

Exhibit No. ____ T (JH-1T)
Docket UE-090134/UG-090135
Witness: Joanna Huang

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND)	DOCKETS UE-090134
TRANSPORTATION COMMISSION,)	and UG-090135
)	<i>(consolidated)</i>
Complainant,)	
)	
v.)	
)	
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
)	
Respondent.)	
.....)	
)	
In the Matter of the Petition of)	DOCKET UG-060518
)	<i>(consolidated)</i>
AVISTA CORPORATION, d/b/a)	
AVISTA UTILITIES,)	
)	
For an Order Authorizing)	
Implementation of a Natural Gas)	
Decoupling Mechanism and to Record)	
Accounting Entries Associated With)	
the Mechanism.)	
.....)	

TESTIMONY

OF

JOANNA HUANG

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

August 17, 2009

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Exhibit No. ____ (JH-2), Page 2, Comparison of Present and Proposed Rate Components by
Schedule-Electric

Exhibit No. ____ (JH-3), Page 1, Uniform Percentage of Margin- Gas

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Exhibit No. ____ (JH-3), Page 3, Comparison of Present and Proposed Rate Components by
Schedule-Gas

1 I. INTRODUCTION

2

3 Q. Please state your name and business address for the record.

4 A. My name is Joanna Huang. My business address is the Richard Hemstad Building, 1300
5 S. Evergreen Park Dr. SW, Olympia, WA 98504-7250. My e-mail address is
6 jhuang@utc.wa.gov.

7

8 Q. By whom are you employed and in what capacity?

9 A. I am employed by the Washington Utilities and Transportation Commission (“UTC”) as a
10 Regulatory Analyst.

11

12 Q. What is your educational and professional background?

13 A. I received my B.B.A. degree majoring in Accounting from National Chung-Hsing
14 University, Taiwan, in 1987 and a Master of Accounting degree from Washington State
15 University in 1991. Prior to my employment at the UTC, I was employed by the
16 Washington State Department of Revenue as an Excise Tax Examiner. I performed desk
17 audits on Business & Occupation tax returns.

18 I began my employment with the UTC in 1996. My work generally includes
19 financial, accounting and other analyses for general rate case proceedings and other tariff
20 filings by the electric and natural gas utilities companies regulated by the UTC. I have
21 attended the National Association of Regulated Utility Commissioners Annual Utility
22 School in 1996 and 2001. In addition, I have attended numerous training seminars and
23 conferences regarding utility regulations and operations.

1 **Q. Have you testified previously before the UTC?**

2 A. Yes. I testified in a Puget Sound Energy general rate case, Docket UE-072300 and UG-
3 072301, a PacifiCorp general rate case, Docket UE-032065, and an Avista general rate
4 case, Dockets UE-991606 and UG-991607. I have also participated in Staff's
5 investigation in the following general rate case proceedings: Dockets UE-070804 and
6 UG-070805 (Avista); Dockets UE-050482 and UG-050483 (Avista); Docket UE-011595
7 (Avista); Docket UG-060256 (Cascade); Docket UG-080546 (Northwest Natural) and
8 UG-031885 (Northwest Natural).

9

10 **II. SCOPE OF TESTIMONY**

11

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

13 A. My testimony in this proceeding discusses the spread of the Staff proposed annual
14 electric revenue increase of \$20.1 million, or 5.14 percent, among the electric general
15 service schedules, and the spread of the Staff proposed annual revenue increase of
16 \$280,000, or 0.13 percent among the natural gas service schedules. Staff recommends a
17 uniform percentage increase to the proposed electric revenue allocation (or "rate spread")
18 to the various rate schedules. With regard to natural gas service, Staff recommends a
19 uniform percentage margin increase for revenue allocation among natural gas service
20 schedules. My testimony also describes the changes to the rates within the electric and
21 natural gas service schedules. I also briefly discuss the cost of service study presented
22 by the Company, and the reason why Staff recommends it not be used in this proceeding.

1 **Q. Are you sponsoring any Exhibits that accompany your testimony?**

2 A. Yes. I am sponsoring Exhibit Nos.____ (JH-2) related to the proposed electric increase,
3 and Exhibit Nos.____ (JH-3) related to the proposed natural gas increase.

4

5 **III. COST OF SERVICE STUDY, RATE SPREAD AND RATE DESIGN**

6

7 **Q. What is a cost of service study?**

8 A. A cost of service study is a study using data collected from a load research study to
9 determine which customer class should bear what percentage of the total system cost, and
10 assign the relevant associated system cost of providing electric service to each customer
11 class. The primary purpose of a cost of service study is as a guide in the process of the
12 revenue allocation, also known as rate spread, to determine what portion of revenue
13 requirement is to be collected from each customer class. Rate Design is the design of the
14 rate structure within a specific rate schedule.

15

16 **Q. Why is a load research study crucial to a cost of service study?**

17 A. An electric load study used in a cost of service study requires the extensive collection and
18 analysis of all electrical rate schedule energy and demand requirements by hour, month,
19 season, and year. The information collected by a load research study is then used as the
20 basis for all studies and analyses conducted by the electric company to plan, monitor,
21 operate, and control the system. A Cost of Service Study requires a full year of complete
22 load data to accurately allocate demand cost to all rate schedules.

