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IDAHO PUBLIC
UTILITIES COMMISSION

1 David J. Meyer
2 Vice President and Chief Counsel of
3 Regulatory and Governmental Affairs
4 Avista Corporation
5 1411 E. Mission Avenue
6 P. O. Box 3727
7 Spokane, Washington 99220
8 Phone: (509) 489-0500, Fax: (509) 495-8851
9
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11

12 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION
13

14 IN THE MATTER OF THE SUBMISSION OF THE)
15 POWER COST ADJUSTMENT (PCA) STATUS) CASE NO. AVU-E-05-06
16 REPORT OF AVISTA CORPORATION AND)
17 REQUEST FOR RECOVERY OF POWER COSTS)
18 DEFERRED THROUGH JUNE 30, 2005)
19

20 I. INTRODUCTION

21 Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company), at
22 1411 East Mission Avenue, Spokane, Washington, respectfully files the status report as required by
23 the Commission¹, and requests the Commission issue an order approving recovery of power costs
24 deferred through June 30, 2005, and the continuation of the existing PCA surcharge. The existing
25 PCA surcharge of 2.448% was approved effective April 15, 2005 by Order No. 29752 dated April
26 12, 2005 in Case No. AVU-E-05-1. In that case the PCA surcharge was reduced to offset the
27 increase in base tariff rates to recover costs associated with the purchase of the second half of the
28 Coyote Springs 2 generating plant.

¹ As stated by the Commission at page 6 of its Order No. 29605 dated October 8, 2004 in Case No. AVU-E-04-3:
"The actual remaining PCA deferral balance as of June 30, 2005, will be subject to review by this Commission prior
to establishing a surcharge for any additional period of time."

1 A 19.4% surcharge was originally authorized by this Commission by Order No. 28876 dated
2 October 11, 2001 in Case No. AVU-E-01-11. The surcharge was extended by Order No. 29130
3 dated October 11, 2002 in Case No. AVU-E-02-6, and by Order No. 29377 dated November 18,
4 2003 in Case No. AVU-E-03-6. The surcharge was reduced to 4.385% effective September 9, 2004
5 in conjunction with a general rate increase authorized by Amended Interlocutory Order No. 29588 in
6 Case No. AVU-E-04-1 dated September 9, 2004. The surcharge was then reduced to the existing
7 level of 2.448% effective April 15, 2005 in Case No. AVU-E-05-1.

8 Pursuant to Order No. 29605 in Case No. AVU-E-04-3, this filing, along with the attached
9 testimony and associated workpapers (incorporated herein by reference), serves as the PCA status
10 report for twelve months ended June 30, 2005. In this filing the Company has identified the power
11 cost deferrals during the review period, and has explained the primary factors causing the PCA
12 deferrals.

13 The Company requests that this status report be processed under the Commission's Modified
14 Procedure rules.

15 Communications in reference to this Application should be addressed to:

16 Kelly O. Norwood
17 Vice President
18 State and Federal Regulation
19 Avista Corporation
20 1411 E. Mission Avenue
21 Spokane, Washington 99220
22 Phone: (509) 495-4267
23 Fax: (509) 495-8851
24

David J. Meyer
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II. DEFERRAL ACTIVITY AND REPORTING

25 The deferral balance of \$26.1 million at June 30, 2004 is shown below, together with the
26 changes in the balance through June 30, 2005. Mr. McKenzie's testimony explains the changes in

1 the deferral balance and Mr. Storro's testimony provides additional explanation of the factors
2 causing the deferral entries for the period July 2004 through June 2005.

3	Unrecovered balance at June 30, 2004	\$26,105,927
4	Net Deferral Activity (July 2004 - June 2005)	3,337,109
5	Amortizations Related to Surcharge Revenues (July 2004 – June 2005)	-11,877,581
6	Intervenor Funding Amount	12,623
7	Write-offs (Deal A and Deal B)	-11,378,011
8	Interest (Net)	<u>-264,743</u>
9	Unrecovered balance at June 30, 2005	<u>\$5,935,324</u>

10 Monthly reports have been filed with the Commission regarding actual PCA deferral entries
11 to date. To facilitate Staff's review, additional copies of those reports for the months of July 2004
12 through June 2005 have been included with this filing and have also been provided to Potlatch
13 Corporation who intervened in AVU-E-01-11 and AVU-E-02-6. As already noted, the Company
14 requests that this filing be processed under the Commission's Modified Procedure rules.

