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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-14-06
DIRECT TESTIMONY OF
WILLIAM G. JOHNSON

FOR AVISTA CORPORATION

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address, and present position with Avista**
3 **Corporation.**

4 A. My name is William G. Johnson. My business address is 1411 East Mission
5 Avenue, Spokane, Washington, and I am employed by Avista Utilities (“Avista” or “Company”)
6 as a Wholesale Marketing Manager in the Energy Resources Department.

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

8 A. I graduated from the University of Montana in 1981 with a Bachelor of Arts
9 Degree in Political Science/Economics. I obtained a Master of Arts Degree in Economics from
10 the University of Montana in 1985.

11 **Q. How long have you been employed by the Company and what are your duties**
12 **as a Wholesale Marketing Manager?**

13 A. I started working for Avista in April 1990 as a Demand Side Resource Analyst. I
14 joined the Energy Resources Department as a Power Contracts Analyst in June 1996. My
15 primary responsibilities involve power contract origination and management and power supply
16 regulatory issues.

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

18 A. My testimony will provide a brief summary of the factors driving power supply
19 expenses during the review period July 2013 through June 2014. I explain that there were no
20 new long-term contracts the Company entered into during the deferral period and I also describe
21 the supporting documentation that is provided in electronic format.

1 **II. SUMMARY OF DEFERRALS**

2 **Q. Would you please summarize power supply expenses during the July 2013**
3 **through June 2014 review period?**

4 A. Yes. During the review period, Idaho's share of power supply expenses were
5 greater than the authorized level by \$5,964,757, not including the net changes in costs associated
6 with the Clearwater Paper contract, or a credit related to Idaho's share of the value of system
7 Renewable Energy Credits (RECs) transferred to Washington, described further below. Of the
8 \$5,964,757 in increased power supply expenses, the Company absorbed \$596,476 under the
9 90%/10% sharing mechanism, leaving a balance of \$5,368,281 in the customer-surcharge
10 direction.

11 Certain revenues and expenses are tracked at 100% in the PCA, per prior Commission
12 orders. The Clearwater Paper power purchase expense and the Clearwater Paper retail revenue
13 related to the level of Clearwater generation¹ is one item that is tracked at 100%. The difference
14 between actual costs/revenues and authorized costs/revenues related to Clearwater Paper power
15 purchase expense and retail revenue was \$2,320,289, which increased the PCA deferral in the
16 surcharge direction. One other item tracked at 100% was Idaho's share of the value of system
17 RECs used by Washington of \$46,386², which decreased the deferral.

18 The net impact of these three items is a deferral for the period of \$7,642,184 in the
19 surcharge direction. Interest of \$63,725 was recorded that increases the deferral balance at June
20 30, 2014 to \$7,705,909.

¹ The Clearwater Paper power purchase expense and revenue associated with the purchase are tracked at 100% in the PCA per Idaho Public Utilities Commission Order No. 29418 dated January 15, 2004.

² This is compensation from the Washington jurisdiction to the Idaho jurisdiction for Idaho's allocation of RECs from hydro upgrades used to meet the Washington Energy Independence Act requirements in 2012.

1 **Q. What factors contributed to the higher power supply expense during the**
2 **review period?**

3 A. Overall, higher power costs were due primarily to Colstrip, Palouse Wind and
4 Clearwater Paper. Colstrip Unit 4 was unavailable due to a forced outage from July 1, 2013 until
5 January 22, 2014. Colstrip's incremental generation expense is lower than the wholesale power
6 prices, therefore, replacing Colstrip power led to an increase in power supply expense. Palouse
7 Wind is currently not included in the authorized level of power supply expense (i.e., is not
8 included in base rates). The actual Palouse Wind expense is included in the computation of the
9 PCA deferral, therefore, 90 percent of the net expense of Palouse Wind (actual Palouse Wind
10 expense less the value of the power generated) flows through the PCA as a surcharge deferral.

11 The higher expense related to Clearwater Paper is a result of the change in the contract
12 between Avista and Clearwater Paper whereby Clearwater now generates into its own load as
13 opposed to selling their full generation output to Avista at a rate of \$42.92/MWh³. The PCA
14 authorized base includes a purchase by Avista of Clearwater generation and Clearwater
15 purchasing an equivalent amount of power at retail rates. Given that the power purchase rate
16 was lower than retail rates, when the Clearwater purchase contract ended on June 30, 2013 and
17 Clearwater chose to use its generation to reduce purchases from Avista, the result was an
18 increase in PCA surcharge deferrals.

