

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-150204

DOCKET NO. UG-150205

REBUTTAL TESTIMONY OF

PATRICK D. EHRBAR

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

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 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. My testimony will cover the spread of the proposed annual electric base rate increase on rebuttal of \$3,639,000, or 0.7%, among the Company's electric general service schedules. I will also provide the total change in billed revenue incorporating the expiration of the current Energy Recovery Mechanism rebate, the proposed increase in funding for the Company's Low Income Rate Assistance Program ("LIRAP"), and the estimated revenue reduction of \$10,000,000 related to the November 2015 Power Supply Update.

With regard to natural gas service, I will describe the spread of the proposed annual base revenue increase on rebuttal of \$10,009,000, or 5.9%, among the Company's natural gas service schedules, as well as the increase in billed revenue after incorporating the proposed increase in funding for LIRAP.

My testimony will also provide the Company's response to Staff and Public Counsel/The Energy Project's funding proposals related to LIRAP. I will present an alternative proposal that provides an increase in funding that is in line with Staff's proposal,

1 but which is applied separately to electric and natural gas service for ease of administration.

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

3 A. Yes. I am sponsoring Exhibit No. ____ (PDE-9) related to the proposed electric
4 increase, and Exhibit No. ____ (PDE-10) related to the proposed natural gas increase. These
5 exhibits were prepared under my supervision.

6

7

PROPOSED ELECTRIC REVENUE INCREASE

8 **Q. How has the Company spread the total electric general revenue increase**
9 **request of \$3,639,000, or 0.7%, among its various rate schedules?**

10 A. The Company spread the overall requested electric revenue increase consistent
11 with the provisions of the Multiparty Settlement Stipulation filed with the Commission on
12 May 1, 2015. The Parties to that settlement agreed “to apply an equal percentage of revenue
13 increase for purposes of spreading the revised electric revenue requirement”.¹ As a result, the
14 \$3,639,000 increase in base rates for all rate schedules is 0.7%, the same as the overall
15 increase in base rates. Table No. 1 below shows the revenue spread by rate schedule:

¹ Multiparty Settlement Stipulation, ¶ 6a.

Table 1 - Proposed % Electric Increase by Schedule

<u>Rate Schedule</u>	<u>Increase in Base Rates</u>
Residential Schedule 1	0.7%
General Service Schedules 11/12	0.7%
Large General Service Schedules 21/22	0.7%
Extra Large General Service Schedule 25	0.7%
Pumping Service Schedules 31/32	0.7%
Street & Area Lights Schedules 41-48	<u>0.7%</u>
Overall	<u>0.7%</u>

This is shown on Page 1 of Exhibit No. ____ (PDE-9).

Q. What other rate changes are shown on Page 1 of Exhibit No. ____ (PDE-9)?

A. There are three additional rate changes shown on Page 1 of Exhibit No. ____ (PDE-9). In addition to the base rate increase of \$3,639,000, Page 1 of Exhibit No. ____ (PDE-9) shows the estimated November 2015 Power Supply Update revenue reduction of \$10,000,000. As a condition of the Multiparty Settlement Stipulation filed in this general rate case, the “Parties agree that Avista shall file with the Commission an updated Power Supply adjustment two months before new electric retail rates from this electric Docket go into effect”.² Avista’s current estimate of what the Power Supply Update will be is a decrease of \$10,000,000 as discussed by Company witness Mr. Norwood.

Also shown on Page 1 of Exhibit No. ____ (PDE-9) is the effect of the expiration of the Energy Recovery Mechanism rebate that customers are receiving in 2015. As a part of the Settlement Stipulation approved by the Commission in Docket Nos. UE-140188 and UG-140189, Avista is presently rebating to customers approximately \$8.2 million in 2015. That rebate will expire on December 31, 2015.

Finally, Page 1 of Exhibit No. ____ (PDE-9) shows the increase in electric LIRAP

² Multiparty Settlement Stipulation, ¶ 5a.

