

RECEIVED

2011 JUL -5 AM 11:45

IDAHO PUBLIC  
UTILITIES COMMISSION

DAVID J. MEYER  
VICE PRESIDENT AND CHIEF COUNSEL FOR  
REGULATORY & GOVERNMENTAL AFFAIRS  
AVISTA CORPORATION  
P.O. BOX 3727  
1411 EAST MISSION AVENUE  
SPOKANE, WASHINGTON 99220-3727  
TELEPHONE: (509) 495-4316  
FACSIMILE: (509) 495-8851  
DAVID.MEYER@AVISTACORP.COM

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION )	CASE NO. AVU-E-11-01
OF AVISTA CORPORATION FOR THE )	CASE NO. AVU-G-11-01
AUTHORITY TO INCREASE ITS RATES )	
AND CHARGES FOR ELECTRIC AND )	
NATURAL GAS SERVICE TO ELECTRIC )	DIRECT TESTIMONY
AND NATURAL GAS CUSTOMERS IN THE )	OF
STATE OF IDAHO )	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  
5 address is 1411 East Mission Avenue, Spokane, Washington.  
6 I am presently assigned to the State and Federal  
7 Regulation Department as 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  
15 a 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,  
20 responsible for energy efficiency program offerings for  
21 the Company's educational and governmental customers. In  
22 2000, I was selected to be one of the Company's key  
23 Account Executives. In this role I was responsible for,  
24 among other things, being the primary point of contact for

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

4 I joined the State and Federal Regulation Department  
5 as a Senior Regulatory Analyst in 2007. Responsibilities  
6 in this role included being the discovery coordinator for  
7 the Company's rate cases, line extension policy tariffs,  
8 as well as miscellaneous regulatory issues. In November  
9 2009, I was promoted to my 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 \$9,009,000, or 3.7%, in base revenues among the Company's  
15 electric general service schedules. This represents an  
16 overall increase of 3.5% in billed revenues as explained  
17 below. With regard to natural gas service, I will  
18 describe the spread of the proposed annual revenue  
19 increase of \$1,921,000, or 2.7% in base revenues among the  
20 Company's natural gas service schedules. This represents  
21 an overall increase of 2.8% in billed revenues as  
22 explained below. My testimony will also describe the  
23 changes to the rates within the Company's electric and  
24 natural gas service schedules, as well the proposed

1 increase in the basic charge for electric rate Schedule 1  
2 and natural gas rate Schedule 101. In addition, I will  
3 describe the Company's proposed Energy Efficiency Load  
4 Adjustment, discuss the size of the first block in  
5 residential electric Schedule 1, and the Company's  
6 position on charging for other services. Finally, I will  
7 provide an overview of the items required of the Company  
8 in Order No. 32070, and the related Settlement  
9 Stipulation, in Case Nos. AVU-E/G-10-01.

10 **Q. Are you sponsoring any Exhibits that accompany**  
11 **your testimony?**

12 A. Yes. I am sponsoring Exhibit No. 13, Schedules  
13 1 through 3 related to the proposed electric increase, and  
14 Schedules 4 through 6 related to the proposed natural gas  
15 increase. In addition, I am sponsoring Schedule 7 which  
16 is a December 2010 presentation related to electric Rate  
17 Schedule 1 block sizing. Finally, I am sponsoring  
18 Schedule 8 relating to the Company's proposed Energy  
19 Efficiency Load Adjustment. These exhibits were prepared  
20 by me or under my supervision.

1	<u>Table of Contents</u>	<u>Page</u>
2	I. Introduction	1
3		
4	II. Rate Spread/Rate Design Executive Summary	4
5		
6	III. Proposed Electric Revenue Increase	
7	Summary of Rate Schedules and Tariffs	7
8	Proposed Rate Spread (Increase by Schedule)	9
9	Proposed Rate Design (Rates within Schedules)	11
10		
11	IV. Proposed Natural Gas Revenue Increase	
12	Summary of Rate Schedules and Tariffs	27
13	Proposed Rate Spread (Increase by Schedule)	29
14	Proposed Rate Design (Rates within Schedules)	31
15		
16	V. Residential Schedule 1 Block Size	36
17		
18	VI. Energy Efficiency Load Adjustment	39
19		
20	VII. Charging for Other Services	49
21		
22	VIII. Summary of Compliance with AVU-E/G-10-01 Order	
23	No. 32070 Requirements	55
24		
25		

