



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

October 22, 2020

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301-1166
PUC.FilingCenter@state.or.us

Attn: Filing Center

Re: Docket No. UG 389 – Staff's Errata Filing
DOJ File No. 860170-GB0265-20

Commission Staff hereby submits for filing the attached errata to the following Staff Opening Testimony:

- Staff/300, Farrell/1, 3, 6, 8, 9, correct adjustment for O&M, A&G
- Staff/302, Farrell, correct adjustment for O&M
- Staff/303, Farrell, correct adjustment for A&G

Sincerely,

/s/ Johanna Riemenschneider

Johanna M. Riemenschneider
Assistant Attorney General
Business Activities Section

JLM:Justice#10495798
Attachments

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

2 A. My name is Bret Farrell. I am a Utility and Energy Analyst employed in the
3 Universal Service and Regulatory Analysis Division of the Public Utility
4 Commission of Oregon (OPUC). My business address is 201 High Street SE.,
5 Suite 100, Salem, Oregon 97301.

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

7 A. My witness qualification statement is found in Exhibit Staff/301.

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

9 A. The purpose of my testimony is to address Avista Corporation's (Avista)
10 revenue requirement for Operations and Maintenance (O & M) Expense,
11 Administrative and General Expense (A & G), Maintenance of General Plant,
12 materials and supplies, rate case expense, and atmospheric testing.

13 I recommend the following adjustments:

14 O & M – (\$422,837)

15 A & G – (\$72,674)

16 Atmospheric Testing Expense – (\$2,666)

17 Rate Case Expense – (\$408)

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

19 A. Yes, I prepared the following Exhibits:

- 20 • Exhibit Staff/301 – Witness Qualifications
- 21 • Exhibit Staff/302 - Workpaper showing adjustment calculations for O&M
- 22 • Exhibit Staff/303 - Workpaper showing adjustment calculations for A&G

ISSUE 1, OPERATIONS AND MAINTENANCE EXPENSE (NON-LABOR)

Q. What is the Company's proposal for non-labor distribution O & M expenses in the initial application?

A. In their initial application, Avista proposed to increase non-labor distribution operations and maintenance expense (O&M) for FERC accounts 870 – 894 from \$5.1 million in the base year to 5.3 million in the test year¹.

Q. Were there any issues or errors with Avista's initial filing?

A. Staff examined Avista's initial filing and their proposed Test Period Expense Adjustment (2.00) and found there to be inconsistencies. First, the total amounts for FERC accounts 870 – 894 did not match the amounts which were provided in Avista's response to SDR's 57 and 58. Second, the All Urban CPI that Avista was using was incorrect. Through discovery, Avista submitted DR 92 Revised, Attachment C which provided staff with correct FERC account totals for FERC accounts 870-894 and updated the All Urban CPI to be correct. The difference between the initial numbers filed by Avista and the correct numbers submitted in the revised adjustment is \$22,576. Staff recommends an initial adjustment of \$22,576 to correct the initial filing².

Q. What was the Company's proposal for non-labor distribution O & M expenses in the revised adjustment provided to staff?

A. In the revised adjustment provided to Staff, Avista is proposing to increase non-labor distribution operations and maintenance expense (O&M) for FERC

¹ See Avista/500, Brandon Workpaper 2.00 G-FE Test Period Expense Adjustment

² Exhibit Staff/300, Farrell/302, Staff Workpaper.³ UG 389, DR 92 Attachment C, Revised

1 base year will result in an unnormalized test year as well. It is important in
2 setting rates that year-over-year anomalies be scrubbed by eliminating outlier
3 years, or smoothing them through averaging. Test year expenses are a
4 forecast based on expenses incurred in the base year. If costs have escalated
5 higher than one would expect given the rate of inflation, it is reasonable to
6 normalize those expenses by averaging over a period of time. As noted above,
7 Staff believes the base year expense of 2019 actual costs is an unreasonably
8 high basis from which to forecast test year expense, given that it increased by
9 22 percent over the previous two years, far outpacing the rate of inflation.⁷

10 **Q. What is your recommendation?**

11 A. In order to correct the errors in the initial Test Period Expense Adjustment
12 (2.00) filed by Avista Staff recommends an adjustment of \$22,576. Staff also
13 recommends an additional adjustment of \$400,260 to normalize the test year.
14 Staff recommends a total adjustment of \$422,837.

