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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	CASE NO. AVU-E-21-01
OF AVISTA CORPORATION FOR THE	)	CASE NO. AVU-G-21-01
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	)	JOSEPH D. MILLER

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

I. INTRODUCTION

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

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

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

A. Yes. I am a 1999 graduate of Portland State University with a Bachelor's degree in Business Administration, majoring in Accounting. In 2005, I graduated from Gonzaga University with a Master's degree in Business Administration. I joined the Company in March 2008, after spending eight years in both the public and private accounting sector. I started with Avista as a Natural Gas Accounting Analyst in the Company's Resource Accounting Department. In January 2009, I joined the State and Federal Regulation Department as a Regulatory Analyst. My primary responsibility was coordinating discovery for the Company's general rate case filings. In my current role as Senior Manager of Rates and Tariffs, I am responsible for the Company's electric and natural gas rate design, customer usage and revenue analysis, and tariff administration, among other things.

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

A. My testimony in this proceeding will cover the spread of the proposed 2021 and 2022 electric and natural gas <u>base</u> revenue increases among the Company's electric and natural gas general service schedules. For the 2021 rate change, on a total <u>billed</u> revenue basis, after incorporating the proposed Tax Customer Credit Schedules 76 and 176 offsets, the Company is proposing <u>no change</u> to electric customer billed rates and a reduction to natural gas customer billed rates of $1.2 million or 1.8%. For the 2022 rate change, on a total <u>billed</u> revenue basis, after incorporating the proposed Deferred Depreciation Credit Schedule 177 offset, the Company is proposing an increase to electric customer billed rates of $8.7 million, or 3.5% and an increase to natural gas customer billed rates of $0.1 million or 0.1%. My testimony will also describe the changes to the rates within the Company's electric and natural gas service schedules and the implementation of the new Tax Customer Credit Rate Schedules 76 and 176 and the new natural gas Deferred Depreciation Credit Schedule 177.

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

A. Yes. As discussed by Company witness Mr. Vermillion, the Company is proposing a Two-Year Rate Plan for years 2021 and 2022, with proposed rate changes effective September 1 of each year. The Company is proposing a Two-Year Rate Plan, to once again, avoid annual rate cases in its Idaho jurisdiction, providing benefits to all stakeholders. A Two-Year Rate Plan, with rate changes in 2021 and 2022, would provide benefits by providing a level of rate predictability to customers over this two-year period. A two-year window also provides Avista with the opportunity to manage its business in order to achieve a fair rate of return within known price changes. Finally, relief is provided to all stakeholders (customers, the Commission and its Staff, intervenors, and the Company) from the administrative burdens and costs of litigation of annual general rate cases.

Accordingly, the Company has filed two sets of tariffs for each of the electric and natural gas service schedules. The first tariff for each rate schedule provides for an effective date of March 1, 2021; however, in the Company's Application in this case, Avista has requested that the tariffs related to the 2021 rate request be suspended with a proposed effective date of September 1, 2021. The second set of tariffs filed for each of the electric and natural gas service schedules have an effective date of September 1, 2022, consistent with the Company's second-step rate change proposal.

Provided below in Table Nos. 1 & 2 is a summary of the proposed change, by rate schedule, on a billing basis (inclusive of all base and billing rate components, including the effect of the new electric and natural gas rate credits discussed later in my testimony):

Table No. 1 – 2021 & 2022 Electric Rate Request by Schedule

Rate Schedule	Description	2021 Billing Change	2022 Billing Change
Residential Service	Schedule 1	0.0%	3.9%
General Service	Schedules 11 & 12	0.0%	3.5%
Large General Service	Schedules 21 & 22	0.0%	3.5%
Extra Large General Service	Schedule 25	0.0%	3.5%
Extra Large General Service 25P	Schedule 25P	0.0%	1.3%
Pumping Service	Schedules 31 & 32	0.0%	3.5%
Street & Area Lights	Schedules 41 - 49	0.0%	3.5%
Total		**0.0%**	**3.5%**

Table No. 2 – 2021 & 2022 Natural Gas Rate Request by Schedule

Rate Schedule	Description	2021 Billing Change	2022 Billing Change
General Service	Schedule 101	-1.9%	0.1%
Large General Service	Schedules 111 & 112	-1.5%	0.1%
Interruptible Service	Schedules 131 & 132	0.0%	0.0%
Transportation Service	Schedule 146*	-2.7%	0.2%
Total		**-1.8%**	**0.1%**

** excludes commodity and interstate pipeline transportation costs*

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

A. Yes. I am sponsoring Exhibit No. 18, Schedules 1 through 3 related to the proposed electric increase, and Schedules 4 through 6 related to the proposed natural gas increase. These exhibits were prepared by me, or under my supervision. A table of contents for my testimony is as follows:

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II. PROPOSED ELECTRIC REVENUE INCREASE

Summary of Electric Rate Schedules and Tariffs

Q. Would you please explain what is contained in Schedule 1 of Exhibit No. 18?

A. Yes. Schedule 1 is a copy of the Company's present and proposed electric tariffs for 2021 and 2022, showing the changes (strikeout and underline) proposed in this filing.

