Exh. JDM-1T

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-22_____

DOCKET NO. UG-22_____

DIRECT 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. Would you briefly describe your educational background and professional experience?

A. Yes. I am a 1999 graduate of Portland State University with a Bachelor's degree in Business Administration, majoring in Accounting. In 2005, I graduated from Gonzaga University with a Master's degree in Business Administration. I joined the Company in March 2008, after spending eight years in both the public and private accounting sector. I started with Avista as a Natural Gas Accounting Analyst in the Company's Resource Accounting Department. In January 2009, I joined the State and Federal Regulation Department as a Regulatory Analyst. My primary responsibilities included coordinating discovery for the Company's general rate case filings, natural gas cost of service, rate spread and rate design modeling, as well as miscellaneous regulatory issues. In my current role as Senior Manager of Rates and Tariffs, I am responsible for the Company's electric and natural gas rate design, customer usage and revenue analysis, and tariff administration, among other things.

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

A. My testimony will cover the spread of the proposed December 2022 (Rate Year 1) and December 2023 (Rate Year 2) increases for both electric and natural gas. For Rate Year 1, the annual electric <u>base</u> revenue increase is $52,852,000, or 9.6%, among the Company's electric general service schedules. On a total <u>billed</u> revenue basis, after incorporating the proposed Residual Tax Customer Credit Schedule 78 offset, the Company is proposing an increase to billed rates of 7.4%. For Rate Year 2, the annual electric <u>base</u> revenue increase is $17,133,000, or 2.8%, among the Company's electric general service schedules.

With regard to natural gas service, the Rate Year 1 proposed annual <u>base</u> revenue increase is $10,922,000, or 9.5%, among the Company's natural gas service schedules. On a total <u>billed</u> revenue basis, after incorporating the proposed Residual Tax Customer Credit Schedule 178 offset, the billing rate impact is 2.5%. For Rate Year 2, the annual natural gas <u>base</u> revenue increase is $2,172,000, or 1.7% (on a total <u>billed</u> basis, the revenue increase is 1.1%).

My testimony will also describe the changes to the rates within the Company's electric and natural gas service schedules, and the proposed rate spread, rate design, and implementation of the new Residual Tax Customer Credit Rate Schedules 78 and 178. Further, my testimony will discuss the proposed modification to the annual effective date of the Renewable Energy Credit Revenue Tariff Schedule 98 from July 1 to August 1. Lastly, my testimony will provide a status update on the Pricing Pilots approved as part of the Settlement Stipulation in the Company's prior general rate case proceeding.

Q. Would you please provide an overview of the Company's electric and natural gas rate requests?

A. Yes. As discussed by Company witness Mr. Vermillion, the Company is proposing a Two-Year Rate Plan for years 2022 and 2023, with proposed rate changes effective in December of each year.[1] Accordingly, the Company has filed two sets of tariffs for each of the electric and natural gas service schedules. The first tariff for each rate schedule provides for an effective date of February 21, 2022; however, in the Company's filing in this case, Avista expects that the tariffs related to the 2022 rate request will be suspended with an effective date of December 21, 2022 (eleven months after the date the Company files this case). The second set of tariffs filed for each of the electric and natural gas service schedules have an effective date of December 21, 2023, consistent with the Company's second-step rate change proposal.

Provided below in Table Nos. 1 & 2 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 new electric and natural gas rate credits discussed later in my testimony):

Table No. 1 – Rate Year 1 & Rate Year 2 Electric Billing Change by Schedule

Rate Schedule	Rate Year 1 Billing Change	Rate Year 2 Billing Change
Residential Schedules 1/2	7.9%	3.1%
General Service Schedules 11/12	7.0%	2.8%
Large General Service Schedules 21/22	6.9%	2.8%
Extra Large General Service Schedule 25	7.6%	3.0%
Extra Large Special Contract	7.6%	3.0%
Pumping Service Schedules 31/32	7.0%	2.8%
Street & Area Lights Schedules 41-48	7.1%	2.8%
Overall	**7.4%**	**3.0%**

[1] Because the rates would change in December of each year and be in effect largely through the ensuing calendar year, for ease of reference the Company has generally referred to Rate Year 1 as the "2023" rate year and Rate Year 2 as the "2024" rate year.

Table No. 2 – Rate Year 1 & Rate Year 2 Natural Gas Billing Change by Schedule

Rate Schedule	Increase in Margin Rates	Increase in Billing Rates
General Service Schedules 101/102	1.7%	1.2%
Large General Service Schedules 111/112/116	1.7%	0.9%
Interrupt. Sales Service Schedules 131/132	1.7%	0.8%
Transportation Service Schedule 146	1.7%	1.9%
Overall	**1.7%**	**1.1%**

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

A. Yes. I am sponsoring Exh. JDM-2, Exh. JDM-3, and Exh. JDM-4 related to the proposed electric increases, and Exh. JDM-5, Exh. JDM-6, and Exh. JDM-7 related to the proposed natural gas increases. These exhibits were prepared by me or under my supervision. A table of contents for my testimony is as follows:

II. PROPOSED ELECTRIC REVENUE CHANGES

Summary of Electric Rate Schedules and Tariffs

Q. Would you please explain what is contained in Exh. JDM-2?

A. Yes. Exh. JDM-2 contains a copy of the Company's present electric tariffs/service schedules presently on file with the Commission.

Q. Would you please describe what is contained in **Exh. JDM-3**?

A. Yes. Exh. JDM-3 contains the proposed electric tariff sheets for Rate Year 1 and Rate Year 2 incorporating the proposed changes included in this filing.

Q. Please describe what is contained in Exh. JDM-4.

A. Exh. JDM-4 contains information regarding the proposed spread of the electric revenue increase among the service schedules and the proposed changes to the rates within the schedules. Page 1 shows the Rate Year 1 and Rate Year 2 proposed general revenue and percentage increase by rate schedule compared to the present revenue under base tariff and billing rates. Page 2 shows the return and parity ratios for each of the schedules before and after application of the proposed Rate Year 1 general increase. Page 3 and 4 shows the present rates under each of the rate schedules, the proposed changes to the rates within the schedules, and the proposed rates after application of the Rate Year 1 and Rate Year 2 rate changes. Page 5 shows the proposed rates for Schedule 78 discussed later in my testimony. These pages will be referred to later in my testimony.

