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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE POWER COST)
ADJUSTMENT (PCA) ANNUAL RATE)
ADJUSTMENT FILING OF AVISTA)
CORPORATION)

CASE NO. AVU-E-08-05

DIRECT TESTIMONY OF
RONALD L. MCKENZIE

FOR AVISTA CORPORATION

1 **Q. Please state your name, the name of your employer and your business address.**

2 A. My name is Ronald L. McKenzie. I am employed by Avista Corporation at 1411
3 East Mission Avenue, Spokane, Washington.

4 **Q. In what capacity are you employed?**

5 A. I am employed by Avista as Manager of Regulatory Accounting in the State and
6 Federal Regulation Department.

7 **Q. Please state your educational background and professional experience.**

8 A. I graduated from Eastern Washington University in 1973 with a Bachelor of Arts
9 Degree in Business Administration, majoring in Accounting. I joined the Company in September
10 1974. I obtained a Master of Business Administration Degree from Eastern Washington
11 University in 1989. I have attended several utility accounting and ratemaking courses and
12 workshops. I have held various accounting positions within the Company. I have served in the
13 State and Federal Regulation Department for the majority of my career with the Company.

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

15 A. My testimony provides a status report of the accounting entries and account
16 balances related to the Idaho Power Cost Adjustment (PCA) for the twelve months ended June
17 30, 2008. My testimony also addresses the proposed surcharge to be effective October 1, 2008,
18 which will replace the existing surcharge that will expire on September 30, 2008.

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

20 A. Yes. I am sponsoring Exhibit No. ___ (RLM-1), consisting of a sheet showing the
21 impact of the proposed PCA surcharge by rate schedule, a sheet showing the calculation of the
22 proposed uniform cents per kilowatt-hour PCA surcharge of 0.610¢, and the proposed PCA
23 tariff, Schedule 66.

1 **Q. Would you please explain the order that was issued regarding Avista's existing**
2 **PCA methodology?**

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

8 August 1 Company filing for prior July – June deferral period

9 September 1 Review and comments by Staff and other interested parties

10 October 1 Commission Order and effective date of PCA rate adjustment

11 The Commission also approved a change in the method of PCA deferral recovery from a uniform
12 percentage basis to a uniform cents per kilowatt-hour basis effective with the October 1, 2007
13 rate change.

14 **Q. Would you please explain the filing and order associated with the October 1,**
15 **2007 PCA rate change?**

16 A. Yes. On July 31, 2007 Avista filed its PCA report for the period July 1, 2006
17 through June 30, 2007 and requested a surcharge of 0.267¢ per kilowatt-hour effective October 1,
18 2007. On September 14, 2007 the Commission issued Order No. 30429 in Case No. AVU-E-07-
19 07 approving the PCA surcharge of 0.267¢ per kilowatt-hour from October 1, 2007 through
20 September 30, 2008.

21 **Q. Does the present filing conform to the requirements of Order No. 30361?**

1 A. Yes. The proposed PCA rate adjustment is based on deferrals for the period July 1,
2 2007 through June 30, 2008. The proposed PCA surcharge rate is a uniform cents per kilowatt-
3 hour rate of 0.610¢ to be effective October 1, 2008.

4 **Q. What were the amounts of deferrals and interest for the period July 1, 2007**
5 **through June 30, 2008?**

6 A. The amounts are shown below:

7 Deferrals (July 2007 - June 2008)	\$20,348,374
8 Interest	<u>618,541</u>
9 Balance at June 30, 2008	<u>\$20,966,915</u>

10 Mr. Johnson discusses the components that make up the deferrals shown above. The \$618,541
11 interest amount represents interest for the twelve-month period July 1, 2007 through June 30,
12 2008. Interest for the twelve-month period was calculated using the Customer Deposit Rate
13 (July-December 2007 at 5%, and January-June 2008, also at 5%).

14 **Q. What surcharge rate is the Company proposing to be effective October 1,**
15 **2008?**

16 A. The Company is proposing a uniform cents per kilowatt-hour PCA surcharge of
17 0.610¢ to be effective October 1, 2008. Page 3 of Exhibit No. ___ (RLM-1) is a copy of the
18 proposed tariff, Schedule 66, which contains the proposed PCA surcharge rate. Page 2 of Exhibit
19 No. ___ (RLM-1) shows the calculation of the proposed surcharge. The proposed surcharge is
20 designed to recover deferrals and interest for the July 1, 2007 through June 30, 2008 period, plus
21 an estimate of interest during the recovery period. After applying the conversion factor related to
22 commission fees and uncollectibles, the resulting revenue requirement of approximately \$21.7
23 million is divided by forecasted kilowatt-hours for the period October 1, 2008 through September
24 30, 2009, to derive the proposed surcharge rate of 0.610¢ per kilowatt-hour.

1 **Q. What is impact of the proposed surcharge by rate schedule?**

2 A. Page 1 of Exhibit No. ____ (RLM-1) shows the effect of the proposed PCA
3 surcharge by rate schedule. The proposed surcharge is approximately \$21.7 million, which is
4 approximately \$12.2 million more than the existing surcharge of approximately \$9.5 million.
5 Column (j) shows the breakdown of the \$12.2 million increase over the existing surcharge by
6 rate schedule and column (k) shows the resulting percentage increases by rate schedule.

