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IDAHO PUBLIC UTILITIES COMMISSION

IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION )  
OF AVISTA CORPORATION FOR THE )  
AUTHORITY TO INCREASE ITS RATES )  
AND CHARGES FOR ELECTRIC AND )  
NATURAL GAS SERVICE TO ELECTRIC )  
AND NATURAL GAS CUSTOMERS IN THE )  
STATE OF IDAHO )

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CASE NO. AVU-G-23-01  
AVU-E-23-01

DIRECT TESTIMONY OF DONN ENGLISH  
IN SUPPORT OF THE SETTLEMENT  
STIPULATION

IDAHO PUBLIC UTILITIES COMMISSION

JULY 12, 2023

1 Q. Please state your name and business address.

2 A. My name is Donn English. My business address is  
3 11331 W. Chinden Blvd., BLDG 8, STE 201-A, Boise, Idaho  
4 83714.

5 Q. By whom are you employed and in what capacity?

6 A. I am employed by the Idaho Public Utilities  
7 Commission ("Commission") as a Program Manager overseeing  
8 the Accounting and Finance Department in the Utilities  
9 Division.  
10

11 Q. Please describe your educational background and  
12 professional experience.

13 A. I was hired by the Commission in 2003 and I have  
14 provided testimony in numerous proceedings. My educational  
15 background and professional experience are provided in more  
16 detail in Exhibit No. 101.  
17

18 Q. What is the purpose of your testimony in this  
19 proceeding?

20 A. The purpose of my testimony is to describe the  
21 Application of Avista Corporation ("Avista" or "Company")  
22 to increase its rates and charges for electric and natural  
23 gas service in Idaho, describe the proposed comprehensive  
24 Stipulation and Settlement ("Settlement") reached by the  
25

1 signing parties in this case, and explain Staff's support  
2 for the settlement.

3 Q. How is your testimony organized?

4 A. My testimony is subdivided under the following  
5 headings:

|    |                       |        |
|----|-----------------------|--------|
| 6  | Background            | Page 2 |
| 7  |                       |        |
| 8  | Staff Investigation   | Page 4 |
| 9  |                       |        |
| 10 | Settlement Evaluation | Page 6 |
| 11 |                       |        |
| 12 | Settlement Overview   | Page 7 |

11 **Background**

12 Q. Please describe Avista's original filing.

13 A. Avista made its original filing with the  
14 Commission on February 1, 2023, proposing a two-year rate  
15 plan to increase its revenue. The Company requested  
16 authority to increase its electric base revenue in Idaho by  
17 \$37.5 million, or 14.7%, effective September 1, 2023 ("Rate  
18 Year 1"), and an additional \$13.2 million, or 4.5%,  
19 effective September 1, 2024 ("Rate Year 2"). For natural  
20 gas, the Company requested an increase in Idaho base  
21 revenues of \$2.8 million (4.5%) for Rate Year 1, and \$0.1  
22 million (0.1%) for Rate Year 2.

23  
24  
25 The Company's requested increases were based on a

1 historical test period ending June 30, 2022, with pro forma  
2 adjustments through August 31, 2023, for the first increase  
3 in the two-year plan, and August 31, 2024, for the second  
4 increase. Capital additions through August 31, 2024, were  
5 included in the Company's proposed Rate Year 1 and  
6 calculated on an Average of Monthly Averages ("AMA") basis.  
7 For Rate Year 2, capital additions were included through  
8 August 31, 2025, and were also calculated on an AMA basis.

10 The Company proposed using a capital structure of  
11 50% equity and 50% debt, and a return on common equity  
12 ("ROE") of 10.25% for an overall weighted average cost of  
13 capital of 7.59%.

15 Additionally, the Company requested to increase  
16 its monthly Basic Charges for electric and natural gas  
17 service to \$15 per month in Rate Year 1 and \$20 per month  
18 in Rate Year 2.