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

A. Yes. The Company presently provides electric service under Residential Service Schedules 1 and 2, General Service Schedules 11 and 12, Optional Commercial Electric Vehicle

General Service Schedule 13, Large General Service Schedules 21 and 22, Optional Commercial Electric Vehicle Large General Service Schedule 23, Extra Large General Service Schedule 25, and Pumping Service Schedules 31 and 32. Additionally, the Company provides Street Lighting Service under Schedules 41-46, and Area Lighting Service under Schedules 47-48 and a single large customer Special Contract designated as 25I.[2] The Company also has a Schedule 2 which exists for the purpose of administering the Company's "Fixed-Income Senior & Disabled Residential Service" rate discount program. The rates for this schedule are identical to the rates for Schedule 1, except for the rate discount. Schedules 12, 22, 32, and 48 exist for residential and farm service customers who qualify for the Residential Exchange Program operated by the Bonneville Power Administration. The rates for these schedules are identical to the rates for Schedules 11, 21, 31, and 47, respectively, except for the Residential Exchange rate credit.

Table No. 3 below shows the type and number of customers served in Washington (as of September 2021) under each of the service schedules:

Table No. 3 – Electric Customers by Service Schedule

Rate Schedule	No. of Customers
Residential Schedules 1/2	224,617
General Service Schedules 11/12	33,872
Large General Service Schedules 21/22	1,776
Extra Large General Service Schedule 25	22
Pumping Service Schedules 31/32	2,513
Street & Area Light Schedules 41-48	524

[2] This schedule is with reference to the Special Contract entered into with Inland Empire Paper (IEP), which was approved by the Commission in the Company's prior rate case.

Proposed Electric Rate Spread

Q. For Rate Year 1, what is the proposed electric revenue increase, and how is the Company proposing to spread the increase by rate schedule?

A. For Rate Year 1, the proposed electric increase is $52,852,000 or 9.6% over present base tariff rates in effect. The proposed general increase over present billing rates, after including the proposed Residual Tax Customer Credit offset (Schedule 78) discussed later in my testimony and including all other rate adjustments (such as DSM and Residential Exchange), is 7.4%. The proposed percentage increase by rate schedule is as follows:

Table No. 4 – Proposed % Electric Increase by Schedule – Rate Year 1

Rate Schedule	Increase in Base Rates	Increase in Billing Rates before Offset	Increase in Billing Rates with Offsets
Residential Schedules 1/2	9.6%	10.5%	7.9%
General Service Schedules 11/12	9.6%	9.2%	7.0%
Large General Service Schedules 21/22	9.6%	9.1%	6.9%
Extra Large General Service Schedule 25	9.6%	10.0%	7.5%
Extra Large Special Contract 25I	9.7%	10.0%	7.6%
Pumping Service Schedules 31/32	9.6%	9.2%	7.0%
Street & Area Lights Schedules 41-48	9.6%	9.3%	7.1%
Overall	**9.6%**	**9.8%**	**7.4%**

This information is shown with more detail on Page 1 of Exh. JDM-4.

Q. What rationale did the Company use to develop the proposed spread of the overall increase to the various rate schedules?

A. The Company believes that the results of the cost of service study (sponsored by Company witness Mr. Garbarino) could be used as a guide to spread the general increase. However, given the relative size of the proposed base revenue increase, Avista is proposing to spread the revenue increase on a uniform percent of revenue basis at the proposed levels.[3] This proposed rate spread makes modest movement for all rate schedules toward rate parity on a return ratio basis. Also, a uniform percent of revenue basis mirrors the rate spread proposal for the Residual Tax Customer Credit offset discussed later in my testimony, resulting in a reduced impact to customers billed rates.

Table No. 5 below shows the parity ratio (schedule revenue-to-cost ratio divided by the system's revenue-to-cost ratio) and return ratio (schedule rate of return divided by overall rate of return) before and after application of the Rate Year 1 base rate increase:

Table No. 5 - Present & Proposed Ratios (Electric)

	Present		**Proposed**	
Rate Schedule	Parity Ratio	Return Ratio	Parity Ratio	Return Ratio
Residential Schedules 1/2	0.84	0.38	0.84	0.52
General Service Schedules 11/12	1.22	1.81	1.22	1.62
Large General Service Schedules 21/22	1.25	1.93	1.25	1.72
Extra Large General Service Schedule 25	1.20	1.81	1.20	1.67
Special Contract	1.00	0.93	1.00	1.01
Pumping Service Schedules 31/32	1.06	1.23	1.06	1.16
Street & Area Lights Schedules	1.03	1.20	1.03	1.05
Overall	**1.00**	**1.00**	**1.00**	**1.00**

As one can see, the Company's proposal makes some movement toward unity for each Schedule's Return Ratio.

Q. If the Commission were to order a revenue requirement lower than the Company's request, how does the Company propose to spread the revenue increase?

[3] The rate spread for the Special Contract customer is defined within the approved contract approved in Order 08/05 in Dockets UE-200900, et. al. That contract states that the "total level of revenue requirement assigned to the Special Contract will be updated as a result of any base rate percentage changes approved for Schedule 25 by the WUTC that occur after Docket UE-200900. A Schedule 25 rate factor will be established equal to the Special Contract rate divided by Schedule 25's final base rate approved in UE-200900, where rates are expressed as rate year revenue divided by rate year MWh. The Special Contract rate change will be equal to the Schedule 25 rate factor times the Schedule 25 rate change".

A. If the Commission were to order a lower revenue requirement, the Company proposes to allocate the same increase as the Company's initial filing to Residential Service Schedules 1/2, given its overall parity and return ratios shown above. The Company also proposes that Pumping Service Schedules 31/32 and the Street and Area Light Schedules continue to receive an equal percentage of revenue increase. Any remaining revenue should then be applied equally to Schedules 11/12, Schedule 21/22, and Schedule 25 as those schedules are providing significantly more than their relative cost of service as discussed by Mr. Garbarino.

Q. For Rate Year 2, what is the proposed electric revenue increase, and how is the Company proposing to spread the increase by rate schedule?

A. For Rate Year 2, the proposed electric increase is $17,133,000, or 2.8% over base tariff rates. The proposed general increase over billing rates, including all other rate adjustments (such as DSM and Residential Exchange), is 3.0%. The Company proposes to allocate the Rate Year 2 rate spread in a consistent manner with the final approved rate spread for Rate Year 1 in this proceeding. Consistent with the Rate Year 1 rate spread proposal, the Company used a uniform percentage of revenue for purposes of spreading the proposed Rate Year 2 electric revenue increase to all electric rate schedules. The proposed percentage increase by rate schedule is as follows:

Table No. 6 – Proposed % Electric Increase by Schedule – Rate Year 2

Rate Schedule	**Increase in Base Rates**	**Increase in Billing Rates**
Residential Schedules 1/2	2.8%	3.1%
General Service Schedules 11/12	2.8%	2.8%
Large General Service Schedules 21/22	2.8%	2.8%
Extra Large General Service Schedule 25	2.8%	3.0%
Extra Large Special Contract 25I	2.9%	3.0%
Pumping Service Schedules 31/32	2.8%	2.8%
Street & Area Lights Schedules 41-48	2.8%	2.8%
Overall	**2.8%**	**3.0%**

This information is shown with more detail on Page 1 of Exh. JDM-4.

