

CASE: UG 389  
WITNESS: PAUL ROSSOW

**PUBLIC UTILITY COMMISSION  
OF  
OREGON**

**STAFF EXHIBIT 1000**

**Opening Testimony**

**Errata to correct Exhibit No.  
July 22, 2020**

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Paul Rossow. I am a Utility Analyst employed in the Energy  
3 Resources and Planning Division of the Public Utility Commission of Oregon  
4 (OPUC). My business address is 201 High Street SE., Suite 100, Salem,  
5 Oregon 97301.

6 **Q. Please describe your educational background and work experience.**

7 A. My witness qualification statement is found in Exhibit Staff/1001.

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

9 A. My testimony reviews Avista Corporation’s (Avista or AVA) treatment of  
10 memberships and dues, meals and entertainment and miscellaneous  
11 operations and maintenance expenses. The resulting conclusions and  
12 proposed adjustments I recommend are derived from review of multiple data  
13 responses, analysis of Avista’s 2019 Operation and Maintenance non-payroll  
14 transactions, and Staff policy on dues and memberships.

15 **Q. Did you prepare an exhibit for this docket?**

16 A. Yes. I prepared the following Staff Exhibits:  
17 Staff/1001 Witness Qualifications Statement  
18 Staff/1002 Adjustment Summary

19 **Q. How is your testimony organized?**

20 A. My testimony is organized as follows:

21	Issue 1, Memberships and Dues.....	2
22	Issue 2, Meals and Entertainment and Miscellaneous Operations and	
23	Maintenance Expenses .....	4

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**ISSUE 1, MEMBERSHIPS-----**

**Q. Please provide a summary of the Company's proposal for memberships and dues.**

A. Avista's filed case and adjustment classifies membership and dues expenses by category and applies specific percentages to determine the recoverable amounts. Avista is removing \$25,855 in its filing, which is the difference between \$50,608 charged to Oregon and \$24,753 allowed after specific percentages are applied.

**Q. What is Staff's policy regarding historical treatment of memberships and subscriptions?**

A. Staff's long-standing policy is to recommend allowing in rates the following memberships and subscriptions: a) Industry Research Organizations (e.g., Gas Technology Institute) – 100 percent, except where organizations perform redundant services b) National and Regional Industry Trade Organizations (e.g., American Gas Association) – 75 percent, on the basis that certain activities are promotional or lobbying in nature, or otherwise do not benefit ratepayers, c) Other Organizations – Disallow all other membership and dues expenditures unless the utility can present a convincing argument to do otherwise.

**Q. Why does Staff recommend disallowing a portion of Membership and Subscriptions?**

A. Staff analyzes the Company's O&M expenses and recommends disallowances of those memberships and subscriptions that are imprudent, excessive, or do

1 not benefit Oregon regulated operations. For some memberships and  
2 subscriptions as described above, Staff recommends a sharing between  
3 shareholders and ratepayers according to Staff policy.

4 **Q. Please explain your analysis for the memberships, subscriptions,**  
5 **clubs, and dues adjustment.**

6 A. Staff analysis included the review of AVA's memberships and dues expenses  
7 recorded to FERC accounts 813 through 935 provided in electronic  
8 spreadsheet format by AVA in its 2019 membership and dues adjustment 3.01<sup>1</sup>  
9 and AVA's revised supplemental response to SDR 57, 2019 transactions for all  
10 FERC Operations and Maintenance (O&M) and Administrative and General  
11 (A&G) Accounts. Staff then searched for memberships and dues by using the  
12 G/L Account Descriptions provided by AVA in its revised supplemental  
13 response to SDR 57. Staff sorted these expenses by G/L Account  
14 Descriptions.

15 **Q. Is Staff proposing a disallowance?**

16 A. No. Staff's analysis revealed no additional membership and dues expenses  
17 recorded in FERC accounts 813 through 935 for disallowance.

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<sup>1</sup> See Workpaper 3.01 G-MD Membership and Dues.

1                    **ISSUE 2, MEALS AND ENTERTAINMENT AND MISCELLANEOUS**  
2                    **OPERATIONS AND MAINTENANCE EXPENSES**

3           **Q. Please describe the operations and maintenance (O&M) expenses at**  
4           **issue.**

5           A. The Federal Energy Regulatory Commission (FERC) has classified the FERC  
6           accounts Nos. 813 - 935 as O&M. Staff reviews these accounts for  
7           expenditures that are discretionary in nature, excessive, and according to  
8           commission policy should be disallowed or shared between customers and  
9           shareholders. For instance, these expenses include meals and entertainment  
10          (M&E), awards, gifts, travel, candy, coffee, flowers, and other similar  
11          miscellaneous expenses.

12          **Q. Please provide a summary of the Company's filed proposal for O&M**  
13          **expenses.**

14          A. Avista proposes including approximately \$26 million of O&M after escalation in  
15          the 2021 test year.