1 funding of \$320,000 that will be discussed later in my testimony. The net effect of the base
 2 rate increase, the November 2015 Power Supply Update, the ERM rebate expiration, and
 3 increase in LIRAP funding, is an overall increase in billed revenue of \$2,187,000, or 0.4%.
 4 Table No. 2 below shows the revenue spread by rate schedule:

5 **Table No. 2 – Proposed % Electric Increase by Schedule Including All Rate Changes**

<u>Rate Schedule</u>	<u>Estimated Increase in Base Rates</u>	<u>Decrease in Power Supply</u>	<u>Expiration of the Existing ERM credit</u>	<u>LIRAP Increase</u>	<u>Total Increase in Billing Rates</u>
Residential Schedule 1	0.7%	-2.0%	1.7%	0.1%	0.5%
General Service Schedules 11/12	0.7%	-2.0%	1.6%	0.1%	0.4%
Large General Service Schedules 21/22	0.7%	-2.0%	1.6%	0.1%	0.4%
Extra Large General Service Schedule 25	0.7%	-2.0%	1.7%	0.0%	0.4%
Pumping Service Schedules 31/32	0.7%	-2.0%	1.7%	0.1%	0.5%
Street & Area Lights Schedules 41-48	<u>0.7%</u>	<u>-2.0%</u>	<u>1.6%</u>	<u>0.1%</u>	<u>0.4%</u>
Overall	<u>0.7%</u>	<u>-2.0%</u>	<u>1.7%</u>	<u>0.1%</u>	<u>0.4%</u>

11
 12 **Q. Has the Company provided what the rates would be, by rate schedule,**
 13 **incorporating the effects of the revenue changes noted above?**

14 A. Yes. Page 2 of Exhibit No. ____ (PDE-9) provides the revised base and billing
 15 rates, by rate schedule, incorporating the billed revenue increase of \$2,187,000 and the rate
 16 design that the Parties to the Multiparty Settlement Stipulation agreed to, such as keeping the
 17 Basic Charge for Schedule 1 at \$8.50 per month.

18 **Q. What rate effective date is the Company is proposing?**

19 A. In order to minimize the number of bill changes for customers, the Company
 20 requests that the base rate increase, inclusive of the Power Supply Update, as well as the
 21 increase in LIRAP funding, occur on January 1, 2016 in order to match the expiration of the
 22 current ERM rebate.

PROPOSED NATURAL GAS REVENUE INCREASE

Q. How has the Company spread the total natural gas general base revenue increase request of \$10,009,000, or 5.9% among its various rate schedules?

A. The Company spread the overall requested natural gas base revenue increase consistent with the provisions of the Multiparty Settlement Stipulation filed with the Commission on May 1, 2015. The Parties to that settlement agreed to “apply an equal percentage of margin increase for purposes of spreading the increase in the retail natural gas non-gas revenue requirement”.³ This is shown on Page 1 of Exhibit No. ____ (PDE-10).

Q. What other rate changes are shown on Page 1 of Exhibit No. ____ (PDE-10)?

A. In addition to the base rate increase of \$10,009,000, Page 1 of Exhibit No. ____ (PDE-10) shows the proposed increase in natural gas LIRAP funding of approximately \$311,000 that will be discussed later in my testimony. The net effect of the base rate increase and increase in LIRAP funding, is an overall increase in billed revenue of \$10,320,000, or 5.9%. Table No. 3 below shows the revenue spread by rate schedule:

Table No. 3 – Proposed % Natural Gas Increase by Schedule

<u>Rate Schedule</u>	<u>Increase in Base Rates</u>	<u>Increase in Billed Rates</u>	<u>LIRAP Increase</u>	<u>Increase in Billing Rates</u>
General Service Schedule 101	6.3%	6.2%	0.2%	6.4%
Large General Service Schedules 111/112	4.5%	4.4%	0.2%	4.6%
Ex. Lg. General Service Schedules 121/122	3.8%	3.6%	0.2%	3.8%
Interrupt. Sales Service Schedules 131/132	3.6%	3.5%	0.2%	3.7%
Transportation Service Schedule 146	<u>13.1%</u>	<u>13.0%</u>	<u>0.1%</u>	<u>13.1%</u>
Overall	<u>5.9%</u>	<u>5.7%</u>	<u>0.2%</u>	<u>5.9%</u>

³ Multiparty Settlement Stipulation, ¶ 7a.

