

BEFORE THE

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IDAHO PUBLIC UTILITIES COMMISSION
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.)
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CASE NO. AVU-E-09-1/
AVU-G-09-1

DIRECT TESTIMONY OF BRYAN LANSPERY

IDAHO PUBLIC UTILITIES COMMISSION

MAY 29, 2009

1 Q. Please state your name and address for the
2 record.

3 A. My name is Bryan Lanspery and my business address
4 is 472 West Washington Street, Boise, Idaho.

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

6 A. I am employed by the Idaho Public Utilities
7 Commission as a utilities rate analyst.

8 Q. Please give a brief description of your
9 educational background and experience.

10 A. I received a Bachelor of Arts degree in Economics
11 with a social science emphasis from Boise State University
12 in 2003. I also earned a minor in Geographic Information
13 Systems from Boise State University in the same timeframe.
14 I received a Master of Arts in Economics from Washington
15 State University in 2005. My Masters work emphasized Labor
16 Economics and Quantitative Econometric Analysis.
17 Concurrent to pursuing my Masters degree, I functioned as
18 an instructor of Introductory and Intermediate Economics as
19 well as Labor Economics.

20 Q. Would you describe your duties with the
21 Commission?

22 A. I was hired by the Commission in late 2005 as a
23 utilities analyst. As such, my duties revolve around
24 statistical and technical analysis of Company filings,
25 including cost/benefit analysis, resource evaluation, price

1 forecasting, and weather normalization methods. I have
2 participated in several general rate cases, focusing on
3 power supply, cost of service, and rate design. I have
4 also been actively engaged in integrated resource planning,
5 DSM/energy efficiency program evaluation, and revenue
6 allocation issues. I completed the Practical Skills for
7 the Electric Industry held by New Mexico State University
8 in 2006, among numerous other conferences.

9 Q. What is the purpose of your testimony?

10 A. My testimony will address the rate spread Staff
11 proposes to utilize in distributing the recommended 3.91%
12 increase in electric revenue requirement. I will further
13 discuss Staff's position regarding base and PCA rates
14 within Avista's customer rate schedules.

15 Q. Could you please summarize your testimony?

16 A. Yes. Staff proposes an increase in Avista's
17 electric revenues of 3.91%, or roughly \$8.62 million, as
18 noted in Staff witness Vaughn's direct testimony. Given
19 Staff's concerns about viable cost of service results, as
20 discussed by Staff witness Hessing, Staff recommends the
21 increase be distributed uniformly among rate classes.
22 Furthermore, I recommend that the increase be collected
23 solely through the energy rate. I will also provide the
24 results of Staff's adjustment to the Company's proposed 5%
25 average reduction to the current PCA rate.

1 Q. Are you sponsoring any exhibits in support of
2 your testimony?

3 A. Yes, Staff Exhibit No. 124, consisting of two
4 pages.

5 Q. What is the impact on electric residential rates
6 of spreading the Staff's proposed increase solely on
7 energy?

8 A. By leaving the basic monthly charge at the
9 current level of \$4.60, a uniform 3.91% increase in
10 revenues results in a 4.04% increase in residential energy
11 rates.

12 Q. Why do you believe that the monthly basic charge
13 for residential customers should remain at its current
14 level?

15 A. The Commission approved a 15% increase in the
16 monthly customer charge in the Company's last general rate
17 case (Case No. AVU-E-08-01). One of the drivers of that
18 case was the investment in advanced metering. It is
19 understood that the cost of the metering equipment will be
20 offset by reductions in meter reading and billing
21 expenditures, the components Staff traditionally believes
22 constitute the makeup of the customer charge. With low
23 levels of growth in residential customers and the minimal
24 role distribution costs play in this proceeding, I believe
25 the current basic charge adequately provides cost recovery

1 for metering and billing expenses.

