CBRs
4 show the following vegetation management expenses:

5

Calendar Year	Report Docket UE-	Spending (\$Millions)
2011	120447	\$5.05
2012	130645	\$4.89
2013	140529	\$4.85
2014	150698	\$4.85
2015	160454	\$4.5
2016	170325	\$5.0
2017	180354	\$5.0
2018	190309	\$6.6
2019	200387	\$6.4

6 In testimony filed in this docket, Company witnesses Andrews³⁸ and Howell³⁹ both
7 present this confusing note:

8 “Wildfire risk tree and other expenditures are incremental to existing
9 vegetation management expenses included in the 2019 test period, with the
10 exception of approximately \$265,000 (WA/ID). The calculation of the
11 operating expense included in this case was calculated as follows for the rate
12 year beginning on October 1, 2021: (\$3.305 million * 3/12 (2021) + \$4.249
13 million * 9/12 (2022), allocated to Washington and offset by existing
14 vegetation management expense included in the 2019 test period of \$184,000
15 (WA share), totals \$4.025 million.”

16 Staff finds the reappearance of the minimum-ordered \$4.025 million
17
18 spending level ordered in Docket UE-100467 arbitrary and confusing after the
19 Company reported test-year tree trimming expenses in Docket UE-200387 of \$6.4
20 million. The \$6.4 million in costs are presumably embedded in the test year costs
21 currently under consideration in this filing. Even more difficult to discern is what

³⁷ *Wash. Utils. & Transp. Comm’n v. Avista Corp.*, Docket UE-100467, Order 07, 5, ¶ 12 (Nov. 19, 2010).

³⁸ Andrews, Exh. EMA-1T at 86 n. 58.

³⁹ Howell, Exh. DRH-1T at 25 n. 8.

1 part of the expenses should be allocated to “ordinary” O&M and which part to
2 wildfire O&M. The Company has not made its case regarding use of an
3 extraordinary reimbursement methodology and Staff recommends that only known
4 and measurable expenses be embedded in rates.

5
6 **Q. If the Commission rejects Staff’s proposed adjustment, are there alternatives it
7 could consider?**

8 A. Yes, I discuss those below.

9
10 **D. Alternative Wildfire Mitigation Cost Treatments**

11
12 **Q. Could the Commission adopt another way of dealing with Avista’s wildfire
13 costs?**

14 A. Certainly. Staff envisions a number of alternatives to both its wildfire proposal and
15 the Company’s. I discuss these in more detail below.

16
17 **Q. To be clear though, Staff is not recommending that the Commission accept or
18 approve any of these alternatives?**

19 A. No. Staff presents these in the interest of a full discussion of the issue. But Staff
20 views each of these alternatives as less consistent with Commission policy or
21 standards than Staff’s recommended adjustment, and thus inferior for ratemaking
22 purposes.

1 **Q. As an alternative to the proposed wildfire adjustments, could the Commission**
2 **adopt a cost recovery mechanism?**

3 A. Yes. The Commission could consider a cost recovery mechanism (CRM), starting
4 with rate year costs, related to capital costs only with annual reporting and true-up. If
5 the Commission chooses this alternative, Staff does not believe the mechanism
6 balances should accrued interest because the reduced regulatory lag provides
7 sufficient compensation to the Company.

8

9 **Q. How does this alternative compare with Avista’s balancing account?**

10 A. This contrasts with the Company’s proposal for an annual Wildfire Balancing
11 account to recover O&M costs only, with capital costs moving into the Company’s
12 rates whenever subsequent general rate cases are filed.

13

14 **Q. Why does Staff believe that the CRM should not include O&M?**

15 A. The CRM should parallel existing CRMs (for example, Cascade Natural Gas’s)
16 under the terms of the Commission Policy Statement regarding accelerated
17 replacement of pipelines. Per the Policy Statement, the pipeline “CRM . . .
18 exclude[s]...any incremental changes in operating and maintenance (O&M)
19 expenses...” and plant would move into base rates via a general rate case at the end
20 of the CRM life.⁴⁰

21

22

⁴⁰ *In re the Policy of the Wash. Utils. and Transp. Comm’n Related to Replacing Pipeline Facilities with an Elevated Risk of Failure*, Docket UG-120715, Policy Statement, 15-16, ¶ 59-62 (Dec. 31, 2012).

1 **Q. What other features should the alternative CRM include?**

2 A. The alternative should include an annual review to see how closely Avista is
3 adhering to the investment timeline projected in its plan, so that the Company
4 remains accountable. An independent expert should review the plan and its progress,
5 perhaps at the end of the third year, to enhance Avista's accountability, since Staff
6 does not have the luxury of relying upon power line inspector colleagues and
7 violations scores at the Commission, which is the standard for accountability and
8 judgment of amounts at risk for companies at the OPUC. And by the end of the third
9 year, Avista should have a firmer understanding regarding cost savings due to
10 offsetting factors.

