BEFORE THE WASHINGTON

UTILITIES & TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA UTILITIES

Respondent.

DOCKETS UE-240006 and UG-240007 (*Consolidated*)

RESPONSE TESTIMONY OF DAVID E. DISMUKES, PH.D. ON BEHALF OF THE WASHINGTON STATE OFFICE OF THE ATTORNEY GENERAL PUBLIC COUNSEL UNIT

EXHIBIT DED-1T

July 3, 2024

RESPONSE TESTIMONY OF DAVID E. DISMUKES, PH.D.

DOCKET(S) UE-240006 AND UG-240007 *(Consolidated)*

EXHIBIT DED-1T

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EXHIBIT DED-1CT

EXHIBITS LIST

Exhibit DED-2	Curriculum Vitae of David E. Dismukes
Exhibit DED-3	Analysis of Electric Customer Charges to Customer-Related Costs
Exhibit DED-4	Analysis of Natural Gas Customer Charges to Customer-Related Costs
Exhibit DED-5	Survey of Regional Electric Customer Charges
Exhibit DED-6	Survey of Regional Natural Gas Customer Charges s
Exhibit DED-7	Analysis of Energy Usage and Household Income
Exhibit DED-8	Residential Electric Bill Comparison at Different Usage Levels
Exhibit DED-9	Residential Natural Gas Bill Comparison at Different Usage Levels

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is David E. Dismukes. My business address is 5800 One Perkins Place Drive, Suite 5-F, Baton Rouge, Louisiana, 70808.

Q. Please State your occupation and place of employment.

A. I am a Consulting Economist with the Acadian Consulting Group (ACG).

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Public Counsel Unit of the Washington Attorney General's Office (Public Counsel).

Q. Please describe ACG and its areas of expertise.

A. ACG is a research and consulting firm that specializes in the analysis of regulatory, economic, financial, accounting, statistical, and public policy issues associated with regulated and energy industries. ACG is a Louisiana-registered partnership, formed in 1995, and located in Baton Rouge, Louisiana.

Q. Do you hold any academic positions?

A. Yes. I am a professor emeritus at Louisiana State University (LSU). Prior to my retirement in January 2023, I served as a full professor, executive director, and director of policy analysis at the LSU Center for Energy Studies and as a full tenured professor in the Department of Environmental Sciences and the director of the Coastal Marine Institute in the LSU College of the Coast and Environment. I also served as a senior fellow at the Institute of Public Utilities at Michigan State University, where I taught energy regulatory staff and other utility stakeholders about principles, trends, and issues in the electric and natural gas industries.

Exhibit DED-2 provides my academic curriculum vitae, which includes a full listing of my publications, presentations, pre-filed expert witness testimony, expert reports, expert legislative testimony, and affidavits.

Q. Have you previously testified before the Washington Utilities and Transportation Commission?

A. Yes. Exhibit DED-2 includes a list of the Washington Utilities and Transportation Commission (Commission) proceedings in which I have testified, a list of all my publications, presentations, pre-filed expert witness testimony in other jurisdictions, expert reports, expert legislative testimony, and affidavits.

Q. Was this testimony prepared by you or under your supervision?

A. Yes. Although my colleagues at ACG assisted me with the research related to the formulation of my opinions, as well as the preparation of my testimony, the opinions are mine alone.

Q. What is the purpose of your testimony?

A. I have been retained by the Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) to provide expert testimony and opinions to the Commission on a number of regulatory issues implicated by the application of Avista Corporation (Company or Avista), including rate design.

Q. How is the remainder of your testimony organized?

A. The balance of my testimony is organized into the following sections:

- Section II: Summary of Recommendations
- Section III: Rate Design

Q. Please identify the exhibits supporting your response testimony.

A. The following Response Exhibits accompany my response testimony:

- Exhibit DED-2: Curriculum Vitae of David E. Dismukes
- Exhibit DED-3: Analysis of Electric Customer Charges to Customer-Related Costs
- Exhibit DED-4: Analysis of Natural Gas Customer Charges to Customer-Related Costs
- Exhibit DED-5: Survey of Regional Electric Customer Charges
- Exhibit DED-6: Survey of Regional Natural Gas Customer Charges
- Exhibit DED-7: Analysis of Energy Usage and Household Income
- Exhibit DED-8: Residential Electric Bill Comparison at Different Usage Levels
- Exhibit DED-9: Residential Natural Gas Comparison at Different Usage Levels

