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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-16- <u>05</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, business address and  
2 present position with Avista Corporation ("Avista" or  
3 "Company").

4           A.    My name is Patrick D. Ehrbar and my business  
5 address is 1411 E. Mission Avenue, Spokane, Washington. I am  
6 employed by Avista as Senior Manager, Rates and Tariffs in  
7 the State and Federal Regulation Department.

8           Q.    Would you briefly describe your educational  
9 background and professional experience?

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

1 I joined the State and Federal Regulation Department as  
2 a Senior Regulatory Analyst in 2007. Responsibilities in  
3 this role included being the discovery coordinator for the  
4 Company's rate cases, line extension policy tariffs, as well  
5 as miscellaneous regulatory issues. In November 2009, I was  
6 promoted to my current role where I am responsible for  
7 managing the Company's cost of service studies, rate  
8 spread/rate design initiatives, decoupling and fixed cost  
9 adjustment mechanisms, and power and purchased gas cost  
10 adjustments, among other things.

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

13 A. My testimony provides a summary of the accounting  
14 entries and account balances related to the Power Cost  
15 Adjustment (PCA) for the twelve months ended June 30, 2016.  
16 My testimony also addresses the proposed rebate to be  
17 effective October 1, 2016, which will replace the existing  
18 rebate.

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

20 A. Yes. I am sponsoring Exhibit No. PDE-1. Page 1  
21 consists of a sheet showing the calculation of the proposed  
22 uniform cents per kilowatt-hour PCA rebate of 0.017¢, as  
23 well as the impact of the proposed PCA rebate rate by rate  
24 schedule. Page 2 is the proposed PCA tariff, Schedule 66.

1 Q. Would you please provide an overview of the most  
2 recent changes to Avista's PCA methodology that were  
3 approved by the Idaho Public Utilities Commission ("IPUC")?

4 A. Yes. On June 29, 2007 the Commission issued Order  
5 No. 30361 in Case No. AVU-E-07-01. That case dealt with the  
6 review of the PCA methodology and method of recovery. The  
7 Commission approved a change in the PCA methodology from a  
8 trigger and cap mechanism to a single annual PCA rate  
9 adjustment filing requirement.

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

19 The Commission approved the following procedural  
20 schedule for administering the annual PCA filings:

21	August 1	Company filing for prior July - June
22		deferral period
23	September 1	Review and comments by Staff and other
24		interested parties
25	October 1	Commission Order and effective date of
26		PCA rate adjustment
27		

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

3 A. Yes. On July 31, 2015, Avista filed its annual PCA  
4 rate adjustment for the period July 1, 2014 through June 30,  
5 2015 and requested a PCA rebate rate of 0.032¢ per kilowatt-  
6 hour effective October 1, 2015. The Commission approved  
7 that request in Case No. AVU-E-15-07, by Order No. 33389,  
8 dated September 30, 2015.

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

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

- 13 • Deferrals for the period July 1, 2015 through June  
14 30, 2016, including interest,
- 15 • Unamortized balance from the October 1, 2015 to  
16 September 30, 2016 rate period, including interest,  
17 and
- 18 • Interest recorded during the twelve months the  
19 surcharge will be in effect (October 1, 2016  
20 through September 30, 2017).

21  
22 Q. What were the amounts of deferrals and interest for  
23 the period July 1, 2015 through June 30, 2016?

24 A. The amounts are shown below:

25	Deferrals (July 2015 - June 2016)	(\$483,157)
26	Interest <sup>1</sup>	\$5,054
27	Balance at June 30, 2015	<u>(\$478,103)</u>

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<sup>1</sup> The PCA balance for the majority of the July 2014 through June 2015 time period was in the surcharge position. As such, interest was accrued in the surcharge direction, and was only partially offset by the monthly PCA rebate entries for March through June 2016. Therefore, net interest for the year was a surcharge even with an overall rebate balance.

1 Company witness Mr. Johnson discusses the components  
 2 that make up the \$483,157 deferral balance shown above. The  
 3 \$5,054 interest amount represents interest for the twelve-  
 4 month period July 1, 2015 through June 30, 2016. Interest  
 5 for the twelve-month period was calculated using the  
 6 Customer Deposit Rate of 1%.

