

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-160228

DOCKET NO. UG-160229

REBUTTAL TESTIMONY OF

PATRICK D. EHRBAR

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

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

A. My name is Patrick D. Ehrbar and my business address is 1411 East Mission Avenue, Spokane, Washington. I am presently assigned to the State and Federal Regulation 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. With the 2017 and 2018 requested revenue increases remaining unchanged from the Company’s original filing, as noted by Company witness Ms. Andrews, my testimony continues to support the Company’s originally-filed electric and natural gas rate spread. My rebuttal testimony will provide the Company’s response to the rate spread proposals of Washington Utilities and Transportation Commission Staff (“Staff”), Industrial Customers of Northwest Utilities (“ICNU”), and Northwest Industrial Gas Users (“NWIGU”). I will also provide the Company’s response to testimony related to:

- Cost of Service Workshops – while the Company would be an active and engaged participant in a generic cost of service proceeding, Avista has concerns that a “one size fits all” approach is not necessarily appropriate.
- Basic Charge Increases – Avista continues to believe that the increases in basic charges proposed in this case should be approved, and are supported by the cost of service studies.
- Demand Side Management Funding for Schedule 25 – Avista does not agree that the usage in the third block of Schedule 25 should be exempt from contributing towards DSM, however the amount of funding provided could

1 reasonably be adjusted.
2

- 3 • Natural Gas Transportation Service Applicability – Avista does not agree that a
4 new natural gas transportation rate schedule should be created.
- 5
- 6 • Low Income Rate Assistance Program (LIRAP) – adjustments to LIRAP,
7 including program funding, are not necessary in this case given the recent five-
8 year LIRAP funding plan as well as continuing discussions in the LIRAP
9 Advisory Group regarding potential program design options.
10

11 A table of contents for my testimony is as follows:

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

32 A. No, I am not.

33

34 **II. ELECTRIC RATE SPREAD**

35 **Q. Given that the Company’s proposed electric revenue increase remains**
36 **unchanged upon rebuttal, has the Company proposed any changes to its originally-filed**

1 **rate spread?**

2 A. No, the Company has not modified its originally-filed rate spread. The
3 Company believes that the proposed rate spread for electric service is reasonable and
4 appropriate given the results of the Company's electric cost of service study.

5 **Q. Where has the Company previously provided the proposed electric rate**
6 **spread for the January 1, 2017 and January 1, 2018 rate changes?**

7 A. The Company provided its proposed electric rate spread for both rate changes in
8 Exhibit No. ____ (PDE-1T), pages 6-10. More detailed information is provided in Exhibit
9 No. ____ (PDE-4).

10 **Q. What are the proposed electric base rate increases, by rate schedule, using**
11 **the rate spread proposals of Avista, Staff and ICNU at the Company's requested revenue**
12 **increases for 2017 and 2018? ¹**

13 A. Table Nos. 1 and 2 below provide the electric base rate increases using the rate
14 spread proposals of Avista, Staff, and ICNU, at the requested revenue increase of \$38.6 million
15 on January 1, 2017, and an increase of \$10.3 million on January 1, 2018:

16 **Table No. 1 – Electric Rate Spread Proposals for January 2017 Using Avista's Proposed**
17 **Revenue Increase**

18 <u>Rate Schedule</u>	19 <u>Avista</u>	20 <u>Staff</u>	21 <u>ICNU</u>
22 Residential Schedules 1/2	8.4%	7.8%	8.4%
23 General Service Schedules 11/12	7.0%	7.8%	7.0%
24 Large General Service Schedules 21/22	7.5%	7.8%	7.5%
Extra Large General Service Schedule 25	6.8%	7.8%	6.8%
Pumping Service Schedules 31/32	8.7%	7.8%	8.7%
Street & Area Lights Schedules 41-48	<u>10.3%</u>	<u>7.8%</u>	<u>10.3%</u>
Overall	<u>7.8%</u>	<u>7.8%</u>	<u>7.8%</u>

¹ The Energy Project and Public Counsel did not file testimony related to electric rate spread.