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

A. Yes. Schedule 2 contains the proposed (clean) electric tariff sheets for 2021 and 2022 incorporating the proposed changes included in this filing.

Q. What is contained in Schedule 3 of Exhibit No. 18?

A. Schedule 3 contains information regarding the proposed spread of the electric revenue increase among the service schedules and the proposed changes to the rates within the schedules. Page 1 shows the 2021 and 2022 proposed general revenue and percentage increases by rate schedule compared to the present revenue under base tariff and billing rates. Page 2 shows the rates of return and the relative rates of return for each of the schedules before and after application of the proposed 2021 general increase. Pages 3 and 4 show 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 2021 and 2022 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 (Clearwater Paper's Lewiston Plant), 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 2019 – the Company's test year) under each of the electric service schedules:

Table No. 3 - Customers by Service Schedule

Rate Schedule	No. of Customers
Residential Schedule 1	110,912
General Service Schedules 11/12	22,006
Large General Service Schedules 21/22	1,052
Extra Large General Service Schedule 25	10
Clearwater Paper Schedule 25P	1
Pumping Service Schedules 31/32	1,441

Proposed Electric Rate Spread

Q. For 2021, what is the proposed electric revenue increase, and how is the Company proposing to spread the increase by rate schedule?

A. For 2021, the proposed electric increase is $24,783,000, or 10.1% over present base tariff rates in effect. The proposed general increase over present billing rates, after including the proposed Tax Customer Credit offset (Schedule 76) discussed later in my testimony and including all other rate adjustments (such as DSM and Residential Exchange), is 0.0%. The proposed percentage change by rate schedule is as follows:

Table No. 4 - Proposed % Electric Increase by Schedule - 2021

Rate Schedule	Increase in Base Rates	Increase in Billing Rates before Offset	Increase in Billing Rates with Offset
Residential Schedule 1	10.1%	10.0%	0.0%
General Service Schedules 11/12	10.1%	9.7%	0.0%
Large General Service Schedules 21/22	10.1%	9.7%	0.0%
Extra Large General Service Schedule 25	10.1%	9.7%	0.0%
Clearwater Paper Schedule 25P	10.1%	9.7%	0.0%
Pumping Service Schedules 31/32	10.1%	9.7%	0.0%
Street & Area Lights Schedules 41-48	10.1%	9.7%	0.0%
Overall	**10.1%**	**9.8%**	**0.0%**

This information is shown with more detail on page 1 of Exhibit No. 18, Schedule 3.

Q. What rationale did the Company use to develop the proposed spread the total 2021 general revenue increase request of $24,783,000 among its various rate schedules?

A. The Company believes that the results of the electric cost of service study (sponsored by Company witness Ms. Knox) could be used as a guide to spread the general increase. However, the Company's objective for rate spread was to offset the rate impact from the general rate increase with the Tax Customer Credit discussed later in my testimony so that all customers will not experience a billed rate increase in 2021. A uniform percent of revenue basis mirrors the rate spread proposal for the Tax Customer Credit offset discussed later in my testimony. The spread of the proposed increase still results in the rates of return for the various electric service schedules moving closer to the overall rate of return (unity). The Company may propose additional movement toward unity in future proceedings. Table No. 5 below shows the relative rates of return before and after application of the proposed general increase:

Table No. 5 – Present & Proposed Relative Rates of Return

Rate Schedule	Present Relative ROR	Proposed Relative ROR
Residential Schedule 1	0.81	0.86
General Service Schedules 11/12	1.38	1.27
Large General Service Schedules 21/22	1.01	0.99
Extra Large General Service Schedule 25	0.82	0.90
Clearwater Paper Schedule 25P	1.53	1.44
Pumping Service Schedules 31/32	1.06	1.01
Street & Area Lights Schedules	1.92	1.52
Overall	**1.00**	**1.00**

This information is shown in detail on Page 2, Schedule 3 of Exhibit No. 18.

Q. If the Commission were to order a revenue requirement lower than the

Company's request, how does the Company propose to spread the revenue increase?

A. If the Commission were to order a lower revenue requirement, the Company proposes to allocate the same increase as the Company's initial filing to Residential Service Schedule 1. The Company also proposes that Large General Service Schedules 21/22, Extra Large General Service Schedule 25, Pumping Service Schedules 31/32 and Street and Area Lights Schedules continue to receive an equal percentage of revenue increase. Any remaining revenue should then be applied equally to Schedules 11/12 and Schedule 25P as those schedules are providing significantly more than their relative cost of service as discussed by Ms. Knox.

Q. For <u>2022</u>, what is the proposed electric revenue increase, and how is the Company proposing to spread the increase by rate schedule?

