

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

JURISDICTION:	WASHINGTON	DATE PREPARED:	07/16/2021
CASE NO:	200900-901-894	WITNESS:	Elizabeth Andrews
REQUESTER:	Bench	RESPONDER:	Liz Andrews
TYPE:	Bench Request	DEPT:	Regulatory Affairs
REQUEST NO.:	Bench Request No. 10	TELEPHONE:	(509) 495-8601
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**REQUEST:**

- a. Please specify the timeframe for all expenses in the pro forma IS/IT adjustments included in this case and identify actual expenses in 2020, actual expenses as of April 21, 2021, actual expenses as of July 7, 2021, and all expected expenses in 2021.
- b. Part (b) of Bench Request No. 10, as asked at hearing on July 9, 2021, is withdrawn.

**RESPONSE:**

In response to the Bench Request No. 10, the Company is providing actual total IS/IT expenses (non-labor, system) for the periods in question that are available per our general ledger reporting (2020, 03/31/2021, 06/30/2021, and total expected 2021) for all IS/IT non-labor expenses, as well as the “subset” of incremental non-labor expenses included by the Company in this case.

The requested data is provided in attachment “Bench Request 10 – Attachment A.” For the “subset” data, see tab “Pro Forma to Actuals” in Attachment A, which provides the requested information for 2019, 2020 and 2021, and tab “Monthly 2021 Comparison” in Attachment A, which provides monthly 2021 actual/expected versus monthly pro forma information. For “all in” data, see tab “2019-2021 All-In” in Attachment A, which provides the requested information for the “all-in” data.

As discussed by Company witnesses Mr. Kensok and Ms. Andrews, within Pro Forma Adjustment 3.08 “IS/IT Expense” the Company has pro formed incremental expenses beyond the 2019 historical test period associated with security, information services, and technology expenses, including non-labor costs associated with products and services, licensing and maintenance fees, and other costs for a range of information services programs. These incremental expenditures are necessary to support Company cyber and general security, emergency operations readiness, electric and natural gas facilities and operations support, and customer services. In this case, the Company narrowed the scope of incremental expenses to 2020 and 2021 known and measurable non-labor items, and are based on having contractual agreements in place, are pre-paid costs, or are the continuation of costs for products and services that have increased beyond the 2019 historical test period – representing the “subset” of non-labor system expenses versus “all-in” non-labor system expenses.<sup>1</sup>

The following table provides a breakdown of the incremental IS/IT expenses pro formed by the Company in Adjustment 3.08 as shown in Table No. 4 of Company witness Mr. Kensok’s direct testimony (Exh. JMK-1T, p. 42). These expenses are a “subset” of total IS/IT expenses in the calendar year.

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<sup>1</sup> Exh. JMK-1T, p. 39, ll. 19 – p. 40, ll. 7.

**Table No. 4 Non-Labor O&M (System)**

General Cost Types	2019	2020	2021
		incremental	incremental
Dedicated Voice and Data Circuits	79,734	5,203	0
Hardware License Support	1,453,479	19,301	203,125
Professional Services	359,070	100,986	7,350
Radio Tower Site Leases	252,410	6,866	2
Software License Support	7,558,935	719,234	150,167
Software Services and Subscriptions	3,259,095	1,111,416	1,552,183
<b>Grand Total</b>	<b>12,962,722</b>	<b>1,963,005</b>	<b>1,912,827</b>

**Table A** below provides the “subset” of data pro formed by the Company in our original filing. **Table B** below provides the actual “subset” of IS/IT expenses for 2020, as well as 2021 expenses (6 months of actual through June, and 6 months expected for July through December).

**Table A – Original Pro Formed “Subset” of IS/IT Expenses (System and Washington)**

Pro Forma 3.08 IS/IT Expenses - "Subset" of IS/IT Expenses (Non-labor, System)			
Actual	Expected (known)	Expected (known)	
2019	2020	2021	Total PF 3.08
\$ 12,962,722	\$ 14,925,727	\$ 16,838,554	
PF Adj 3.08	1,963,005	1,912,827	3,875,832
		WA Electric	\$ 2,012,757
		WA Nat. Gas	\$ 624,064

**Table B – Actual Expenses for Subset of IS/IT Expenses (System and Washington)**

Actual IS/IT Expenses - "Subset" of IS/IT Expenses (Non-labor, System)			
Actual	Actual	6 Mo. Actual / 6 Mo. Expected	Total Actual (should have pro formed)
2019	2020	2021	
\$ 12,962,722	\$ 16,169,249	\$ 19,704,216	
Incremental	3,206,527	3,534,967	6,741,494
		WA Electric	\$ 3,904,501
		WA Nat. Gas	\$ 903,376

Monthly “subset” data for 2021 is available in Bench Request 10 – Attachment A, tab “Monthly 2021 Comparison.”

