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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION )  
OF AVISTA CORPORATION FOR THE )  
AUTHORITY TO INCREASE ITS RATES )  
AND CHARGES FOR ELECTRIC AND )  
NATURAL GAS SERVICE TO ELECTRIC )  
AND NATURAL GAS CUSTOMERS IN THE )  
STATE OF IDAHO )  
\_\_\_\_\_ )

CASE NO. AVU-E-23-01  
CASE NO. AVU-G-23-01

DIRECT TESTIMONY  
OF  
TIA C. BENJAMIN

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

1 **I. INTRODUCTION**

2 **Q. Please state your name, employer and business address.**

3 A. My name is Tia C. Benjamin. I am employed by Avista Corporation as  
4 Manager of Regulatory Affairs in the Regulatory Affairs Department. My business address is  
5 1411 East Mission, Spokane, Washington.

6 **Q. Please briefly describe your educational background and professional  
7 experience.**

8 A. I am a 2009 graduate from the University of Idaho with a Bachelor of Science  
9 degree, majoring in Accounting. After spending nearly four years in financial services in the  
10 public school system, I joined Avista in July 2011 where I have since served in several roles  
11 including an Analyst on our Asset Management team and several years on our Budget and  
12 Forecasting team before joining the Regulatory Affairs Department in September 2020. In my  
13 current role as Manager of Regulatory Affairs, I am responsible for, among other things,  
14 preparing the capital additions pro forma adjustments in determination of the revenue  
15 requirement for all jurisdictions in which the Company provides utility services.

16 **Q. Have you provided testimony before the Commission in prior  
17 proceedings?**

18 A. No, this is the first general rate proceeding in the State of Idaho that I have  
19 sponsored testimony in since I began working in Regulatory Affairs.

20 **Q. What is the scope of your testimony?**

21 A. My testimony and exhibit in this proceeding will describe the Company's  
22 restated twelve-months ended (12ME) June 30, 2022 net plant from average-of-monthly-  
23 averages (AMA) to end-of-period (EOP) adjustment, as well as explain how pro forma capital  
24 additions for the period of July 1, 2022, through August 31, 2025, including the effect of

1 proposed depreciation rates, are incorporated into the Company’s Two-Year Rate Plan<sup>1</sup> and  
2 proposed electric and natural gas revenue requirements sponsored by Company witness Ms.  
3 Schultz. A table of contents for my testimony is as follows:

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10  
11 **Q. Are you sponsoring any exhibits?**

12 A. Yes. I am sponsoring Exhibit No. 13, Schedule 1, which provides a summary  
13 of the capital additions included in each of the capital witnesses’ testimonies by project  
14 (Business Case) for the period of July 1, 2022, through August 31, 2025.<sup>2</sup>

15  
16 **II. CAPITAL ADDITIONS WITNESSES**

17 **Q. Would you please provide a brief summary of the witnesses who provide**  
18 **testimony related to capital additions in this proceeding?**

19 A. Yes. Other capital witnesses, besides Ms. Schultz and myself who support the  
20 capital-related adjustments, provide more detailed information on certain capital projects and  
21 describe the need for and timing of these capital projects. The following witnesses are  
22 presenting direct testimony supporting the capital additions adjustments I sponsor<sup>3</sup> as outlined

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<sup>1</sup> The Company is proposing a Two-Year Rate Plan for the period September 1, 2023, through August 31, 2025. For both electric and natural gas, the Company is proposing an increase for Rate Year 1 effective September 1, 2023 (hereafter “RY1”), and Rate Year 2 effective September 1, 2024 (hereafter “RY2”).

<sup>2</sup> Company witnesses Mr. DiLuciano, Mr. Howell, Mr. Kensok, Mr. Kinney, and Ms. Hydzyk sponsor testimony explaining the Company’s capital additions for the Pro Forma adjustments I sponsor.

<sup>3</sup> With the exception of the Pro Forma Colstrip Unit 3 and 4 investment and regulatory amortization included in Pro Forma Adjustments 3.17 discussed and sponsored by Company witness Ms. Andrews.

1 in Section III below:

2 Mr. Scott Kinney, Vice President of Energy Resources, will address the generation  
3 capital projects, including investment in Colstrip Unit 3 and 4, described in this case.  
4 In addition, he will discuss Resource Planning, Resource Adequacy and Gas Supply.