Proposed Rate Design

Q. Where in your exhibits do you show a comparison of the present and proposed rates within each of the Company's electric service schedules?

A. Page 3 (for Rate Year 1) and 4 (for Rate Year 2) of Exh. JDM-4 shows a comparison of the present and proposed rates within each of the schedules, which I will describe below. Column (a) shows the rate/billing components under each of the schedules, column (b) shows the base tariff rates within each of the schedules, column (c) shows the present rate adjustments applicable under each schedule, and column (d) shows the present billing rates. Column (e) shows the proposed general rate increase to the rate components within each of the schedules. Column (f) shows the proposed Tax Customer Credit. Finally, column (g) shows the proposed billing rates and column (h) shows the proposed base tariff rates.

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

A. No, it is not.

Q. Turning to Residential Service Schedules 1/2, would you please describe the present rate structure under these schedules?

A. Yes. Residential Schedules 1/2 have a present customer or basic charge of $9.00 per month and three energy rate blocks: 0-800 kWhs, 801-1,500 kWhs and over 1,500 kWhs. The present base tariff rate for the first 800 kWhs per month is 8.519 cents per kWh, 9.911 cents per kWh for the next 700 kWhs, and 11.621 cents for all kWhs over 1,500.

Q. How does the Company propose to spread the proposed <u>Rate Year 1</u> revenue increase of $24,316,000 to Schedules 1/2?

A. The Company is proposing to increase the basic charge by $2.00 per month, from $9.00 to $11.00 per month, and is proposing to apply an equal percentage increase to the three energy blocks.

Q. Why is the Company proposing to increase the monthly customer charge from $9.00 to $11.00 per month?

A. A significant portion of the Company's costs are fixed and do not vary with customer usage. These costs include, among other costs, distribution plant and operating costs to provide reliable service to customers. <u>Total customer allocated costs</u> for Schedule 1, as shown in Garbarino Exh. MJG-2, page 41, line 40, are <u>$24.15</u> per customer per month. As reflected in this filing, the fixed costs of operating and maintaining our electric system are increasing. Even with decoupling mechanisms, the Company believes it is important that rates better reflect these increasing costs to serve customers.

Q. When was the last time the Commission approved an increase to the monthly customer charge?

A. The last approved increase to the customers charge occurred in May of 2018 in Docket UE-170485 when the customer charge increased from $8.50 per month to $9.00 per month. By the time the proposed rates go into effect from the current general rate case it will have been approximately 4.5 years since the last time the customer charge was increased.

Q. How does the Company propose to spread Schedule 1/2's proposed <u>Rate Year 2</u> general revenue increase of $7,884,000 to the rates within that schedule?

A. The Company proposes to apply an equal percentage increase to the three energy blocks and leave the Basic Charge unchanged at $11.00 per month.

Q. What is the proposed <u>Rate Year 1</u> monthly bill change for a residential electric customer with average consumption?

A. After incorporating the base rate increase with the proposed Residual Tax Customer Credit offset, the proposed monthly bill change for a residential customer using an average of 932 kWhs per month is $6.52 per month, or a 7.9% change in their electric bill. The present bill for 932 kWhs is $82.56, and the proposed monthly bill would be $89.08, including the effects of the proposed $2.00 increase in the monthly basic charge.

Q. For <u>Rate Year 2</u>, what is the proposed increase for a residential electric customer with average consumption?

A. The proposed increase for a residential customer using an average of 932 kWhs per month is $2.80 per month, or a 3.1% increase in their electric bill, resulting in an overall bill of $91.88, including all rate adjustments.

Q. Turning to General Service Schedules 11/12, would you please describe the present rate structure and rates under these schedules?

A. Yes. The present rate structure under these schedules includes a monthly customer charge of $20.00, an energy rate of 11.936 cents per kWh for all usage up to 3,650 kWhs per month, and an energy rate of 8.771 cents per kWh for usage over 3,650 kWhs per month. There is also a demand charge of $7.00 per kW for all demand in excess of 20 kW per month. There is no charge for the first 20 kW of demand.

Q. How is the Company proposing to apply the proposed <u>Rate Year 1</u> general revenue increase of $7,830,000 to the rates under Schedules 11/12?

A. The Company is proposing that the customer charge be increased by $1.00, from $20.00 to $21.00 per month. In addition, the Company is proposing that the demand charge (over 20 kW) be increased $0.50 per kW, from $7.00 to $7.50. The remaining revenue increase for the schedules is proposed to be recovered through a uniform percentage increase applied to the two (block) energy rates. The increase in the first block rate is 1.226 cents per kWh, and 0.900 cents per kWh for the second block rate. Finally, the Company is proposing to increase the minimum charge for single phase service from $20.00 to $21.00 per month, and three phase service from $27.35 to $28.35 per month.

Q. Why is the Company proposing a $0.50 increase to the demand charge?

A. The system allocated demand cost from the cost of service study is $35.93 per kilowatt (kW) month. The Company's present monthly demand charge is $7.00/kW or kVA, which was set in Docket UE-190334. While the exact level of costs classified as demand-related can be debated, the proposed demand charges will continue to be <u>well below</u> demand-related costs.

In addition, the Company's transmission and distribution system is constructed to meet the collective peak demand of its customers. The Company must also have adequate resources available to meet peak demand. If customers reduce their peak demand, it will reduce the need for additional investment in these facilities and resources. Customers need to receive the proper price signal to encourage a reduction in their peak demand, i.e., higher demand charges.

Q. How is the Company proposing to apply Schedule 11/12's proposed <u>Rate Year 2</u> general revenue increase of $2,538,000 to the rates within those schedules?

A. The Company is proposing that the customer charge and variable demand charge remain unchanged. The revenue increase for those schedules is proposed to be recovered through a uniform percentage increase applied to the two energy blocks. The increase is 0.435 cents per kWh to the first energy block (the first 3,650 kWhs used per month), and a 0.320 cents per kWh to the second energy block.

Q. Turning to Optional Commercial Electric Vehicle Rate General Service Schedule 13, would you please describe the present rate structure and rates under this schedule?

A. Yes. The present "Time of Use" rate structure under this schedule includes a monthly customer charge of $20.00, an energy rate of 21.108 cents per kWh for all on-peak kWhs per month, and an energy rate of 8.588 cents for all off-peak kWhs per month. .

