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**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION )	CASE NO. AVU-E-17-01
OF AVISTA CORPORATION FOR THE )	CASE NO. AVU-G-17-01
AUTHORITY TO INCREASE ITS RATES )	
AND CHARGES FOR ELECTRIC AND )	
NATURAL GAS SERVICE TO ELECTRIC )	DIRECT TESTIMONY
AND NATURAL GAS CUSTOMERS IN THE )	OF
<u>STATE OF IDAHO )</u>	PATRICK D. EHRBAR

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

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 address  
5 is 1411 East Mission Avenue, Spokane, Washington. I am  
6 presently assigned to the State and Federal Regulation  
7 Department as Senior Manager of Rates and Tariffs.

8 **Q. Would you briefly describe your educational**  
9 **background and professional experience?**

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

23 I joined the State and Federal Regulation Department as  
24 a Senior Regulatory Analyst in 2007. Responsibilities in that

1 role included being the discovery coordinator for the  
2 Company's rate cases, line extension policy tariffs, as well  
3 as miscellaneous regulatory issues. In November 2009, I was  
4 promoted to Manager of Rates and Tariffs, and later promoted  
5 to be Senior Manager of Rates and Tariffs. My primary areas  
6 of responsibility include electric and natural gas rate  
7 design, decoupling, power cost and natural gas rate  
8 adjustments, customer usage and revenue analysis, and tariff  
9 administration.

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 2018 and 2019 electric and natural gas  
14 revenue increases among the Company's electric and natural  
15 gas general service schedules. My testimony will also describe  
16 the changes to the rates within the Company's electric and  
17 natural gas service schedules.

18 **Q. Would you please provide an overview of the**  
19 **Company's electric and natural gas rate requests?**

20 A. Yes. As discussed by Company witness Mr. Morris,  
21 the Company is proposing a Two-Year Rate Plan for calendar  
22 years 2018 and 2019, with proposed increases effective January  
23 1 of each year. The Company is proposing a Two-Year Rate  
24 Plan, to once again, avoid annual rate cases in its Idaho

1 jurisdiction, providing benefits to all stakeholders. A Two-  
2 Year Rate Plan, with increases in 2018 and 2019, would provide  
3 benefits to its customers by providing a level of rate  
4 predictability to customers over this two-year period. A two-  
5 year window also provides Avista with the opportunity to  
6 manage its business in order to achieve a fair rate of return  
7 within known price changes. Finally, relief is provided to  
8 all stakeholders (customers, the Commission and its Staff,  
9 intervenors, and the Company) from the administrative burdens  
10 and costs of litigation of annual general rate cases.

11 Accordingly, the Company has filed two sets of tariffs  
12 for each of the electric and natural gas service schedules.  
13 The first tariff for each rate schedule provides for an  
14 effective date of July 9, 2017; however, in the Company's  
15 Application in this case, Avista has requested that the  
16 tariffs related to the 2018 rate request be suspended with a  
17 proposed effective date of January 1, 2018. The second set of  
18 tariffs filed for each of the electric and natural gas service  
19 schedules have an effective date of January 1, 2019,  
20 consistent with the Company's second-step increase proposal.

21 Provided below in Table Nos. 1 & 2 is a summary of the  
22 proposed increase, by rate schedule, on a billing basis  
23 (inclusive of all base and billing rate components, including

1 the effect of the new and expiring electric rebates discussed  
2 later in my testimony):

3 **Table No. 1 - 2018 & 2019 Electric Rate Request by Schedule**

4

5 <b>Rate Schedule</b>	<b>Description</b>	<b>2018 Billing Increase</b>	<b>2019 Billing Increase</b>
6 Residential Service	Schedule 1	8.1%	4.3%
7 General Service	Schedules 11 & 12	7.5%	4.0%
8 Large General Service	Schedules 21 & 22	8.2%	4.4%
9 Extra Large General Service	Schedule 25	7.7%	4.3%
10 Extra Large General Service 25P	Schedule 25P	7.2%	4.1%
Pumping Service	Schedules 31 & 32	8.8%	4.6%
Street & Area Lights	Schedules 41 - 49	7.5%	3.8%
<b>Total</b>		<b>7.9%</b>	<b>4.2%</b>

11 **Table No. 2 - 2018 & 2019 Natural Gas Rate Request by Schedule**

12

13 **Table 2: 2018 & 2019 Natural Gas Rate Request by Rate Schedule**

14 <b>Rate Schedule</b>	<b>Description</b>	<b>2018 Billing Increase</b>	<b>2019 Billing Increase</b>
15 General Service	Schedule 101	6.6%	3.8%
16 Large General Service	Schedules 111 & 112	2.2%	1.3%
17 Interruptible Service	Schedules 131 & 132	0.0%	0.0%
Transportation Service	Schedule 146*	9.2%	5.0%
<b>Total</b>		<b>5.7%</b>	<b>3.3%</b>

18 \* excludes commodity and interstate pipeline transportation costs

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

21 A. Yes. I am sponsoring Exhibit No. 16, Schedules 1  
22 through 3 related to the proposed electric increase, and  
23 Schedules 4 through 6 related to the proposed natural gas  
24 increase. These exhibits were prepared under my supervision.  
25 A table of contents for my testimony is as follows:

1	<u>Table of Contents</u>	<u>Page</u>
2	I. Introduction	1
3		
4	II. Proposed Electric Revenue Increase	5
5	Summary of Rate Schedules and Tariffs	5
6	Proposed Rate Spread (Increase by Schedule)	7
7	Proposed Rate Design (Rates within Schedules)	11
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9	III. Proposed Natural Gas Revenue Increase	24
10	Summary of Rate Schedules and Tariffs	25
11	Proposed Rate Spread (Increase by Schedule)	27
12	Proposed Rate Design (Rates within Schedules)	30
13		

14                                   **II. PROPOSED ELECTRIC REVENUE INCREASE**

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

16                   **Q.    Would you please explain what is contained in**  
17 **Schedule 1 of Exhibit No. 16?**

18                   A.    Yes.    Schedule 1 is a copy of the Company's present  
19 and proposed electric tariffs for 2018 and 2019, showing the  
20 changes (strikeout and underline) proposed in this filing.