**II. EXECUTIVE SUMMARY**

**Proposed Electric Increase**

27       **Q. What is the proposed electric revenue increase**  
28 **in this case and how is the Company proposing to spread**  
29 **the total increase by rate schedule?**

30       A. The proposed electric increase is \$9,009,000, or  
31 3.7% over present base tariff rates in effect. The  
32 proposed general increase over present billing rates,  
33 including all other rate adjustments (such as DSM and  
34 Residential Exchange), is 3.5%. The proposed general  
35 increase of \$9,009,000 has been spread by rate schedule

1 using a uniform percentage increase to all customer  
 2 Schedules, while taking into consideration the Company's  
 3 cost of service study results, as discussed by Company  
 4 witness Ms. Knox. The proposed percentage increase by  
 5 rate schedule is as follows:

6 **Table 1 - Proposed % Electric Increase by Schedule**

7 <b>Rate Schedule</b>	<b>Increase in Base Rates</b>	<b>Increase in Billing Rates</b>
8 Residential Schedule 1	3.7%	3.6%
9 General Service Schedule 11/12	3.7%	3.5%
10 Large General Service Schedule 21/22	3.7%	3.5%
11 Extra Large General Service Schedule 25	3.7%	3.4%
Clearwater Paper Schedule 25P	3.7%	3.3%
Pumping Service Schedule 31/32	3.7%	3.6%
Street & Area Lights Schedules	3.7%	3.6%
<b>Overall</b>	<b>3.7%</b>	<b>3.5%</b>

12 This information is shown with more detail on page 1  
 13 of Exhibit No. 13, Schedule 3.

14 **Q. What is the proposed increase for a residential**  
 15 **electric customer with average consumption?**

16 A. The proposed increase for a residential customer  
 17 using an average of 956 kWhs per month is \$3.06 per month,  
 18 or a 3.7% increase in their electric bill. The present  
 19 bill for 956 kWhs is \$83.81 compared to the proposed level  
 20 of \$86.87, including all rate adjustments. The Company is  
 21 also proposing to change the basic charge from \$5.00 per  
 22 month to \$5.50 per month.

23 **Q. Is the Company proposing any changes to the**  
 24 **present rate structures within its electric service**

1 **schedules?**

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

5 **Q. Where do you show the proposed changes in rates**  
6 **within the electric service schedules?**

7 A. This information is shown on page 3 of Exhibit  
8 No. 13, Schedule 3.

9 **Proposed Natural Gas Increase**

10 **Q. How is the Company proposing to spread the**  
11 **overall natural gas increase of \$1,921,000, or 2.7% by**  
12 **service schedule?**

13 A. The Company is proposing the following base and  
14 billing revenue changes by rate schedule<sup>1</sup>:

15 **Table 2 - Proposed % Natural Gas Increase by Schedule**

16 <b>Rate Schedule</b>	<b>Increase in Base Rates</b>	<b>Increase in Billing Rates</b>
17 General Service Schedule 101	3.5%	3.5%
18 Large General Service Schedule 111/112	0.1%	0.1%
19 Interruptible Sales Service Schedule 131/132	1.0%	1.0%
Transportation Service Schedule 146	<u>4.6%</u>	<u>4.7%</u>
<b>Overall</b>	<b>2.7%</b>	<b>2.8%</b>

20 This information is also shown on page 1 of Exhibit  
21 No. 13, Schedule 6. The Company utilized the results of  
22 the natural gas cost of service study, sponsored by

---

<sup>1</sup> For Schedule 146, including an estimate of 40.0 cents per therm for the cost of gas and pipeline transportation, the proposed increase to Schedule 146 rates represents an average increase of 0.9% in those customers' total gas bill.

1 Witness Knox, to spread the overall revenue increase to  
2 its natural gas service schedules.

3 **Q. What is the proposed monthly increase for a**  
4 **residential natural gas customer with average usage?**

5 A. The increase for a residential customer using an  
6 average of 62 therms of natural gas per month would be  
7 \$2.15 per month, or 3.5%. A bill for 62 therms per month  
8 would increase from the present level of \$60.76 to a  
9 proposed level of \$62.91. The Company is also proposing  
10 to change the basic charge from \$4.00 per month to \$4.50  
11 per month.