7 **Q. What will be the impact of the proposed surcharge on an average residential**
8 **customer?**

9 A. Under the Company's proposal, the surcharge rate for residential customers will
10 increase from 0.267¢ per kilowatt-hour to 0.610¢ per kilowatt-hour, or an increase of 0.343¢ per
11 kilowatt-hour. For an average residential customer using 1,000 kilowatt-hours per month, the
12 monthly increase will be \$3.43. Under present rates, a residential bill for 1,000 kilowatt-hours
13 amounts to \$63.44. With the proposed surcharge in place the monthly bill would be \$66.87, or
14 about 5.4% higher than the bill under present rates.

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

16 A. Yes. The Company has several programs available to assist customers with paying
17 their bills. Avista's comfort level billing program offers customers the option of averaging their
18 bills and paying the same monthly amount all year long in order to smooth out the seasonal highs
19 and lows. Under the C.A.R.E.S. (Customer Assistance Referral and Evaluation Service)
20 program, specially trained customer service representatives provide referrals to area agencies and
21 churches for customers with special needs for help with housing, utilities, medical assistance, etc.
22 LIHEAP (Low Income Heating Energy Assistance Program) is a Federal program aimed to help
23 low income customers pay their electric and gas bills. These funds are distributed through local

1 agencies. Project Share is a voluntary contribution option allowing customers to contribute
2 donations that are distributed through local community action agencies to customers in need.
3 Idaho customers who have children, elderly or infirm persons in the household may qualify for
4 the winter moratorium plan. From December 1 through February 28, customers are not required
5 to pay their bills in full and can defer payment or make partial payments. In addition, the Winter
6 Payment Plan provides for lower winter bill payments by allowing customers to make monthly
7 payments equal to one-half of the levelized bill amounts, with balance in full or a new payment
8 arrangement due by April 1st. The Company also works out payment arrangements with
9 customers having difficulty paying their bills.

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

15 **Q. Does that conclude your prefiled direct testimony?**

16 **A. Yes it does.**

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CASE NO. AVU-E-08-05
EXHIBIT NO. __ (RLM-1)
RONALD L. MCKENZIE

FOR AVISTA CORPORATION

AVISTA UTILITIES
PROPOSED INCREASE BY SERVICE SCHEDULE
IDAHO - ELECTRIC
BASED ON PROJECTED KWH LOADS FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2009

Line No.	Type of Service (a)	Schedule Number (b)	Revenue at Existing Rates		Existing Surcharge Rates (e)	Revenue from Existing Surcharge (f)		Total Revenue Including Existing Surcharge (g)		Proposed Surcharge Rates (h)	Revenue from Proposed Surcharge (i)		Revenue Increase (j)	Percent Increase (k)
			Excluding Surcharge (1) (d)	(c)		(c) X (e)	(d) + (f)	(c) X (h)	(i) - (f)		(i) / (g)			
1	Residential	1	1,175,206	\$72,265,260	\$0.00267	\$3,137,800	\$75,403,060	\$0.00610	\$7,168,757	\$4,030,957	5.35%			
2	General Service	11 & 12	344,639	26,631,331	\$0.00267	920,186	27,551,517	\$0.00610	2,102,298	1,182,112	4.29%			
3	Large General Service	21 & 22	695,749	41,239,988	\$0.00267	1,857,650	43,097,638	\$0.00610	4,244,069	2,386,419	5.54%			
4	Extra Large General Service	25	350,782	14,411,197	\$0.00267	936,588	15,347,785	\$0.00610	2,139,770	1,203,182	7.84%			
5	Extra Large General Service	25P	925,072	35,385,985	\$0.00267	2,469,942	37,855,927	\$0.00610	5,642,939	3,172,997	8.38%			
6	Pumping Service	31 & 32	60,576	3,766,723	\$0.00267	161,738	3,928,461	\$0.00610	369,514	207,776	5.29%			
7	Street & Area Lights	41-49	13,424	2,548,861	\$0.00267	35,842	2,584,703	\$0.00610	81,886	46,044	1.78%			
8	Total		3,565,448	\$196,249,345		\$9,519,746	\$205,769,091		\$21,749,233	\$12,229,487	5.94%			

(1) Includes adder rate adjustments: Schedule 59 - Residential and Farm Energy Rate Adjustment and Schedule 91 - Energy Efficiency Rider Adjustment.

Avista Corporation
Proposed PCA Surcharge Rate
Effective October 1, 2008

<u>Line No.</u>		
	Account 182386 ED ID	
1	Deferrals (July 2007 - June 2008)	\$20,348,374
2	Interest through June 2008	618,541
3	Total	<u>20,966,915</u>
4	Forecast of interest for July, August, and September @ 5%	254,355
5	Forecast of interest during recovery period (4% on 1/2 of balance)	<u>424,425</u>
6	Forecasted deferral balance to recover including interest	\$21,645,695
7	Conversion factor	<u>0.995358</u>
8	Revenue requirement	\$21,746,643
9	Forecast kWhs	<u>3,565,448,000</u>
10	Proposed Surcharge Rate	<u><u>\$0.00610</u></u>

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 electric Schedules 1, 11, 12, 21, 22, 25, 25P, 31, and 32 are to be increased by 0.610¢ per kilowatt-hour in all blocks of these rate schedules.

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service, Schedules 41-49, are to be increased by 0.610¢ per kilowatt-hour times the monthly usages of the various light sizes and types on these schedules.

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 25, 2008	Effective	October 1, 2008
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Exhibit No. __ (RLM-1)
Case No. AVU-E-08-__
Avista
Page 3 of 3

Issued by Avista Utilities
By

Kelly O. Norwood – Vice President, State & Federal Regulation