19 Q. How was this case processed after the Company's  
20 filing was received?

21 A. The Commission issued a combined Notice of  
22 Application and Notice of Intervention Deadline ("Notice")  
23 on February 21, 2023, establishing an Intervention Deadline  
24 of March 14, 2023. Intervenor status was subsequently  
25

1 granted to Clearwater Paper Corporation ("Clearwater"),  
2 Idaho Forest Group, LLC ("IFG"), Walmart Inc. ("Walmart"),  
3 the Idaho Conservation League and NW Energy Coalition ("ICL  
4 and NWECC"). The Parties participated in a settlement  
5 conference on June 1, 2023, which resulted in the  
6 Settlement filed with the Commission on June 14, 2023. The  
7 Stipulation was signed by representatives for Clearwater,  
8 IFG, Walmart, and Staff ("Signing Parties"). ICL and NWECC  
9 did not sign the Stipulation.  
10

11 **Staff Investigation**

12 Q. What type of investigation did Staff conduct to  
13 evaluate the Company's rate increase request?  
14

15 A. Staff's approach in any general rate case is to  
16 extensively review the Company's Application and associated  
17 testimony and workpapers, identify adjustments to the  
18 proposed revenue requirement, and prepare to file testimony  
19 for a fully-litigated proceeding. There were 15 Staff  
20 members analyzing this case consisting of auditors,  
21 engineers, utility analysts, and consumer investigators.  
22 Additionally, five supervisors reviewed the results of all  
23 analysis.  
24

25 Staff auditors reviewed the Company's test year

1 results of operations, capital budgets, capital spending  
2 trends, operations and maintenance ("O&M") expenses and  
3 trends, and verified all of the Company's calculations and  
4 assumptions with regard to the overall revenue requirement.  
5 The auditors reviewed thousands of transactions, selected  
6 samples, and performed transaction testing in accordance  
7 with standard audit procedures. Staff reviewed the  
8 Company's labor expense, incentive plans, and employee  
9 benefits to ensure the appropriate level of expenditures  
10 are included in rates.  
11

12 Staff reviewed both completed and proposed  
13 Company investments to determine the prudence of capital  
14 additions. Expenditures including pension expense,  
15 salaries, and O&M expenses were also examined.  
16 Additionally, Staff investigated the Company's cost of  
17 capital, actual and proposed capital structure, cost of  
18 service, and revenue normalization. In total, Staff  
19 submitted over 200 production requests, performed an onsite  
20 audit of the Company's books, and held several virtual  
21 meetings with Company personnel as a part of its  
22 comprehensive investigation.  
23  
24

25 Based on the success of its investigation, Staff

1 proposed 21 separate revenue requirement adjustments during  
2 settlement discussions, 20 of which were either completely  
3 or partially accepted by the Company.

4 **Settlement Evaluation**

5 Q. How did Staff determine that the overall  
6 Settlement was reasonable?  
7

8 A. In every settlement evaluation, Staff and other  
9 parties must examine the risks of losing positions at  
10 hearing and determine if the Settlement is a better overall  
11 outcome. Staff must evaluate each individual adjustment  
12 and determine the likelihood of the Commission accepting or  
13 rejecting Staff's rationale for the adjustment.  
14 Ultimately, Staff's intent in every settlement conference  
15 is to negotiate the best possible outcome for customers.  
16

17 Q. Does Staff support the Settlement as reasonable?

18 A. Yes, after a comprehensive review of the  
19 Company's Application, a thorough audit of the Company's  
20 books and records, an analysis of the Company's class cost  
21 of service study, and extensive negotiations with the  
22 parties to the case, Staff supports the proposed  
23 Settlement. The Settlement offers a reasonable balance  
24 between the Company's opportunity to earn a reasonable  
25

1 return on its investment and affordable rates for  
2 customers. Staff believes the Settlement is in the public  
3 interest; is fair, just, and reasonable; and should be  
4 approved by the Commission.

5 **Settlement Overview**

6  
7 Q. Would you please describe the terms of the  
8 Settlement?

