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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

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

CASE NO. AVU-E-19-04

DIRECT TESTIMONY
OF
JOSEPH D. MILLER

FOR AVISTA CORPORATION

(ELECTRIC)

1 **I. INTRODUCTION**

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

4 A. My name is Joseph D. Miller and my business address is 1411 East Mission
5 Avenue, Spokane, Washington. I am presently assigned to the Regulatory Affairs
6 Department as Manager of Pricing and Tariffs.

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

9 A. Yes. I am a 1999 graduate of Portland State University with a Bachelor's
10 degree in Business Administration, majoring in Accounting. In 2005, I graduated from
11 Gonzaga University with a Master's degree in Business Administration. I joined the
12 Company in March 2008, after spending eight years in both the public and private
13 accounting sector. I started with Avista as a Natural Gas Accounting Analyst in the
14 Company's Resource Accounting Department. In January 2009, I joined the State and
15 Federal Regulation Department as a Regulatory Analyst. My primary responsibility was
16 coordinating discovery for the Company's general rate case filings. In my current role as
17 Manager of Pricing and Tariffs, I am responsible for the Company's electric and natural
18 gas rate design, natural gas cost of service studies in all jurisdictions, and tariff
19 administration, among other things.

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

21 A. My testimony in this proceeding will cover the spread of the proposed
22 electric revenue increase among the Company's electric general service schedules. My
23 testimony will also describe the changes to the rates within the Company's electric service
24 schedules.

1 Q. Would you please provide an overview of the Company's electric
2 requests?

3 A. Yes. My testimony will cover the spread of the proposed annual electric base
4 revenue increase of \$5,255,000, or 2.1%, among the Company's electric general service
5 schedules.¹ On a total billed revenue basis the increase is also 2.1%. My testimony will
6 also describe the changes to the rates within the Company's electric service schedules.

7 Accordingly, the Company has filed tariffs for each of the electric service schedules.
8 The tariffs for each rate schedule provides for an effective date of July 14, 2019; however,
9 in the Company's Application in this case, Avista has requested that the tariffs related to
10 the rate request be suspended with a proposed effective date of January 1, 2020.

11 Provided below in Table No. 1 is a summary of the proposed increase, by rate
12 schedule, on a billing basis (inclusive of all base and billing rate components, including the
13 effect of the canceled electric rebates discussed later in my testimony):

14 **Table No. 1 – Electric Rate Request by Schedule**

15

Rate Schedule	Description	Billing Increase
Residential Service	Schedule 1	3.5%
General Service	Schedules 11 & 12	0.0%
Large General Service	Schedules 21 & 22	1.5%
Extra Large General Service	Schedule 25	1.6%
Extra Large General Service 25P	Schedule 25P	1.6%
Pumping Service	Schedules 31 & 32	1.5%
Street & Area Lights	Schedules 41 - 49	0.0%
Total		2.1%

21

22 Q. Are you sponsoring any Exhibits that accompany your testimony?

¹ For purposes of discussing the effects of this rate case on "base" rates, the Company is factoring in the effects of moving the permanent tax reform benefits from Schedule 72 into the base tariffs, as discussed later in my testimony.

1 A. Yes. I am sponsoring Exhibit No. 12, Schedules 1 through 3 related to the
2 proposed electric increase. A table of contents for my testimony is as follows:

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11 **II. PROPOSED ELECTRIC REVENUE INCREASE**

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

13 **Q. Would you please explain what is contained in Schedule 1 of Exhibit No.**
14 **12?**

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

17 **Q. Would you please describe what is contained in Schedule 2 of Exhibit**
18 **No. 12?**

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

21 **Q. What is contained in Schedule 3 of Exhibit No. 12?**

22 A. Schedule 3 contains information regarding the proposed spread of the
23 electric revenue increase among the service schedules and the proposed changes to the rates
24 within the schedules. Page 1 shows the proposed general revenue and percentage increases
25 by rate schedule compared to the present revenue under base tariff and billing rates. Page
26 2 shows the rates of return and the relative rates of return for each of the schedules before
27 and after application of the proposed general increase. Page 3 shows the present rates under

each of the rate schedules, the proposed changes to the rates within the schedules, and the proposed rates after application of the rate changes. These pages will be referred to later in my testimony.