11
12 **Q. What are the merits of a CRM?**

13 A. This mechanism could hasten the Company's work and make the system more
14 resilient against wildfires more quickly, which is a major public benefit. Regulatory
15 lag would be virtually eliminated, which would act as an incentive to the Company.
16 Known and measurable amounts would be used to set rates related to used and useful
17 capital items in the Company's system. And with annual reporting required, the
18 Company would be more accountable for meeting goals from its plan.

19
20 **Q. Why does Staff recommend that the Commission address wildfire costs with its
21 proposed pro forma adjustment rather than the CRM alternative?**

22 A. Staff's proposed pro forma adjustment using the 2020 actual capital and O&M costs
23 compensates the Company for both facets of its Wildfire Plan and complies with

1 Commission standards such as known and measurable and used and useful. **Further,**
2 Staff's adjustment adheres to Commission standards regarding the use of known and
3 measurable costs which allows the Company to make a serious start at implementing
4 the Wildfire Plan. Staff's proposed adjustment includes both O&M and capital costs
5 while a CRM would only include capital costs while ignoring O&M costs.

6
7 **Q. What other alternatives could the Commission use to address ongoing O&M**
8 **costs related to the Wildfire Plan?**

9 A. If the Commission does not adopt Staff's proposed pro forma treatment, or the cost
10 recovery mechanism just described, Staff recommends that the Commission consider
11 addressing Avista's O&M costs in one of three other ways:

- 12 • The Commission could grant the Company's pro forma adjustment, including
13 estimated amounts of approximately \$4.4 million O&M and \$13.1 million
14 rate base for the rate effective year as filed. The Commission would also have
15 to consider the Company's proposal for a Wildfire Balancing Account to
16 adjust the amount embedded in rates for O&M costs annually if the
17 Commission granted the Company's adjustment as filed.
- 18 • The Commission could include the estimated \$2.6 million in O&M costs for
19 the suspension period (the costs that were the subject of the deferral Petition),
20 *averaged with* the actual costs of \$1.5 million for calendar year 2020 as a pro
21 forma adjustment to rates, which would embed approximately \$2 million per
22 year in O&M costs in rates. Capital items could be added to the Company's
23 balance sheet during general rate cases, as per usual Commission practice.

- 1 • Finally, the Commission could declare the subject to be not yet ripe, order the
2 Company to defer all costs, and to file for reimbursement in its next GRC.

3
4 **Q. What are the merits of and arguments against these alternatives?**

5 A. The Company’s proposal embeds *only projected spending* for O&M costs during the
6 rate year (September 2021 through August 2022) while *ignoring known O&M*
7 *spending amounts* incurred during 2020. Its capital adjustment includes *actual*
8 spending August through December 2020 and *projected* amounts for January 2021
9 through December 2021. The Company’s proposal for an annual O&M true-up does
10 mitigate errors related to O&M costs. However, the use of estimates in rate base is
11 especially problematic. In its response to Public Counsel Data Request No. 256 ¶a,
12 which Staff has attached as Exh. AIW-13, the Company acknowledges that its
13 current cost estimates are essentially premature since “Avista plans to use data from
14 the 2021 construction season to help refine the grid hardening cost estimates for both
15 distribution and transmission.” Use of estimated capital costs here would effectively
16 guarantee the embedding of incorrect costs in rates. This approach would still require
17 an annual reporting regarding Avista’s O&M spending to the Commission which
18 could include updates on Avista’s adherence to its plan.

19 The second alternative proposed in the preceding Q&A, averaging actual and
20 estimated O&M costs, takes advantage of including known and measurable costs to a
21 degree. 2021 costs will likely be higher than 2020 costs as pandemic restrictions ease
22 and the Company gears up to accomplish a full year’s work. However, Staff once

1 again chafes at the use of estimates and advocates for the Commission standard of
2 using known and measurable costs, rather than use of this method.

3 Finally, a full deferral of costs, with reimbursement set at intervals, would
4 give the Commission and ratepayers assurance that costs are known and measurable.
5 Deferral would increase costs, presuming the Commission allows a carrying charge
6 to accrue on these costs. The carrying costs may, however, be offset by the use of
7 actual cost data, rather than estimates. The Company would also have time to
8 develop mature data regarding offsetting amounts (such as decreased tree trimming
9 and line patrol costs) as the plan is carried out, allowing those cost savings to be
10 matched against the Wildfire Plan costs.

11

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

13 A. Yes.