Table No. 2 – Electric Rate Spread Proposals for January 2018 Using Avista’s Proposed Revenue Increase

<u>Rate Schedule</u>	Avista	Staff	ICNU
Residential Schedules 1/2	4.2%	0.0%	6.0%
General Service Schedules 11/12	3.5%	0.0%	2.2%
Large General Service Schedules 21/22	3.8%	0.0%	2.4%
Extra Large General Service Schedule 25	3.5%	0.0%	2.2%
Pumping Service Schedules 31/32	4.3%	0.0%	2.8%
Street & Area Lights Schedules 41-48	<u>5.0%</u>	<u>0.0%</u>	<u>3.3%</u>
Overall	<u>3.9%</u>	<u>0.0%</u>	<u>3.9%</u>

Q. With regards to the rate spread proposal of Staff, why is a uniform percentage increase not appropriate in this case?

A. The Company’s electric cost of service study results shown on page 7 of Exhibit No. ____ (PDE-1T) clearly demonstrates that some customers, such as those served on Schedules 11/12 and 21/22 are well above unity (1.98 and 1.49, respectively), and therefore should receive a lower increase than the overall system increase. While the net effect of Staff’s proposal would result in Schedules 11/12 and 21/22 moving closer to unity (albeit not as far as Avista’s proposal), two schedules (Schedule 25 and 41-48) actually move further away from unity as highlighted in Table No. 3 below:

Table No. 3 – Cost of Service Results using Rate Spreads of Avista and Staff

Rate Schedule	Present Relative ROR	Avista Proposed Relative ROR	Staff Proposed Relative ROR
Residential Schedules 1/2	0.55	0.63	0.61
General Service Schedules 11/12	1.98	1.81	1.84
Large General Service Schedules 21/22	1.49	1.40	1.41
Extra Large General Service Schedule 25	1.03	1.03	1.06
Pumping Service Schedules 31/32	0.83	0.86	0.84
Street & Area Lights Schedules	0.88	0.90	0.85
Overall	1.00	1.00	1.00

Avista believes that it is not reasonable for certain schedules to move further away from unity.

1 **Q. Is Staff supportive of Avista's filed cost of service study?**

2 A. I believe Staff is generally supportive of our study. Mr. Ball highlights several
3 areas in his testimony which he believes are relevant to be reviewed in a generic cost of service
4 proceeding in an effort, in his view, to make Avista's study more "precise". Mr. Ball states:²

5 Although Staff is concerned with the precision of the results of the Company's proposed
6 COSS, this does not render the current methodology or its presentation irrelevant. The
7 Company's electric COSS should be considered directionally accurate for the purpose
8 of setting rates. (emphasis added)
9

10 Given that Staff believes Avista's electric cost of service study is directionally accurate, the
11 Company believes it is appropriate to make movement towards unity for all schedules in this
12 case, and not wait until the conclusion of a generic cost of service proceeding which may or
13 may not lead Avista to make changes to its electric cost of service study methodologies.

14 **Q. Does the Company support the rate spread proposal of ICNU?**

15 A. No, the Company generally does not support ICNU's rate spread proposal. As
16 shown in Table Nos. 1 and 2 above, at the Company's proposed revenue increases for 2017 and
17 2018, ICNU's rate spread is the same as the Company's. However, should the revenue increase
18 approved by the Commission be less than the Company's original request, the effects if ICNU's
19 rate spread disproportionately impact Residential Schedule 1/2 customers. The Company's rate
20 spread, which moves all customers gradually towards unity, is a more fair way to spread the
21 revenue increase in this case.
22

23 **III. NATURAL GAS RATE SPREAD**

24 **Q. Given that the Company's natural gas revenue increase requests remain**

² Exh. No. JLB-1T p. 9:19-22

1 **unchanged upon rebuttal, has the Company proposed any changes to its originally-filed**
 2 **rate spread?**

3 A. No, the Company has not modified our proposed rate spread. The Company
 4 believes that its originally-filed rate spread for natural gas service is reasonable and appropriate
 5 given the results of the Company’s natural gas cost of service study.