Q. How is the Company proposing to apply the proposed <u>Rate Year 1</u> general revenue increases to the rates under Schedule 13?

A. As discussed by Company witness Mr. Garbarino, Schedule's 13 and 23 were approved in Docket UE-210182 with an effective date of April 26, 2021. Given the limited number of customers that have taken service on these schedules since the new rate schedules were approved, the Company has included the associated billing determinants with Schedule's 11 and 21 for purposes of the revenue adjustment and cost of service. The Company anticipates having enough data in its next general rate case filing to separate these customers into their own rate class for cost of service analysis and will, at that time, make specific rate spread and rate design proposals. For this case, the Company is proposing to treat Schedule 13 similar to Schedule 11 by increasing the customer charge by $1.00, from $20.00 to $21.00 per month. The Company proposes a uniform percentage increase applied to the two (block) energy rates consistent with the percentage change applied to the Schedule 11 block rates. Finally, the Company is proposing to increase the minimum charge for single phase service from $20.00 to $21.00 per month, and three phase service from $27.35 to $28.35 per month.

Q. How is the Company proposing to apply the proposed <u>Rate Year 2</u> general revenue increases to the rates under Schedule 13?

A. Consistent with Schedule 11, for Rate Year 2 the Company is proposing that the customer charge remain unchanged. The revenue increase for those schedules is proposed to be recovered through a uniform percentage increase consistent with the percentage change applied to the Schedule 11 block rates.

Q. Turning to Large General Service Schedules 21/22, would you please describe the present rate structure under those schedules and how the Company is proposing to apply the <u>Rate Year 1</u> increase of $12,591,000 to the rates within the schedules?

A. Yes. Large General Service Schedules 21/22 consists of a minimum monthly charge of $550.00 for the first 50 kW or less, a demand charge of $7.00 per kW for monthly demand in excess of 50 kW, and two energy block rates: 7.714 cents per kWh for the first 250,000 kWhs per month, and 6.902 cents per kWh for all usage in excess of 250,000 kWhs.

The Company is proposing that the present minimum demand charge (for the first 50 kW or less) increase from the present level of $550.00 per month to $600.00 per month. The demand charge for over 50 kW per month would be increased by $0.50 per kW, from $7.00 to $7.50, for the reasons provided previously in my testimony. The remaining revenue increase for the schedules is proposed to be recovered through a uniform percentage increase applied to the two energy block rates. The proposed increase for the first 250,000 kWhs used per month is 0.784 cents per kWh, and an increase of 0.701 cents per kWh for usage over 250,000 kWhs per month.

Q. Would you please describe how the Company is proposing to apply Schedule 21/22's <u>Rate Year 2</u> increase of $4,078,000 to the rates within the schedule?

A. Yes. The Company is proposing that the fixed and variable demand charges remain unchanged. The remaining revenue increase for the schedules is proposed to be recovered through a uniform percentage increase applied to the two energy block rates. The proposed increase for the first 250,000 kWhs used per month under the schedules is 0.317 cents per kWh, and an increase of 0.284 cents per kWh for usage over 250,000 kWhs per month.

Q. Turning to Optional Commercial Electric Vehicle Rate Large General Service Schedules 23, would you please describe the present rate structure and rates under these schedules?

A. Yes. The present "Time of Use" rate structure under this schedule includes a monthly customer charge of $550.00, an energy rate of 16.333 cents per kWh for all on-peak kWhs per month, and an energy rate of 6.742 cents for all off-peak kWhs per month.

Q. How is the Company proposing to apply the proposed <u>Rate Year 1</u> general revenue increases to the rates under Schedule 23?

A. Consistent with the approach for Schedule 13, for this case the Company is proposing to treat Schedule 23 similar to Schedule 21 by increasing the customer charge by

$50.00, from $550.00 to $600.00 per month. The Company proposes a uniform percentage increase applied to the two (block) energy rates consistent with the percentage change applied to the Schedule 21 block rates.

Q. How is the Company proposing to apply the proposed Rate Year 2 general revenue increases to the rates under Schedule 23?

A. Consistent with Schedule 21, for Rate Year 2 the Company is proposing that the customer charge remain unchanged. The revenue increase for those schedules is proposed to be recovered through a uniform percentage increase consistent with the percentage change applied to the Schedule 21 block rates.

Q. Turning to Extra Large General Service Schedule 25, would you please describe the present rate structure under that schedule and how the Company is proposing to apply the Rate Year 1 increase of $3,954,000 to the rates within the schedule?

A. Yes. Extra Large General Service Schedule 25 consists of a minimum monthly charge of $30,650 for the first 3,000 kVa or less, a demand charge of $8.30 per kVa for monthly demand in excess of 3,000 kVa, and three energy block rates: 5.747 cents per kWh for the first 500,000 kWhs per month, 5.170 cents per kWh for the next 5.5 million kWhs, and 4.235 cents per kWh for all usage in excess of 6 million kWhs.

The Company is proposing that the present minimum demand charge of $30,650 per month and the demand charge for kVa over 3,000 per month of $8.30 remain unchanged. The revenue increase for the schedule is proposed to be recovered through a uniform percentage increase applied to the three energy block rates. The proposed energy rate increase for the first 500,000 kWhs used per month is 0.764 cents per kWh, 0.687 cents per kWh for the next 5.5 million, and 0.563 cents per kWh for all usage over 6 million kWhs per month.

Q. Would you please describe how the Company is proposing to apply Schedule 25's <u>Rate Year 2</u> increase of $1,284,000 to the rates within the schedule?

A. Yes. The Company is proposing that the fixed and variable demand charges remain unchanged. The remaining revenue increase for the schedules is proposed to be recovered through a uniform percentage increase applied to the three energy block rates. The proposed energy rate increase for the first 500,000 kWhs used per month is 0.248 cents per kWh, 0.223 cents per kWh for the next 5.5 million, and 0.182 cents per kWh for all usage over 6 million kWhs per month.

Q. Turning to the large Special Contract, would you please describe the present rate structure under that schedule and how the Company is proposing to apply both the <u>Rate Year 1</u> and <u>Rate Year 2</u> increases to the rates within the schedule?

A. The single large Special Contract has a rate design similar to Extra Large General Service Schedule 25 which consists of a minimum monthly charge of $30,650 for the first 3,000 kVa or less, a demand charge of $8.30 per kVa for monthly demand in excess of 3,000 kVa, and three energy block rates: 4.662 cents per kWh for the first 500,000 kWhs per month, 4.195 cents per kWh for the next 5.5 million kWhs, and 3.587 cents per kWh for all usage in excess of 6 million kWhs.

