Exh. JDM-8T

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-240006

DOCKET NO. UG-240007

REBUTTAL TESTIMONY OF

JOSEPH D. MILLER

REPRESENTING AVISTA CORPORATION

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. Have you filed direct testimony in this proceeding?

A. Yes. I have filed direct testimony in this case addressing rate spread and rate design, among other things.

Q. What is the scope of your rebuttal testimony?

A. At the lower revenue requirement levels, as discussed by Ms. Schultz, the Company has modified its originally-filed rate spread methodology to reflect a similar methodology as proposed by AWEC witness Kaufman in order to move rate schedules closer to their relative cost of service. My rebuttal testimony will provide the Company's response to the rate design proposals of Washington Utilities and Transportation Commission Staff ("Staff"), Alliance of Western Energy Consumers ("AWEC"), Walmart, The Energy Project ("TEP"), and Public Counsel ("PC"). I will also provide the Company's response to testimony related to:

- <u>Colstrip Schedule 99 Rate Spread</u> – The rate spread related to Colstrip Schedule 99 should be based on a proportional allocation of the Rate Year 1 base revenue spread as was approved as part of the Full Multiparty Settlement Stipulation in Docket UE-220053.

- <u>Natural Gas Line Extension Allowances</u> – Avista commits to no longer offering line extension allowances for all customers, including Schedules 131, 132, and 146 beginning January 1, 2025.

- Electric Line Extension Allowances – Avista rejects the Sierra Club proposal of not allowing an electric line extension allowance to any customers installing natural gas or propane.

A table of contents for my testimony is as follows:

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

A. Yes. I am sponsoring Exh. JDM-9 related to the proposed electric increases, and Exh. JDM-10 related to the proposed natural gas increases.

II. COST OF SERVICE

Q. Did any of the Parties propose alternative electric or natural gas cost of service studies to be used as the basis of an alternative rate spread in this proceeding?

A. Yes. AWEC was the only party to take issue with the Company's filed electric cost of service study in this proceeding.[1] While AWEC took issue with certain aspects of the electric study, both the Company and AWEC study produced similar results and should be considered directionally accurate for setting rates. [2]

Q. Does the Company agree with the cost of service changes proposed by

[1] Kaufman, Exh. LDK-1T at 3:10 – 10:14
[2] Id. See Table No. 2, p. 7

AWEC?

A. No, not necessarily. But, because the results of AWEC's study largely align with the results of the Company's study, in the Company's view, the Commission does not need to "approve" either study. Both studies should be considered directionally accurate for setting rates. The Company believes that the intent of the cost of service study is to provide a point in time indication of each rate schedule's relative portion of allocated costs in comparison to the rates they are paying. There are a multitude of reasonable inputs that could be changed that would only slightly change the results of the study, as demonstrated by AWEC.

It is also important to recognize that PC, for its part, did not weigh in on cost of service issues in this proceeding. Had it done so, PC likely would have argued for inputs that counteracted those proposed by AWEC (based on my experience from prior rate cases). From the Company's perspective, any reasonable change would not change the overall results of the study that indicate Residential Service Schedule 1 is paying well below its relative cost of service while Schedule's 11/12, 21/22 and 25 are providing significantly more than their relative cost of service, as discussed by Company witness Garbarino and AWEC witness Kaufman.

Q. Does the Company commit to evaluating AWEC's cost of service changes in a future general rate case?

A. Yes, as with any cost of service proposal, the Company commits to further evaluating the allocation adjustments proposed by AWEC and incorporating any changes into its next cost of service study that the Company determines provides a stronger correlation to cost causation from what the Company has proposed in this proceeding.

III. ELECTRIC RATE SPREAD

Q. Upon rebuttal, has the Company proposed any changes to its originally filed electric rate spread methodology?

A. Yes, at the significantly lower revenue requirement level for Rate Year 1 electric, as discussed by Ms. Schultz, the Company has modified its originally-filed rate spread methodology to reflect a similar methodology as proposed by AWEC witness Kaufman for both years of the rate plan.

