

Jean Jewell

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Sent: Monday, September 12, 2011 3:56 PM
To: Kris Sasser; Jean Jewell; Gene Fadness; david.meyer@avistacorp.com; Ben Otto; Peter Richardson; Joe Miller
Subject: AVU-E-11-1: Teri Ottens' testimony converted to comments

Dear Parties: Due to a number of unexpected scheduling conflicts, the fact that my client CAPAI was the only intervenor to file testimony, and the fact that Ms. Ottens' testimony was going to be spread on the record w/o her presence, an admittedly awkward procedure, this is to inform you that CAPAI is converting Ms. Ottens' testimony to comments. Neither she nor I will be in attendance at the Coeur d'Alene hearing tomorrow night. This does not affect the substance of Ms. Ottens' testimony, only the form. CAPAI still unconditionally supports the settlement agreement as worded. Thank you.

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IDAHO PUBLIC UTILITIES COMMISSION

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

8 IN THE MATTER OF THE APPLICATION) CASE NO. AVU-E-11-01
 9 OF AVISTA CORPORATION FOR THE) AVU-G-11-01
 AUTHORITY TO INCREASE ITS RATES)
 10 AND CHARGES FOR ELECTRIC AND)
 NATURAL GAS SERVICE TO ELECTRIC)
 11 AND NATURAL GAS CUSTOMERS IN THE)
 STATE OF IDAHO.)
 12)
 13)

14
 15 **COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO**
 16 **DIRECT TESTIMONY OF**
TERI OTTENS

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I. INTRODUCTION

Q: Please state your name and business address.

A: My name is Teri Ottens. I am the Policy Director of the Community Action Partnership Association of Idaho headquartered at 5400 W. Franklin, Suite G, Boise, Idaho, 83705.

Q: On whose behalf are you testifying in this proceeding?

A: The Community Action Partnership Association of Idaho ("CAPAI") Board of Directors asked me to present the views of an expert on, and advocate for, low income customers of AVISTA.

Q: Please describe CAPAI's organization and the functions it performs, relevant to its involvement in this case.

A: CAPAI is an association of Idaho's six Community Action Partnerships, the Community Council of Idaho and the Canyon County Organization on Aging, Weatherization and Human Services, all dedicated to promoting self-sufficiency through removing the causes and conditions of poverty in Idaho's communities.

Q: What are the Community Action Partnerships?

A: Community Action Partnerships ("CAPs") are private, nonprofit organizations that fight poverty. Each CAP has a designated service area. Combining all CAPS, every county in Idaho is served. CAPS design their various programs to meet the unique needs of communities located within their respective service areas. Not every CAP provides all of the following services, but all work with people to promote and support increased self-sufficiency. Programs provided by CAPS include: employment preparation and dispatch, education assistance child care, emergency food, senior independence and support, clothing, home weatherization, energy assistance, affordable housing, health care access, and much more.

Q: Have you testified before this Commission in other proceedings?

1 A: Yes, I have testified on behalf of CAPAI in numerous cases involving, among others,
2 AVISTA, PacifiCorp, and Idaho Power Company and United Water.

3 II. SUMMARY

4 Q: Please summarize your testimony in this case?

5 A: I am offer this testimony in support of the Settlement Stipulation executed between
6 AVISTA and all parties to this proceeding and which has been presented to the
7 Commission for approval. Specifically, I will discuss why I believe the settlement is in
8 the best interests of CAPAI, AVISTA and all of its ratepayers.

9 Q. Are there any exhibits to your testimony in this case?

10 A. No.

11 III. RELEVANT SETTLEMENT TERMS AND CONDITIONS

12 Q. Please describe the terms of the Settlement Stipulation as far as it is pertinent to CAPAI's
13 interests?

14 A. Because AVISTA's low-income customers fall within the Company's residential class,
15 any change in the Company's rates and services affects CAPAI's interests to some extent
16 and raises a number of issues in this case that affected CAPAI's settlement position in
17 this case.

