

**BEFORE THE WASHINGTON
UTILITIES & TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,

COMPLAINANT

V.

AVISTA CORPORATION, d/b/a AVISTA UTILITIES,

RESPONDENT

DOCKETS UE-150204 and UG-150205 (*Consolidated*)

RESPONSE TESTIMONY OF GLENN A. WATKINS

ON BEHALF OF

PUBLIC COUNSEL

EXHIBIT GAW-1T

SEPTEMBER 13, 2019

DOCKETS UE-150204 and UG-105205 (*Consolidated*)

RESPONSE TESTIMONY OF GLENN A. WATKINS

EXHIBIT GAW-1T

EXHIBITS LIST

Exhibit GAW-2	Background and Experience Profile of Glenn A. Watkins
Exhibit GAW-3	Example of Refund Mechanism Across Classes for Electric and Gas

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I. INTRODUCTION

Q. Please state your name, occupation and business address.

A. My name is Glenn A. Watkins. I am President and Senior Economist of Technical Associates, Inc. My business address is 6377 Mattawan Trail, Mechanicsville, Virginia 23116.

Q. What is your professional and educational background?

A. I am a Principal and Senior Economist with Technical Associates, Inc., which is an economics and financial consulting firm with an office in Mechanicsville, Virginia. Except for a six-month period during 1987 in which I was employed by Old Dominion Electric Cooperative, as its forecasting and rate economist, I have been employed by Technical Associates continuously since 1980.

During my 39-year career at Technical Associates, I have conducted hundreds of marginal and embedded cost of service, rate design, cost of capital, revenue requirement, and load forecasting studies involving electric, gas, water/wastewater, and telephone utilities throughout the United States and Canada. I have provided expert testimony in Alabama, Arizona, Delaware, Georgia, Illinois, Indiana, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Montana, New Jersey, North Carolina, Ohio, Pennsylvania, Vermont, Virginia, South Carolina, Washington, and West Virginia. This experience includes serving as a witness for the Public Counsel Unit of the Washington State Office of the Attorney General (“Public Counsel”) in numerous proceedings before this Commission. In addition, I have provided expert testimony before

1 State and Federal courts, as well as before State legislatures. I provide a more
2 complete description of my education and experience in Exhibit No. GAW-2.

3 **Q. What is the purpose of your testimony in this proceeding?**

4 A. I was retained by Public Counsel to provide recommendations concerning the
5 method and approach that should be used to provide refunds from Avista Utilities,
6 Inc. (“Avista” or “Company”) to individual customers as a result of any overall
7 refund amounts ordered by the Commission as a result of this remand case.

8 **Q. Please provide an overall summary of the issues concerning refunds due**
9 **customers as a result of this proceeding.**

10 A. At a high level, there are three contentious issues, or components, of refunds due
11 to individual customers relating to this remand case: (1) refunds due to customers
12 as a result of rate base related attrition adjustments; (2) refunds due to customers
13 as a result of a calculation error relating to power costs; and (3) debits (offsets to
14 refunds) relating to prior earnings sharing.

15 **Q. How should the refunds ordered by the Commission as a result of this case**
16 **be provided to individual customers?**

17 A. Given that the Commission has a long history of considering several criteria in
18 establishing rates for individual customer classes, it is my recommendation that
19 any overall refund ordered by the Commission be given back to customers based
20 on individual customer rate revenue during the relevant rate-effective period. This
21 recommendation is further supported by the fact that the error associated with
22 power costs cannot be exactly replicated in total, let alone by individual rate class
23 or usage characteristics. In this regard, the Company should have adequate

1 records to easily compute such refunds on an individual customer basis, including
2 those customers that have subsequently left the Avista system.

3 With regard to any offset to the total refund as a result of prior earnings
4 sharing, it is my understanding that industrial customers on Schedules 25 and 41-
5 48 did not receive any of the previous excess earning sharing credits. For all other
6 customers, the credits provided on an individual customer basis should serve as an
7 offset to the refund received. Consistent with the testimony of Public Counsel's
8 witness, Donna Ramas, Avista should only be credited for earnings sharing
9 proceeds if the Commission requires the Company to refund customers for errors
10 in the power cost calculation. If the Commission declines to address the power
11 cost issue and only refunds customers for the rate base related attrition
12 adjustments, Avista should refund the entire amount to customers with no offset
13 for earnings sharing proceeds.

14 Finally, I am indifferent as to whether refunds should be provided in the
15 form of a one-time cash payment or a credit to customer's accounts for existing
16 customers. For those customers that have subsequently left the Avista system, the
17 Company should provide a cash refund.

18 **Q; Can you provide an example of how the refunds should be distributed across**
19 **individual classes?**

20 A: Yes. Utilizing the framework discussed above, my Exhibit No. GAW-3, which
21 consists of two pages (Electric, page 1 and Gas, page 2) provides examples of
22 how the refunds should be applied to rate classes. As shown in this Exhibit, the
23 refunds by class associated by each of the three topical areas are calculated
24 separately such that the total refunds are shown at the bottom of each page. The

1 refunds shown in the exhibit are based on Avista's customer composition in its
2 current GRC filing are only intended to be illustrative. The actual refunds should
3 be based on Avista's customers during the rate effective period.

4 **Q. Does this complete your testimony?**

5 A. Yes.