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

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

The following table shows the type and number of customers served in Idaho (as of December 2018) under each of the electric service schedules:

Table No. 2 - Customers by Service Schedule

<u>Rate Schedule</u>	<u>No. of Customers</u>
Residential Schedule 1	108,991
General Service Schedules 11/12	21,767
Large General Service Schedules 21/22	1,077
Extra Large General Service Schedule 25	12
Clearwater Paper Schedule 25P	1
Pumping Service Schedules 31/32	1,410

1 **Proposed Electric Rate Spread**

2 **Q. What is the proposed electric revenue increase, and how is the**
3 **Company proposing to spread the increase by rate schedule?**

4 A. The proposed electric increase is \$5,255,000, or 2.1% over present base
5 tariff rates in effect. The proposed general increase over present billing rates, including all
6 other rate adjustments (such as DSM and Residential Exchange), is also 2.1%. The
7 proposed percentage increase by rate schedule is as follows:

8 **Table No. 3 - Proposed % Electric Increase by Schedule**

<u>Rate Schedule</u>	Increase in Base	Increase in
	Rates	Billing Rates
Residential Schedule 1	3.4%	3.5%
General Service Schedules 11/12	0.0%	0.0%
Large General Service Schedules 21/22	1.5%	1.5%
Extra Large General Service Schedule 25	1.5%	1.6%
Clearwater Paper Schedule 25P	1.5%	1.6%
Pumping Service Schedules 31/32	1.5%	1.5%
Street & Area Lights Schedules 41-49	<u>0.0%</u>	<u>0.0%</u>
Overall	<u>2.1%</u>	<u>2.1%</u>

15 This information is shown with more detail on page 1 of Exhibit No. 12, Schedule
16 3.

17 **Q. What is the Company's proposal related to the current permanent**
18 **federal income tax rebate customers are receiving through rate schedule 72?**

19 A. Through rate Schedule 72, customers are receiving a rate credit designed to
20 reflect the permanent benefits attributable to the revisions of the federal income tax code
21 caused by enactment of the Tax Cuts and Jobs Act signed into law on December 22, 2017.
22 As stated on Schedule 72, the Permanent Federal Tax Rate Credit will be in effect until
23 such time that the permanent federal tax benefits are incorporated into base rates in a
24 general rate case proceeding. The Company has incorporated Schedule 72 as part of base

1 rates in this proceeding and is proposing to cancel the rate schedule altogether. The net
2 effect of eliminating the rate credit under Schedule 72 is an equal and offsetting reduction
3 to base rates, with no impact to customers.

4 **Q. How did the Company spread the total general revenue increase request**
5 **of \$5,255,000 among its various rate schedules?**

6 A. The Company used the results of the electric cost of service study
7 (sponsored by Company witness Ms. Knox) as a guide to spread the general increase. The
8 spread of the proposed increase generally results in the rates of return for the various electric
9 service schedules moving closer to the overall rate of return (unity). The rate of return
10 provided by Residential Schedule 1 is, and has been in recent cases, providing significantly
11 less than the overall rate of return. In contrast, General Service Schedules 11/12 and Street
12 and Area Light Schedules 41-49 are providing a relative rate of return that is significantly
13 higher than the overall rate of return, while the remaining schedules are relatively close to
14 the overall rate of return. Based on these cost of service results, Avista is proposing that
15 General Service Schedules 11/12 and Street and Area Light Schedules 41-49 receive no
16 rate increase in this proceeding, resulting in a 30% movement towards unity. The parity
17 ratios for the remaining schedules (21/22, 25, 25P, and 31/32) are within an acceptable
18 range and the Company's is proposing an increase of approximately 75% of the overall base
19 revenue increase, which moderately improves the parity ratios for the majority of these
20 schedules. The remaining revenue requirement is proposed to be spread to Residential
21 Service Schedule 1, resulting in a 34% movement towards unity. While we believe it is
22 reasonable and appropriate to use the cost of service study results as the basis for rate
23 spread, we have tempered the amount of movement toward unity proposed in this case due

1 primarily to the impact such movement would have between the rate schedules. The
2 Company may propose additional movement toward unity in future proceedings.

