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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-19-04
OF AVISTA CORPORATION FOR THE)	
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC)	DIRECT TESTIMONY
CUSTOMERS IN THE)	OF JOSEPH D. MILLER
STATE OF IDAHO)	IN SUPPORT OF
)	STIPULATION

FOR AVISTA CORPORATION

(ELECTRIC)

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I.INTRODUCTION

Q. Please state your name, employer and business address.

A. My name is Joseph D. Miller and I am employed as the Manager of Pricing and Tariffs for Avista Utilities (“Company” or “Avista”), at 1411 East Mission Avenue, Spokane, Washington.

Q. Have you previously filed direct testimony in this proceeding?

A. Yes. My testimony in this proceeding covered the spread of the proposed 2020 electric revenue increase among the Company’s electric general service schedules. My testimony also described the changes to the rates within the Company’s electric service schedules.

Q. What is the scope of this testimony?

A. The purpose of my testimony is to describe and support the non-revenue requirement portions of the Stipulation and Settlement (“Stipulation”), filed on October 11, 2019 between the Staff of the Idaho Public Utilities Commission (“Staff”), Clearwater Paper Corporation (“Clearwater”), Idaho Forest Group, LLC (“Idaho Forest”), the Community Action Partnership Association of Idaho (“CAPAI”),the Idaho Conservation League (ICL), Walmart, Inc. (Walmart), and the Company. These entities are collectively referred to as the “Parties.”

In my testimony I will explain the following Settlement components:

- 1. Rate Spread and Rate Design
- 2. Other Settlement Items

Q. Are you sponsoring any exhibits?

1 A. No, I am not. Company witness Ms. Andrews is sponsoring Exhibit
2 No. 13, which is a copy of the Stipulation and Settlement filed on October 11, 2019,
3 with the Commission.
4

5 **II. RATE SPREAD & RATE DESIGN**

6 **Q. Please explain the settlement terms relating to electric cost of**
7 **service.**

8 A. In this case, the Company prepared an electric cost of service analysis
9 that incorporated, among other things, a system load factor peak credit method of
10 classifying production costs, allocating 100% of transmission costs to demand, and
11 allocating transmission costs on a twelve-month coincident peak allocation factor.
12 The Parties, however, do not agree on any particular cost of service methodology.
13 Nevertheless, in recognition that certain rate schedules are well above their relative
14 cost of service the Parties agree that General Service Schedules 11/12 and Large
15 General Service Schedules 21/22 will receive a revenue decrease above the overall
16 percentage base rate change, in order to move these schedules closer to cost-of-
17 service parity. The majority of remaining schedules will receive revenue decreases
18 below the overall percentage base rate change, at varying levels, that will move the
19 majority of these schedules closer to their relative cost-of-service.

20 **Q. How did the Stipulation address rate design?**

21 A. For settlement purposes, the Parties agreed to the rate design changes
22 proposed by the Company in my direct testimony. The agreed-upon rate design
23 resulted in no changes to the basic charges, with the revenue changes collected

1 through the volumetric energy rates. Appendix C of the Stipulation (Exhibit No. 13)
2 provides a summary of the current and proposed rates and charges.

3 **Q. What is the effect on retail rates, by rate schedule, of the**
4 **proposed settlement?**

5 A. The following tables reflect the agreed-upon percentage decreases by
6 schedule for electric service:¹

7 **Effective December 1, 2019**

<u>Rate Schedule</u>	<u>Decrease in Base Rates</u>	<u>Decrease in Billing Rates</u>
Residential Schedule 1	-1.0%	-1.0%
General Service Schedules 11/12	-8.4%	-8.2%
Large General Service Schedules 21/22	-4.5%	-4.4%
Extra Large General Service Schedule 25	-1.0%	-1.0%
Clearwater Paper Schedule 25P	-1.0%	-1.0%
Pumping Service Schedules 31/32	-1.6%	-1.5%
Street & Area Lights Schedules 41-48	<u>0.0%</u>	<u>0.0%</u>
Overall	<u>-2.8%</u>	<u>-2.8%</u>

14 **Q. What are the residential bill impacts if the Commission approves**
15 **the Settlement Stipulation?**

16 A. Effective December 1, 2019, an electric residential customer using an
17 average of 900 kilowatt hours per month would see a \$0.86, or 1.0%, decrease per
18 month for a revised monthly bill of \$84.45.

19
20 **III. OTHER ELEMENTS OF THE STIPULATION**

21 **Q. Please explain the settlement terms relating to the Power Cost**
22 **Adjustment (PCA) authorized level of expenses.**

¹ The Parties agreed to incorporate the current Schedule 72 (Permanent Federal Tax Rate Credit) as part of base rates and to cancel Schedule 72 altogether.