II. SUMMARY OF RECOMMENDATIONS

Q. What is your recommendation regarding the Company's residential electric basic service charge proposal?

A. I recommend that the Commission reject the Company's proposed increase in residential customer charges for a number of reasons. First, the Company's proposal is based upon an inaccurate accounting of customer-related costs. Second, the Company's proposed $15.00 per month residential electric customer charge will be 51 percent higher than the regional average. Third, the Company's proposal would negatively impact the public policy goals of energy efficiency and would burden low-use customers with a greater than average portion of any proposed increase in the case. Finally, the Company's proposed increase in customer charges is unnecessary to provide revenue certainty as Avista's electric operational utility has a decoupling mechanism in place which allows the utility to reconcile rates for changes in customer electric usage.

Q. What is your recommendation regarding the Company's general service natural gas basic service charge proposal?

A. Similar to my recommendation regarding the Company's proposed increase in electric basic service charges, I recommend that the Commission reject the Company's proposed increase in general service customer charges (which includes residential customers) for a number of reasons. First, the Company's proposed $15.00 per month residential natural gas customer charge will be 31 percent higher than the regional average. Second, the Company's proposal would negatively impact the public policy goals of energy efficiency and would burden low-use customers with a greater than average portion of any proposed increase in the case. Finally, the Company's proposed increase in customer charges is unnecessary to provide revenue certainty as Avista's gas operational utility has a decoupling mechanism in place which allows the utility to reconcile rates for changes in customer natural gas usage.

III. RATE DESIGN

A. Rate Design Objectives

Q. How are electric utility rates typically structured?

A. Electric utility rates are typically comprised of three basic elements. The first element is the fixed monthly customer charge, sometimes referred to as a basic service charge or a basic facility charge. The second is the energy-based component that is a volumetric rate applied toward a customer's monthly energy usage during a billing period, often measured in terms of kilowatt-hour (kWh). Finally, demand rates are surcharges that are assessed based upon a customer's

maximum usage during a billing period, commonly measured in terms of kilowatt (kW) for those customers that are demand metered. Historically, some smaller use customer classes, such as residential and small commercial classes, are not demand-metered and thus, only pay customer and energy charges. Customers with just customer and energy charges have bills that are based upon what is commonly called a "two-part tariff" (e.g., energy and customer charge) whereas large demand metered customers face a "three-part tariff" (e.g., energy, customer, and demand charges).

Q. How are natural gas rates typically structured?

A. Natural gas utility rates are likewise typically comprised of three elements. The first component is the fixed monthly customer charge. The second is the energy-based component that is a volumetric rate applied toward a customer's monthly energy usage during a billing period, often measured in terms of therms or dekatherms (Dth). Finally, demand rates are surcharges that are assessed based upon a customer's maximum usage during a billing period. As with electric rate design, some smaller use customer classes, such as residential and small general services classes, are not demand-metered and thus, only face customer and energy charges in what is commonly called a "two-part tariff." Larger, demand metered, customers face a "three-part tariff" which includes a customer, volumetric, and demand charge. A "multi-part tariff" is a term often used to generalize a set of rates that have various combinations of both fixed (customer charge) and variable charges (energy and/or demand charges).

Q. How should policy balance cost assignments between fixed customer charges and volumetric rates?

A. Modern utility pricing theory is primarily concerned with the development of optimal tariff design, which over the years has become dominated by the two-part and three-part tariff form that is sometimes referred to more technically as a non-linear (or non-uniform) pricing approach. Once a class revenue requirement is established, the goal for regulators should be one that sets the most appropriate rates based upon various efficiency and equity considerations. Balancing the weight of how costs are recovered between fixed rates, variable rates, block rates, and seasonal rates are all integrated parts of that process.

Q. What is the appropriate role of costs in setting rates for a multi-part tariff?

A. Costs can be instructive in establishing a baseline upon which prices may be set, but costs do not need to serve as the sole or exclusive basis for rates in order for them to be set optimally (i.e., fixed charges do not need to strictly equal fixed costs, variable rates need not strictly equal variable costs). Unfortunately, the "fixed charge-equals-fixed costs" philosophy gets repeated so often that it can often drown out meaningful discussions about other equally important considerations in setting rates in imperfect markets. In fact, appropriate rate setting in the context of a multipart tariff typically has more to do with consumer demand than it does with cost in both an electric and natural gas context given the capital-intensive nature of public utilities.