9 A. The proposed Settlement provides a reduction in  
10 the Company's requested revenue requirement. Instead of  
11 the Company's proposed electric base rate increase of \$37.5  
12 million (13.6%) and natural gas base rate increase of \$2.8  
13 million (6.0%) for the first year of the two-year rate  
14 plan, base rates under the proposed Settlement for Idaho  
15 electric customers will increase by \$22.1 million (8.03%),  
16 and base rates for natural gas customers will increase by  
17 \$1.25 million (2.7%) effective September 1, 2023. On  
18 September 1, 2024, Idaho electric customers' base rates  
19 under the proposed Settlement will increase by \$4.3 million  
20 (1.4%) compared to the requested \$13.2 million (4.2%),  
21 while natural gas customers' base rates will increase by  
22 \$3,000 (0.01%) compared to the requested \$120,000 (0.3%).  
23  
24

25 Q. How was the stipulated revenue requirement



1 derived?

2 A. For Rate Year 1, the Settlement revenue  
3 requirement was calculated by starting with the Company's  
4 proposed revenue requirement and subtracting the agreed  
5 upon adjustments proposed by Staff and the Parties. The  
6 calculation of the Settlement revenue requirement is shown  
7 on Table No. 1 (electric) and Table No. 3 (natural gas) of  
8 the Settlement. Table No. 2 (electric) and Table No. 4  
9 (natural gas) illustrate the additional pro form  
10 adjustments accepted by the Signing Parties to come to a  
11 revenue requirement for Rate Year 2. Several agreed upon  
12 adjustments to the Company's revenue requirement include  
13 timing differences based on when capital investments would  
14 be included for recovery or amortization periods that were  
15 extended, while other adjustments were based on different  
16 calculation methods or the removal of expenses for  
17 recovery. Rather than discuss every adjustment that was  
18 proposed and agreed upon, I will highlight the adjustments  
19 that had a significant impact to the revenue requirement.

20 Q. Please explain the cost of capital and return on  
21 equity components of the Settlement.

22 A. In its Application, Avista proposed a 50% common  
23  
24  
25

1 equity ratio and a 10.25% ROE. The Signing Parties agreed  
2 to remain at the currently authorized ROE of 9.4% while  
3 accepting the 50% common equity ratio. A 9.4% ROE reduces  
4 the Company's requested first-year electric revenue  
5 requirement by approximately \$5.3 million and requested  
6 first-year natural gas revenue requirement by approximately  
7 \$1.1 million.  
8

9 Q. How does the Settlement account for the Company's  
10 capital investments included in net rate base?

11 A. In its Application, the Company proposed to  
12 include capital investments through August 31, 2024, in the  
13 calculation of net rate base for Rate Year 1. Consistent  
14 with prior Commission orders, the Signing Parties agree  
15 that only capital investments scheduled to be placed in  
16 service before August 31, 2023, will be included in the  
17 Rate Year 1 revenue requirement. Those capital additions  
18 will be in service and benefiting customers when new rates  
19 are effective on September 1, 2023.  
20

21 For the Rate Year 2 increase, the Company  
22 proposed capital additions through August 31, 2025, to be  
23 included in the calculation of net rate base. The Signing  
24 Parties agreed that any capital investment scheduled to be  
25

1 placed in service after August 31, 2024, would be excluded,  
2 and the net rate base for Rate Year two would be calculated  
3 on an Average of Monthly Averages ("AMA") basis.

4 Q. Will you please summarize how employee labor and  
5 incentive payments are accounted for in the Settlement?  
6

7 A. For executive compensation, all incremental wage  
8 increases and incentive payments were removed consistent  
9 with Staff's recommendation in other rate cases. The  
10 Company will recover the Idaho jurisdictional portion of  
11 executive salaries at the 2022 test year level.