3 Table No. 4 below shows the relative rates of return before and after application of
4 the proposed general increase:

5 **Table No. 4 - Present & Proposed Relative Rates of Return**

	Present	Proposed
	Relative	Relative
<u>Rate Schedule</u>	<u>ROR</u>	<u>ROR</u>
6 Residential Schedule 1	0.82	0.88
7 General Service Schedules 11/12	1.52	1.36
8 Large General Service Schedules 21/22	1.09	1.06
9 Extra Large General Service Schedule 25	0.88	0.90
10 Clearwater Paper Schedule 25P	0.94	0.95
11 Pumping Service Schedules 31/32	0.96	0.96
Street & Area Lights Schedules	1.54	1.38
Overall	1.00	1.00

12
13 This information is shown in detail on Page 2, Schedule 3 of Exhibit No. 12.

14 **Proposed Rate Design**

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

17 A. Pages 3 of Schedule 3 in Exhibit No. 12 shows a comparison of the present
18 and proposed rates within each of the schedules, which I will describe below. Column (a)
19 shows the rate/billing components under each of the schedules, column (b) shows the
20 present base tariff rates within each of the schedules, column (c) shows the present rate
21 adjustments applicable under each schedule, and column (d) shows the present billing rates.
22 Column (e) shows the proposed general rate change to the rate components within each of
23 the schedules, column (f) shows the proposed revenue changes under Schedule 72, column
24 (g) shows the proposed billing rates and column (h) shows the proposed base tariff rates.

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

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

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

7 A. Yes. Residential Schedule 1 has a present customer or basic charge of \$6.00
8 per month and two energy rate blocks: 0-600 kWhs and over 600 kWhs. The present base
9 tariff rate for the first 600 kWhs per month is 9.116 cents per kWh and 10.179 cents for all
10 kWhs over 600.

11 **Q. How does the Company propose to spread Schedule 1's proposed**
12 **general revenue increase of \$3,791,000 to the rates within that schedule?**

13 A. The Company does not propose to increase the monthly customer charge
14 from its current level of \$6.00 per month. The revenue increase for the schedule, after
15 incorporating the consolidation of Schedule 72, is proposed to be recovered through a
16 uniform percentage increase of approximately 3.6% applied to the two energy block rates.
17 The proposed change for the first 600 kWhs used per month under the schedule is 0.309
18 cents per kWh, and an increase of 0.347 cents per kWh for usage over 600 kWhs per month.

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

21 A. The proposed increase for a residential customer using an average of 898
22 kWhs per month is \$2.89 per month, or a 3.5% increase in their electric bill. The present
23 bill for 898 kWhs is \$82.57 compared to the proposed level of \$85.46, including all rate
24 adjustments.

1 **Q. Turning to General Service Schedules 11/12, would you please describe**
2 **the present rate structure and rates under those schedules?**

3 A. Yes. General Service Schedules 11/12 are the service schedules typically
4 applicable to customers with an average demand of less than 20 kW per month, such as
5 small retail establishments (Schedule 11), or shops for residential customers which require
6 a separate service (Schedule 12). The present rate structure under the schedules includes a
7 monthly customer charge of \$13.00, an energy rate of 10.435 cents per kWh for all usage
8 up to 3,650 kWhs per month, and an energy rate of 7.487 cents per kWh for usage over
9 3,650 kWhs per month. There is also a demand charge of \$6.00 per kW for all demand in
10 excess of 20 kW per month. There is no charge for the first 20 kW of demand.

11 **Q. How is the Company proposing to adjust Schedule 11/12's rates within**
12 **the schedule?**

13 A. As previously stated, the Company is not proposing to increase Schedules
14 11/12 rates in this proceeding. Similar to the other schedules, the Company is proposing
15 to incorporate the rate credit under Schedule 72 into base rates. The effect of incorporating
16 Schedule 72 into base rates has no effect on the total billing rates charged to Schedules
17 11/12 customers.

