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IDAHO PUBLIC
UTILITIES COMMISSION

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 AND)
NATURAL GAS SERVICE TO ELECTRIC)
AND NATURAL GAS CUSTOMERS IN THE)
STATE OF IDAHO)

CASE NO. AVU-E-10-01
CASE NO. AVU-G-10-01

DIRECT TESTIMONY
OF
PATRICK D. EHRBAR

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

1 I. INTRODUCTION

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

4 A. My name is Patrick D. Ehrbar and my business
5 address is 1411 East Mission Avenue, Spokane, Washington.
6 I am presently assigned to the State and Federal Regulation
7 Department as Manager of Rates and Tariffs.

8 Q. Would you briefly describe your duties?

9 A. My primary areas of responsibility include
10 electric and natural gas rate design, customer usage and
11 revenue analysis, and tariff administration.

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

14 A. I am a 1995 graduate of Gonzaga University with a
15 Bachelors degree in Business Administration. In 1997 I
16 graduated from Gonzaga University with a Masters degree in
17 Business Administration. I started with Avista in April
18 1997 as a Resource Management Analyst in the Company's DSM
19 department. Later, I became a Program Manager, responsible
20 for energy efficiency program offerings for the Company's
21 educational and governmental customers. In 2000, I was
22 selected to be one of the Company's key Account Executives.
23 In this role I was responsible for, among other things,
24 being the primary point of contact for numerous commercial
25 and industrial customers, as well as being the channel

1 through which the Company offered its site specific energy
2 efficiency programs.

3 I joined the State and Federal Regulation Department
4 as a Senior Regulatory Analyst in 2007. Responsibilities
5 in this role included being the discovery coordinator for
6 the Company's rate cases and lead coordinator for the
7 Natural Gas Decoupling Mechanism pilot program in
8 Washington and resulting reporting and analysis. In
9 November 2009, I was promoted to my current role.

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

12 A. My testimony in this proceeding will cover the
13 spread of the proposed annual electric revenue increase of
14 \$32,114,000, or 14.0%, among the Company's electric general
15 service schedules. This represents an overall increase of
16 13.1% in billed rates.

17 With regard to natural gas service, I will describe
18 the spread of the proposed annual revenue increase of
19 \$2,575,000, or 3.6%¹, among the Company's natural gas
20 service schedules. My testimony will also describe the
21 changes to the rates within the Company's electric and
22 natural gas service schedules.

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

¹ The increase in natural gas base revenue is 3.6%, while the increase in billed revenue (including all rate adjustments) is 4.1%

1 A. Yes. I am sponsoring Exhibit No. 14, Schedules 1
2 through 3 related to the proposed electric increase, and
3 Schedules 4 through 6 related to the proposed natural gas
4 increase. These were prepared by me or under my
5 supervision.

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29 **II. EXECUTIVE SUMMARY**

30 **Proposed Electric Increase**

31 Q. What is the proposed electric revenue increase in
32 this case and how is the Company proposing to spread the
33 total increase by rate schedule?

34 A. The proposed electric increase is \$32,114,000, or
35 14.0% over present base tariff rates in effect. The
36 proposed general increase over present billing rates,
37 including all other rate adjustments (PCA, DSM and

1 Residential Exchange), is 13.1%.

2 The proposed general increase of \$32,114,000 has been
3 spread by rate schedule on a basis which: 1) moves the
4 rates for all the schedules closer to the cost of providing
5 service, and 2) results in a reasonable range in the
6 proposed percentage increase across the schedules. The
7 proposed percentage increase by rate schedule is as
8 follows:

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

10	Rate Schedule	General Increase
	Residential Schedule 1	15.1%
11	General Service Schedule 11	14.2%
	Large General Service Schedule 21	14.7%
12	Ex Large General Service Schedule 25	12.5%
	Clearwater Paper Schedule 25P	10.5%
13	Pumping Service Schedule 31	18.3%
14	Street & Area Lighting Schedules	14.0%
15	Overall	14.0%

16 This information is shown in detail on page 1,
17 Schedule 3 of Exhibit No. 14.

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

20 A. The proposed increase for a residential customer
21 using an average of 964 kWhs per month is \$11.40 per month,
22 or an 14.6% increase in their electric bill. As part of
23 that increase, the Company is proposing that the
24 basic/customer charge be increased from \$4.60 to \$6.75 per
25 month. The present bill for 964 kWhs is \$77.95 compared to
26 the proposed level of \$89.35, including all rate

1 adjustments.

