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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-12-06

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, 2012. My testimony also addresses the proposed rebate to be effective October 1, 2012,
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 rebate of 0.090¢, as well as the

1 impact of the proposed PCA rate decrease 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. By Order No. 32206 in Case No. GNR-E-10-03 dated March 15, 2011, the
16 Commission modified the retail revenue credit methodology and approved a Load Change
17 Adjustment Rate based on the energy classified portion of embedded production revenue
18 requirement effective April 1, 2011.

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

21 A. Yes. On July 28, 2011, Avista filed its annual PCA report for the period July 1,
22 2010 through June 30, 2011 and requested a PCA surcharge of 0.072¢ per kilowatt-hour

1 effective October 1, 2011. The Commission approved that proposal in Case No. AVU-E-11-03,
2 by Order No. 32375, dated September 30, 2011.

3 **Q. Does the present filing conform to the requirements of the prior orders of the**
4 **Commission regarding the PCA?**

5 A. Yes. The proposed PCA rate adjustment is based on deferrals for the period July 1,
6 2011 through June 30, 2012, as well as the unrecovered balance related to the July 1, 2010
7 through June 30, 2011 deferral period, and interest during the recovery period of October 1, 2012
8 through September 30, 2013. The proposed PCA rebate rate is a uniform cents per kilowatt-hour
9 rate of 0.090¢ to be effective October 1, 2012.

10 **Q. What were the amounts of deferrals and interest for the period July 1, 2011**
11 **through June 30, 2012?**

12 A. The amounts are shown below:

13 Deferrals (July 2011 - June 2012)	\$(3,170,099)
14 Interest	<u>(21,812)</u>
15 Balance at June 30, 2012	<u><u>\$(3,191,911)</u></u>

16 Mr. Johnson discusses the components that make up the deferrals shown above. The
17 \$(21,812) interest amount represents interest for the twelve-month period July 1, 2011 through
18 June 30, 2012. Interest for the twelve-month period was calculated using the Customer Deposit
19 Rate of 1%.

20 **Q. What rebate rate is the Company proposing to be effective October 1, 2012?**

21 A. The Company is proposing a uniform cents per kilowatt-hour PCA rebate of 0.090¢
22 to be effective October 1, 2012. Page 2 of Exhibit No. ____ (RLM-1) is a copy of the proposed
23 tariff, Schedule 66, which contains the proposed PCA rebate rate. Page 1 of Exhibit No. ____
24 (RLM-1) shows the calculation of the proposed rebate. The proposed rebate is designed to pass

1 through deferrals and interest for the July 1, 2011 through June 30, 2012 period, as well as the
2 unrecovered balance related to the July 1, 2010 through June 30, 2011 deferral period, plus an
3 estimate of interest during the recovery period. After applying the conversion factor related to
4 commission fees and uncollectibles, the resulting decrease in revenue requirement of \$3,099,000
5 is divided by forecasted kilowatt-hours to derive the proposed rebate rate of 0.090¢ per kilowatt-
6 hour.

7 **Q. What is the impact of the proposed PCA rate decrease by rate schedule?**

8 A. Page 1 of Exhibit No. ___ (RLM-1) shows the effect of the proposed PCA rate
9 decrease by rate schedule. The proposed rebate is 0.090¢ per kilowatt-hour, which is 0.162¢ per
10 kilowatt-hour less than the existing surcharge of 0.072¢ per kilowatt-hour. Column (f) shows the
11 percentage decreases by rate schedule. The overall decrease is 2.17%.

12 **Q. What will be the impact of the proposed rebate on an average residential**
13 **customer?**

14 A. Under the Company's proposal, the PCA rate for all customers, including
15 residential customers will decrease from a 0.072¢ per kilowatt-hour surcharge to a 0.090¢ per
16 kilowatt-hour rebate, or a decrease of 0.162¢ per kilowatt-hour. Residential customers using an
17 average of 939 kilowatt-hours per month would see their monthly bills decrease from \$80.56 to
18 \$79.04, a decrease of \$1.52 per month, or 1.89%.

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

20 A. Yes. The Company has several programs available to assist customers with paying
21 their bills. Avista's Comfort Level Billing program offers the option for customers to pay the
22 same bill amount each month of the year by averaging their annual usage. Under this program,
23 customers can avoid unpredictable winter heating bills. The CARES (Customer Assistance

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

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

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

21 **A. Yes it does.**

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CASE NO. AVU-E-12-06

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, 2012

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

Line No.	Type of Service (a)	Schedule Number (b)	Pro Forma Kilowatt-hours (c)(1)	Total Billed Revenue at Present Rates (d)(1)	Proposed Sch. 66 Decrease (e)	Percent Decrease on Billed Revenue (f)
1	Residential	1	1,152,311	\$100,142	-\$1,867	-1.86%
2	General Service	11,12	344,750	34,561	-559	-1.62%
3	Large General Service	21,22	695,050	53,772	-1,126	-2.09%
4	Extra Large General Service	25	331,442	17,781	-537	-3.02%
5	Clearwater	25P	843,005	42,020	-1,366	-3.25%
6	Pumping Service	31,32	61,356	5,366	-99	-1.85%
7	Street & Area Lights	41-49	13,918	3,087	-23	-0.73%
8	Total		3,441,832	\$256,729	-\$5,577	-2.17%
9	Proposed rebate rate	-\$0.00090	-\$3,099			
10	Existing surcharge rate	0.00072	\$2,478			
11	Decrease in surcharge rate	-\$0.00162	-\$5,577			
	<u>Proposed rebate rate</u>					
12	Deferrals including interest 7/1/11-6/30/12		-\$3,192			
13	Interest 7/1/12-9/30/12		-8			
14	Projected under-recovered balance		128			
15	Forecasted interest 10/1/12-9/30/13		-15			
16	Total to rebate including interest		-\$3,087			
17	Conversion factor		0.996296			
18	Revenue requirement		-\$3,099			
19	kWh's from above		3,441,832			
20	Proposed rebate rate 10/1/12		-\$0.00090			

(1) Source: Revenue forecast for the twelve month period October 1, 2012 - September 30, 2013. 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 decreased by 0.090¢ 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 decreased by 0.090¢ 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 30, 2012

Effective October 1, 2012

Exhibit No. (RLM-1)
Case No. AVU-E-12-06
Avista
Page 2 of 2

Issued by Avista Utilities
By

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