A. For <u>2022</u>, the proposed electric increase is $8,722,000, or 3.2% over <u>base</u> tariff rates. The proposed general increase over <u>billing</u> rates, including all other rate adjustments (such as DSM and Residential Exchange), is 3.5%. Consistent with the 2021 rate spread, the Company used a uniform percentage of revenue for purposes of spreading the proposed 2022 electric revenue increase to all electric rate schedules except Residential Schedule 1 and Clearwater Paper Schedule 25P. In order to make more movement towards relative cost of service for those schedules furthest from unity, the Company has proposed that Schedule 25P receive roughly one-third of the average overall percentage increase with the residual amount being applied to Residential Schedule 1. The proposed percentage increase by rate schedule is as follows:

Table No. 6 – Proposed % Electric Increase by Schedule - 2022

Rate Schedule	Increase in Base Rates	Increase in Billing Rates
Residential Schedule 1	3.6%	3.9%
General Service Schedules 11/12	3.2%	3.4%
Large General Service Schedules 21/22	3.2%	3.4%
Extra Large General Service Schedule 25	3.2%	3.4%
Clearwater Paper Schedule 25P	1.2%	1.3%
Pumping Service Schedules 31/32	3.2%	3.4%
Street & Area Lights Schedules 41-48	3.2%	3.4%
Overall	**3.2%**	**3.5%**

This information is shown with more detail on page 1 of Exhibit No. 18, Schedule 3.

Proposed Rate Design

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

A. Pages 3 (for 2021) and 4 (for 2022) of Schedule 3 in Exhibit No. 18 shows a comparison of the present and proposed rates within each of the schedules, which I will describe below. Column (a) shows the rate/billing components under each of the schedules, column (b) shows the present base tariff rates within each of the schedules, column (c) shows the present rate 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 within each of the schedules, column (f) shows the proposed revenue credit under Schedule 76, column (g) shows the proposed billing rates and column (h) shows the proposed base tariff rates.

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

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

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

A. Yes. Residential Schedule 1 has a present customer or basic charge of $6.00 per month and two energy rate blocks: 0-600 kWhs and over 600 kWhs. The present base tariff rate for the first 600 kWhs per month is 8.482 cents per kWh and 9.533 cents for all kWhs over 600.

Q. How does the Company propose to spread Schedule 1's proposed <u>2021</u> general revenue increase of $11,456,000 to the rates within that schedule?

A. The Company proposes to apply an equal percentage increase to the two energy blocks and leave the Basic Charge unchanged at $6.00 per month. The proposed increase for the first 600 kWhs used per month under the schedule is 0.924 cents per kWh, and an increase of 1.039 cents per kWh for usage over 600 kWhs per month.

Q. Why is the Company proposing to keep the monthly customer charge at $6.00 per month for the 2021 rate change?

A. The proposed Tax Customer Credit is proposed to be returned on a per kWh basis. In order to ensure that customers experience no bill change resulting from the general rate case, the Company is proposing to adjust both the general rate increase and Tax Customer Credit on an equal and offsetting energy only basis.

Q. How does the Company propose to spread Schedule 1's proposed <u>2022</u> general revenue increase of $4,468,000 to the rates within that schedule?

A. The Company proposes to increase the monthly customer charge from $6.00 per month to $8.00 per month. The remaining revenue increase for the schedule is proposed to be recovered through a uniform percentage increase of approximately 1.6% applied to the two energy block rates. The proposed increase for the first 600 kWhs used per month under the schedule is 0.148 cents per kWh, and an increase of 0.166 cents per kWh for usage over 600 kWhs per month.

Q. Why did the Company propose a $2 per month increase to the basic charge in Year 2?

A. The Company intended to propose an increase to the basic charge in Year 1 of the rate plan but did not do so in order to keep the base rate increase and the new Customer Tax Credit rate schedule rate design perfectly aligned so that <u>no</u> customers receive a rate change in 2021. The Company intended to propose a $1 increase in each year under the rate plan, but because no increase was proposed in Year 1, the Company proposed the entire $2 monthly increase in Year 2.

Q. For <u>2021</u>, what is the proposed increase for a residential electric customer with average consumption?

A. After incorporating the base rate increase with the proposed tax benefit offset, the proposed bill change for a residential customer using an average of 892 kWhs per month is $0.00 per month, or an 0.0% change in their electric bill. The present bill for 892 kWhs is $85.63, and that would be unchanged.

Q. For <u>2022</u>, what is the proposed increase for a residential electric customer with average consumption?

A. The proposed increase for a residential customer using an average of 892 kWhs per month is $3.38 per month, or a 3.9% increase in their electric bill, resulting in an overall bill of $89.01, including all rate adjustments.

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

A. Yes. General Service Schedules 11/12 are the service schedules typically applicable to customers with an average demand of less than 20 kW per month, such as small retail establishments (Schedule 11), or shops for residential customers which require a separate service (Schedule 12). The present rate structure under the schedules includes a monthly customer charge of $13.00, an energy rate of 8.909 cents per kWh for all usage up to 3,650 kWhs per month, and an energy rate of 6.244 cents per kWh for usage over 3,650 kWhs per month. There is also a demand charge of $6.00 per kW for all demand in excess of 20 kW per month. There is no charge for the first 20 kW of demand.

Q. How is the Company proposing to apply Schedule 11/12's proposed <u>2021</u> general revenue increase of $3,712,000 to the rates within those schedules?

