

**Exh. JLB-10T  
Dockets UE-150204/UG-150205  
Witness: Jason L. Ball**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**AVISTA CORPORATION, d/b/a  
AVISTA UTILITIES,**

**Respondent.**

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

**CROSS-ANSWERING TESTIMONY OF**

**Jason L. Ball**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

***Refund Rate Spread, the Disconnect Between Refunds and Earnings Sharing,  
and the ERM Baseline***

**October 11, 2019**

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1 **I. INTRODUCTION**

2

3 **Q. Please state your name and business address.**

4 A. My name is Jason L. Ball, and my business address is 621 Woodland Square Loop  
5 SE, Lacey, Washington, 98503. My business mailing address is P.O. Box 47250,  
6 Olympia, Washington, 98504-7250. My business email address is  
7 jason.ball@utc.wa.gov.

8

9 **Q. Are you the same Jason L. Ball who testified previously in this proceeding?**

10 A. Yes.

11

12 **Q. What topics are you responding to?**

13 A. I am responding to the proposed rate design of the Public Counsel Unit of the  
14 Washington State Attorney General’s Office (Public Counsel) included in the  
15 prefiled responsive testimony of Mr. Glenn A. Watkins. I also respond to Public  
16 Counsel’s discussion about earning sharing included in the prefiled responsive  
17 testimony of Ms. Donna M. Ramas. Finally, I address the Alliance of Western  
18 Energy Consumers’ (AWEC’s) discussion of the Energy Recovery Mechanism  
19 (ERM) Baseline included in the prefiled responsive testimony of Bradley G. Mullins.

20

21

1 **II. REFUND RATE SPREAD**

2

3 **Q. How does Public Counsel propose to spread any ordered refund in this case?**

4 A. Public Counsel provides a three-part recommendation:

- 5 1. Avista Corporation d/b/a Avista Utilities (“Avista” or “Company”) should  
6 issue refunds based on “individual customer rate revenue during the relevant  
7 rate-effective period.”<sup>1</sup>
- 8 2. Avista should issue refunds to customers that left the system during the time-  
9 frame at issue.<sup>2</sup>
- 10 3. For electric customers, if the Washington Utilities and Transportation  
11 Commission (Commission) addresses “errors in the power cost calculation,”  
12 the refund should be offset using the results of the earning sharing  
13 mechanism from the decoupling program. Any offsets should be confined to  
14 those participating in decoupling.<sup>3</sup>

15 In addition, Public Counsel is agnostic concerning the mechanism to refund  
16 customers.<sup>4</sup>

17

18 **Q. Do you agree with Public Counsel’s first recommendation, to allocate the**  
19 **refund based on individual customer revenue?**

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<sup>1</sup> Watkins, Exh. GAW-1T at 2:20.

<sup>2</sup> *Id.* at 3:2.

<sup>3</sup> *Id.* at 3:3-13.

<sup>4</sup> *Id.* at 3:14-16.

1 A. No. Individual customer revenue is based on prices at the time of actual  
2 consumption. Calculating theoretical customer revenues under recalculated rates  
3 requires the assumption that each individual's energy consumption is unrelated to  
4 price, which is incorrect.

5 Further, calculating individualized refunds for every single customer would  
6 treat each customer as if he or she should be allocated costs and revenues in a  
7 manner distinct from the rest of the rate class, which is inconsistent with the basic  
8 cost of service framework. Public Counsel's proposal abandons efficiencies gained  
9 through a customer-class approach, requiring substantial analytical and billing  
10 resources in exchange for practically immeasurable differences in actual rates.

11

12 **Q. Do you agree with Public Counsel's second recommendation, to issue refunds to**  
13 **customers that have since left Avista's system?**

14 A. No. This recommendation is impractical to achieve; it requires Avista to track down  
15 former customers that have no existing business relationship with Avista and are  
16 under no obligation to provide Avista up-to-date contact information.

17

18 **Q. Do you agree with Public Counsel's third recommendation, that earnings**  
19 **sharing from decoupling should be used to offset refunds to customers subject**  
20 **to decoupling?**

21 A. No. I discuss Commission Staff's (Staff's) analysis in the following section.

22

1 **Q. What is your recommendation if the Commission agrees that Avista should**  
2 **provide refunds to former customers?**

3 A. If the Commission agrees with Public Counsel’s proposal to provide refunds to  
4 former customers, I recommend each refund be calculated based on the average use  
5 of the customer class and not based on individual customer bills. Further, the  
6 Company should provide notices online and through print media to attempt to reach  
7 as many customers as possible. The notice should give customers 30 days to request  
8 a refund.