23

1 **Q. Does the Company include any updated load research study as part of the cost of**
2 **service study it uses in this proceeding to develop its proposed rate spread and rate**
3 **design?**

4 A. No. As Company witness Tara Knox states in her direct testimony (Exhibit TLK-1T,
5 page 14, line 21 to page 15, line 2), a complete full year of hourly load data is necessary
6 to make use of the demand cost allocations in the cost of service study. The first full
7 year of results of its complete load data will not be available until sometime in 2010.

8
9 **Q. How did the Commission address the issue of Avista's cost of service study in Order**
10 **05 in Dockets UE-070804 and UG-070805, the order approving the settlement in**
11 **Avista's general rate case?**

12 A. In the Commission's Order 05 in Dockets UE-070804 and UG-070805, at paragraph 28,
13 the Commission stated:

14 Considering, however, that the cost-of-service study upon which Avista
15 relied in support of its [initial filing] is seriously outdated, the Company
16 agreed to withdraw this proposal. Avista also agreed to conduct a new
17 cost-of-service study using current data so that the Commission will have
18 a better record upon which to consider any proposed changes to the
19 Company's rate spread and rate design in a future proceeding.

20
21 The Settlement Stipulation proposed by the parties in these consolidated dockets
22 was approved by the Commission. The cost of service study was not used, and the
23 increased electric revenue requirement was applied as a uniform percentage only to the
24 energy charges on all electric rate schedules, with no increases to the basic customer
25 charges in Schedules, 1, 11, and 31.

1 **Q. Did Avista file a general rate case subsequent to Dockets UE-070804 and UG-070805**
2 **in 2008?**

3 A. Yes, Avista filed a general rate case in Dockets UE-080416 and UG-080417.
4

5 **Q. What was the outcome of Dockets UE-080416 and UG-080417?**

6 A. The Multiparty Settlement Stipulation proposed by the parties in UE-080416 and
7 UG-080417 was approved by the Commission.¹ The increased electric revenue was
8 applied as a uniform percentage to all electric rate schedules. The spread of the annual
9 revenue increase among the natural gas service schedules was in the same proportion as
10 the Company's filed rate spread proposal. Both the electric and natural gas residential
11 customer basic charges were increased from \$5.50 to \$5.75 per month. The electric rate
12 increases approved in the settlement did not rely upon the results of a company cost of
13 service study.
14

15 **A. Proposed Electric Rate Spread and Rate Design**
16

17 **Q. How does Staff propose to spread the total electric revenue increase by rate**
18 **schedule in this proceeding?**

19 A. Staff proposes to spread the electric revenue increase using a uniform percentage
20 increase through all rate schedules to recover the increased electric revenue of \$20.1

¹ Public Counsel has appealed the Commission's order approving the settlement to Superior Court, but has not challenged the rate spread or rate design included in the settlement and order.

1 million. Staff's proposed percentage increase by rate schedule for the general increase is
2 as follows:

	<u>General Increase</u>
3 Residential Sch. 1	5.14%
4	
5 General Srvc. Sch. 11	5.14%
6	
7 Lg. Gen. Srvc. Sch. 21	5.14%
8	
9 Ex. Lg. Gen. Srvc. Sch. 25	5.15%
10	
11 Pumping Srvc. Sch. 31	5.15%
12	
13 Street & Area Lgt. Schs.	5.14%
14	
15 Overall	5.14%

16 This information is also shown on page 1 of 2 in Exhibit No. ____ (JH-2).

17
18
19
20
21
22
23
Q. Why does Staff apply a uniform percentage increase to all electric rate schedules to spread the electric revenue increase?

A. Avista has not completed an updated load research study to be used for the Company's rate spread and rate design, as the Company agreed to do in the Settlement Stipulation approved by the Commission in Order O5 in Dockets UE-070804 and UG-070805. The Commission further stated in Order 05, paragraph 30, that obtaining accurate data from current load studies is necessary to the use of a cost of service study. Since the Company has not completed an updated load research study, Staff recommends that a uniform percentage increase be applied to all electric rate schedules to spread the electric revenue requirement increase. This methodology is consistent with the Settlement Stipulation

1 approved by the Commission in Dockets UE-080416/ UG-080417, and UE-070804 / UG-
2 070805, Avista's two most current general rate cases filed with the Commission.

3
4 **Q. Does Staff recommend any changes to the Company's proposed rate structures**
5 **within its rate schedule?**

6 A. No, Staff accepts the same basic customer charge as the Company has proposed for
7 electric Rate Schedules.

8
9 **Q. How does Staff propose to recover the proposed general revenue increase for all**
10 **rate schedules?**

11 A. Staff first allocated the proposed general revenue increase for all rate schedules to the
12 increased basic customer charges, with the remaining revenue increase spread as a
13 uniform percentage increase to the energy rate blocks under the schedule. This is the
14 same method proposed by the Company.