6 **Q. Where has the Company previously provided the proposed natural gas rate**
 7 **spread for the January 1, 2017 and January 1, 2018 rate changes?**

8 A. The Company provided its proposed natural gas rate spread for both rate changes
 9 in Exhibit No. ____ (PDE-1T), pages 20-23. More detailed information is provided in Exhibit
 10 No. ____ (PDE-7).

11 **Q. What are the proposed natural gas base rate increases, by schedule, under**
 12 **the rate spread proposals of Avista, Staff and NWIGU, at the Company’s requested**
 13 **revenue increases, for 2017 and 2018?**³

14 A. Table Nos. 4 and 5 below provide the base rate increases using the rate spread
 15 proposals of Avista, Staff, and NWIGU, at the requested revenue increase of \$4.4 million on
 16 January 1, 2017, and an increase of \$1.7 million on January 1, 2018:

17 **Table No. 4 – Natural Gas Rate Spread Proposals for January 2017 Using Avista’s**
 18 **Proposed Revenue Increase**

<u>Rate Schedule</u>	<u>Avista</u>	<u>Staff</u>	<u>NWIGU</u>
General Service Schedules 101/102	6.2%	5.0%	6.5%
Large General Service Schedules 111/112	0.0%	5.0%	0.0%
Ex. Lg. General Service Schedules 121/122	0.0%	5.0%	0.0%
Interrupt. Sales Service Schedules 131/132	2.8%	5.0%	0.0%
Transportation Service Schedule 146	<u>7.9%</u>	<u>5.0%</u>	<u>0.0%</u>
Overall	5.0%	5.0%	5.0%

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³ The Energy Project and Public Counsel did not file testimony related to natural gas rate spread.

Table No. 5 – Natural Gas Rate Spread Proposals for January 2018 Using Avista’s Proposed Revenue Increase

<u>Rate Schedule</u>	<u>Avista</u>	<u>Staff</u>	<u>NWIGU</u>
General Service Schedules 101/102	2.2%	0.0%	2.3%
Large General Service Schedules 111/112	0.0%	0.0%	0.0%
Ex. Lg. General Service Schedules 121/122	0.0%	0.0%	0.0%
Interrupt. Sales Service Schedules 131/132	1.1%	0.0%	0.0%
Transportation Service Schedule 146	<u>2.8%</u>	<u>0.0%</u>	<u>0.0%</u>
Overall	1.8%	0.0%	1.8%

Q. With regards to the natural gas rate spread proposal of Staff, why is a uniform percentage increase not appropriate in this case?

A. The Company’s natural gas cost of service study results shown on p. 22 of Exhibit No. ____ (PDE-1T) demonstrates that some customers, such as those served on Schedules 111/112 and 121/122 are well above unity, and we believe it is appropriate to make meaningful movement towards unity in this case. Those schedules, under Staff’s rate spread proposal (using Avista’s natural gas cost of service study), would only move slightly towards unity, while Schedule 146 would move further away from unity.

Table No. 6 – Cost of Service Results using Rate Spreads of Avista and Staff

<u>Rate Schedule</u>	<u>Present Relative ROR</u>	<u>Avista Proposed Relative ROR</u>	<u>Staff Proposed Relative ROR</u>
General Service Schedules 101/102	0.84	0.88	0.86
Large General Service Schedules 111/112	1.80	1.60	1.73
Ex. Lg. General Service Schedules 121/122	1.70	1.51	1.63
Interruptible Sales Service Schedules 131/132	1.37	1.28	1.33
Transportation Service Schedule 146	0.82	0.86	0.81
Overall	1.00	1.00	1.00

Q. Was Staff supportive of Avista’s filed cost of service study?

A. I believe Staff is generally supportive of our study. As with the electric cost of service study, Mr. Ball highlights several areas in his testimony which he believes are relevant

1 to be reviewed in a generic cost of service proceeding. When asked whether the Commission
2 can rely upon Avista's natural gas cost of service study, Mr. Ball states: "Yes. In Staff's opinion,
3 the results of the Company's gas COSS can be used to inform rate spread for all customers".⁴
4 He further states that the "Company has presented a reasonable approach to allocating costs
5 across customer classes that reflects the operation of the system".⁵ This is important because
6 Avista used the natural gas cost of service study to inform, not dictate, rate spread. Avista did
7 not propose to move customers to cost of service (i.e., unity); rather Avista proposed to move
8 customers only 25% closer to unity.

