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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-14- <u>06</u>
ADJUSTMENT (PCA) ANNUAL RATE	)	
ADJUSTMENT FILING OF AVISTA	)	DIRECT TESTIMONY OF
CORPORATION	)	JEANNE M. PLUTH

FOR AVISTA CORPORATION

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

2           A. My name is Jeanne M. Pluth. 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 Regulatory Accounting in the State and  
6 Federal Regulation Department.

7           **Q. Would you briefly describe your educational background and professional  
8 experience.**

9           A. Yes. I am a 1986 graduate of Eastern Washington University with a Bachelor of  
10 Arts Degree in Business Administration, majoring in Accounting. In 1987, I passed the Certified  
11 Public Accountant exam, earning my CPA License in April 1988. I worked for McFarland &  
12 Alton, CPAs from 1991 to 1997. I worked at Ecova, a subsidiary of Avista, before joining  
13 Avista Utilities in December 2004. I served in the Projects and Fixed Assets section of the  
14 Finance Department before I was hired into the State and Federal Regulation Department as a  
15 Regulatory Analyst in November 2006. In this role, I have assisted in developing and supporting  
16 the Company’s electric and/or natural gas general rate filings in Washington, Idaho and Oregon,  
17 as well as miscellaneous regulatory accounting issues and special projects. In November 2013, I  
18 was promoted to my current role. I have attended several utility accounting and ratemaking  
19 training courses.

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

21           A. My testimony provides a status report of the accounting entries and account  
22 balances related to the Power Cost Adjustment (PCA) for the twelve months ended June 30,

1 2014. My testimony also addresses the proposed surcharge to be effective October 1, 2014,  
2 which will replace the existing rebate.

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

4 A. Yes. I am sponsoring Exhibit No. JMP-1. Page 1 consists of a sheet showing the  
5 calculation of the proposed uniform cents per kilowatt-hour PCA surcharge of 0.252¢, as well as  
6 the impact of the proposed PCA rate increase by rate schedule. Page 2 is the proposed PCA  
7 tariff, Schedule 66.

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

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

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

18 The Commission also approved a change in the method of PCA deferral recovery from a  
19 uniform percentage basis to a uniform cents per kilowatt-hour basis effective with the October 1,  
20 2007 rate change. By Order No. 32206 in Case No. GNR-E-10-03 dated March 15, 2011, the  
21 Commission modified the retail revenue credit methodology and approved a Load Change  
22 Adjustment Rate based on the energy classified portion of embedded production revenue  
23 requirement effective April 1, 2011.

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

3           A.    Yes.  On July 31, 2013, Avista filed its annual PCA report for the period July 1,  
4 2012 through June 30, 2013 and requested a PCA rebate of 0.152¢ per kilowatt-hour effective  
5 October 1, 2013.  The Commission approved that proposal in Case No. AVU-E-13-04, by Order  
6 No. 32892, dated September 19, 2013.

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

9           A.    Yes.  Consistent with prior years, the proposed PCA rate adjustment is based on the  
10 following:

- 11                   • Deferrals for the period July 1, 2013 through June 30, 2014, including
- 12                   interest,
- 13                   • Estimated rebate to customers in excess of the rebate balance for the October
- 14                   1, 2013 to September 30, 2014 rate period, including interest, and
- 15                   • Interest recorded during the twelve months the surcharge will be in effect
- 16                   (October 1, 2014 through September 30, 2015).
- 17

18           In addition, the proposed PCA rate adjustment includes the following two adjustments:

- 19                   • Increased costs of \$505,265 to correct an error related to the allocation of
- 20                   natural gas transport costs between the Company's power supply operations
- 21                   and the Company's natural gas distribution operations<sup>1</sup>, and
- 22                   • Rebate of \$713,000 related to the 2013 earnings test.<sup>2</sup>
- 23

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<sup>1</sup> Details regarding the adjustment due to an error related to the allocation of natural gas transport costs between the Company's power supply operations and the Company's natural gas distribution operations were provided in the December 2013 PCA Deferral Report filed with the Commission on January 16, 2014.

<sup>2</sup> In the Company's last general rate case (Docket No. AVU-E-12-08), the Company agreed to an after-the-fact earnings test, where it would refund to customers one-half of any earnings in excess of the 9.8% return on equity ("ROE"), on a consolidated basis for electric and natural gas, for each of the years 2013 and 2014. For the 2013 earnings test, Avista deferred a benefit of \$3.914 million for electric customers. In Docket No. AVU-E-14-05, Parties have agreed that \$3.201 million of the \$3.914 million 2013 electric earnings test deferral would be used to replace the 1.3% BPA credit on electric Schedule 97 on January 1, 2015 that would be expiring. The remaining \$713,000 of the 2013 earnings test deferral would be credited to customers through the PCA over a one-year period beginning October 1, 2014, pending Commission approval.

1           **Q. What were the amounts of deferrals and interest for the period July 1, 2013**  
 2 **through June 30, 2014?**

3           A. The amounts are shown below:

4	Deferrals (July 2013 - June 2014)	\$7,642,184
5	Interest	<u>63,725</u>
6	Surcharge Balance at June 30, 2014	<u>\$7,705,909</u>

7           Company witness Mr. Johnson discusses the components that make up the deferrals  
 8 shown above. The \$63,725 interest amount represents interest for the twelve-month period July  
 9 1, 2013 through June 30, 2014. Interest for the twelve-month period was calculated using the  
 10 Customer Deposit Rate of 1%.