1 **Q. Has the Company provided what the rates would be, by rate schedule,**
2 **incorporating the effects of the revenue changes noted above?**

3 A. Yes. Page 2 of Exhibit No. ____ (PDE-10) provides the revised base and billing
4 rates, by rate schedule, incorporating the billed revenue increase of \$10,320,000 and the rate
5 design that the Parties to the Multiparty Settlement Stipulation agreed to, such as keeping the
6 Basic Charge for Schedule 101 at \$9.00 per month.

7 **Q. What rate effective date is the Company is proposing?**

8 A. The Company is also requesting a January 1, 2016 effective date to match the
9 change in electric rates.

10

11 **LOW INCOME RATE ASSISTANCE PROGRAM FUNDING PLAN**

12 **Q. Please summarize the funding proposals related to the Company's Low**
13 **Income Rate Assistance Program ("LIRAP") proposed by the Parties in this case?**

14 A. There were two funding plans related to LIRAP proposed by the Parties. The
15 first plan, proposed by Staff witness Ms. Williams, proposed a five-year LIRAP funding plan
16 that would increase the LIRAP funding by \$475,000 per year, with the provision that if Avista
17 files a general rate case within the five-year period, the LIRAP revenue requirement would
18 increase by twice the percentage of the final residential revenue requirement increase, or
19 \$475,000, whichever is greater.

20 The second LIRAP funding plan, through the joint testimony of Ms. Johnson on
21 behalf of Public Counsel and Mr. Collins on behalf of The Energy Project ("PC/EP"),
22 proposed that the Commission approve a five-year LIRAP plan that would annually increase
23 LIRAP funding over the prior year's budget by an amount equal to twice the percentage

1 increase of the final residential bill impact to customers resulting from a general rate case, or
2 10 percent, whichever is greater.

3 **Q. Did the Company propose an increase in LIRAP funding as a part of its**
4 **direct case?**

5 A. No. The Company did not propose additional funding to LIRAP as a part of its
6 direct case because, at the time of the Company's filing, the workshops related to potential
7 modifications and additions to LIRAP resulting from the 2014 general rate case had just
8 commenced. It was the Company's view that LIRAP funding would be addressed in those
9 workshops and then ultimately filed with the Commission.

10 **Q. Was LIRAP funding addressed as a part of the final Commission-**
11 **approved modifications and additions?**

12 A. Yes, in part. Effective October 1, 2015, LIRAP funding will increase by
13 \$350,000 in order to fund the LIRAP Senior/Disabled Rate Discount Pilot. However, the
14 overall funding level for LIRAP was not addressed as the Parties believed that it was better
15 addressed in this general rate case.⁴

16 **Q. What is the present level of LIRAP funding?**

17 A. The present level of LIRAP funding, including the \$350,000 increase that will
18 occur on October 1, 2015, is \$7,048,065. Of that amount, \$4,572,134 is collected from
19 electric customers, and \$2,475,931 is collected from natural gas customers.

20 **Q. What is the Company's proposal related to LIRAP funding, given the**
21 **proposals of the Parties?**

⁴ Docket UE-140188 et. al., In the Matter of the Joint Petition of Avista Corporation, Commission Staff, Public Counsel, Energy Project, NWIGU and ICNU Request Modification and a Proposed Addition to the Company's Low-Income Rate Assistance Program, ¶. 16.

1 A. The Company recommends that the Commission approve a five-year LIRAP
2 funding plan that increases Schedule 92 electric LIRAP funding⁵ each year by two times the
3 final approved base rate increase for Schedule 1 customers, or 7.0 percent, whichever is
4 greater. For natural gas, the Company recommends the LIRAP funding for Schedule 192⁶
5 increase each year by two times the final approved base rate increase for Schedule 101
6 customers, or 7.0 percent, whichever is greater.⁷

7 For 2016, the LIRAP increases would become effective at the time new rates from this
8 general rate case become effective; proposed to be January 1, 2016. The Company proposes
9 that the next four subsequent increases would be filed by August 15th to become effective
10 October 1st, beginning October 1, 2016, in order to match up the increased level of funding
11 with the LIRAP program year. Any additional LIRAP funding increases necessary to achieve
12 two-times the base rate increase would be become effective with the corresponding base rate
13 increase.

