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June 14, 2019

Via Electronic Mail

Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S. W.
P.O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. UE-170002 and UG-170003 - Comments of Avista Utilities on Rulemaking to Address Electric and Natural Gas Cost of Service

Dear Mr. Johnson,

Avista Corporation dba Avista Utilities (Avista or Company) submits the following comments in accordance with the Washington Utilities and Transportation Commission's (Commission) Notice of Opportunity to File Written Comments (Notice) dated May 6, 2019. Avista appreciates the opportunity to provide comments.

In the present draft form, the Company believes the informal draft rules to be a positive step forward in formalizing cost of service studies for all utilities. In general, the Company has no issues with the informal draft rules and looks forward to collaboratively participating with the parties to finalize the rule making process.

Questions for all interested Stakeholders:

1. **How should a cost of service study reflect Special Contracts?**
 - a. **Is it appropriate to treat them as a separate customer class?**
 - b. **How should revenue from special contracts be included or shown as an offset to other customer classes?**

Avista Response – First, it is important to understand why Avista has special contract customers. For natural gas service, where the Company has the majority of special contracts, qualifying customers have an economic alternative to taking service from the Company (i.e., direct pipeline connections). In order to prevent a full bypass of Avista (and the associated margin that covers

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not only the cost to provide service to them, but also covers common costs), the Company will negotiate a special, fixed rate that will both preserve a level of margin to cover utility costs, and will keep the customer connected to our system. For purposes of cost of service studies, it is the Company's preference, and past practice, to segregate the revenue from special contracts from general rate revenue and allocate this revenue back to all the other rates classes by relative rate base. In treating these revenues like other operating revenues, the system contribution from special contract revenue reduces costs to all other rate schedules.

2. Are the proposed input data types (advanced metering infrastructure, special contracts, load studies) sufficient, or should there be other types of data?

Avista Response – The proposed input data types are sufficient at this time, but should be flexible to incorporate other unforeseen sources of data types that may be beneficial in an evolving energy landscape.

3. How often should load studies be performed?

Avista Response – Load studies should be performed at a minimum of every five years.

Please refer to the attachment labeled “Avista Electric Scenarios” for the requested electric scenarios and the attachment labeled “Avista Natural Gas Scenarios” for the requested natural gas scenarios. For each scenario, in addition to the requested parity ratios (relative revenue-to-cost), the Company has also provided the revenue change required to reach parity and related percentage change from present base rates.

Please direct any questions regarding these comments to Tara Knox at 509-495-4325 or tara.knox@avistacorp.com or Joe Miller at 509-495-4546 or joe.miller@avistacorp.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'Patrick Ehrbar', with a long horizontal line extending to the right.

Patrick Ehrbar
Director of Regulatory Affairs

Avista

Electric Scenarios from the Cost of Service Study filed in Docket No. UJ-170485 updated with allowed costs and revenues

Docket UJ-170002

Generation Classification

1. Average & Excess
4CP Demand

	Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio	1.00	0.86	1.31	1.14	1.03	0.98	0.84
Target Revenue \$000s	\$ -	\$ 34,302	\$ (17,632)	\$ (16,390)	\$ (1,846)	\$ 211	\$ 1,355
Base Percentage Change Required		16.0%	-23.5%	-12.7%	-2.8%	1.9%	19.3%

2. Fixed Ratio 75E/25D
4CP Demand

	Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio	1.00	0.88	1.30	1.13	1.00	0.96	0.83
Target Revenue \$000s	\$ -	\$ 30,612	\$ (17,192)	\$ (15,259)	\$ (115)	\$ 501	\$ 1,453
Base Percentage Change Required		14.3%	-22.9%	-11.8%	-0.2%	4.5%	20.7%

3. Renewable Future Peak Credit
4CP Demand

	Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio	1.00	0.83	1.34	1.18	1.12	1.06	0.87
Target Revenue \$000s	\$ -	\$ 45,375	\$ (18,951)	\$ (19,784)	\$ (7,041)	\$ (662)	\$ 1,063
Base Percentage Change Required		21.2%	-25.2%	-15.3%	-10.7%	-5.9%	15.1%

4. Thermal Peak Credit
4CP Demand

	Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio	1.00	0.87	1.30	1.14	1.01	0.97	0.83
Target Revenue \$000s	\$ -	\$ 32,032	\$ (17,361)	\$ (15,694)	\$ (781)	\$ 389	\$ 1,415
Base Percentage Change Required		14.9%	-23.1%	-12.1%	-1.2%	3.5%	20.2%

5. Net Power Cost 100% Energy
All Other Renewable Future Peak Credit
4CP Demand

	Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio	1.00	0.85	1.31	1.15	1.05	1.00	0.84
Target Revenue \$000s	\$ -	\$ 36,447	\$ (17,891)	\$ (17,025)	\$ (2,868)	\$ 37	\$ 1,300
Base Percentage Change Required		17.0%	-23.8%	-13.1%	-4.4%	0.3%	18.5%