11           **Q. What surcharge rate is the Company proposing to be effective October 1,**  
 12 **2014?**

13           A. The Company is proposing a uniform cents per kilowatt-hour PCA surcharge of  
 14 0.252¢ to be effective October 1, 2014. Page 1 of Exhibit No. JMP-1 shows the calculation of  
 15 the proposed surcharge. Page 2 of Exhibit No. JMP-1 is a copy of the proposed tariff, Schedule  
 16 66, which contains the proposed PCA surcharge rate. The proposed surcharge is designed to  
 17 collect the following:

Deferrals and interest for the July 1, 2013 through June 30, 2014 period	\$7,705,909
Estimated rebate to customers in excess of the rebate balance for the October 1, 2013 to September 30, 2014 rate period	162,370
Other Adjustments:	
Natural Gas Transport Costs	505,265
2013 Earnings Test	(713,000)
Estimate of interest for July 1, 2014 through September 30, 2015	<u>57,000</u>
Total Amount to Surcharge from Customers	<u>\$7,717,544</u>

1 After applying the conversion factor related to commission fees and uncollectible  
2 customer accounts receivable, the resulting surcharge increase of \$7,756,248 is divided by  
3 forecasted kilowatt-hours to derive the proposed surcharge rate of 0.252¢ per kilowatt-hour.

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

5 A. Page 1 of Exhibit No. JMP-1 shows the effect of the proposed PCA rate increase by  
6 rate schedule. The proposed surcharge is 0.252¢ per kilowatt-hour, which is 0.404¢ per kilowatt-  
7 hour greater than the existing rebate of 0.152¢ per kilowatt-hour. Therefore, 38% of the  
8 proposed PCA rate adjustment is related to the expiration of a rebate to customers and 62% is  
9 related to increased power supply costs over the last twelve months. Column (f) shows the  
10 percentage increases by rate schedule. The overall increase is 4.99%.

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

13 A. Under the Company's proposal, the PCA surcharge rate for all customers, including  
14 residential customers, will increase from a 0.152¢ per kilowatt-hour rebate to a 0.252¢ per  
15 kilowatt-hour surcharge, an increase of 0.404¢ per kilowatt-hour. Residential customers using  
16 an average of 930 kilowatt-hours per month would see their monthly bills increase from \$81.88  
17 to \$85.64, an increase of \$3.76 per month, or 4.59%.

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

19 A. Yes. The Company has several programs available to assist customers with paying  
20 their bills. Avista's Comfort Level Billing (CLB) plan is based on historical charges or an  
21 estimate of future charges and will approximate a monthly average of the Customer's estimated  
22 annual billings. The concept of this plan is to help the customer budget for their utility bills  
23 throughout the year by leveling out seasonal highs and lows in their monthly utility bills. The

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

15 In addition, the Company has convenient options that help those who need flexibility, but  
16 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 pre-filed direct testimony?**

21 A. Yes, it does.

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

CASE NO. AVU-E-14-06  
EXHIBIT NO. JMP-1  
JEANNE M. PLUTH

FOR AVISTA CORPORATION

AVISTA UTILITIES  
IDAHO ELECTRIC  
IMPACT OF PROJECTED SCHEDULE 66 PCA INCREASE  
PROPOSED RATE TO BE EFFECTIVE OCTOBER 1, 2014

(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)	Proposed Sch. 66 Increase (e)	Percent Increase on Billed Revenue (f)
1	Residential	1	1,182,736	\$107,581	\$4,781	4.44%
2	General Service	11,12	357,734	37,060	1,446	3.90%
3	Large General Service	21,22	684,603	55,091	2,767	5.02%
4	Extra Large General Service	25	328,085	17,885	1,326	7.41%
5	Clearwater	25P	452,422	22,907	1,829	7.98%
6	Pumping Service	31,32	55,826	5,164	226	4.37%
7	Street & Area Lights	41-49	13,890	3,392	56	1.66%
8	Total		3,075,297	\$249,080	\$12,431	4.99%
9	Proposed surcharge rate	\$0.00252	\$7,756			
10	Existing rebate rate	-0.00152	-\$4,674			
11	Increase in rate	\$0.00404	\$12,431			
<u>Proposed surcharge rate</u>						
12	Deferrals including interest 7/1/13-6/30/14		\$7,706			
13	Interest 7/1/14-9/30/14		19			
14	Gas Transport Adjustment		505			
15	Projected Excess Rebate to Customers at 9/30/14		162			
16	Rebate of 2013 Earnings Test		-713			
17	Forecasted interest 10/1/14-9/30/15		38			
18	Total to surcharge including interest		\$7,718			
19	Conversion factor		0.995010			
20	Revenue requirement		\$7,756			
21	kWh's from above		3,075,297			
22	Proposed surcharge rate 10/1/14		\$0.00252			

(1) Source: Revenue forecast for the twelve month period October 1, 2014 - September 30, 2015.

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 0.252¢ 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 0.252¢ 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 29, 2014

Effective October 1, 2014

Issued by Avista Utilities

By

*Kelly O. Norwood*

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