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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. AVU-E-01-11

TESTIMONY OF BRIAN J. HIRSCHKORN
REPRESENTING THE AVISTA CORPORATION

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

3 A. My name is Brian J. Hirschorn and my business address is East 1411
4 Mission Avenue, Spokane, Washington. I am presently assigned to the Rates Department
5 as a Senior Rate Analyst.

6 Q. Would you briefly describe your duties?

7 A. My primary areas of responsibility include electric and gas rate design,
8 customer usage and revenue analysis, and tariff administration.

9 Q. Would you briefly describe your educational background?

10 A. I graduated from Washington State University in 1978 with Bachelor
11 degrees in Business Administration and Accounting.

12 Q. How long have you been employed by the Company?

13 A. I have been employed by the Company for 23 years, and have been
14 involved in nearly all rate design and special customer contract matters at the Company
15 during that time.

16 Q. Have you previously testified before the Commission?

17 A. Yes. I have testified before this Commission in many prior rate
18 proceedings as a revenue, rate design, and special contract witness.

19 Q. Would you briefly describe the issues that you address in your direct
20 testimony?

21 A. Yes. My testimony will address the spread of proposed PCA increase to
22 the Company's service schedules and related customer issues.

23 Q. Are you sponsoring any exhibits to be introduced in this proceeding?

24

1 A. Yes. I am sponsoring Exhibit No. __ (BJH-1), which consists of three
2 pages. Page 1 shows the calculation of the proposed increase rates for each of the
3 Company's electric service schedules, page 2 is the proposed tariff showing the increase
4 rates, Temporary Power Cost Adjustment Schedule 66, and page 3 is a copy of the bill
5 insert describing the proposed increase that is being sent to all Idaho electric service
6 customers.

7 Q. Didn't the Commission recently approve modifications to the Company's
8 PCA mechanism?

9 A. Yes. Commission Order No. 28775, dated July 11, 2001, approved several
10 modifications to the mechanism.

11 Q. Is the amount of the proposed PCA increase in this filing consistent with
12 the parameters of the mechanism approved by the Commission in Order No. 28775?

13 A. Yes. On page 13 of the Order, the Commission generally established an
14 annual increase/rebate limit of \$12 million or about 10% of base revenue. However, the
15 Commission goes on to state in the Order: "Rather than a hard and fast rule, the
16 Company, if circumstances arise, may request and seek to justify a different amount." As
17 set forth in the other Company witnesses' testimony, the Company faces an urgent need to
18 implement the proposed increase as soon as possible.

19 Q. Could you please describe how the Company derived the proposed increase
20 rates for each service schedule, shown on Page 1 of Exhibit No. __ (BJH-1), as well as on
21 the proposed PCA Schedule 66, shown on Page 2 of the Exhibit?

22 A. Yes. As, shown in columns 2, 3, and 4 of Page 1, the annual revenue
23 requirement of \$23,568,000 was divided by the total 2000 base revenues to determine the

1 overall increase percentage increase of 19.4%. The overall percentage increase of 19.4%
2 was then applied to the 2000 base revenue for each general service schedule(s) to
3 determine the annual increase revenue requirement for each schedule, as shown in column
4 5. The annual increase revenue requirement for each schedule was then divided by the
5 annual forecast kilowatt-hour (kwh) sales for general service schedules 11, 21, 25 and 31
6 to determine the increase rate per kwh, as shown in column 6. For Street and Area Light
7 Schedules 41-49, the proposed total increase of 19.4% will be applied to all lighting rates
8 under those Schedules. As shown at the bottom of Page 1, the increase to Residential
9 Schedule 1 is proposed to be applied on a uniform percentage basis to the base rates of the
10 two energy usage blocks under the Schedule.

11 Q. Is the proposed spread of the increase on a uniform percentage basis and
12 the application of the increase to the rates within the schedules consistent with the
13 Company's PCA rate spread and rate design parameters approved by the Commission?

14 A. Yes, with the exception of the application of the proposed increase on a
15 uniform percentage basis to the energy blocks of Residential Schedule 1. In the past, any
16 PCA rate change has been applied on an equal-cents per kwh basis to schedules with more
17 than one energy block. Applying the proposed increase on an equal-cents per kwh basis to
18 the present inverted rates under Schedule 1 would reduce the present degree of inversion
19 between the rates and result in a higher percentage increase for a low-use customer than
20 for a high-use customer. The Company feels that this is would not be consistent with the
21 present emphasis to conserve energy.