21                   **Q.    Would you please describe what is contained in**  
22 **Schedule 2 of Exhibit No. 16?**

23                   A.    Yes.    Schedule 2 contains the proposed (clean)  
24 electric tariff sheets for 2018 and 2019 incorporating the  
25 proposed changes included in this filing.

26                   **Q.    What is contained in Schedule 3 of Exhibit No. 16?**

27                   A.    Schedule 3 contains information regarding the  
28 proposed spread of the electric revenue increase among the  
29 service schedules and the proposed changes to the rates within  
30 the schedules.    Page 1 shows the 2018 and 2019 proposed

1 general revenue and percentage increases by rate schedule  
2 compared to the present revenue under base tariff and billing  
3 rates. Page 2 shows the rates of return and the relative  
4 rates of return for each of the schedules before and after  
5 application of the proposed 2018 general increase. Pages 3  
6 and 4 show the present rates under each of the rate schedules,  
7 the proposed changes to the rates within the schedules, and  
8 the proposed rates after application of the 2018 and 2019 rate  
9 changes. These pages will be referred to later in my  
10 testimony.

11 **Q. Would you please describe the Company's present**  
12 **rate schedules and the types of electric service offered under**  
13 **each?**

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

1 schedules are identical to the rates for Schedules 11, 21,  
2 31, and 47, respectively, except for the Residential Exchange  
3 rate credit.

4 The following table shows the type and number of  
5 customers served in Idaho (as of December 2016) under each of  
6 the electric service schedules:

7 **Table No. 3 - Customers by Service Schedule**

8 <b><u>Rate Schedule</u></b>	<b><u>No. of Customers</u></b>
9 Residential Schedule 1	105,700
10 General Service Schedules 11/12	21,114
11 Large General Service Schedules 21/22	1,125
12 Extra Large General Service Schedule 25	11
13 Clearwater Paper Schedule 25P	1
14 Pumping Service Schedules 31/32	1,403

15 **Proposed Electric Rate Spread**

16 **Q. For 2018, what is the proposed electric revenue  
17 increase, and how is the Company proposing to spread the  
18 increase by rate schedule?**

19 **A. For 2018, the proposed electric increase is  
20 \$18,571,000, or 7.5% over present base tariff rates in effect.  
21 The proposed general increase over present billing rates,  
22 including all other rate adjustments (such as DSM and  
Residential Exchange), is 7.9%. The proposed percentage  
increase by rate schedule is as follows:**

1 **Table No. 4 - Proposed % Electric Increase by Schedule - 2018**

2 <b><u>Rate Schedule</u></b>	<b>Increase in Base</b>	<b>Increase in</b>
	<b>Rates</b>	<b>Billing Rates</b>
3 Residential Schedule 1	7.8%	8.1%
General Service Schedules 11/12	7.2%	7.5%
4 Large General Service Schedules 21/22	7.8%	8.2%
Extra Large General Service Schedule 25	7.0%	7.7%
5 Clearwater Paper Schedule 25P	6.5%	7.2%
Pumping Service Schedules 31/32	8.5%	8.8%
6 Street & Area Lights Schedules 41-48	<u>7.5%</u>	<u>7.5%</u>
7 <b>Overall</b>	<b><u>7.5%</u></b>	<b><u>7.9%</u></b>

8 This information is shown with more detail on page 1 of  
9 Exhibit No. 16, Schedule 3.

10 **Q. What is the Company's proposal related to the**  
11 **current rebate customers are receiving in 2017?**

12 A. Through rate Schedule 97, customers are receiving  
13 a rebate of \$0.00091 per kWh for 2017 (approximately \$2.7  
14 million). This rebate rate was approved in the Company's 2015  
15 general rate case, Case No. AVU-E-15-05. The rebate was  
16 related to Avista's 2014 electric earnings sharing of  
17 approximately \$5.6 million, of which approximately one-half  
18 was rebated to customers in 2016, and the remaining half  
19 rebated in 2017.

20 Avista deferred approximately \$1.5 million under the  
21 electric earnings sharing for calendar-year 2015. The Company  
22 is proposing in this case to use the \$1.5 million deferral  
23 balance from 2015 to replace approximately one-half of the  
24 current rebate in 2018. The Company has filed tariff sheet

1 Schedule 97 with revised language reflecting the new rebate.<sup>1</sup>  
2 The net effect for 2018 of the expiring rebate, offset by the  
3 new rebate, is an increase in billed revenues (i.e., less of  
4 a rebate) of approximately \$1.2 million.

5 **Q. How did the Company spread the total 2018 general**  
6 **revenue increase request of \$18,571,000 among its various rate**  
7 **schedules?**

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

21 Table No. 5 below shows the relative rates of return  
22 before and after application of the proposed general increase:

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<sup>1</sup> Consistent with the provisions of Schedule 97, any over- or under-amortization of the \$1.5 million rebate would be trued up in a future PCA filed by the Company.

1 **Table No. 5 - Present & Proposed Relative Rates of Return**

	Present	Proposed
	Relative	Relative
<b><u>Rate Schedule</u></b>	<b><u>ROR</u></b>	<b><u>ROR</u></b>
Residential Schedule 1	0.81	0.84
General Service Schedules 11/12	1.47	1.40
Large General Service Schedules 21/22	1.14	1.12
Extra Large General Service Schedule 25	0.96	0.97
Clearwater Paper Schedule 25P	1.06	1.05
Pumping Service Schedules 31/32	0.92	0.93
Street & Area Lights Schedules	1.07	1.00
<b>Overall</b>	<b>1.00</b>	<b>1.00</b>

8  
9 This information is shown in detail on Page 2, Schedule  
10 3 of Exhibit No. 16.