Q. Does the rate design process have any goals?

A. Yes. The development of utility rates, or "rate design" often has a few goals. For example, rates are sometimes designed to send certain price signals to consumers in order to influence their usage decisions.[1] Sometimes, rate design becomes a balancing act since rates must be designed to be both supply-eliciting (i.e., assist utilities in financing of capital investments) and demand-inhibiting (i.e., inhibit the growth in demand that generates the need for capital investments).[2]

B. Basic Residential Customer Charge

Q. Please provide an overview of the Company's basic residential electric customer charge proposal.

A. The Company is proposing to increase the basic charge for residential electric customers from $9.00 to $15.00 per month in Rate Year 1.[3] This represents an increase of $6.00, or 66.7 percent. For Rate Year 2, The Company proposes to increase the basic charges for electric residential customers by another 33.3 percent, from $15.00 to $20.00, an increase of $5.00 per month.[4] In total, over the proposed two-year multi-year plan (MYP), the Company proposes to increase its basic charge for electric residential customers by $11.00, from the current $9.00 per month to $20.00 per month, or by 122 percent.

Q. Please provide an overview of the Company's basic natural gas residential customer charge proposal.

[1] James C. Bonbright, Albert L. Danielsen, David R. Kamerschen*., Principles of Public Utility Rates,* at 96–97 (Pub. Utils. R., Second Edition 1988).
[2] *Id.*
[3] Direct Test. of Joseph D. Miller, Exh. JDM-1T at 11:11–13.
[4] Miller, Exh. JDM-1T at 11:17–19.

A. The Company is proposing to increase the basic charge for general service natural gas customers (which includes residential customers) from $9.50 to $15.00 in Rate Year 1. This represents an increase of $5.5, or 57.9 percent.[5] In Rate Year 2, the Company proposes another 33.3 percent increase to the monthly basic charge for these natural gas customers from $15.00 to $20.00, an increase of $5.00.[6] In total, over the proposed two-year MYP, the Company proposes to increase its basic charge for general service natural gas customers by $10.50 per month, from the current $9.50 per month to $20.00 per month, or by 111 percent.

Q. What is the basis of the Company's proposed electric residential customer charge increase?

A. The Company claims that a significant portion of its costs are fixed and don't vary with usage.[7] These costs include distribution plant and operating costs. Total customer allocated costs for residential customers are $26.55 per customer per month.[8] The Company states, "Even with decoupling mechanisms, the Company believes it is important that rates better reflect these increasing costs to serve customers."[9] The Company then defends its fixed rate structure by underscoring that other utility services, including phone, water, sewer, solid waste, television, and internet, offer a flat monthly fee.[10] Finally, the Company claims that

[5] *Id.* at 28:16–17.
[6] *Id.* at 29:1–2.
[7] *Id.* at 32:5–6.
[8] *Id.* at 32:7–8.
[9] *Id.* at 32:9–11.
[10] *Id.* at 32:23–33:1.

consumers have "become accustomed to paying a relatively constant monthly fee for service".[11]

Q. Does the Company have similar positions on fixed natural gas charges?

A. Yes. The Company claims that "to properly match revenues with the cost of service, the fixed costs of providing service would be recovered through a fixed monthly charge, paid by each customer irrespective of actual usage."[12] It asserts that its facilities and support functions are available to all customers, regardless of how much energy each customer consumes, so to set the basic charge at a rate less than the annual customer costs can result in non-equitable rates and volatile monthly bills.[13]

Q. Do you agree with the manner in which the Company analyzed monthly electric and natural gas customer-related costs?

A. No. The Company's analysis significantly overstates the costs directly attributable to customer-related activities. Specifically, the Company analysis examined all functionalized customer-related costs from its class cost of service study, including allocated portions of administrative and general expenses (A&G) not directly attributable to customer-related activities.[14]

Q. Have you prepared an analysis of costs commonly associated with electric and natural gas customer charges?

[11] *Id.* at 33:3–5.
[12] *Id.* at 34:23–35:2.
[13] *Id.* at 35:2–5.
[14] *See*, Marcus J. Garbarino, Exh. MJG-2 and Joel C. Anderson, Exh. JCA-2.

