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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

| | |
|------------------------------------|----------------------|
| IN THE MATTER OF THE APPLICATION) | CASE NO. AVU-E-16-03 |
| OF AVISTA CORPORATION FOR THE) | |
| AUTHORITY TO INCREASE ITS RATES) | DIRECT TESTIMONY |
| AND CHARGES FOR ELECTRIC SERVICE) | OF |
| TO ELECTRIC CUSTOMERS IN THE) | PATRICK D. EHRBAR |
| STATE OF IDAHO) | |
| _____) | |

FOR AVISTA CORPORATION

(ELECTRIC)

1 I. INTRODUCTION

2 **Q. Please state your name, business address and**
3 **present position with Avista Corporation?**

4 A. My name is Patrick D. Ehrbar and my business
5 address is 1411 East Mission Avenue, Spokane, Washington. I
6 am presently assigned to the State and Federal Regulation
7 Department as Senior Manager of Rates and Tariffs.

8 **Q. Would you briefly describe your duties?**

9 A. Yes. My primary areas of responsibility include
10 electric and natural gas rate design, customer usage and
11 revenue analysis, and tariff administration.

12 **Q. Please briefly describe your educational**
13 **background and professional experience?**

14 A. I am a 1995 graduate of Gonzaga University with a
15 Bachelors degree in Business Administration. In 1997 I
16 graduated from Gonzaga University with a Masters degree in
17 Business Administration. I started with Avista in April
18 1997 as a Resource Management Analyst in the Company's DSM
19 Department. Later, I became a Program Manager, responsible
20 for energy efficiency program offerings for the Company's
21 educational and governmental customers. In 2000, I was
22 selected to be one of the Company's key Account Executives.
23 In this role I was responsible for, among other things,
24 being the primary point of contact for numerous commercial

1 and industrial customers, including delivery of the
2 Company's site specific energy efficiency programs.

3 I joined the State and Federal Regulation Department as
4 a Senior Regulatory Analyst in 2007. Responsibilities in
5 this role included being the discovery coordinator for the
6 Company's rate cases, the development of line extension
7 policy tariffs, as well as addressing miscellaneous
8 regulatory issues. In November 2009, I was promoted to my
9 current role.

10 **Q. What is the scope of your testimony in this**
11 **proceeding?**

12 A. My testimony in this proceeding will cover the
13 spread of the proposed annual electric revenue increase of
14 \$15,433,000, or 6.3%, among the Company's electric general
15 service schedules. My testimony will also describe the
16 changes to the rates within the Company's electric service
17 schedules.

18 **Q. Are you sponsoring any Exhibits that accompany**
19 **your testimony?**

20 A. Yes. I am sponsoring Exhibit No. 13, Schedules 1
21 through 3 related to the proposed electric increase. These
22 exhibits were prepared by me or under my supervision. A
23 table of contents for my testimony is as follows:

| 1 | <u>Table of Contents</u> | <u>Page</u> |
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| 2 | I. Introduction | 1 |
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| 4 | II. Proposed Electric Revenue Increase | 3 |
| 5 | Summary of Rate Schedules and Tariffs | 3 |
| 6 | Proposed Rate Spread (Increase by Schedule) | 5 |
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10 **II. PROPOSED ELECTRIC REVENUE INCREASE**

11 **Summary of Electric Rate Schedules and Tariffs**

12 **Q. Would you please explain what is contained in**
13 **Schedule 1 of Exhibit No. 13?**

14 A. Yes. Schedule 1 is a copy of the Company's
15 present and proposed electric tariffs, showing the changes
16 (strikeout and underline) proposed in this filing.

17 **Q. Could you please describe what is contained in**
18 **Schedule 2 of Exhibit No. 13?**

19 A. Yes. Schedule 2 contains the proposed (clean)
20 electric tariff sheets incorporating the proposed changes
21 included in this filing.

22 **Q. What is contained in Schedule 3 of Exhibit No. 13?**

23 A. Schedule 3 contains information regarding the
24 proposed spread of the electric revenue increase among the
25 service schedules and the proposed changes to the rates
26 within the schedules. Page 1 shows the proposed general
27 revenue and percentage increase by rate schedule compared to
28 the present revenue under base tariff and billing rates.

1 Page 2 shows the rates of return and the relative rates of
2 return for each of the schedules before and after
3 application of the proposed general increase. Page 3 shows
4 the present rates under each of the rate schedules, the
5 proposed changes to the rates within the schedules, and the
6 proposed rates after application of the changes. These
7 pages will be referred to later in my testimony.