11 **Q. For 2019, what is the proposed electric revenue**  
12 **increase, and how is the Company proposing to spread the**  
13 **increase by rate schedule?**

14 A. For 2019, the proposed electric increase is  
15 \$9,936,000, or 3.7% over base tariff rates. The proposed  
16 general increase over billing rates, including all other rate  
17 adjustments (such as DSM and Residential Exchange), is 4.2%.  
18 The overall billed increase also reflects the expiration of  
19 the 2015 earnings test rebate (proposed to be rebated in 2018)  
20 discussed earlier in my testimony.

21 The Company used a pro-rata allocation of the Company's  
22 2018 electric rate spread percentages for purposes of  
23 spreading the proposed 2019 electric revenue increase to its  
24 electric service schedules. The proposed percentage increase

1 by rate schedule is as follows:

2 **Table No. 6 - Proposed % Electric Increase by Schedule - 2019**

3	<b><u>Rate Schedule</u></b>	<b><u>Increase in Base Rates</u></b>	<b><u>Increase in Billing Rates</u></b>
4	Residential Schedule 1	3.9%	4.3%
5	General Service Schedules 11/12	3.6%	4.0%
6	Large General Service Schedules 21/22	3.9%	4.4%
7	Extra Large General Service Schedule 25	3.5%	4.3%
8	Clearwater Paper Schedule 25P	3.3%	4.1%
9	Pumping Service Schedules 31/32	4.2%	4.6%
10	Street & Area Lights Schedules 41-48	<u>3.7%</u>	<u>3.8%</u>
11	<b>Overall</b>	<b><u>3.7%</u></b>	<b><u>4.2%</u></b>

9 This information is shown with more detail on page 1 of  
10 Exhibit No. 16, Schedule 3.

11

12 **Proposed Rate Design**

13 Q. Where in your Exhibit do you show a comparison of  
14 the present and proposed rates within each of the Company's  
15 electric service schedules?

16 A. Pages 3 (for 2018) and 4 (for 2019) of Schedule 3  
17 in Exhibit No. 16 shows a comparison of the present and  
18 proposed rates within each of the schedules, which I will  
19 describe below. Column (a) shows the rate/billing components  
20 under each of the schedules, column (b) shows the present base  
21 tariff rates within each of the schedules, column (c) shows  
22 the present rate adjustments applicable under each schedule,  
23 and column (d) shows the present billing rates. Column (e)  
24 shows the proposed general rate increase to the rate

1 components within each of the schedules, column (f) shows the  
2 proposed revenue changes under Schedule 97, column (g) shows  
3 the proposed billing rates and column (h) shows the proposed  
4 base tariff rates.

5 **Q. Is the Company proposing any changes to the existing**  
6 **rate structures within its rate schedules?**

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

9 **Q. Turning to Residential Service Schedule 1, could**  
10 **you please describe the present rate structure under this**  
11 **schedule?**

12 A. Yes. Residential Schedule 1 has a present customer  
13 or basic charge of \$5.75 per month and two energy rate blocks:  
14 0-600 kWhs and over 600 kWhs. The present base tariff rate  
15 for the first 600 kWhs per month is 8.449 cents per kWh and  
16 9.434 cents for all kWhs over 600.

17 **Q. How does the Company propose to spread Schedule 1's**  
18 **proposed 2018 general revenue increase of \$8,473,000 to the**  
19 **rates within that schedule?**

20 A. The Company proposes to increase the monthly  
21 customer charge from \$5.75 per month to \$6.00 per month. The  
22 remaining revenue increase for the schedule is proposed to be  
23 recovered through a uniform percentage increase of  
24 approximately 8.0% applied to the two energy block rates. The

1 proposed increase for the first 600 kWhs used per month under  
2 the schedule is 0.677 cents per kWh, and an increase of 0.757  
3 cents per kWh for usage over 600 kWhs per month.

4 **Q. How does the Company propose to spread Schedule 1's**  
5 **proposed 2019 general revenue increase of \$4,536,000 to the**  
6 **rates within that schedule?**

7 A. The Company proposes to keep the monthly customer  
8 charge at \$6.00 per month. The revenue increase for the  
9 schedule is proposed to be recovered through a uniform  
10 percentage increase of approximately 4.1% applied to the two  
11 energy block rates. The proposed increase for the first 600  
12 kWhs used per month under the Schedule is 0.377 cents per kWh,  
13 and an increase of 0.420 cents per kWh for usage over 600 kWhs  
14 per month.

15 **Q. For 2018, what is the proposed increase for a**  
16 **residential electric customer with average consumption?**

17 A. The proposed increase for a residential customer  
18 using an average of 910 kWhs per month is \$7.03 per month, or  
19 an 8.1% increase in their electric bill. The present bill  
20 for 910 kWhs is \$86.39 compared to the proposed level of  
21 \$93.42, including all rate adjustments.

22 **Q. For 2019, what is the proposed increase for a**  
23 **residential electric customer with average consumption?**

24 A. The proposed increase for a residential customer

1 using an average of 910 kWhs per month is \$4.02 per month, or  
2 a 4.3% increase in their electric bill, resulting in an  
3 overall bill of \$97.44, including all rate adjustments.

4 **Q. Turning to General Service Schedules 11/12, could**  
5 **you please describe the present rate structure and rates under**  
6 **those schedules?**

7 A. Yes. General Service Schedules 11/12 are the  
8 service schedules typically applicable to customers with an  
9 average demand of less than 20 kW per month, such as small  
10 retail establishments (Schedule 11), or shops for residential  
11 customers which require a separate service (Schedule 12). The  
12 present rate structure under the schedules includes a monthly  
13 customer charge of \$12.00, an energy rate of 9.704 cents per  
14 kWh for all usage up to 3,650 kWhs per month, and an energy  
15 rate of 7.216 cents per kWh for usage over 3,650 kWhs per  
16 month. There is also a demand charge of \$5.75 per kW for all  
17 demand in excess of 20 kW per month. There is no charge for  
18 the first 20 kW of demand.