2 **Q. Why is the Company proposing an increase of this**
3 **magnitude in the customer/basic charge?**

4 A. A significant portion of the Company's costs are
5 fixed and do not vary with customer usage. These costs
6 include distribution plant and operating costs to provide
7 reliable service to customers. Given the large disparity
8 between the level of fixed customer costs and the present
9 level of the basic charge, the Company believes that it is
10 appropriate to recover a more reasonable level of these
11 fixed customer costs through the basic charge. Section 4
12 of my testimony provides further details on our proposal.

13 **Q. Is the Company proposing any changes to the**
14 **present rate structures within its electric service**
15 **schedules?**

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

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

21 A. This information is shown in detail on page 3,
22 Schedule 3 of Exhibit No. 14.

23 **Proposed Natural Gas Increase**

24 **Q. How is the Company proposing to spread the**
25 **overall natural gas increase of \$2,575,000, or 3.6%, by**
26 **service schedule?**

1 A. The Company is proposing the following base
2 revenue/rate changes by rate schedule:

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

4 Rate Schedule	General Increase
5 General Service Schedule 101	4.4%
6 Large General Service Schedule 111	1.0%
7 Interruptible Sales Service Schedule 131	1.9%
8 Transportation Service Schedule 146	1.9%
9 Overall	3.6%

10 This information is also shown on page 1, Schedule 6
11 of Exhibit No. 14. The Company utilized the results of the
12 natural gas cost of service study, sponsored by Company
13 witness Ms. Knox, as a guide in spreading the overall
14 revenue increase to its natural gas service schedules.

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

17 A. The increase for a residential customer using an
18 average of 63 therms of gas per month would be \$2.77 per
19 month, or 4.9%. A bill for 63 therms per month would
20 increase from the present level of \$56.03 to a proposed
21 level of \$58.80, including all present rate adjustments.
22 As part of this increase, the Company is proposing an
23 increase in the monthly customer charge of \$2.75 per month,
24 from \$4.00 to \$6.75, to recover a more reasonable level of
fixed costs.

1 **III. PROPOSED ELECTRIC REVENUE INCREASE**

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

3 Q. Would you please explain what is contained in
4 Schedule 1 of Exhibit No. 14?

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

8 Q. Could you please describe what is contained in
9 Schedule 2 of Exhibit No. 14?

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

13 Q. What is contained in Schedule 3 of Exhibit No.
14 14?

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

1 pages will be referred to later in my testimony.

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

5 A. Yes. The Company presently provides electric
6 service under Residential Service Schedule 1, General
7 Service Schedules 11 and 12, Large General Service
8 Schedules 21 and 22, Extra Large General Service Schedules
9 25 and 25P (Clearwater Paper's Lewiston Plant) and Pumping
10 Service Schedules 31 and 32. Additionally, the Company
11 provides Street Lighting Service under Schedules 41-46, and
12 Area Lighting Service under Schedules 47-49. Schedules 12,
13 22, 32, and 48 exist for residential and farm service
14 customers who qualify for the Residential Exchange Program
15 operated by the Bonneville Power Administration. The rates
16 for these schedules are identical to the rates for
17 Schedules 11, 21, 31, and 47, respectively, except for the
18 Residential Exchange rate credit.

19 The following table shows the type and number of
20 customers served in Idaho (as of December 2009) under each
21 of the electric service schedules:

22 **Table 3 - Electric Customers by Schedule**

	<u>Rate Schedule</u>	<u>Number of Customers</u>
23	Residential Schedule 1	100,073
24	General Service Schedule 11	19,420
25	Large General Service Schedule 21	1,418
26	Extra Large General Service Schedule 25	9
	Pumping Service Schedule 31	1,315

1 **Proposed Electric Rate Spread**

2 Q. How does the Company propose to spread the total
3 general revenue increase request of \$32,114,000 among its
4 various rate schedules?

