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8 **BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

9 **IN THE MATTER OF THE APPLICATION) CASE NO. AVU-E-15-05**
10 **OF AVISTA CORPORATION DBA AVISTA) AVU-G-15-01**
11 **UTILITIES FOR AUTHORITY TO)**
12 **INCREASE ITS RATES AND CHARGES FOR)**
13 **ELECTRIC AND NATURAL GAS SERVICE)**
14 **IN IDAHO)**
15 _____)

15 **COMMUNITY ACTION PARTNERSHIP ASSOCIATION OF IDAHO'S**

16 **DIRECT TESTIMONY OF CHRISTINA ZAMORA**

17 **IN SUPPORT OF SETTLEMENT STIPULATION**

1 **I. INTRODUCTION**

2 Q: Please state your name and business address.

3 A: My name is Christina Zamora. I am the Executive Director of the Community Action
4 Partnership Association of Idaho at 3350 W. Americana Terrace, Suite 360, Boise, ID
5 83706.

6 Q: On whose behalf are you testifying in this proceeding?

7 A: The Community Action Partnership Association of Idaho (“CAPAI”) Board of Directors
8 asked me to present the views of an expert on, and advocate for, low income customers of
9 Avista.

10 **II. BACKGROUND**

11 Q: Please describe CAPAI’s organizational structure and the functions it performs, relevant
12 to its involvement in this case.

13 A: CAPAI is an association of the following private, nonprofit organizations that fight
14 poverty in Idaho: 1) The Community Action Partnership (CAP-N & CAP-NC); 2) El
15 Ada, Inc. (El Ada); 3) The Western Idaho Community Action Partnership (WICAP); 4)
16 The South Central Community Action Partnership (SCCAP); 5) The Southeastern Idaho
17 Community Action Agency, Inc. (SCCAP); 6) The Eastern Idaho Community Action
18 Partnership, Inc. (EICAP); 7) The Community Council of Idaho, Inc. (CCI), and; 8) The
19 Canyon County Organization on Aging, Weatherization and Human Services, Inc.
20 (CCOA). The last two agencies, CCI and CCOA, are designated in CAPAI’s Bylaws as
21 “special purpose agencies.” These agencies are focused on providing services to migrant
22 and senior populations, respectively. Collectively, the six CAPs along with CCI and
23 CCOA are referred to as “member agencies.” For the purposes of the Stipulation at issue
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1 in this proceeding, there is no relevant distinction between a CAP and special purpose
2 agency.

3 Each member agency has a designated service area. Combining all agencies,
4 every county in Idaho is served. The agencies design their various programs to meet the
5 unique needs of communities located within their respective service areas. Not every
6 agency provides all of the following services, but all work with people to promote and
7 support increased self-sufficiency. Programs provided by CAPS include: employment
8 preparation and retention, education assistance child care, emergency food, senior
9 independence and support, clothing, home weatherization, energy assistance, affordable
10 housing, health care access, and much more.

11 Q: What is the relationship between CAPAI and the member agencies?

12 A: CAPAI is effectively the umbrella organization that provides a myriad of services to the
13 members to assist them in carrying out their individual missions throughout Idaho. Such
14 services include training and technical assistance, coordination of resources, program
15 planning and assistance with implementation, programmatic administrative oversight, and
16 advocacy for the low-income in Idaho, among other things.

17 Q: Are the individual member agencies represented on CAPAI's Board of Directors and, if
18 so, how?

19 A: Yes they are. Each agency has an Executive Director and its own Board of Directors that
20 establishes policy for that agency. The Executive Director manages the day to day
21 functions of the agency. In addition, each Executive Director of each member agency sits
22 on the CAPAI Board of Directors. Thus, there are currently 8 CAPAI Board members.

23 Q: Which of the eight member agencies provide low-income assistance to Avista's service
24 territory?

1 A: The Community Action Partnership serves North Idaho including all of Avista's Idaho
2 service territory.

3 Q: Have you testified before this Commission in other proceedings?

4 A: Yes, I have testified on behalf of CAPAI in numerous cases involving United Water,
5 Idaho Power, AVISTA, and Rocky Mountain Power and in generic proceedings.