19 **Q. How is the Company proposing to apply Schedule**  
20 **11/12's proposed 2018 general revenue increase of \$2,681,000**  
21 **to the rates within those schedules?**

22 A. The Company is proposing that the customer charge  
23 increase by \$1.00 per month, from \$12.00 to \$13.00. The  
24 Company is also proposing that the variable demand rate

1 increase from \$5.75/kW to \$6.00/kW. The remaining revenue  
2 increase for those schedules is proposed to be recovered  
3 through a 0.785 cent per kWh, or 8.1%, increase to the first  
4 energy block (the first 3,650 kWhs used per month), and a  
5 0.293 cent per kWh, or 4.1%, increase to the second energy  
6 block. The Company is proposing to increase the second energy  
7 block by approximately one-half the percentage increase to  
8 the first block in order to provide a more meaningful  
9 separation between the blocks, and to ensure that the higher  
10 load factor customers served on those schedules do not pay a  
11 melded rate per kWh that is higher than customers with poor  
12 load factors.

13 **Q. How is the Company proposing to apply Schedule**  
14 **11/12's proposed 2019 general revenue increase of \$1,433,000**  
15 **to the rates within those schedules?**

16 A. The revenue increase for the schedules is proposed  
17 to be recovered through a 0.477 cent per kWh, or 4.6%,  
18 increase to the first energy block (the first 3,650 kWhs used  
19 per month), and a 0.171 cent per kWh, or 2.3%, increase to  
20 the second energy block. Similar to 2018, the Company is  
21 proposing to increase the second block by one-half of the  
22 proposed percentage increase to the first block in order to  
23 provide a more meaningful separation between the blocks, and  
24 to ensure that the higher load factor customers served on the

1 schedules do not pay a melded rate per kWh that is higher than  
2 customers with poor load factors.

3 **Q. Turning to Large General Service Schedules 21/22,**  
4 **would you please describe the present rate structure under**  
5 **those schedules and how the Company is proposing to apply**  
6 **Schedule 21/22's 2018 increase of \$4,048,000 to the rates**  
7 **within the schedules?**

8 A. Yes. Large General Service Schedules 21/22 are the  
9 service schedules applicable to customers with monthly  
10 demands over 50 kW, but less than 3,000 kW. Typical customers  
11 served are grocery stores, schools, and office buildings  
12 (Schedule 21) and retirement homes and other qualified  
13 residential load (Schedule 22).

14 These schedules consist of a minimum monthly charge of  
15 \$400.00 for the first 50 kW or less, a demand charge of \$5.25  
16 per kW for monthly demand in excess of 50 kW, and two energy  
17 block rates: 6.322 cents per kWh for the first 250,000 kWhs  
18 per month, and 5.396 cents per kWh for all usage in excess of  
19 250,000 kWhs.

20 The Company is proposing to increase the present minimum  
21 demand charge (for the first 50 kW or less) by \$25 per month,  
22 from \$400.00 to \$425.00, and increase the demand charge from  
23 \$5.25/kW to \$5.50/kW. The remaining revenue increase for the  
24 schedules is proposed to be recovered through a uniform

1 percentage increase of approximately 8.4% applied to the two  
2 energy block rates. The proposed increase for the first  
3 250,000 kWhs used per month under the schedules is 0.533 cents  
4 per kWh, and an increase of 0.455 cents per kWh for usage over  
5 250,000 kWhs per month.

6 **Q. Would you please describe how the Company is**  
7 **proposing to apply Schedule 21/22's 2019 increase of**  
8 **\$2,165,000 to the rates within the schedule?**

9 A. Yes. The revenue increase for the schedules is  
10 proposed to be recovered through a uniform percentage increase  
11 of approximately 4.9% applied to the two energy block rates.  
12 The proposed increase for the first 250,000 kWhs used per  
13 month under the schedules is 0.338 cents per kWh, and an  
14 increase of 0.289 cents per kWh for usage over 250,000 kWhs  
15 per month.

16 **Q. Turning to Extra Large General Service Schedule 25,**  
17 **would you please describe the present rate structure under**  
18 **that schedule, and how the Company is proposing to apply**  
19 **Schedule 25's 2018 increase of \$1,391,000 to the rates within**  
20 **the schedule?**

21 A. Yes. Schedule 25 is applicable for customers with  
22 demands in excess of 3,000 kVa per month, such as large  
23 industrial customers and universities. Extra Large General  
24 Service Schedule 25 consists of a minimum monthly charge of

1 \$13,500 for the first 3,000 kVa or less, a demand charge of  
2 \$4.75 per kVa for monthly demand in excess of 3,000 kVa, and  
3 two energy block rates: 5.299 cents per kWh for the first  
4 500,000 kWhs per month and 4.487 cents per kWh for all usage  
5 in excess of 500,000 kWhs.

6 The Company is proposing that the present minimum demand  
7 charge of \$13,500 be increased by \$500 to \$14,000 per month.  
8 Further, the Company is proposing to increase the volumetric  
9 demand charge from \$4.75/kVA to \$5.00/kVA. The remaining  
10 revenue increase for the schedule is proposed to be recovered  
11 through a uniform percentage increase of approximately 7.4%  
12 applied to the two energy block rates. The proposed energy  
13 rate increase for the first 500,000 kWhs used per month is  
14 0.395 cents per kWh and the increase for usage over 500,000  
15 per month is 0.334 cents per kWh.