9 **Q. Does the Company support the rate spread proposal of NWIGU whereby**
10 **the entire increase for both rate changes would be applied to Schedules 101/102?**

11 A. No, the Company generally does not support NWIGU's natural gas rate spread
12 proposal. As discussed by Company witness Mr. Miller, Avista does not support certain
13 methodologies, nor the results, of the cost of service study filed by NWIGU. NWIGU witness
14 Mr. Collins, in his analysis, uses a coincident demand method to allocate certain costs, the effect
15 of which shifts certain distribution costs from high load factor customers (i.e., customers served
16 on Schedule 146) to lower load factor customers (i.e., Schedules 101/102 residential and small
17 commercial customers). Mr. Miller testifies that the Company's allocation methodology, peak
18 and average, is the preferable allocation of certain distribution costs. Under Avista's
19 methodology, Schedule 146 is providing less than cost of service as shown in Table No. 6
20 earlier. As such Schedule 146 should receive a share of the revenue increase for both the
21 January 1, 2017 and January 1, 2018 rate changes.

⁴ Exh. No. JLB-1T p. 12:19-20

⁵ Exh. No. JLB-1T p. 11:14-16 (footnote omitted)

IV. COST OF SERVICE WORKSHOPS

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Q. What is Avista’s response to Staff’s proposal regarding a generic cost of service proceeding?

A. Should the Commission order such a proceeding, Avista would be an active and engaged participant. Avista does have some concerns, however, related to the benefits from such a proceeding. While it would appear that the electric and natural gas utilities serving Washington customers are similar in nature, and therefore should operate under the same cost of service methodologies, there are certain differences. For example, Puget Sound Energy (PSE) is an electric winter peaking utility, while Avista is getting closer to being a dual peaking utility. As such it might make sense that, for example, demand-related costs be allocated based on a certain number of coincident peaks for Avista, while it may be more appropriate for a different number of peaks for PSE. While this is just one example, Avista believes that it is appropriate for each utility to conduct its own cost of service study to incorporate the unique conditions of their service territories.

Further, as noted in the “Electric Utility Cost Allocation Manual” issued by the National Association of Regulatory Commissioners (“NARUC”) in January 1992, it states that:⁶

no single costing methodology will be superior to any other, and the choice of methodology will depend on the unique circumstances of each utility. Individual cost methodologies are complex and have inspired numerous debates on applications, assumptions and data.

In addition, Avista believes that a “one size fits all” approach is not necessarily appropriate, and it would likely be difficult to achieve consensus on one methodology or the

⁶ “Electric Utility Cost Allocation Manual”, National Association of Regulatory Commissioners, January 1992, p. 22.

1 key inputs to the study. In past proceedings we have seen a diverse set of proposals by parties
2 in the cases. And with regard to collaboratives and workshops in between general rate cases,
3 following PSE’s 2007 general rate case, PSE was to “conduct a collaborative on natural gas
4 cost of service, rate spread and rate design in advance of PSE’s next general rate case.”⁷ As
5 noted by PSE witness Ms. Phelps in Docket No. UG-090705:⁸

6 In accord with the settlement, the Company retained an outside expert to facilitate the
7 Collaborative and provided that expert with relevant documents from the 2007 GRC.
8 Representatives from PSE, the Commission Staff, Northwest Industrial Gas Users,
9 Nucor Steel Seattle, Public Counsel Section of the Washington Office of Attorney
10 General (“Public Counsel”), and Seattle Steam Company met four times in November
11 and December 2008 to discuss issues.
12