6 III. SUMMARY

7 Q: Please summarize your testimony in this case?

8 A: The purpose of my testimony is to support the settlement stipulation entered into between
9 CAPAI, Avista, Clearwater Paper Corporation, Idaho Forest Group, L.L.C., the Idaho
10 Conservation League, and the Snake River Alliance. The Settlement Stipulation was
11 filed with the Commission on October 19, 2015, and accompanied by a Motion for
12 Approval of Stipulation and Settlement. I also provide the rationale for CAPAI's support
13 of the settlement. Finally, I will explain why I believe that the settlement is in the general
14 interests not only of Avista's low-income customers, but the general body of ratepayers
15 as well.

16 Q: Is CAPAI's support for the Settlement Stipulation unconditional?

17 A: Yes it is

18 Q: Are there any exhibits to your testimony?

19 A: No.

20 IV. ESSENTIAL ELEMENTS OF SETTLEMENT

21 A. Revenue Requirement:

22 Q: Please identify the primary aspects or elements of the settlement that CAPAI believes
23 renders it fair, just and reasonable and in the best interests of the general body of
24 ratepayers.

1 A: The Company's original application sought a two-phase rate increase with the first
2 increase to take place on January 1, 2016 and the second on January 1, 2017. The first
3 year revenue increase would have yielded an additional 5.2% in revenues for Avista's
4 electric customers and 4.5% effective for gas which would have resulted in additional
5 revenues to the Company of \$13.2 million for electric and \$3.2 million for gas.

6 The second phase of the requested increase, effective January 1, 2017, would
7 have increased electric revenues 5.1% for electric (\$13.7 million) and 2.2% for gas (\$1.7
8 million).

9 Q: Would you please describe CAPAI's involvement in this case?

10 A: CAPAI participated fully throughout the entirety of this case and participated in all
11 settlement negotiations.

12 Q: What is the rate increase ultimately agreed to by all parties and set forth in the Settlement
13 Stipulation?

14 A: First, the parties agreed to a single year rate increase as opposed to the two-year phase-in
15 approach originally requested. The amount of the increase, effective January 1, 2016, is
16 \$2.7 million for electric customers and \$1.5 million for gas (0.69% and 3.49%,
17 respectively). The parties further agreed to a rate of return on equity for Avista of 9.5%
18 and a 50% common equity ratio.

19 Q: How did the parties calculate this reduced revenue requirement increase?

20 A: There were numerous adjustments made to Avista's expenses, rate base adjustments, and
21 capital structure/rate of return, the latter alone reducing revenue requirement by \$2.438
22 million for electric revenues and \$415,000 for gas. The many adjustments to the various
23 components of Avista's operations and the resulting reduced rate increase are too
24 numerous to mention here and explicitly spelled out in the Settlement Stipulation.

1 Q: In light of your testimony, do you believe the proposed revenue requirement increase to
2 be fair, just and reasonable?

3 A: Yes. In combination with other provisions set forth in the proposed Settlement
4 Stipulation, I believe the agreed upon and significantly reduced revenue requirement
5 increase to be fair, just and reasonable.

6 **B. Fixed Cost Adjustment Mechanism:**

7 Q: Were there any changes to Avista's overall method of rate recovery that are noteworthy?

8 A: Yes. The parties agreed to the implementation of a Fixed Cost Adjustment ("FCA")
9 mechanism for Avista to go into place at the time of the rate increase, January 1, 2016.
10 This mechanism is initially for a 3 year period with a review after the second full year of
11 operation. Avista has the right to seek an extension of the FCA. The FCA will be
12 segregated between electric and gas customers as well as the Residential Class (Schedule
13 1) and the commercial customer classes. There are numerous other provisions contained
14 in the Settlement Stipulation pertaining to the implementation and structure of the FCA
15 including, among others, quarterly reporting by Avista and the annual filings by the
16 Company necessary to make the adjustments to reflect variations in fixed costs. Finally,
17 there is a provision in the Stipulation that an FCA surcharge by rate group cannot exceed
18 a 3% annual rate adjustment. Any unrecovered balances will be carried forward to future
19 years for recovery which should help to avoid "rate shock" in any given year. On the
20 other hand, the parties agreed that to the extent that Avista's FCA results in reduced rates,
21 there shall be no limit on the amount of the adjustment.