15 III. NO TARIFF CHANGES

16 The Company is not proposing to change the existing PCA surcharge rates as set forth under
17 Eighth Revision Sheet 66 as a result of this filing. The existing PCA surcharge rates produce annual
18 revenues of approximately \$4,268,000, which is less than the unrecovered deferral balance of
19 \$5,935,324 at June 30, 2005. The Company proposes that the existing surcharge rates remain in
20 place and that the surcharge rates be reviewed again when the PCA status filing is made next year
21 covering the July 2005 through June 2006 twelve-month period.

22 In the past the PCA status filing was due 60 days prior to the expiration of the surcharge.
23 Since the surcharge rate was lowered on September 9, 2004 and again on April 15, 2005, there no
24 longer appears to be an established expiration date. Avista suggests, on a going-forward basis, that
25 the PCA status filing be required to be filed on or before August 15th of each year, which is about 45

1 days after the end of the twelve months ended June 30th reporting period. Proposed modifications to
2 the PCA surcharge or rebate rates could still be addressed in the status report proceeding, or in some
3 other proceeding.

4 **IV. REQUEST FOR RELIEF**

5 The Company respectfully requests the Commission for an order approving recovery of
6 power costs deferred through June 30, 2005 and the continuation of the existing PCA surcharge
7 rates. The Company requests that this status report filing and request for recovery of deferred power
8 costs be processed under the Commission's Modified Procedure rules.

9 Dated at Spokane, Washington this 10th day of August 2005.

10
11 AVISTA CORPORATION

12 BY 
13 David L. Meyer
14 Vice President and Chief Counsel of
15 Regulatory and Governmental Affairs
16
17

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served Avista Corporation's filing related to Avista Corporation's submission of the Power Cost Adjustment (PCA) Status Report and Request for Recovery of Power Costs Deferred through June 30, 2005, by mailing a copy via overnight mail thereof, postage prepaid to the following:

Ms Jean D Jewell, Secretary
Idaho Public Utilities Commission
PO Box 83702
West 472 Washington
Boise, ID 83720-5983

Ralph Davisson
Potlatch Corporation
601 W. Riverside Ave.
Suite 1100
Spokane, WA 99201
(Workpapers Not Included)

Conley E. Ward
Givens Pursley LLP
601 W. Bannock St.
Boise, ID 83701-2720

Dated at Spokane, Washington this 10th day of August 2005.



Patty Olsness
Rates Coordinator

David J. Meyer
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
Avista Corporation
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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE SUBMISSION OF THE)	CASE NO. AVU-E-05- <u>06</u>
POWER COST ADJUSTMENT (PCA) STATUS)	
REPORT OF AVISTA CORPORATION AND)	DIRECT TESTIMONY
REQUEST FOR RECOVERY OF POWER COSTS)	OF
<u>DEFERRED THROUGH JUNE 30, 2005</u>)	RONALD L. MCKENZIE

FOR AVISTA CORPORATION

1 **Q. Please state your name, the name of your employer and your business address.**

2 A. My name is Ronald L. McKenzie. I am employed by Avista Corporation at 1411
3 East Mission Avenue, Spokane, Washington.

4 **Q. In what capacity are you employed?**

5 A. I am employed by Avista as Manager of Regulatory Accounting in the State and
6 Federal Regulation Department.

7 **Q. Please state your educational background and professional experience.**

8 A. I graduated from Eastern Washington University in 1973 with a Bachelor of Arts
9 Degree in Business Administration, majoring in Accounting. I joined the Company in September
10 1974. I obtained a Master of Business Administration Degree from Eastern Washington
11 University in 1989. I have attended several utility accounting and ratemaking courses and
12 workshops. I have held various accounting positions within the Company. I have served in the
13 State and Federal Regulation Department for the majority of my career with the Company.

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

15 A. My testimony provides a status report of the accounting entries and account
16 balances related to the Idaho Power Cost Adjustment (PCA) for the twelve months ended June
17 30, 2005. The unrecovered deferral balance at June 30, 2005 is \$5,935,324. In this filing no
18 change is being requested to the existing PCA Schedule 66 rate.