12

13

### **III. PROPOSED ELECTRIC REVENUE INCREASE**

14

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

15

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

17

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

20

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

22

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



1           **Q.    What is contained in Schedule 3 of Exhibit No.**  
2           **13?**

3           A.    Schedule 3 contains information regarding the  
4    proposed spread of the electric revenue increase among the  
5    service schedules and the proposed changes to the rates  
6    within the schedules.    Page 1 shows the proposed general  
7    revenue and percentage increase by rate schedule compared  
8    to the present revenue under base tariff and billing  
9    rates.    Page 2 shows the rates of return and the relative  
10   rates of return for each of the schedules before and after  
11   application of the proposed general increase.    Page 3  
12   shows the present rates under each of the rate schedules,  
13   the proposed changes to the rates within the schedules,  
14   and the proposed rates after application of the changes.  
15   These pages will be referred to later in my testimony.

16           **Q.    Would you please describe the Company's present**  
17           **rate schedules and the types of electric service offered**  
18           **under each?**

19           A.    Yes.    The Company presently provides electric  
20    service under Residential Service Schedule 1, General  
21    Service Schedules 11 and 12, Large General Service  
22    Schedules 21 and 22, Extra Large General Service Schedules  
23    25 and 25P (Clearwater Paper's Lewiston Plant) and Pumping  
24    Service Schedules 31 and 32.    Additionally, the Company

1 provides Street Lighting Service under Schedules 41-46,  
2 and Area Lighting Service under Schedules 47-49.  
3 Schedules 12, 22, 32, and 48 exist for residential and  
4 farm service customers who qualify for the Residential  
5 Exchange Program operated by the Bonneville Power  
6 Administration. The rates for these schedules are  
7 identical to the rates for Schedules 11, 21, 31, and 47,  
8 respectively, except for the Residential Exchange rate  
9 credit.

10 The following table shows the type and number of  
11 customers served in Idaho (as of December 2010) under each  
12 of the service schedules:

13 **Table 3 - Customers by Service Schedule - Idaho**

14 <b><u>Rate Schedule</u></b>	15 <b><u>No. of Customers</u></b>
16 Residential Schedule 1	100,148
17 General Service Schedule 11/12	19,455
18 Large General Service Schedule 21/22	1,444
19 Extra Large General Service Schedule 25	8
20 Clearwater Paper Schedule 25P	1
21 Pumping Service Schedule 31/32	1,326

22 **Proposed Electric Rate Spread**

23 Q. How does the Company propose to spread the total  
24 general revenue increase request of \$9,009,000 among its  
various rate schedules?

A. The Company is proposing that the overall  
requested revenue increase be spread on a uniform

1 percentage basis, as shown below:

2 **Table 4 - Proposed % Electric Increase by Schedule**

3	<b>Rate Schedule</b>	<b>Increase in Base Rates</b>	<b>Increase in Billing Rates</b>
4	Residential Schedule 1	3.7%	3.6%
5	General Service Schedule 11/12	3.7%	3.5%
6	Large General Service Schedule 21/22	3.7%	3.5%
7	Extra Large General Service Schedule 25	3.7%	3.4%
8	Clearwater Paper Schedule 25P	3.7%	3.3%
9	Pumping Service Schedule 31/32	3.7%	3.6%
10	Street & Area Lights Schedules	3.7%	3.6%
11	<b>Overall</b>	<b>3.7%</b>	<b>3.5%</b>

12 This information is shown in detail on Page 1, Schedule 3  
13 of Exhibit No. 13.

14 **Q. What rationale did the Company use in developing  
15 the proposed general increase by rate schedule?**

16 A. Upon evaluation of the cost of service results, it  
17 was determined that an across the board uniform percentage  
18 movement towards unity (e.g., a 50% movement) would cause  
19 some schedules to receive a rate decrease, while others  
20 would receive an increase twice as large as the overall  
21 request. Application of a uniform percentage across rate  
22 Schedules results in a slight movement toward unity for  
23 Schedules 1, 11/12, 21/22, and 25, and small movement away  
24 from unity for the other schedules, none of which I would  
consider material. Therefore, the Company decided to  
propose spreading the increase on a uniform percentage  
basis.