15
16 **Q. Have you incorporated the tariff changes approved in Docket UE-082272 so that the**
17 **Staff billing rate reflects all current tariff changes?**

18 A. Yes, Staff incorporated the approved tariff changes in Docket UE-082272 to Schedule 91,
19 Public Purpose Rider Adjustment-Washington. Schedule 91 is designed to recover costs
20 incurred by the Company associated with providing Demand Side Management services
21 and programs and Low Income Rate Assistance (LIRAP) to customers. This tariff
22 change became effective February 1, 2009, after Avista filed its general case in Dockets
23 UE-090134 and UG-090135 on January 23, 2009. The second column entitled "Present

1	Large General Service Schedule 111	0.09%
2	Ex. Lg. General Service Schedule 121	0.08%
3	Interruptible Sales Service Schedule 131	0.07%
4	Transportation Service Schedule 146	0.48%
5	Overall Increase	0.13%

6 This information is also shown on page 2 of 3 in Exhibit No.____ (JH-3).

7

8 **Q. Was Staff’s natural gas rate spread proposal accepted by the Commission in**
9 **Avista’s most recently filed general rate cases?**

10 A. Yes, Staff’s natural gas rate spread proposal was accepted by the Commission in both
11 Dockets UG-070805 and UG-050483.

12

13 **Q. Is Staff proposing any changes to customer basic charges in the Company’s**
14 **proposed natural gas Rate Schedules 101?**

15 A. Yes. Increasing the recovery of fixed cost in the customer basic charge will promote rate
16 stability so that it reduces the Company’s risk to recover overall costs incurred by the
17 Company. As the Commission stated in Order 05, Dockets UE-070804, et al., at
18 paragraph 29:

19 As a general proposition, there are sound reasons supporting
20 recovery of a greater proportion of a utility’s fixed costs in basic or
21 demand charges, rather than in energy or commodity charges. For
22 example, in an environment of increasing costs, a rate design that
23 increases the recovery of fixed costs in fixed charges can promote
24 rate stability while tempering the need for higher returns by
25 reducing the risk the Company faces in terms of overall rate
26 recovery.

27

1 Staff witness Deborah Reynolds sponsors more detailed testimony to support the basic
2 charge increase from \$5.75 to \$8.00 per month.

3
4 **Q. Does Staff propose any changes to customer minimum charges in the Company's**
5 **proposed natural gas Rate Schedules 111 and 121?**

6 A. No. Basically, customer minimum charges to the proposed natural gas Rate Schedules
7 111 and 121 were derived from the increase in customer basic charge from Schedule 101.
8 This calculation is well presented by Company witness, Brian J. Hirschhorn in his direct
9 testimony at page 23, line 12-19. The methodology used in the calculation of the
10 minimum charge maintains the constant relationship between the schedules so that it
11 reduces customers shifting schedules.

12
13 **Q. Have you incorporated any tariff changes approved by the Commission since Avista**
14 **filed the current general rate case (Dockets UE-090134 and UG-090135)?**

15 A. Yes, Staff incorporated approved tariff changes in Dockets UG-090025 and UG-090767
16 to Schedule 155, Gas Rate Adjustment -Washington. Schedule 91 is designed to recover
17 costs incurred by the Company associated with providing Demand Side Management
18 services and programs and Low Income Rate Assistance (LIRAP) to customers.
19 Schedule 155, Gas Rate Adjustment –Washington adjusts Avista's deferred Amortization
20 of gas cost for the difference between the Company's actual cost of gas and the
21 Weighted Average Cost of Gas (WACOG) established in the previous Purchased Gas
22 Adjustment (PGA) filing. Tariff changes in Schedule 191 and Schedule 155 became
23 effective February 1, 2009, and June 1, 2009, respectively. Both dockets were approved

1 after Avista filed its general case in Dockets UE-090134 and UG-090135 on January 23,
2 2009. The second column, entitled “Present Rate Adjustment,” on page 3 of Exhibit No.
3 ____ (JH-3), reflects the correct amount of adjustment to Schedule 191, Public Purpose
4 Rider Adjustment and Schedule 155, Gas Rate Adjustment –Washington. Because of
5 these changes, Staff’s adjustment differs from that contained in the Company’s filed case,
6 as set forth by Brian J. Hirschhorn on page 3 of Exhibit No. ____ (BJH-4).

7
8 **Q. Can you further describe how Staff arrived at the proposed general increase**
9 **percentage for each schedule?**

10 A. Yes. Staff first allocated the proposed general revenue increase for all rate schedules to
11 the increased basic customer charges. The remaining revenue increase was then spread
12 on a uniform percentage increase to the energy rate blocks under the schedule.
13 Residential customers will share more of this small amount of natural gas revenue
14 increase, since they contribute 76.43 percent of total margin.

15
16 **Q. Where do you compare the proposed changes in rates within the natural gas service**
17 **schedules?**

18 A. This information is shown in detail on page 3 of 3 in Exhibit No. ____ (JH-3).

19
20 **Q. Does that complete your pre-filed direct testimony?**

21 A. Yes, it does.