13 She goes on to state:⁹

14 As indicated in the report presented in the Third Exhibit to my Prefiled Direct
15 Testimony, Exhibit No. ____ (JKP-4), there were no clear agreements by the
16 Collaborative as to the specifics of the Company’s cost of service study in the present
17 case. (emphasis added)
18

19 **Q. Should the Commission find that a separate proceeding on cost of service is**
20 **necessary, are there any specific items that Avista believes should be addressed?**

21 A. Yes. The Company believes that the proper cost of service and rate design
22 treatment for customers who install distributed energy resources should be addressed in such a
23 proceeding. If the ultimate goal of the generic proceeding is to derive a more “precise” cost of
24 service study (which then of course informs rate spread and rate design), then the rate design
25 for these customers should be addressed.
26

⁷ Docket Nos. UE-072300 and UG-072301 (consolidated), Partial Settlement ¶33.

⁸ Docket No. UG-090705, Exhibit No. JKP-1T, p. 9:18 – 10:5.

⁹ Id. p. 10:9-14.

V. BASIC CHARGE INCREASES

Q. Before addressing changes in basic charges, was there support for Avista’s proposed increases in variable demand charges and changes to the Company’s Street and Area Light Schedules?

A. Yes, Staff witness Mr. Ball provided testimony that supported Avista’s proposed increases in demand charges, as well as Avista’s proposal to discontinue offering high pressure sodium lights in Schedules 42 (Street Lighting) and 47 (Area Lighting). The other parties in this case were silent on these matters.

Q. Please summarize the proposed basic charge increases Avista requested in its original filing?

A. Table No. 7 below summarized the proposed changes in the basic charges in this case:

Table No. 7: Present and Proposed Basic Charges

Electric Service	Current Rate	Company Proposed
Residential (Schedules 1/2)	\$8.50	\$9.50
General (Schedules 11/12)	\$18.00	\$20.00
Pumping (Schedules 31/32)	\$18.00	\$20.00
Natural Gas Service	Current Rate	Company Proposed
General Service (Schedules 101/102)	\$9.00	\$9.50
Transportation Service (Schedule 146)	\$525.00	\$550.00

Q. With the exception of Staff, did any party oppose Avista’s proposed increases in basic charges?

A. No other party filed testimony related to the proposed increases in basic charges.

1 **Q. Mr. Ball relies on a 2010 PacifiCorp general rate case Commission order as**
2 **support for his position that the basic charges in this case should remain unchanged. Are**
3 **the circumstances in that case similar to this case?**

4 A. No, the circumstances are quite different. As it relates to the residential electric
5 basic charge in the PacifiCorp case, they proposed to increase the basic charge from \$6 per
6 month to \$9 per month, a 50% increase. In this case, Avista proposed to increase the residential
7 electric basic charge by only \$1 per month (and only \$0.50 per month for natural gas).

8 **Q. Does the fact that that Avista now has electric and natural gas decoupling**
9 **change the Company's view of the appropriate level of the basic charge?**

10 A. No, it does not. Decoupling is an important mechanism which allows the
11 Company to recover, on a per customer basis, the fixed costs of providing service to customers
12 which are not otherwise recovered in the basic charge. Decoupling, however, does not fix the
13 problem of intra-schedule cross subsidization. As long as a portion of the Company's fixed
14 costs are recovered in volumetric rates, ultimately some customers in a rate schedule are being
15 subsidized by other customers. The Company believes that progress needs to be made in
16 reducing the amount of intra-schedule subsidization, and the relatively modest increases in
17 monthly basic charges helps to do just that.