22 Q. You state that the total PCA increase is 19.4%. Isn't the actual increase
23 over present rates 14.7%?

1 A. Yes, the proposed increase over present rates is 14.7%. The Company's
2 present rates include a PCA increase of 4.8% that is due to expire January 31, 2002. As
3 part of this filing, the Company proposes that this existing PCA increase continue in effect
4 until the end of 2003, and that an incremental increase of 14.7% be implemented by
5 September 15, 2001. Thus, the total increase reflected under proposed PCA Schedule 66
6 would represent a 19.4% increase over "base" rates, but the incremental increase
7 represents only a 14.7% increase over present rates, which include the present increase of
8 4.8%. The calculation of the incremental increase rates is shown in columns 8 and 9 on
9 page 1 of Exhibit No. __ (BJH-1).

10 Q. Have you estimated the effect the proposed increase would have on
11 residential customers?

12 A. Yes. The average monthly usage for residential customers is about 1,000
13 kwhs per month. The increase for a residential customer using 1,000 kwhs per month
14 would be \$7.55, or 13.7%. For a customer using 600 kwhs per month the increase would
15 be \$4.16, or 12.7% and for a customer using 1,400 kwhs per month the increase would be
16 \$10.94, or 14.1%.

17 Q. Does the Company expect to receive financial benefits in the near future
18 from the Bonneville Power Administration Residential Exchange Program (Program)?

19 A. Yes. Based on current estimates, the Company expects to receive an
20 estimated annual Program benefit for its Idaho residential and farm customers of
21 approximately \$6.1 million during the period of October 2001 through September 2002.
22 The Company will submit a filing to the Commission in August that will include a tariff to
23 pass the estimated annual benefit through to those customers. Since the actual level of

1 benefits the Company will receive from Bonneville will be different than the estimated
2 benefits, the Company will propose to establish a balancing account to record the
3 difference between actual benefits received and those credited to customers through the
4 tariff.

5 Q. Based on the estimated first-year benefits at this time, what would the
6 effect of those benefits be for a residential customer?

7 A. The estimated credit (rate decrease) per kwh is 0.590 cents. For a
8 (Schedule 1) residential customer using 1,000 kwhs per month, the decrease would be
9 \$5.90 per month, or about 10.7%.

10 Q. What would be the net increase to a residential customer resulting from the
11 proposed PCA increase and the Residential Exchange decrease?

12 A. For a residential customer using 1,000 kwhs per month, the net increase
13 would only be \$1.65 per month, or about 3.0%.

14 Q. Obviously it would be beneficial and less confusing to residential
15 customers to implement the PCA increase and the Residential Exchange decrease
16 simultaneously. Does the Company have a proposal to accomplish this?

17 A. Yes. The proposed effective date of the tariff reflecting the Residential
18 Exchange decrease will be "coincident with the effective date of the proposed PCA
19 increase". If the proposed effective date of the PCA increase of September 15th is
20 approved, the Company recommends implementing the Residential Exchange tariff on
21 that same date. Even though the Company will not begin receiving actual benefits from
22 Bonneville until after this date, as previously mentioned, a balancing account will be
23 maintained to record the difference between the actual benefits received and the benefits

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passed through to customers in rates.

Q. Does that conclude your direct testimony in this proceeding?

A. Yes, it does.

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

CASE NO. AVU-E-01-11

EXHIBIT NO. __ (BJH-1) OF BRIAN J. HIRSCHKORN
REPRESENTING THE AVISTA CORPORATION

Avista Corp.
Proposed Schedule 66 PCA Surcharge Rates by Schedule
State of Idaho
Based on 2000 Pro Forma Revenue & Oct. '01 - Sept. '02 Forecast kwhs

(1) Schedule	(2) 2000 Revenue	(3) Annual Prop. Surcharge	(4) % Increase	(5) Annual Surcharge Revenue	(6) 10/01-9/02 Forecast mwhs	(7) Total Surcharge Rate/kwh	(8) Less: Exist. Surcharge Rate/kwh	(9) Incremental Surcharge Rate/kwh
1	\$ 52,818		19.4%	\$ 10,231	1,011,762	(1)	(1)	(1)
11	\$ 16,899		19.4%	\$ 3,273	235,397	\$ 0.01391	\$ 0.00305	\$ 0.01086
21	\$ 36,831		19.4%	\$ 7,134	705,457	\$ 0.01011	\$ 0.00223	\$ 0.00788
25	\$ 10,690		19.4%	\$ 2,071	340,912	\$ 0.00607	\$ 0.00170	\$ 0.00437
31	\$ 2,594		19.4%	\$ 502	56,563	\$ 0.00888	\$ 0.00181	\$ 0.00707
41-49	\$ 1,842		19.4%	\$ 357			4.8%	
Total	\$ 121,674	\$ 23,568	19.4%	\$ 23,568		\$ 23,568	\$ 5,708	\$ 17,860
Incremental % Increase								14.7%