2 Q. Are there other reasons for not increasing the
3 residential basic charge?

4 A. Yes. Given Staff's position that the basic
5 charge covers meter reading and billing, there is little if
6 any rationale for having disparate customer charges on the
7 electric and natural gas bills. The basic charge for a
8 residential electric customer is already 60 cents greater
9 than the basic charge for a gas customer, and given Staff's
10 proposal on the gas side, I do not wish to further amplify
11 the difference. In fact, once Avista has had more adequate
12 time to review its advanced metering system, Staff would
13 entertain discussions on whether the efficiencies of being
14 a dual electric-gas customer should be reflected in the
15 basic monthly charge.

16 Also, placing the revenue increase on energy
17 rates still preserves the notion of price signaling. While
18 the proposed increase is relatively small, customers will
19 have an opportunity to respond if the increase is borne in
20 the energy rates rather than the customer charge. If the
21 Commission grants Staff's revenue requirement and Avista's
22 proposal to increase the monthly basic charge to \$5.00, a
23 disproportionate share (15%) of the increase will be
24 collected through the fixed monthly charge. A rate
25 increase of nearly 10% would be required to justify raising

1 the basic charge to \$5.00 if all billing determinants were
2 to be uniformly increased.

3 Q. Will applying the rate increase only to energy
4 impede Avista's ability to collect its authorized fixed
5 costs?

6 A. Minimally at most. It is true that recouping
7 fixed costs through energy rates inherently places recovery
8 at risk. Staff's proposal though is modest, and customer
9 response, i.e. reduced consumption, presumably will be
10 negligible based on price elasticity studies. Moreover,
11 Staff's proposal puts less cost recovery on the upper tier
12 than the Company's proposal.

13 Q. Avista has proposed to increase the rate
14 differential between residential rate blocks to send a
15 price signal. Do you agree?

16 A. No, I do not. The Company proposes increasing
17 the differential between blocks from 13.2% to 14.6%, while
18 my proposal will keep the differential at 13.2%.

19 Q. Does this run contrary to recent Commission
20 decisions regarding rate design and the promotion of
21 efficient energy use?

22 A. I do not believe so. Staff argued in the 2008
23 Idaho Power general rate case (Case No. IPC-E-08-10) that
24 effective rate design should rely on cost-based price
25 signals to promote efficient energy consumption. Avista is

1 in a much different situation than Idaho Power. First of
2 all, Avista has a significantly higher system load factor
3 that Idaho Power has, or in other words, Avista's system
4 does not have the same "peakiness" Idaho Power's has (the
5 difference between Avista's highest and lowest demand by
6 month is 471 MW, as opposed to 1,130 MW for Idaho Power).
7 The resources that Avista relies on to serve its customers
8 are mostly coal-fired or hydroelectric, baseload resources,
9 and now with the proposed addition of the Lancaster
10 facility, intermediate load resources. Avista does not
11 rely on costly marginal resources to meet short durations
12 of extreme peak load as Idaho Power and Rocky Mountain
13 Power must. The 'cost-based' aspect of sending price
14 signals is much weaker for Avista when compared to Idaho
15 Power.

16 Secondly, as noted in my testimony from the 2008
17 Idaho Power general rate case, rates should not unduly
18 burden a subset of residential customers. The economic
19 climate in Northern Idaho is much worse than Southern
20 Idaho. As Staff witness Thaden states in his testimony,
21 Avista's service territory has the highest poverty level in
22 the state compared to the other regulated electric
23 utilities, and a disproportionate share of customers
24 receiving LIHEAP assistance. Nearly 60% of Avista
25 customers who received LIHEAP last season live in all

1 electric homes. At this time, I do not believe it is wise
2 to place the burden of the rate increase disproportionately
3 on the tail block for Avista.

4 Finally, we have no better load research data
5 than we did one year ago. Accurate load data is the first
6 essential step to cost-based rate design. With the data
7 presumably available beginning in early 2010, I believe
8 that tinkering with rate design is premature at this point.
9 As a compromise, I believe recovering the approved revenue
10 increase through energy rates provides adequate cost
11 recovery and opportunities for energy efficiency practices
12 by customers.

