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BEFORE THE WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

DOCKET NO. UE-010395

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 the proposed surcharge 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 surcharge rates for each of the
3 Company's electric service schedules, page 2 is the proposed tariff showing the surcharge
4 rates, Power Cost Surcharge Schedule 93, and page 3 is a copy of the bill insert describing
5 the proposed surcharge that is being sent to all Washington electric service customers.

6 Q. Could you please describe how the Company derived the proposed
7 surcharge rates for each service schedule, shown on page 1 of Exhibit No. __ (BJH-1), as
8 well as on the proposed tariff Schedule 93, shown on page 2 of the Exhibit?

9 A. Yes. As shown in columns 2, 3, and 4 of page 1 of Exhibit No. __ (BJH-1),
10 the annual revenue requirement of \$87,387,000 was divided by the total 2000 base
11 revenues to determine the overall surcharge percentage increase of 36.9%. The overall
12 percentage increase of 36.9% was then applied to the 2000 base revenue for each general
13 service schedule(s) to determine the annual surcharge revenue requirement for each
14 schedule, as shown in column 5. The annual surcharge revenue requirement for each
15 schedule was then divided by the annual forecast kilowatt-hour (kwh) sales for general
16 service schedules 11, 21, 25 and 31 to determine the surcharge rate per kwh, as shown in
17 column 6. For Street and Area Light Schedules 41-49, the proposed total surcharge of
18 36.9% will be applied to all lighting rates under those Schedules. As shown at the bottom
19 of page 1, the increase to Residential Schedule 1 is proposed to be applied on a uniform
20 percentage basis to the base rates of the three energy usage blocks under the Schedule.

21 Q. Why is the Company proposing to apply the proposed increase on a
22 uniform percentage basis to its service schedules, rather than a single rate per kwh
23 increase that would be applied to all customers?

1 A. Applying the proposed increase as a single rate per kwh increase to all
2 customers would result in an increase for large commercial and industrial customers
3 served under Schedule 25 of 55%, while the resulting increase for small commercial
4 customers served under Schedule 11 would be 26%. We believe the large difference in
5 the resulting percentage increase to customers, depending on their service schedule, would
6 not be understood by customers.

7 Q. What would the proposed increase be for residential customers under the
8 “equal cents per kwh to all customers” approach?

9 A. The increase would be approximately 37%, almost exactly the same as the
10 proposed increase.

11 Q. Why is the Company proposing a uniform percentage increase, rather than
12 an equal cents per kwh increase, to the three energy block rates under Residential
13 Schedule 1?

14 A. Applying the proposed increase on an equal-cents per kwh basis to the
15 present inverted rates under Schedule 1 would reduce the present degree of inversion
16 between the rates and result in a higher percentage increase for a low-use customer than
17 for a high-use customer. The Company feels that this is would not be consistent with the
18 present emphasis to conserve energy.

19 Q. Have you estimated the effect the proposed increase would have on
20 residential customers?

21 A. Yes. The average monthly usage for residential customers is about 1,000
22 kwhs per month. The increase for a residential customer using 1,000 kwhs per month
23 would be \$16.26, or 35.8%. For a customer using 600 kwhs per month the increase would

1 be \$9.04, or 32.9% and for a customer using 1,400 kwhs per month the increase would be
2 \$23.85, or 37.1%.

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

5 A. Yes. Based on current estimates, the Company expects to receive an
6 estimated annual Program benefit for its Washington residential and farm customers of
7 approximately \$13.6 million during the period of October 2001 through September 2002.
8 The Company will submit a filing to the Commission in August that will include a tariff to
9 pass the estimated annual benefit through to those customers. Since the actual level of
10 benefits the Company will receive from Bonneville will be different than the estimated
11 benefits, the Company will propose to establish a balancing account to record the
12 difference between actual benefits received and those credited to customers through the
13 tariff.

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

16 A. The estimated credit (rate decrease) per kwh is 0.627 cents. For a
17 (Schedule 1) residential customer using 1,000 kwhs per month, the decrease would be
18 \$6.27 per month, or about 13.8%.

19 Q. What would be the net increase to a residential customer resulting from the
20 proposed Power Cost Surcharge increase and the Residential Exchange decrease?