9 If there are funds that go unclaimed, I recommend the remaining balance be  
10 transferred to the low-income program.

11

12 **Q. Do you have a specific recommendation regarding overall rate spread or timing**  
13 **of a potential refund?**

14 A. No. As discussed by Mr. McGuire in Staff’s pre-filed response testimony, Staff  
15 suggests these issues be considered after the Commission determines the amount of  
16 the refund.<sup>5</sup> After the Commission makes a determination, the Company should file a  
17 tariff within 60 days to propose an appropriate timeline and mechanisms for the  
18 refund. If possible, the implementation of the refund can be tied to rate changes in  
19 the Company’s ongoing general rate case in Dockets UE-190334 and UG-190335.

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<sup>5</sup> McGuire, Exh. CRM-7T at 3-14.



1 **IV. ENERGY RECOVERY MECHANISM BASELINE**

2

3 **Q. Please summarize AWEC’s position on the Energy Recovery Mechanism**  
4 **(ERM) baseline.**

5 A. AWEC asserts that the ERM baseline was “not based on the higher level of power  
6 costs that was included in the final attrition analysis.”<sup>6</sup> Therefore, if the Commission  
7 does not explicitly adjust the attrition model for calculation of power costs then  
8 “Avista will recognize a windfall through its ERM deferral.”<sup>7</sup>

9

10 **Q. How does AWEC propose to correct this issue?**

11 A. If the Commission explicitly adjusts the attrition model for the calculation of power  
12 costs, then AWEC argues that nothing needs to happen. However, if the Commission  
13 does not adjust the attrition model for the calculation of power costs, then AWEC  
14 recommends increasing the ERM baseline over the affected rate period.

15

16 **Q. Do you agree with AWEC’s position that the ERM baseline should be increased**  
17 **if the Commission does not explicitly adjust the attrition model for the**  
18 **calculation of power costs?**

19 A. No. As acknowledged by Mr. Mullins,<sup>8</sup> the Commission specifically included the  
20 power supply update in its calculation of the authorized ERM baseline. Thus, AWEC  
21 is recommending that the Commission now set the ERM baseline incorrectly by

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<sup>6</sup> Mullins, Exh. BGM-7T at 29:16-17.

<sup>7</sup> *Id.* at 29:22.

<sup>8</sup> *Id.* at 29:13-15.



1 removing the October 29, 2015, power supply update. Staff does not support  
2 introducing an artificial error into the calculation of the ERM baseline.

3 Further, the ERM baseline is completely irrelevant to the consideration of the  
4 total refund. The amount to be refunded is calculated by comparing two total revenue  
5 numbers: total revenues under authorized rates and theoretical total revenues under  
6 recalculated rates. The difference between authorized rates and recalculated rates is  
7 explained by a change in exactly one item – the attrition allowance – which is  
8 entirely independent from the ERM baseline. This is evident in the Commission’s  
9 Order 05, which shows pro forma power supply costs and the attrition allowance as  
10 separate and distinct components of the revenue requirement calculation.<sup>9</sup>

11 Also, the ERM baseline is a projection of costs that are trued-up to actuals  
12 annually through the ERM deferral mechanism. To the extent that actual power costs  
13 were higher or lower than the ERM baseline, the difference would have been  
14 resolved through the deferral mechanism. Even if the ERM baseline were set too low  
15 due to a calculation error, and the resulting ERM revenues were lower than actual  
16 power costs, the ERM would have already corrected for the error through deferral of  
17 the revenue shortfall. If there was an error in the ERM baseline calculation – and  
18 there was not – it already has been accounted for.

19 Lastly, the ERM tracks actual costs versus projected costs while the refund  
20 calculation compares authorized revenues to theoretical revenues; that is, one  
21 pertains to costs and the other pertains to revenues. AWEC’s position that the

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<sup>9</sup> Order 05, Appendix A at 96, Table A1, Line “Attrition Allowance,” and Appendix B at 99, Table B1, Adj. No. 3.00, “Pro Forma Power Supply.”

1 Commission should correct the ERM baseline confuses the comparison of costs with  
2 the collection of revenues. Similar to Public Counsel's argument concerning the  
3 Earnings Sharing Mechanism, AWEC's proposal attempts to link the calculation of  
4 power costs with the calculation of a refund, but those calculations are unrelated to  
5 one another.

6

7 **Q. Does this conclude your testimony?**

8 A. Yes.