15

⁷ See UG 389 Exhibit Staff/300, Farrell/302, Staff Workpaper.

1 In the corrected version provided to staff in DR 92 Revised, Attachment C the
2 following individual FERC account balances were proposed for the test year⁹:

3 FERC 921 Office Supplies: \$538,794

4 FERC 928 Regulatory Commission Expenses: \$617,318

5 FERC 930 Misc General: \$560,872

6 FERC 931 Rents: \$38,942

7 For a total test year expense of \$1,755,927¹⁰.

8 The difference in the FERC account totals between the initial filing and the
9 revised version provided to Staff is \$2,584. Staff recommends an initial
10 adjustment of \$2,584.

11 **Q. Please describe your review and analysis of these Avista A & G expense**
12 **accounts.**

13 A. Staff first reviewed the non-labor A&G expenses for the historical base years of
14 2014 through 2019¹¹. This review included looking at trends, transactional
15 details, and adjustments proposed by Avista.

16 **Q. Does Staff have any adjustments to the Company's proposed A&G**
17 **Expenses?**

18 A. Staff proposes the following adjustment for the Test Year expense. For FERC
19 921 (Office Supplies), 928 (Regulatory Commission Expenses), 930 (Misc.
20 General Expense) and 931 (Rents): \$2,584. This adjustment is necessary to
21 correct the errors in the initial filing Test Period Expense Adjustment.

⁹ UG 389, DR 92 Attachement C, Revised

¹⁰ UG 389, DR 92 Attachement C, Revised

¹¹ Exhibit Staff/300, Farrell/307, Avista Responses to Staff Data Request No. 215

1 In addition, for FERC 930, Misc. General: Staff proposes an additional
2 adjustment of \$70,090. Avista is seeking an increase of \$15,355 for
3 Miscellaneous General Expense. From 2018 to 2019 this account increased
4 roughly 25 percent, which is largely out of line with the historical trend of the
5 account and well above the all urban CPI. In order to normalize the growth of
6 the account Staff proposes an adjustment of \$70,090. This adjustment takes
7 the 3-year average for 2017-2019 and escalates to the test year 2021 using the
8 appropriate all urban CPI.¹²

9 **Q. Why is Staff's recommended adjustment higher than Avista's proposed**
10 **increase over the base year?**

11 As noted in the previous adjustment for O & M expense, it is important in
12 setting rates that year-over-year anomalies be scrubbed by eliminating outlier
13 years, or smoothing them through averaging. Test year expenses are a
14 forecast based on expenses incurred in the base year. If costs have escalated
15 higher than one would expect given the rate of inflation, it is reasonable to
16 normalize those expenses by averaging over a period of time.

17 **Q. What is your recommendation?**

18 A. In order to correct the errors in the initial Test Period Expense Adjustment
19 (2.00) filed by Avista Staff recommends an adjustment of \$2,584 . Staff also
20 recommends an additional adjustment of \$70,090 to normalize the test year
21 expense for FERC account 930. Staff recommends a total adjustment of
22 \$72,674.

¹² See UG 389 Exhibit Staff/300, Farrell/303, Staff Workpaper.

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3 Universal Service and Regulatory Analysis Division of the Public Utility
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10 revenue requirement for Operations and Maintenance (O & M) Expense,
11 Administrative and General Expense (A & G), Maintenance of General Plant,
12 materials and supplies, rate case expense, and atmospheric testing.

13 I recommend the following adjustments:

14 O & M – (~~\$422,837~~~~\$1,046,595~~)

15 A & G – (~~\$72,675~~~~\$157,371~~)

16 Atmospheric Testing Expense – (\$2,666)

17 Rate Case Expense – (\$408)

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Q. Were there any issues or errors with Avista's initial filing?