Q. Where has the Company previously provided the proposed electric rate spread in this proceeding?

A. The Company provided its proposed electric rate spread in Exh. JDM-1T, pages 6-10. More detailed information is provided in Exh. JDM-4.

Q. Please describe the electric rate spread proposal of AWEC in this case?

A. AWEC proposes adopting a recent Staff practice which recommends a rate spread that focuses on classes whose parity ratio falls outside what it characterizes as a "range of reasonableness", especially those schedules experiencing what it terms as "excessive or grossly excessive cross-class subsidization", such as General Service, Large General Service, and Extra Large General Service customer classes (Schedules 11/12, 21/22, and 25).[3] For classes that are within a range of reasonableness (Schedules 31/32 and 41-48), AWEC recommends a uniform percentage of revenue increase to preserve the parity ratio at or near current levels. Those schedule within the "unreasonable" range (Schedule 1) would receive a lower than average increase. The table below details the AWEC methodology:

[3] Kaufman, Exh. LDK-1T at 10:16 – 11:6

<u>Table No. 1 - Rate Parity Ranges</u>

Range of Reasonableness	Rate Parity	Rate Spread Allocation
Within the Margin of Error	less than 0.05	100% of avg increase
Unreasonable	more than 0.10	75% of avg increase
Excessive	more than 0.20	50% of avg increase
Grossly Excessive	more than 0.30	25% of avg increase

Q. Does the Company support the electric rate spread proposal of AWEC given the lower revenue requirement proposed by the Company upon rebuttal for <u>Rate Year 1</u> and Rate Year 2?

A. The Company supports the AWEC rate spread proposal given the lower revenue requirement with the modifications discussed in greater detail below. As stated previously, both the Company and AWEC acknowledge that certain rate schedules are drastically over (Schedules 11/12, 21/22 and 25) or under paying (Schedule 1) on a relative cost of service basis. To mitigate this inequity between rate schedules, the Company is supportive of making substantive movement, as proposed by AWEC, given the lower revenue requirement upon rebuttal. AWEC's rate spread proposal addresses the Company's primary concern under its alternative approach of addressing cost of service inequities for those customers furthest from their relative cost of service. Given that both proposals' share the same objective of moving those rate schedules furthest from parity closer to their relative cost of service, and in an effort to minimize the issues in this proceeding, the Company is supportive of AWEC's proposed rate spread.

Q. While the Company supports AWEC's rate spread for <u>Rate Year 2</u>, does the Company oppose a uniform percentage of revenue basis for <u>Rate Year 2</u>?

A. No. While the Company supports moving all schedules closer to cost of service parity, given the relative size of the Rate Year 2 increase, the Company understands that the Commission considers many factors when setting rates. While not preferred position, we also would not be opposed to a uniform percentage adjustment as was proposed in the Company's original filing.

Q. Why does the Company support using the AWEC cost of service study for purposes of the alternative rate spread?

A. As discussed previously, the AWEC study should be considered directionally accurate for setting rates. The results of the AWEC cost of service study differed from the Company's study for only one rate schedule: Extra Large General Service Schedule 25. The Company's study produced a parity ratio result of 1.20, while the AWEC study produced a result of 1.30. Both studies indicate that Schedule 25 is overpaying, in any event, its relative cost of service, just to varying degrees. AWEC witness Mr. Kaufman placed Schedule 25 in the "grossly excessive" (more than 1.3) category, compared to the "excessive" category under the Company's study (more than 1.2). Even if the Commission were to approve all of the changes to the AWEC cost of service study, the parity ratio is still right on the edge of the "grossly excessive" and "excessive" bands. By AWEC's own definition in its "range of reasonableness" Schedule 25 does not have a parity ratio that is <u>more than 1.30</u> and therefore should be characterized as "excessive" within the range. The Company believes that if one were to average the parity ratio results of both studies, the "excessive" category more fairly reflects Schedule 25's parity ratio and therefore any rate spread should reflect a rate increase that is 50% of the overall base rate change, versus the 25% allocation as proposed by AWEC. It is also important to note that PC did not address the cost of service studies in this proceeding. Table No. 2 below details the parity ratio of both the Company's and AWEC's cost of service studies:

Table No. 2 - Cost of Service Results

Rate Schedule	Avista	AWEC
Schedule 1 Residential Service	0.86	0.85
Sch 11/12 General Service	1.18	1.18
Sch 21/22 Lg General Service	1.21	1.21
Sch 25 Ex Lg General Service	1.20	1.30
Sch 31/32 Pumping Service	1.05	1.06
Sch 41-48 Street & Area Lights	1.06	1.08
Sch 13 EV General Service	0.27	0.27
Sch 23 EV Lg General Service	0.14	0.14

Q. Does the Company take issue with any other revenue spread allocations as proposed by AWEC?

A. Yes. As was discussed in the pre-filed testimony of Company witness Mr. Garbarino, General Service Optional Electric Vehicle (Schedule 13) and Large General Service Optional Electric Vehicle (Schedule 23) were approved in Docket UE-210182 with an effective date of April 26, 2021. Given the limited number of customers taking service on these schedules, and the varying levels of usage for some customers throughout the full test year, the cost of service study results for these schedules appear irregular, given the infancy of these new schedules. The Company expects these schedules to mature over time as EV technology continues to evolve and customers usage becomes more consistent, which the Company believe may yield more meaningful cost of service study results in future cost of service studies. The Company proposes an equal percentage of base revenue increase to both Schedules 13 and 23, consistent with its original filing[4]. The Company will continue to monitor these rate schedules and will make movement towards cost of service parity in a future proceeding once the EV

[4] At the Company's rebuttal RY1 revenue requirement of $42.9 million, rate Schedule 13 would be allocated $4 thousand dollars and Schedule 23 would be allocated $5 thousand dollars.

market has matured and customer behavior becomes more consistent.

Q. Should Colstrip Schedule 99 be factored into the rate spread allocation as proposed by AWEC?[5]

A. No. Colstrip Schedule 99 is a separate and distinct tariff from which the parties agreed to a rate spread allocation for the term of the tariff. For purposes of this rate case, the Company has removed all revenues and expenses associated with Colstrip from its filing. The Company does not believe that the revenue allocation for Schedule 99 that was agreed to in the prior settlement was meant to impact base rates in perpetuity once Colstrip costs were removed from base rates. Therefore, the Commission should reject AWEC's proposal to factor Schedule 99 into its final rate spread determination in this proceeding.

Q. If the Commission were to include Schedule 99 in the overall rate spread, will the level of Colstrip Schedule 99 revenue change from the current levels in effect today?

A. Yes. The Company will make its annual Colstrip Schedule 99 tariff filing in late October of this year. The new level of revenue related to Colstrip Schedule 99 that will be in effect beginning January 1, 2025 will not be known or approved until close to the effective date, and therefore not able to be incorporated into the rate spread from this general rate case that will go into effect on December 21, 2024.

Q. Are there any other issues with the AWEC rate spread?

A. Yes. While AWEC applied a prescriptive methodology for allocating the revenue increase, with the modification discussed above, the Company proposes that a smaller increase be applied to the Residential Schedule, in order to ensure the full revenue requirement

[5] Kaufman, Exh. LDK-1T at 2:11-12

is allocated to the Schedules. The result of this change is a smaller increase to the residential rate schedule than otherwise would have occurred under the proposed AWEC methodology.

Q. Did other parties provide rate spread proposals in this proceeding?

A. Yes. Walmart[6] is supportive of the Company's uniform percent of revenue proposal at the full revenue requirement proposed by Avista, and the alternative proposal should the Commission order a lower revenue requirement in this proceeding. For its part, Staff, PC, TEP and Sierra Club did not offer a rate spread proposal in this proceeding.

Q. Please summarize the rate spread allocation to the rate schedules at the revenue requirement levels proposed by the Company upon rebuttal?