5  
6 Mr. Josh DiLuciano, Vice President of Energy Delivery, will explain capital additions  
7 related to electric transmission and distribution, natural gas delivery, facilities, fleet,  
8 as well as general plant.

9  
10 Mr. James Kensok, Vice President and Chief Information and Security Officer, will  
11 provide an overview of Avista’s Information Service/Information Technology (IS/IT)  
12 programs and projects. This includes summaries of the Company’s capital additions  
13 for a range of IS/IT systems used by the Company, many representing short-lived  
14 assets.

15  
16 Ms. Nicole Hydzik, Director of Energy Efficiency, will discuss capital additions  
17 related to the Company’s “Customer at the Center” initiative.

18  
19 Mr. David Howell, Director of Electric Operations and Asset Maintenance, will  
20 discuss the strategy and actions comprising the Company’s Wildfire Resiliency Plan.

21  
22 **Q. How have capital witnesses presented the transfers-to-plant information**  
23 **in their testimony?**

24 A. Mr. Kinney, Mr. DiLuciano, Mr. Kensok, Ms. Hydzik and Mr. Howell present  
25 capital transfers-to-plant information (gross plant additions) on a calendar-year and system  
26 basis (Idaho, Washington, and Oregon jurisdictions) grouped by plant investment driver. Each  
27 witness’s testimony discusses capital additions from July 1, 2022, to August 31, 2025, on a  
28 system basis. A detailed listing of project (Business Case) names and calendar year totals can  
29 be found in my Exhibit No. 13, Schedule 1. Table No. 1 below reflects the calendar year  
30 transfers-to-plant (TTP) for projects that are discussed in each witness’s testimony, on a  
31 system basis:

**Table No. 1:**

Capital Projects TTP (System), \$ in (000's)						
Functional Area	Witness	Exhibit No.	2022 <sup>1</sup>	2023	2024	2025 <sup>2</sup>
			Generation/Production	Mr. Kinney	6	\$ 52,726
Electric Transmission & Distribution	Mr. DiLuciano	9	\$ 81,259	\$ 226,533	\$ 165,605	\$ 95,937
Natural Gas Distribution	Mr. DiLuciano	9	\$ 49,954	\$ 83,691	\$ 85,241	\$ 48,144
General Plant/Facilities	Mr. DiLuciano	9	\$ 10,306	\$ 16,172	\$ 11,479	\$ 8,103
Wildfire Resiliency Plan	Mr. Howell	10	\$ 14,380	\$ 27,000	\$ 29,000	\$ 19,049
Enterprise Technology	Mr. Kensok	11	\$ 42,129	\$ 45,585	\$ 40,166	\$ 51,095
Enterprise Technology (i.e. Customer at Center)	Ms. Hydzik	12	\$ 8,487	\$ 13,885	\$ 13,275	\$ 3,425
<b>Total</b>			\$ 259,241	\$ 450,629	\$ 367,048	\$ 281,237
(1) Includes system pro forma capital additions for the period of July 01, 2022 though December 31, 2022.						
(2) Includes system pro forma capital additions for the period of January 01, 2025 though August 31, 2025.						

**Q. Company witness Mr. Thies identifies and briefly explains the six “Investment Drivers” or classifications of Avista’s infrastructure projects and programs. How then do these “drivers” translate to the capital additions that are represented in each capital witness’s testimony?**

**A.** Mr. Thies provides an overview of our capital investment prioritization process and the six key “Investment Drivers”. The Company’s six Investment Drivers are briefly described as follows:

1. **Customer Requested** – Respond to customer requests for new service or service enhancements required for connecting new distribution customers or large transmission-direct customers.
2. **Mandatory and Compliance** – These investment drivers are compelled by regulation or contract and are generally beyond the Company’s control as they are a direct result of compliance with laws, regulations and agreements, including projects related to dam safety upgrades, public safety, air and water quality, and equipment essential to legally operate within the interconnected grid, among others.
3. **Failed Plant and Operations** – This investment driver includes the replacement of equipment that is damaged or fails due to an accident, or normal wearing out requiring periodic replacement. The large, massive rotating equipment and associated support machinery used for electric generation, for example, can experience sudden mechanical failures or electrical insulation breakdowns even with the benefit of ongoing maintenance and preventive

1 maintenance programs.