8 **Q. Would you please describe the Company's present**
9 **rate schedules and the types of electric service offered**
10 **under each?**

11 A. Yes. The Company presently provides electric
12 service under Residential Service Schedule 1, General
13 Service Schedules 11 and 12, Large General Service Schedules
14 21 and 22, Extra Large General Service under Schedule 25 and
15 Schedule 25P (Clearwater Paper's Lewiston Plant), and
16 Pumping Service Schedules 31 and 32. Additionally, the
17 Company provides Street Lighting Service under Schedules 41-
18 46, and Area Lighting Service under Schedules 47-49.
19 Schedules 12, 22, 32, and 48 cover residential and farm
20 service customers who qualify for the Residential Exchange
21 Program operated by the Bonneville Power Administration.
22 The rates for these schedules are identical to the rates for
23 Schedules 11, 21, 31, and 47, respectively, except for the
24 Residential Exchange rate credit.

1 Table No. 1 below shows the type and number of
2 customers served in Idaho (as of December 2015) under each
3 of the electric service schedules:

4 **Table No. 1 - Electric Customers by Service Schedule**

| 5 <u>Rate Schedule</u> | <u>No. of Customers</u> |
|---------------------------------------------------|--------------------------------|
| 6 Residential Schedule 1 | 104,610 |
| 7 General Service Schedules 11/12 | 21,042 |
| 8 Large General Service Schedules 21/22 | 1,156 |
| 9 Ex. Lrg. General Service Schedule 25 | 9 |
| 10 Clearwater Paper Schedule 25P | 1 |
| 11 Pumping Service Schedules 31/32 | 1,436 |

12 **Proposed Electric Rate Spread**

13 **Q. For 2016, what is the proposed electric revenue
14 increase, and how is the Company proposing to spread the
15 increase by rate schedule?**

16 A. The proposed electric increase is \$15,433,000, or
17 6.3% over present base tariff rates in effect. The proposed
18 general increase over present billing rates, including all
19 other rate adjustments (such as DSM and Residential
Exchange), is also 6.3%. The proposed percentage increase
by rate schedule is shown in Table No. 2 below:

1 **Table No. 2 - Proposed % Electric Increase by Schedule**

2

3

| <u>Rate Schedule</u> | <u>Increase in Base Rates</u> | <u>Increase in Billing Rates</u> |
|-----------------------------------------|---------------------------------------|------------------------------------------|
| 4 Residential Schedule 1 | 7.8% | 7.7% |
| 5 General Service Schedules 11/12 | 4.6% | 4.5% |
| 6 Large General Service Schedules 21/22 | 5.7% | 5.6% |
| 7 Ex. Lrg. General Service Schedule 25 | 4.8% | 4.7% |
| Clearwater Paper Schedule 25P | 4.5% | 4.5% |
| Pumping Service Schedules 31/32 | 7.6% | 7.5% |
| Street & Area Lights Schedules 41-49 | <u>8.3%</u> | <u>8.2%</u> |
| Overall | <u>6.3%</u> | <u>6.3%</u> |

8

9 The Company used the results of the electric cost of
10 service study (sponsored by Company witness Ms. Knox) as a
11 guide to spread the general increase. The spread of the
12 proposed increase generally results in the rates of return
13 for the various electric service schedules moving
14 approximately 25% closer to the overall rate of return
15 (unity). While we believe it is reasonable and appropriate
16 to use the cost of service study results as the basis for
17 rate spread, we have tempered the amount of movement toward
18 unity proposed in this case due primarily to the impact such
19 movement would have between the rate schedules. The Company
20 may propose additional movement toward unity in future
21 proceedings.