18 **Q. Turning to Large General Service Schedules 21/22, would you please**
19 **describe the present rate structure under those schedules and how the Company is**
20 **proposing to apply Schedule 21/22's increase of \$769,000 to the rates within the**
21 **schedules?**

22 A. Yes. Large General Service Schedules 21/22 are the service schedules
23 applicable to customers with monthly demands over 50 kW, but less than 3,000 kW.
24 Typical customers served are grocery stores, schools, and office buildings (Schedule 21)

1 and retirement homes and other qualified residential load (Schedule 22).

2 These schedules consist of a minimum monthly charge of \$425.00 for the first 50
3 kW or less, a demand charge of \$5.50 per kW for monthly volumetric demand in excess of
4 50 kW, and two energy block rates: 6.817 cents per kWh for the first 250,000 kWhs per
5 month, and 5.818 cents per kWh for all usage in excess of 250,000 kWhs.

6 The Company is not proposing to increase the present minimum demand charge
7 (for the first 50 kW or less) of \$425.00, or the variable demand charge of \$5.50/kW. The
8 revenue increase for the schedules, after incorporating Schedule 72 into base rates, is
9 proposed to be recovered through a uniform percentage increase of approximately 2.0%
10 applied to the two energy block rates. The proposed increase for the first 250,000 kWhs
11 used per month under the schedules is 0.124 cents per kWh, and an increase of 0.105 cents
12 per kWh for usage over 250,000 kWhs per month.

13 **Q. Turning to Extra Large General Service Schedule 25, would you please**
14 **describe the present rate structure under that schedule, and how the Company is**
15 **proposing to apply Schedule 25's increase of \$268,000 to the rates within the schedule?**

16 A. Yes. Schedule 25 is applicable for customers with demands in excess of
17 3,000 kVa per month, such as large industrial customers and universities. Extra Large
18 General Service Schedule 25 consists of a minimum monthly charge of \$14,000 for the first
19 3,000 kVa or less, a demand charge of \$5.00 per kVa for monthly demand in excess of
20 3,000 kVa, and two energy block rates: 5.586 cents per kWh for the first 500,000 kWhs
21 per month and 4.730 cents per kWh for all usage in excess of 500,000 kWhs.

22 The Company is proposing that the present minimum demand charge of \$14,000,
23 and the volumetric demand charge of \$5.00/kVA per month not be changed. The revenue
24 increase for the schedule, after incorporating Schedule 72 into base rates, is proposed to be

1 recovered through a uniform percentage increase of approximately 1.8% applied to the two
2 energy block rates. The proposed energy rate increase for the first 500,000 kWhs used per
3 month is 0.097 cents per kWh and the increase for usage over 500,000 per month is 0.081
4 cents per kWh.

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

7 A. In Commission Order No. 32841, dated June 28, 2013, the Commission
8 approved a five-year Electric Service Agreement (Agreement) between Avista and
9 Clearwater, applicable to its Lewiston Plant.² The Agreement became effective July 1,
10 2013 and was replaced with a new Agreement effective March 1, 2019. The 2013
11 Agreement provided for Clearwater to use its on-site generation to serve its own load, and
12 for Clearwater to purchase from Avista all of the electric power requirements that exceed
13 the electric power generated by Clearwater. This contract was in effect Avista during the
14 entirety of the 2018 test year.

15 On February 27, 2019 the Commission approved a new Power and Purchase and
16 Sale Agreement (Order No. 34252) between Avista and Clearwater that allows Avista to
17 sell to Clearwater an amount of energy equivalent to its generation at a second block rate
18 of \$24.56 per MWh. In turn, Clearwater sells the electricity it generates and the
19 corresponding REC's to Avista at a contract rate of \$24.50 per MWh (adjusted for
20 Commission fees). Because Avista buys and sells an equivalent amount of energy at near
21 equivalent prices, the new Agreement provides the same benefit to Clearwater as allowing
22 Clearwater to generate into its own load under the prior Agreement.

² 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 Avista serves Clearwater's load requirements under Schedule 25P. As described in
2 Schedule 25P, for purposes of all proposals related to General Rate Case Filings, "Base
3 Revenue" will be defined as Clearwater's "net" generation requirements as measured
4 through the Block 1 Retail Meter. Because the effects of the Block 2 Generation load are
5 removed from the Company's filing, the new Agreement has no impact on the level of base
6 revenue proposed to be recovered in the Company's filing.