A. Provided below in Table No. 3 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 electric Colstrip tariff reduction in Rate Year 2):

Table 3 - Rebuttal % Electric Increase by Schedule

Rate Schedule	Rate Year 1 Billing Change	Rate Year 2 Billing Change
Residential Schedule 1	10.2%	9.7%
General Service Schedules 11/12	4.8%	5.2%
General Service Schedule - Transportation 13	6.3%	7.6%
Large General Service Schedules 21/22	3.1%	2.7%
Large General Service Schedule - Transportation 23	6.5%	8.2%
Extra Large General Service Schedule 25	3.2%	3.8%
Extra Large Special Contract 25I	3.1%	3.7%
Pumping Service Schedules 31/32	6.2%	4.7%
Street & Area Lights Schedules 41-48	6.5%	5.1%
Overall	**6.7%**	**6.5%**

[6] Perry, Exh. LVP-1T at 5:17 – 6:2

IV. NATURAL GAS RATE SPREAD

Q. Upon rebuttal, has the Company proposed any changes to its originally-filed natural gas rate spread methodology?

A. Yes, for reasons similar to electric, the Company has modified its originally-filed rate spread methodology to reflect a similar methodology as proposed by AWEC witness Kaufman for both years of the Rate Plan. At a lower revenue requirement level, the Company believes that the proposed alternative rate spread for natural gas service is reasonable and appropriate, given the directional results of the Company's natural gas cost of service study.

Q. Where has the Company previously provided the proposed natural gas rate spread in this proceeding?

A. The Company provided its proposed natural gas rate spread for both rate changes in Exh. JDM-1T, pages 25-27. More detailed information is provided in Exh. JDM-7.

Q. Please describe the natural gas rate spread proposal of AWEC in this case?

A. Similar to electric, AWEC recommends a rate spread that focuses on classes that fall outside a range of reasonableness, especially those schedules experiencing what it terms as "excessive or grossly excessive cross-class subsidization", such as the General Service, Interruptible Service and Transportation customer classes (Schedules 111/112, 131/132 and 146).[7] Because the General Service Schedule 101 (mostly residential) falls within a reasonable range, AWEC proposes to assign the overall percentage increase to this schedule.

Q. Does the Company support the rate spread proposal of AWEC?

A. Yes. Similar to electric, both the Company and AWEC have come to the same conclusion that certain natural gas rate schedules are grossly overpaying on a relative cost of

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[7] Kaufman, Exh. LDK-1T at 10:17 – 11:6

service basis (Schedules 111/112 and 131/132) and others are grossly underpaying (Schedule 146).[8] To mitigate this inequity between rate schedules, the Company is supportive of the prescriptive movement, as proposed by AWEC. Like electric, AWEC's rate spread proposal addresses the Company's concern of addressing cost of service inequities for those customers furthest from their relative cost of service.

Q. Does the Company have any changes to the AWEC rate spread?

A. Yes. Similar to electric, AWEC applied a prescriptive methodology for allocating the revenue increase which does not fully allocate the entire revenue requirement to the rate schedules. The Company proposes that any un-allocated revenue requirement be applied to Schedules 111/112 and 131/132 proportionally in order to ensure the full revenue requirement is allocated to the Schedules.

Q. Did any other Parties make a natural gas rate spread proposal?

A. No. AWEC was the only other party who made a natural gas rate spread proposal in this proceeding.

Q. Please summarize the rate spread allocation to the rate schedules at the revenue requirement levels proposed by the Company upon rebuttal?