18 **Q. Mr. Ball suggests that there should be a two-part test that should be met if**
19 **basic charges are to increase. Does Avista agree that such a test is necessary or**
20 **appropriate?**

21 A. No. Avista believes that the level of basic charge should be fair, just, reasonable
22 and sufficient. As shown in Company witness Ms. Knox's Exhibit No. ____ (TLK-3), p. 3, the
23 present level of customer-related costs at present rates is \$15.94 per month, and the level of

1 customer-related costs at proposed rates is \$16.93 per month. Company witness Mr. Miller for
2 natural gas provides similar results in his Exhibit No. ____ (JDM-3). The present customer-
3 related cost per month is \$27.94, and at proposed rates is \$29.08. Both studies demonstrate an
4 increase in customer-related costs, and support an increase to the basic charges.

5

6 **VI. DEMAND SIDE MANAGEMENT FUNDING FOR SCHEDULE 25**

7 **Q. What did ICNU proposed related to demand side management (“DSM”)**
8 **funding for customers served on Schedule 25?**

9 A. ICNU witness Mr. Stephens presented three alternatives related to Schedule 25
10 DSM funding:

- 11 1. DSM Opt-Out
- 12 2. Self-Direct Option
- 13 3. Reduction in DSM Funding

14

15 **Q. For the first alternative, does Avista agree that customers should be able to**
16 **opt-out of the Company’s DSM funding and programs?**

17 A. No, customers should not have an opt-out option. Every customer benefits from
18 the Company’s DSM programs through an avoidance of increased generation costs over time,
19 among other benefits. These system benefits accrue to all customers, and therefore all
20 customers should pay. If a customer could opt out, the system benefits of the Company’s DSM
21 programs (i.e., lower generation costs due to load reduction) would still accrue to the customer
22 even though the customer did not pay.

23 **Q. For the second alternative, does Avista agree that a Self-Direct option could**
24 **be of value to the Company’s largest customers?**

25 A. Yes, Avista does agree that a Self-Direct option could provide value to Avista

1 and to our large customers. As such, Avista is willing to introduce a conceptual Self-Direct
2 program to its DSM Advisory Group in the first-half of 2017 for their consideration. The DSM
3 Advisory Group would take up further in-depth investigation of potential program options, with
4 the intention that Avista would file with the Commission a proposal or status update on or
5 before January 15, 2018.

6 **Q. Please address ICNU's third alternative, the reduction in DSM funding for**
7 **Schedule 25.**

8 A. ICNU proposes that the funding for DSM from Schedule 25 would only occur
9 in the first two energy blocks, and that the third energy block (all use above 6 million kWhs per
10 month) would not provide funding. Approximately 4.7% or \$0.7 million of the total electric
11 DSM funding comes from the third energy block of Schedule 25. ICNU proposes that the \$0.7
12 million be re-spread to all of the other service schedules, including blocks 1 and 2 of Schedule
13 25.

14 **Q. Does Avista agree with ICNU's proposal?**

15 A. No, Avista does not agree that the usage in the third block of Schedule 25 be
16 fully exempt from funding DSM programs. As I discussed earlier in my testimony, every
17 customer benefits from the Company's DSM programs. Even if a customer chose not to
18 participate directly in those programs (i.e., install an energy efficiency measure and receive a
19 rebate), the indirect benefits do accrue to all customers.

20 That being said, we recognize that only one customer is served in the third energy block
21 of Schedule 25, and the one customer provides a significant amount of funding for the DSM
22 program. As such, changes in the level of funding for the third block of Schedule 25 could also
23 be found to be within the bounds of reasonableness. One such modification which would keep

1 all usage in Schedule 25 funding DSM, but to reduce the level of funding for the third block.
2 One reasonable option would be for the third energy block to pay one-half of the present DSM
3 rate, with the shortfall spread to all other schedules including blocks 1 and 2 of Schedule 25.
4 The effect of this option would be a shift of \$0.35 million from the third energy block of
5 Schedule 25.

6

7

VII. NATURAL GAS TRANSPORTATION SERVICE

8 **Q. NWIGU witness Mr. Collins testifies that Avista should create a new rate**
9 **schedule giving “smaller commercial and industrial customers the ability to transport**
10 **natural gas”.¹⁰ Did Mr. Collins provide any testimony on how such a schedule should be**
11 **established?**

12 A. No, Mr. Collins did not provide testimony on how such a schedule should be
13 established, other than providing guidance that the schedule should be applicable to
14 “commercial” and “industrial” customers, and that there should be no minimum usage
15 requirement. As such it is not possible for Avista to use NWIGU’s testimony for purposes of
16 developing a new transportation service schedule for smaller customers in this proceeding.