A. Staff examined Avista's initial filing and their proposed Test Period Expense Adjustment (2.00) and found there to be inconsistencies. First, the total amounts for FERC accounts 870 – 894 did not match the amounts which were provided in Avista's response to SDR's 57 and 58. Second, the All Urban CPI that Avista was using was incorrect. Through discovery, Avista submitted DR 92 Revised, Attachment C which provided staff with correct FERC account totals for FERC accounts 870-894 and updated the All Urban CPI to be correct. The difference between the initial numbers filed by Avista and the correct numbers submitted in the revised adjustment is ~~\$22,576-\$646,335~~. Staff recommends an initial adjustment of ~~\$22,576-\$646,335~~ to correct the initial filing².

Q. What was the Company's proposal for non-labor distribution O & M expenses in the revised adjustment provided to staff?

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² Exhibit Staff/300, Farrell/302, Staff Workpaper

1 adjustment to the proposed test year expense by reducing it by \$400,260.

2 Since the base year is used to create the test year, any failure to normalize the
3 base year will result in an unnormalized test year as well. It is important in
4 setting rates that year-over-year anomalies be scrubbed by eliminating outlier
5 years, or smoothing them through averaging. Test year expenses are a
6 forecast based on expenses incurred in the base year. If costs have escalated
7 higher than one would expect given the rate of inflation, it is reasonable to
8 normalize those expenses by averaging over a period of time. As noted above,
9 Staff believes the base year expense of 2019 actual costs is an unreasonably
10 high basis from which to forecast test year expense, given that it increased by
11 22 percent over the previous two years, far outpacing the rate of inflation.⁷

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14 (2.00) filed by Avista Staff recommends an adjustment of ~~\$22,576~~~~\$646,335~~.
15 Staff also recommends an additional adjustment of \$400,260 to normalize the
16 test year. Staff recommends a total adjustment of ~~\$422,837~~~~\$1,046,595~~.
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7 For a total test year expense of \$1,755,927¹⁰.

8 The difference in the FERC account totals between the initial filing and the
9 revised version provided to Staff is ~~\$2,584~~~~\$87,371~~. Staff recommends an initial
10 adjustment of ~~\$2,584~~~~\$87,371~~.

11 **Q. Please describe your review and analysis of these Avista A & G expense**
12 **accounts.**

13 A. Staff first reviewed the non-labor A&G expenses for the historical base years of
14 2014 through 2019¹¹. This review included looking at trends, transactional
15 details, and adjustments proposed by Avista.

16 **Q. Does Staff have any adjustments to the Company's proposed A&G**
17 **Expenses?**

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19 921 (Office Supplies), 928 (Regulatory Commission Expenses), 930 (Misc.
20 General Expense) and 931 (Rents): ~~\$2,584~~~~\$87,371~~. This adjustment is

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2 Adjustment.

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4 adjustment of ~~\$70,090~~~~\$70,000~~. Avista is seeking an increase of \$15,355 for
5 Miscellaneous General Expense. From 2018 to 2019 this account increased
6 roughly 25 percent, which is largely out of line with the historical trend of the
7 account and well above the all urban CPI. In order to normalize the growth of
8 the account Staff proposes an adjustment of ~~\$70,090~~~~\$70,000~~. This adjustment
9 takes the 3-year average for 2017-2019 and escalates to the test year 2021
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12 **increase over the base year?**

13 As noted in the previous adjustment for O & M expense, it is important in
14 setting rates that year-over-year anomalies be scrubbed by eliminating outlier
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21 (2.00) filed by Avista Staff recommends an adjustment of ~~\$2,584~~ ~~\$87,371~~.
22 Staff also recommends an additional adjustment of ~~\$70,090~~~~\$70,000~~ to

¹² See UG 389 Exhibit Staff/300, Farrell/303, Staff Workpaper.

- 1 normalize the test year expense for FERC account 930. Staff recommends a
- 2 total adjustment of ~~\$72,675~~\$157,371.