(1) Proposed Surcharge for Residential Schedule 1 Rates - Uniform %

	Rate/kwh	Forecast kwhs by Block	Forecast Rev. by Block	Annual Surcharge	% Increase by Block	Surcharge by Block	Less: Exist. Surcharge Rate/kwh	Incremental Surcharge by Block
Block 1	\$ 0.04568	534,097	\$ 24,398			\$ 0.00939	\$ 0.00245	\$ 0.00694
Block 2	\$ 0.05316	477,665	\$ 25,393			\$ 0.01092	\$ 0.00245	\$ 0.00847
		1,011,762	\$ 49,790	10,231	20.5%			

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 the individual rate schedules are to be increased by the following amounts:

Schedule 1	
0 – 600 kwhs	0.939¢ per kwh
over 600 kwhs	1.092¢ per kwh
Schedules 11 & 12	1.391¢ per kwh
Schedules 21 & 22	1.011¢ per kwh
Schedules 25	0.607¢ per kwh
Schedules 31 & 32	0.888¢ per kwh

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service are to be increased (decreased) by the following percentage:

Schedules 41-49	19.37%
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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 17, 2001

Effective September 15, 2001

Issued by Avista Utilities
By

Thomas D. Dukich, Director of Rates & Regulatory Affairs

Important Notice for Idaho Electric Customers



July/August 2001

On July 18, Avista filed with the Idaho Public Utilities Commission (PUC) for a request to increase electric rates by 14.7% beginning September 15, 2001 for a 27-month period. This request is an emergency surcharge to allow Avista to begin collecting unusually high power costs experienced during 2001. Avista relies primarily on hydroelectric generation and power purchased from others to meet its customers' electricity needs. Streamflows and hydro generation are presently at historic lows and Avista has been forced to purchase additional power at high market prices. Thus, the cost of power to serve customers is extraordinarily high during 2001. The revenue collected from this increase would be used only to recover these extraordinary power costs - Avista would make no additional profit from this increase. Avista is requesting that the proposed surcharge remain in effect until the end of 2003.

This surcharge request is filed as a Power Cost Adjustment (PCA) under a mechanism that was approved by the PUC in 1989. The mechanism allows the Company to surcharge or rebate customers on a temporary basis based on the difference between actual power supply costs and the level of those costs reflected in rates. Since 1989, there have been nine rebates and four surcharges. Included with your July bill is a notice regarding the expiration of a PCA rebate on July 31. As discussed in that notice, this rebate expiration will cause rates to increase by about 2% beginning August 1. Also mentioned in that notice, there is a 4.8% PCA surcharge presently in effect that would normally expire on January 31, 2002. As part of this filing, Avista is requesting that the present 4.8% surcharge also remain in effect until the end of 2003, which is necessary to recover extraordinary power costs incurred during 2001.

Continued on other side.

If approved in full, the proposed increase of 14.7% would generate additional annual revenue of \$17.9 million and would be applied as a uniform percentage increase for all customer classes. The increase would be applied only to the various energy charges for metered service, no increase would be applied to monthly fixed charges or demand charges for commercial and industrial customers. For residential customers, the percentage increase in your monthly bill could be lower or higher depending on your monthly usage. The higher your monthly usage, the higher the percentage increase would be. This is consistent with present residential rates and customers are encouraged to continue energy conservation efforts. The proposed increase for a residential customer using 1,000 per month is 13.9 %, or \$7.55 per month. The percentage increase for a customer using 600 kilowatt-hours (kwhs) per month will be 12.9%, or \$4.16 per month, and for a customer using 1,400 per month will be 14.4%, or \$10.94 per month. The proposed increase per kilowatt-hour by service schedule is as follows:

Residential Service Schedule 1:

0 - 600 kwhs	0.694¢ per kwh
over 600 kwhs	0.847¢ per kwh
General Service Schedules 11 & 12	1.086¢ per kwh
Large General Service Schedules 21 & 22 ..	0.788¢ per kwh
Extra Large General Service Schedule 25 ...	0.437¢ per kwh
Pumping Service Schedules 31 & 32	0.707¢ per kwh
Street and Area Light Schedules 41-49	All charges increase 14.7%

Now is the time to begin planning for higher bills. For more information on conservation tips, energy assistance programs, and bill payment plans, visit our website at www.avistautilities.com, or call us at 1-800-227-9187.

This request to increase electric rates is subject to public review and a decision by the IPUC. Copies of the proposed tariff changes are available in Avista's offices and the office of the IPUC.

Sincerely,

Avista Utilities

