

BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES,

Respondent.

DOCKETS UE-140188 & UG-140189

DIRECT TESTIMONY OF GLENN A. WATKINS (GAW-1T)

ON BEHALF OF

PUBLIC COUNSEL

JULY 22, 2014

1 rejected any increase to PacifiCorp's Residential customer charge. In that case, the
2 Commission observed the current difficult economic times confronted by ratepayers
3 and that "many customers will view any basic charge increase as an additional
4 increase above and beyond the rates approved in this Order."⁵ Furthermore, the
5 Commission opined that lower energy charges (as a result of increasing customer
6 charge rates and revenue) could result in reduced deployment of energy efficiency.
7 Finally, the Commission concluded that "not recovering some of the 'basic' costs
8 through the basic charge does not mean those costs will not be recovered; rather,
9 those costs will just be recovered through the variable charges."⁶

10 In addition, it is my understanding that this Commission has instituted a policy
11 to endorse and support revenue decoupling. Indeed, Avista is proposing decoupling
12 mechanisms in this case. It is often claimed that one of the primary reasons for the
13 need to have fixed monthly customer charges, or in support of higher such charges, is
14 to promote revenue stability. Clearly, the Company's revenue decoupling
15 mechanisms will ensure revenue stability, thereby, reducing its business risk. As
16 such, with decoupling in place, any argument supporting the need for higher customer
17 charges due to a desire for more revenue stability is moot.

18 **Q: What is Public Counsel's position on Avista's proposed decoupling mechanism?**

19 A: Public Counsel witness, Stephen Hill addresses the proposed decoupling mechanism
20 in this case. It is my understanding that Public Counsel does not oppose Avista's
21 proposed mechanism, but recommends that if the mechanism is approved an attendant

⁵ *WUTC v PacifiCorp*, Docket UE-100749, Order 06 at ¶ 333 (March 25, 2011).

⁶ *Id.*

1 ROE reduction of 25 basis points should be made to reflect the reduced risk
2 associated with the decoupling.

3 **Q: Based on your overall experience, as well as the studies and analyses you**
4 **conducted for this case, what is your recommendation regarding the appropriate**
5 **customer charges for Avista's Residential electric and natural gas rate**
6 **schedules?**

7 A: Considering all factors, I recommend no increase to the current Residential electric
8 customer charge of \$8.00 per month and a Residential natural gas customer charge of
9 no more than \$9.00 per month. Although my recommended Residential customer
10 charge for natural gas is lower than that produced from the direct customer cost
11 analysis, I have also considered gradualism and the impact on small customers in
12 limiting this increase.

13 **Q: Does this complete your testimony?**

14 A: Yes.