The Company's single large Special Contract approved in Docket UE-200900 specifies that the rate design for the special contract will remain consistent with Schedule 25. Consistent with the rate design previously discussed for Schedule 25, the Company proposes to apply the base rate increase to the three energy blocks on a uniform percentage basis for both Rate Year 1 and Rate Year 2.

Q. Turning to Pumping Schedules 31/32, would you please describe the present

rate structure under that schedule?

A. Yes. Pumping Schedules 31/32 consist of a monthly basic charge of $20.00 per month, and three energy block rates: 10.646 cents per kWh for the first 85 kWh per kW of demand, 10.646 cents per kWh for the next 80 kWh per kW of demand (but not more than 3,000 kWhs), and 7.603 cents per kWh for all additional usage.

Q. What changes are you proposing to the rates under Pumping Schedules 31/32 to recover the <u>Rate Year 1</u> general revenue increase of $1,398,000?

A. The Company is proposing that the customer charge be increased by $1.00, from $20.00 to $21.00 per month, with the remaining revenue increase spread on a uniform percentage increase to the three energy rate blocks under the schedules. The proposed increase in the first and second block rate is 1.043 cents per kWh, and the increase in the third block rate is 0.744 cents per kWh.

Q. Please describe how the Company is proposing to apply Schedule 31/32's <u>Rate Year 2</u> increase of $454,000 to the rates within the schedules.

A. The Company is proposing that the customer charge of $21.00 per month remain unchanged, and that the remaining revenue increase be spread on a uniform percentage basis to the energy rate blocks under the schedules. The proposed increase in the first and second block rate is 0.346 cents per kWh, and the increase in the third block rate is 0.247 cents per kWh.

Q. Turning to Street and Area Light Schedules 41-48, would you please describe the present rate structure under that schedule?

A. Yes. Street and Area Light Schedules consist of monthly flat rates, based on the type of light, the wattage of the light, and the type of structure the light is attached to.

Q. How is the Company proposing to spread the proposed <u>Rate Year 1</u> revenue

increase of $655,000 applicable to Street and Area Light schedules to the rates contained in those schedules (Schedules 41-48)?

A. The Company proposes to increase present street and area light (base) rates on a uniform percentage basis.

Q. How is the Company proposing to spread the proposed <u>Rate Year 2</u> revenue increase of $212,000 applicable to Street and Area Light (Schedules 41-48)?

A. Consistent with Rate Year 1, the Company proposes to increase present street and area light (base) rates on a uniform percentage basis. The (base tariff) rates for both Rate Year 1 and Rate Year 2 are shown in the tariffs for those schedules, contained in Exh. JDM-3.

Q. Is the Company proposing any other administrative changes to its Street and Area Light schedules?

A. Yes. The Company has made some minor housekeeping type changes to clean up the Street and Area Light tariffs which mostly remove lighting options that are no longer being used by our customers.

Q. Turning now to decoupling, how will new baseline information be incorporated into the electric Decoupling Mechanism?

A. As in the prior general rate case, the Company would, as a part of its Compliance Filing for both rate years, submit the final baseline values for its electric Decoupling Mechanism prior to new base rates going into effect as a result of this general rate case.

III. PROPOSED NATURAL GAS REVENUE CHANGES

Summary of Natural Gas Rate Schedules and Tariffs

Q. Would you please explain what is contained in Exh. JDM-5?

A. Yes. Exh. JDM-5 contains a copy of the Company's present natural gas tariffs presently on file with the Commission.

Q. Please describe what is contained in Exh. JDM-6.

A. Exh. JDM-6 contains the proposed natural gas tariff sheets incorporating the proposed changes included in this filing for Rate Year 1 and Rate Year 2.

Q. Please explain what is contained in Exh. JDM-7.

A. Exh. JDM-7 contains information regarding the proposed spread of the natural gas revenue increase among the service schedules and the proposed changes to the rates within the schedules. Page 1 shows the Rate Year 1 and Rate Year 2 proposed revenue and percentage increase by rate schedule. Page 2 shows the return and parity ratios for each of the schedules before and after the proposed Rate Year 1 general increase. Page 3 and 4 shows the present rates under each of the rate schedules, the proposed changes to the rates within the schedules, and the proposed rates after application of the Rate Year 1 and Rate Year 2 changes. Page 5 shows the proposes rates for Schedule 178 discussed later in my testimony. These pages will be referred to later in my testimony.

Q. Would you please review the Company's present rate schedules and the types of natural gas service offered under each?

A. Yes. The Company's present Schedules 101 and 111 offer firm sales service. Schedule 101 generally applies to residential and small commercial customers who use less than 200 therms/month and Schedule 111 is generally for customers who consistently use over

200 therms/month. Schedule 131 provides interruptible sales service to customers whose annual requirements exceed 250,000 therms. Schedule 146 provides transportation/distribution service for customer-purchased natural gas for customers whose annual requirements exceed 250,000 therms. Schedule 148 is a banded-rate transportation tariff that allows for a negotiated service rate with large customers that have an economic alternative to taking natural gas distribution service from the Company.

Q. Would you please explain which customers are eligible for service under Schedules 102, 112 and 132?

A. Yes. Schedule 102 exists for purposes of administering the Company's "Fixed-Income Senior & Disabled Residential Service" rate discount program. The rates under this schedule are the same as those under Schedule 101, except for the rate discount.

Schedules 112 and 132 are in place to provide service to customers, who, at one time, were provided natural gas service under Transportation Service Schedule 146. The rates under these schedules are the same as those under Schedules 111 and 131 respectively, except for the application of Temporary Gas Rate Adjustment Schedule 155. Schedule 155 is a temporary rate adjustment used to amortize the deferred natural gas costs approved by the Commission in the prior PGA. Because of their size, transportation service customers are analyzed individually to determine their appropriate share of deferred natural gas costs. The Company continues to analyze those customers to make sure that if those customers switch back to sales service, those customers would not receive natural gas costs deferrals which are not due them.

Q. Would you please explain which customers are eligible for service under Schedules 116?

A. Yes. Similar to Transportation Schedule 146, this Schedule makes a transportation option available to smaller usage customers who choose to purchase their own supply of natural gas. This schedule charges the same base distribution rates as the respective Schedule 111. There are currently no customers who choose to take service on Schedules 116.

Q. How many Washington customers does the Company serve under each of its natural gas rate schedules?

A. As of September 2021, the Company provided service to the following number of Washington customers under each of its schedules:

Table No. 7 – Natural Gas Customers by Service Schedule

Rate Schedule	No. of Customers
General Service Schedules 101/102	170,589
Large General Service Schedules 111/112/116	3,192
Interruptible Sales Service Schedules 131/132	2
Transportation Service Schedule 146/148	46

Proposed Natural Gas Rate Spread

Q. For Rate Year 1, what is the proposed natural gas revenue increase, and how is the Company proposing to spread the increases by rate schedule?