7 **Q. What rebate rate is the Company proposing to be**  
 8 **effective October 1, 2016?**

9 A. The Company is proposing a uniform cents per  
 10 kilowatt-hour PCA rebate rate of 0.017¢ to be effective  
 11 October 1, 2016. Page 1 of Exhibit No. PDE-1 shows the  
 12 calculation of the proposed rebate. Page 2 of Exhibit No.  
 13 PDE-1 is a copy of the proposed tariff, Schedule 66, which  
 14 contains the proposed PCA rebate rate. The proposed rebate  
 15 is designed to rebate the following:

16	Deferrals and interest for the July 1, 2015 17 through June 30, 2016 period	\$ (478,103)
18	Projected Interest on Deferral July 1, 2016 through September 30, 2016	\$ (1,209)
19	Unamortized Rebate and Interest from October 1, 20 2015 through September 30, 2016 PCA	\$ (34,159)
21	Estimate of interest for October 1, 2015 through September 30, 2016	\$ (2,561)
22	<b>Total</b>	<b>\$ (516,032)</b>

23 After applying the conversion factor related to  
 24 commission fees and uncollectible customer accounts, the

1 resulting rebate of \$519,032 is divided by forecasted  
2 kilowatt-hours to derive the proposed rebate rate of 0.017¢  
3 per kilowatt-hour.

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

6 A. Page 1 of Exhibit No. PDE-1 shows the effect of the  
7 proposed PCA rate increase by rate schedule. The proposed  
8 rebate rate is 0.017¢ per kilowatt-hour, which is 0.015¢ per  
9 kilowatt-hour less than the existing rebate rate of 0.032¢  
10 per kilowatt-hour. Column (g) shows the percentage increase  
11 by rate schedule. The overall increase is 0.2%, or  
12 \$457,000.

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

15 A. Under the Company's proposal, the PCA rebate rate  
16 for all customers, including residential customers, will go  
17 from a 0.032¢ per kilowatt-hour rebate to a 0.017¢ per  
18 kilowatt-hour rebate, an increase of 0.015¢ per kilowatt-  
19 hour. Residential customers using an average of 918  
20 kilowatt-hours per month would see their monthly bills  
21 increase from \$84.72 to \$84.86, an increase of \$0.14 per  
22 month, or 0.2%.

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

1           A. Yes. The Company has several programs available to  
2 assist customers with paying their bills. Avista's Comfort  
3 Level Billing (CLB) plan is based on historical charges or  
4 an estimate of future charges and will approximate a monthly  
5 average of the customer's estimated annual billings.

6           The concept of this plan is to help the customer budget  
7 for their utility bills throughout the year by leveling out  
8 seasonal highs and lows in their monthly utility bills. The  
9 Customer Assistance Referral and Evaluation Services (CARES)  
10 program provides assistance to special-needs customers  
11 through access to specifically trained CARES representatives  
12 who provide referrals to area agencies and churches for help  
13 with, among other things, housing, utilities and medical  
14 assistance.

15           The Low Income Home Energy Assistance Program (LIHEAP)  
16 is a Federal program aimed to assist low income customers  
17 pay their electric and natural gas bills. These funds are  
18 distributed through local agencies. Project Share is a  
19 voluntary contribution option allowing customers to  
20 contribute donations that are distributed through local  
21 community action agencies to customers in need.

22           Idaho customers who have children, elderly or infirmed  
23 persons living in the household may qualify for the Winter  
24 Moratorium plan. From December 1 through February 28,

1 customers are not required to pay their bills in full and  
2 can defer payment or make partial payments. In addition,  
3 the Winter Payment Plan provides for lower winter bill  
4 payments by allowing customers to make monthly payments  
5 equal to one-half of the levelized bill amounts, with the  
6 balance in full or a new payment arrangement due by April  
7 1<sup>st</sup>. The Company also works out payment arrangements with  
8 customers having difficulty paying their bills.

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

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

19 **A. Yes, it does.**