1           Table 5 below shows the relative rates of return  
2 before and after application of the proposed general  
3 increase:

4           **Table 5 -Present & Proposed Relative Rates of Return**

	Present Relative <u>ROR</u>	Proposed Relative <u>ROR</u>
5 <b>Rate Schedule</b>		
6           Residential Schedule 1	0.83	0.84
7           General Service Schedule 11/12	1.38	1.35
8           Large General Service Schedule 21/22	1.14	1.12
9           Extra Large General Service Schedule 25	0.84	0.87
10          Clearwater Paper Schedule 25P	1.10	1.13
11          Pumping Service Schedule 31/32	0.95	0.94
12          Street & Area Lights Schedules	0.89	0.87
13 <b>Overall</b>	<b>1.00</b>	<b>1.00</b>

14           **Proposed Rate Design**

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

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

1 within each of the schedules, column (f) shows the  
2 proposed billing rates and column (g) shows the proposed  
3 base tariff rates.

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

6 A. No, the Company does not believe that changes to  
7 the current rate structures are necessary. I will provide  
8 information as it relates specifically to the block size  
9 under Residential Schedule 1, and the Company's rationale  
10 for not proposing any changes to that schedule, later in  
11 my testimony.

12 **Q. Turning to Residential Service Schedule 1, could**  
13 **you please describe the present rate structure under this**  
14 **schedule?**

15 A. Yes. Residential Schedule 1 has a present  
16 customer or basic charge of \$5.00 per month and two energy  
17 rate blocks: 0-600 kWhs and over 600 kWhs. The present  
18 base tariff rate for the first 600 kWhs per month is 7.775  
19 cents per kWh and 8.691 cents for all kWhs over 600.

20 **Q. How does the Company propose to spread the**  
21 **proposed general revenue increase of \$3,669,000 to**  
22 **Schedule 1?**

23 A. The Company proposes to increase the monthly  
24 customer charge from \$5.00 to \$5.50. The proposed

1 increase to the energy rates for both blocks is 0.267  
2 cents per kWh.

3 **Q. Why is the Company proposing to increase the**  
4 **monthly customer charge from \$5.00 to \$5.50 per month?**

5 A. A significant portion of the Company's costs are  
6 fixed and do not vary with customer usage. These costs  
7 include distribution plant and operating costs to provide  
8 reliable service to customers. Upon evaluation of the  
9 total customer allocated costs, as shown in Company  
10 witness Ms. Knox's Exhibit No. 12, Schedule 3, Page 4,  
11 line 25, those costs are \$15.05 per customer per month.  
12 Factoring in distribution demand cost per customer per  
13 month of \$19.53, as shown in Ms. Knox's Exhibit No. 12,  
14 Schedule 3, Page 4, line 27, the total customer and  
15 distribution demand monthly cost is \$34.58. These are  
16 essentially fixed costs that are allocated based on the  
17 number of customers served. Given the large disparity  
18 between the level of customer and demand costs and the  
19 present level of the basic charge, the Company believes  
20 that it is appropriate to recover more of these fixed  
21 customer costs through the basic charge.

22 **Q. What is the average monthly electric usage for a**  
23 **residential customer, and what is the effect of the**  
24 **proposed increase on a customer's bill?**

1           A.    The average monthly usage for a residential  
2 customer is 956 kWhs. Based on the proposed increase, the  
3 average monthly increase would be \$3.06, or 3.7%. The  
4 present monthly bill for 956 kWhs of usage is \$83.81 and  
5 the proposed monthly bill would be \$86.87.

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

9           A.    Yes.    The present rate structure under the  
10 schedule includes a monthly customer charge of \$9.50, an  
11 energy rate of 9.063 cents per kWh for all usage up to  
12 3,650 kWhs per month, and an energy rate of 7.731 cents  
13 per kWh for usage over 3,650 kWhs per month. There is  
14 also a demand charge of \$4.75 per kW for all demand in  
15 excess of 20 kW per month. There is no charge for the  
16 first 20 kW of demand.