19 The table below shows a summary of the major factors driving the deferrals during the
20 review period:

³ The Clearwater contract was approved by the Idaho Public Utilities Commission on June 28, 2013 in Order 32841, Docket AVU-E-13-02.

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Factors Contributing to Increased (Decreased) Power Supply Expense July 2013 - June 2014 - Idaho Allocation	
Change due to Hydro Generation (1)	\$1,210,948
Change due to Power and Natural Gas Prices and Contract Changes, (2)	-\$2,259,124
Change due to Colstrip Generation and Fuel Expense	\$4,082,573
Change due to Kettle Falls Generation and Fuel Expense	-\$902,824
Change in Net Transmission Expense (Expense - Revenue)	\$466,963
Palouse Wind Purchase (3)	\$2,171,646
Change due to Retail Loads (4)	\$1,317,622
Total Expenses Above (Below) the Authorized Level	\$5,964,757
10% Absorbed by the Company	-\$596,476
Clearwater Paper Generation and Revenue Variance (100% Idaho Allocation) (5)	\$2,320,289
Transfer from Washington for RECs (100% Idaho Allocation) (6)	-\$46,386
Total Power Cost Deferrals, Surcharge (Rebate)	\$7,642,184

- 1) Includes the change in hydro generation plus changes in Mid Columbia contract expenses. Hydro generation was above the authorized level, however, the months when generation was higher had lower wholesale prices than months when generation was below the authorized level resulting in a lower value of hydro generation.
- 2) Includes the effect of gas-fired turbine optimization, power and gas price changes and other contract expense and revenue changes, including renewable energy credit sales.
- 3) This is the Palouse power purchase net expense considering the value of the power generated, which is less than the gross expense.
- 4) Includes the expense of serving higher loads less the Load Growth Adjustment Rate credit.
- 5) This is a result of Avista's purchase of Clearwater generation ending June 30, 2013 and Clearwater paper using its generation to reduce power purchases from Avista.
- 6) This is a transfer from Washington to Idaho for Idaho's share of system RECs from hydro upgrades used to meet the Washington Energy Independence Act requirements in 2012.

1 Over the review period, hydro generation was 16 aMW above the authorized level. Gas-
2 fired generation was within 1 aMW above the authorized level. Colstrip generation was 55
3 aMW below the authorized level due to the prolonged forced outage, and Kettle Falls generation
4 was 5 aMW below the authorized levels. Retail loads were 19 aMW above the authorized level.

5 The table below shows the change in generation and retail loads from the authorized
6 levels.

7

July 13 - June 14 Generation and Load Differences from the Authorized Level		
	<u>Change</u> aMW	<u>Change</u> %
8 Change in Hydro Generation	15.6	3.0%
9 Change in Gas-Fired Generation	-0.3	-0.1%
10 Change in Colstrip Generation	-54.5	-31.6%
11 Change in Kettle Falls Generation	-4.5	-11.9%
12 Change in Idaho Retail Load	19.1	5.7%

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15 **III. NEW LONG-TERM CONTRACTS ENTERED INTO**

16 **DURING THE REVIEW PERIOD**

17 **Q. Please provide a brief description of new long-term contracts that the**
18 **Company entered into during the review period.**

19 **A. The Company did not enter into any new long-term contracts during the review**
20 **period.**

1 **IV. SUPPORTING DOCUMENTATION**

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

4 A. The Company maintains a number of documents that record relevant factors
5 considered at the time of a transaction. The following is a list of documents that are maintained.
6 Unless noted, these documents have been provided on a compact disk as part of this filing.
7 Other documents will be provided on request:

8 Electric/Gas Transaction Record: These documents record the key details of the price,
9 terms and conditions of a transaction, the reason for the transaction, and pertinent
10 transmission or other delivery issues. The Company has provided worksheets showing
11 the important details of each electric and natural gas term transaction during the review
12 period. Additional documentation will be provided on request.

13 Position Reports: These daily reports show the Company's forward load/resource
14 position, daily and term purchases each business day and forward market power and
15 natural gas prices.

16 Forward Market Electric and Natural Gas Price Curves: This daily data shows forward
17 market prices for electricity and natural gas and is maintained in Nucleus, the Company's
18 electronic energy transaction database record system. Forward market prices are
19 included in the daily Position Reports.

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

21 A. Yes.