A. Provided below in Table No. 4 is a summary of the proposed change, by rate schedule, on a billing basis (inclusive of all base and billing rate components):

[8] Kaufman, Exh. LDK-1T at 12:3-4

Table 4 - Rebuttal % Natural Gas Increase by Schedule

Rate Schedule	**Rate Year 1 Billing Change**	**Rate Year 2 Billing Change**
General Service Schedule 101	6.3%	1.4%
Large General Service Schedules 111/112/116	3.9%	0.9%
Interrupt. Sales Service Schedules 131/132	4.3%	1.0%
Transportation Service Schedule 146	14.3%	3.2%
Overall	**5.8%**	**1.3%**

V. RATE DESIGN

Q. Please summarize the positions of the Parties rate design proposals for the residential basic charge.

A. Staff recommends an increase of $1.00 to the residential basic charges under Schedule 1 for electric service and Schedule 101 for natural gas service.[9] These increases would bring the residential basic charge for electric service up to $10.00 and up to $10.50 for natural gas service. Staff acknowledges that these basic charges may still be below the overall cost of providing service; however, Staff views this incremental increase to be consistent with prior Commission guidance and policies regarding gradualism.[10] Other parties including NWEC[11], PC[12], and TEP[13] were opposed to any increase in the basic charge levels, arguing that increasing the basic charge would reduce the energy efficiency price signal and harm limited income customers.

Q. For rebuttal purposes, and taking into account the views of the parties, does the Company have an alternative residential basic charge proposal?

[9] Hillstead, Exh. KMH-1T at 27:14-15
[10] Hillstead, Exh. KMH-1T at 27:17 – 28:2
[11] McCLoy, Exh. LM-1T at 2:5-7
[12] Dismukes, Exh DED-1T at 3:17-18
[13] Colton, Exh. RDC-3 at 64:16

A. Yes. After reviewing the testimony of the parties, and in an attempt to minimize issues in the case, the Company is willing to modify its original proposal of basic charge levels of $15.00 in Rate Year 1 and $20.00 in Rate Year 2 to the levels proposed by Commission Staff. This would result in a $1.00 increase to the basic charge levels, going from $9.00 to $10.00 for electric and $9.50 to $10.50 for natural gas. As Staff stated in its testimony, this would be consistent with prior Commission guidance and policies regarding "gradualism".

Q. Will these lower basic charge levels still be below the levels associated with just metering, services, and billing costs?

A. Yes. The average unit costs of <u>just</u> meters, services, meter reading and billing amounts to <u>$10.93</u> per customer per month for electric[14] and <u>$18.60</u> per customer per month for natural gas.[15] The Staff level of basic charges are well below these basic level of costs. These are essentially fixed costs that are allocated based on the number of customers served.

The limited "fixed" average unit costs detailed above are based on a cost of service study which allocates the level of customer allocated costs applicable to various rate schedules (the very definition of cost causation). The underlying costs are directly related to the cost of providing service to customers, whether or not these customers actually even use the applicable energy. Put another way, the fixed costs detailed above are caused by customers connected to our systems.

While the Company is willing to accept the Staff level of residential basic charges for purposes of limiting issues in this proceeding, the Company continues to believe that a higher level of fixed costs is appropriate and will make proposals in future proceedings to better align

[14] Garbarino, Exh. MJG-2 at 41:40
[15] Anderson, Exh. JCA-3 at 4:22

the fixed costs of providing service with the basic charge levels.

Q. Are transformer costs included in the total customer allocated costs detailed above?

A. No. Transformer costs are not included in the basic level of fixed costs detailed above.

Q. Is there a rule or law that you are aware of that strictly limits what should make up a customer charge?

A. No. I am not aware of a rule or law limiting the makeup of a customer or basic charge. As discussed in my opening testimony, Avista' nearest neighbors in Eastern Washington and North Idaho, which includes consumer and investor owned utilities have been charging much higher customer charges for years in order to more accurately reflect (and recover) the fixed costs of providing service.