5 A. The Company is proposing that the overall
6 requested revenue increase be spread on the following
7 basis:

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

9 Rate Schedule	General Increase
10 Residential Schedule 1	15.1%
11 General Service Schedule 11	14.2%
12 Large General Service Schedule 21	14.7%
13 Ex Large General Service Schedule 25	12.5%
14 Clearwater Paper Schedule 25P	10.5%
Pumping Service Schedule 31	18.3%
Street & Area Lighting Schedules	14.0%
Overall	14.0%

15 This information is shown in detail on Page 1, Schedule 3
16 of Exhibit No. 14.

17 Q. What rationale did the Company use in developing
18 the proposed general increase by rate schedule?

19 A. The Company used the results of the cost of
20 service study (sponsored by Ms. Knox) as a guide to spread
21 the general increase. The spread of the proposed increase
22 generally results in the rates of return for the various
23 service schedules moving approximately one-quarter closer
24 to the overall rate of return (unity), with the exception
25 of the Street & Area Lighting schedule. The table below
26 shows the relative rates of return (schedule rate of return

1 divided by overall rate of return) before and after
2 application of the proposed general increase:

3 **Table 5- Electric Present & Proposed Relative Rates of Return**

	<u>Present Relative</u>	<u>Proposed Relative</u>
	<u>ROR</u>	<u>ROR</u>
4 Residential Schedule 1	0.78	0.83
5 General Service Schedule 11	1.67	1.52
6 Large General Service Schedule 21	1.25	1.20
7 Ex Large General Service Schedule 25	0.53	0.64
8 Clearwater Paper Schedule 25P	0.86	0.90
9 Pumping Service Schedule 31	0.88	0.91
10 Street & Area Lighting Schedules	1.21	1.03
Overall	1.00	1.00

11 **Q. Why isn't the Company just proposing to spread the**
12 **general increase on a uniform percentage basis to the rate**
13 **schedules?**

14 As explained by Ms. Knox, Avista recently completed a
15 new load study, and incorporated the results of that study
16 into its cost of service study. In addition, Ms. Knox also
17 explains a change to the peak credit methodology for demand
18 allocation. While we believe it is reasonable and
19 appropriate to use the cost of service study results as the
20 basis for rate spread, we have tempered the amount of
21 movement toward unity proposed in this case due primarily
22 to the overall level of the proposed increase. The Company
23 may propose additional movement toward unity in future
24 proceedings.

25 **Proposed Rate Design**

26 **Q. Where in your Exhibit do you show a comparison of**

1 **the present and proposed rates within each of the Company's**
2 **electric service schedules?**

3 A. Page 3, Schedule 3 of Exhibit No. 14 shows a
4 comparison of the present and proposed rates within each of
5 the schedules, which I will describe below. Column (a)
6 shows the rate/billing components under each of the
7 schedules, column (b) shows the base tariff rates within
8 each of the schedules, column (c) shows the present rate
9 adjustments applicable under each schedule, and column (d)
10 shows the present billing rates. Column (e) shows the
11 proposed general rate increase to the rate components
12 within each of the schedules, column (f) shows the proposed
13 billing rates and column (g) shows the proposed base tariff
14 rates.

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

17 A. No, it is not.

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

21 A. Yes. Residential Schedule 1 has a present
22 customer or basic charge of \$4.60 per month and two energy
23 rate blocks: 0-600 kWhs and over 600 kWhs. The present
24 base tariff rate for the first 600 kWhs per month is 6.950
25 cents per kWh and 7.867 cents for all kWhs over 600.

1 Q. How does the Company propose to spread the
2 proposed general revenue increase of \$13,624,000 to
3 Schedule 1?

4 A. The Company proposes to increase the monthly
5 customer charge from \$4.60 to \$6.75. The proposed increase
6 to the energy rate for the 0-600 kWh block is 0.959
7 cents/kWh and the proposed increase to the over 600 kWh
8 block is 0.960 cents/kWh, of the increase applied to the
9 first block rate.