16 **Q. Would you please describe how the Company is**  
17 **proposing to apply Schedule 25's 2019 increase of \$743,000 to**  
18 **the rates within the schedule?**

19 A. Yes. The revenue increase for the schedule is  
20 proposed to be recovered through a uniform percentage increase  
21 of approximately 4.2% applied to the two energy block rates.  
22 The proposed energy rate increase for the first 500,000 kWhs  
23 used per month is 0.238 cents per kWh and the increase for  
24 usage over 500,000 per month is 0.201 cents per kWh.

1           **Q.    Please describe the service the Company provides to**  
2 **Clearwater Paper's Lewiston Plant under Schedule 25P.**

3           A.    In Commission Order No. 32841, dated June 28, 2013,  
4 the Commission approved a five-year Electric Service  
5 Agreement (Agreement) between Avista and Clearwater,  
6 applicable to its Lewiston Plant. The Agreement became  
7 effective July 1, 2013 and expires June 30, 2021.<sup>2</sup> The  
8 Agreement provides for Clearwater to use its on-site  
9 generation to serve its own load, and for Clearwater to  
10 purchase from Avista all of the electric power requirements  
11 that exceed the electric power generated by Clearwater.  
12 Avista serves Clearwater's load requirements under Schedule  
13 25P.

14           **Q.    Please describe the application of the proposed**  
15 **Schedule 25P 2018 increase of \$1,238,000 to the rates within**  
16 **the schedule.**

17           A.    Like Schedule 25, the Company is proposing that the  
18 present minimum demand charge of \$13,500 be increased by \$500  
19 to \$14,000 per month. Further, the Company is proposing to  
20 increase the volumetric demand charge from \$4.75/kVA to  
21 \$5.00/kVA for all kVA between 3,000 and 55,000, and from

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<sup>2</sup> On July 30, 2015 the Commission approved (Order No. 33350) a Joint Petition between Avista and Clearwater which, among other things, gave approval of a contract amendment which would extend the length of the original contract from June 30, 2018 to June 30, 2021 (Case No. AVU-E-15-06).

1 \$2.25/kVA to \$2.50/kVA for all kVA over 55,000. The remaining  
2 revenue increase for the schedule is proposed to be recovered  
3 through an increase of 0.278 cents per kWh to the energy  
4 charge.

5 **Q. Please describe the application of the proposed**  
6 **Schedule 25P 2019 increase of \$663,000 to the rates within**  
7 **the schedule.**

8 A. The revenue increase for the schedule is proposed  
9 to be recovered through an increase of 0.183 cents per kWh to  
10 the energy charge.

11 **Q. Turning to Pumping Schedules 31/32, would you**  
12 **please describe how the Company is proposing to apply Schedule**  
13 **31/32's 2018 increase of \$468,000 to the rates within the**  
14 **schedules?**

15 A. The Company is proposing that the customer charge  
16 of \$10.00 per month be increased by \$1.00, to \$11.00 per  
17 month, and that the remaining revenue increase be spread on  
18 a uniform percentage basis of approximately 8.5% to the two  
19 energy rate blocks under the schedules. The proposed increase  
20 in the first block rate is 0.813 cents per kWh and the increase  
21 in the second block rate is 0.693 cents per kwh.

22 **Q. Please describe how the Company is proposing to**  
23 **apply Schedule 31/32's 2019 increase of \$251,000 to the rates**  
24 **within the schedules.**

1           A.     The Company is proposing that the revenue increase  
2 be spread on a uniform percentage basis of approximately 4.4%  
3 to the two energy rate blocks under the schedules. The  
4 proposed increase in the first block rate is 0.454 cents per  
5 kWh, and the increase in the second block rate is 0.387 cents  
6 per kwh.

7           **Q.     How is the Company proposing to spread the proposed**  
8 **2018 revenue increase of \$272,000 applicable to Street and**  
9 **Area Light (Schedules 41-49)?**

10          A.     The Company proposes to increase present street and  
11 area light (base) rates on a uniform percentage basis. The  
12 proposed increase for all lighting rates is 7.5%. The (base  
13 tariff) rates are shown in the tariffs for those schedules,  
14 in Exhibit No. 16, Schedule 2.

15          **Q.     How is the Company proposing to spread the proposed**  
16 **2019 revenue increase of \$145,000 applicable to Street and**  
17 **Area Light (Schedules 41-49)?**

18          A.     The Company proposes to increase present street and  
19 area light (base) rates on a uniform percentage basis. The  
20 proposed increase for all lighting rates is 3.7%. The (base  
21 tariff) rates are shown in the tariffs for those schedules,  
22 in Exhibit No. 16, Schedule 2.

23          **Q.     Is the Company proposing any other changes to its**  
24 **Street and Area Light schedules?**

1           A.     Yes.   For Schedule 42 (Company-owned street lights)  
2     and Schedule 49 (Area Lighting), the Company is proposing that  
3     High Pressure Sodium Vapor ("HPS") lights should no longer be  
4     made available for new installations. As discussed by Company  
5     witness Ms. Rosentrater, the Company is currently converting  
6     its Company-owned street and area lights from HPS to LED  
7     technology over a five-year period. With a change in the  
8     Company's standards to only support LED street and area light  
9     technology, Avista is proposing to remove HPS as an option  
10    for new customer installations.<sup>3</sup>

11           In addition, in the Company's 2015 general rate case  
12    (Case No. AVU-E-15-05), the Commission approved the Company's  
13    "Custom Street Light Calculation" contained in Schedule 42,  
14    "Company Owned Street Light Service - Idaho". Schedule 42 is  
15    applicable to local, state, or federal governments for  
16    purposes of lighting public streets and thoroughfares. The  
17    Company also provides similar lighting under Schedule 49,  
18    "Area Light - Idaho". Lighting options under this schedule  
19    are similar to the lighting options under Schedule 42, with  
20    the only exception being that area lights are not used to  
21    light streets or thoroughfares, but rather yards, alleys, and  
22    parks, for example. As mentioned, Schedule 42 contains a

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<sup>3</sup> There may be circumstances where an existing customer (an existing street/area light) requires a HPS light and cannot support an LED light. In those circumstances the customer would continue to receive HPS service under Schedule 42 or 49.