18 Q. Would you please identify the issues that affected your decision to sign the settlement
19 stipulation and how the settlement terms and conditions affected CAPAI's final
20 decision??

21 A. Yes. First, one would not normally consider AVISTA's requested rate increase of 3.7%
22 to be particularly high in and of itself but, as discussed more thoroughly later, the recent
23 increased frequency of AVISTA and other utility general rate case filings, and the
24 informal statements that said frequency will continue, is of considerable concern to
25 CAPAI. AVISTA, for example, has filed general rate cases in four of the past four years.

1 Rocky Mountain Power has also filed frequent rate cases and it appears likely that Idaho
2 Power will also file cases on a more frequent basis. CAPAI is concerned by this
3 frequency of rate case filings on several grounds, not the least of which is the danger that
4 utility customers might become desensitized and come to accept annual rate increases
5 from their electric and gas supplier as a fact of life.

6 Other factors are the fundamental fairness to ratepayers in general to absorb the
7 impact of our current economic woes which have persisted for the better part of the past
8 decade. It is not clear if or to what extent that the rates of return utilities are authorized to
9 recover on their investments in plant have been adjusted downward to account for the
10 relative immunity that annual rate increases, along with power cost and revenue
11 decoupling adjustment mechanisms have afforded AVISTA, Idaho Power and
12 PacifiCorp.

13 Q. In light of your testimony, what does the Settlement Stipulation provide that ameliorates
14 the impact to ratepayers of its general rate increase request?

15 A. First, following negotiations by all parties, AVISTA agreed to reduce its requested
16 electric rate increase from 3.7% to 1.1%. While no rate increase should ever be
17 disregarded as insignificant, the impact of this relatively small increase is certainly more
18 palatable than that originally requested by the Company.

19 Q. Incidentally, there are those who argue that, in terms of rate increases, the best action for
20 the low-income customers of AVISTA or any regulated utility would be to minimize the
21 amount of any requested rate increase for residential customers. Do you accept this as a
22 truism?

23 A. No. Depending on what other measures a utility might implement, it could be far more
24 advantageous for low-income customers to accept a modest rate increase if it were
25 coupled with a substantial increase in funding to existing low-income programs, or the

1 creation of new programs such as bill assistance which AVISTA offers to its residential
2 customers literally miles away across the border in Washington. As an example of how a
3 low-income assistance investment might be preferable to a reduced rate increase,
4 consider whether if, in exchange for paying an additional 2% in residential rates,
5 AVISTA agreed to reduce its LIWA backlog by 50% within a year. The bill impact of
6 the additional 2% might be more than outweighed by the benefits of providing much
7 needed assistance to a significant percentage of low-income customers. Thus, while all
8 things being equal, CAPAI agrees that lower residential rate increases benefit low-
9 income customers, it isn't always the most significant way to benefit those customers. It
10 simply isn't a truism, therefore, that lower residential rates are the best end result of a rate
11 case for a utility's low-income customers. One must examine the totality of the
12 settlement in any given case and have a solid understanding of low-income issues to
13 make such a conclusion.

14 Q. Is it your contention that keeping residential rates low is never the best result for low-
15 income customers?

16 A. No. Because of the frequency of rate case filings mentioned earlier, even small rate
17 increases each year quickly add up, creating considerable concern for low-income
18 customers.

19 Q. In this regard, is there any aspect of the Settlement that ameliorates the concerns you
20 have identified?

21 A. Yes. AVISTA has agreed to not seek another electric rate increase that would be
22 effective prior to April 1, 2013. This is known as a "stay-out" provision and entered into
23 CAPAI's decision to agree to the settlement in this case.

24 Q. Would you please address low-income-specific issues and related settlement provisions
25 that address those issues?