- 2
- 3 4. **Asset Condition** – Replace infrastructure assets or portions of assets at the end
- 4 of their functional service life based on asset condition due to age,
- 5 obsolescence and parts availability, and degradation of the asset. This category
- 6 includes replacement of critical parts requiring replacement prior to failure, as
- 7 well as replacing or overhauling older equipment to bring it up to meet current
- 8 codes and standards.
- 9
- 10 5. **Customer Service Quality and Reliability** – Meet our customers’
- 11 expectations for quality and reliability of service, as well as increasing the
- 12 reliability of operating assets.
- 13
- 14 6. **Performance and Capacity** – Programs and projects to address system
- 15 performance and capacity issues so Company assets can continue to satisfy
- 16 business needs and meet performance standards to support the interconnected
- 17 grid and to ensure the ability to participate in the regional wholesale energy
- 18 market.
- 19

20 Each of the Company’s capital witnesses outlined above provide additional detail as

21 well as the main drivers for capital investments under their area of responsibility.

22 **Q. Mr. Thies refers to planned capital expenditures of \$475 million per year.**

23 **Why do the annual totals in Table No. 1 differ from the \$475 million planned**

24 **expenditures?**

25 A. The primary reason the totals in Table No. 1 above differ from Mr. Thies’ \$475

26 million is that Table No. 1 represents transfers-to-plant, whereas Mr. Thies’ \$475 million

27 represents capital expenditures (i.e., spend). There is a timing difference between when the

28 dollars are spent, and when the various capital projects are completed and transferred to plant-

29 in-service.

30

31 **III. SUMMARY OF CAPITAL ADJUSTMENTS**

32 **Q. Would you please summarize the adjustments included in the Company's**

33 **Two-Year Rate Plan as it relates to new additions in utility plant to serve customers?**

1 A. Yes. The Company is proposing a Two-Year Rate Plan for the period  
2 September 1, 2023, through August 31, 2025. For both electric and natural gas, the Company  
3 is proposing an increase for Rate Year 1 effective September 1, 2023 (RY1), and Rate Year 2  
4 effective September 1, 2024 (RY2). As discussed by Ms. Schultz, the Electric and Natural  
5 Gas Pro Forma Studies include restating and pro forma adjustments beyond the historical test  
6 year (12ME June 30, 2022). The Company started with utility plant rate base balances from  
7 historical accounting information, which for this case consists of the actual AMA balances for  
8 the 12ME June 30, 2022, and made the following adjustments:

9 **Rate Year 1**

- 10  
11 (1) **Adjustment (1.01) – Deferred FIT Rate Base:** This adjustment adjusts the  
12 electric and natural gas accumulated deferred federal income tax (ADFIT) rate  
13 base balance included in the Results of Operations to the adjusted ADFIT balance  
14 reflected on an AMA basis. ADFIT reflects the deferred tax balances arising from  
15 timing differences between book recognition and tax recognition of certain income  
16 and deductions. The primary deductions that have timing differences, and therefore  
17 associated ADFIT, are accelerated tax depreciation over book depreciation and the  
18 repairs deduction.  
19
- 20 (2) **Adjustment (1.04) – Restate 06.2022 AMA Rate Base to EOP:** This adjustment  
21 adjusts plant-in-service, accumulated depreciation (A/D) and ADFIT to restate the  
22 June 30, 2022 AMA rate base to June 30, 2022 EOP balances. The impacts of  
23 retirements through June 30, 2022, are included in the test year.  
24
- 25 (3) **Pro Forma Adjustment (3.08) – 2022 Pro Forma EOP:** This adjustment  
26 includes three components. The first component adjusts EOP June 30, 2022 rate  
27 base to EOP December 31, 2022 rate base by extending A/D and ADFIT balances  
28 on utility plant-in-service from June 30, 2022 EOP balances to December 31, 2022  
29 EOP balances. The second component reflects the impact of retirements from July  
30 1, 2022, through December 31, 2022. The third component reflects additions to  
31 plant-in-service, inclusive of new growth capital<sup>4</sup>, between July 1, 2022, and  
32 December 31, 2022, on an EOP basis, inclusive of the A/D, depreciation expense,

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<sup>4</sup> For the period July 1, 2022, through August 31, 2025, capital additions associated with connecting new customers to the Company's system (New Revenue – Growth Business Case) were included. As discussed by Ms. Schultz in her testimony, an increase in revenues from growth in the number of customers from the historical test year to the RY1 and RY2 rate periods are included, therefore, the growth in plant investment associated with customer growth was also included.

