

**Exh. AIW-1T
Dockets UE-170485/UG-1170485
Witness: Amy I. White**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

V.

**AVISTA CORPORATION dba AVISTA
UTILITIES,**

Respondent.

**DOCKETS UE-170485 and
UG-170486 (*Consolidated*)**

TESTIMONY OF

Amy I. White

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

October 27, 2017

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LIST OF EXHIBITS

- Exh. AIW-2 2.02 Restate Property Tax and 3.06 Pro Forma Property Tax
- Exh. AIW-3 Avista Supplemental Response to Staff Data Request No. 40, Attachment A
- Exh. AIW-4 Avista Supplemental Response to Staff Data Request No. 41, Attachment A
- Exh. AIW-5 Avista Response to Staff Data Request No. 160, Attachment A
- Exh. AIW-6 Avista Response to ICNU Data Request No. 54, Attachment B
- Exh. AIW-7 2.03 Uncollectible Expense

1 **I. INTRODUCTION**

2

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

4 A. My name is Amy I. White. My business address is 1300 S. Evergreen Park Drive
5 S.W., P.O. Box 47250, Olympia, WA 98504.

6

7 **Q. By whom are you employed and in what capacity?**

8 A. I am employed by the Washington Utilities and Transportation Commission
9 (Commission) as a Regulatory Analyst in the Regulatory Services Division.

10

11 **Q. How long have you been employed by the Commission?**

12 A. I have been working for the Commission since June 2007.

13

14 **Q. Would you please state your educational and professional background?**

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

22

1 **Q. Have you previously submitted testimony to this commission?**

2 A. I previously filed testimony in Dockets UW-101818 regarding Cristalina Water,
3 LLC, and in Dockets UW-110107 and UW-110220, both concerning Summit View
4 Water Company.

5

6 **II. TESTIMONY**

7

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to discuss adjustments to Avista's revenue
10 requirements model. In my testimony I discuss Staff's position on adjustments 2.02,
11 Restate Property Tax, and on 3.06, Pro Forma Property Tax. I also discuss Staff's
12 position on restating adjustment 2.03, Uncollectible Expense.

13

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

15 A. Yes. Exh. AIW-2 documents the specific calculations for adjustments 2.02, Restate
16 Property Tax and 3.06, Pro Forma Property Tax. Four exhibits are Company
17 responses to data requests used in the development of Staff's Adjustment 3.06, Pro
18 Forma Property Tax: Exh. AIW-3, Avista Supplemental Response to Staff Data
19 Request No. 40, Attachment A; Exh. AIW-4, Avista Supplemental Response to Staff
20 Data Request No. 41, Attachment A; Exh. AIW-5, Avista Response to Staff Data
21 Request No. 160, Attachment A; and Exh. AIW-6, Avista Response to ICNU Data
22 Request No. 54, Attachment B. Exh. AIW-7 contains Staff's lead sheets in support
23 of the Company's revised calculations for adjustment 2.03, Uncollectible Expense.

24

1 **Q. Do other Staff exhibits support your testimony?**

2 A. Yes. Staff witness Ms. Joanna Huang's Exh. JH-4 shows the detailed calculations by
3 Avista that support adjustment 2.03, Uncollectible Expense, which Staff supports.

4

5 **III. RESTATE PROPERTY TAX, ADJUSTMENTS 2.02**

6

7 **Q. What is the Company's "Restate Property tax" adjustment (Adjustments 2.02**
8 **Electric, 2.02 Gas).**

9 A. This adjustment restates the accrued property tax during the test period to actual
10 property tax paid during 2016. The actual plant balances as of December 31, 2015,
11 are the basis for the calculation of 2016 property tax expense.

12

13 **Q. Please discuss the purpose of the restating adjustment for property tax expense.**

14 A. The restating adjustment 2.02, Restate Property Tax, restates the estimated property
15 tax amounts expensed in the test period to the actual amount of property tax expense
16 for the test period. This adjustment allows actual, known and measurable property
17 tax expenses for the test period to replace estimates. Staff's adjustment also reflects
18 how the Company has routinely adjusted the amount of expense to reflect these
19 actual expense amounts in prior rate cases.

20

21 **Q. Please explain how Staff calculated Adjustment 2.02, Restate Property Tax, for**
22 **Avista's electric and gas operations.**

1 A. The Company expenses roughly equal amounts each month during the test year for
2 property tax expenses in Washington, Oregon, Idaho, and Montana. These amounts
3 are trued up later based on the actual valuations each jurisdiction places on the
4 Company's property. These valuations can be completed by the jurisdictions several
5 months after the end of the rate year. The Company has routinely adjusted the
6 amount of expense to reflect these actual expense amounts in prior rate cases. This
7 filing uses the same methodology as previous dockets. Using the estimated property
8 tax shown in the initial filing is inappropriate because it produces estimated property
9 taxes for 2016 and 2017, which are not known and measurable. Staff has calculated
10 the revised adjustments in Exhibit AIW-2 using information filed by the Company in
11 its responses to Staff DRs 40, 41, and 160, and in the Company's response to ICNU
12 DR 54.

