



Avista Corp.

1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

RECEIVED
Wednesday, August 16, 2023 4:31:33 PM
IDAHO PUBLIC
UTILITIES COMMISSION

FILED ELECTRONICALLY

August 16, 2023

Ms. Jan Noriyuki
Commission Secretary
11331 W. Chinden Blvd
Building 8, Suite 201-A
Boise, ID 83714

RE: Case Nos. AVU-E-23-01 & AVU-G-23-01
Post-Hearing Brief of Avista Corporation on Basic Charge

Enclosed for filing with the Commission in the above-referenced docket are the electronic copies of the Company's Post-Hearing Brief of Avista Corporation on Basic Charge. Please direct any questions related to this filing to Liz Andrews at 509.495.8601.

Sincerely,

/s/ David J. Meyer

David J. Meyer
Vice President, Chief Counsel for Regulatory
& Governmental Affairs

Enclosures

c: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this 16th day of August 2023, served the Post-Hearing Brief of Avista Corporation on Basic Charge in Case Nos. AVU-E-23-01 and AVU-G-23-01, upon the following parties by electronically providing a copy thereof, to:

<p>Commission Staff:</p> <p>Chris Burdin Deputy Attorneys General Idaho Public Utilities Commission 11331 W. Chinden Blvd Building 8, Suite 201-A Boise, ID 83714 Chris.burdin@puc.idaho.gov</p> <p>Jan Noriyuki, Secretary Idaho Public Utilities Commission 11331 W. Chinden Blvd Building 8, Suite 201-A Boise, ID 83714 jan.noriyuki@puc.idaho.gov</p>	<p>Clearwater Paper:</p> <p>Peter J. Richardson Richardson Adams 515 N. 27th Street PO Box 7218 Boise, ID 83702 peter@richardsonadams.com</p> <p>Dr. Don Reading 280 S. Silverwood Way Eagle, ID 83616 dreading@mindspring.com carol.haugen@clearwaterpaper.com nathan.smith@clearwaterpaper.com jamie.mcdonald@clearwaterpaper.com</p>
<p>Idaho Forest Group:</p> <p>Andrew Moratzka Stoel Rives LLP 33 South Sixth Street, Suite 4200 Minneapolis, MN 55405 Andrew.moratzka@stoel.com</p> <p>Larry Crowley The Energy Strategies Institute, Inc. 3738 S. Harris Ranch Ave. Boise, ID 83716 crowleyla@aol.com</p> <p>Bradley R. Mullins Principal Consultant MW Analytics brmullins@mwanalytics.com</p>	<p>Walmart:</p> <p>Justina A. Caviglia Parons Behle & Latimer 50 Est Liberty Street, Suite 750 Reno, NV 89502 jcaviglia@paronsbehle.com</p> <p>Steve W. Chriss Director, Energy Services Walmart Inc. 2608 Southeast "J" Street Bentonville, AR 72716 Stephen.chriss@walmart.com</p>
<p>Idaho Conservation League:</p> <p>Marie Callaway Kellner Brad Heusinkveld Idaho Conservation League 710 N. 6th St. Boise, ID 83702 mcallner@idahoconservation.org bheusinkveld@idahoconservation.org</p>	<p>NW Energy Coalition:</p> <p>F. Diego Rivas NW Energy Coalition 1101 8th Ave. Helena, MT 59601 diego@nwenergy.org</p>

/s/ Paul Kimball
Paul Kimball
Manager of Compliance & Discovery

1 DAVID J. MEYER
2 VICE PRESIDENT AND CHIEF COUNSEL FOR
3 REGULATORY & GOVERNMENTAL AFFAIRS
4 AVISTA CORPORATION
5 P.O. BOX 3727
6 1411 EAST MISSION AVENUE
7 SPOKANE, WASHINGTON 99220-3727
8 TELEPHONE: (509) 495-4316
9 DAVID.MEYER@AVISTACORP.COM

10 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE APPLICATION) CASE NO. AVU-E-23-01
OF AVISTA CORPORATION FOR THE) CASE NO. AVU-G-23-01
AUTHORITY TO INCREASE ITS RATES)
AND CHARGES FOR ELECTRIC AND) POST-HEARING BRIEF OF AVISTA
NATURAL GAS SERVICE TO ELECTRIC) CORPORATION ON BASIC CHARGE
AND NATURAL GAS CUSTOMERS IN THE)
STATE OF IDAHO)
_____)

11
12 COMES NOW, Avista Corporation (hereinafter “Avista” or the “Company”), and
13 respectfully submits this Post-Hearing Brief on the issues surrounding the proposed increase to the
14 basic charge.