19 **Q. Are you sponsoring an Exhibit?**

20 A. Yes. I am sponsoring Exhibit No. ____ (RLM-1), consisting of the existing PCA
21 tariff, Schedule 66.

22 **Q. Would you please show the change in the unrecovered deferral balance from**
23 **June 30, 2004 to June 30, 2005?**

1 A. Yes. The change in the unrecovered deferral balance from June 30, 2004 to June
2 30, 2005 is shown below:

3	Unrecovered balance at June 30, 2004	\$26,105,927
4	Net Deferral Activity (July 2004 - June 2005)	3,337,109
5	Amortizations Related to Surcharge Revenues (July 2004 – June 2005)	-11,877,581
6	Intervenor Funding Amount	12,623
7	Write-offs (Deal A and Deal B)	-11,378,011
8	Interest (Net)	<u>-264,743</u>
9	Unrecovered balance at June 30, 2005	<u>\$5,935,324</u>

10 **Q. Would you please explain the components listed above?**

11 A. Yes. The net deferral activity amount of \$3,337,109 represents the Idaho
12 jurisdictional share of the excess power costs deferred under the PCA mechanism by Avista for
13 the twelve months ended June 30, 2005. Mr. Storro discusses the components that make up this
14 amount. The Company absorbed excess power costs amounting to \$306,141 for the twelve-
15 month period in addition to the Deal A and Deal B write-offs shown above.

16 The amount for amortizations related to surcharge revenues of -\$11,877,581 represents
17 the amount of surcharge revenues for the twelve months ended June 30, 2005 net of revenue-
18 related expenses (commission fees and uncollectibles). During the twelve-month period the
19 surcharge rates have been lowered twice. The surcharge rates were lowered from 19.4% to
20 4.385% effective September 9, 2004 in conjunction with a general rate increase authorized by
21 Amended Interlocutory Order No. 29588 in Case No. AVU-E-04-1 dated September 9, 2004.
22 The surcharge rates were then lowered to the existing level of 2.448% effective April 15, 2005 by
23 Order No. 29752 dated April 12, 2005 in Case No. AVU-E-05-1 to offset the increase in base
24 tariff rates to recover costs associated with the purchase of the second half of the Coyote Springs
25 2 generating plant. The existing surcharge rates produce annual revenues of approximately
26 \$4,268,000.

McKenzie, Di
Avista
Page 2

1 The intervenor funding amount of \$12,623 represents the amount paid by Avista for
2 intervenor funding awarded to the Community Action Partnership Association of Idaho pursuant
3 to Order No. 29602 in Case No. AVU-E-04-1 dated October 8, 2004.

4 The write-off amount of -\$11,378,011 relates to Deal A and Deal B losses that were
5 excluded from PCA recovery by Order No. 29602.

6 The -\$264,743 interest amount represents interest for the twelve-month period July 1,
7 2004 through June 30, 2005 as well as the reversal of interest related to the Deal A and Deal B
8 losses that were excluded from PCA recovery. Interest for the twelve-month period was
9 calculated using the Customer Deposit Rate (July-December 2004 of 1%, January-June 2005 of
10 2%) on current year deferrals and the Customer Deposit Rate plus 2% on carryover balances
11 from one year to the next. This interest rate methodology was approved by Order No. 29323 in
12 Case No. AVU-E-03-04 dated August 21, 2003.

13 **Q. Was a notice supplied to customers regarding the Company's PCA status**
14 **report and request for recovery of deferred power costs?**

15 A. No. The Company is not proposing to change the existing PCA surcharge rates.
16 The Company is proposing that the existing surcharge rates remain in place and that the
17 surcharge rates be reviewed again when the PCA status filing is made next year covering the July
18 2005 through June 2006 twelve-month period. Exhibit No. ____ (RLM-1) is a copy of the
19 existing Schedule 66.

20 **Q. Is the Company continuing with its customer bill paying assistance programs?**

21 A. Yes. The Company has several programs available to assist customers with paying
22 their bills. Avista's comfort level billing program offers customers the option of averaging their
23 bills and paying the same monthly amount all year long in order to smooth out the seasonal highs

1 and lows. Under the C.A.R.E.S. (Customer Assistance Referral and Evaluation Service)
2 program, specially trained customer service representatives provide referrals to area agencies and
3 churches for customers with special needs for help with housing, utilities, medical assistance, etc.
4 LIHEAP (Low Income Heating Energy Assistance Program) is a Federal program aimed to help
5 low income customers pay their electric and gas bills. These funds are distributed through local
6 agencies. Idaho customers who have children, elderly or infirmed in the household may qualify
7 for the winter moratorium plan. From December 1 through February 28, customers are not
8 required to pay their bills in full and can defer payment or make partial payments. The Company
9 also works out payment arrangements with customers having difficulty paying their bills.