A. For Rate Year 1, the proposed base revenue increase is $10,922,000, or 9.5% in base margin[4] revenue. The proposed general change over present billing rates, after including the proposed Residual Tax Customer Credit (Schedule 178) discussed later in my testimony and including all other rate adjustments (such as the Purchased Gas Cost Adjustment, DSM and LIRAP), is 2.5%. Provided below is a table showing the effect of the Company's proposed

[4] Base margin revenue refers to the base revenue associated with the Company's ownership and operation of its natural gas distribution operations. It is the revenue related to delivering natural gas to customers, and does not include the cost of natural gas, upstream third-party owned transportation, or the effect of other tariffs.

natural gas change by rate schedule:

Table No. 8 - Proposed % Natural Gas Change by Schedule[5]

Rate Schedule	Increase in Base Rates	Increase in Billing Rates before Offset	Increase in Billing Rates with Offsets
General Service Schedules 101/102	9.6%	6.2%	2.7%
Large General Service Schedules 111/112/116	9.6%	4.5%	1.9%
Interrupt. Sales Service Schedules 131/132	9.6%	4.1%	1.7%
Transportation Service Schedule 146	9.6%	10.3%	4.4%
Overall	**9.5%**	**5.8%**	**2.5%**

Q. What rationale did the Company use to develop the proposed spread of the overall natural gas increase to the various rate schedules?

A. Similar to electric, the Company believes that the results of the cost of service study (sponsored by Company witness Mr. Anderson) could also be used as a guide to spread the general increase. However, given the relative size of the proposed increase, Avista is proposing to spread the revenue increase on a uniform percent of margin revenue basis. This proposed rate spread makes modest movement for all rate schedules toward rate parity on a return ratio basis. Further, a uniform percent of margin revenue basis mirrors the rate spread proposal for the Residual Tax Customer Credit discussed later in my testimony, resulting in a lower increase to all rate schedules on a billing basis. Table No. 9 below shows the parity ratio (schedule revenue-to-cost ratio divided by the system's revenue-to-cost ratio) and return ratio (schedule rate of return divided by overall rate of return) before and after application of the base rate increase:

[5] Schedule 148 is a banded-rate transportation tariff that allows for a negotiated service rate with large customers that have an economic alternative to taking natural gas distribution service from the Company. Contracts negotiated under Schedule 148 have fixed rates that do not vary with changes in base rates.

Table No. 9 – Present and Proposed Ratios

	Present		Proposed	
	Parity	Return	Parity	Return
Rate Schedule	Ratio	Ratio	Ratio	Ratio
General Service Schedules 101/102	0.94	0.82	0.94	0.86
Large General Service Schedules 111/112	1.49	2.22	1.49	1.98
Interruptible Sales Service Schedules 131/132	1.24	1.62	1.24	1.48
Transportation Service Schedule 146	0.73	0.41	0.73	0.46
Overall	**1.00**	**1.00**	**1.00**	**1.00**

As you can see, the rate spread proposal makes some additional movement towards parity for all rate schedules under the Return Ratio.

Q. If the Commission were to order a revenue requirement lower than the Company's request, how does the Company propose to spread the revenue increase?

A. If the Commission were to order a lower revenue requirement, the Company proposes to allocate the same increase as the Company's initial filing to General Service Schedules 101/102 and Transportation Service Schedule 146, given those schedules distance from a Return and Parity ratio of 1.0. Any remaining revenue should then be applied equally to Schedules 111/112/116 and 131/132 as those schedules are providing significantly more than their relative cost of service as discussed by Mr. Anderson.

Q. For Rate Year 2, what is the proposed natural gas revenue increase, and how is the Company proposing to spread the increase by rate schedule?

A. For Rate Year 2, the proposed natural gas increase is $2,172,000, or 1.7% over base tariff rates. The proposed general increase over billing rates, including all other rate adjustments (such as the Purchased Gas Cost Adjustment, DSM and LIRAP), is 1.1%. Consistent with the proposed Rate Year 1 rate spread, the Company used a uniform percentage of revenue for purposes of spreading the proposed Rate Year 2 natural gas revenue increase to all rate schedules. The proposed percentage increase by rate schedule is as follows:

Table No. 10 - Proposed % Natural Gas Change by Schedule[6]

Rate Schedule	Increase in Margin Rates	Increase in Billing Rates
General Service Schedules 101/102	1.7%	1.2%
Large General Service Schedules 111/112/116	1.7%	0.9%
Interrupt. Sales Service Schedules 131/132	1.7%	0.8%
Transportation Service Schedule 146	1.7%	2.0%
Overall	**1.7%**	**1.1%**

Proposed Rate Design

Q. Would you please explain the present rate design within each of the Company's natural gas service schedules?

A. Yes. General Service Schedules 101/102 generally applies to residential and small commercial customers who use less than 200 therms/month. These schedules contain two energy rate blocks (0-70 therms, and over 70 therms), and a monthly customer/basic charge.

Large General Service Schedules 111/112/116 have a five-tier declining-block rate structure and are generally for customers who consistently use over 200 therms/month. These schedules consist of a monthly minimum charge plus a usage charge for the first 200 therms or less, and block rates for the next 800 therms, the next 9,000 therms, the next 15,000 therms, and usage over 25,000 therms/month.

Interruptible Sales Service Schedules 131/132 have a four-tier declining-block rate structure for the first 10,000 therms, the next 15,000 therms, the next 25,000 therms, and usage over 50,000 therms per month. The schedules also have an annual minimum deficiency charge

[6] Schedule 148 is a banded-rate transportation tariff that allows for a negotiated service rate with large customers that have an economic alternative to taking natural gas distribution service from the Company. Contracts negotiated under Schedule 148 have fixed rates that do not vary with changes in base rates.

based on a usage requirement of 250,000 therms per year.

Transportation Service Schedule 146 contains a monthly customer charge and a five-tier declining-block rate structure for the first 20,000 therms, the next 30,000 therms, the next 250,000 therms, the next 200,000 therms, and usage over 500,000 therms per month. The schedule also has an annual minimum deficiency charge based on a usage requirement of 250,000 therms per year.

Q. Is the Company proposing any changes to the present rate structures contained in its natural gas service schedules?

A. No, it is not.

Q. Where in your exhibits do you show the present and proposed rates for the Company's natural gas service schedules?

A. Page 3 (for Rate Year 1) and 4 (for Rate Year 2) of Exh. JDM-7 shows the present and proposed rates under each of the rate schedules, including all present rate adjustments (adders). Column (h) on that page shows the proposed changes to the rates contained in each of the schedules.

