WUTC DOCKET: UE-200900 UG-200901 UE-2008
EXHIBIT: BR-11 A
ADMIT ☑ W/D ☐ REJECT ☐

AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	07/26/2021
CASE NO:	200900-901-894	WITNESS:	Elizabeth Andrews
REQUESTER:	Bench	RESPONDER:	Liz Andrews
TYPE:	Bench Request	DEPT:	Regulatory Affairs
REQUEST NO.:	Bench Request No. 11	TELEPHONE:	(509) 495-8601
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REQUEST:
In the Settlement, the Settling Parties "agree to include EIM capital and expenses in base rates as proposed by Avista."

(a) Avista witness Andrews's testimony, Exh. EMA-1T at 28:14-16 and Exh. EMA-6T at 15:1-14, states that portions of the 3.17, 3.18, and 3.19 pro forma adjustments are provisional and related to projects that are estimated to be in service after the rate effective date.

In Avista's revised response to BR-1, "200900-01-894-AVA-RevisedBR1-Att-A-06-18-2021," spreadsheet "ADJ DETAIL-INPUT," columns AX and AY, Avista's electric revenue requirement model identifies and separately states the traditional and provisional portions of pro forma adjustment 3.18. Please simply confirm that the provisional portion of pro forma adjustment 3.18 identified in Avista's response to BR-1 is the correct understanding of the Settling Parties.

(b) Avista witness Andrews's testimony, Exh. EMA-1T at 29:16-23, outlines the review process for the provisional portion of the pro forma adjustments, including pro forma adjustment 3.18.

(i) Please confirm whether the Settling Parties agree to the review process outlined in Andrews's testimony identified in (b), above, for the provisional portion of pro forma adjustment 3.18 and indicate whether the Settling Parties agree or expect a prudency determination to occur immediately after completion or in Avista's next GRC.

(ii) Would that review process for the provisional portion of pro forma adjustment 3.18 agreed by the Settling Parties in the Settlement also apply to other provisional adjustments if the Commission approves any other provisional adjustments?

(iii) Please provide a non-binding estimate of when the Company expects it might file its next GRC. If the Company's next GRC is filed more than a year after the effective date of this case, will Avista provide an annual report on any provisional pro forma adjustments approved by the Commission consistent with the Used and Useful Policy Statement?

RESPONSE:
(a) It is Avista's view that the revised response to BR-1, "200900-01-894-AVA-RevisedBR1-Att-A-06-18- 2021," spreadsheet "ADJ DETAIL-INPUT," columns AX and AY, Avista's electric revenue requirement model identifies and separately states the traditional and provisional portions

of pro forma adjustment 3.18 as agreed to by the Parties. Other parties may choose to separately respond.

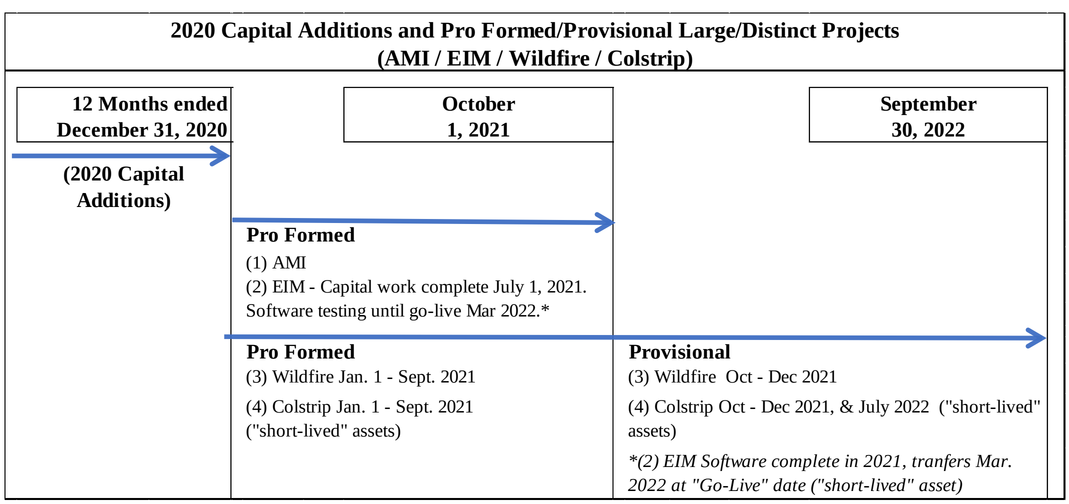
BR-1, "200900-01-894-AVA-RevisedBR1-Att-A-06-18- 2021," spreadsheet "ADJ DETAIL-INPUT," columns AX and AY show approximately $8.7 million total pro forma rate base and $3.9 million provisional rate base, for a combined total of $12.6 million. The provisional balances reflect net rate base associated with the software project (a "short-lived" asset) that will transfer to plant in service in March 2022 at "go live". (The revenue requirement associated with these adjustments are approximately $3.5 million "Pro forma 3.18" and $1.2 million "Provisional 3.18", a combined total of $4.7 million.) As noted in testimony by Mr. Kinney:[1]

> Even though the software applications and SCADA module will not transfer to plant until market go-live in March 2022, all the application integrations will be complete and functioning prior to market testing beginning in July. The remaining software application and SCADA module costs from July 2021 to market go-live in March 2022 are associated with labor to support market testing, Utilicast consulting costs, hardware/server costs, license costs and vendor professional services, hosting fees, and support fees. The Utilicast consulting costs, hardware/server costs and software license costs are known and included in each vendor contract. The vendor professional services, hosting fees, and support fees are also known per terms of the contracts, but the actual payments are tied to passing different testing milestones and will be paid accordingly through EIM go-live.