Q. Did the parties take issue with any of the Company's rate design proposals other than the residential basic charge?

A. Yes. AWEC proposed changes related to the Schedule 25 demand charges and primary voltage discount.[16]

Q. Please summarize AWEC's proposal related to the Schedule 25 demand charges?

A. AWEC proposes to increase the Schedule 25 demand charges by 50 percent in Rate Year 1, from $30,650 to $45,975 for Block 1 and from $8.30/kVA to $12.45/kVA for Block 2. AWEC further proposes to increase the Schedule 25 demand charges by 25 percent in Rate Year 2, from $45,975 to $57,468.75 for Block 1 and from $12.45/kVA to $15.56/kVA

[16] Kaufman, Exh. LDK-1T at 17:13-16

for Block 2. Finally, AWEC proposes to adjust all energy block rates by an equal percentage as necessary for Schedule 25 rates to fully recover Schedule 25 revenue requirement.[17]

Q. Does the Company support AWEC's proposal related to the Schedule 25 demand charges?

A. Yes, but at a lower level. While the Company agrees that higher levels of demand charges are cost justified, the Company believes any increases should occur at slightly lower levels to ensure individual customers on Schedule 25 are not subject to "rate shock" from these increases. The Company proposes that the Rate Year 1 demand charges increase by 25%, in alignment with the Rate Year 2 change proposed by AWEC. A 25% increase in both Rate Year 1 and Rate Year 2 will provide substantial movement towards full cost recovery, while minimizing the variability of rate changes to individual customers on Schedule 25. Avista commits to further evaluating the proper levels of demand charges for Schedule 25 customers in future general rate case filings.

Q. Please summarize AWEC's proposal related to the applicability of Schedule 25 primary voltage discount for 115 kV service through substations not owned by Avista?

A. AWEC proposes to modify the Schedule 25 greater than 115 kV primary voltage discount to be applicable to customers that are served through substations not owned by Avista.[18] AWEC states that customers served at more than 115 kV, receive energy at transmission voltage, and thus do not receive service from Avista-owned substations or distribution lines.[19] AWEC argues that the same principle is true of customers who are served by Avista, but through a substation Avista does not own, regardless of the voltage at which they

[17] Kaufman, Exh. LDK-1T at 17:19-21
[18] Kaufman, Exh. LDK-1T at 18:8-14
[19] Kaufman, Exh. LDK-1T at 19:19-22

take service from Avista.[20]

Q. Does the Company oppose AWEC's proposal related to the modification of language related to the primary voltage discount for 115 kV service through substations not owned by Avista for Schedule 25?

A. No, the Company does not oppose AWEC's proposal and supports the proposed increase to the greater than 115 kV primary voltage discount from $1.93 to $4.39 for Schedule 25. Using the AWEC cost of service study provides a reasonable basis for setting the PVD in this proceeding. As noted by AWEC[21], there are currently no Schedule 25 customers in the Company's test year who would receive this higher level of discount and therefore it has no impact in this proceeding.

VI. COLSTRIP SCHEDULE 99 RATE SPREAD

Q. Please summarize NWEC's proposal related to the Colstrip Schedule 99 rate spread.

A. NWEC proposes that the Commission disregard the prior approved Full Multiparty Settlement Stipulation agreement which stated that "The costs removed from base rates will be allocated to the rate schedules through separate Tariff Schedule 99 using a proportional allocation of the Rate Year 1 base revenue spread"[22] in favor of a generation allocation that it says better matches cost of service principals.

Q. Do you support NWEC's proposal?

A. No. The rate spread agreement in The Full Multiparty Settlement Stipulation

[20] Kaufman, Exh. LDK-1T at 19:19-21
[21] Kaufman, Exh. LDK-1T at 19:3-11
[22] Docket Nos. UE-220053 UG-220054 and UE210854 (consolidated), P. 14, Subsection. C.

was reached as part of the give and take of settlement negotiations, and in the Company's view was intended to resolve that issue in its entirety. To go back now and argue that this single issue should be re-litigated could potentially re-open the entire approved Stipulation in the Company's view.

Q. Was NWEC a party to the Full Multiparty Settlement Stipulation?

A. Yes. NWEC was a party to the Full Multiparty Settlement Stipulation. In fact, Lauren McCloy who has offered testimony for NWEC in this proceeding, offered supplemental joint testimony in support of the Colstrip Tracker and Schedule 99 in those dockets. As part of that testimony, the Joint Parties stated "As discussed in the Settlement at page 6, subsection a), these costs would be allocated to the rate schedules in Tariff Schedule 99 using a proportional allocation of the Rate Year 1 base revenue spread. <u>This allocation will be used for the life of the rate schedule</u>."[23] Clearly the intention of the Parties was to resolve the Schedule 99 rate spread issue its entirety and NWEC's proposal in this proceeding <u>should be rejected</u>.