10 In addition, the Company has convenience options that help those who need flexibility,
11 but are generally able to pay. APS, or automatic payment service (money is deducted from
12 checking account automatically each month), is a good example. Other popular services include
13 debit and credit card service, check-by-phone or over the web, preferred due date (the customer
14 picks a more convenient date to pay than the one the Company states on the bill), and e-billing.

15 **Q. Does that conclude your prefiled direct testimony?**

16 **A. Yes it does.**

1 David J. Meyer
2 Vice President and Chief Counsel of
3 Regulatory and Governmental Affairs
4 Avista Corporation
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17 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**
18

19 IN THE MATTER OF THE SUBMISSION OF THE) CASE NO. AVU-E-05-06
20 POWER COST ADJUSTMENT (PCA) STATUS)
21 REPORT OF AVISTA CORPORATION AND) EXHIBIT NO. ___(RLM-1)
22 REQUEST FOR RECOVERY OF POWER COSTS)
23 DEFERRED THROUGH JUNE 30, 2005) RONALD L. MCKENZIE
24

25 FOR AVISTA CORPORATION
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33
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AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 66

TEMPORARY POWER COST ADJUSTMENT - IDAHO

APPLICABLE:

To Customers in the State of Idaho where the Company has electric service available. This Power Cost Adjustment shall be applicable to all retail customers for charges for electric energy sold and to the flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service. This Rate Adjustment is designed to recover or rebate a portion of the difference between actual and allowed net power supply costs.

MONTHLY RATE:

The energy charges of the individual rate schedules are to be increased by the following amounts:

Schedule 1	0.163¢ per kwh
Schedules 11 & 12	0.190¢ per kwh
Schedules 21 & 22	0.145¢ per kwh
Schedules 25	0.103¢ per kwh
Schedule 25P	0.093¢ per kwh
Schedules 31 & 32	0.151¢ per kwh

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service are to be increased by the following percentage:

Schedules 41-49	2.448%
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SPECIAL TERMS AND CONDITIONS:

The rates set forth under this Schedule are subject to periodic review and adjustment by the IPUC based on the actual balance of deferred power costs.

Service under this schedule is subject to the Rules and Regulations contained in this tariff.

The above Rate is subject to increases as set forth in Tax Adjustment Schedule 58.

Issued January 19, 2005

Effective April 15, 2005

Issued by Avista Utilities
By

Kelly O. Norwood – Vice President, State & Federal Regulation

Avista Corporation
Summary of Idaho Power Cost Adjustment (PCA)
Balances, Deferrals and Amortizations
July 2004 through June 2005

Unrecovered Balance at June 30, 2004	\$26,105,927
Deferrals (July 2004 - June 2005)	3,337,109
Amortizations Related to Surcharge Revenues (July 2004 - June 2005)	-11,877,581
Intervenor Funding Amount	12,623
Writeoffs	-11,378,011
Interest (Net of Interest Associated with Writeoffs)	<u>-264,743</u>
Unrecovered Balance at June 30, 2005	<u>\$5,935,324</u>
<u>Check</u>	
Account 186380 ED ID balance @ 6/30/05	\$86,110,272
Account 186390 ED ID balance @ 6/30/05	<u>-80,174,948</u>
Net	<u>\$5,935,324</u>

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Avista Corporation
Summary of Idaho Power Cost Adjustment (PCA)
Accounting Entries - Amortization
July 2004 through June 2005

McKenzie workpaper
Page 2 of 4

Account 186390 ED ID

	<u>Current Month Entries</u>	<u>Balance End of Month</u>
Beginning Balance 6/30/04		-\$68,297,367
Jul-04	-\$2,310,091	-70,607,458
Aug-04	-2,417,333	-73,024,791
Sep-04	-1,414,256	-74,439,047
Oct-04	-894,415	-75,333,462
Nov-04	-617,654	-75,951,116
Dec-04	-738,550	-76,689,666
Jan-05	-788,697	-77,478,363
Feb-05	-709,883	-78,188,246
Mar-05	-655,084	-78,843,330
Apr-05	-613,416	-79,456,746
May-05	-375,550	-79,832,296
Jun-05	-342,652	-80,174,948
Total	<u>-\$11,877,581</u>	