10 Q. In AVU-E-08-01 & AVU-G-08-01, Staff Witness Lobb
11 expressed an interest in exploring residential rate block
12 sizes and differentials, and whether there are economies of
13 scale relative to the monthly charges paid by dual service
14 customers. Please provide your thoughts on these matters
15 and their applicability in this filing.

16 A. In reviewing the first item, adjustment of block
17 sizes, the Company did review its current block rate
18 structure. As noted previously, the Company's residential
19 rate Schedule 1 consists of a basic charge and two blocks
20 (0-600 kWh's, and above 600 kWh's).

21 I believe that this two-tier rate structure sends a
22 reasonable price signal to all usage in excess of base
23 load, and that any additional divisions would be somewhat
24 arbitrary. Further, adding a third block would shift more
25 fixed cost recovery to a more volatile block and would

1 create revenue volatility for the Company, and bill
2 volatility for customers. The proposed tariff rate for
3 residential usage in excess of 600 kWhs per month is 8.827
4 cents per kWh. This rate is well above the Company's
5 levelized 20 year forecast of \$0.07956 per kWh² and
6 reflects recovery of a significant level of fixed costs.
7 Further rate inversion could result in additional fixed
8 costs recovered through an even higher tail-block rate,
9 while usage billed in that block would vary considerably
10 based on weather.

11 Further, as I will discuss later in my testimony, I
12 believe that many high use electric customers are electric
13 space and water heat customers. I believe many of those
14 customers are low-income customers who cannot convert to
15 natural gas, or do not have natural gas available
16 (apartments, rural, etc.). Adding a more expensive third
17 tier could further increase the bills for these customers.
18 In 2009, the Company examined the average annual usage of
19 its Idaho residential all-electric (no natural gas)
20 customers that have received LIHEAP assistance and those
21 that have not received assistance. Over a twelve month
22 period, the average annual usage for customers that had
23 received assistance was 1,900 kWhs greater than for those
24 customers that did not. Looking at a small sample of the

² 2009 Avista Electric Integrated Resource Plan, Page 7-1. The forecast shows \$79.56 per mWh.

1 customers that have received assistance, it was apparent
2 that many of these households utilize electricity for home-
3 heating. Further inverting residential rates could have a
4 disproportionate effect on these customers' bills.

5 **Q. Did the Company have a third-tier in previous**
6 **years?**

7 A. Yes. Prior to August 1999, the Company did have
8 a third-tier in Idaho. The Company in its 1998 General
9 Rate Case (WWP-E-98-11) testified that the third tier
10 provided the impetus for residential customers to switch
11 from electric space and water heating to natural gas
12 throughout the 1980's and 1990's. The findings at that
13 time were that most customers who could convert had
14 converted, and that nearly all new homes since then install
15 natural gas heating equipment. The remaining customers, as
16 noted previously, either could not afford to convert or
17 lived in areas where natural gas was either not available
18 (rural) or practical (existing apartments). It appears
19 that this still holds true today, and as previously stated,
20 I believe the addition of a higher rate third block could
21 have a disproportionate effect on low-income customers.

22 **Q. Are you aware that Idaho Power recently added a**
23 **third tier to their residential rate schedule?**

24 A. Yes, the Company is aware that the Commission
25 recently instituted a third-tier for Idaho Power. Staff

1 witness Lanspery notes in his testimony in that case (IPC-
2 E-08-10) at page 3:

3 Idaho Power, like most utilities in the Northwest, has
4 low embedded costs of generation resources used to
5 meet its average loads but finds itself capacity
6 constrained through much of the summer and deep winter
7 months.

8
9 Avista does not find itself nearly as capacity constrained
10 as Idaho Power, particularly in the summer months. Idaho
11 Power has far more irrigation and air conditioning load in
12 the summer than Avista which causes a greater need for
13 higher (variable) cost peaking resources. As such, I don't
14 see a need for any additional price signals, beyond those
15 discussed later in my testimony.