A. For similar reasons discussed previously regarding Schedule 1, namely to have the base rate increase perfectly offset by the Tax Customer Credit, the Company is proposing that the customer charge of $13.00 per month and the variable demand rate of $6.00/kW per month remain unchanged. The revenue increase for those schedules is proposed to be recovered through a uniform percentage increase applied to the two energy rates. The increase in the first block rate is 1.048 cent per kWh (the first 3,650 kWhs used per month), and a 0.735 cent per kWh increase to the second energy block.

Q. How is the Company proposing to apply Schedule 11/12's proposed <u>2022</u> general revenue increase of $1,307,000 to the rates within those schedules?

A. The Company is proposing that the customer charge increase by $2.00 per month, from $13.00 to $15.00. The Company is also proposing that the variable demand rate increase from $6.00/kW to $6.50/kW. The remaining revenue increase for those schedules is proposed to be recovered through a 0.181 increase to the first energy block (the first 3,650 kWhs used per month), and a 0.127 cent per kWh to the second energy block.

Q. Turning to Large General Service Schedules 21/22, would you please describe the present rate structure under those schedules and how the Company is proposing to apply Schedule 21/22's <u>2021</u> increase of $4,845,000 to the rates within the schedules?

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

These schedules consist of a minimum monthly charge of $425.00 for the first 50 kW or less, a demand charge of $5.50 per kW for monthly demand in excess of 50 kW, and two energy block rates: 5.991 cents per kWh for the first 250,000 kWhs per month, and 5.049 cents per kWh for all usage in excess of 250,000 kWhs.

The Company is proposing that the minimum demand charge (for the first 50 kW of $425.00 per month and the demand charge of $5.50/kW per month remain unchanged for the reasons provided previously in testimony – namely to have the base rate increase perfectly offset by the Tax Customer Credit. The revenue increase for the schedules is proposed to be recovered through a uniform percentage increase of approximately 13.2% applied to the two energy block rates. The proposed increase for the first 250,000 kWhs used per month under the schedules is 0.789 cents per kWh, and an increase of 0.665 cents per kWh for usage over 250,000 kWhs per month.

Q. Would you please describe how the Company is proposing to apply Schedule 21/22's <u>2022</u> increase of $1,706,000 to the rates within the schedule?

A. Yes. The Company is proposing to increase the present minimum demand charge (for the first 50 kW or less) by $75 per month, from $425.00 to $500.00, and increase the demand charge from $5.50/kW to $6.00/kW. The remaining revenue increase for the schedules is proposed to be recovered through a uniform percentage increase of approximately 0.6% applied to the two energy block rates. The proposed increase for the first 250,000 kWhs used per month under the schedules is 0.039 cents per kWh, and an increase of 0.033 cents per kWh for usage over 250,000 kWhs per month.

Q. Turning to Extra Large General Service Schedule 25, would you please describe the present rate structure under that schedule, and how the Company is proposing to apply Schedule 25's <u>2021</u> increase of $1,810,000 to the rates within the schedule?

A. Yes. Schedule 25 is applicable for customers with demands in excess of 3,000 kVa per month, such as large industrial customers and universities. Extra Large General Service Schedule 25 consists of a minimum monthly charge of $14,000 for the first 3,000 kVa or less, a demand charge of $5.00 per kVa for monthly demand in excess of 3,000 kVa, and two energy block rates: 5.208 cents per kWh for the first 500,000 kWhs per month and 4.363 cents per kWh for all usage in excess of 500,000 kWhs.

The Company is proposing that the present minimum demand charge of $14,000 per month and the volumetric demand charge of $5.00/kVA per month remain unchanged. The revenue increase for the schedule is proposed to be recovered through a uniform percentage increase of approximately 12.4% applied to the two energy block rates. The proposed energy rate increase for the first 500,000 kWhs used per month is 0.645 cents per kWh and the increase for usage over 500,000 per month is 0.540 cents per kWh.

Q. Would you please describe how the Company is proposing to apply Schedule 25's <u>2022</u> increase of $637,000 to the rates within the schedule?

A. Yes. The Company is proposing that the present minimum demand charge of $14,000 be increased by $2,500 to $16,500 per month. Further, the Company is proposing to increase the volumetric demand charge from $5.00/kVA to $5.50/kVA. The remaining revenue increase for the schedule is proposed to be recovered through a uniform percentage increase of approximately 1.0% applied to the two energy block rates. The proposed energy rate increase for the first 500,000 kWhs used per month is 0.057 cents per kWh and the increase for usage over 500,000 per month is 0.048 cents per kWh.

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

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

On February 27, 2019 the Commission approved a new Power and Purchase and Sale Agreement (Order No. 34252) between Avista and Clearwater that allows Avista to sell to Clearwater an amount of energy equivalent to its generation at a second block rate of $24.56 per MWh. In turn, Clearwater sells the electricity it generates and the corresponding REC's to Avista at a contract rate of $24.50 per MWh (adjusted for

[1] 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).

Commission fees). Because Avista buys and sells an equivalent amount of energy at near equivalent prices, the new Agreement provides the same benefit to Clearwater as allowing Clearwater to generate into its own load under the prior Agreement.

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

Q. Please describe the application of the proposed Schedule 25P <u>2021</u> increase of $2,026,000 to the rates within the schedule.