1 A. The new level of power supply revenues, expenses, retail load and
2 Load Change Adjustment Rate resulting from the December 1, 2019, settlement
3 revenue requirement, for purposes of monthly PCA mechanism calculations, are
4 detailed in Appendix A of the Stipulation (Exhibit No. 13).

5 **Q. Please explain the settlement terms relating to the authorized base**
6 **for the Electric Fixed Cost Adjustment Mechanism.**

7 A. The new level of baseline values for the electric fixed cost adjustment
8 mechanism resulting from the December 1, 2019, settlement revenue requirement are
9 detailed in Appendix B of the Stipulation (Exhibit No. 13).

10 **Q. Please explain the other issues agreed upon in the Settlement**
11 **Stipulation.**

12 A. The Parties agreed to increase funding for the Low Income
13 Weatherization Program from the current Commission-approved levels of \$800,000
14 to \$850,000.

15 Second, the Parties agreed that Avista will establish an Energy Efficiency
16 Assistance Fund ("EEAF"). The purpose of the EEAF is to provide additional
17 funding for projects that are not otherwise fully funded through existing energy
18 efficiency incentives, or do not otherwise qualify for traditional energy efficiency
19 funding.

20 **Q. Did the Parties agree as to how to fund the EEAF?**

21 A. Yes. As part of the give and take of settlement negotiations the
22 Parties agreed the EEAF will be funded and disbursed as follows:

- 23 i. The final deferral balance related to the "AFUDC Equity Tax
24 Deferral", addressed in Case Nos. AVU-E-19-02 and AVU-G-19-

1 01, as ordered in Commission Order No. 34326 will be a source of
2 funding. The estimated deferral balance is approximately \$800,000.
3 ii. Avista will contribute below-the-line dollars of \$800,000 in 2019 as
4 a match to the estimated AFUDC Equity Tax Deferral (in subsection
5 i.).
6 iii. The funding will be disbursed as directed by the Energy Efficiency
7 Assistance Fund Advisory Group, a new committee of stakeholders
8 tasked with determining which existing or new programs should
9 receive this funding to address energy efficiency, weatherization,
10 conservation, and low-income needs in Avista's Idaho service
11 territory.
12 iv. The EEAF Advisory Group will consider the needs of all parties and
13 remain flexible on the timing of any disbursements. Any entity
14 seeking funding must first attempt to qualify their applicable project
15 under Avista's existing energy efficiency programs.
16 v. The committee will initially consist of representatives from the
17 following stakeholders: Avista, Staff, the Lewiston Community
18 Action Partnership, ICL, Idaho Forest, and Clearwater. The
19 Committee may add representatives at its discretion.
20

21 **Q. Did the Stipulation address certain DSM projects specifically**
22 **related to Clearwater?**

23 A. Yes. Avista agrees to work with Clearwater to attempt to qualify the
24 following projects for DSM funding under Tariff Schedule 90:

- 25 • Variable speed drives on the No. 1 paper machine hydropulper.
26 • Variable speed drives on the No. 4 power boiler demineralized
27 water pumps.
28 • Energy efficient chillers and compressors for the Lurgi system.
29 • A variable speed drive on the No.1 paper machine white water
30 system.
31 • Variable speed drives on the two waste water outfall pumps.
32
33

34 **Q. Did the Stipulation address certain DSM projects specifically**
35 **related to the Idaho Forest Group?**

36 A. Yes. Avista agrees to work with the Idaho Forest Group to attempt
37 to qualify the following projects for DSM funding under Tariff Schedule 90:

- 1 • Installation of information technology to gather plant information
2 data (PI Data) on energy usage at Idaho Forest's Lewiston plant, and
3 through an installed interface, transmit real time energy load
4 information data for each operating station to the Idaho Forest
5 Group and Avista. This may serve as a useful demonstration project
6 for data interfaces with other customers on Avista's system. The
7 total estimated cost is \$300,000.
- 8 • Replacement of aging compressors, saws and other equipment with
9 state of the art machinery at Idaho Forest's Lewiston and
10 Grangeville plants, in order to increase productivity and energy
11 efficiency.
12

13 **Q. Is DSM funding addressed in Tariff Schedule 90?**

14 A. Yes. Tariff Schedule 90 allows for possible DSM funding of up to
15 70% of the cost of the project, subject to meeting certain specified cost-effectiveness
16 criteria. The portion of the estimated cost of these identified projects for both
17 Clearwater and the Idaho Forest Group that is not reimbursed under Schedule 90 will
18 be considered for funding through the EEAF, who will consider the needs of all
19 parties and remain flexible on the timing of any disbursements.

20 **Q. Does this conclude your direct testimony?**

21 A. Yes, it does.