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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE POWER COST)
ADJUSTMENT (PCA) ANNUAL RATE)
ADJUSTMENT FILING OF AVISTA)
CORPORATION)

CASE NO. AVU-E-11-03
DIRECT TESTIMONY OF
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
10 September 1974. I obtained a Master of Business Administration Degree from Eastern
11 Washington University in 1989. I have attended several utility accounting and ratemaking
12 courses and workshops. I have held various accounting positions within the Company. I have
13 served in the State and Federal Regulation Department for the majority of my career with the
14 Company.

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

16 A. My testimony provides a status report of the accounting entries and account
17 balances related to the Idaho Power Cost Adjustment (PCA) for the twelve months ended June
18 30, 2011. My testimony also addresses the proposed surcharge to be effective October 1, 2011,
19 which will replace the existing surcharge.

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

21 A. Yes. I am sponsoring Exhibit No. ____ (RLM-1), consisting of a sheet showing the
22 calculation of the proposed uniform cents per kilowatt-hour PCA surcharge of 0.072¢, as well as

1 the impact of the proposed PCA surcharge by rate schedule, and the proposed PCA tariff,
2 Schedule 66.

3 **Q. Would you please explain the order that was issued regarding Avista's existing**
4 **PCA methodology?**

5 A. Yes. On June 29, 2007 the Commission issued Order No. 30361 in Case No. AVU-
6 E-07-01. That case dealt with the review of the PCA methodology and method of recovery. The
7 Commission approved a change in the PCA methodology from a trigger and cap mechanism to a
8 single annual PCA rate adjustment filing requirement. The Commission approved the following
9 procedural schedule for administering the annual PCA filings:

| | | |
|----|-------------|--|
| 10 | August 1 | Company filing for prior July – June deferral period |
| 11 | September 1 | Review and comments by Staff and other interested parties |
| 12 | October 1 | Commission Order and effective date of PCA rate adjustment |

13 The Commission also approved a change in the method of PCA deferral recovery from a uniform
14 percentage basis to a uniform cents per kilowatt-hour basis effective with the October 1, 2007
15 rate change.

16 **Q. Would you please summarize the filing and order associated with the existing**
17 **PCA rate?**

18 A. Yes. On July 27, 2010, Avista filed its annual PCA report for the period July 1,
19 2009 through June 30, 2010 and requested a PCA surcharge of 0.532¢ per kilowatt-hour
20 effective October 1, 2010. The Commission approved that proposal in Case No. AVU-E-10-03,
21 by Order No. 32080, dated September 30, 2010.

22 **Q. Does the present filing conform to the requirements of Order No. 30361?**

1 A. Yes. The proposed PCA rate adjustment is based on deferrals for the period July 1,
2 2010 through June 30, 2011, as well as the unrecovered balance related to the July 1, 2009
3 through June 30, 2010 deferral period, and interest during the recovery period of October 1, 2011
4 through September 30, 2012. The proposed PCA surcharge rate is a uniform cents per kilowatt-
5 hour rate of 0.072¢ to be effective October 1, 2011.

6 **Q. What were the amounts of deferrals and interest for the period July 1, 2010**
7 **through June 30, 2011?**

8 A. The amounts are shown below:

| | |
|---|--------------------|
| 9 Deferrals (July 2010 - June 2011) | \$2,064,368 |
| 10 Interest | <u>20,165</u> |
| 11 Balance at June 30, 2011 | <u>\$2,084,533</u> |

12 Mr. Johnson discusses the components that make up the deferrals shown above. The
13 \$20,165 interest amount represents interest for the twelve-month period July 1, 2010 through
14 June 30, 2011. Interest for the twelve-month period was calculated using the Customer Deposit
15 Rate of 1%.

16 **Q. What surcharge rate is the Company proposing to be effective October 1,**
17 **2011?**

18 A. The Company is proposing a uniform cents per kilowatt-hour PCA surcharge of
19 0.072¢ to be effective October 1, 2011. Page 2 of Exhibit No. ___ (RLM-1) is a copy of the
20 proposed tariff, Schedule 66, which contains the proposed PCA surcharge rate. Page 1 of
21 Exhibit No. ___ (RLM-1) shows the calculation of the proposed surcharge. The proposed
22 surcharge is designed to recover deferrals and interest for the July 1, 2010 through June 30, 2011
23 period, as well as the unrecovered balance related to the July 1, 2009 through June 30, 2010
24 deferral period, plus an estimate of interest during the recovery period. After applying the

1 conversion factor related to commission fees and uncollectibles, the resulting revenue
2 requirement of approximately \$2,428,000 is divided by forecasted kilowatt-hours to derive the
3 proposed surcharge rate of 0.072¢ per kilowatt-hour.

4 **Q. What is the impact of the proposed surcharge by rate schedule?**

5 A. Page 1 of Exhibit No. ___ (RLM-1) shows the effect of the proposed PCA
6 surcharge by rate schedule. The proposed surcharge is 0.072¢ per kilowatt-hour, which is 0.460¢
7 per kilowatt-hour less than the existing surcharge of 0.532¢ per kilowatt-hour. Column (f) shows
8 the percentage decreases by rate schedule. The overall decrease is 5.99%.