A. Like Schedule 25, the Company is proposing that the present minimum demand charge of $14,000 per month and the volumetric demand charges of $5.00/kVA for all kVA between 3,000 and 55,000, and $2.50/kVA for all kVA over 55,000 remain unchanged. The revenue increase for the schedule is proposed to be recovered through an increase of 0.520 cents per kWh to the energy charge.

Q. Please describe the application of the proposed Schedule 25P <u>2022</u> increase of $275,000 to the rates within the schedule.

A. Similar to Schedule 25, the Company is proposing that the present minimum demand charge of $14,000 be increased by $2,500, to $16,500 per month. Further, the Company is proposing to increase the volumetric demand charge for the 3,000 – 55,000 kVA block from $5.00/kVA to $5.50/kVA. The remaining revenue change for the schedule is proposed to be recovered through a percentage decrease of approximately 0.4% applied to the single energy block rate, a decrease of 0.017 cents per kWh.

Q. Turning to Pumping Schedules 31/32, would you please describe how the Company is proposing to apply Schedule 31/32's 2021 increase of $560,000 to the rates within the schedules?

A. For reasons discussed previously, namely to have the base rate increase perfectly offset by the Tax Customer Credit , the Company is not proposing an increase to the $11.00 per month customer charge in 2021. The revenue increase is proposed to be spread on a uniform percentage basis of approximately 10.5% to the two energy rate blocks under the schedules. The proposed increase in the first block rate is 1.018 cents per kWh and the increase in the second block rate is 0.859 cents per kwh.

Q. Please describe how the Company is proposing to apply Schedule 31/32's 2022 increase of $197,000 to the rates within the schedules.

A. The Company is proposing that the customer charge of $11.00 per month be increased by $2.00, to $13.00 per month, and that the remaining revenue increase be spread on a uniform percentage basis of approximately 2.8% to the two energy rate blocks under the schedules. The proposed increase in the first block rate is 0.295 cents per kWh and the increase in the second block rate is 0.249 cents per kWh.

Q. How is the Company proposing to spread the proposed 2021 revenue increase of $374,000 applicable to Street and Area Light (Schedules 41-49)?

A. The Company proposes to increase present street and area light (base) rates on a uniform percentage basis. The proposed increase for all lighting rates is 10.1%. The (base tariff) rates for those schedules are provided in Exhibit No. 18, Schedule 2.

Q. How is the Company proposing to spread the proposed 2022 revenue increase of $132,000 applicable to Street and Area Light (Schedules 41-49)?

A. The Company proposes to increase present street and area light (base) rates on a uniform percentage basis. The proposed increase for all lighting rates is 3.2%. The (base tariff) rates for those schedules are provided in Exhibit No. 18, Schedule 2.

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

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

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

A. As in prior general rate cases, the Company would, as a part of its Compliance Filing, submit the final baseline values for its Fixed Cost Adjustment Mechanism (for both 2021 and 2022) prior to new rates going into effect as a result of this general rate case.

III. PROPOSED NATURAL GAS REVENUE INCREASE

Q. Would you please explain what is contained in Schedule 4 of Exhibit No. 18?

A. Yes. Schedule 4 of Exhibit No. 18 is a copy of the Company's present and proposed natural gas tariffs for 2021 and 2022, showing the changes (strikeout and underline) proposed in this filing.

Q. Would you please describe what is contained in Schedule 5 of Exhibit No. 18?

A. Schedule 5 of Exhibit No. 18 contains the proposed (clean) natural gas tariff sheets for 2021 and 2022 incorporating the proposed changes included in this filing.

Q. Would you please explain what is contained in Schedule 6 of Exhibit No. 18?

A. Schedule 6 of Exhibit No. 18 contains information regarding the proposed spread of the natural gas revenue increase among the service schedules and the proposed changes to the rates within the schedules. Page 1 shows the proposed general revenue and percentage increase by rate schedule. Page 2 shows the rates of return and the relative rates of return for each of the schedules before and after the proposed 2021 increase. Pages 3 and 4 show 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 2021 and 2022 rate changes. These pages will be referred to later in my testimony.

<u>Summary of Natural Gas Rate Schedules and Tariffs</u>

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

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

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

A. Yes. Schedules 112 and 132 are in place to provide service to customers who at one time were provided service under Transportation Service Schedule 146. The rates under these schedules are the same as those under Schedules 111 and 131 respectively, except for the application of Temporary Gas Rate Adjustment Schedule 155. Schedule 155 is a temporary rate adjustment used to amortize the deferred natural gas costs approved by the Commission in the prior Purchased Gas Cost Adjustment ("PGA") filing. Because of their size, transportation service customers are analyzed individually to determine their appropriate share of deferred natural gas costs. If those customers switch back to sales service, the Company continues to analyze those customers individually; otherwise, those customers would receive natural gas cost deferrals which are not due them; thus the need for Schedules 112 and 132. There are only two customers served under these schedules as of December 31, 2019.

