Exh. JDM-8T

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-200900

DOCKET NO. UG-200901

DOCKET NO. UE-200894

REBUTTAL 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. 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. With the requested revenue increases remaining near the Company's original filing, as noted by Company witness Ms. Andrews, my testimony continues to support the Company's originally-filed electric and natural gas rate spread for both the base rate increase and Tax Customer Credit offset. My rebuttal testimony will provide the Company's response to the rate spread and rate design proposals of Washington Utilities and Transportation Commission Staff ("Staff"), Alliance of Western Energy Consumers ("AWEC"), and Public Counsel ("PC"). I will also provide the Company's response to testimony related to:

- Inland Empire Paper Special Contract – Avista proposes to allocate the reductions in revenue associated with the proposed special contract on an equal percentage of base revenue basis to all other rate schedules.

- Dynamic Pricing Pilots – Avista commits to pursuing new dynamic pricing rate structures that are in the best interest of the Company and its customers and will do so in a time-frame and manner that is manageable by the Company. The Company commits to seeking stakeholder input prior to the filing of any new dynamic pricing tariffs.

- Natural Gas Transportation Special Contracts– Avista has re-evaluated all existing natural gas transportation special contracts prior to May 1, 2021 and determined that all are contributing to the fixed costs of Avista's system therefore benefitting all other customers.

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

A. No, I am not.

II. COST OF SERVICE

Q. Did any of the Parties propose alternative electric or natural gas cost of service studies to be used as the basis of an alternative rate spread in this proceeding?

A. No, they did not. Public Counsel was the only party to take issue with the Company's filed electric and natural gas cost of service studies in this proceeding. As further discussed by Ms. Knox in her rebuttal testimony, while Public Counsel took issue with certain aspects of the studies, they themselves did not propose an alternative cost study for the purposes of informing rate spread in this proceeding.

Q. Is Staff supportive of Avista's filed cost of service studies?

A. I believe Staff is generally supportive of the directional results of the studies given that Staff witness Ms. Jordan used the Company's studies as the basis of her rate spread proposals. Ms. Jordan describes in her testimony, that with the exception of the load study requirement from which the Commission authorized a one-time exemption, the Company's electric and natural gas cost studies complied with Chapter 480-85 WAC, which details how to create and present the results of a cost of service study in a Commission proceeding.[1]

III. ELECTRIC RATE SPREAD

Q. Given that the Company's proposed electric revenue increase remains at levels near what was proposed in the original filing, upon rebuttal, has the Company proposed any changes to its originally-filed rate spread methodology?

A. No, at the revenue requirement levels as discussed by Ms. Andrews, the Company has not modified its originally-filed rate spread methodology. At a lower revenue requirement level, the Company believes that the proposed alternative rate spread for electric service is still reasonable and appropriate given the directional results of the Company's electric cost of service study.

Q. Where has the Company previously provided the proposed electric rate spread in this proceeding?

A. The Company provided its proposed electric rate spread in Exh. JDM-1T, pp. 5-

[1] Exh. No. ELJ-1T p. 7 ll. 1-14

7. More detailed information is provided in Exh. JDM-4.

Q. Please describe the electric rate spread proposal of Staff in this case?

A. Staff recommends a rate spread that focuses on classes whose parity ratio falls outside what it characterizes as a "range of reasonableness", especially those schedules experiencing what it terms as "excessive or grossly excessive cross-class subsidization", such as General Service and Large General Service customer classes (Schedules 11/12 and 21/22).[2] For classes that are within a range of reasonableness (Schedules 25, 31/32, and 41-48), Staff recommends a uniform percentage of revenue increase which preserves the parity ratio at or near current levels.[3]

Q. Does the Company oppose the rate spread proposal of Staff if the Commission orders a lower revenue requirement?

A. The Company is not opposed to the Staff rate spread proposal if the Commission were to order a lower revenue requirement. Both the Company and Staff acknowledge that certain rate schedules are drastically over (Schedules 11/12 and 21/22) or under (Schedules 1/2) paying on a relative cost of service basis. To mitigate this inequity between rate schedules, the Company is supportive of making substantive movement, as proposed by Staff, if the Commission is to order a revenue requirement lower than what the Company is proposing in this case. Staff's rate spread proposal addresses the Company's primary concern under its alternative approach of addressing cost of service inequities for those customers furthest from their relative cost of service. Given that both proposals share the same objective of moving those rate schedule's furthest from parity closer to their relative cost of service, and in an effort

[2] Exh. No. ELJ-1T p. 10 ll. 1-5.
[3] Exh. No. ELJ-1T p. 13 ll. 1-10.

to minimize the issues in this proceeding, the Company does not oppose Staff's proposed rate spread.