15 **I. INTRODUCTION**

16 Appropriate increases to the Company’s electric and natural gas basic charges are long past
17 due, in order to reflect proper cost causation. Indeed, as part of Settlement approved in the
18 Company’s last general rate case, the Parties agreed to “meet and confer” on the appropriate level
19 of basic charges. Paragraph 24 of the Settlement Stipulation in Case No. AVU-E-21-01 stated the
20 following:

21 Electric Cost of Service and Basic Charge Workshop – The Parties agree,
22 prior to the Company’s next general rate case filing, to meet and confer
23 regarding the Company’s electric cost of service study and the appropriate
24 level of basic charges. The purpose of the workshop will be to discuss the
25 merits of differing cost of service methodologies and basic charge levels.

1 In compliance with that agreement, the parties held a virtual meeting on May 4, 2022, to discuss
2 the merits of differing basic charge levels.¹ Based on discussions from that meeting and the
3 Company’s own analysis, the Company is proposing higher basic charge levels in this proceeding.
4 (See Direct Testimony, Company Witness Miller at Tr. p. 148, ll. 5-25, sponsored by Mr. Ehrbar)

5 Looking forward, the Company envisions a five-year plan that increases the basic charges
6 each year until they more closely align with the actual fixed costs to serve customers. The first two
7 increases are the subject of this proceeding. Future changes will be proposed in subsequent general
8 rate case filings by the Company.² As explained by Mr. Miller, the Company is proposing a multi-
9 year transition in order to temper the bill impacts for lower use customers and avoid rate shock.
10 (Tr. p. 150, ll. 20-22)

11 The Northwest Energy Coalition (NWECC) and the Idaho Conservation League (ICL),
12 through the testimony of Ms. Lauren McCloy (sponsored by Mr. Heusinkveld) take issue with the
13 proposed increases in the residential basic charge over the two-year period, arguing that it
14 represents a conversion to “straight-fixed-variable rate design,” that it will harm low-income
15 customers, and that it will provide a disincentive for conservation. (See Tr. pp. 255-276) In
16 response, the Company submitted the Rebuttal Testimony of Mr. Patrick Ehrbar, Director of
17 Regulatory Affairs, who demonstrated that none of these unsupported assertions were true.³
18 (Tr. pp. 219-248)

¹ Parties to the meeting included the Company, Staff, Walmart, Clearwater and ICL.

² For settlement purposes, the Settling Parties agreed that for Rate Year 1, the residential basic charge would increase from \$7.00 per month to \$15.00 per month, and for Rate Year 2 will go from \$15.00 per month to \$20.00 per month for both electric (Schedule 1) and natural gas (Schedule 101) customers. These are the same increases that were originally proposed by the Company when it filed this case.

³ NWECC/ICL, at time of hearing, also seemed to suggest that it was not able to make its case because of the Settlement process. (Tr. pp. 249-252) To the contrary, (1) it had opportunity to participate in all settlement discussions; (2) it had full panoply of discovery tools at its disposal; and (3) it had the full opportunity to make its case before the Commission during the hearing process – and it did (but for reasons discussed below, the presentation was wanting).