Please note, that for 2021, the total actual January through June expenses totaled \$9.32 million (system). The remaining expected expense for July through December totals \$10.38 million (system). Combined for 2021, the total is \$19.70 million (system) as shown in Table B above. If one were to only annualize the first 6 months of monthly actual data, the total would be \$18.64 million (system), still \$1.8 million above the pro formed level of \$16.84 million (system) included by the Company (shown in Table A). (See Attachment A, tab “ProForma to Actuals”)

Next, the following Table C provides IS/IT expenses for all (non-labor, system) IS/IT expected costs (all versus the “subset” shown above). The “all-in” level of IS/IT expense **was not used** by the Company to pro form its’ IS/IT expenses, as the incremental expenses above the “subset” of costs included by the Company, were for estimated expenses not known and measurable at the time of filing.

**Table C – “ALL-IN” IS/IT Expenses (Non-labor, System)**

<b>Total "All In" IS/IT Expenses (Non-Labor, System)</b>					
<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Expected</b>	<b>Total IS/IT</b>
<b>2019</b>	<b>2020</b>	<b>Jan 2021 - Mar 2021</b>	<b>Jan 2021 - Jun 2021</b>	<b>Jul 2021 - Dec 2021</b>	<b>2021</b>
\$ 24,256,759	\$ 26,483,108	7,031,567	14,422,320	15,201,486	\$ 29,623,807
Incremental to 2019	\$ 2,226,349			Incremental to 2020	\$ 3,140,699
				<b>Incremental to 2019</b>	<b>\$ 5,367,048</b>

Monthly data for 2021 is available in Bench Request 10 – Attachment A, tab “2019-2021 All-in”.

Again, the total incremental expense shown in the table above of \$5.367 million (system) is well above the \$3.875 million (system) pro formed by the Company (shown in Table A). As well as, if one were to annualize the Actual June 2021 level of expense, the incremental increase in expense would be \$4.584 million, still well above the \$3.875 million pro formed by the Company.<sup>2</sup>

Please note, that IS/IT capital and expenses specifically related to the Company’s investments in its Advanced Metering Infrastructure (AMI), Wildfire Resiliency Plan, or the Energy Imbalance Market (EIM), have been separately included within those adjustments 3.16, 3.17 and 3.18, respectively, and are excluded from Pro Forma IS/IT Expense Adjustment 3.08. **There is no double counting of the expenses in those adjustment (3.16-3.18) in Adjustment 3.08.**

Please also note, Pro Forma IS/IT Expense Adjustment 3.08 excludes any IS/IT capital additions pro formed by the Company in this case. All actual 2020 Capital Additions Adjustments, including IS/IT capital additions associated with Customer at the Center (see Pro Forma 2020 Customer at Center Adjustment 3.11) or Short Lived Assets (see Pro Forma 2020 Short Lived Assets Adjustment 3.15), pro formed to reflect actual additions for the period January 1, 2020 through December 31, 2020 were separately included in “Pro Forma 2020” Capital Adjustments 3.11 – 3.15. Each of these adjustments (3.11-3.15) reflect actual 2020 capital additions, together with associated accumulated depreciation (A/D), accumulated deferred federal income taxes (ADFIT) and depreciation expense. These adjustments also reflect offsetting reductions in depreciation expense of over \$2 million to reflect actual retirements in 2020 on plant-in-service at December 31, 2019.<sup>3</sup>

In short, all of the IS/IT capital additions were complete and in-service as of December 31, 2020 (with the exception of AMI, EIM, and wildfire).

<sup>2</sup> \$14.4 million \* 2 = \$28.84 million. \$28.84 million less the 2019 actual level of \$24.256 million is \$4.584 million.

<sup>3</sup> Exh. EMA-6T, p. 84, ll. 3 – p. 85, ll. 2. The overall effect of reflecting the net actual \$2 million of retirement offsets in the 2020 Pro Forma Capital Additions adjustments (3.11-3.15), reduces the incremental depreciation expense included in those adjustments, reducing the overall revenue requirement associated with the 2020 PF Capital Additions Adjustments by 9%.