Avista Corporation
 Summary of Idaho Power Cost Adjustment (PCA)
 Accounting Entries - Deferral Account
 July 2004 through June 2005

Account 186380 ED ID

	<u>Current Month Entries</u>	<u>Balance End of Month</u>
Beginning Balance 6/30/04		\$94,403,294
Jul-04 Deferral	\$2,741,648	
Interest	45,688	97,190,630
Aug-04 Deferral	3,405,008	
Interest	42,287	100,637,925
Sep-04 Deferral	-263,589	
Interest	39,157	
Intervenor Funding	12,623	
Writeoffs	-11,702,418	
Interest Adj.	-580,825	88,142,873
Oct-04 Deferral	-1,023,235	
Interest	11,415	87,131,053
Nov-04 Deferral	-433,050	
Interest	10,367	
Reconsideration	324,407	
Interest Adj.	-279	87,032,498
Dec-04 Deferral	-853,621	
Interest	9,216	86,188,093
Jan-05 Deferral	-225,423	
Interest	31,661	85,994,331
Feb-05 Deferral	-370,265	
Interest	28,762	85,652,828
Mar-05 Deferral	835,868	
Interest	25,876	86,514,572
Apr-05 Deferral	816,631	
Interest	25,175	87,356,378
May-05 Deferral	-729,423	
Interest	24,574	86,651,529
Jun-05 Deferral	-563,440	
Interest	22,183	86,110,272
Total	<u>-\$8,293,022</u>	
Deferrals	\$3,337,109	
Interest	-264,743	
Intervenor Funding	12,623	
Writeoffs	<u>-11,378,011</u>	
Total	<u>-\$8,293,022</u>	

Avista Corporation
Summary of Idaho Power Cost Adjustment (PCA)
Accounting Entries - Deferrals (Account 18638 ED ID)
July 2004 through June 2005