Q. How does the Company propose to spread the proposed <u>Rate Year 1</u> general revenue increase to the rates within Schedules 101/102?

A. The Company proposes to increase the monthly basic/customer charge by $1.50 per month, from $9.50 to $11.00 per month. As shown in column (e), page 3 of Exh. JDM-7, Avista has proposed to increase the per therm rate for the two volumetric blocks on a uniform percentage basis. The first block (0-70 therms) would increase from $0.46008 to $0.49661, and the second block (over 70 therms) would increase from $0.59795 per therm to $0.64543 per therm. Also, the Residual Tax Customer Credit (Schedule 178) is proposed to be returned on a per therm basis mitigating part of the rate impact to customers.

Q. Why is the Company proposing to increase the monthly customer charge from $9.50 to $11.00 per month?

A. Similar to electric, a significant portion of the Company's costs are fixed and do not vary with customer usage. These costs include, among other costs, distribution plant and operating costs to provide reliable service to customers. <u>Total customer allocated costs</u> for Schedule 101, as shown in Anderson Exh. JAA-3, page 4, are <u>$34.94</u> per customer per month. As reflected in this filing, the fixed costs of operating and maintaining our natural gas system are increasing. The Company believes it is important that rates better reflect these increasing costs to serve customers. The monthly customer charge for residential customers was last increased in May 2018 in Docket UG-170486.

Q. How does the Company propose to spread Schedule 101/102's proposed <u>Rate Year 2</u> general revenue increase of $1,718,000 to the rates within that schedule?

A. The Company proposes to apply an equal percentage increase to the two energy blocks and leave the Basic Charge unchanged at $11.00 per month.

Q. For <u>Rate Year 1</u>, what would be the change in a residential customer's bill with average usage based on the proposed increase for Schedule 101?

A. After incorporating the base rate increase with the proposed tax benefit offset, the proposed monthly bill change for a residential customer using an average of 67 therms of natural gas per month would be $1.54 per month, or 2.4%. The present bill for 67 therms per month is $64.86, and the proposed bill would be $66.40, which incorporates the proposed $1.50 monthly increase in the basic charge.

Q. For <u>Rate Year 2</u>, what would be the change in a residential customer's bill

with average usage based on the proposed increase for Schedule 101?

A. After incorporating the base rate increase with the proposed tax benefit offset, the proposed monthly bill change for a residential customer using an average of 67 therms of natural gas per month would be $0.75 per month, or 1.1%. The proposed bill for 67 therms per month is $67.15.

Q. For <u>Rate Year 1</u>, please explain the proposed changes in the rates for Large General Service Schedules 111/112/116.

A. The present rates for Schedules 101/102 and 111/112/116 provide a clear distinction for customer placement: customers who use less than 200 therms/month should be placed on Schedules 101/102, customers who consistently use over 200 therms per month should be placed on Schedules 111/112/116. Not only do the rates provide guidance for customer schedule placement, they provide a reasonable classification of customers for analyzing the costs of providing service.

The Company's proposed rates for Schedules 111/112/116 will maintain the rate structure within the schedules and continue to provide guidance for appropriate schedule placement for customers and a reasonable classification for cost analysis. The proposed minimum charge of $129.67 per month for Schedules 111/112/116 (for 200 therms or less) maintains the present relationship between the Schedules 101/102 and 111/112/116, and will minimize customer shifting.[7] The remaining proposed revenue increase for Schedules 111/112/116 was then spread on a uniform percentage increase of 10.0% to the remaining rate blocks.

[7] The calculation of the minimum charge for Schedules 111/112/116 is equal to the total bill for 200 therms priced at Schedule 101/102 base rates (excluding Schedule 150 natural gas rates and all other rate schedules).

Q. For <u>Rate Year 2</u>, please explain the proposed changes in the rates for Large General Service Schedules 111/112/116.

A. For the reasons provided for Rate Year 1 the Company proposes a minimum charge of $132.36 per month for Schedules 111/112/116 (for 200 therms or less) to maintain the present relationship between the Schedules 101/102 and 111/112/116, and minimize customer shifting. The remaining proposed revenue increase for Schedules 111/112/116 was then spread on a uniform percentage increase of 1.7% to the remaining rate blocks.

Q. For <u>Rate Year 1</u>, how is the Company proposing to spread the proposed increase of $22,000 to the rates under Interruptible Schedules 131/132?

A. The Company proposes to increase the four block rates under the schedule by a uniform percentage increase of approximately 9.7%.

Q. For <u>Rate Year 2</u>, how is the Company proposing to spread the proposed increase of $4,000 to the rates under Interruptible Schedules 131/132?

A. The Company proposes to increase the four block rates under the schedule by a uniform percentage increase of approximately 1.8%.

Q. For <u>Rate Year 1</u>, please explain the proposed changes in the rates for Transportation Schedule 146.

A. The Company is proposing to increase the present basic charge of $625 per month by $75, to $700 per month. For the remaining revenue requirement, the Company is proposing to spread the increase on a uniform percentage basis of approximately 9.4% to each of the present five block rates under the schedule.

Q. For <u>Rate Year 2</u>, please explain the proposed changes in the rates for Transportation Schedule 146.

A. The Company is not proposing to increase the basic charge of $700 per month. The revenue requirement is proposed to be spread on a uniform percentage basis of approximately 1.8% to each of the present five block rates under the schedule.

Q. Turning now to Decoupling, how will new baseline information be incorporated into the natural gas Decoupling Mechanism?

A. As in the prior general rate case, the Company would, as a part of its Compliance Filing, submit the final baseline values for its natural gas Decoupling Mechanism prior to new base rates going into effect as a result of this general rate case for both Rate Year 1 and Rate Year 2.

IV. RESIDUAL TAX CUSTOMER CREDIT

Q. Please summarize the Residual Tax Customer Credit you have previously referred to.

A. As discussed by Company witness Ms. Andrews, the majority of the Tax Customer Credits administered through current Tariff Schedules 76 and 176 were used to mitigate the increases in the prior rate case for a two-year period. However, not all of the funds were used. The Commission noted at ¶121 of Order 08/05 in the referenced Dockets:

> We also find it appropriate to reexamine in Avista's next GRC (1) the total of the remaining Tax Customer Credit balance at the end of the two-year amortization period plus the incremental annual deferred tax benefit and (2) the appropriate amortization for returning the Tax Customer Credit to customers going forward.