Avista
 Electric Scenarios from the Cost of Service Study filed in Docket No. UE-170485 updated with allowed costs and revenues
 Docket UE-170002

Generation Allocation

<u>1. Demand by Top 100/100 Seasonal Sales</u>		Residential	General	Large General	Extra Large	Pumping	Street & Area
<u>Average & Excess Classification</u>		Service	Service	Service	General Service	Service	Lighting Service
	Total	Sch 1-2	Sch 11-12	Sch 21-22	Sch 25	Sch 30-31-32	Sch 41 - 48
Parity Ratio	1.00	0.87	1.29	1.13	1.03	0.94	0.84
Target Revenue \$000s	\$ -	\$ 31,639	\$ (16,688)	\$ (15,405)	\$ (1,619)	\$ 699	\$ 1,374
Base Percentage Change Required		14.8%	-22.2%	-11.9%	-2.5%	6.3%	19.6%

2. Load Net of Renewable Generation

<u>a. Demand by 1CP</u>		Residential	General	Large General	Extra Large	Pumping	Street & Area
<u>Average & Excess Classification</u>		Service	Service	Service	General Service	Service	Lighting Service
	Total	Sch 1-2	Sch 11-12	Sch 21-22	Sch 25	Sch 30-31-32	Sch 41 - 48
Parity Ratio	1.00	0.85	1.35	1.16	1.02	0.97	0.85
Target Revenue \$000s	\$ -	\$ 36,823	\$ (19,364)	\$ (17,587)	\$ (1,477)	\$ 398	\$ 1,207
Base Percentage Change Required		17.2%	-25.8%	-13.6%	-2.2%	3.6%	17.2%

<u>b. Demand by 12CP</u>		Residential	General	Large General	Extra Large	Pumping	Street & Area
<u>Average & Excess Classification</u>		Service	Service	Service	General Service	Service	Lighting Service
	Total	Sch 1-2	Sch 11-12	Sch 21-22	Sch 25	Sch 30-31-32	Sch 41 - 48
Parity Ratio	1.00	0.86	1.33	1.15	1.00	0.96	0.83
Target Revenue \$000s	\$ -	\$ 33,567	\$ (18,450)	\$ (17,202)	\$ 110	\$ 521	\$ 1,454
Base Percentage Change Required		15.7%	-24.6%	-13.3%	0.2%	4.7%	20.7%

<u>c. Demand by Top Summer/Top Winter</u>		Residential	General	Large General	Extra Large	Pumping	Street & Area
<u>Average & Excess Classification</u>		Service	Service	Service	General Service	Service	Lighting Service
	Total	Sch 1-2	Sch 11-12	Sch 21-22	Sch 25	Sch 30-31-32	Sch 41 - 48
Parity Ratio	1.00	0.86	1.33	1.16	1.03	1.01	0.82
Target Revenue \$000s	\$ -	\$ 36,216	\$ (18,420)	\$ (17,430)	\$ (1,732)	\$ (141)	\$ 1,507
Base Percentage Change Required		16.9%	-24.5%	-13.5%	-2.6%	-1.3%	21.5%

<u>3. Demand by 12 CP Peak Method</u>		Residential	General	Large General	Extra Large	Pumping	Street & Area
<u>Average & Excess Classification</u>		Service	Service	Service	General Service	Service	Lighting Service
	Total	Sch 1-2	Sch 11-12	Sch 21-22	Sch 25	Sch 30-31-32	Sch 41 - 48
Parity Ratio	1.00	0.87	1.30	1.14	1.00	0.95	0.83
Target Revenue \$000s	\$ -	\$ 31,395	\$ (17,212)	\$ (16,027)	\$ (102)	\$ 552	\$ 1,394
Base Percentage Change Required		14.6%	-22.9%	-12.4%	-0.2%	5.0%	19.9%

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Electric Scenarios from the Cost of Service Study filed in Docket No. UH-170485 updated with allowed costs and revenues
 Docket UH-170002

Transmission Allocation

1. Transmission Follows Generation

1-1. Demand by Top 100/100 Seasonal Sales

Average & Excess Classification Applied to Both Gn and Tr		Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio		1.00	0.87	1.28	1.13	1.03	0.94	0.84
Target Revenue \$000s	\$	-	\$ 31,707	\$ (16,574)	\$ (15,274)	\$ (1,959)	\$ 730	\$ 1,370
Base Percentage Change Required			14.8%	-22.1%	-11.8%	-3.0%	6.6%	19.5%