13

14 **Q. What is the effect on net operating income due to Adjustment 2.02, Restate**
15 **Property Tax?**

16 A. This adjustment increases net operating income by \$573,000 for electric and
17 decreases net operating income for natural gas by \$168,000.

18

19 **IV. PRO FORMA PROPERTY TAX, ADJUSTMENT 3.06**

20

21 **Q. Please describe the Company's "Pro Forma Property tax" adjustment**
22 **(Adjustments 3.06 Electric, 3.06 Gas).**

1 A. This adjustment is to restate the 2016 level of property tax expense included in
2 “Restate Property tax” (Adjustments 2.02 Electric, 2.02 Gas) to the 2017 level of
3 expense. The 2016 property tax is the basis for the calculation of the 2017 property
4 tax expense.

5
6 **Q. Please discuss Staff’s position on adjustment 3.06, Pro Forma Property Tax.**

7 A. The 2018 property tax is based on a “flow-through” of the 2016 property tax as
8 calculated in Adjustment 2.02, Restate Property Tax. These actual results were then
9 inflated by the actual tax rates from 2016 to calculate the pro forma expense
10 amounts. Staff’s calculated expense amounts in Exhibit AIW-2 agree with the
11 Company’s response to Staff data request 160 and reiterated in the Company’s
12 response to ICNU data request 54.

13
14 **Q. What is the effect on net operating income due to this adjustment?**

15 A. This adjustment reduces net operating income by \$834,000 electric and \$278,000
16 natural gas, respectively.

17
18 **V. UNCOLLECTIBLE EXPENSE, ADJUSTMENT 2.03**

19
20 **Q. What is restating adjustment 2.03, Uncollectible Expense?**

21 A. Uncollectible expense is the amount that is written off by the Company after it
22 attempts, and fails, to collect past due accounts. In general, a company accrues a
23 monthly expense, which is an estimate based on its history of uncollectible accounts.

1 At the end of a test year, the actual uncollectible experience is compared to the
2 estimated amounts, and an adjustment is made for over- or under-accrual of the
3 expense.

4

5 **Q. Please describe Staff's position on restating adjustment 2.03, Uncollectible**
6 **Expense.**

7 A. Staff disagrees with the Adjustment 2.03 included in the Company's original filing,
8 but supports a revised and corrected version of the adjustment the Company
9 provided in discovery. After its original filing in this docket, Avista reviewed this
10 expense category while responding to a data request from Staff for detailed
11 transaction information and made a series of significant corrections.

12

13 **Q. How did Avista correct Adjustment 2.03 in the discovery process?**

14 The Company made two material corrections. First, the Company revised the total
15 expense downward approximately \$250,000 to reflect its actual test year experience
16 after a data request from Staff for transaction-specific data. Then, Avista's review
17 revealed an error in how the Company had allocated uncollectible debt to electric
18 and natural gas customers. In customer accounts where the customer uses only
19 electric services or only natural gas services, allocation of this expense to the
20 appropriate service was straightforward. Avista's credit and collections staff
21 determined, however, that the Company cannot distinguish whether an electric or
22 natural gas balance due is being written off for customers who use both services. To
23 assign the proper level of write-offs for each service, the Company updated its

1 allocation method for the overall expense. The Company combined total write-offs
2 and then allocated to either electric or natural gas using the percentage of sales
3 balances. This change decreased costs allocated to Washington electric operations by
4 approximately \$205,000 while increasing the portion of uncollectibles allocated to
5 Idaho customers by approximately \$45,000. The change increased Washington
6 natural gas costs by approximately \$205,000 while decreasing Idaho natural gas
7 costs by approximately \$45,000.

8
9 **Q. What was the difference between the gross amount of the adjustment as**
10 **originally filed and the adjustment the Company corrected and revised in**
11 **discovery?**

12 As originally filed, the gross adjustment, before being adjusted for income tax, for
13 electric uncollectible expense was approximately \$1.321 million; after revision, the
14 gross adjustment was approximately \$1.117 million. As originally filed, the gross
15 adjustment for natural gas was approximately \$590,000; after the revision, it was
16 approximately \$386,000.

17
18 **Q. Have you prepared exhibits related to this adjustment?**

19 A. Yes. Staff's Exh. AIW-7T, 2.03 Uncollectible Expense Lead Sheets, summarizes the
20 calculation of the adjustments to both electric and natural gas costs. Staff supports
21 the Company's revised adjustment, which is also shown in Ms Joanna Huang's Exh.
22 JH-4 Avista Resp to Staff DR 34.

1 **Q. What is the effect on net operating income due to this adjustment?**

2 A. This adjustment reduces net operating income by \$726,000 electric and increases net
3 operating income \$251,000 for natural gas, respectively.

4

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

6 A. Yes.