(b)

(i) Avista proposes an after-the-fact review of the expenditures within the provisional portion of pro forma adjustment 3.18, and would extend this review to other provisional adjustments as well. The opportunity for review of these expenditures would occur in Avista's next GRC. The following illustration excerpted from Ms. Andrews's testimony (Exh. EMA-6T, p. 15. Illustration No.1), is provided below to help identify the other provisional adjustments:

<u>Illustration No. 1 - 2020 Capital Additions and Pro Formed/Provisional Large/Distinct Projects</u>



[1] Exh. SJK-13T, pg. 8, ll. 20 – pg. 9, ll. 6

Illustration No. 3, above, reflects specific capital proforma and provisional adjustments that are separately stated from other proforma adjustments. In Avista's view, each of the four reflect necessary (not discretionary) expenditures. Commissioner Balasbas, at time of hearing, inquired about any "mechanisms" that would allow for the recovery of expenditures leading up to and during the rate effective period. The Company proposes a retrospective evaluation process[2] or "mechanism" that would allow parties a reasonable opportunity to review and challenge the recovery of any investment placed in service during the "rate effective period," as it pertains to so-called "provisional" investments [EIM: Oct 2021 – Mar. 2022/Wildfire: Oct.-Dec. 2021/Colstrip: Oct.-Dec. 2021 and July 22 re "short-lived" assets].[3] In fact, the Company would be willing to extend this same process to these investments occurring after the filing of Response Testimony (April 2021) and up to the start of the Rate Year (Oct. 1, 2021). This would align with the Commission's Policy Statement, by providing a further opportunity for parties to audit, after the fact, all expenditures for prudency, in the four distinct proforma adjustments discussed above in Illustration No. 3, (Wildfire, EIM, Colstrip and AMI[4]).

The Policy Statement, at para. 46, establishes a two-step approval process:

> The first step includes provisional approval for the inclusion in rates of identified rate-effective period investment. The second step involves final approval after the investments are reviewed and confirmed to be used and useful and prudent. Property granted provisional approval, with rates subject to refund, can either be embedded in base rates or recovered through a separate tariff schedule.

That process will unfold in Avista's next general rate case (as allowed in the Policy Statement) where final costs will be identified (after the fact), available for thorough review by the parties, including any offsetting cost savings. Avista would refund, with interest,[5] any amounts deemed imprudent or not known and measurable. No arbitrary threshold would be applied to the review of

[2] This is what was envisioned by Ms. Andrews' proposal in her prefiled testimony in Exh. EMA-1T, at p. 29, ll. 16-23.

[3] "Specific" is defined in the Policy Statement, as "a clearly defined, identified or discrete investment." Id. at p.5, fn. 18. See policy Statement on Property That Becomes Used and Useful After Rate Effective Date, dated January 31, 2020, in Docket No. U-190531.

[4] As noted in Bench Request No. 9, as of July 2021 "Avista has substantially completed AMI deployments (**99.9%**) in all areas where AMI is set to be deployed, including both electric and gas areas." Detailed AMI transactional data is to be provided in Bench Request No. 7 on or before August 13, 2021.

[5] At the authorized AFUDC rate (or rate of return) approved by the Commission in this proceeding. The current authorized Washington AFUDC rate is 7.21%.

these projects, as the data will be reflective of only a limited number of specific pro forma/provisional capital adjustments (Wildfire, EIM, AMI and Colstrip capital investment). In the meantime, the Company will communicate with the other parties through periodic "expenditure reports" filed on a quarterly basis, commencing October 15, 2021. This should satisfy the needs of the parties and fully comply with the Policy Statement. Furthermore, the provisional capital adjustments will be completed by December 31, 2021, with the exception of the EIM software application moving into service on March 1, 2022[6], prior to the filing of the Company's next general rate case, easily allowing for an opportunity to review and audit these projects.

In addition, although the review process or mechanism, as discussed above, is specific to capital investment, the Company would extend this same review process, subject to refund, to the current 2021 labor union contract expense pro formed in its case, currently under negotiation as discussed at the July 7, 2021 hearing, and as testified, should become known and measurable in Q'4 of 2021, and retroactive to March 2021.

(ii) Avista proposes that the review process for the provisional portion of pro forma adjustment 3.18 agreed to by the Settling Parties in the Settlement would also apply to other provisional adjustments, as discussed above, if the Commission approves any other provisional adjustments.

(iii) The Company anticipates filing its next general rate case in Q'1 of 2022.

Avista has provided <u>a draft</u> of this response to all parties on Thursday, July 22, 2021, and it is our understanding that other parties may choose to separately file their own response.

[6] See discussion above. As noted, even though the EIM software and SCADA module application and integrations are complete and functioning by July 2021, market testing will commence through "go-live". Therefore, although contractual costs are known, vendors will not be paid until specific milestones are met, balances will not be capitalized until such time, and the final project will not transfer to plant until market "go-live" in March of 2022.