1 and ADFIT<sup>5</sup> associated with these additions for the period. This adjustment also  
2 adjusts depreciation expense to reflect the appropriate level of expense at  
3 December 31, 2022.  
4

5 (4) **Pro Forma Adjustment (3.09) – August 2023 Pro Forma EOP:** This adjustment  
6 includes three components. The first component adjusts plant-in-service at  
7 December 31, 2022 EOP balances to August 31, 2023 EOP balances by extending  
8 A/D and ADFIT balances. The second component reflects the impact of  
9 retirements from January 1, 2023, through August 31, 2023. The third component  
10 reflects additions to plant-in-service, inclusive of new growth capital, between  
11 January 1, 2023, and August 31, 2023, on an EOP basis, inclusive of the A/D,  
12 depreciation expense, and ADFIT associated with these additions for the period.  
13 This adjustment also adjusts depreciation expense to reflect the appropriate level  
14 of expense at August 31, 2023.  
15

16 (5) **Pro Forma Adjustment (3.10) – Depreciation Study:** This adjustment includes  
17 two components. The first component captures the effect of updating electric and  
18 natural gas depreciation rates for both common/allocated plant and direct Idaho  
19 plant effective September 1, 2023, on plant-in-service at August 31, 2023, on an  
20 AMA basis. The impact of changing depreciation rates for plant-in-service at  
21 August 31, 2023, on an EOP basis and all additions after September 1, 2023, are  
22 built into the other capital adjustments (3.11, 24.01-24.02). The second component  
23 represents specific recovery for the reserve amortization for certain general plant  
24 accounts for electric, gas and common assets. See Section IV. Depreciation Study  
25 for more detail. Company witness Mr. Spanos sponsors and discusses in detail the  
26 Company’s depreciation study, including the reserve amortization adjustment.  
27

28 (6) **Pro Forma Adjustment (3.11) – August 2023 EOP to August 2024 AMA:** This  
29 adjustment includes three components. The first component adjusts plant-in-  
30 service at August 31, 2023 EOP balances to August 31, 2024 AMA balances by  
31 extending A/D and ADFIT balances. The second component reflects the impact of  
32 retirements from August 31, 2023 EOP balances to August 31, 2024 AMA  
33 balances. The third component reflects additions to plant-in-service, inclusive of  
34 new growth capital, between August 31, 2023, on an EOP basis and August 31,  
35 2024, on an AMA basis, inclusive of the A/D, depreciation expense, and ADFIT  
36 associated with these additions for the period. This adjustment also adjusts  
37 depreciation expense to reflect the appropriate level of expense at August 31, 2024.  
38

## 39 **Rate Year 2**

40  
41 (7) **Pro Forma Adjustment (24.01) – August 2024 AMA to August 2024 EOP:** This  
42 adjustment includes two components. The first component adjusts plant-in-service  
43 at August 31, 2024 AMA balances to August 31, 2024 EOP balances by extending

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<sup>5</sup> For each of the Pro Forma rate base adjustments for the period June 30, 2022 EOP through August 31, 2025 AMA, the associated ADFIT includes an estimated basis deduction (repairs, IDD #5, and meters), where applicable.



1 A/D and ADFIT balances. Since this adjustment is only pro forming the change  
2 from August 31, 2024, from an AMA to EOP basis, there is no impact to  
3 depreciation expense for the capital additions and retirements because the impact  
4 was recorded in PF Adj. 3.11 – August 2023 EOP to August 2024 AMA. The  
5 impact of changing from AMA to EOP of depreciation expense on additions and  
6 retirements for the 12ME August 31, 2024, is picked up in the subsequent  
7 adjustment, PF Adj. 24.02 – August 2024 EOP to August 2025 AMA, described  
8 below. The second component reflects the impact of retirements from August 31,  
9 2024 AMA balances to August 31, 2024 EOP balances.