22 The relative rates of return before and after
23 application of the proposed increases by schedule are shown
24 in Table No. 3 below:

1 **Table No. 3 - Present & Proposed Relative Rates of Return**

| | Present | Proposed |
|---------------------------------------|-------------------|-------------------|
| | Relative | Relative |
| <u>Rate Schedule</u> | <u>ROR</u> | <u>ROR</u> |
| Residential Schedule 1 | 0.74 | 0.81 |
| General Service Schedules 11/12 | 1.39 | 1.29 |
| Large General Service Schedules 21/22 | 1.19 | 1.14 |
| Ex. Lrg. General Service Schedule 25 | 1.23 | 1.17 |
| Clearwater Paper Schedule 25P | 1.23 | 1.17 |
| Pumping Service Schedules 31/32 | 0.91 | 0.93 |
| Street & Area Lights Schedules 41-49 | 1.01 | 1.01 |
| Overall | 1.00 | 1.00 |

9 **Proposed Rate Design**

10 **Q. Where in your Exhibit do you show a comparison of**
11 **the present and proposed rates within each of the Company's**
12 **electric service schedules?**

13 A. Page 3, Schedule 3 of Exhibit No. 13 shows a
14 comparison of the present and proposed rates within each of
15 the schedules, which I will describe below. Column (a)
16 shows the rate/billing components under each of the
17 schedules, column (b) shows the present base tariff rates
18 within each of the schedules, column (c) shows the present
19 rate adjustments applicable under each schedule, and column
20 (d) shows the present billing rates. Column (e) shows the
21 proposed general rate increase to the rate components within
22 each of the schedules, column (f) shows the proposed billing
23 rates and column (g) shows the proposed base tariff rates.

24 **Q. Is the Company proposing any changes to the**

1 **existing rate structures within its electric rate schedules?**

2 A. No. The Company is not proposing any changes to
3 the present rate structures within its electric schedules.

4 **Q. Turning to Residential Service Schedule 1, would**
5 **you please describe the present rate structure under this**
6 **schedule?**

7 A. Yes. Residential Schedule 1 has a present
8 customer or basic charge of \$5.25 per month and two energy
9 rate blocks: 0-600 kWhs and over 600 kWhs. The present
10 base tariff rate for the first 600 kWhs per month is 8.224
11 cents per kWh and 9.183 cents for all kWhs over 600.

12 **Q. How does the Company propose to spread Schedule**
13 **1's proposed general revenue increase of \$8,223,000 to the**
14 **rates within that schedule?**

15 A. The Company proposes to increase the monthly
16 customer charge by \$1.00 per month, from the present level
17 of \$5.25 per month to \$6.25 per month. The remaining
18 revenue increase for the schedule is proposed to be
19 recovered through a uniform percentage increase of
20 approximately 7.1% applied to the two energy block rates.
21 The proposed increase for the first 600 kWhs used per month
22 under the schedule is 0.580 cents per kWh, and an increase
23 of 0.647 cents per kWh for usage over 600 kWhs per month.

24 **Q. Why is the Company proposing to increase the**

1 **monthly customer charge from \$5.25 to \$6.25 per month?**

2 A. A significant portion of the Company's costs are
3 fixed and do not vary with customer usage. These fixed
4 costs include fixed generation, transmission, distribution
5 and other common costs which provide reliable service to
6 customers. While a majority of the Company's costs are fixed
7 in nature and lend themselves to be recovered in monthly
8 basic charges or demand charges, the Company recovers most
9 of those costs in its variable energy rates.

10 Upon evaluation of only the total customer allocated
11 costs for Schedule 1, as shown in Schedule 3 of Ms. Knox's
12 Exhibit No. 12, page 4, line 26, those costs are \$18.10 per
13 customer per month. Factoring in distribution demand costs
14 per customer per month of \$23.18, as shown in Schedule 3 of
15 Exhibit No. 13, page 4, line 28, the total customer and
16 distribution demand monthly cost per customer is \$41.28.
17 These are essentially the fixed distribution costs for
18 providing service to customers.

19 The Company believes that an increase in the basic
20 charge is warranted given the large disparity between the
21 level of the monthly basic charge and the level of fixed
22 costs incurred by the Company to serve customers.

23 **Q. What is the average monthly electric usage for a**
24 **residential customer, and what is the effect of the proposed**

1 **increase on a customer's bill?**

2 A. The average monthly usage for a residential
3 customer is 918 kWhs. Based on the proposed increase, the
4 average monthly increase would be \$6.54, or 7.7%. The
5 present monthly bill for 918 kWhs of usage is \$84.72 and the
6 proposed monthly bill would be \$91.26.