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

A. As of December 31, 2019, the Company provided service to the following number of customers under each of its schedules in Idaho:

Table No. 7 – Customers by Service Schedule

Rate Schedule	No. of Customers
General Service Schedule 101	85,543
Large General Service Schedules 111/112	1,523
Interruptible Sales Service Schedules 131/132	0
Transportation Service Schedule 146	6

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

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

Proposed Rate Spread

Q. For 2021, what is the proposed natural gas revenue increase, and how is the Company proposing to spread the increase by rate schedule?

A. For 2021, the proposed base revenue increase is $52,000, or 0.1% in base margin[2] revenue. The proposed general increase over present billing rates, after including the proposed Tax Customer Credit offset (Schedule 176) discussed later in my testimony and including all other rate adjustments (such as DSM and PGA), is a reduction of 1.8%. The proposed percentage change by rate schedule is as follows:

Table No. 8 – Proposed % Natural Gas Change by Schedule - 2021

Rate Schedule	Increase in Margin Rates	Increase in Billing Rates before Offset	Reduction in Billing Rates with Offset
General Service Schedule 101	0.1%	0.1%	-1.9%
Large General Service Schedules 111/112	0.1%	0.1%	-1.5%
Interrupt. Sales Service Schedules 131/132	0.0%	0.0%	0.0%
Transportation Service Schedule 146*	0.1%	0.1%	-2.7%
Overall	**0.1%**	**0.1%**	**-1.8%**

** excludes commodity and interstate pipeline transportation costs*

Q. What information did the Company use to develop the proposed spread of the overall 2021 change to the various rate schedules?

A. The Company used the results of the cost of service study (sponsored by Company witness Mr. Anderson) as a guide to spread the natural gas general increase. The spread of the proposed increase generally results in the rates of return for the various service

[2] 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.

schedules remaining unchanged to the overall rate of return (unity). The relative rates of return before and after application of the proposed 2021 increase by schedule are as follows:

Table No. 9 – Present & Proposed Relative Rates of Return

Rate Schedule	Present Relative ROR	Proposed Relative ROR
General Service Schedule 101	0.90	0.90
Large General Service Schedules 111/112	1.45	1.44
Interruptible Sales Service Schedules 131/132	1.00	1.00
Transportation Service Schedule 146	1.74	1.74
Overall	**1.00**	**1.00**

Page 2 of Exhibit No. 18, Schedule 6 shows this information in more detail.

Q. If the Commission were to order a revenue requirement lower than the Company's request, how does the Company propose to spread the revenue increase?

A. If the Commission were to order a lower revenue requirement, the Company proposes to allocate the lower revenue requirement to Schedules 111/112 and Schedule 146 as those schedules are providing more than their relative cost of service as discussed by Mr. Anderson.

Q. For 2022, what is the proposed natural gas revenue increase, and how is the Company proposing to spread the increase by rate schedule?

A. For 2022, the proposed base revenue increase is $950,000, or 2.2% in base margin revenue. The proposed general increase over billing rates, after including the proposed Deferred Depreciation Credit offset (Schedule 177) discussed later in my testimony and including all other rate adjustments (such as DSM and PGA), is an increase of 0.1%. Consistent with the 2021 rate spread, the Company used a uniform percentage of margin revenue for purposes of spreading the proposed 2022 natural gas revenue increase to its natural gas service schedules. Below is a table showing the effect of the Company's

2022 proposed natural gas increase by rate schedule:

Table No. 10 – Proposed % Natural Gas Change by Schedule - 2022

Rate Schedule	Increase in Margin Rates	Increase in Billing Rates before Offset	Increase in Billing Rates with Offset
General Service Schedule 101	2.2%	1.6%	0.1%
Large General Service Schedules 111/112	2.2%	1.3%	0.1%
Interrupt. Sales Service Schedules 131/132	0.0%	0.0%	0.0%
Transportation Service Schedule 146*	2.2%	2.3%	0.2%
Overall	**2.2%**	**1.5%**	**0.1%**

** excludes commodity and interstate pipeline transportation costs*

This information is also shown on page 1 of Exhibit No. 18, Schedule 6.

Q. What is the Company's proposal related to the current permanent federal income tax rebate customers are receiving through rate schedule 172?

A. Through rate Schedule 172, customers are receiving a rate credit designed to reflect the permanent benefits attributable to the revisions of the federal income tax code caused by enactment of the Tax Cuts and Jobs Act signed into law on December 22, 2017. As stated on the Schedule 172 tariff, the Permanent Federal Tax Rate Credit will be in effect until such time that the permanent federal tax benefits are incorporated into base rates in a general rate case proceeding. The Company has incorporated Schedule 172 as part of base rates in this proceeding and is proposing to cancel the rate schedule altogether. The net effect of eliminating the rate credit under Schedule 172 is an equal and offsetting reduction to base rates, with no impact to customers.

Proposed Rate Design

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

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

Large General Service Schedule 111 has a four-tier declining-block rate structure and is generally for customers who consistently use over 200 therms/month, such as schools, restaurants, and office buildings. The schedule consists of a monthly minimum charge plus a usage charge for the first 200 therms or less, and block rates for 201-1,000 therms/month, 1001-10,000 therms/month and usage over 10,000 therms/month.