16 **Q. Is the size of the first block (600 kWh's)**
17 **generally representative of "base load"?**

18 A. Yes, I do believe that this block is still a
19 relevant. One independent source to verify this is the
20 "Housing Choice Voucher Guidebook" provided by the U.S.
21 Housing and Urban Development.³ This guidebook shows that
22 the average base usage for lighting, refrigeration, and
23 cooking is approximately 459 kWh's to 714 kWh's per month,
24 depending on the size of house. This range of usage
25 averages out at 587 kWh's, very close to the size of the
26 Company's first block. Further, based on regression

³ Chapter 18, Allowances for Utilities and Other Services, Page 18-5
(<http://www.hud.gov/offices/adm/hudclips/guidebooks/7420.10G/7420g18GUID.pdf>)

1 results from the Company's weather normalization model, the
2 average residential base load usage is 651 kWh's.

3 **Q. Please address the issue of rate differentials**
4 **and how that was addressed in this filing.**

5 A. After reviewing the rate differential for
6 Schedule 1 while preparing this case, the Company believes
7 that the differential between the two blocks is appropriate
8 at approximately 0.9 cents per kWh. This equate to an
9 approximate 12% higher rate for the tail-block. Absent any
10 compelling evidence to the contrary, the Company believes
11 that an approximate 12% differential is fair.

12 **Q. Are there any economies of scale which could**
13 **result in lower monthly charges for dual service customers?**

14 A. For dual service (electric and natural gas)
15 customers, two meters are required, and therefore there are
16 no economies of scale because the meters cannot be
17 combined. As for meter reading, our Idaho service
18 territory is read remotely via the AMR system the Company
19 deployed in the past several years. While there would be
20 savings if a traditional meter reader visited a customer's
21 premise, with the AMR deployment, there are no incremental
22 savings. This leaves potential billing savings. In
23 reviewing the cost of billing, the average cost of a bill
24 is 54.3 cents, which consists of bill preparation, paper
25 supplies, postage, etc. One could argue that 54.3 cents is

1 the true savings to dual service customers.

2 However, the Company believes that the basic charge
3 should recover far more than just the items noted above.
4 As such, while there may be some small level of savings in
5 this instance, far more fixed costs are not being recovered
6 in the basic charge, and our proposed move to \$6.75 per
7 month for both natural gas and electric customers covers
8 only 24% and 21% of those fixed costs, respectively⁴.

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

12 A. The average monthly usage for a residential
13 customer is 964 kWhs. Based on the proposed increase, the
14 average monthly increase would be \$11.40, or 14.6%. The
15 present monthly bill for 964 kWhs of usage is \$77.95 and
16 the proposed monthly bill would be \$89.35.

17 **Q. Turning to General Service Schedule 11, could you**
18 **please describe the present rate structure and rates under**
19 **that Schedule?**

20 A. Yes. The present rate structure under the
21 schedule includes a monthly customer charge of \$6.50, an
22 energy rate of 8.715 cents per kWh for all usage under
23 3,650 kWhs per month, and an energy rate of 7.433 cents per

⁴ These percentages derived from the proposed basic charge divided by the fixed costs identified by Witness Knox Exhibit 13, Schedule 6, Page 4, line 28 and Schedule 3, Page 4, line 27, respectively. Total fixed distribution related costs are \$32.82 for electric and \$28.61 for natural gas.

1 kWh for usage over 3,650 kWhs per month. There is also a
2 demand charge of \$4.00 per kW for all demand in excess of
3 20 kW per month. There is no charge for the first 20 kW of
4 demand.

5 **Q. How is the Company proposing to apply the**
6 **proposed general revenue increase of \$4,145,000 to the**
7 **rates under Schedule 11?**

8 A. The Company is proposing that the customer charge
9 be increased by \$3.00, from \$6.50 to \$9.50 per month, and
10 that the demand charge (over 20 kW) be increased \$0.75 per
11 kW, from \$4.00 to \$4.75. The remaining revenue increase for
12 the schedule is proposed to be recovered through a uniform
13 percentage increase of approximately 12.2% applied to the
14 two energy block rates. The increase in the first block
15 rate is 1.066 cents per kwh, and is 0.910 cents per kwh in
16 the second block rate.