12 For non-executive labor, the revenue requirement  
13 includes the 2022 test year wages plus the incremental wage  
14 increase awarded in 2023. On September 1, 2024, the  
15 Company will begin recovering the Idaho jurisdictional  
16 portion of the contractually obligated 2024 increases for  
17 bargaining unit ("union") employees.  
18

19 Q. Please discuss the adjustment to the Company's  
20 proposed recovery of deferred Wildfire Deferral.

21 A. This adjustment revises the Company's proposed  
22 amortization of its Wildfire Regulatory Deferred Asset  
23 balances as of September 30, 2020 (\$8.2 million) from a  
24 two-year amortization to a four-year amortization. This  
25

1 adjustment also establishes a new base level of Wildfire  
2 Resiliency Plan expenses to be recovered through base rates  
3 at \$4.4 million annually.

4 Q. Will you please explain the escalation of  
5 miscellaneous O&M expenses.  
6

7 A. The Company applied an annual 7.22% escalation  
8 factor to increase certain O&M expenses beyond the  
9 historical June 30, 2022, test year end ("Base Year").  
10 Staff and this Commission have historically opposed  
11 escalation factors and Staff would have recommended an  
12 adjustment removing the escalation factor in a litigated  
13 hearing. For purposes of the Settlement, the Signing  
14 Parties agreed to increase the previously unadjusted O&M  
15 accounts from the June 30, 2022, Base Year amounts to the  
16 December 31, 2022, year-end values to mitigate the impact  
17 of inflation and regulatory lag.  
18

19 Q. Will you please discuss the level of Net Power  
20 Supply Expense ("NPSE") to be included in base rates?  
21

22 A. The Signing Parties agreed to include in base  
23 rates the system NPSE approved in Case No. AVU-E-21-01  
24 totaling \$149,279,000 with some adjustments. The Palouse  
25 and Rattlesnake Flat Wind Power Purchase Agreements that

1 have historically been excluded from base rates and  
2 recovered at 90% through the Power Cost Adjustment ("PCA")  
3 will now be included in base rates at 90%. Additionally,  
4 the Columbia Basin Hydro Transmission costs will be removed  
5 from system NPSE included in base rates. The total system  
6 NPSE included in base rates will be \$177,585,000. Idaho's  
7 share of NPSE is 34.47%, and the authorized PCA Expense and  
8 Retail Sales revenue is provided in Appendix A to the  
9 Settlement.  
10

11 Q. How does the Settlement allocate the revenue  
12 requirement among the different customer classes?  
13

14 A. While the Signing Parties did not agree to a  
15 specific electric cost of service study or methodology,  
16 there was a general recognition that certain customer  
17 classes were paying more than their relative cost of  
18 service. The Signing Parties agreed that Schedule 25P  
19 (Clearwater) should receive 35% of the overall percentage  
20 base rate increase each year. Schedules 1 (Residential),  
21 21/22 (General Service), and 31/32 (Pumping) will receive  
22 130% of the overall percentage base rate increase. The  
23 remaining revenue requirement increase will be spread to  
24 all other rate schedules.  
25

1                   For natural gas, the Signing Parties agreed to  
2                   apply the increase solely to Schedule 101 (Residential)  
3                   customers. The percentage increase to each customer class  
4                   for both electric and natural gas is shown on pages 18-19  
5                   of the Settlement.  
6

7                   Q. Will you address the increase in the monthly  
8                   Basic Charge?

9                   A. Yes. In recognition that the current Basic  
10                  Charge does not allow the Company to recover the fixed  
11                  costs associated with customer charges (billing and meter  
12                  reading) or distribution, the Signing Parties agreed to an  
13                  increase in the Basic Charge. For residential customers,  
14                  the Basic Charge will increase from \$8.00 per month to  
15                  \$15.00 per month on September 1, 2023, and to \$20.00 per  
16                  month on September 1, 2024. The different charges for each  
17                  rate schedule are included on Appendix F to the Settlement.  
18

19                  Q. Do you have any other comments on the Settlement?

20                  A. Yes. Staff believes that an important aspect of  
21                  a two-year rate plan is to provide rate stability and  
22                  certainty to customers. Although not explicitly stated in  
23                  the Settlement, the Signing Parties understand that other  
24                  than this two-year rate plan, base rates from a general  
25

