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IDAHO PUBLIC  
UTILITIES COMMISSION

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

IN THE MATTER OF THE POWER COST	)	CASE NO. AVU-E-13- <u>04</u>
ADJUSTMENT (PCA) ANNUAL RATE	)	
ADJUSTMENT FILING OF AVISTA	)	DIRECT TESTIMONY OF
CORPORATION	)	PATRICK D. EHRBAR

FOR AVISTA CORPORATION

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

2           A. My name is Patrick D. Ehrbar. I am employed by Avista Corporation (“Avista” or  
3 “Company”) at 1411 East Mission Avenue, Spokane, Washington.

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

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

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

8           A. I am a 1995 graduate of Gonzaga University with a Bachelors degree in Business  
9 Administration. In 1997 I graduated from Gonzaga University with a Masters degree in  
10 Business Administration. I started with Avista in April 1997 as a Resource Management Analyst  
11 in the Company’s Demand Side Management (DSM) department. Later, I became a Program  
12 Manager, responsible for energy efficiency program offerings for the Company’s educational  
13 and governmental customers. In 2000, I was selected to be one of the Company’s key Account  
14 Executives. In this role I was responsible for, among other things, being the primary point of  
15 contact for numerous commercial and industrial customers, including delivery of the Company’s  
16 site specific energy efficiency programs.

17           I joined the State and Federal Regulation Department as a Senior Regulatory Analyst in  
18 2007. Responsibilities in this role included being the discovery coordinator for the Company’s  
19 rate cases, line extension policy tariffs, as well as miscellaneous regulatory issues. In November  
20 2009, I was promoted to my current role.

21           **Q. Have you previously testified before this Commission?**

22           A. Yes. I have provided pre-filed direct testimony before this Commission in several  
23 prior proceedings.

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

2           A. My testimony provides a status report of the accounting entries and account  
3 balances related to the Power Cost Adjustment (PCA) for the twelve months ended June 30,  
4 2013. My testimony also addresses the proposed rebate to be effective October 1, 2013, which  
5 will replace the existing rebate.

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

7           A. Yes. I am sponsoring Exhibit No. PDE-1. Page 1 consists of a sheet showing the  
8 calculation of the proposed uniform cents per kilowatt-hour PCA rebate of 0.152¢, as well as the  
9 impact of the proposed PCA rate decrease by rate schedule. Page 2 is the proposed PCA tariff,  
10 Schedule 66.

11           **Q. Would you please explain the Order that was issued regarding Avista's**  
12 **existing PCA methodology?**

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

18	August 1	Company filing for prior July – June deferral period
19	September 1	Review and comments by Staff and other interested parties
20	October 1	Commission Order and effective date of PCA rate adjustment

21           The Commission also approved a change in the method of PCA deferral recovery from a  
22 uniform percentage basis to a uniform cents per kilowatt-hour basis effective with the October 1,  
23 2007 rate change. By Order No. 32206 in Case No. GNR-E-10-03 dated March 15, 2011, the

1 Commission modified the retail revenue credit methodology and approved a Load Change  
2 Adjustment Rate based on the energy classified portion of embedded production revenue  
3 requirement effective April 1, 2011.

4 **Q. Would you please summarize the filing and Order associated with the existing**  
5 **PCA rate?**

6 A. Yes. On July 30, 2012, Avista filed its annual PCA report for the period July 1,  
7 2011 through June 30, 2012 and requested a PCA rebate of 0.090¢ per kilowatt-hour effective  
8 October 1, 2012. The Commission approved that proposal in Case No. AVU-E-12-06, by Order  
9 No. 32654, dated September 28, 2012.

10 **Q. Does the present filing conform to the requirements of the prior Commission**  
11 **Orders regarding the PCA?**

12 A. Yes. The proposed PCA rate adjustment is based on the following:

- 13 1) Deferrals for the period July 1, 2012 through June 30, 2013, including interest,
- 14 2) The unrecovered balance related to the July 1, 2011 through June 30, 2012 deferral  
15 period, including interest,
- 16 3) The remaining balance related to the Deferred State Income Tax (DSIT) credits as of  
17 September 30, 2012<sup>1</sup>, and
- 18 4) Interest during the recovery period of October 1, 2013 through September 30, 2014.

19 The proposed PCA rebate rate is a uniform cents per kilowatt-hour rate of 0.152¢ to be  
20 effective October 1, 2013.

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<sup>1</sup> In Case No. AVU-E-10-01, the Company agreed to credit to electric customers \$17.0 million of accumulated deferred state income tax over a two-year period, beginning October 1, 2010. The remaining balance not credited to customers through Tariff 99 at the end of the two-year period (ending September 30, 2012) was to be transferred to the PCA deferral account. The Company transferred \$484,663 in November 2012.

1           **Q. What were the amounts of deferrals and interest for the period July 1, 2012**  
2 **through June 30, 2013?**

3           A. The amounts are shown below:

4           Deferrals (July 2012 - June 2013)	\$(3,875,180)
5           Interest	<u>(22,309)</u>
6           Rebate Balance at June 30, 2013	<u><u>\$(3,897,489)</u></u>

7           Company witness Mr. Johnson discusses the components that make up the deferrals  
8 shown above. The (\$22,309) interest amount represents interest for the twelve-month period  
9 July 1, 2012 through June 30, 2013. Interest for the twelve-month period was calculated using  
10 the Customer Deposit Rate of 1%.