10  
11 (8) **Pro Forma Adjustment (24.02) – August 2024 EOP to August 2025 AMA:** This  
12 adjustment includes three components. The first component adjusts plant-in-  
13 service at August 31, 2024 EOP balances to August 31, 2025 AMA balances by  
14 extending A/D and ADFIT balances. The second component reflects the impact of  
15 retirements from August 31, 2024 EOP balances to August 31, 2025 AMA  
16 balances. The third component reflects additions to plant-in-service, inclusive of  
17 new growth capital, between August 31, 2024, on an EOP basis and August 31,  
18 2025, on an AMA basis, inclusive of the A/D, depreciation expense, and ADFIT  
19 associated with these additions for the period. This adjustment also adjusts  
20 depreciation expense to reflect the appropriate level of expense at August 31, 2025.  
21

22 An overall summary of the change in rate base associated with the adjustments  
23 outlined above is included as Table No. 2 (electric) and Table No. 3 (natural gas) below.  
24 Detailed calculations for each adjustment that I sponsor have been provided in my workpapers  
25 filed with the Company’s case. Please note, however, that Ms. Andrews discusses and  
26 sponsors the pro forma capital additions adjustment (3.17) related to Colstrip Units 3 and 4.  
27 These capital additions are included in Ms. Schultz’s Electric and Natural Gas Pro Forma  
28 Studies but are not included in my summary tables below.

29 **Q. What is the change in electric and natural gas net plant for the capital**  
30 **adjustments included in this testimony?**

31 A. The results of the Electric and Natural Gas Pro Forma Studies reflect the net  
32 plant that will be in service serving customers during RY1 and RY2. Prior to reflecting the  
33 additional projects sponsored by Ms. Andrews (Colstrip Units 3 and 4), for RY1, Electric net  
34 plant, after ADFIT, increases \$98,822,000 from the June 30, 2022 AMA results of operations

1 balance of \$905,070,000 to the August 31, 2024 AMA balance of \$1,003,892,000. For RY2,  
 2 Electric net plant, after ADFIT, increases \$34,859,000 from the August 31, 2024 AMA  
 3 balance of \$1,003,892,000 to the August 31, 2025 AMA balance of \$1,038,751,000. Table  
 4 No. 2 below summarizes the adjustments for electric capital additions included in this  
 5 testimony and sponsored by me.

6 **Table No. 2:**

Idaho Electric Adjustments in \$(000's)						
	Adj #	Plant in Service	Accumulated Depreciation	Accumulated DFIT	Net Plant	
<b><u>Rate Year 1 (September 1, 2023 - August 31, 2024)</u></b>						
June 2022 AMA	Results	\$ 1,785,249	\$ (681,258)	\$ (198,921)	\$ 905,070	
Deferred FIT Rate Base	1.01			(1,420)	(1,420)	
Restate 06.2022 AMA to EOP Adj	1.04	57,539	(20,533)	(316)	36,690	
Dec. 2022 Pro Forma EOP Adj	3.08	56,126	(18,407)	420	38,139	
Aug 2023 Pro Forma EOP Adj	3.09	44,708	(35,940)	(909)	7,859	
Aug 2023 EOP to Aug 2024 AMA Adj	3.11	45,223	(26,909)	(760)	17,554	
<b>Rate Year 1 Total*</b>		<b>\$ 1,988,845</b>	<b>\$ (783,047)</b>	<b>\$ (201,906)</b>	<b>\$ 1,003,892</b>	
<b><u>Rate Year 2 (September 1, 2024 - August 31, 2025)</u></b>						
August 2024 AMA Balance		1,988,845	(783,047)	(201,906)	1,003,892	
Aug 2024 AMA to Aug 2024 EOP Adj	24.01	35,684	(24,840)	(968)	9,876	
Aug 2024 EOP to Aug 2025 AMA Adj	24.02	47,772	(21,864)	(925)	24,983	
<b>Rate Year 2 Total*</b>		<b>\$ 2,072,301</b>	<b>\$ (829,751)</b>	<b>\$ (203,799)</b>	<b>\$ 1,038,751</b>	
*Electric Pro Forma Rate Year 1 and Rate Year 2 Total balances exclude the effect of additional Pro Forma Adjustments sponsored by Ms. Andrews for Colstrip Units 3 and 4 investments.						