1 rate case filing will not increase before September 1,  
2 2025. Staff believes that the rate stability and  
3 certainty, along with the reduced revenue increases,  
4 provided in the Settlement, that it represents a fair,  
5 just, and reasonable compromise of the positions put forth  
6 by the parties and is in the public interest. Therefore,  
7 Staff recommends that the Commission approve the Settlement  
8 without material changes or modifications.  
9

10 Q. Does this conclude your testimony in this  
11 proceeding?

12 A. Yes, it does.  
13  
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**Professional Qualifications**

of

**Donn English**

**Program Manager - Accounting and Finance  
Idaho Public Utilities Commission**

**EDUCATION**

Mr. English graduated from Boise State University in 1998 with a Bachelor of Business Administration degree in Accounting. His studies concentrated on corporate finance and taxation. He was a member of the Alpha Beta Psi honor society for Accounting students. He completed the Annual Regulatory Studies Program, the Advanced Regulatory Studies Program, and the Accounting and Ratemaking Course offered through the Institute of Public Utilities at Michigan State University. Additionally, he regularly attends meeting and conferences sponsored by the National Association of Regulatory Commissioners (NARUC) and the Society of Utility and Regulatory Financial Analysts.

In 2001, Mr. English became a designated member of the American Society of Pension Professionals and Actuaries (ASPPA) and was awarded the professional designation of Qualified Pension Administrator (QPA) and Qualified 401(k) Administrator (QKA). Mr. English was also a member of the Association of Certified Fraud Examinators.

**BUSINESS EXPERIENCE**

Prior to joining the Idaho Public Utilities Commission (IPUC), Mr. English was a Trust Accountant with a pension administration, actuarial, and consulting firm in Boise, Idaho. In 1999, he was promoted to Pension Administrator, and in 2001 he was promoted to Pension Consultant. In that capacity, Mr. English performed actuarial calculations and the required non-discrimination calculations for hundreds of qualified retirement plans. He completed and filed Form 5500s and represented clients during audits by the Department of Labor and the Internal Revenue Service. He also participated on the task force that wrote questions for the ASPPA administrator and actuarial exams.

Exhibit No. 101\_  
Case Nos. AVU-E-23-01/  
AVU-G-23-01  
D. English, Staff  
07/12/23 Page 1 of 2



Mr. English joined the IPUC in 2003 as a Staff Auditor. In 2016, he was promoted to Audit Team Lead, and in 2018 he became the Program Manager for the Accounting and Finance Department within the Utilities Division. In 2020, Mr. English accepted the responsibility of supervising the Technical Analysis and Energy Efficiency team and was the Program Manager for that team until 2022. At the Commission, Mr. English has audited a number of utilities including electric, water, and natural gas companies, and provided comments and testimony in numerous cases dealing with general rates, tax issues, pension issues, depreciation and other accounting issues, and other regulatory policy decisions. Mr. English participates in the Energy Efficiency Advisory Groups and External Stakeholder Advisory Committees for Idaho Power, Avista Utilities, Rocky Mountain Power, and Intermountain Gas Company. He is a member of several of the National Association of Regulatory Utility Commissioners (NARUC) working groups including the NARUC State Working Group on Performance-Based Regulation, the NARUC State Working Group on Electric Vehicles, and the NARUC State Working Group on Grid-Interactive Efficient Buildings in collaboration with the National Association of State Energy Officials (NASEO). Mr. English is the Chair of the NARUC Staff Subcommittee on Education and Research and the Vice Chair of the NARUC Staff Subcommittee of Accounting and Finance. Mr. English is also a faculty member of NARUC Rate School.

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 12<sup>TH</sup> DAY OF JULY 2023, SERVED THE FOREGOING **DIRECT TESTIMONY OF DONN ENGLISH IN SUPPORT OF THE STIPULATION AND SETTLEMENT** , IN CASE NOS. AVU-E-23-01/ AVU-G-23-01, BY E-MAILING A COPY THEREOF TO THE FOLLOWING:

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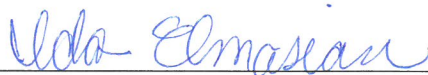
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