	Jul-04	Aug-04	Sep-04	Sep 1 - 8	Sep 9 - 30	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05	May-05	Jun-05	Jun-05	Jul-04 thru Jun-05
<u>Actual Less Authorized - System</u>																
555 Purchased Power	\$4,671,425	\$6,713,193	-\$42,216	\$4,629,382	\$4,864,750	\$4,864,750	\$6,471,842	\$8,236,035	\$6,920,789	\$8,616,615	\$15,854,625	\$13,337,475	\$12,818,635	\$14,339,105	\$109,431,655	\$109,431,655
501 Thermal Fuel	-1,214,387	-2,218,659	-561,673	-22,491	174,992	174,992	-42,337	145,691	186,176	234,415	302,796	408,382	518,604	219,158	-1,869,133	-1,869,133
547 CT Fuel	613,540	666,996	498,404	-294,881	1,823,565	1,823,565	915,887	-92,742	24,651	3,538,898	4,492,247	2,725,918	-2,795,564	-4,201,406	7,915,513	7,915,513
447 Sale for Resale	4,568,087	5,731,565	1,259,454	-4,506,545	-7,884,791	-7,884,791	-6,131,656	-7,610,422	-5,720,119	-11,205,019	-15,069,100	-10,426,445	-10,278,138	-7,367,393	-74,640,522	-74,640,522
Potlatch 25 aMW Direct Assignment to ID	-1,966,680	-2,002,261	-601,710	-155,280	0	0	0	0	0	0	0	0	0	0	0	0
Potlatch 62 aMW Direct Assignment to ID	6,070,275	8,289,124	552,126	-1,422,582	-3,009,066	-3,009,066	-1,782,725	-2,071,276	-1,984,277	-1,807,447	-1,479,409	-1,969,470	-1,841,697	-1,417,691	-21,985,125	-21,985,125
Subtotal	1,026,257	917,759	206,820	568,756	528,190	528,190	-35,965	-237,806	-456,235	-91,865	-514,247	-201,950	-606,892	596,352	1,899,174	1,899,174
Second half CS2 transmission credit	7,096,532	9,206,883	758,946	-853,826	-2,480,876	-2,480,876	-604,954	-1,630,320	970,985	-714,403	3,586,912	3,799,259	-2,325,023	2,028,154	18,838,269	18,838,269
Net Fuel Expense not included in Acct. 547																
Adjusted Actual Minus Authorized Net Expense																
<u>Idaho Jurisdictional Allocation</u>																
555 Purchased Power	\$1,549,978	\$2,227,438	-\$14,007	\$1,592,970	\$1,673,960	\$1,673,960	\$2,226,961	\$2,834,020	\$3,069,643	\$2,964,977	\$5,455,576	\$4,589,425	\$4,410,892	\$4,934,086	\$37,515,919	\$37,515,919
501 Thermal Fuel	-402,934	-736,151	-186,363	-7,739	60,215	60,215	-14,568	50,201	64,063	80,662	104,192	140,524	178,452	75,412	-594,034	-594,034
547 CT Fuel	203,573	221,309	165,370	-101,469	627,489	627,489	315,157	-31,913	8,482	1,217,735	1,545,782	937,988	-961,954	-1,445,704	2,701,845	2,701,845
447 Sale for Resale	1,515,691	1,901,733	417,887	-1,550,702	-2,713,157	-2,713,157	-2,109,903	-2,618,746	-1,988,293	-3,855,647	-5,185,277	-3,587,740	-3,536,707	-2,535,120	-28,825,981	-28,825,981
Potlatch 25 aMW Direct Assignment to ID	-199,647	-199,647	-51,522	0	0	0	0	0	0	0	0	0	0	0	0	0
Potlatch 62 aMW Direct Assignment to ID	-652,544	-664,350	-148,170	-422,571	-683,927	-683,927	-813,436	-712,726	-682,790	-621,943	-509,065	-677,695	-633,728	-487,827	-450,816	-450,816
Second half CS2 transmission credit	340,512	304,512	68,623	195,709	181,750	181,750	-12,376	-81,829	-156,990	-31,611	-176,952	-69,491	-208,832	205,205	-122,015	-122,015
Net Fuel Expense not included in Acct. 547	2,354,629	3,054,844	251,818	-293,802	-853,670	-853,670	-208,165	-560,993	334,115	-245,627	1,234,256	1,307,324	-800,041	697,888	6,272,376	6,272,376
Subtotal	1,832,166	2,366,160	145,359	-330,382	-300,506	-300,506	-291,346	-429,942	-601,516	-198,446	-235,975	-417,829	-41,509	-1,272,497	-4,765,635	-4,765,635
Idaho Retail Revenue Adjustment	32,666	32,666	8,711	23,955	32,666	32,666	32,666	32,671	0	0	0	0	0	0	196,001	196,001
Wood Power Inc. Amortized Expense	2,724,837	3,453,060	270,450	-600,229	-1,121,510	-1,121,510	-466,845	-958,264	-267,401	-444,273	998,281	889,495	-841,550	-574,609	3,061,442	3,061,442
Net Power Cost Increase (Decrease)																
<u>Customer Share</u>																
555 Purchased Power	\$1,394,980	\$2,004,694	-\$12,607	\$1,433,674	\$1,506,564	\$1,506,564	\$2,004,264	\$2,550,617	\$2,762,679	\$2,668,479	\$4,910,019	\$4,130,483	\$3,969,804	\$4,440,677	\$33,764,327	\$33,764,327
501 Thermal Fuel	-362,641	-662,536	-167,727	-6,965	54,194	54,194	-13,111	45,181	57,657	72,596	93,773	126,472	160,607	67,871	-534,629	-534,629
547 CT Fuel	183,216	199,178	148,833	-91,322	564,740	564,740	283,641	-28,722	7,634	1,095,962	1,391,204	844,189	-865,759	-1,301,134	2,431,660	2,431,660
447 Sale for Resale	1,364,122	1,711,560	376,098	-1,395,632	-2,441,841	-2,441,841	-1,898,913	-2,356,871	-1,771,464	-3,470,082	-4,666,749	-3,228,966	-3,183,036	-2,281,608	-23,243,382	-23,243,382
Potlatch 25 aMW Direct Assignment to ID	-179,682	-179,682	-46,370	0	0	0	0	0	0	0	0	0	0	0	-405,734	-405,734
Potlatch 62 aMW Direct Assignment to ID	-587,280	-597,915	-133,353	-380,314	-615,534	-615,534	-552,092	-641,453	-614,511	-559,749	-458,159	-609,926	-570,355	-439,044	-6,759,695	-6,759,695
Second half CS2 transmission credit	306,461	274,051	61,761	176,138	163,575	163,575	-11,138	-73,646	-141,291	-28,450	-159,257	-62,542	-43,348	-43,348	-109,814	-109,814
Net Fuel Expense not included in Acct. 547	541,539	541,539	139,752	0	0	0	0	0	0	0	0	0	0	0	1,222,830	1,222,830
Potlatch 25 aMW Direct Assignment to ID	-237,751	-212,544	-130,823	-287,344	-270,455	-270,455	-386,948	-541,364	-541,364	-178,601	-212,378	-376,046	-37,358	-1,145,247	-4,289,070	-4,289,070
Idaho Retail Revenue Adjustment	29,399	29,399	7,840	21,560	29,399	29,399	29,399	29,404	0	0	0	0	0	0	176,400	176,400
Wood Power Inc. Amortized Expense	2,452,353	3,107,754	243,404	-540,205	-1,009,358	-1,009,358	-420,161	-862,438	-240,660	-399,845	898,453	800,546	-757,394	-517,148	2,755,301	2,755,301
Subtotal	1,986,680	2,002,261	446,563	-1,384,728	-2,084,152	-2,084,152	-1,874,188	-2,009,772	-1,877,965	-1,587,997	-1,915,992	-1,848,650	-1,621,518	-1,789,893	-17,994,855	-17,994,855
Potlatch Purchased Power - Authorized																
Potlatch Purchased Power - Actuals																
Potlatch Revenue - Actuals																
Potlatch Revenue - Authorized																
Potlatch Rev Assoc w/Purchase																
Centralia Capital & O&M Credit																
Total Idaho Customer Share	2,741,648	3,405,008	298,695	-562,284	-1,023,235	-1,023,235	-433,050	-853,621	-225,423	-370,265	835,868	816,631	-729,423	-563,440	3,337,109	3,337,109