1 "Custom Street Light Calculation", as customers over time have  
2 requested lighting options that in some cases are not in the  
3 Company's tariff. This custom calculation allows Avista to  
4 calculate a rate for such a light in between rate cases. In  
5 this case, the Company has included the same custom  
6 calculation in Schedule 49 for the same reasons the Company  
7 added it to Schedule 42 several years ago - i.e., customers  
8 have requested lighting options that are not already existing  
9 in Schedule 49.<sup>4</sup>

10 **Q. Turning now to the Company's Electric Fixed Cost**  
11 **Adjustment Mechanism, how will new baseline information be**  
12 **incorporated into the mechanism?**

13 A. As in the prior general rate case, the Company  
14 would, as a part of its Compliance Filing, submit the final  
15 baseline values for its Fixed Cost Adjustment Mechanism (for  
16 both 2018 and 2019) prior to new rates going into effect as  
17 a result of this general rate case.<sup>5</sup>

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<sup>4</sup> To determine the rate for a new light option, the capital cost, maintenance expense, and energy costs need to be determined. As shown in the proposed revisions to Schedule 47, the capital cost calculation is the same as what is provided for in Schedule 42. The maintenance cost would be based on an engineering estimate of the maintenance cost of a new fixture. Finally, the energy rate calculation is the same as what is provided for in Schedule 46 (the energy-only street light tariff).

<sup>5</sup> The Company's Electric and Natural Gas Fixed Cost Adjustment mechanisms were approved with an initial three year term, which expires December 31, 2018. Per the terms of the mechanisms, the Company may seek to extend the mechanisms prior to their expiration. While the Company would provide the baseline values for the mechanisms for 2019 in any compliance filing in this general rate case, Avista understands that it must receive Commission approval to continue the mechanisms in 2019 and beyond.

1 III. PROPOSED NATURAL GAS REVENUE INCREASE

2 Q. Would you please explain what is contained in  
3 Schedule 4 of Exhibit No. 16?

4 A. Yes. Schedule 4 of Exhibit No. 16 is a copy of the  
5 Company's present and proposed natural gas tariffs for 2018  
6 and 2019, showing the changes (strikeout and underline)  
7 proposed in this filing.

8 Q. Would you please describe what is contained in  
9 Schedule 5 of Exhibit No. 16?

10 A. Schedule 5 of Exhibit No. 16 contains the proposed  
11 (clean) natural gas tariff sheets for 2018 and 2019  
12 incorporating the proposed changes included in this filing.

13 Q. Would you please explain what is contained in  
14 Schedule 6 of Exhibit No. 16?

15 A. Schedule 6 of Exhibit No. 16 contains information  
16 regarding the proposed spread of the natural gas revenue  
17 increase among the service schedules and the proposed changes  
18 to the rates within the schedules. Page 1 shows the proposed  
19 general revenue and percentage increase by rate schedule. Page  
20 2 shows the rates of return and the relative rates of return  
21 for each of the schedules before and after the proposed 2018  
22 increase. Pages 3 and 4 show the present rates under each of  
23 the rate schedules, the proposed changes to the rates within  
24 the schedules, and the proposed rates after application of

1 the 2018 and 2019 rate changes. These pages will be referred  
2 to later in my testimony.

3

4 **Summary of Natural Gas Rate Schedules and Tariffs**

5 **Q. Would you please review the Company's present rate**  
6 **schedules and the types of natural gas service offered under**  
7 **each?**

8 A. Yes. The Company's present Schedules 101 and 111  
9 offer firm sales service. Schedule 101 generally applies to  
10 residential and small commercial customers who use less than  
11 200 therms/month. Schedule 111 is generally for customers  
12 who consistently use over 200 therms/month and Schedule 131  
13 provides interruptible sales service to customers whose  
14 annual requirements exceed 250,000 therms. Schedule 146  
15 provides transportation/distribution service for customer-  
16 owned natural gas for customers whose annual requirements  
17 exceed 250,000 therms.

18 **Q. The Company also has rate Schedules 112 and 132 on**  
19 **file with the Commission. Would you please explain which**  
20 **customers are eligible for service under these schedules?**

21 A. Yes. Schedules 112 and 132 are in place to provide  
22 service to customers who at one time were provided service  
23 under Transportation Service Schedule 146. The rates under  
24 these schedules are the same as those under Schedules 111 and

1 131 respectively, except for the application of Temporary Gas  
 2 Rate Adjustment Schedule 155. Schedule 155 is a temporary  
 3 rate adjustment used to amortize the deferred natural gas  
 4 costs approved by the Commission in the prior Purchased Gas  
 5 Cost Adjustment ("PGA") filing. Because of their size,  
 6 transportation service customers are analyzed individually to  
 7 determine their appropriate share of deferred natural gas  
 8 costs. If those customers switch back to sales service, the  
 9 Company continues to analyze those customers individually;  
 10 otherwise, those customers would receive natural gas cost  
 11 deferrals which are not due them; thus the need for Schedules  
 12 112 and 132. There is only one customer served under these  
 13 schedules as of December 31, 2016.

14 **Q. How many customers does the Company serve under each**  
 15 **of its natural gas rate schedules in Idaho?**

16 A. As of December 31, 2016, the Company provided  
 17 service to the following number of customers under each of  
 18 its schedules in Idaho:

19 **Table No. 7 - Customers by Service Schedule**

<b><u>Rate Schedule</u></b>	<b><u>No. of Customers</u></b>
20 General Service Schedule 101	79,729
21 Large General Service Schedules 111/112	1,408
22 Interruptible Sales Service Schedules 131/132	0
23 Transportation Service Schedule 146	6

24

1           **Q.    Is the Company proposing any changes to the present**  
2 **rate structures within its natural gas service schedules?**

3           A.    No.    The Company is not proposing any changes to  
4 the present rate structures within its natural gas schedules.