16          **Q. Did the Company propose an adjustment for M&E, awards, gifts and**  
17          **similar discretionary expenditures?**

18          A. No.

19          **Q. Please explain the Commission's historical treatment of O&M non-**  
20          **payroll discretionary expenses.**

21          A. O&M non-payroll discretionary expenses include awards, gift cards, food,  
22          meals, and entertainment. In Docket No. UE 197, the Commission adopted the  
23          principle that expenses for meals and entertainment, office refreshments,

1 catering, gifts, and awards are discretionary and should be shared equally by  
2 ratepayers and shareholders.<sup>2</sup> Accordingly, a 50 percent sharing of such  
3 expenses between customers and shareholders is routinely recommended by  
4 Staff. In addition, Staff recommends disallowance of O&M non-payroll  
5 expenses that are imprudent or excessive or do not benefit Oregon regulated  
6 utility operations at a transactional level.

7 **Q. Please describe Staff's analysis of the company's proposal for O&M**  
8 **non-payroll expenses.**

9 A. Staff reviewed AVA's revised supplemental response to SDR 57, filed on May  
10 20, 2020,<sup>3</sup> to identify any, O&M non-payroll discretionary expenses that appear  
11 to be excessive, without sufficient business purpose, and not related to the  
12 provision of safe and reliable energy to customers. In the Company's revised  
13 supplemental response to SDR 57, the Company provided its 2019 O&M non-  
14 payroll transactional expenses in Excel format. The accounting data includes a  
15 number of fields, including FERC accounts, transaction descriptions, vendor  
16 name, currency amount, and general ledger account descriptions. From this  
17 spreadsheet, Staff created a workbook to aid in Staff's analysis of O&M non-  
18 payroll discretionary expenses. Staff filtered the data by transaction  
19 description and placed the results for each expense in a separate worksheet.  
20 The selected expenditure types were General Services, Professional Services,

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<sup>2</sup> See Order No. 09-020, pp. 20-21.

<sup>3</sup> SDR No. 57 requested the Company to provide information for all non-payroll expenses recorded in all FERC accounts for the base year.

1 Employee miscellaneous Expense, Adjustments, Sponsorships, Materials and  
2 Equipment, Miscellaneous, Office Supplies, Postage, Printing, Rental Expense  
3 – Other, Subscriptions, Airfare, Employee Auto Mileage, Employee Car Rental,  
4 Employee Lodging, and Employee Business Meals.

5 Staff reviewed the meals and entertainment expenses to determine  
6 whether they benefit customers or are discretionary and should be shared  
7 between customers and shareholders according to Commission policy.<sup>4</sup> The  
8 Commission has historically agreed with Staff that such discretionary expenses  
9 are not required to provide safe and adequate service to customers.

10 Additionally, Commission policy does not require ratepayers to support causes  
11 that they do not necessarily support.<sup>5</sup>

12 Items Staff found to have no benefit to customers, Staff excluded at  
13 100 percent. Those expenses Staff believed benefitted both customers and  
14 shareholders, Staff disallowed at 50 percent. Once Staff determined the  
15 disallowance based on 2019 dollars, Staff escalated using CPI's All Urban  
16 Consumers of 1.9 percent and 2.0 percent, respectively, to arrive at the test  
17 year adjustment.

18 **Q. Would you please explain by expenditure type the basis for your**  
19 **adjustments?**

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<sup>4</sup> Examples of key words Staff used to search transactions included candy, gum, b-fast, bfast, dessert, party, balloon, bereavement, flower, meal, Christmas, floral, recognition, appreciation, food, award, going away, cake, birthday, b-day, snack, coffee, donut, doughnut, bowling, golf, blazer, ball, ticket, prize, gift, dinner, lunch, supper, breakfast, diner, restaurant, bfast, napkins, photo, xmas, flight, hotel, airfare, air fare, air, travel, parking, luggage, baggage, shuttle, motel, taxi, lodging, and airport.

<sup>5</sup> See OPUC Order No. 87-406 at 40-41, Order No. 91-186 at 16, and Order No. 09-020 at 20-21.

1     **A.** Yes. For instance, within Employee Miscellaneous Expenses, Staff noted  
2     transactions related to expenses described as, coffee, cafe, recognition,  
3     gifts, gift cards, flowers, appreciation, celebration, and donuts that Staff  
4     recommended excluding 50 or 100 percent.

5             Staff then reviewed expenses recorded in G/L Account Descriptions titled  
6     General Services, Professional Services, Employee miscellaneous Expense,  
7     Advertising Expenses, Adjustments, Sponsorships, Materials and Equipment,  
8     Miscellaneous, Office Supplies, Postage, Printing, Rental Expense – Other,  
9     Subscriptions, Airfare, Employee Auto Mileage, Employee Car Rental,  
10    Employee Lodging, Employee Business Meals, and found discretionary  
11    expenses like, meals, golf tournament, basketball game, gift cards, and prizes.  
12    Staff disallowed these at 50 percent and 100 percent.

13    **Q. What was the result of Staff's review for these expenses?**

14    **A.** After searching through O&M non-payroll 2019 Oregon base year expenses  
15    totaling \$9,021,288, expenses that were disallowed 100 percent equals \$3,743  
16    and disallowances at 50 percent equal \$55,047. Escalating these amounts to  
17    2021 test year results in a decrease to the Oregon test year expenses of  
18    \$57,214

19    **Q. What is Staff's total adjustment?**

20    **A.** Staff's total adjustment is a decrease of \$60,957 for O&M non-payroll  
21    expenses.

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

23    **A.** Yes.