22 **C. Rate Spread:**

23 Q: How does the Settlement Stipulation propose to allocate the increased revenue
24 requirement among rate schedules, or classes?

1 A: For electric customer classes, the allocation is to be spread on a pro-rata basis based on
2 the Company's proposed 25% move toward unity without adopting any particular cost of
3 service methodology. For gas customers, there will also be a pro-rata increase but with a
4 33% movement toward unity among classes.

5 Q: Do you believe that a disproportionate rate increase for both residential electric and gas
6 customer classes is fair?

7 A: Yes. Under the circumstances, including the fact that Avista's cost of service studies
8 provided over this and recent other rate cases have all shown the Residential class to be
9 paying less than its share of overall revenue requirement, I believe that a 25% and 33%
10 movement for electric and gas Residential customers, respectively, is a fair compromise.

11 **D. Rate Design:**

12 Q: Does the Settlement Stipulation change the Company's existing monthly customer
13 charge?

14 A: For electric customers, the answer is no. There will be no change to the monthly
15 customer charge or fixed and variable demand charges. The residential customers'
16 existing \$5.25 per month will remain unchanged. For gas customers, there will be a
17 \$1.00 increase from \$4.25 to \$5.25, bringing it to the same level as electric customers.
18 The remaining revenue requirement increase for gas customers will be allocated on a
19 uniform percentage basis to the volumetric rates currently in existence.

20 Q: What is CAPAI's position regarding the proposed rate design for the Residential electric
21 and gas classes?

22 A: I believe that, for the time being and unless and until there is data demonstrating the
23 existing electric customer charge to not be fair, just and reasonable, leaving it at its
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1 current level is best. I also believe that a \$1.00 per month increase to the gas monthly
2 customer charge to align it with the electric monthly charge is fair, just and reasonable.

3 **E. Customer Service-Related Issues:**

4 **1. Low Income Data:**

5 Q: Does the Settlement Stipulation address any issues of interest or concern specific to
6 Avista's low income customers?

7 A: Yes. Paragraph 20 of the Stipulation addresses two important low income issues. First,
8 as the Commission is most likely aware, CAPAI has been working diligently to obtain a
9 better understanding of low income customer consumption habits, especially for electric
10 customers. In that pursuit, CAPAI has encountered numerous obstacles, among them, the
11 fact that electric utilities have not historically categorized their customers between low
12 income and non-low income. Programs requiring identification of low income
13 customers, such as LIHEAP, are a source of some low income consumption data, but
14 falls far short of capturing the true number and identities of the Company's actual low
15 income customer base that would qualify pursuant to federal poverty guidelines.

16 Q: Why is the identification of low income customers and their consumption data of value
17 and interest to CAPAI?

18 A: As I stated, no person or entity truly knows the exact number of Avista's customers who
19 qualify as low-income pursuant to federal guidelines. Although some low income
20 customers apply for assistance programs such as LIWA or LIHEAP and their
21 consumption data could be anonymously collected by Avista, CAPAI has reason to
22 believe that there are a considerable customers who qualify as low income, but either fail
23 to apply for assistance, for whom assistance is not available or meaningful, or who
24 somehow fall between the cracks. It is entirely possible that the true number of low

1 income customers is many times greater than the handful of assistance recipients on
2 record.

3 Q: Why is the consumption data of low income customers of interest to CAPAI?

4 A: Since CAPAI began initiating its pursuit of low income data, there have been several
5 realizations that historical assumptions are not always accurate. For example, it was
6 assumed for many years that low income customers cannot afford to consume
7 unnecessary electricity, so they consume relatively lower levels than non-low income.
8 Because of information collected in recent years, we now know that there possibly exists
9 a surprisingly greater number of low income customers who consume relatively high
10 levels of electricity. The possible reasons for this are numerous and include the fact that
11 the poor often live in rented housing, or own homes, that rely on electric heat. Avista's
12 far northern service territory naturally brings with it long, cold winters. We also know
13 with certainty that low income customers typically cannot afford to switch to alternative
14 fuel sources such as natural gas. Furthermore, low income housing is typically very
15 poorly insulated resulting in considerable heat loss. This is why Avista's Low Income
16 Weatherization (LIWA) program is of great importance to the poor. Thus, low income
17 customers whose usage matches these profiles have much less discretion in their electric
18 consumption.