18 For RY1, Natural Gas net plant, after ADFIT, increases \$14,705,000 from the June  
 19 30, 2022 AMA balance of \$193,748,000 to the August 31, 2023 AMA balance of  
 20 \$208,453,000. For RY2, Natural Gas net plant, after ADFIT, increases \$4,604,000 from the  
 21 August 31, 2024 AMA balance of \$208,453,000 to the August 31, 2025 AMA balance of  
 22 \$213,057,000. Table No. 3 below summarizes the adjustments for natural gas capital additions  
 23 included in this testimony and sponsored by me.

**Table No. 3:**

Idaho Natural Gas Adjustments in \$(000's)					
	Adj #	Plant in Service	Accumulated Depreciation	Accumulated DFIT	Net Plant
<b>Rate Year 1 (September 1, 2023 - August 31, 2024)</b>					
June 2022 AMA	Results	\$ 349,220	\$ (121,215)	\$ (34,257)	\$ 193,748
Deferred FIT Rate Base	1.01			785	785
Restate 06.2022 AMA to EOP Adj	1.04	7,602	(3,677)	76	4,001
Dec. 2022 Pro Forma EOP Adj	3.08	9,277	(4,073)	(81)	5,123
Aug 2023 Pro Forma EOP Adj	3.09	8,047	(6,087)	(142)	1,818
Aug 2023 EOP to Aug 2024 AMA Adj	3.11	7,483	(4,374)	(131)	2,978
<b>Rate Year 1 Total</b>		<b>\$ 381,629</b>	<b>\$ (139,426)</b>	<b>\$ (33,750)</b>	<b>\$ 208,453</b>
<b>Rate Year 2 (September 1, 2024 - August 31, 2025)</b>					
August 2024 AMA Balance		381,629	(139,426)	(33,750)	208,453
Aug 2024 AMA to Aug 2024 EOP Adj	24.01	4,977	(3,166)	(184)	1,627
Aug 2024 EOP to Aug 2025 AMA Adj	24.02	6,879	(3,743)	(159)	2,977
<b>Rate Year 2 Total</b>		<b>\$ 393,485</b>	<b>\$ (146,335)</b>	<b>\$ (34,093)</b>	<b>\$ 213,057</b>

**Q. Please describe how the capital additions included in the pro forma adjustments described above are derived.**

A. The Company directly assigns costs when appropriate. Costs not specifically identifiable to a specific jurisdiction are allocated in accordance with an approved allocation procedure. If costs were not directly assigned to electric or natural gas projects specific to our Idaho jurisdiction, all other costs were allocated to Idaho as part of an allocation process, which designates costs as common to all services and jurisdictions (CD.AA), common to electric operations only (ED.AN) or common to natural gas operations only (GD.AA).

**Q. Please explain what offsets have been included within the pro forma capital additions adjustments.**

A. First, for each of the pro forma capital adjustments described in my testimony, I have included the reduction in depreciation expense related to plant retirements. The overall effect of reflecting retirements from June 30, 2022 plant-in-service to August 31, 2025 AMA

1 reduces the incremental depreciation expense pro formed in these adjustments by \$6.2 million  
2 (or a reduction of 40%) for electric and \$1.5 million (or a reduction of 65%) for natural gas.

3 In addition, each pro forma capital project included in the pro forma capital  
4 adjustments was also analyzed to determine if any additional offsets (e.g., reduced O&M  
5 costs) were probable. For example, maintenance records were reviewed to determine whether  
6 any specific maintenance costs were incurred in the test period that would be reduced or  
7 eliminated by the investment at the facility. When reviewing project offsets, typically projects  
8 may have two types of offsets. The first type of offset is a redeployment of costs or efficiency  
9 gains, that do not generally allow for an offset to its O&M costs, as there are no changes to  
10 the total level of expense that the Company will incur during the rate year. The second type  
11 of offset includes actual or “hard” incremental savings expected beyond the historical test  
12 period, that will occur during the rate-effective period, as a result of the capital investment.  
13 These offsets result in an overall reduction in the level of expense the Company will incur,  
14 such as a reduction in workforce or energy savings.