17 **Q. What schedules are “commercial” and “industrial” customers presently**
18 **served under?**

19 A. Commercial and industrial customers are served under every natural gas rate
20 schedule. The Company’s rate schedules have been constructed, over time, based on the usage
21 characteristics of our customers (i.e., how much they use monthly or annually) and not based
22 on the class or type of customer. Therefore, an “industrial” customer could take service under

¹⁰ Exh. No. BCC-1T p. 27:13 – p. 28:19

1 every rate schedule, including Schedules 101/102, which is the same rate schedule most
2 residential customers take service under. That is because Avista has small, medium, and large
3 “industrial” customers, and those customers are placed on the rate schedule that is most
4 advantageous for them from a rates perspective. In theory Avista can have an “industrial”
5 Schedule 101 customer who could only use 50 therms a month. Under NWIGU’s proposal that
6 customer could choose to become a transportation customer.

7 **Q. Did Mr. Collins provide analysis, support or other evidence showing that**
8 **natural gas marketers would be interested in serving any sized commercial or industrial**
9 **customer?**

10 A. No he did not.

11 **Q. Would making transportation service available to all commercial and**
12 **industrial customers cause issues for Avista?**

13 A. Yes, it would. Presently customers who use 250,000 therms per year qualify for
14 transportation service under Schedule 146. If a customer chooses to move from or move to
15 Schedule 146, there are implications as it relates to Avista’s natural gas cost deferral accounts.
16 Presently Avista accounts for the difference between the commodity/transportation cost of
17 natural gas actually paid by the Company and the commodity/transportation cost of natural gas
18 included in rates (i.e. set forth in the Company’s annual Purchased Gas Cost Adjustment
19 (“PGA”) Schedule 150). That difference is rebated or surcharged to all applicable customers
20 through Schedule 155 in Avista’s annual PGA.

21 In order to minimize any potential gaming by large use customers (i.e., a large use
22 customer may want to switch to transportation service to avoid an increase in the PGA deferral
23 account, or switch to sales service in order to benefit from a PGA deferral rebate), Avista tracks

1 each one of the large use customers' deferral on a monthly basis, based on the customers actual
2 usage. Therefore, if a customer switches to transportation service, that customer will take their
3 share of the deferral balance with them, and either receive a credit or bill from Avista for their
4 balance.

5 If the Commission were to approve a tariff that would make transportation service
6 available to all commercial and industrial customers, Avista would be required to track each
7 applicable customer's usage and deferrals, on a monthly basis. This level of customer
8 accounting would be burdensome and necessitate increased labor and programming costs.

9 **Q. In summary, should a new transportation service schedule be established**
10 **in this proceeding?**

11 A. No. NWIGU did not provide an illustrative example or exhibit providing the
12 necessary details on how such a schedule would work. Further, NWIGU's non-specific
13 proposal would increase costs to the utility and its customers. Mr. Collins' proposal is not ripe
14 for a Commission determination in this proceeding.

15

16 **VIII. LOW INCOME RATE ASSISTANCE PROGRAM**

17 **Q. What is the Company's response to Staff witness Ms. Liu's testimony**
18 **related to Avista's Low Income Rate Assistance Program ("LIRAP")?**

19 A. Ms. Liu provides an overview and update on LIRAP in her testimony. Avista
20 supports her recommendation at p. 11 of Exhibit No. ____ (JL-1T) that there should be no changes
21 to LIRAP in this proceeding given the new five-year funding plan that went into effect in
22 January 2016, as well as the work the LIRAP Advisory Group is doing related to new program
23 proposals.

1 **Q. Does this conclude your rebuttal testimony?**

2 A. Yes it does.