Q. Did other Parties provide rate spread proposals in this proceeding?

A. Yes. Both Public Counsel[4] and The Energy Project[5] were both supportive of the Company's uniform percent of revenue proposal regardless of the final revenue requirement ordered in this proceeding. For its part, AWEC did not offer a rate spread proposal in this proceeding.

Q. Does the Company support the electric rate spread proposal on a uniform percentage of revenue basis?

A. Yes, the Company supports a uniform percentage increase to all rate schedules at or near the Company's full revenue requirement. Should the Commission order a revenue requirement less than the Company's proposed revenue requirement, the Company is not supportive of a uniform percentage of margin revenue increase because it does not adequately address cost of service disparities for those rate schedules furthest from parity as discussed previously in my testimony.

IV. NATURAL GAS RATE SPREAD

Q. Given that the Company's natural gas revenue increase requests remains relatively unchanged upon rebuttal, has the Company proposed any changes to its originally-filed rate spread?

A. No, for reasons similar to electric, at the revenue requirement levels as discussed

[4] Exh. No. GAW-1T p. 27 ll. 5-14.
[5] Exh. No. SMC-1T p. 20 ll. 10-12.

by Ms. Andrews, the Company has not modified its originally-filed rate spread methodology. At a lower revenue requirement level, the Company believes that the proposed alternative rate spread for natural gas service is reasonable and appropriate given the directional results of the Company's natural gas cost of service study.

Q. Where has the Company previously provided the proposed natural gas rate spread in this proceeding?

A. The Company provided its proposed natural gas rate spread for both rate changes in Exh. JDM-1T, pp. 14-16. More detailed information is provided in Exh. JDM-7.

Q. Please describe the natural gas rate spread proposal of Staff in this case?

A. Similar to electric, Staff recommends a rate spread that focuses on classes that fall outside a range of reasonableness, especially those schedules experiencing what it terms as "excessive or grossly excessive cross-class subsidization", such as General Service and Interruptible Service customer classes (Schedules 111/112 and 131/132).[6] Because the General Service Schedule 101/102 (mostly residential) and Transportation Service Schedule 146 Schedule fall below parity, Staff proposes to assign a higher percentage of the natural gas increase to these schedules. In recognition that General Service and Large General Service (Schedules 111/112 and 131/132) are covering more than their relative cost of service Staff assigns a smaller proportion of the overall revenue requirement increase to these schedules.

Q. Does the Company support the rate spread proposal of Staff if the Commission orders a lower revenue requirement?

A. Yes. Similar to electric, both the Company and Staff have come to the same conclusion that certain natural gas rate schedules are grossly overpaying on a relative cost of

[6] Id., ll. 8-13.

service basis (Schedules 111/112/116 and 131/132). To mitigate this inequity between rate schedules, the Company is supportive of the prescriptive movement, as proposed by Staff, if the Commission is to order a revenue requirement lower than what the Company is proposing in this case. Like electric, Staff's rate spread proposal addresses the Company's concern of addressing cost of service inequities for those customers furthest from their relative cost of service.

Q. Please describe the natural gas rate spread proposal of Public Counsel?

A. Public Counsel proposes[7] an equal percentage of margin increase across all rate schedules regardless of the final revenue requirement ordered in this proceeding.

Q. Does the Company support the natural gas rate spread proposal put forth by Public Counsel of a uniform percentage of margin basis?

A. Yes, the Company supports a uniform percentage increase to all rate schedules at or near the Company's full revenue requirement. Should the Commission order a revenue requirement less than the Company's proposed revenue requirement, the Company is not supportive of a uniform percentage of margin revenue increase because it does not adequately address cost of service disparities for those rate schedules furthest from parity as discussed previously in my testimony.

V. RATE DESIGN

Q. Do Staff and other parties support Avista's proposed rate design changes?

A. Yes, Ms. Jordan recommends the Commission accept the Company's proposed

[7] Exh. No. GAW-1T p. 34 ll. 18-23.

electric and natural gas rate design methodology.[8] All other parties were either supportive of certain aspects of the Company's rate design proposals, or silent on these matters altogether. No party took issue with any particular rate design component as proposed by the Company.

VI. TAX CUSTOMER CREDIT RATE SPREAD AND RATE DESIGN

Q. Has the Company proposed any changes to its originally-filed rate spread and rate design methodology for Tax Customer Credit Schedule's 76 and 176?