A. Yes. Exhibits DED-3 and DED-4 present an analysis of current customer charges with customer-related expenses for the Company's electric and natural gas units, respectively. "Customer-related" expense accounts for both electric and natural gas utilities are those typically allocated on the basis of customers and can include: removing and setting meters; maintenance of meters; natural gas services and electric service drop expenses; maintenance of natural gas services and electric service drops; meter reading expenses; customer records and collections; customer billing and account; customer service and information expenses; and sales expenses. These costs can also include the depreciation expense associated with service/service drop and meter plant accounts, as well as the carrying charges (at the Company's requested rate of return) on these plant accounts.

Q. What are your findings regarding the Company's electric customer-related costs?

A. Exhibit DED-3 shows that the Company's existing electric basic service charges are recovering the majority of electric customer-related costs for all customer classes. This includes the residential service class, where the current $9.00 per month basic service charge recovers 82.4 percent of the estimated $10.93 monthly customer-related costs.

Q. What are your findings regarding the Company's natural gas customer-related costs?

A. Exhibit DED-4 shows that the Company's proposed natural gas basic service charges are in excess of estimated natural gas customer-related costs for most customer classes. This includes the general service class, which is estimated to

have customer-related costs of $18.60 per month, less than the Company's proposed $20.00 per month customer charge. Indeed, the Company's existing natural gas basic service charge for general service customers of $9.50 per month recovers 51 percent of estimated monthly customer-related costs.

Q. Has the Company compared its current and proposed electric basis service charges with other utilities' rates?

A. Yes. The Company notes limited examples of regional electric utilities that have been charging higher customer charges in recent years.[15]

Q. Are there any issues with the Company's survey of other utilities' electric rates?

A. Yes. The Company points out that consumer-owned electric utilities have been charging higher monthly customer charges for years; for instance, Inland Power and Light has a residential monthly basic charge of $26.55 per month and Kootenai Electric Cooperative in Idaho has a residential monthly basic charge of $32.5.[16] In addition, San Diego Gas and Electric is proposing fixed charges of $24.00, $34.00, $73.00, and $128.00 based on the customer's household income.[17] The issue with the Company's survey is that it is limited to only a few peer utilities, including electric cooperatives which have different cost structures when compared to investor-owned utilities like the Company.

Q. Have you developed an alternative analysis of residential electric customer charges across the region?

[15] Miller, Exh. JDM-1T at 33:8–21.
[16] *Id.*
[17] *Id*.

A. Yes. This analysis, presented in Exhibit DED-5, compares the Company's electric residential customer charge to other regional electric utilities. This analysis demonstrates that the Company's current residential customer charge of $9.00 per month is comparable to, if slightly less than, the average residential customer charge of $9.93 for other regional utilities. However, The Company's proposed rate year one increase to a $15.00 monthly residential customer charge is 51 percent greater than the peer group average of $9.93.

Q. Have you developed an alternative analysis of residential natural gas customer charge across the region?

A. Yes. This analysis, presented in Exhibit DED-6, compares the Company's natural gas general service customer charge to other regional natural gas utilities. This analysis demonstrates that the Company's current natural gas general service customer charge of $9.50 per month is slightly below the average customer charge of $11.44 for other regional utilities. However, again, the Company's proposed rate year one increase to a $15.00 monthly residential customer charge is 31 percent greater than regional peer group average of $11.44 per month.

Q. According to the Company, what is the effect of its proposed increase in fixed costs on price signals?

A. Conservation of electricity and natural gas is paramount, according to The Company.[18] The rate design of a three-tier increasing block rate for electric and two volumetric tiers were developed with conservation in mind. The more

[18] Miller, Exh. JDM-1T at 35:8–15.

electricity that is used, the higher the rate and the higher the customer bill.[19] Thus, The Company claims, "The volumetric pricing components even with the Company's proposed basic charge increase will still send a very clear price signal to conserve".[20]

Q. Do you agree with the Company's position that higher basic service charges are consistent with the promotion of energy efficiency and conservation?

A. No. The Company's proposal is inconsistent with the promotion of energy efficiency and conservation in Washington for the simple reason that it places more costs into the fixed component of rates than in the variable component. Because only the variable component of bills is avoidable, this reduces economic incentives for ratepayers to control monthly utility bills through energy efficiency and conservation efforts.

Q. Have other commissions recognized the detrimental effect increased fixed charges have on energy efficiency?

A. Yes. In rejecting a request by Baltimore Gas and Electric to increase customer charges as part of a larger rate design proposal, the Maryland Public Service Commission (MPSC) recognized the need to allow customers the opportunity to control their monthly bills by reducing energy usage.