1 **II. BASIC PRINCIPLES OF COST CAUSATION SUPPORT AN INCREASE IN THE**
2 **BASIC CHARGE**

3 The Company based the increases on detailed cost-of-service studies on fixed customer
4 and distribution costs for electric and natural gas residential customers. Accordingly, the proposed
5 increases rest on a solid foundation of cost causation. (Tr. at p. 181) A significant portion of the
6 Company's costs are fixed and do not vary with customer usage. These costs include distribution
7 plant and operating costs to provide reliable service to customers. For electric, the total customer
8 allocated costs are \$19.24 per customer per month. Factoring in distribution demand cost per
9 customer per month of \$23.84, the total customer and distribution demand monthly cost is \$43.08.
10 For natural gas, the total customer allocated costs are \$21.96 per customer per month at current
11 rates. Factoring in distribution demand cost per customer per month of \$7.56, the total customer
12 and distribution demand monthly cost is \$29.51. These are essentially fixed costs that are allocated
13 based on the number of customers served. (See Tr. at p. 181)

14 Contrariwise, NWE/ICL presented no meaningful cost of service study and would
15 otherwise entirely ignore certain important fixed costs, including service lines, service drops,
16 regulation transformation and other items. (Tr. at pp. 182-183)

17 This Commission is mindful of the need to rest any adjustment to the basic charge on a
18 solid cost of service footing. Its recent Order No. 35802, the Commission approved Rocky
19 Mountain Power's request to increase the Customer Service Charge from \$8.00 to \$29.25 per
20 month, over five years, noting:

21 The Commission is persuaded by the Company's testimony on the average
22 cost of service for a residential customer, and the Company's 2021 Cost-
23 of-Service Study. The analysis shows fixed costs represent seventy-seven
24 percent (77%) of the average cost of service for Schedule 1 residential
25 customers, and the current \$8.00 per month Customer Service Charge

1 recovers only nine percent (9%) of the fixed costs for Schedule 1 and 36
2 customers.⁴

3 For Avista, fixed costs of \$84.95 per month are derived from Appendix B (electric); a \$15
4 per month basic charge represents only 18% of total fixed monthly costs. Similarly, fixed costs of
5 \$36.48 per month are derived from Appendix D (natural gas); a \$15 per month basic charge
6 represents only 41% of total fixed monthly costs. Accordingly, Avista is nowhere near recovering
7 “all of Avista’s fixed costs” in a basic charge, as otherwise asserted by NWECC/ICL. (Tr. at p. 261,
8 ll. 13-16)

9 Nor will Avista recover more “net revenue” with higher basic charges, whether from
10 existing or new customers. (Tr. at pp. 183-184, 187) As explained by Mr. Ehrbar, the Fixed Cost
11 Adjustment (FCA) mechanism is actually protection against that. While all customers will pay a
12 higher basic charge, higher use customers will actually see a lower revenue increase resulting from
13 this case, while lower use customers will see a higher overall increase.⁵ (Tr. at p. 187, ll. 3-6)

14 Accordingly, Mr. Ehrbar explained that customers may actually benefit from higher basic
15 charge:
16

⁴ Order 35802, PAC-E-22-15, p. 10.

⁵ The Commission also addressed this issue in the Rocky Mountain Power case, supra:

While certain customers may end up paying more per month under the modified Customer Service Charge, this modification helps to ensure all customers are paying a proper amount of the fixed costs required to serve them. We believe there may be additional benefits for customers who will likely see their summer and winter bills more levelized. (Tr. at p. 187)

1
2 Increases in fixed monthly base charges will benefit high users of energy
3 and will cause customers who use less energy to pay more, on a monthly
4 basis. It's as simple as this – when the fixed costs of providing service are
5 high, but those fixed costs are recovered more in a variable, usage-based
6 energy rate(s), then high users will pay more fixed costs vis-à-vis low
7 energy users. A higher basic charge starts to fix that inequity. (Tr. at
8 p. 187, ll. 12-15)

9 **III. THERE IS NO EVIDENCE THAT LOW-INCOME CUSTOMERS WILL BE**
10 **HARMED BY AN INCREASE IN THE BASIC CHARGE**

11 NWEC/ICL next argue that higher fixed charges disproportionately impact low-income
12 customers because in many jurisdictions they tend to have lower than average energy use. (Tr. at
13 p. 275, ll. 10-19) In fact, precisely the opposite is true for low-income electric users in Avista's
14 jurisdictions.