A. No, the Company continues to propose that the Tax Customer Credit be returned to customers on a uniform percentage of revenue basis for both electric and natural gas. Should the Company's revenue requirement be reduced from the levels supported by Ms. Andrew's, the annualized Tax Customer Credit amount should be reduced by a similar amount so that it offsets the base rate increase and no customer class receives a rate increase on October 1, 2021 when new base rates go into effect. By effectively reducing the annualized amount to match the overall revenue requirement ordered in this proceeding, the Tax Customer Credit would remain in effect over a longer period of time from what the Company proposed in its initial filing.

Q. Please summarize the positions of the Parties rate spread and rate design proposals for Tax Customer Credit Schedule's 76 and 176?

A. Public Counsel is supportive of the Company's proposal that the Tax Customer Credit Offsets should eliminate any base rate increases and that these rate credits should be designed on an energy usage basis.[9] AWEC for its part recommends that the rate credit be

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[8] Exh. No. ELJ-1T p. 24 ll. 5-7.
[9] Exh. No. GAW-1T p. 36 ll. 8-10.

spread of a five-year period to mitigate against a large rate credit being built into rates.[10] Staff recommends a more conservative approach whereby the Tax Credit Offsets are given back over the useful lives of the underlying assets.[11] In addition, Staff proposes spreading the refund amounts based on allocated rate base, as opposed to a uniform percentage of revenue allocation supported by the other parties, including the Company.[12]

Q. Do you have a general response to the opposing views of the Parties on this issue?

A. Yes. As most Parties have acknowledged in this proceeding, our customers are experiencing unprecedented times given the COVID-19 pandemic. For its part, the Company's proposal related to the Tax Customer Credit Offset is guided in the premise that in the short-term no customers should experience a rate increase. The Company effectively views the Tax Customer Credit Offset as a "tool" by which the Commission could choose to use to <u>fully</u> mitigate the base rate impact to customers in this proceeding. It is the Company's view that given the continued uncertainty facing our customers today, these credits should be given back in an expeditious manner to fully mitigate the base rate increase customers will otherwise experience on October 1, 2021 when new rates go into effect.

<u>VII. IEP SPECIAL CONTRACT</u>

Q. How does the Company propose to recover the rate reduction related to the new IEP special contract as proposed by company witness Mr. Bonfield?

A. After the application of the base rate revenue increase ordered in this proceeding,

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[10] Exh. No. BGM-1T p. 70 ll. 12-21.
[11] Exh. No. BAE-1T p. 12 ll. 1-17.
[12] Exh. No. BAE-1T p. 12 ll. 22-23.

the Company proposes to recover the $1.0 million reduction in base revenue to all other rate schedules on a uniform percentage of revenue basis.

Q. What is the basis for the uniform spread of rate revenue?

A. If IEP were to build the cogeneration facility all other customers would absorb a portion of the costs previously paid by IEP and therefore a uniform spread provides a reasonable basis for spreading the costs while not further burdening any single rate schedule with additional costs.

VIII. DYNAMIC PRICING PILOTS

Q. Please summarize Staff's and Public Counsel's proposals related to time-based rate pilots.

A. Staff proposes that the Commission require Avista to prepare pricing pilots for both an electric TOU rate and one of the following three dynamic pricing pilots: 1) critical peak pricing (CPP); 2) peak time rebate (PTR); or 3) real time pricing (RTP).[13] This pilot should target both residential and general service electric customers. Staff recommends that drafts of the TOU pilot, dynamic pricing pilot, and associated monitoring and reporting plans be completed by April 1, 2022.[14] Staff also recommends the Commission require these pilots begin operating within a year of the effective date of this order.[15] Public Counsel witness Bauman recommends that Avista should work with stakeholders to develop a universal peak time rebate (PTR) pilot to investigate potential customer benefits from such a rate design

[13] Exh. No. ELJ-1T p. 31 ll. 11-17.
[14] Exh. No. ELJ-1T p. 32 ll. 17-21.
[15] Exh. No. ELJ-1T p. 32 ll. 22-23.

program.[16]

Q. How do you respond to these proposals?

A. Avista agrees with the recommendation to explore and develop time-based rate options for its customers. As noted by Staff,[17] the Company has recently installed advanced metering infrastructure (AMI) in its service territory which will allow for the efficient rollout of the pilots and will be needed for permanent programs in the future. With AMI now in place, time-based rate options are a practical benefit that the Company intends to pursue. Upon full completion of the AMI metering infrastructure deployment, which has now occurred, the Company intends to begin the process of examining the need for future pricing options. This examination will include TOU pricing, which the Company views as a likely option to pilot, as well as other potential dynamic pricing options, some of which were identified by Staff and Public Counsel.