13 Q. If the Commission approves a rate increase
14 greater than Staff's proposal, would you still support
15 increasing only the energy charge?

16 A. Yes, to a point. I do believe that until the
17 load sampling data is available, a uniform increase is
18 appropriate. As stated earlier, a rate increase of nearly
19 10% (8.7%) is necessary to warrant increasing the basic
20 charge to \$5.00. Should the Commission approve an increase
21 greater than or equal to 8.7%, I believe that all billing
22 determinants should be increased. That said, a moderate
23 increase in the basic charge may be warranted, but I would
24 not expect nor support a 25% increase in the basic charge
25 over a two-year period.

1 Q. Are you proposing that Staff's revenue increase
2 be spread only to energy for the remaining customer classes
3 as well?

4 A. With the exception of the street and area
5 lighting schedules, yes, for virtually the same reasons as
6 outlined above. For street and area lighting (Schedules 41
7 through 49), Staff would support spreading the \$111,268
8 revenue increase in the manner described in Company witness
9 Hirschkorn's direct testimony.

10 Q. Have you included Staff Exhibit No. 124 to
11 support your rate spread proposal?

12 A. Yes. In Staff Exhibit No. 124, Column (b)
13 provides the current base, or tariff rates in place.
14 Columns (c) and (d) present Staff's proposed increase in
15 rates in both percentage and nominal terms, respectively.
16 Column (e) presents Staff's calculated tariff rates based
17 on its recommended revenue increase. It is important to
18 note that this is not the billed rate as it does not
19 contain the other rate adjustments, such as the PCA and
20 Energy Efficiency Rider.

21 Q. Could you please explain the last two columns in
22 Staff Exhibit No. 124?

23 A. Yes. As Mr. Hessing describes in his direct
24 testimony, Staff proposes accepting the Company's proposal
25 to adjust the PCA surcharge rate, but prefers to adjust it

1 only to a level that offsets the average rate increase of
 2 3.91%. Mr. Hessing has calculated the new PCA rate to be
 3 0.3611 cents per kWh, or a reduction of 0.2489 cents per
 4 kWh as shown in Column (f). Column (e) reports Staff's net
 5 changes to rates per this case. The following table
 6 summarizes the change in energy rates proposed by Staff:

	<u>Increase</u> <u>Energy Rt.</u>	<u>Change in</u> <u>PCA Rate</u>	<u>Net</u> <u>Change</u>
10 Resid. (1)	4.04%	(3.43%)	0.61%
11 Gen. Srv. (11)	4.21%	(3.01%)	1.20%
12 Lg. Gen. Srv. (21)	4.95%	(4.47%)	0.48%
13 Ex. Lg. Gen. Srv. (25)	4.64%	(6.11%)	(1.47%)
14 Potlatch (25P)	4.40%	(6.41%)	(2.01%)
15 Pumping Srv. (31)	3.98%	(3.48%)	0.50%

17 Under Staff's proposal, base energy rates would increase
 18 between roughly 4% and 5%, which is mostly negated for the
 19 near term by the PCA reduction. Not surprisingly, high
 20 load factor customers would see a temporary decrease under
 21 Staff's proposal.

22 Q. What is the impact of Staff's proposal to the
 23 average Avista residential electric customer's bill?

24 A. The average electric customer who uses 982 kWh a
 25 month currently sees a bill of \$78.47, which includes all

1 rate adjustments. Staff's proposal would result in a bill
2 of \$78.76, an increase of 29 cents.