> Even though this issue was virtually uncontested by the parties, we find we must reject Staff's proposal to increase the fixed customer charge from $7.50 to $8.36. Based on the reasoning that ratepayers should be offered the opportunity to control their monthly bills to some degree by controlling their energy usage, we instead adopt the Company's proposal to achieve the entire revenue requirement

[19] *Id.*
[20] *Id*.

> increase through volumetric and demand charges. This approach also is consistent with and supports our EmPOWER Maryland goals.[21]

Q. Is the Maryland Commission alone in its belief that high fixed charges discourage efficient use of energy?

A. No. A research document presented for consideration by the membership of the National Association of Regulatory Utility Commissioners (NARUC) lists Straight-Fixed Variable (SFV) rate design as an alternative to delink utility revenue from sales. An SFV attaches all fixed-related costs to fixed charges while relegating only variable charges to volumetric rates. The NARUC research noted this type of rate design was problematic because of its effects on customer incentives to conserve energy:

> **Straight-Fixed Variable Rate Design.** This mechanism eliminates all variable distribution charges and costs are recovered through a fixed delivery services charge or an increase in the fixed customer charge alone. With this approach, it is assumed that a utility's revenues would be unaffected by changes in sales levels if all its overhead or fixed costs are recovered in the fixed portion of customers' bills. This approach has been criticized for having the unintended effect of reducing customers' incentive to use less electricity or gas by eliminating their volumetric charges and billing a fixed monthly rate, regardless of how much customers consume.[22]

Q. Has any national public policy analysis noted the efficiency disincentives associated with SFV-type rate designs?

[21] *In re Baltimore Gas and Electric Co. for Adjustment in its Electric and Gas Base Rates.* Case No. 9299, Order No. 85374 at 99 (Md. Pub. Serv. Comm'n, Feb. 22, 2013).
[22] Nat'l Ass'n. of Regul. Util. Comm'r, *Decoupling for Electric & Gas Utilities: Frequently Asked Questions (FAQ)* Grants & Research Department, at 5 (Sept. 2007) (emphasis added) https://erranet.org/download/decoupling-electric-gas-utilities-frequently-asked-questions-faq/?wpdmdl=33524&refresh=667b14607185e1719342176.

A. Yes. The National Action Plan for Energy Efficiency (NAPEE), a joint venture of the U.S. Department of Energy and U.S. Environmental Protection Agency, published a whitepaper on various rate design effects on encouraging energy efficient behaviors. The NAPEE postulated that SFV had a detrimental effect on economic signals to encourage customers to change energy usage behavior and invest in energy efficiency devices, and specifically noted that such disincentives persist even when applied to individual components of a customer's utility bill, such as SFV for strictly distribution services:

> Because [SFV] tends to shift costs out of volumetric charges, it tends to reduce customers' efficiency incentive, because the marginal price of additional consumption is reduced. While SFV rates are being considered to better reflect the utility's costs behind the rate, these rates do not encourage customers to change energy usage behavior or invest in efficiency technologies. Such customer disincentives persist even when SFV rates are applied to individual components of the bill, such as charges for distribution service.[23]

Q. Does the Company claim that the proposed increase in basic service charge will negatively affect low-income electric customers?

A. No. According to The Company, "Traditional thinking might lead one to believe that a limited income electric customer would tend to be a low user of electricity…the data that we do have available suggests just the opposite is true".[24] The Company, in its analysis, calculated that limited income customers, from July 2022 to June 2023, had an average annual kWh usage of 12,721

[23] Nat'l Action Plan for Energy Efficiency, *Customer Incentives for Energy Efficiency Through Electric and Natural Gas Rate Design* at 13-14, (Sept. 2009) (emphasis added), available at https://www.epa.gov/sites/production/files/2015-08/documents/rate_design.pdf.
[24] Miller, Exh. JDM-1T at 38:15–18.

compared to the average annual kWh usage of all other residential customers of 11,581, representing a difference of 1,140 kWh.[25] The Company concludes that low-income customers may be harmed by having a lower basic charge and a higher volumetric charge.[26]

Q. Do you have any concern with the Company's analysis of the proposed rate increase's effect on low-income electric customers?

A. Yes. The Company's analysis conflates low-income customers receiving assistance through the Company's bill discount program with the wider pool of limited income customers using the Company's electric service but who do not qualify, or are not enrolled in bill discount programs.