19 Q: Please explain how the acquisition of more thorough low income data would assist
20 CAPAI?

21 A: Without having a better picture of low income consumption, it makes taking a position on
22 rate design for the residential class very difficult.

23 Q: Why is this?
24

1 A: Because another historical presumption was that low, fixed monthly customer charges are
2 preferable to low income customers. Thus, CAPAI has historically argued for collecting
3 revenue requirement increases primarily through the consumption rates. If a greater
4 percentage of low income customers are in fact relatively high users, then a higher basic
5 charge would be preferable. There are always winners and losers when making rate
6 design decisions, but without better data, CAPAI is shooting in the dark. Thus, additional
7 low income data is essential to taking a more well-informed position.

8 Q: How does the Settlement Stipulation address this need for more thorough low income
9 data?

10 A: In paragraph 20(a) of the Stipulation it is stated: "The Company and interested parties
11 will meet and confer prior to the Company's next general rate case in an effort to identify
12 low income customers served by the Company, quantify the number of customers so
13 identified, and determine those customers' usage patterns. An initial meeting shall occur
14 no later than June 30, 2016, with follow-up meetings to occur as the attendees may deem
15 appropriate."

16 Q: Does this provision satisfy CAPAI's desires for more thorough data as you have
17 identified?

18 A: Yes. CAPAI notes that Avista has been forthcoming in responding to past requests
19 regarding this topic. It is, however, an on-going learning process as we attempt to forge
20 better ways to identify low income customers and then obtain their usage data. CAPAI is
21 satisfied that this provision will provide the forum to acquiring further knowledge of the
22 data sought.

23 **2. Low Income Weatherization Assistance and Conservation Education:**
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1 Q: What is the second low income issue you referred to earlier and that is addressed in the
2 Settlement Stipulation?

3 A: Paragraph 20(b) states that: "The Company and interested parties shall meet and confer
4 prior to the Company's next general rate filing in order to assess the Company's Low
5 Income Weatherization and Low Income Conservation Education Programs and discuss
6 appropriate levels of cost-effective, low income weatherization in the future. An initial
7 meeting shall occur no later than June 30, 2016, with follow-up meetings to occur as
8 attendees may deem appropriate.

9 Q: Would you please explain why this provision is of value to CAPAI?

10 A: LIWA funding levels for all three of Idaho's electric IOUs have been frozen since roughly
11 late-2011. Given the amount of time that has transpired, and the increasing backlog of
12 otherwise eligible low income customers who cannot receive LIWA assistance due to
13 insufficient funding, CAPAI believes that a discussion with the Company, Staff, and
14 other interested parties would be of value. CAPAI also believes that there are new
15 methodologies for determining a LIWA program's cost-effectiveness that have been
16 adopted in other states. In addition, any given utility's programs are subject to their own
17 idiosyncrasies, changes, and opportunities for improvement. CAPAI would like to
18 discuss Avista's LIWA program on a holistic, broad spectrum basis to determine possible
19 means of achieving a greater cost-effectiveness rating.

20 IV. CONCLUSION

21 Q: Would you please summarize CAPAI's position with respect to the Settlement
22 Stipulation?

23 A: It is CAPAI's position that the Settlement Stipulation reflects a well-negotiated
24 conclusion and one that is in the best interests of the general body of ratepayers. For the

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reasons outlined in my testimony, CAPAI recommends that the Commission approve the proposed settlement agreed to by all parties to this case.

Q: Does that conclude your testimony?

A: Yes, it does.

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CERTIFICATE OF SERVICE

I, the undersigned, hereby certify that on the 13th day of November, 2015, I served a copy of the foregoing document on the following by electronic mail and U.S. postage or hand delivery.

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