Interruptible Sales Service Schedule 131 contains a single rate per therm for natural gas usage. The schedule also has an annual minimum (deficiency) charge based on a usage requirement of 250,000 therms per year. As required by tariff, customers served on this schedule are required to have standby facilities with an alternate fuel. There are presently no customers taking service under this rate schedule.

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

Q. Where in your Exhibit No. 18 do you show the present and proposed rates for the Company's natural gas service schedules?

A. Pages 3 and 4 of Schedule 6 shows the present and proposed rates under each of the rate schedules, including all present rate adjustments (adders) for the 2021 and 2022 rate changes. Columns (g, h, & i) on those pages show the proposed changes to the rates contained in each of the schedules.

Q. How does the Company propose to spread Schedule 101's proposed <u>2021</u> general revenue increase of $42,000 to the rates within that schedule?

A. Similar to electric, the Company is not proposing any change to the basic charge in Year 1. The revenue for the schedule, after incorporating the consolidation of Schedule 172, is proposed to be recovered through an increase of 0.066 cents per therm. This is shown in columns (g & h), page 3, Schedule 6 of Exhibit No. 18.

Q. How does the Company propose to spread Schedule 101's proposed <u>2022</u> general revenue increase of $778,000 to the rates within that schedule?

A. For the reasons stated under electric Schedule 1, the Company proposes to increase the monthly customer charge from $6.00 per month to $8.00 per month. The remaining revenue change for the schedule would be recovered through a 4.2% decrease, or 1.949 cents per therm reduction in the volumetric energy rate. This is shown in column (g), page 4, Schedule 6 of Exhibit No. 18.

Q. For <u>2021</u>, what is the proposed monthly change for a residential natural gas customer with average usage?

A. The <u>reduction</u> for a residential customer using an average of 63 therms of natural gas per month would be $0.95 per month, or 1.9%. A bill for 63 therms per month would be reduced from the present level of $49.49 to a proposed level of $48.54.

Q. For <u>2022</u>, what is the proposed monthly increase for a residential natural gas customer with average usage?

A. The increase for a residential customer using an average of 63 therms of natural gas per month would be $0.05 per month, or 0.1%, resulting in an overall bill of $48.59, including all rate adjustments.

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

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

The proposed 2021 increase to the minimum charge for Schedule 111 (for 200 therms or less) of $0.13 per month is a function of the volumetric charge change under Schedule 101. This methodology maintains the present relationship between the schedules and will minimize customer shifting. The remaining revenue requirement for the schedule, after incorporating Schedule 172 into base rates, is proposed to be recovered through a uniform percentage change of approximately 0.1% to blocks 2, 3 and 4.

The proposed 2022 change to the Schedule 111 minimum charge for Schedule 111 (for 200 therms or less) is a reduction of $1.90 per month. The remaining revenue requirement for the schedule is proposed to be recovered through a uniform percentage increase of approximately 3.6% to blocks 2, 3 and 4.

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

A. No customers are presently served on these schedules. However, given that customers could decide to take service on these schedules in the future, the Company does propose to increase the volumetric rates for this schedule by the same overall percentage increases proposed for 2021 and 2022. Proposing to increase the base rates for these schedules will better reflect cost of service should customers decide to choose these rate schedules in the future. Like the other natural gas rate schedules, the Company is proposing to incorporate the Schedule 172 per therm reduction into base rates under these schedules.

Q. How is the Company proposing to spread the proposed 2021 increase of

$1,000 to the rates under Transportation Schedule 146?

A. The Company is not proposing to increase monthly Basic Charge of $250 per month. After incorporating Schedule 172 into base rates, the revenue requirement would be recovered through an increase of 0.019 cents to the per therm rate.

Q. How is the Company proposing to spread the proposed <u>2022</u> increase of $11,000 to the rates under Transportation Schedule 146?

A. The Company is proposing to increase the monthly Basic Charge from $250 per month to $300 per month. The remaining revenue requirement would increase the per therm charge under the schedule by 0.198 cents per therm.

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

A. No, it is not.

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

A. As in the prior general rate case, the Company would, as a part of its Compliance Filing, submit the final baseline values for its Fixed Cost Adjustment Mechanism (for both 2021 and 2022) prior to new rates going into effect as a result of this general rate case.

IV. TAX CUSTOMER CREDIT

Q. Would you please summarize the Tax Customer Credit you have previously referred to in your testimony?

A. Yes. As discussed by Company witnesses Mr. Krasselt and Ms. Andrews, prior to the filing of this GRC, the Company has filed its Tax Accounting Petition. Mr.

Krasselt in particular describes in more detail the Company's Tax Accounting Petition and explains the Company's request seeks authorization to change its accounting for federal income tax expense from the normalization method to a flow-through method for certain "non-protected" plant basis adjustments, including Industry Director Directive No. 5 (IDD #5), and meters. Approval of the Company's Tax Accounting Petition would provide immediate benefits to customers, which the Company also through the Tax Accounting Petition, is requesting approval to defer. However, approval in all three of Avista's jurisdictions (Washington, Idaho and Oregon) to make this change is required,[3] and any changes need to be adjusted concurrent with a GRC, as it has significant impact on rate base. As discussed further below, after receiving approval in all three jurisdictions of the accounting change and the deferral of the benefits, the Company is proposing to begin amortization of the deferred benefits, concurrent with the effective date of this GRC.