Q. Have other studies shown the relationship between income and electricity usage?

A. Yes. Exhibit DED-7 reflects household energy expenditure data for the Pacific census region as recorded in the 2020 Residential Energy Consumption Survey (RECS) performed by the U.S. Energy Information Administration (EIA). The data indicate household income is positively correlated with energy consumption: as household income increases, energy consumption increases. For example, households earning less than $20,000 a year consume nearly 32 percent less energy per year than households earning greater than $150,000 a year.[27] This means that the customer charge is a higher proportion of a lower income household's total bill than a higher income household's energy bill. It therefore

[25] *Id.* at 39:11–15.
[26] *Id.* at 39:16–18.
[27] Dismukes, Exh. DED-7 (Analysis of Energy Usage and Household Income).

follows that the impact of increases to the customer charge creates a disproportionately adverse impact on lower income households, thereby raising rate equity concerns.

Q. Have you prepared typical electric bill analyses associated with the Company's rate design proposals?

A. Yes. Exhibit DED-8 illustrates electric bill changes for residential customers of varying monthly kWh usage levels. This analysis shows that low-use residential customers would see their bill increase by 15.57 percent, relative to the proposed average rate increase for all residential customers of 13.02 percent.

Q. Have you prepared typical natural gas bill analyses associated with the Company's rate design proposals?

A. Yes. Exhibit DED-9 illustrates natural gas distribution bill changes for residential customers of varying monthly therm usage levels. This analysis shows that low-use residential customers would see their bill increase by 9.19 percent, relative to the proposed average rate increase for all residential customers of 6.74 percent.

Q. Is the understanding that an increase in natural gas basic service charges will disproportionately affect low-income customers consistent with the Company's findings?

A. Yes. While the Company argues that higher basic service charges will not negatively impact low-income electric customers, it acknowledges that its proposed higher basic service charges for natural gas customers will negatively impact low-income natural gas customers as low-income natural gas users on its system typically use less natural gas per month than average customers.

Specifically, the Company found that low-income residential natural gas customers consume 53 therms of natural gas per month compared to the average residential monthly natural gas use of 66 therms per month.[28]

Q. Are there general concerns related to the Company's proposal for significant increases in its monthly electric and natural gas customer charges?

A. Yes. One of the reasons for approving higher customer charges is to provide utilities with a level of revenue certainty regardless of monthly customer usage, thus partially immunizing a utility from potentially negative impacts on the recovery of fixed costs from falling customer usage. However, the Commission should recognize that both the Company's electric and natural gas operational units have decoupling mechanisms in place which allow the Company to recover revenues associated with decreases in customer usage. The proposed increases in monthly electric and natural gas customer charges would be duplicative of current policy in Washington which has permitted decoupling for the Company's electric and natural gas operational units.

C. Basic Residential Customer Charge Recommendations

Q. What is your recommendation regarding the Company's residential electric basic service charge proposal?

A. I recommend that the Commission reject the Company's proposed increase in residential customer charges for a number of reasons. First, the Company's proposal is based upon an inaccurate accounting of customer-related costs. Second, the Company's proposed $15.00 per month residential electric customer

[28] Miller, Exh. JDM-1T at 40:6–17.

charge will be 51 percent higher than the regional average. Third, the Company's proposal would negatively impact the public policy goals of energy efficiency and would burden low-use customers with a greater than average portion of any proposed increase in the case. Finally, the Company's proposed increase in customer charges is unnecessary to provide revenue certainty as Avista's electric operational utility has a decoupling mechanism in place with allows the utility to reconcile rates for changes in customer electric usage.

Q. What is your recommendation regarding the Company's general service natural gas basic service charge proposal?

A. Similar to my recommendation regarding the Company's proposed increase in electric basic service charges, I recommend that the Commission reject the Company's proposed increase in general service customer charges (which includes residential customers) for a number of reasons. First, the Company's proposed $15.00 per month residential natural gas customer charge will be 31 percent higher than the regional average. Second, the Company's proposal would negatively impact the public policy goals of energy efficiency and would burden low-use customers with a greater than average portion of any proposed increase in the case. Finally, the Company's proposed increase in customer charges is unnecessary to provide revenue certainty as Avista's gas operational utility has a decoupling mechanism in place with allows the utility to reconcile rates for changes in customer gas usage.

Q. Does this conclude your testimony?

A. Yes.