17 **Q. Why is the Company proposing to increase the**
18 **demand charges for this schedule in this case?**

19 A. The Company believes that it is important to
20 increase the demand charges in this Case for Schedule 11,
21 as well as for Schedules 21 and 25, by a percentage greater
22 than that to the volumetric rates. If demand charges are
23 not increased at least proportionately with energy charges,
24 customers who have a poor load factor (high peak demand
25 compared to average energy use) would see a lower

1 percentage increase in their bill than a comparable
2 customer with a good load factor (low peak demand compared
3 to average energy use). This result would not send the
4 appropriate price signal to commercial and industrial
5 customers, nor would it reflect the fact that the Company's
6 demand charges are well below the costs associated with
7 meeting customer's peak demand.

8 The Company's transmission and distribution system is
9 constructed to meet the collective peak demand of its
10 customers. Additionally, the Company must have adequate
11 resources available to meet peak demand. If customers
12 reduce their peak demand, it will reduce the need for
13 additional investment in these facilities and resources.
14 Customers need to receive the proper price signal to
15 encourage a reduction in their peak demand, i.e., higher
16 demand charges.

17 **Q. How does the level of demand costs from the**
18 **Company's cost of service study compare to the present**
19 **demand charges?**

20 A. The system allocated demand cost from the cost of
21 service study is approximately \$17 per kilowatt (kW) month,
22 while the present monthly demand charges range from \$3.25-
23 \$4.00/kW, depending on service schedule. While the exact
24 level of costs classified as demand-related can be debated,

1 clearly, the level of demand charges are well below demand-
2 related costs.

3 **Q. Turning to Large General Service Schedule 21,**
4 **could you please describe the present rate structure under**
5 **that schedule and how the Company is proposing to apply the**
6 **increase of \$7,427,000 to the rates within the schedule?**

7 A. Yes. Large General Service Schedule 21 consists
8 of a minimum monthly charge of \$275.00 for the first 50 kW
9 or less, a demand charge of \$3.50 per kW for monthly demand
10 in excess of 50 kW, and two energy block rates: 5.765
11 cents per kWh for the first 250,000 kWhs per month and
12 4.919 cents per kWh for all usage in excess of 250,000
13 kWhs.

14 The Company is proposing that the present minimum
15 demand charge (for the first 50 kW or less) be increased by
16 \$50 per month, from \$275.00 to \$325.00, and the demand
17 charge for kW over 50 per month be increased by \$0.75 per
18 kW, from \$3.50 to \$4.25. The remaining revenue increase
19 for the schedule is proposed to be recovered through a
20 uniform percentage increase of approximately 13.4% applied
21 to the two energy block rates. The proposed increase for
22 the first 250,000 kWhs used per month under the schedule is
23 0.773 cents per kWh, and an increase of 0.660 cents per kWh
24 for usage over 250,000 kWhs per month.

25 **Q. Turning to Extra Large General Service Schedule**
26 **25, could you please describe the present rate structure**

1 under that schedule and how the Company is proposing to
2 apply the increase of \$1,561,000 to the rates within the
3 schedule?

4 A. Yes. Extra Large General Service Schedule 25
5 consists of a minimum monthly charge of \$10,000.00 for the
6 first 3,000 kVa or less, a demand charge of \$3.25 per kVa
7 for monthly demand in excess of 3,000 kVa, and two energy
8 block rates: 4.709 cents per kWh for the first 500,000
9 kWhs per month and 3.988 cents per kWh for all usage in
10 excess of 500,000 kWhs.

11 The Company is proposing that the present minimum
12 demand charge under the schedule be increased by \$2,000 per
13 month, from \$10,000 to \$12,000, and the demand charge for
14 kVa over 3,000 per month be increased by \$0.75 per kVa,
15 from \$3.25 to \$4.00. The remaining revenue increase for
16 the schedule is proposed to be recovered through a uniform
17 percentage increase of approximately 10.8% applied to the
18 two energy block rates. The proposed energy rate increase
19 for the first 500,000 kWhs used per month is 0.508 cents
20 per kWh and the increase for usage over 500,000 per month
21 is 0.431 cents per kWh.