<u>VII. LINE EXTENSION ALLOWANCES</u>

Q. Please describe NWEC's proposal related to line extension allowances for non-residential customers in this proceeding.

A. NWEC witness Mr. Gehrke suggests making revisions to Schedule 151 by discontinuing line extension allowances for Schedules 131, 132, and 146 effective January 1st, 2025.[24] In addition, NWEC recommends that the Company no longer offer service under tariff

[23] Dockets UE-220053, UG-220054 and UE-210854 (Consolidated), Supplemental Joint Testimony, P. Q, Pg. 9, lines 27-29.
[24] Gehrke, Exh. WG-1T at 10:12-13

Schedule 154.[25]

Q. Does the Company oppose either of NWEC's line extension proposals.

A. No. As stated in the Company's response to NWEC data request number 10, "The Company commits to making a housekeeping filing in the second half of 2024 in order to cancel Schedule 154 effective on January 1, 2025 in coordination with the line extension allowances going to zero for all rate schedules."

Q. Sierra Club witness Dennison promotes a concept that would not allow for an electric line extension allowance for customers installing natural gas or propane.[26] Why should an unreasonable policy shift such as this be rejected in this case?

A. The purpose of an electric line extension allowance is to fairly allocate the costs associated with the growth of an electric utility's distribution system. This policy ensures that the cost of extending electric service to new customers or developments does not unfairly burden or benefit existing electric customers. This is a key attribute of the Commission's role as economic regulators. There are other policy paths that parties like Sierra Club could undertake, legislatively, to further advance their policy objectives. It is not in this rate case proceeding, however, where such a broad policy matter (and which would have far reaching implications on fuel choice for customers) should be addressed.

For example, many rural communities' homeowners and businesses rely on propane to serve potentially a significant portion of their energy needs. Absent propane, the cost of the electric infrastructure necessary to serve a home may greatly exceed the line extension allowance. Put another way, the customer could qualify for the allowance, but their

[25] Gehrke, Exh. WG-1T at 10:14-15
[26] Dennison, Exh. JAD-1T, at 13:16-18

contribution in aid of construction might greatly exceed that value because of the electric infrastructure necessary to serve their energy needs. There are just too many unexplored issues with this proposal, and it should be rejected.

Q. Could Sierra Club's proposal be considered discriminatory under the law?

A. Yes. RCW 80.28.100 prohibits rate discrimination stating:

> No gas company, electrical company, wastewater company, or water company may, directly or indirectly, or by any special rate, rebate, drawback or other device or method, charge, demand, collect or receive from any person or corporation a <u>greater or less</u> compensation for gas, electricity, wastewater company services, or water, or <u>for any service rendered</u> or to be rendered, or in connection therewith, except as authorized in this chapter, <u>than it charges</u>, demands, collects or receives from any other person or corporation for doing a like or contemporaneous service with respect thereto <u>under the same or substantially similar circumstances or conditions</u>. (emphasis added)

Clearly prohibiting electric line extension allowances for customers that install natural gas or propane could be considered discriminatory and thus would be in direct conflict with the law.

Q. Does the Company necessarily know if a customer is going to install natural gas or propane?

A. No, it does not because Avista does not serve propane, and in fact does not serve natural gas in certain parts of our electric service territory (i.e., Othello, which is served by Cascade Natural Gas). The Company may learn during the planning stages of a "new build" as to whether the customer would take an additional service beyond electricity. But in the end, the Company simply does not control the ultimate decision being made in those situations. Under the Sierra Club proposal, Avista would then be responsible for tracking the end product to ensure natural gas or propane was never installed.   As stated previously, there are just too many unexplored issues with this proposal, not to mention the legality of the proposal, and it should be rejected.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.