1-2. Load Net of Renewable Generation

a. Demand by ICP

Average & Excess Classification Applied to Both Gn and Tr		Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio		1.00	0.85	1.36	1.16	1.03	0.97	0.86
Target Revenue \$000s	\$	-	\$ 30,612	\$ (17,192)	\$ (15,259)	\$ (115)	\$ 501	\$ 1,453
Base Percentage Change Required			14.3%	-22.9%	-11.8%	-0.2%	4.5%	20.7%

b. Demand by 12CP

Average & Excess Classification Applied to Both Gn and Tr		Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio		1.00	0.86	1.33	1.16	1.00	0.96	0.83
Target Revenue \$000s	\$	-	\$ 34,062	\$ (18,725)	\$ (17,467)	\$ 150	\$ 513	\$ 1,467
Base Percentage Change Required			15.9%	-24.9%	-13.5%	0.2%	4.6%	20.9%

c. Demand by Top Summer/Top Winter

Average & Excess Classification Applied to Both Gn and Tr		Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio		1.00	0.85	1.33	1.16	1.03	1.03	0.82
Target Revenue \$000s	\$	-	\$ 37,294	\$ (18,688)	\$ (17,745)	\$ (2,097)	\$ (295)	\$ 1,531
Base Percentage Change Required			17.4%	-24.9%	-13.7%	-3.2%	-2.7%	21.8%

1-3. Demand by 12 CP Peak Method

Average & Excess Classification Applied to Both Gn and Tr		Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio		1.00	0.87	1.30	1.15	1.00	0.95	0.83
Target Revenue \$000s	\$	-	\$ 31,411	\$ (17,214)	\$ (16,033)	\$ (108)	\$ 551	\$ 1,393
Base Percentage Change Required			14.7%	-22.9%	-12.4%	-0.2%	4.9%	19.8%

2. FERC Method

Transmission 100% Demand 12CP		Total	Residential Service Sch 1-2	General Service Sch 11-12	Large General Service Sch 21-22	Extra Large General Service Sch 25	Pumping Service Sch 30-31-32	Street & Area Lighting Service Sch 41 - 48
Parity Ratio		1.00	0.86	1.30	1.15	1.02	0.97	0.84
Target Revenue \$000s	\$	-	\$ 34,242	\$ (17,525)	\$ (17,091)	\$ (1,300)	\$ 369	\$ 1,305
Base Percentage Change Required			16.0%	-23.3%	-13.2%	-2.0%	3.3%	18.6%

Distribution Main Classification

1. System load factor

	Total	Large		Extra Large		Interruptible Transportation Sch 146
		General Service Sch 101	General Service Sch 111	General Service Sch 121	General Service Sch 132	
Parity Ratio	1.00	0.94	1.46	1.36	1.07	0.77
Target Revenue	\$ 0	\$ 4,250,239	\$ (4,784,692)	\$ (267,382)	\$ (12,891)	\$ 814,726
Base Percentage Change Required		6.4%	-31.7%	-26.8%	-7.0%	28.6%

2. Design Day

	Total	Large		Extra Large		Interruptible Transportation Sch 146
		General Service Sch 101	General Service Sch 111	General Service Sch 121	General Service Sch 132	
Parity Ratio	1.00	0.93	1.49	1.39	1.10	0.92
Target Revenue	\$ 0	\$ 5,005,996	\$ (4,946,006)	\$ (280,014)	\$ (16,687)	\$ 236,711
Base Percentage Change Required		7.6%	-32.8%	-28.0%	-9.0%	8.3%

3. Hybrid Design Day

	Total	Large		Extra Large		Interruptible Transportation Sch 146
		General Service Sch 101	General Service Sch 111	General Service Sch 121	General Service Sch 132	
Parity Ratio	1.00	0.93	1.48	1.38	1.09	0.86
Target Revenue	\$ 0	\$ 4,718,289	\$ (4,884,596)	\$ (275,205)	\$ (15,242)	\$ 456,754
Base Percentage Change Required		7.2%	-32.4%	-27.5%	-8.2%	16.0%

Distribution Main Allocation

1. Current Commission Staff Method

	Total	Large		Extra Large		Interruptible Transportation Sch 146
		General Service Sch 101	General Service Sch 111	General Service Sch 121	General Service Sch 132	
Parity Ratio	1.00	0.94	1.46	1.36	1.07	0.77
Target Revenue	\$ 0	\$ 4,250,239	\$ (4,784,692)	\$ (267,382)	\$ (12,891)	\$ 814,726
Base Percentage Change Required		6.4%	-31.7%	-26.8%	-7.0%	28.6%

2. Commission Staff Proposed Method

	Total	Large		Extra Large		Interruptible Transportation Sch 146
		General Service Sch 101	General Service Sch 111	General Service Sch 121	General Service Sch 132	
Parity Ratio	1.00	0.93	1.44	1.43	1.12	0.90
Target Revenue	\$ 0	\$ 4,614,192	\$ (4,592,293)	\$ (302,057)	\$ (19,578)	\$ 299,737
Base Percentage Change Required		7.0%	-30.4%	-30.2%	-10.6%	10.5%

3. Design Day

	Total	Large		Extra Large		Interruptible Transportation Sch 146
		General Service Sch 101	General Service Sch 111	General Service Sch 121	General Service Sch 132	
Parity Ratio	1.00	0.94	1.46	1.55	1.15	0.84
Target Revenue	\$ 0	\$ 4,577,658	\$ (4,744,699)	\$ (353,405)	\$ (24,346)	\$ 544,793
Base Percentage Change Required		6.9%	-31.5%	-35.4%	-13.1%	19.1%