7 **Q. Turning to General Service Schedules 11/12, would**
8 **you please describe the present rate structure and rates**
9 **under that schedule?**

10 A. Yes. General Service Schedule 11/12 is the
11 service schedule typically applicable to customers with an
12 average demand of less than 20 kW per month, such as small
13 retail establishments (Schedule 11), or shops for
14 residential customers which requires a separate service
15 (Schedule 12). The present rate structure under the
16 schedules includes a monthly customer charge of \$10.00, an
17 energy rate of 9.686 cents per kWh for all usage up to 3,650
18 kWhs per month, and an energy rate of 7.216 cents per kWh
19 for usage over 3,650 kWhs per month. There is also a demand
20 charge of \$5.25 per kW for all demand in excess of 20 kW per
21 month. There is no charge for the first 20 kW of demand.

22 **Q. How is the Company proposing to apply the proposed**
23 **general revenue increase of \$1,648,000 to the rates within**
24 **Schedules 11/12?**

1 A. The Company is proposing that the customer charge
2 increase by \$2.00 per month, from \$10.00 to \$12.00 per
3 month. The Company is also proposing that the variable
4 demand rate increase from \$5.25/kW to \$5.75/kW. The
5 remaining revenue increase for those schedules is proposed
6 to be recovered through a 0.394 cent per kWh, or 4.1%,
7 increase to the first energy block (the first 3,650 kWhs
8 used per month). The Company is proposing to leave the
9 second energy block unchanged in order to provide a more
10 meaningful separation between the blocks, and to ensure that
11 the higher load factor customers served on those schedules
12 do not pay a melded rate per kWh that is higher than
13 customers with poor load factors.

14 **Q. Why is the Company proposing to increase the**
15 **demand charges for Schedules 11, 21, 25 and 25P?**

16 A. The system allocated demand cost from the cost of
17 service study is \$11.24 per kilowatt (kW) month.¹ The
18 Company's present monthly demand charges range from
19 \$4.50/kVA to \$5.25/kW. While the exact level of costs
20 classified as demand-related can be debated, clearly the
21 levels of demand charges will continue to be well below
22 demand-related costs.

23 In addition and as noted earlier, the Company's

¹ See Schedule 3 of Exhibit No. 12, p. 3, ln 28.

1 transmission and distribution system is constructed to meet
2 the collective peak demand of its customers. Further, the
3 Company must have adequate resources available to meet peak
4 demand. If customers reduce their peak demand, it will
5 reduce the need for additional investment in these
6 facilities and resources. Customers need to receive the
7 proper price signal to encourage a reduction in their peak
8 demand, i.e., higher demand charges.

9 **Q. Turning to Large General Service Schedules 21/22,**
10 **would you please describe the present rate structure under**
11 **that schedule and how the Company is proposing to apply the**
12 **increase of \$2,954,000 to the rates within those schedules?**

13 A. Yes. Large General Service Schedules 21/22 are
14 the service schedules applicable to customers with monthly
15 demands over 50 kW, but less than 3,000 kW. Typical
16 customers served under Schedule 21 are grocery stores,
17 schools, and office buildings. Typical customers served
18 under Schedule 22 are retirement homes and other qualifying
19 residential load.

20 These schedules consist of a minimum monthly charge of
21 \$350.00 for the first 50 kW or less, a demand charge of
22 \$4.75 per kW for monthly demand in excess of 50 kW, and two
23 energy block rates: 6.344 cents per kWh for the first
24 250,000 kWhs per month, and 5.414 cents per kWh for all

1 usage in excess of 250,000 kWhs.

2 The Company is proposing to increase the present
3 minimum demand charge (for the first 50 kW or less) by \$50
4 per month, from \$350.00 to \$400.00, and increase the demand
5 charge from \$4.75/kW to \$5.25/kW for reasons previously
6 discussed. The remaining revenue increase for the schedules
7 is proposed to be recovered through a uniform percentage
8 increase of approximately 3.9% applied to the two energy
9 block rates. The proposed increase for the first 250,000
10 kWhs used per month under the schedules is 0.249 cents per
11 kWh, and an increase of 0.213 cents per kWh for usage over
12 250,000 kWhs per month.

13 **Q. Turning to Extra Large General Service Schedule**
14 **25, would you please describe the present rate structure**
15 **under that schedule, and how the Company is proposing to**
16 **apply Schedule 25's increase of \$924,000 to the rates within**
17 **the schedule?**

18 A. Yes. Schedule 25 is applicable for customers with
19 demands in excess of 3,000 kVa per month, such as large
20 industrial customers and universities. Extra Large General
21 Service Schedule 25 consists of a minimum monthly charge of
22 \$12,500.00 for the first 3,000 kVa or less, a demand charge
23 of \$4.50 per kVa for monthly demand in excess of 3,000 kVa,
24 and two energy block rates: 5.251 cents per kWh for the

1 first 500,000 kWhs per month and 4.446 cents per kWh for all
2 usage in excess of 500,000 kWhs.