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE SUBMISSION OF)
THE POWER COST ADJUSTMENT (PCA))
STATUS REPORT OF AVISTA CORPORATION)
AND REQUEST FOR RECOVERY OF POWER)
COSTS DEFERRED THROUGH JUNE 30, 2005)

CASE NO. AVU-E-05-06

DIRECT TESTIMONY
RICHARD L. STORRO

FOR AVISTA CORPORATION

1 **I. INTRODUCTION**

2 **Q. Please state your name, employer and business address.**

3 A. My name is Richard L. Storro. My business address is 1411 East Mission
4 Avenue, Spokane, Washington, and I am employed by the Company as the Director of
5 Power Supply.

6 **Q. What is your educational background?**

7 A. I participated in a program with the College of Idaho and the University of
8 Idaho, where upon completion I received a Bachelor of Science degree in physics from
9 the College of Idaho and a Bachelor of Science degree in electrical engineering from the
10 University of Idaho, both in 1973.

11 **Q. How long have you been employed by the Company?**

12 A. I started working for Avista in 1973 as a distribution engineer. I have
13 worked in various engineering positions, and have held management positions in line and
14 gas operations, system operations, hydro production and construction, and transmission. I
15 joined the Energy Resources Department as a Power Marketer in 1997 and became
16 Director of Power Supply in 2001. My primary responsibilities involve the oversight of
17 both the short-term and long-term planning and acquisition of power supply resources for
18 the Company.

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

20 A. My testimony will provide a brief summary of the factors driving power
21 supply expenses during the review period, July 2004 through June 2005. I also describe
22 the supporting documentation that is provided in electronic format.

1 II. SUMMARY

2 **Q. Would you please summarize power supply expenses during the July**
3 **2004 through June 2005 review period?**

4 A. Yes. During the review period, Idaho's share of power supply expenses
5 exceeded the authorized level by \$3,061,442 (not including Potlatch generation and
6 revenue and the adjustment for Centralia for the months of July, August and a portion of
7 September 2004). Of that total, the Company absorbed \$306,141 or 10 percent of the
8 additional power costs subject to the 90%/10% sharing.¹ This resulted in a net increase in
9 power supply costs for the period of \$2,755,301. The total amount deferred during the
10 July 2004 through June 2005 period including the Potlatch and Centralia amounts was
11 \$3,337,109.