As discussed by Ms. Andrews, continuing to defer the prior Commission-approved tax credits to the benefit of customers beyond December 2020 (2021-2023), plus the remaining deferred tax credits <u>available to customers after the initial two-year tax credit amortization</u>

ending September 2023[8], results in estimated deferred tax credit balances owed customers as of December 31, 2023 of approximately $25.5 million electric and $12.5 million natural gas.

Q. How does the Company propose to return the Residual Tax Customer Credit to customers?

A. Concurrent with the effective date of this GRC, the Company proposes to return to customers the Residual Tax Customer Credit (if approved), beginning with the effective date of the base tariffs through separate Tariff Schedules 78 (electric) and 178 (natural gas). The expected remaining Tax Credit balances for Washington electric and natural gas to return to customers is approximately $25.5 million and $12.5 million, respectively. The Company proposes to return these balances over a two-year amortization. These balances reflect the actual deferred tax credit balances as of December 31, 2020 for Washington electric and natural gas operations, adjusted for annual estimated incremental tax credit deferrals for 2021 – 2023, offset by annual estimated amortizations of the tax credit deferred balances per Order 08/05 in Dockets UE-200900 ad UG-200901. The annualized amount would be $12.7 million for electric and $6.2 million for natural gas - offsetting a portion of the Company's requested electric and natural gas base rate relief for a two-year period. Both of these new tariff schedules have been included in Exh. JDM-3 for electric and Exh. JDM-6 for natural gas.

Q. How does the Company propose to spread the Residual Tax Customer Credit?

A. As discussed earlier, the Company is proposing to spread the Residual Tax Customer Credit on a uniform percent of revenue basis for both electric and natural gas. The

[8] Returned to customers through separate Tax Customer Credit Tariff Schedules 76 (electric) /176 (natural gas)

Company chose this method because it generally matches how costs are being recovered from customers. The proposed rate spread of the Residual Tax Customer Credit is consistent with the Company's general base rate increase rate spread proposal, offsetting a portion of the billed rate impact to customers.

Q. For purposes of rate design, how does the Company propose to spread the Tax Customer Credit within each of the service schedules?

A. For purposes of rate design, the Residual Tax Customer Credit is proposed to be applied on a uniform cent to the volumetric energy block rates by rate schedule.

Q. What is the proposed effective date of the Residual Tax Customer Credit?

A. The Company proposes that the effective date of the Tax Customer Credit match the effective date of base rates, estimated to be December 21, 2022.

Q. What is the proposed term of the Residual Tax Customer Credit?

A. Under the levels proposed by the Company, both the electric Schedule 78 and the natural gas Schedule 178 would remain in effect for two-years. Therefore, the amortization and the Residual Tax Customer Credit Tariff Schedules 78 and 178, if approved as filed, would be in place from December 21, 2022 through December 21, 2024 for both electric and natural gas.

The Company commits to monitoring the balances throughout the rebate period and will adjust the term should the balance deviate from the Company's expectations due to load variability. Any over- or under-refunded balance at the end of the rebate period would be addressed in a future rate proceeding.

V. RENEWABLE ENERGY CREDIT MECHANISM

Q. Please provide a brief background on the history of Renewable Energy Credit (REC) Revenue Schedule 98.

A. In Dockets UE-140188 and UG-140189, the Settlement Stipulation approved by the Commission in Order No. 05 required Avista to file an adjustment to the REC Revenue rebate on or before April 1, 2016, and each year thereafter, to reflect both the under-or-over amortized balance from the current rebate as well as the projected net REC revenues for the following July – June time period.[9] Annual rate adjustments take effect July 1 for a twelve-month period.

Q. Is the Company proposing any changes to the REC Revenue Schedule 98?

A. Yes. In an attempt to minimize the number of annual rate changes customers experience, the Company proposes to move the annual July 1 effective date to August 1. That coincides with other electric rate adjustments, Demand Side Management Schedule 91 and Decoupling Schedule 75.

Q. Why is the Company proposing to move the REC Schedule 98 annual filing to August 1?

A. By moving the REC Schedule 98 effective date to coincide with the other annual filings customers will experience one less rate change on an annual basis. Combining these annual rate changes into one rate change will be less confusing to customers who will only experience one notice of rate change communication from the Company and one month of rate proration on their bill in the summer season. In addition, combining the rate changes into an August 1 effective date will be more administratively efficient for the Company to administer

[9] See Docket Nos. UE-140188 and UG-140189, Settlement Stipulation Appendix 2, p. 4.

one combined rate change within the Company's billing system.

Q. Is the Company proposing to change the time-period for which net REC Revenue are determined?

A. No. Under the present tariff the Schedule 98 rate is based on the projected net REC revenues for the July through June time period, as well as a true-up of the amortization of the prior rebate in effect from the prior June through July time period. The Company is not proposing to change either the projection, or prior year true-up time periods of June through July.

VI. PRICING PILOT UPDATE

Q. What did the Parties agree to, and the Commission approve, in regard to Pricing Pilots in Dockets UE-200900 et. al.?

A. As part of the Settlement approved by the Commission, Avista agreed to the following:

a) Avista agrees to:

i. Design "opt-in" time-of-use pilots and peak-time rebate pilots for electric residential and general service customers.

ii. Develop monitoring and reporting (M+R) plans for each pricing pilot.

iii. Include language in the M+R plans to measure and evaluate the impact to low-income and vulnerable populations.

iv. Include equity measures in the M+R plans for the residential and general service pilots. (PacifiCorp M+R plans provide one example.)

v. Provide draft pilots and M+R plans to interested parties by May 31, 2022.

vi. Convene stakeholder meetings to gather feedback from parties on the draft pilots, or a detailed status update as to the expected timing of draft pilots, and M+R plans. Feedback will include the following:

a) General pilot design and design of M+R plans;

b) Whether the pilots could provide benefits given Avista's unique system and customer mix; and,

c) Incorporation of equity into the design and implementation of the pilots as it concerns low-income, vulnerable, and marginalized populations.

vii. File final proposals and M+R plans within six months of convening a stakeholder meeting to gather input and solicit feedback on the Company's draft proposals, but no later than April 1, 2023, with an effective date of June 1, 2023.

b) Avista may engage a third party to design the pilots.

c) Avista will engage a third-party evaluator. This evaluator will consult with Avista and stakeholders to design surveys and data collection efforts.

Q. Can you provide a status update as to the status of the Pricing Pilots?

A. Yes. The Company is presently undergoing the development of the potential pricing pilots and plans to provide draft pilots and M+R plans to interested parties by May 31, 2022 and thereafter convene stakeholder meetings, in compliance with the provisions agreed to and approved in Dockets UE-200900 et. al.

Q. Does this conclude your pre-filed, direct testimony?

A. Yes, it does.