15 Prior analysis conducted by the Company has shown that low-income customers use the
16 same, or more energy, than the general residential customer population, as testified to by
17 Mr. Ehrbar. (Tr. at pp. 190-191) Most recently, in Case Nos. AVU-E-15-05/AVU-G-15-01, he
18 provided the following testimony:

19 The Company recently conducted an analysis which shows that limited
20 income customers, on average, do use more electricity than other residential
21 customers

22 The analysis shows that limited income customers who only have electric
23 service use 360 kWhs more per year than the "All Other Residential
24 Customers" population. **For the combined limited income population,**
25 **the analysis shows that they used 321 kWhs more in 2014 than "Total**
26 **All Other Residential Customers' population.**

27 This analysis shows that limited income customers may be harmed by
28 having a rate design with a lower basic charge and a higher tail-block rate
29 as these customers are more susceptible to use in the tail-block. A higher
30 basic charge, on the other hand, would result in lower volumetric rates (than
31 would otherwise be the case), providing some relief to these high-use

1 customers during the winter months. (Emphasis added) (See Tr. at pp. 190-
2 191)⁶

3 **IV. AN INCREASE IN THE BASIC CHARGE WILL NOT DIMINISH THE**
4 **INCENTIVE TO PURSUE CONSERVATION**

5 Nor will the increase in basic charges cause Avista to have a decreased incentive to pursue
6 conservation, contrary to the assertions of ICL/NWEC. (Tr. at p. 273)

7 Appendix F to the Settlement (at pages 2-3) shows that for Residential Schedule 1, the base
8 rate decreases over the two-year time period from the present level of 10.378 cents per kWh to
9 10.286 cents per kWh in Rate Year 2. Mr. Ehrbar emphasized that this 0.092 cents per kWh
10 reduction is a “miniscule” difference of less than one percent (1%) in the second block variable
11 rate. (Tr. at p. 194) Accordingly, there will be no real impact on electric DSM program
12 participation. Nor did NWEC/ICL provide any evidence to the contrary.⁷

13 In any event, the proper venue for determining a proper level of weatherization funding is
14 through the long-standing Energy Efficiency Advisory Group, of which ICL, NWEC, and
15 Commission Staff are all members.⁸

16 **V. CONCLUSION**

17 The shortcomings of NWEC/ICL positions on the basic charge are many and apparent:

- 18
- They presented no cost-of-service study that would support its position;

⁶ Avista also serves a number of customers who are seasonal in nature. The Company has a number of customers who have second, or vacation homes, in our service territory. For the vast majority of the year, while the Company incurs approximately \$85 of monthly fixed costs to serve those customers, they only pay \$7 of that presently. The remaining revenue is ultimately recovered from all other customers, including low-income customers. (Tr. at p. 193)

⁷ Nor is there a basis for any increase in low-income weatherization at this time. In 2022, only approximately one-half of the budgeted amounts were even utilized by our CAP agency partners. (Tr. at p. 196)

⁸ NWEC/ICL also recommends low-income bill discounts. As the Commission is aware, Idaho Code 61-315 strictly prohibits rate discrimination. That law has been interpreted to prevent Avista and other regulated utilities from offering low-income rate assistance in the State of Idaho. (Tr. at p. 197)

- 1 • They did not even provide a satisfactory definition of what “fixed costs” are
2 necessary to serve customers and arbitrarily excluded certain items (e.g., service
3 lines, drops, etc.);
- 4 • They could not demonstrate that low-income customers would, in fact, be adversely
5 affected; and
- 6 • They did not demonstrate that conservation efforts would be impeded.

7 What Avista has proposed is a sensible step toward the proper assignment and recovery of
8 fixed costs – and still more work needs to be done in that regard over time.

9 RESPECTFULLY SUBMITTED this 16th day of August, 2023.

10
11 /s/ David J. Meyer

12 David J. Meyer, WSBA No. 8717

13 Chief Counsel for Regulatory and Governmental Affairs

14 Avista Corporation
15