11           **Q. What rebate rate is the Company proposing to be effective October 1, 2013?**

12           A. The Company is proposing a uniform cents per kilowatt-hour PCA rebate of 0.152¢  
13 to be effective October 1, 2013. Page 1 of Exhibit No. PDE-1 shows the calculation of the  
14 proposed rebate. Page 2 of Exhibit No. PDE-1 is a copy of the proposed tariff, Schedule 66,  
15 which contains the proposed PCA rebate rate. The proposed rebate is designed to pass through  
16 the following:

Deferrals and interest for the July 1, 2012 through June 30, 2013 period	(\$3,897,489)
Unrecovered balance related to the July 1, 2011 through June 30, 2012 deferral period	(142,134)
Remaining balance of DSIT	(484,663)
Estimate of interest for July 1, 2013 through September 30, 2014	<u>(33,574)</u>
Total Amount to Rebate to Customers	<u><b>(\$4,557,860)</b></u>

17

18           After applying the conversion factor related to commission fees and uncollectible  
19 customer accounts receivable, the resulting decrease in revenue requirement of \$4,581,000 is

1 divided by forecasted kilowatt-hours to derive the proposed rebate rate of 0.152¢ per kilowatt-  
2 hour.

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

4 A. Page 1 of Exhibit No. PDE-1 shows the effect of the proposed PCA rate decrease  
5 by rate schedule. The proposed rebate is 0.152¢ per kilowatt-hour, which is 0.062¢ per kilowatt-  
6 hour greater than the existing rebate of 0.090¢ per kilowatt-hour. Column (f) shows the  
7 percentage decreases by rate schedule. The overall decrease is 0.83%.

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

10 A. Under the Company's proposal, the PCA rebate rate for all customers, including  
11 residential customers, will increase from a 0.090¢ per kilowatt-hour rebate to a 0.152¢ per  
12 kilowatt-hour rebate, an increase in the rebate rate of 0.062¢ per kilowatt-hour. Residential  
13 customers using an average of 930 kilowatt-hours per month would see their monthly bills  
14 decrease from \$78.69 to \$78.11, a decrease of \$0.58 per month, or 0.74%.

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

16 A. Yes. The Company has several programs available to assist customers with paying  
17 their bills. Avista's Comfort Level Billing (CLB) program offers the option for customers to pay  
18 the same bill amount each month of the year by averaging their annual usage. Under this  
19 program, customers can avoid unpredictable winter heating bills. The Customer Assistance  
20 Referral and Evaluation Services (CARES) program provides assistance to special-needs  
21 customers through access to specifically trained CARES representatives who provide referrals to  
22 area agencies and churches for help with housing, utilities, medical assistance, etc. Low Income  
23 Home Energy Assistance Program (LIHEAP) is a Federal program aimed to assist low income

1 customers pay their electric and natural gas bills. These funds are distributed through local  
2 agencies. Project Share is a voluntary contribution option allowing customers to contribute  
3 donations that are distributed through local community action agencies to customers in need.  
4 Idaho customers who have children, elderly or infirm persons in the household may qualify for  
5 the Winter Moratorium plan. From December 1 through February 28, customers are not required  
6 to pay their bills in full and can defer payment or make partial payments. In addition, the Winter  
7 Payment Plan provides for lower winter bill payments by allowing customers to make monthly  
8 payments equal to one-half of the levelized bill amounts, with balance in full or a new payment  
9 arrangement due by April 1<sup>st</sup>. The Company also works out payment arrangements with  
10 customers having difficulty paying their bills.

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

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

17 **A. Yes, it does.**

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CASE NO. AVU-E-13-04  
EXHIBIT NO. PDE-1  
PATRICK D. EHRBAR

FOR AVISTA CORPORATION

AVISTA UTILITIES  
IDAHO ELECTRIC  
IMPACT OF PROJECTED SCHEDULE 66 PCA DECREASE  
PROPOSED RATE TO BE EFFECTIVE OCTOBER 1, 2013

(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	1,161,019	\$96,390	-\$715	-0.74%
2	General Service	11,12	348,963	32,597	-215	-0.66%
3	Large General Service	21,22	684,215	51,597	-421	-0.82%
4	Extra Large General Service	25	314,356	16,024	-194	-1.21%
5	Clearwater	25P	444,403	19,962	-274	-1.37%
6	Pumping Service	31,32	54,894	4,867	-34	-0.69%
7	Street & Area Lights	41-49	13,807	3,444	-9	-0.25%
8	Total		<u>3,021,657</u>	<u>\$224,881</u>	<u>-\$1,861</u>	<u>-0.83%</u>
9	Proposed rebate rate	-\$0.00152	-\$4,581			
10	Existing rebate rate	-0.00090	-\$2,719			
11	Increase in rebate rate	<u>-\$0.00062</u>	<u>-\$1,861</u>			
<u>Proposed rebate rate</u>						
12	Deferrals including interest 7/1/12-6/30/13		-\$4,382			
13	Interest 7/1/13-9/30/13		-11			
14	Projected under-recovered balance at 9/30/13		-142			
15	Forecasted interest 10/1/13-9/30/14		<u>-23</u>			
16	Total to rebate including interest		<u>-\$4,558</u>			
17	Conversion factor		<u>0.995010</u>			
18	Revenue requirement		-\$4,581			
19	kWh's from above		<u>3,021,657</u>			
20	Proposed rebate rate 10/1/13		<u>-\$0.00152</u>			

(1) Source: Revenue forecast for the twelve month period October 1, 2013 - September 30, 2014. Includes all present rate adjustments: Schedule 59 - Residential and Farm Energy Rate Adjustment, Schedule 66 - Temporary Power Cost Adjustment, and Schedule 91 - Energy Efficiency Rider 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 0.152¢ 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 0.152¢ 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, 2013

Effective October 1, 2013

Issued by Avista Utilities

By



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