17           **Q.    How is the Company proposing to apply the**  
18 **proposed general revenue increase of \$1,098,000 to the**  
19 **rates under Schedule 11/12?**

20           A.    The Company is proposing that the customer  
21 charge be increased by \$0.50, from \$9.50 to \$10.00 per  
22 month. In addition, the Company is proposing that the  
23 demand charge (over 20 kW) be increased \$0.50 per kW, from  
24 \$4.75 to \$5.25. The Company is proposing not only to

1 recover the remaining revenue requirement in the first  
2 block, but is also proposing to move additional revenue  
3 recovery from the second block to the first block. The  
4 proposed rate for the first block is \$0.09655 per kWh, an  
5 increase of \$0.00592 per kWh, and the proposed rate for  
6 the second block \$0.06958 per kWh, a reduction of \$0.00773  
7 per kWh. Finally, the Company is proposing to increase  
8 the minimum charge for 3-phase service from \$13.10 to  
9 \$17.10.

10 **Q. Please explain the proposed changes to the block**  
11 **rates for Schedule 11/12?**

12 A. Currently, present rates under Schedule 11/12  
13 result in a higher average kWh charge to larger-use  
14 customers than smaller-use customers with the same load  
15 factor. Generally, larger-usage customers under the  
16 Schedule are less costly to serve than smaller-usage  
17 customers on a cost per kWh basis, as fixed costs are  
18 spread over a larger base of usage. The proposed changes  
19 to the rates in Schedule 11/12 will resolve this issue. A  
20 lower average rate for service to larger use customers  
21 under a Schedule generally is supportable on a cost of  
22 service basis.

23 Table 6 below shows the average rate per kWh for  
24 several different demand, load factor and energy-usage



1 scenarios, which I will refer to as customer scenarios:

2 **Table 6 - Present and Proposed Schedule 11 Bills & Effective kWh Rates**

3

<u>Line #</u>	<u>kW Demand</u>	<u>Load Factor</u>	<u>Monthly kWhs</u>	<u>Bill Under Present Rates</u>	<u>Effective kWh</u>	<u>Bill under Proposed Rates</u>	<u>Effective kWh</u>
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
4 1	20	25%	3,650	\$357.67	\$0.09799	\$379.78	\$0.10405
5 2	30	25%	5,475	\$554.95	\$0.10136	\$567.95	\$0.10374
6 3	40	25%	7,300	\$752.23	\$0.10305	\$756.12	\$0.10358
7 4	20	50%	7,300	\$657.23	\$0.09003	\$651.12	\$0.08919
8 5	30	50%	10,950	\$1,004.28	\$0.09172	\$974.96	\$0.08904
9 6	40	50%	14,600	\$1,351.34	\$0.09256	\$1,298.80	\$0.08896

7

8 Column (e) shows the average rate per kWh under present  
9 rates and column (g) shows the average rate under the  
10 proposed rates. Lines 1-3 show three different customer  
11 scenarios with different usage levels, but all with a 25%  
12 load factor. Lines 4-6 show three customer scenarios with  
13 different usage levels, but with a 50% load factor. As  
14 shown in column (e), a higher-use customer always pays a  
15 higher average rate than a smaller-use customer with a  
16 similar load factor. Not only does it not seem fair to  
17 charge a higher effective kWh rate to higher-use  
18 customers, but it may also drive these Schedule 11/12  
19 customers to use more energy than they otherwise would  
20 have for purposes of qualifying for Schedule 21/22 which  
21 could result in a lower effective kWh rate.

22 **Q. What is the cause of this rate design problem**  
23 **for Schedule 11/12?**

24 **A.** I believe the cause of this problem is the

1 current rate structure as it relates to demand charges.  
 2 Schedule 11/12 customers are not charged for their first  
 3 20 kW of demand. Demand in excess of 20 kW are charged  
 4 \$4.75 per kW in current rates. Under the current rate  
 5 structure, high use customers pay the incremental demand  
 6 charge, and when coupled with a relatively narrow rate  
 7 spread between the blocks, this results in a higher  
 8 average rate for higher-use customers than smaller-use  
 9 customers.