5

6 **Proposed Rate Spread**

7           **Q.    For 2018, what is the proposed natural gas revenue**  
8 **increase, and how is the Company proposing to spread the**  
9 **increase by rate schedule?**

10          A.    For 2018, the proposed base revenue increase is  
11 \$3,480,000, or 8.8% in base margin<sup>6</sup> revenue (on a billed  
12 revenue basis, the increase is 5.7%). The proposed percentage  
13 increase by rate schedule is as follows:

14 **Table No. 8 - Proposed % Natural Gas Increase by Schedule - 2018**  
15

<b><u>Rate Schedule</u></b>	<b><u>Increase in Margin Rates</u></b>	<b><u>Increase in Billing Rates</u></b>
General Service Schedule 101	9.8%	6.6%
Large General Service Schedules 111/112	4.1%	2.2%
Interrupt. Sales Service Schedules 131/132	0.0%	0.0%
Transportation Service Schedule 146*	<u>8.8%</u>	<u>9.2%</u>
<b>Overall</b>	<b><u>8.8%</u></b>	<b><u>5.7%</u></b>

20 \* *excludes commodity and interstate pipeline transportation costs*

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<sup>6</sup> Base margin revenue refers to the base revenue associated with the Company's ownership and operation of its natural gas distribution operations. It is the revenue related to delivering natural gas to customers, and does not include the cost of natural gas, upstream third-party owned transportation, or the effect of other tariffs.

1           **Q.    Is the proposed billing percentage increase for**  
2 **Transportation Schedule 146 comparable to the increase for the**  
3 **other service schedules?**

4           A.    No.    The proposed billing percentage increase for  
5 Transportation Schedule 146 is not comparable to the proposed  
6 increases for the other (sales) service schedules, as Schedule  
7 146 revenue does not include an amount for the cost of natural  
8 gas or upstream pipeline transportation.    Transportation  
9 customers acquire their own natural gas and pipeline  
10 transportation.    Including an estimate of 35.0 cents per therm  
11 for the cost of natural gas and pipeline transportation, the  
12 proposed increase to Schedule 146 rates represents an average  
13 increase of 2.4% (2018) and 1.4% (2019) in those customers'  
14 total natural gas bill.

15           **Q.    What information did the Company use to develop the**  
16 **proposed spread of the overall 2018 increase to the various**  
17 **rate schedules?**

18           A.    The Company used the results of the cost of service  
19 study (sponsored by Company witness Mr. Miller) as a guide to  
20 spread the natural gas general increase.    The spread of the  
21 proposed increase generally results in the rates of return  
22 for the various service schedules moving approximately one-  
23 third closer to the overall rate of return (unity).    The  
24 relative rates of return before and after application of the

1 proposed 2018 increase by schedule are as follows:

2 **Table No. 9 - Present & Proposed Relative Rates of Return**

3	Present	Proposed
4	Relative	Relative
4	<u>ROR</u>	<u>ROR</u>
5	0.86	0.91
5	1.71	1.45
6	1.00	1.00
6	1.17	1.10
7	<b>1.00</b>	<b>1.00</b>

8 Page 2 of Exhibit No. 16, Schedule 6 shows this  
9 information in more detail.

10 **Q. For 2019, what is the proposed natural gas revenue**  
11 **increase, and how is the Company proposing to spread the**  
12 **increase by rate schedule?**

13 A. For 2019, the proposed base revenue increase is  
14 \$2,137,000, or 5.0% in base margin revenue (on a billed  
15 revenue basis, the increase is 3.3%).

16 The Company used a pro-rata allocation of the Company's  
17 2018 natural gas rate spread percentages for purposes of  
18 spreading the proposed 2019 natural gas revenue increase to  
19 its natural gas service schedules. Below is a table showing  
20 the effect of the Company's 2019 proposed natural gas increase  
21 by rate schedule:

1 **Table No. 10 - Proposed % Natural Gas Increase by Schedule - 2019**

2

3 <b><u>Rate Schedule</u></b>	<b><u>Increase in</u></b> <b><u>Margin Rates</u></b>	<b><u>Increase in</u></b> <b><u>Billing Rates</u></b>
4 General Service Schedule 101	5.5%	3.8%
5 Large General Service Schedules 111/112	2.4%	1.3%
6 Interrupt. Sales Service Schedules 131/132	0.0%	0.0%
7 Transportation Service Schedule 146*	<u>4.8%</u>	<u>5.0%</u>
<b>Overall</b>	<b><u>5.0%</u></b>	<b><u>3.3%</u></b>

\* *excludes commodity and interstate pipeline transportation costs*

8 This information is also shown on page 1 of Exhibit No.  
9 16, Schedule 6.

10

11 **Proposed Rate Design**

12 **Q. Would you please explain the present rate design**  
13 **within each of the Company's present natural gas service**  
14 **schedules?**

15 A. Yes. General Service Schedule 101 generally applies  
16 to residential and small commercial customers who use less  
17 than 200 therms/month. The schedule contains a single rate  
18 per therm for all natural gas usage and a monthly  
19 customer/basic charge.

20 Large General Service Schedule 111 has a four-tier  
21 declining-block rate structure and is generally for customers  
22 who consistently use over 200 therms/month, such as schools,  
23 restaurants, and office buildings. The schedule consists of  
24 a monthly minimum charge plus a usage charge for the first

1 200 therms or less, and block rates for 201-1,000  
2 therms/month, 1001-10,000 therms/month and usage over 10,000  
3 therms/month.

4 Interruptible Sales Service Schedule 131 contains a  
5 single rate per therm for all natural gas usage. The schedule  
6 also has an annual minimum (deficiency) charge based on a  
7 usage requirement of 250,000 therms per year. As required by  
8 tariff, customers served on this schedule are required to have  
9 standby facilities with an alternate fuel.