22 Q. Did the Company consider implementing time-of-use
23 (TOU) rates for Schedule 25 customers in this Case?

24 A. Yes, the Company considered time-of-use rates,
25 however, given the current recession and its effect on the
26 operations and financial condition of many of these

1 customers, the Company believed that this was not the
2 appropriate time to propose such a change. In 2009, four
3 Schedule 25 customers left that schedule. Three of these
4 customers shifted to Schedule 21, and one, after shifting
5 to Schedule 21, subsequently went out of business. All
6 four of these customers are/were in the forest products
7 industry. Of the other eight Schedule 25 accounts, two are
8 also in the forest products industry, two are in the silver
9 mining industry, two are higher education customers, one is
10 in the hospitality industry, and one is a manufacturer.

11 The Company has met with these customers in the past
12 to discuss the possibility of implementing TOU rates in the
13 future. Most of these stated that it would be difficult
14 for them to shift a significant portion of their load to
15 off-peak periods because of business, labor or operational
16 issues. The Company will continue to consult with these
17 customers regarding the applicability of TOU rates.

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

20 A. Yes. Please note that Schedule 25P has been
21 changed to reflect this customer's name change to
22 Clearwater Paper Corporation (Clearwater) from Potlatch.

23 In Commission Order No. 29418, dated January 15, 2004,
24 the Commission approved a ten-year Power Purchase and Sale
25 Agreement (Agreement) between Avista and Clearwater,
26 applicable to its Lewiston Plant. The Agreement became

1 effective July 1, 2003 and expires June 30, 2013. The
2 Agreement provides for the purchase by Avista of
3 Clearwater's on-site generation of up to 62 average
4 megawatts per year at a price of \$42.92 per megawatt-hour.
5 Power purchased from Clearwater under the Agreement is a
6 directly-assigned resource to Idaho (no allocation to
7 Washington). Avista serves Clearwater's entire load
8 requirement at the Plant, approximately 100 average
9 megawatts, under Schedule 25P.

10 **Q. Could you please describe the application of the**
11 **proposed increase of \$4,123,000 to the rates under Schedule**
12 **25P?**

13 A. Yes. The Company is proposing that the present
14 minimum demand charge under the schedule be increased by
15 \$2,000 per month, from \$10,000 to \$12,000, and the demand
16 charge for kVa over 3,000 per month be increased by \$0.75
17 per kVa, from \$3.25 to \$4.00. The remaining revenue
18 increase for the schedule is proposed to be recovered
19 through an increase of 0.349 cents per kWh to the energy
20 charge.

21 **Q. What changes is the Company proposing to the**
22 **rates under Pumping Schedule 31 to recover the proposed**
23 **general revenue increase of \$808,000?**

24 A. The Company is proposing that the customer charge
25 be increased by \$1.00, from \$6.50 to \$7.50 per month, with
26 the remaining revenue increase spread on a uniform

1 percentage basis of approximately 18.5% to the two energy
2 rate blocks under the schedule. The proposed increase in
3 the first block rate is 1.441 cents per kWh and the
4 increase in the second block rate is 1.228 cents per kWh.

5 **Q. How is the Company proposing to spread the**
6 **proposed revenue increase of \$426,000 applicable to Street**
7 **and Area Light schedules, to the rates contained in those**
8 **schedules (Schedules 41-49)?**

9 A. The Company proposes to increase present street
10 and area light (base) rates on a uniform percentage basis
11 of approximately 14.0%. The (base tariff) rates are shown
12 in the proposed tariffs for those schedules, contained in
13 Schedule 2 of Exhibit No. 14.

14 **Q. Are you proposing any other changes to the**
15 **Company's electric service tariffs?**

16 A. No.

17

18 **IV. PROPOSED NATURAL GAS REVENUE INCREASE**

19 **Q. Could you please explain what is contained in**
20 **Schedule 4 of Exhibit No. 14?**

21 A. Yes. Schedule 4 of Exhibit 14 is a copy of the
22 Company's present and proposed natural gas tariffs, showing
23 the changes (strikeout and underline) proposed in this
24 filing.

25 **Q. Could you please describe what is contained in**
26 **Schedule 5 of Exhibit No. 14?**