Q. Does this mean that you agree with all of Staff's proposal regarding time-based rate pilots?

A. No, it does not. Although Avista agrees with Staff's recommendation to explore and develop time-based rate pilots, we are concerned with the prescriptive requirement of developing an additional dynamic pricing pilot prior to the Company conducting its own assessment as to whether this type program is in the best interest of the Company and its customers. The Company does not believe that the Commission should <u>require</u> the Company to offer distinct pricing options prior to the Company doing its own analysis as to what's best for its customers. Clearly, TOU rates are an easier place to start given that many utilities have

[16] Exh. No. SB-1T p. 27 ll. 3-5.
[17] Exh. No. ELJ-1T p. 35 ll. 10-11.

implemented these types of pricing options across the country with success and the Company can quickly leverage those learnings into the development of its own program. To be clear, the Company fully intends to pursue TOU rate options that make sense for its customers in the near future. Avista is somewhat concerned with the other pricing options as identified by Staff and Public Counsel and their desire for the Company to be ordered to implement one of these options. As an example, CPP is a relatively punitive pricing structure, where customers face price increases for which they are expected to respond. This pricing structure would need to rely on a transparently-available wholesale market for electricity in the region to be effective for our customers. We only need to look at the recent events in Texas to realize that this type of pricing structure could lead to extremely high customer bills unless thoughtful consideration is given to program design and structure. In contrast, PTR is a more customer friendly pricing structure where the customer is rewarded for reductions in load relative to a baseline. This may have limited applicability to our customer base and may not realize the intended peak reduction outcomes needed to be effective. The point being, these are very different pricing structures which will require significant, thoughtful development and system resources should the Company make the decision that any of these pricing structures are in the best interest of our customers. The Company should not be ordered to prescriptively offer a pricing program prior to the Company doing its own internal analysis of what would be the most viable and effective offering(s) for its customers.

Q. Do you have concerns about the prescriptive date requirements as proposed by Staff?

A. Yes. TOU and dynamic pricing offerings are complex new pricing structures that will require significant time, resources, and funding in order to develop a comprehensive pricing structure that will give it the best opportunity to be successful. Arbitrarily assigning date specific timelines as Staff proposes, could lead to a rushed, less effective, pricing pilot that does little to inform the Commission as to whether it's in the best interest of Avista's customers on a permanent basis. The Company should be given the time it needs to properly develop a successful pricing rate structure. The Company commits to working with interested stakeholders in the development of any new pricing pilots, in a time-frame that is acceptable to the Company, in order to develop an informed pricing structure that is in the best interest of its customers prior to a proposal in a future proceeding.

It is also important for the Commission to know that the implementation of pricing pilots and pricing programs is not simply an Avista Regulatory Affairs Department endeavor. One only need to look at the thorough and detailed communications plans that Avista developed simply for replacing meters to AMI. With pricing programs that could affect some or all of our customer's bills, we need to be very thoughtful as to how such programs are developed, communicated, and rolled out. We don't want our customers to have unforeseen outcomes.

Q. Do you have any additional thoughts on Staff's recommendation for pricing pilots?

A. Yes. Staff states that the pilots be designed using the recommendations of Staff's prior testimony in the 2019 Puget Sound Energy general rate case.[18] Avista shares the concerns noted by Puget Sound Energy in that case that Staff's guidance is overly prescriptive and if the Commission deems it necessary to direct Avista to conduct the pilots as recommended by Staff, Avista would also request whatever guidance the Commission deemed appropriate to align expectations before Avista expends the time, effort and resources required to launch these

[18] Exh. No. ELJ-1T p. 30 ll. 8-9

pilots. Otherwise, Avista would appreciate the Commission's consideration in affording it the flexibility to develop such pilots at the time and in the manner it deems most appropriate.

IX. NATURAL GAS SPECIAL CONTRACTS

Q. In the Company's pre-filed testimony, the Company indicated that they were in the process of updating all natural gas special contracts as agreed to in the Company's prior general rate case. Has the Company completed that analysis?

A. Yes. Prior to May 1, 2021 the Company completed its economic analysis and determined that all natural gas special contracts are economically feasible and providing additional fixed cost revenue benefitting all other Avista natural gas customers.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.