1 A. Yes. First, I would like to respond to the testimony of Mr. Don Kopzcynski filed on
2 behalf of AVISTA. Commencing on p. 15 of his testimony, Mr. Kopzcynski listed a
3 number of AVISTA programs he contends affect “[AVISTA’s] customers’ ability to
4 pay.¹ Mr. Kopzcynski’s discussion of these programs that AVISTA funds, implements or
5 is somehow associated with covers four pages. The programs vary widely in scope and
6 nature and the manner in which they provide assistance to the Company’s customers.
7 CAPAI believes that AVISTA is understandably proud of its investment in the
8 communities it serves through the many programs listed, but notes that almost none of
9 these programs are directed exclusively to low-income customers or necessarily provide
10 any benefit to those customers.

11 Q. Would you please elaborate on this contention?

12 A. First, it appears that, of the programs identified in Mr. Kopzcynski, only the Project Share
13 program actually provides customers relief from high energy bills. Mr. Kopzcynski
14 identifies LIHEAP which is a federally funded program. The Company’s “Project Share”
15 and “local community funds” programs funding is driven by customer donations and
16 though very much appreciated, have not historically yielded significant low-income
17 assistance, though I am not suggesting that AVISTA is responsible for this fact.
18 “Payment Plans” do help stabilize a customer’s bills and allow for payment over time,
19 but do not provide direct bill assistance and are not low-income specific. The remainder
20 of the programs identified are educational or technology based and while important in
21 changing long-term energy consumption behavior to enhance efficiency and assisting
22 CAP agencies in serving their customers do not provide direct bill assistance and are not
23 low-income specific. To summarize, CAPAI fully supports the programs listed by Mr.
24

25 ¹ *Testimony of D. Kopzcynski, p. 15, lns. 19-20.*

1 Kopzcynski and believes they have real value, but wishes to clarify that they should not
2 be confused as programs providing actual bill assistance to low-income customers.

3 Q. Would you please outline low-income specific programs and issues as they relate to the
4 Settlement Stipulation?

5 A. AVISTA's programs that are targeted exclusively to its low-income customers include
6 the Company's Low Income Weatherization Assistance Program and its Low Income
7 Conservation Education Program.

8 Q. Was AVISTA's low-income weatherization program funding increased as a result of the
9 settlement?

10 A. No it was not.

11 Q. Is there a reason for this?

12 A. Yes. In recent years, AVISTA's low-income weatherization funding level has received a
13 number of increases resulting from CAPAI's participation in the Company's general rate
14 case filings to its current level of \$700,000.00. The Company's program has also
15 received beneficial program design changes. CAPAI has also successfully negotiated
16 other issues with AVISTA such as tiered residential rates in a manner that is designed to
17 assist low-income customers in various ways. Rocky Mountain Power's low-income
18 weatherization program has also received more than one funding increase, as well as
19 program design changes, whether the result of negotiations or litigated rate cases. Idaho
20 Power has not increased its low-income weatherization funding level since 2003 (Case
21 No. IPC-E-03-13).

22 Q. Has CAPAI calculated and compared the relative funding levels of the three utilities'
23 low-income weatherization programs?
24
25

1 A. Yes. Currently, CAPAI believes that AVISTA is funding its low-income weatherization
2 program at more than twice the per capita² level of Idaho Power and roughly 25% higher
3 than PacifiCorp.

4 Q. Is it CAPAI's position that no increase in AVISTA's low-income weatherization funding
5 is needed?

6 A. Absolutely not. In fact, low-income weatherization is currently facing what many
7 perceive to be a crisis as federal funding levels dropped from post-AARA levels to levels
8 less than pre-AARA; i.e., federal funding is currently backsliding. More importantly,
9 CAPAI was prepared, if necessary, to demonstrate that there still exists a substantial
10 backlog of customers eligible for AVISTA's program and that the waiting list can be
11 years.

12 One must also not forget that, as evidenced by each utility's annual DSM report
13 as well as the testimonies of many utility witnesses in past rate cases and ultimate rulings
14 from the Commission, LIWA has proven to be a cost-effective conservation resource. As
15 with any cost-effective resource, its potential should be maximized.