12 Power supply expenses were higher than the authorized level due to several
13 factors. Hydro generation, which was approximately 8.4 aMW below the authorized
14 level, which would account for approximately \$1.5 million of increased expense. The net
15 expense related to the sale of gas originally purchased for generation added
16 approximately \$600,000 million to Idaho's share of power supply expense. Some of this
17 expense is related to long-term gas purchases referred to as Deals "A" and "B" that has
18 previously been addressed by the Commission. Deals "A" and "B" purchases ended
19 October 31, 2004.

¹ The Potlatch power purchase and revenue associated with the purchase is tracked at 100% in the PCA per Idaho Public Utilities Commission Order No. 29418 dated January 15, 2004. The 10% portion absorbed by Avista is based on the portion of the PCA deferrals that are shared 90%/10% which was \$3,061,442 during the review period.

1 Total natural gas fuel expense was approximately \$2.7 million higher than the
2 authorized amount due primarily to higher than authorized natural gas prices and the
3 second half of Coyote Springs 2 being in operation from January 20, 2005 until April 15,
4 2005 when the authorized expense reflected the gas for the second half of Coyote Springs
5 2. Operating margins from Coyote Springs 2 during the same period helped lower power
6 supply expense. Thermal fuel expense for the Colstrip and Kettle Falls plants was
7 approximately \$600,000 million lower than the authorized amount.

8 **Q. What new long-term contracts did the Company enter into during the**
9 **July 2004 through June 2005 review period?**

10 A. The Company entered into two new long-term contracts during the review
11 period. In October 2004, the Company signed five-year contract to purchase power from
12 a small hydro plant in western Washington. This was an extension, with new terms, of an
13 existing contract. In March 2005, the Company entered into a contract to exchange
14 power at the Coyote Springs 2 plant for power at the Mid Columbia for the period
15 January 2006 through December 2007. This contract effectively provides firm
16 transmission for the Coyote Springs 2 plant. These contracts have been provided
17 confidentially to IPUC Staff.

18 **III. SUPPORTING DOCUMENTATION**

19 **Q. Please provide a brief overview of the documentation provided by the**
20 **Company in this filing.**

21 A. The Company maintains a number of documents that record relevant
22 factors considered at the time of a transaction. The following is a list of current

1 documents that are maintained. Unless noted these documents have been provided on a
2 compact disk as part of this filing. Other documents will be provided on request:

3 Gas/Electric Transaction Record: These documents record the key details of the
4 price, term and conditions of a transaction and include a discussion of market
5 conditions at the time of the transaction, the reason for the transaction, and
6 pertinent transmission or other delivery issues. The Company has provided
7 worksheets summarizing electric and natural gas transactions during the period.
8 Additional documentation will be provided on request.

9 Position Reports: These daily reports provide a summary of monthly loads and
10 resources over an 18-month forward period. Also included are forward
11 hydroelectric generation estimates as well as critical water generation variability.
12 Fixed price natural gas quantities are also shown assigned to the most economic
13 available generation plant.

14 Long-Term Physical Electric Load & Resource Tabulation: For transactions with
15 deliveries extending greater than the 18-month period covered by the Position
16 Report, the Company includes this document to show the net system position
17 during the extended period. This document also shows variability associated with
18 an 80% confidence interval around the combined variability of hydroelectric
19 generation and variability of load.

1 Forward Market Electric and Natural Gas Price Curves: This daily data is
2 maintained in Nucleus, the Company's electronic energy transaction database
3 record system.

4 Electric/Gas – Heat Rate Transaction Worksheet: For each natural gas transaction
5 a worksheet is prepared which summarizes the economics of the transaction using
6 the forward electric and natural gas prices available in the market at the time of
7 the transaction, the most economic available generator, and the resultant cost to
8 generate electric power (these worksheets will be provided on request for specific
9 electric or gas transactions).

10 Price Quote Worksheet: Provides a record of the natural gas purchase or sales
11 prices available from several parties in the market at the time of a particular gas
12 transaction. This record includes price information at specific points of delivery
13 (part of Gas/Electric Transaction Records that will be provided on request for
14 specific transactions).

15 Credit Report: Lists those counter-parties with which the Company is allowed to
16 enter into either purchase or sales transactions as determined by credit criteria set
17 by the Company. This report may also provide information on other parties'
18 credit limits placed upon their own transactions with the Company (not provided,
19 but available on request).

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

21 A. Yes.

**CONFIDENTIAL
ATTACHMENTS**