10 **Q. What is the rate impact to customers on Schedule**  
 11 **11/12 from the Company's proposed rate design?**

12 A. Table 7 below shows the impact to various  
 13 customers on Schedule 11:

14 **Table 7 - Schedule 11 Bill Impact**

	<u>Load</u>		<u>Bill Under Present</u>	<u>Bill Under</u>	
<u>kW Demand</u>	<u>Factor</u>	<u>Monthly kWhs</u>	<u>Rates</u>	<u>Proposed Rates</u>	<u>% Increase</u>
16 20	25%	3,650	\$357.67	\$379.78	6.2%
17 30	25%	5,475	\$554.95	\$567.95	2.3%
18 40	25%	7,300	\$752.23	\$756.12	0.5%
19 20	50%	7,300	\$657.23	\$651.12	-0.9%
20 30	50%	10,950	\$1,004.28	\$974.96	-2.9%
21 40	50%	14,600	\$1,351.34	\$1,298.80	-3.9%

22 The proposed rate design results in a bill decrease for  
 23 larger-use customers on Schedule 11/12, and a slightly  
 24 higher bill increase for lower use customers than the  
 Company's overall requested percentage increase in this  
 case.

1           **Q. Does the proposed rate design change improve a**  
2 **customer's transition from Schedule 11/12 to Schedule**  
3 **21/22?**

4           A. Yes, it does. Currently the difference in the  
5 present rates under Schedule 11/12 and Schedule 21/22 is  
6 substantial. There are a number of large customers served  
7 under Schedule 11/12 that are similar in size and usage to  
8 smaller Schedule 21/22 customers. Because of this rate  
9 differential, a customer switching from Schedule 11/12 to  
10 Schedule 21/22 can see a lower annual energy bill under  
11 present rates, which represents a revenue/margin loss to  
12 the Company until it is recovered as a result of a general  
13 rate change. This rate disparity may also cause customers  
14 to increase their usage in order to qualify for Schedule  
15 21, which is inconsistent with the goals of energy  
16 efficiency. Therefore, the Company's proposed rate design  
17 change will result in lower effective per kWh rates for  
18 larger customers which are closer to Schedule 21/22  
19 effective per kWh rates.

20           **Q. Does the proposed rate design change for**  
21 **Schedule 11/12 result in an inappropriate price signal in**  
22 **the second block for customers?**

23           A. No, it does not. Even with the proposed rate  
24 design changes, the effective kWh rate for larger Schedule

1 11/12 customers with usage in the second block is  
2 approximately 8.2 cents per kWh, and including the demand  
3 charge and 50% load factor. This rate is higher than the  
4 Company's levelized 20 year new resource cost forecast of  
5 7.9 cents per kWh<sup>2</sup>.

6 **Q. Why is the Company proposing an 11% increase to**  
7 **the demand charge for Schedule 11/12?**

8 A. The system allocated demand cost from the cost  
9 of service study is approximately \$18.26 per kilowatt (kW)  
10 month<sup>3</sup>. The Company's present monthly demand charges range  
11 from \$4.00-\$4.75/kW, depending on service schedule. While  
12 the exact level of costs classified as demand-related can  
13 be debated, clearly the levels of demand charges will  
14 continue to be well below demand-related costs.

15 In addition, the Company's transmission and  
16 distribution system is constructed to meet the collective  
17 peak demand of its customers. Further, the Company must  
18 have adequate resources available to meet peak demand. If  
19 customers reduce their peak demand, it will reduce the  
20 need for additional investment in these facilities and  
21 resources. Customers need to receive the proper price

---

<sup>2</sup> 2009 Avista Electric Integrated Resource Plan, Page 7-1. (See Exhibit No. 4, Schedule 1) The forecast shows \$79.56 per mWh.

<sup>3</sup> Exhibit No. 12, Schedule 3, page 3, line 28

1 signal to encourage a reduction in their peak demand,  
2 i.e., higher demand charges.

3 For these reasons, the Company believes that it is  
4 important to increase the demand charge in this case for  
5 Schedule 11/12, as well as for Schedules 21/22 and 25, by  
6 a percentage greater than that applied to the energy  
7 rates. If demand charges are not increased at least  
8 proportionately with energy charges, customers who have a  
9 poor load factor (high peak demand compared to average  
10 energy use) would see a lower percentage increase in their  
11 bill than a comparable customer with a good load factor  
12 (low peak demand compared to average energy use). This  
13 result would not send the appropriate price signal to  
14 commercial and industrial customers, nor would it reflect  
15 the fact that the Company's demand charges are well below  
16 the costs associated with meeting customers' peak demand.