16 Q. Then why did CAPAI agree to settlement without an increase in AVISTA's LIWA
17 funding level?

18 A. CAPAI follows several key guiding principles and benchmarks when it advocates for
19 low-income weatherization funding. Those principles and benchmarks include, but are
20 not limited to, the level of "need"³ in any given utility's service territory, and how
21 frequently and recently that utility has increased its funding. One other principle is of
22 tremendous importance to CAPAI, the principle of "parity." CAPAI believes that for
23 many reasons, it is essential that the funding levels of the three large electric IOUs in

24 ² Calculated by dividing each utility's total residential class into total
funding levels.

25 ³ The disparity between LIWA-eligible homes and available funding.

1 Idaho be relatively equal. If one utility offers substantially higher funding than the
2 others, as is the case with AVISTA, then that utility's low-income customers are
3 essentially being favored over other low-income customers throughout the state.

4 Similarly, customers of utilities with inappropriately low funding are being discriminated
5 against. Thus, the principle of parity applies to both the utilities as well as their
6 customers. The eligibility criteria for participation in the LIWA programs of all three
7 programs is the same, the program design characteristics are relatively equal, and there is
8 no reason for funding levels to vary by much.

9 Q. Are there other consequences of having utilities whose LIWA funding levels are not in
10 parity with one another.

11 A. Yes. The costs of LIWA, as with any conservation resource, are ultimately passed on to
12 other ratepayers. In order for all customer rates to be fair, just and reasonable⁴, therefore,
13 LIWA funding levels should be roughly equivalent.

14 If CAPAI is successful in achieving relative parity, one possibility to consider on
15 an ongoing basis would be to automatically increase LIWA funding levels by the same
16 percentage of the ultimate rate increase granted by the Commission unless and/or until it
17 is determined that there no longer exists a need for this cost-effective program. Such a
18 "tie-in" mechanism is not unique and has been adopted in other states for low-income
19 weatherization as well as bill assistance programs. Unless and until that occurs, CAPAI
20 will continue to seek appropriate funding levels for each utility that are roughly
21 comparable on a per capita basis to other utilities.

22 Q. If there still exists a "need" for additional LIWA funding, couldn't CAPAI have sought
23 an increase in funding for AVISTA and then sought the necessary increase to the funding
24

25 ⁴ See, Idaho Code Section 61-301.

1 levels of the other two utilities, who both have general rate cases simultaneously pending,
2 to achieve parity?

3 A. Yes. But given the fact that AVISTA is now funding more than twice what Idaho Power
4 is funding, and because Idaho Power has not increased its LIWA funding level in nearly a
5 decade, CAPAI was concerned that furthering the difference between AVISTA's funding
6 and the other two utilities, would have necessitated large funding increases for the other
7 two utilities. Yet another guiding principle that CAPAI follows in pursuing sufficient
8 LIWA funding is to not have unnecessarily large increases at any given point in time that
9 would be reflected in rates. The nearly simultaneous filing of the three pending general
10 rate cases and the fact that the last case filed was the first to undergo settlement
11 negotiations somewhat complicated things for CAPAI. Ultimately, it was necessary to
12 weigh the principle of addressing low-income "need" against the disparity in funding
13 between utilities, the principle of parity, and the principle of avoiding unreasonably large
14 single funding increases. After weighing these principles, it seemed most compelling to
15 CAPAI to seek increases for Idaho Power and Rocky Mountain Power before pursuing
16 additional funding from AVISTA. This weighing of principles and conclusion seemed a
17 fair and reasoned approach to settlement with AVISTA.

18 Q. Are there additional factors that entered into CAPAI's decision to agree to settle without
19 an increase in weatherization?

20 A. The Company agreed to two other provisions that factored into CAPAI's decision. First,
21 regarding LIWA, pursuant to Section 13(b) of the Settlement Stipulation, it is agreed that
22 "[t]he Company and interested parties will meet and confer prior to the Company's next
23 general rate case filing in order to assess the Low Income Weatherization and Low
24 Income Energy Conservation Education Programs and discuss appropriate levels of low-
25 income weatherization funding in the future."

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on the 9th day of September, 2011, I caused to be served on the individuals listed below, the foregoing document via electronic transmission.

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