3 Q. Do you propose any additional adjustments to the
4 Company's rate design?

5 A. At this time, I do not.

6 Q. Does this conclude your direct testimony in this
7 proceeding?

8 A. Yes, it does.

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**IDAHO PUBLIC UTILITIES COMMISSION STAFF
CASE NO. AVU-E-09-01
PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE**

(a)	(b)		(c)		(d)		(e)		(f)		Total Percentage Change in Rates Per Staff Proposal (g)
	Present Tariff Base Rate	Base Rate	Proposed Increase	Percentage Increase	Proposed Rate Increase	Proposed Tariff Base Rate	Staff PCA Decrease	Staff PCA Decrease			
<u>Residential Service Sch. 1</u>											
Basic Charge	\$4.60	\$	0%	-	\$	\$4.60					
Energy Charge:											
0-600 kWh	6.552		4.04%	0.265		6.817	(0.2489)				0.25%
All kWh over 600	7.416		4.04%	0.3		7.716	(0.2489)				0.69%
<u>General Service Sch. 11, 12</u>											
Basic Charge	\$6.50	\$	0%	-	\$	\$6.50					
Demand Charge (Over 20 kW)	\$4	\$	0%	-	\$	\$4.00					
Energy Charge:											
0-3,650 kWh	8.208		4.21%	0.345		8.553	(0.2489)				1.17%
All kWh over 3,650	7.001		4.21%	0.295		7.296	(0.2489)				0.66%
<u>Large General Service Sch. 21, 22</u>											
Demand Charge:											
50 kW or Less	\$275	\$	0%	-	\$	\$275					
Over 50 kW	\$3.50/kW	\$	0%	-	\$	\$3.50/kW					
Energy Charge:											
0-250,000 kWh	5.384		4.95%	0.266		5.650	(0.2489)				0.32%
All kWh over 250,000	4.594		4.95%	0.227		4.821	(0.2489)				-0.48%
Primary Voltage Discount	\$0.20/kW	\$	0%	-	\$	\$0.20/kW					

Note: Energy rates are in ¢/kWh

IDAHO PUBLIC UTILITIES COMMISSION STAFF

CASE NO. AVU-E-09-01

PRESENT AND PROPOSED RATE COMPONENTS BY SCHEDULE

(a)	(b)		(c)		(d)		(e)		(f)		Total Percentage Change in Rates Per Staff Proposal (g)
	Present Tariff Base Rate	Proposed Increase	Present Tariff Base Rate	Proposed Increase	Proposed Rate Increase	Proposed Tariff Base Rate	Staff PCA Decrease				
Extra Large General Service Sch. 25											
Demand Charge:											
3,00 kva or less	\$10,000	0%	\$	-	-	\$10,000					
Over 3,000 kva	\$3.25/kva	0%	\$	-	-	\$3.25/kva					
Energy Charge:											
0-500,000 kWh	4.411	4.64%		0.205		4.616	(0.2489)				-1.00%
All kWh over 500,000	3.736	4.64%		0.173		3.909	(0.2489)				-2.03%
Primary Voltage Discount	\$0.20/kW	0%	\$	-	-	\$0.20/kW					
Annual Minimum	\$571,460		\$	-	-	\$592,410					
Potlatch Sch. 25P											
Demand Charge:											
3,00 kva or less	\$10,000	\$0	\$	-	-	\$10,000					
Over 3,000 kva	\$3.25/kva	\$0	\$	-	-	\$3.25/kva					
Energy Charge:											
All kWh	3.722	4.40%		0.164		3.886	(0.2489)				-2.28%
Primary Voltage Discount	\$0.20/kW	0%	\$	-	-	\$0.20/kW					
Annual Minimum	\$529,420		\$	-	-	\$547,460					
Pumping Service Sch. 31.32											
Basic Charge											
Energy Charge:	\$6.50	0%	\$	-	-	\$6.50					
First 165 kW/kWh	7.37	3.98%	\$	0.294		7.664	(0.2489)				0.61%
All other kWh	6.284	3.98%	\$	0.250		6.534	(0.2489)				0.02%
Revenues	\$2,842,126	3.9%	\$	\$111,268		\$2,953,394					

Note: Energy rates are in ¢/kWh

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 29TH DAY OF MAY 2009,
SERVED THE FOREGOING **DIRECT TESTIMONY OF BRYAN LANSPERY**, IN CASE
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