10 Transportation Service Schedule 146 contains a \$225 per  
11 month customer charge and contains a single rate per therm  
12 for all natural gas usage. The schedule also has an annual  
13 minimum (deficiency) charge based on a usage requirement of  
14 250,000 therms per year.

15 **Q. Where in your Exhibit No. 16 do you show the present**  
16 **and proposed rates for the Company's natural gas service**  
17 **schedules?**

18 A. Pages 3 and 4 of Schedule 6 shows the present and  
19 proposed rates under each of the rate schedules, including  
20 all present rate adjustments (adders) for the 2018 and 2019  
21 rate changes. Column (e) on those pages show the proposed  
22 changes to the rates contained in each of the schedules.

23 **Q. How does the Company propose to spread Schedule**  
24 **101's proposed 2018 general revenue increase of \$3,166,000 to**

1 **the rates within that schedule?**

2 A. The Company proposes to increase the monthly  
3 customer charge from \$5.25 per month to \$6.00 per month. The  
4 remaining revenue is proposed to be recovered through an  
5 increase of 4.293 cents per therm. This is shown in column  
6 (e), page 3, Schedule 6 of Exhibit No. 16.

7 **Q. How does the Company propose to spread Schedule**  
8 **101's proposed 2019 general revenue increase of \$1,945,000 to**  
9 **the rates within that schedule?**

10 A. The Company proposes to keep the monthly customer  
11 charge at \$6.00 per month. The revenue increase for the  
12 schedule would be recovered through a 6.5% increase in the  
13 volumetric energy rate. This is shown in column (e), page 4,  
14 Schedule 6 of Exhibit No. 16.

15 **Q. For 2018, what is the proposed monthly increase for**  
16 **a residential natural gas customer with average usage?**

17 A. The increase for a residential customer using an  
18 average of 61 therms of natural gas per month would be \$3.37  
19 per month, or 6.6%. A bill for 61 therms per month would  
20 increase from the present level of \$51.10 to a proposed level  
21 of \$54.47.

22 **Q. For 2019, what is the proposed monthly increase for**  
23 **a residential natural gas customer with average usage?**

24 A. The increase for a residential customer using an

1 average of 61 therms of natural gas per month would be \$2.07  
2 per month, or 3.8%, resulting in an overall bill of \$56.54,  
3 including all rate adjustments.

4 **Q. Would you please explain the proposed changes in the**  
5 **rates for Large General Service Schedules 111?**

6 A. Yes. The present rates for Schedules 101 and 111  
7 provide guidance for customer placement: customers who  
8 generally use less than 200 therms/month should be placed on  
9 Schedule 101, customers who consistently use over 200 therms  
10 per month should be placed on Schedule 111. Not only do the  
11 rates provide guidance for customer schedule placement, they  
12 provide a reasonable classification of customers for  
13 analyzing the costs of providing service.

14 The proposed 2018 increase to the minimum charge for  
15 Schedule 111 (for 200 therms or less) of \$9.34 per month is  
16 a function of the basic charge increase under Schedule 101 as  
17 well as the change in the Schedule 101 variable rate. This  
18 methodology maintains the present relationship between the  
19 schedules, and will minimize customer shifting. The remaining  
20 revenue requirement for the schedule is proposed to be  
21 recovered through a uniform percentage increase of  
22 approximately 2.4% to blocks 2, 3 and 4.

23 The proposed 2019 increase to the Schedule 111 minimum  
24 charge for Schedule 111 (for 200 therms or less) is \$6.79 per

1 month. The remaining revenue requirement for the schedule is  
2 proposed to be recovered through a uniform percentage increase  
3 of approximately 1.1% to blocks 2, 3 and 4.

4 **Q. Did the Company propose a revenue increase for**  
5 **Schedules 131/132?**

6 A. No customers are presently served on these  
7 schedules. However, given that customers could decide to take  
8 service on these schedules in the future, the Company does  
9 propose to increase the volumetric rates for this schedule by  
10 the same overall percentage increases proposed for 2018 and  
11 2019. Proposing to increase the base rates for these schedules  
12 will better reflect cost of service should customers decide to  
13 choose these rate schedules in the future.

14 **Q. How is the Company proposing to spread the proposed**  
15 **2018 increase of \$35,000 to the rates under Transportation**  
16 **Schedule 146?**

17 A. The Company is proposing to increase monthly Basic  
18 Charge from \$225 per month to \$250 per month. The remaining  
19 revenue requirement would be recovered through an increase of  
20 1.111 cents to the per-therm rate.

21 **Q. How is the Company proposing to spread the proposed**  
22 **2019 increase of \$21,000 to the rates under Transportation**  
23 **Schedule 146?**

24 A. The Company is proposing to increase the per therm

1 charge under the schedule by 0.691 cents per therm.

2 **Q. Is the Company proposing any other changes to its**  
3 **natural gas service schedules?**

4 A. No, it is not.

5 **Q. Turning now to the Company's Natural Gas Fixed Cost**  
6 **Adjustment Mechanism, how will new baseline information be**  
7 **incorporated into the mechanism?**

8 A. As in the prior general rate case, the Company  
9 would, as a part of its Compliance Filing, submit the final  
10 baseline values for its Fixed Cost Adjustment Mechanism (for  
11 both 2018 and 2019) prior to new rates going into effect as  
12 a result of this general rate case.<sup>7</sup>

13 **Q. Does this conclude your pre-filed, direct**  
14 **testimony?**

15 A. Yes, it does.

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<sup>7</sup> The Company's Electric and Natural Gas Fixed Cost Adjustment mechanisms were approved with an initial three year term, which expires December 31, 2018. Per the terms of the mechanisms, the Company may seek to extend the mechanisms prior to their expiration. While the Company would provide the baseline values for the mechanisms for 2019 in any compliance filing in this general rate case, Avista understands that it must receive Commission approval to continue the mechanisms in 2019 and beyond.