

DAVID J. MEYER
VICE PRESIDENT AND CHIEF COUNSEL FOR
REGULATORY AND GOVERNMENTAL AFFAIRS
AVISTA CORPORATION
1411 E. MISSION AVENUE
P.O. BOX 3727
SPOKANE, WASHINGTON 99220
PHONE: (509) 495-4316, FAX: (509) 495-8851

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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-15- <u>07</u>
ADJUSTMENT (PCA) ANNUAL RATE)	
ADJUSTMENT FILING OF AVISTA)	DIRECT TESTIMONY OF
CORPORATION)	WILLIAM G. JOHNSON

FOR AVISTA CORPORATION

1 I. INTRODUCTION

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

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

9 Q. What is your educational background?

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

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

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

21 Q. What is the scope of your testimony in this
22 proceeding?

23 A. My testimony will provide a brief summary of the
24 factors driving power supply expenses during the review

1 period July 2014 through June 2015. I also describe new
2 long-term contracts the Company entered into during the
3 deferral period and the supporting documentation that is
4 provided in electronic format.

5 **II. SUMMARY OF DEFERRALS**

6 **Q. Would you please summarize power supply expenses**
7 **during the July 2014 through June 2015 review period?**

8 A. Yes. During the review period, Idaho's share of
9 power supply expenses was lower than the authorized level by
10 \$3,627,213, not including the net changes in costs
11 associated with the Clearwater Paper electric service
12 agreement. Of the \$3,627,213 in decreased power supply
13 expenses, the Company retained \$362,721, leaving a balance
14 of \$3,264,492 in the customer-rebate direction.

15 Certain changes in revenues and expenses are tracked at
16 100% in the PCA, per prior Commission orders. The Clearwater
17 Paper power purchase expense and the Clearwater Paper retail
18 revenue related to the level of Clearwater generation¹ is
19 one such item. The difference between actual costs/revenues
20 and authorized costs/revenues related to Clearwater Paper
21 power purchase expense and retail revenue was \$2,442,913 in
22 the surcharge direction.

¹ The Clearwater Paper power purchase and revenue associated with the purchase is tracked at 100% in the PCA per Idaho Public Utilities Commission Order No. 32841 dated June 28, 2013.

1 The net impact of these two items is a net deferral for
2 the July 2014 through June 2015 time period of \$821,579 in
3 the rebate direction. Interest and the transfer of funds
4 related to a BPA Settlement, as described by Company witness
5 Mr. Ehrbar, brings the total deferral balance to \$1,202,604.

6 **Q. What factors contributed to the lower power supply**
7 **expense during the review period?**

8 A. Overall, lower power supply costs were due
9 primarily to higher hydro generation, favorable natural gas
10 and wholesale power prices, and lower net expense for
11 Colstrip and Kettle Falls generation. Offsetting a portion
12 of the lower net expense was Palouse Wind and Clearwater
13 Paper. Palouse Wind is currently not included in the
14 authorized level of power supply expense (i.e., is not
15 included in base rates). The actual Palouse Wind expense is
16 included in the computation of the PCA deferral, therefore,
17 90 percent of the net expense of Palouse Wind (actual
18 Palouse Wind expense less the value of the power generated)
19 flows through the PCA as a surcharge deferral.

20 The higher expense related to Clearwater Paper is a
21 result of the change in the contract between Avista and
22 Clearwater Paper, whereby Clearwater now generates into its
23 own load as opposed to selling their full generation output
24 to Avista, and receiving retail service from Avista for

1 their full load. The PCA authorized base includes a purchase
 2 by Avista of Clearwater generation and Clearwater purchasing
 3 an equivalent amount of power at retail rates. Given that
 4 the power purchase rate was lower than retail rates, when
 5 the Clearwater purchase contract ended on June 30, 2013
 6 Clearwater chose to use its generation to reduce purchases
 7 from Avista. The result was a net increase in PCA surcharge
 8 deferrals.

9 The table below shows a summary of the major factors
 10 driving the deferrals during the review period.

Factors Contributing to Increased (Decreased) Power Supply Expense July 2014 - June 2015 - Idaho Allocation	
Change due to Hydro Generation (1)	-\$2,445,199
Change due to Power and Natural Gas Prices and Contract Changes, (2)	-\$1,991,774
Change due to Colstrip Generation and Fuel Expense	-\$893,922
Change due to Kettle Falls Generation and Fuel Expense	-\$750,761
Change in Net Transmission Expense (Expense - Revenue)	-\$414,922
Palouse Wind Purchase (3)	\$2,468,141
Change due to Retail Loads (4)	\$524,271
Total Expenses Above (Below) the Authorized Level	-\$3,627,213
10% Retained by the Company	\$362,721
Clearwater Paper Generation and Revenue Variance (100% Idaho Allocation) (5)	\$2,442,913
Total Power Cost Deferrals, Surcharge (Rebate)	-\$821,579

- 20 1) Includes the change in hydro generation plus changes in Mid Columbia contract expenses.
 21 2) Includes the effect of gas-fired turbine optimization, power and gas price changes and other
 22 contract expense and revenue changes, including renewable energy credit sales.
 23 3) This is the Palouse power purchase net expense considering the short-term value of the power
 24 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.

1 Over the review period, hydro generation was 46 aMW
 2 above the authorized level. Gas-fired generation was 5 aMW
 3 lower the authorized level. Colstrip generation was 17 aMW
 4 above the authorized level and Kettle Falls generation was 5
 5 aMW below the authorized levels. Idaho retail sales were 12
 6 aMW above the authorized level.

7 The table below shows the change in generation and
 8 retail loads from the authorized levels.

July 14 - June 15 Generation and Load Differences from the Authorized Level		
	<u>Change</u> aMW	<u>Change</u> %
Change in Hydro Generation	45.6	8.7%
Change in Gas-Fired Generation	-5.1	-1.4%
Change in Colstrip Generation	17.2	9.9%
Change in Kettle Falls Generation	-4.5	-11.8%
Change in Idaho Retail Sales	11.6	3.5%

16
 17 **III. NEW LONG-TERM CONTRACTS ENTERED INTO DURING THE**
 18 **REVIEW PERIOD**

19 **Q. Please provide a brief description of new long-**
 20 **term power contracts that the Company entered into during**
 21 **the review period.**

22 A. The Company entered into three new long-term power
 23 purchase contracts during the review period. In November,
 24 2014, the Company entered into a new/renewed 38 month

1 contract with the City of Spokane's Waste-to-Energy plant.
2 In October 2014 the Company entered into a one-year (2015)
3 power purchase agreement with Chelan PUD for a slice of the
4 Rocky Reach and Rock Island dams. In March 2015 the Company
5 entered into a new/renewed five-year (2016-2020) power
6 purchase agreement with Chelan PUD for a slice of the Rocky
7 Reach and Rock Island dams. Copies of these contracts are
8 included with supporting documentation.

9 **IV. SUPPORTING DOCUMENTATION**

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

12 A. The Company maintains a number of documents that
13 record relevant factors considered at the time of a
14 transaction. The following is a list of documents that are
15 maintained. Unless noted, these documents have been
16 provided on a compact disc as part of this filing. Other
17 documents will be provided on request:

18 Electric/Gas Transaction Record: These documents
19 record the key details of the price, terms and
20 conditions of a transaction, the reason for the
21 transaction, and pertinent transmission or other
22 delivery issues. The Company has provided worksheets
23 showing the important details of each electric and

1 natural gas term transaction during the review period.
2 Additional documentation will be provided on request.

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

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

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

15 A. Yes.