As discussed by Ms. Andrews and Mr. Thies, if approved by the Washington, Idaho and Oregon Commissions, the Company estimates a total tax benefit of approximately $150.8 million on a system basis to be used to offset customer rates. That equates to $31.3 million for Idaho electric operations and $12.1 million for Idaho natural gas operations.

Q. How does the Company propose to return the Tax Customer Credit to customers?

A. Concurrent with the effective date of this GRC, the Company proposes to return to customers the Tax Customer Credit (if approved), beginning September 1, 2021 through separate Tariff Schedules 76 (electric) and 176 (natural gas). The annualized amount would be $24.8 million for electric and $1.2 million for natural gas - offsetting the

[3] The Company has requested in its Tax Accounting Petition approval of the change in accounting, and the deferral of benefits, on or before May 1, 2021, to ensure approval from all three jurisdictions is received in time to apply this change and return the customer benefits in each state effective with each general rate case.

Company's requested electric and natural gas base rate relief - resulting in no billed impact to electric customers and a rate reduction for natural gas customers in Year 1. Both of these new tariff schedules have been included in Exhibit No. 18, Schedule 3 for electric and Schedule 6 for natural gas.

Q. How does the Company propose to spread the Tax Customer Credit?

A. As discussed earlier, the Company is proposing to spread the Tax Customer Credit on a uniform percent of revenue basis for both electric and natural gas. The proposed rate spread of the Tax Customer Credit is consistent with the Company's general base rate increase rate spread proposal, therefore resulting in no billed rate impact to electric customers and a rate reduction for natural gas customers in Year 1.

Q. For purposes of rate design, how does the Company propose to spread the Tax Customer Credit within each of the service schedules?

A. Consistent with the rate design discussed previously regarding the electric general rate increase, the Tax Customer Credit is proposed to be applied on a uniform percentage to the volumetric energy block rates by rate schedule. By mirroring the rate design from the base rate increase with an equal and offsetting rate credit from the new Tax Customer Credit rate schedules, customers irrespective of their usage will experience no bill impact. For natural gas, the Tax Customer Credit is proposed to be applied to the volumetric energy blocks resulting in a billing rate reduction for natural gas customers in Year 1.

Q. What is the proposed term of the Tax Customer Credit?

A. Under the levels proposed by the Company, the electric Schedule 76 would remain in effect for approximately 1.25 years and the natural gas Schedule 176 would remain in effect for approximately 10 years. Therefore, the amortization and the Tax Customer Credit Tariff Schedules 76 and 176, if approved as filed, would be in place from

September 1, 2021 through November 30, 2022 for electric and through August 31, 2031 for natural gas. The Company commits to monitoring the balances throughout the rebate period and will adjust the term should the balance deviate from the Company's expectations due to load variability. Any over- or under-refunded balance at the end of the rebate period would be addressed in a future rate proceeding.

<u>V. DEFERRED DEPRECIATION CREDIT</u>

Q. Please summarize the Deferred Depreciation Credit you have previously referred to?

A. As discussed by Ms. Andrews, the Company is proposing to return to customers approximately $0.9 million in natural gas deferred depreciation expense that was a result of the Company deferring the benefit of reduced natural gas depreciation expense recorded on its books of record, but not yet reflected in its natural gas customer rates, for the period December 1, 2019 through August 31, 2021 (estimated), per Order No. 34276 in Case Nos. AVU-E-18-03 and AVU-G-18-02.

Q. How does the Company propose to return the Deferred Deprecation Credit to customers?

A. Concurrent with the effective date of Year 2 of the Company's rate plan, the Company proposes to return to customers the Deferred Depreciation Credit, <u>beginning September 1, 2022</u> through separate Tariff Schedule 177 (natural gas). The annualized amount of $0.9 million for natural gas would mostly offset the natural gas base rate relief proposed to become effective September 1, 2022. This new tariff schedule has been included in Exhibit No. 18, Schedule 6 for natural gas.

Q. How does the Company propose to spread the Deferred Depreciation Credit?

A. Similar to the Tax Customer Credit discussed previously, the Deferred Depreciation Credit is proposed to be spread on a uniform percent of revenue basis. The Company chose this method because it generally matches how costs are being recovered from customers.

Q. For purposes of rate design, how does the Company propose to spread the Deferred Depreciation Credit within each of the service schedules?

A. Consistent with the rate design discussed for the Tax Customer Credit, the Deferred Depreciation Credit is proposed to be applied to the volumetric energy blocks resulting in a billing rate offset for natural gas customers in Year 2.

Q. What is the proposed term of the Deferred Depreciation Credit?

A. Under the levels proposed by the Company, natural gas Schedule 177 would remain in effect for one year. Therefore, the amortization and the Deferred Depreciation Credit Tariff Schedule 177, if approved as filed, would be in place from September 1, 2022 through August 31, 2023 for natural gas customers. Any over- or under-refunded balance at the end of the rebate period would be addressed in a future rate proceeding.

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

A. Yes, it does.