14 **Q. What would be the increase in funding effective January 1, 2016 if the**
15 **Commission approved the Company's funding plan?**

16 A. Table No. 4 below shows the level of funding, by fuel, effective January 1,
17 2016 under the Company's proposal. For electric service, the overall increase in LIRAP
18 funding would be 7%, or \$320,049.⁸ For natural gas service, because the proposed base rate

⁵ Schedule 92, Low Income Rate Assistance Rate Adjustment - Electric

⁶ Schedule 192, Low Income Rate Assistance Rate Adjustment – Natural Gas

⁷ Base rates, for purposes of LIRAP funding, include the final approved base tariff rates as well as the then-current Schedule 150 (Purchase Gas Adjustment) rates.

⁸ In order for the increase in electric LIRAP funding to be above the minimum 7.0% threshold, the base rate increase for Schedule 1 would need to be 3.5% or greater. As shown in Table No. 2, the base rate increase before the Power Supply Update is 0.7%. Including the estimated Power Supply Update, which is a base rate change, the net base rate effect for Schedule 1 would be a rate reduction.

1 increase for Schedule 101 is 6.3% as shown earlier in Table No. 3, the increase in natural gas
2 funding is 12.6%, or \$311,400, effective January 1, 2016 under the Company's proposal.

3 **Table No. 4 – Avista's Proposed LIRAP Funding Plan – January 1, 2016**

	Present		Funding
	<u>LIRAP Funding</u>	<u>Increase</u>	<u>January 1, 2016</u>
4 Electric	\$4,572,134	\$320,049	\$4,892,183
5 Natural Gas	<u>\$2,475,931</u>	<u>\$311,400</u>	<u>\$2,787,331</u>
6 Total	<u>\$7,048,065</u>	<u>\$631,449</u>	<u>\$7,679,514</u>

7
8 Table No. 5 below shows the proposed funding for the five-year funding plan,
9 assuming that the annual increase for Years 2 through 5 is 7% (i.e., it does not include any
10 estimates for increases resulting from the two-times base rate increase for Schedule 1 or 101):

11 **Table No. 5 – Avista's Proposed LIRAP Funding Plan – All Years**

	Year 1	Year 2	Year 3	Year 4	Year 5
	<u>January 1, 2016</u>	<u>October 1, 2016</u>	<u>October 1, 2017</u>	<u>October 1, 2018</u>	<u>October 1, 2019</u>
12 Electric	\$4,892,183	\$5,234,636	\$5,601,060	\$5,993,135	\$6,412,654
13 Natural Gas	<u>\$2,787,331</u>	<u>\$2,982,444</u>	<u>\$3,191,215</u>	<u>\$3,414,600</u>	<u>\$3,653,622</u>
14 Total	<u>\$7,679,514</u>	<u>\$8,217,080</u>	<u>\$8,792,276</u>	<u>\$9,407,735</u>	<u>\$10,066,276</u>

15
16 **Q. Why did the Company choose 7% as the proposed annual increase?**

17 A. The Company compared Staff's proposed increase of \$475,000 to the total
18 level of present funding of \$7,048,065. That ratio is approximately 6.7 percent. The
19 Company simply rounded that to the nearest whole increment, 7.0%.

20 **Q. Why does the Company believe its proposed LIRAP funding proposal is**
21 **preferable?**

22 A. The Company believes that its proposed funding plan balances both the need to
23 provide LIRAP grants to a greater number of customers while at the same time keeping the

1 overall increase at a reasonable level of 7.0% annually, similar to Staff's proposal. The
2 Company's proposal also specifies how the proposed increases in LIRAP funding would be
3 recovered for each service, rather than at the total program level.

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

5 A. Yes it does.