9 **Q. What will be the impact of the proposed surcharge on an average residential**
10 **customer?**

11 A. Under the Company's proposal, the surcharge rate for all customers, including
12 residential customers will decrease from 0.532¢ per kilowatt-hour to 0.072¢ per kilowatt-hour, or
13 a decrease of 0.460¢ per kilowatt-hour. For an average residential customer using 956 kilowatt-
14 hours per month, the monthly decrease will be \$4.40. Under present rates, a residential bill for
15 956 kilowatt-hours amounts to \$83.81. With the proposed surcharge in place the monthly bill
16 would be \$79.41, or about 5.25% lower than the bill under present rates.

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

18 A. Yes. The Company has several programs available to assist customers with paying
19 their bills. Avista's Comfort Level Billing program offers the option for customers to pay the
20 same bill amount each month of the year by averaging their annual usage. Under this program,
21 customers can avoid unpredictable winter heating bills. The CARES (Customer Assistance
22 Referral and Evaluation Services) program provides assistance to special-needs customers
23 through access to specifically trained CARES representatives who provide referrals to area

1 agencies and churches for help with housing, utilities, medical assistance, etc. LIHEAP (Low
2 Income Heating Energy Assistance Program) is a Federal program aimed to help low income
3 customers pay their electric and gas bills. These funds are distributed through local agencies.
4 Project Share is a voluntary contribution option allowing customers to contribute donations that
5 are distributed through local community action agencies to customers in need. Idaho customers
6 who have children, elderly or infirm persons in the household may qualify for the Winter
7 Moratorium plan. From December 1 through February 28, customers are not required to pay
8 their bills in full and can defer payment or make partial payments. In addition, the Winter
9 Payment Plan provides for lower winter bill payments by allowing customers to make monthly
10 payments equal to one-half of the levelized bill amounts, with balance in full or a new payment
11 arrangement due by April 1st. The Company also works out payment arrangements with
12 customers having difficulty paying their bills.

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

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

19 **A. Yes it does.**

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EXHIBIT NO. (RLM-1)
RONALD L. MCKENZIE

FOR AVISTA CORPORATION

AVISTA UTILITIES
IDAHO ELECTRIC
IMPACT OF PROJECTED SCHEDULE 66 PCA DECREASE
PROPOSED RATE TO BE EFFECTIVE OCTOBER 1, 2011

(000s of Dollars)
(000s of kWh)

| <u>Line No.</u> | <u>Type of Service</u> (a) | <u>Schedule Number</u> (b) | <u>Pro Forma Kilowatt-hours</u> (c) | <u>Total Billed Revenue at Present Rates</u> (d)(1) | <u>Proposed Sch. 66 Decrease</u> (e) | <u>Percent Decrease on Billed Revenue</u> (f) |
|--------------------------------|---|-------------------------------|--|--|---|--|
| 1 | Residential | 1 | 1,149,176 | \$101,881 | -\$5,283 | -5.19% |
| 2 | General Service | 11,12 | 307,317 | 31,451 | -1,413 | -4.49% |
| 3 | Large General Service | 21,22 | 679,496 | 54,504 | -3,124 | -5.73% |
| 4 | Extra Large General Service | 25 | 265,733 | 15,215 | -1,222 | -8.03% |
| 5 | Clearwater | 25P | 889,447 | 46,441 | -4,089 | -8.80% |
| 6 | Pumping Service | 31,32 | 53,936 | 4,713 | -248 | -5.26% |
| 7 | Street & Area Lights | 41-49 | 13,822 | 3,372 | -64 | -1.88% |
| 8 | Total | | 3,358,927 | \$257,577 | -\$15,441 | -5.99% |
| 9 | Proposed surcharge rate | \$0.00072 | \$2,428 | | | |
| 10 | Existing surcharge rate | 0.00532 | \$17,869 | | | |
| 11 | Decrease in surcharge rate | -\$0.00460 | -\$15,441 | | | |
| <u>Proposed surcharge rate</u> | | | | | | |
| 12 | Deferrals including interest 7/1/10-6/30/11 | | \$2,085 | | | |
| 13 | Interest 7/1/11-9/30/11 | | 5 | | | |
| 14 | Projected under-recovered balance | | 317 | | | |
| 15 | Forecasted interest 10/1/11-9/30/12 | | 12 | | | |
| 16 | Total to recover including interest | | \$2,419 | | | |
| 17 | Conversion factor | | 0.996296 | | | |
| 18 | Revenue requirement | | \$2,428 | | | |
| 19 | kWh's from above | | 3,358,927 | | | |
| 20 | Proposed surcharge rate 10/1/11 | | \$0.00072 | | | |

(1) Source: Pat Ehrbar's Exhibit No. 13, Schedule 3, page 1 of 3 in Case No. AVU-E-11-01. Includes all present rate adjustments: Schedule 59 - Residential and Farm Energy Rate Adjustment, Schedule 66 - Temporary Power Cost Adjustment, Schedule 91 - Energy Efficiency Rider Adjustment, and Schedule 99 - Deferred State Income Tax Adjustment.

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 electric Schedules 1, 11, 12, 21, 22, 25, 25P, 31, and 32 are to be increased by 0.072¢ per kilowatt-hour in all blocks of these rate schedules.

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service, Schedules 41-49, are to be increased by 0.072¢ per kilowatt-hour times the monthly usages of the various light sizes and types on these schedules.

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 July __, 2011

Effective October 1, 2011

Exhibit No. __ (RLM-1)

Case No. AVU-E-11-__

Avista

Page 2 of 2

Issued by Avista Utilities
By

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