3 The Company is proposing that the present minimum
4 demand charge of \$12,500 be increased by \$1,000 to \$13,500
5 per month. Further, the Company is proposing to increase
6 the volumetric demand charge from \$4.50/kVA to \$4.75/kVA for
7 reasons discussed earlier in my testimony. The remaining
8 revenue increase for the schedule is proposed to be
9 recovered through a uniform percentage increase of
10 approximately 4.3% applied to the two energy block rates.
11 The proposed energy rate increase for the first 500,000 kWhs
12 used per month is 0.227 cents per kWh and the increase for
13 usage over 500,000 per month is 0.191 cents per kWh.

14 **Q. Would you please describe the service the Company**
15 **provides to Clearwater Paper's Lewiston Plant?**

16 A. Yes. In Commission Order No. 32841, dated June
17 28, 2013, the Commission approved a five-year Electric
18 Service Agreement (Agreement) between Avista and Clearwater,
19 applicable to its Lewiston Plant. The Agreement became
20 effective July 1, 2013 and expires June 30, 2018.² The
21 Agreement provides for Clearwater to use its on-site
22 generation to serve its own load, and for Clearwater to

² On May 13, 2015, Avista and Clearwater filed with the Commission a Joint Petition requesting, among other things, approval of a contract amendment which would extend the length of the Agreement to June 30, 2021 (Case No. AVU-E-15-06). The Commission approved the filing on July 30, 2015.

1 purchase from Avista all of the electric power requirements
2 that exceed the electric power generated by Clearwater.
3 Avista serves Clearwater's load requirements under Schedule
4 25P.

5 **Q. Would you please describe the application of the**
6 **proposed Schedule 25P increase of \$955,000 to the rates**
7 **within the schedule?**

8 A. Yes. Like Schedule 25, the Company is proposing
9 that the present minimum demand charge of \$12,500 be
10 increased by \$1,000 to \$13,500 per month. Further, the
11 Company is proposing to increase the volumetric demand
12 charge from \$4.50/kVA to \$4.75/kVA for all kVA between 3,000
13 and 55,000 for reasons discussed earlier in my testimony.
14 The Company is proposing to increase the volumetric demand
15 charge for all kVA over 55,000 by \$0.25/kVA, from \$2.00/kVA
16 to \$2.25/kVA. The remaining revenue increase for the
17 schedule is proposed to be recovered through an increase of
18 0.171 cents per kWh to the energy charge.

19 **Q. Turning to Pumping Schedules 31/22, would you**
20 **please describe how the Company is proposing to apply the**
21 **increase of \$436,000 to the rates within those schedules?**

22 A. The Company is proposing that the customer charge
23 of \$8.00 per month be increased by \$2.00, to \$10.00 per
24 month, and that the remaining revenue increase be spread on

1 a uniform percentage basis of approximately 7.2% to the two
2 energy rate blocks under the schedules. The proposed
3 increase in the first block rate is 0.673 cents per kWh and
4 the increase in the second block rate is 0.573 cents per
5 kwh.

6 **Q. How is the Company proposing to spread the**
7 **proposed revenue increase of \$293,000 applicable to Street**
8 **and Area Light schedules to the rates contained in those**
9 **schedules (Schedules 41-48)?**

10 A. The Company proposes to increase present street
11 and area light (base) rates on a uniform percentage basis.
12 The proposed increase for all lighting rates is 8.3%. The
13 (base tariff) rates are shown in the tariffs for those
14 schedules, contained in Exhibit No. 13, Schedule 2.

15 **Q. Did the Company file a new electric fixed cost**
16 **adjustment exhibit which reflects the update baseline**
17 **values?**

18 A. No, the Company did not file exhibits detailing
19 the new electric fixed cost adjustment baseline values. The
20 reason why new baseline values were not filed is because the
21 final approved revenue requirement will be different from
22 the Company's request. Therefore, the Company would, as a
23 part of the Compliance Filing, provide the final baseline
24 values prior to new rates going into effect as a result of

1 this general rate case.

2 **Q. Does this conclude your pre-filed, direct**
3 **testimony?**

4 A. Yes, it does.