7 **Q. Please describe the application of the proposed Schedule 25P increase**
8 **of \$340,000 to the rates within the schedule.**

9 A. Like Schedule 25, the Company is proposing that the present minimum
10 demand charge of \$14,000, and the volumetric demand charges of \$5.00/kVA for all kVA
11 between 3,000 and 55,000, and \$2.50/kVA for all kVA over 55,000 not be changed. The
12 revenue increase for the schedule, after incorporating Schedule 72 into base rates, is
13 proposed to be recovered through an increase of 0.076 cents per kWh to the Block 1 energy
14 charge.

15 **Q. Turning to Pumping Schedules 31/32, would you please describe how**
16 **the Company is proposing to apply Schedule 31/32's increase of \$87,000 to the rates**
17 **within the schedules?**

18 A. The Company is proposing that the customer charge of \$11.00 per month
19 not be changed, and that the revenue increase, after incorporating Schedule 72 into base
20 rates, be spread on a uniform percentage basis of approximately 1.6% to the two energy
21 rate blocks under the schedules. The proposed increase in the first block rate is 0.153 cents
22 per kWh and the increase in the second block rate is 0.130 cents per kWh.

23 **Q. What is the proposed electric revenue change for Street and Area**
24 **Lights?**

1 A. Similar to Schedules 11/12, the Company is not proposing to increase Street
2 and Area Light rates in this proceeding. Similar to the other schedules, the Company is
3 proposing to incorporate the rate credit revenue under Schedule 72 into base rates. The
4 effect of incorporating Schedule 72 into base rates has no effect on the billing revenue
5 charged to Street and Area Light customers. The (base tariff) rates are shown in the tariffs
6 for those schedules, in Exhibit No. 12, Schedule 2.

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

9 A. Yes. The Company is proposing to add several banded Light Emitting Diode
10 (LED) rates under its Schedule 46 rate schedule. Schedule 46 is an energy only lighting
11 option applicable to customer-owned street lights. Presently the Company has no LED
12 lighting options under rate Schedule 46. Through discussions with Avista's key Account
13 Executives, some customers are contemplating change-overs from Sodium Vapor lights to
14 LED's. These change-overs would require the need for several different LED light codes
15 based on the various wattage requirements that could be installed. While the Company
16 could facilitate these request by developing several individual rates at the time the lights
17 are converted by utilizing the Schedule 46 "Custom Light Calculation" described within
18 the present tariff, the Company believes it will be administratively more efficient to create
19 banded light codes, in 10 watt increments, that would encompass any new LED light
20 wattage customers may choose to install.³ The Company has utilized the Custom Light
21 Calculation within the tariff to calculate the applicable energy charges. Because these new
22 LED banded rates will encompass all future LED lighting rate requests, the Company is

³ The Company created 25 watt bands for the largest LED bands from 200 – 225 and 226 – 250 in an effort to minimize the number of new codes for wattage equivalents that are unlikely to be used by any customers.

1 proposing to discontinue the Custom Light Calculation within the Schedule 46 tariff.

2 **Q. Is the Company proposing any other administrative changes to its**
3 **Street and Area Light schedules?**

4 A. Yes. The Company has made some minor housekeeping type changes to
5 clean up the Street and Area Light tariffs which mostly remove lighting options that are no
6 longer being used by our customers.

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

9 A. As in the prior general rate case, the Company would, as a part of its
10 Compliance Filing, submit the final baseline values for its Fixed Cost Adjustment
11 Mechanism prior to new rates going into effect as a result of this general rate case.⁴

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

13 A. Yes, it does.

⁴ The Company's Electric and Natural Gas Fixed Cost Adjustment mechanisms were approved with an initial three year term, which was extended one additional year, and which expires December 31, 2019. Per the terms of the mechanisms, the Company may seek to extend the mechanisms prior to their expiration, and will do so in 2019. While the Company would provide the baseline values for the mechanisms for 2020 in any compliance filing in this general rate case, Avista understands that it must receive Commission approval to continue the mechanisms in 2020 and beyond.