15 After review of the capital projects included in this case during RY1, September 1,  
16 2023, through August 31, 2024, quantifiable savings included as a reduction to O&M in  
17 Adjustment 3.12 – Pro Forma Revenue and O&M Offsets are approximately \$153,000 for  
18 electric operations and \$79,000 for natural gas operations. For RY2, September 1, 2024,  
19 through August 31, 2025, quantifiable savings included as a reduction to O&M in Adjustment  
20 24.06 – Pro Forma Revenue and O&M Offsets are approximately \$106,000 for electric  
21 operations. Refer to Adjustments 3.12 and 24.06 – Pro Forma Revenue and O&M Offsets  
22 workpapers for more information on the specific projects (Business Cases) included in this  
23 adjustment.

24 **Q. What conclusions have you drawn regarding the increased capital**

1 **additions included in this case?**

2 A. The Company is making substantial levels of capital additions in its electric  
3 and natural gas system infrastructure to address customer growth, replacement and  
4 maintenance of Avista’s aging system, and to sustain reliability and safety. As soon as this  
5 new plant is placed in service, the Company must start depreciating the new plant and incur  
6 other costs related to the addition. Unless these capital additions are reflected in retail rates  
7 in a timely manner, it has a negative impact on Avista’s earnings, particularly because the new  
8 plant is typically far more costly to install than the cost of similar plant that was embedded in  
9 rates decades earlier. As plant is completed and is providing service to customers, it is  
10 appropriate for the Company to receive timely recovery of the costs associated with that plant.

11

12

**IV. DEPRECIATION STUDY**

13 **Q. Would you please provide an overview of the Company’s most recent**  
14 **depreciation study to be filed in each of the Company’s jurisdictions?**

15 A. Yes, on or before February 22, 2023, the Company will file in separate dockets  
16 electric and natural gas applications requesting Commission approval to revise its book  
17 depreciation rates for both common/allocated plant and direct Idaho plant, effective  
18 September 1, 2023. The Company will also file similar applications in Washington and  
19 Oregon at that same time.

20 Periodically the Company completes a depreciation study and requests modifications  
21 to its depreciation rates. The proposed rates appropriately reflect the rates at which Avista’s  
22 assets should be depreciated over their useful lives. Mr. Spanos sponsors the Depreciation  
23 Study in his testimony and explains the methods used for determining the appropriate  
24 depreciation rates.

1           The Company is also proposing the use of reserve amortization, which Mr. Spanos  
2 supports and recommends, to achieve a more stable accrual for certain general plant accounts  
3 in the future. He recommends a five-year amortization to adjust unrecovered or over-  
4 recovered reserves based on the amortization period, by account. Mr. Spanos provides more  
5 information on this topic in his testimony.

6           **Q.     Have you prepared an adjustment to reflect the impact of the proposed**  
7 **depreciation rates in this case?**

8           A.     Yes, Adjustment 3.10 – Depreciation Study, as previously discussed in my  
9 testimony and included in Ms. Schultz’s Electric and Natural Gas Pro Forma Studies,  
10 incorporates the Company’s proposed depreciation rates for electric and natural gas operations  
11 per the Depreciation Study. This adjustment reflects the impact to the August 31, 2023 AMA  
12 level of depreciation expense updated for the proposed depreciation rates effective September  
13 1, 2023. It also reflects the impact of the reserve amortization on depreciation expense. The  
14 effect of this adjustment decreases overall depreciation expense by \$1,524,000 for electric and  
15 \$324,000 for natural gas. The impact of changing depreciation rates for plant-in-service at  
16 August 31, 2023, on an EOP basis and all additions after September 1, 2023, are embedded  
17 within subsequent pro forma capital adjustments (3.11, 24.01-24.02). This assumes that the  
18 Commission approves Avista’s separate deprecation applications in those separate dockets, as  
19 well as receipt of Orders from the other two affected Washington and Oregon Commissions.

20           **Q.     Does this conclude your pre-filed direct testimony?**

21           A.     Yes, it does.