17 **Q. Turning to Large General Service Schedule 21/22,**  
18 **would you please describe the present rate structure under**  
19 **that schedule and how the Company is proposing to apply**  
20 **the increase of \$1,894,000 to the rates within the**  
21 **schedule?**

22 A. Yes. Large General Service Schedule 21/22  
23 consists of a minimum monthly charge of \$325.00 for the  
24 first 50 kW or less, a demand charge of \$4.25 per kW for

1 monthly demand in excess of 50 kW, and two energy block  
2 rates: 6.109 cents per kWh for the first 250,000 kWhs per  
3 month, and 5.214 cents per kWh for all usage in excess of  
4 250,000 kWhs.

5 The Company is proposing that the present minimum  
6 demand charge (for the first 50 kW or less) be increased  
7 by \$25 per month, from \$325.00 to \$350.00, and the demand  
8 charge for kW over 50 per month be increased by \$0.50 per  
9 kW, from \$4.25 to \$4.75, for reasons provided previously  
10 in my testimony. The remaining revenue increase for the  
11 schedule is proposed to be recovered through a uniform  
12 percentage increase of approximately 2.0% applied to the  
13 two energy block rates. The proposed increase for the  
14 first 250,000 kWhs used per month under the schedule is  
15 0.125 cents per kWh, and an increase of 0.106 cents per  
16 kWh for usage over 250,000 kWhs per month.

17 **Q. Turning to Extra Large General Service Schedule**  
18 **25, would you please describe the present rate structure**  
19 **under that schedule and how the Company is proposing to**  
20 **apply the increase of \$513,000 to the rates within the**  
21 **schedule?**

22 A. Yes. Extra Large General Service Schedule 25  
23 consists of a minimum monthly charge of \$12,000.00 for the  
24 first 3,000 kVa or less, a demand charge of \$4.00 per kVa

1 for monthly demand in excess of 3,000 kVa, and two energy  
2 block rates: 5.065 cents per kWh for the first 500,000  
3 kWhs per month and 4.290 cents per kWh for all usage in  
4 excess of 500,000 kWhs.

5 The Company is proposing that the present minimum  
6 demand charge under the schedule be increased by \$500 per  
7 month, from \$12,000 to \$12,500, and the demand charge for  
8 kVa over 3,000 per month be increased by \$0.50 per kVa,  
9 from \$4.00 to \$4.50. The remaining revenue increase for  
10 the schedule is proposed to be recovered through a uniform  
11 percentage increase of approximately 2.7% applied to the  
12 two energy block rates. The proposed energy rate increase  
13 for the first 500,000 kWhs used per month is 0.134 cents  
14 per kWh and the increase for usage over 500,000 per month  
15 is 0.114 cents per kWh.

16 **Q. Could you please describe the service the**  
17 **Company provides to Clearwater Paper's Lewiston Plant?**

18 A. Yes. In Commission Order No. 29418, dated  
19 January 15, 2004, the Commission approved a ten-year Power  
20 Purchase and Sale Agreement (Agreement) between Avista and  
21 Clearwater, applicable to its Lewiston Plant. The  
22 Agreement became effective July 1, 2003 and expires June  
23 30, 2013. The Agreement provides for the purchase by  
24 Avista of Clearwater's on-site generation of up to 62

1 average megawatts per year at a price of \$42.92 per  
2 megawatt-hour. Power purchased from Clearwater under the  
3 Agreement is a directly-assigned resource to Idaho (no  
4 allocation to Washington). Avista serves Clearwater's  
5 entire load requirement at the Plant, approximately 100  
6 average megawatts, under Schedule 25P.

7 **Q. Could you please describe the application of the**  
8 **proposed increase of \$1,545,000 to the rates under**  
9 **Schedule 25P?**

10 A. Yes. The Company is proposing that the present  
11 minimum demand charge under the schedule be increased by  
12 \$500 per month, from \$12,000 to \$12,500, and the demand  
13 charge for kVa over 3,000 per month be increased by \$0.50  
14 per kVa, from \$4.00 to \$4.50. The remaining revenue  
15 increase for the schedule is proposed to be recovered  
16 through an increase of 0.100 cents per kWh to the energy  
17 charge.

18 **Q. What changes is the Company proposing to the**  
19 **rates under Pumping Schedule 31/32 to recover the proposed**  
20 **general revenue increase of \$167,000?**

21 A. The Company is proposing that the customer  
22 charge be increased by \$0.50, from \$7.50 to \$8.00 per  
23 month, with the remaining revenue increase spread on a  
24 uniform percentage basis of approximately 3.6% to the two