21 A. For a residential customer using 1,000 kwhs per month, the net increase
22 would be \$9.99 per month, or about 22%.

23 Q. Obviously it would be beneficial and less confusing to residential

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customers to implement the surcharge increase and the Residential Exchange decrease simultaneously. Does the Company have a proposal to accomplish this?

A. Yes. The proposed effective date of the tariff reflecting the Residential Exchange decrease will be "coincident with the effective date of the proposed Power Cost Surcharge". If the proposed effective date of the surcharge of September 15th is approved, the Company recommends implementing the Residential Exchange tariff on that same date. Even though the Company will not begin receiving actual benefits from Bonneville until after this date, as previously mentioned, a balancing account will be maintained to record the difference between the actual benefits received and the benefits 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 WASHINGTON UTILITIES & TRANSPORTATION COMMISSION

DOCKET NO. UE-010395

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

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

<u>(1)</u> <u>Schedule</u>	<u>(2)</u> <u>2000 Revenue</u>	<u>(3)</u> <u>Prop. Annual Surcharge</u>	<u>(4)</u> <u>% Increase</u>	<u>(5)</u> <u>Annual Surcharge Revenue</u>	<u>(6)</u> <u>10/01-9/02 Forecast mwhs</u>	<u>(7)</u> <u>Surcharge Rate/kwh</u>
1	\$ 101,761		36.9%	\$ 37,527	2,193,566	(1)
11	\$ 25,321		36.9%	\$ 9,338	380,974	\$ 0.02451
21	\$ 75,500		36.9%	\$ 27,842	1,566,921	\$ 0.01777
25	\$ 26,389		36.9%	\$ 9,732	848,012	\$ 0.01148
31	\$ 4,314		36.9%	\$ 1,591	103,767	\$ 0.01533
41-49	\$ 3,681		36.9%	\$ 1,357		
Total	\$ 236,966	\$ 87,387	36.9%	\$ 87,387		

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

	<u>Rate/kwh</u>	<u>Forecast kwhs by Block</u>	<u>Forecast Rev. by Block</u>	<u>Annual Surcharge</u>	<u>% Increase by Block</u>	<u>Surcharge by Block</u>
Block 1	\$ 0.03741	1,160,546	\$ 43,416			\$ 0.01507
Block 2	\$ 0.04480	651,870	\$ 29,204			\$ 0.01805
Block 3	\$ 0.05385	381,150	\$ 20,525			\$ 0.02170
			\$ 93,145	37,527	40.3%	

AVISTA CORPORATION
d/b/a Avista Utilities

SCHEDULE 93

POWER COST SURCHARGE - WASHINGTON

APPLICABLE:

To Customers in the State of Washington where the Company has electric service available. This Power Cost Surcharge 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 Surcharge is designed to recover 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	1.507¢ per kwh
601 – 1,300 kwhs	1.805¢ per kwh
over 1,300 kwhs	2.170¢ per kwh
Schedules 11 & 12	2.451¢ per kwh
Schedules 21 & 22	1.777¢ per kwh
Schedules 25	1.148¢ per kwh
Schedules 31 & 32	1.533¢ per kwh

Flat rate charges for Company-owned or Customer-owned Street Lighting and Area Lighting Service under Schedules 41 – 48 are to be increased by 36.877%.

SPECIAL TERMS AND CONDITIONS:

The rates set forth under this Schedule are subject to periodic review and adjustment by the WUTC 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

Thomas D. Dukich, Director of Rates & Regulatory Affairs

Exhibit No. ___(BJH-1)

Docket No. UE-010395

Hirschhorn, Avista

Page 2 of 3

Important Notice for Washington Electric Customers



July/August 2001

On July 17, Avista filed with the Washington Utilities and Transportation Commission (WUTC) for a request to increase electric rates by 36.9% beginning Sept. 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 had 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. The Company is requesting the proposed surcharge remain in effect until the end of 2003.

If approved in full, the proposed increase of 36.9% 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 kilowatt-hours (kwhs) per month is 35.8%, or \$16.26 per month. The

Continued on other side.

percentage increase for a customer using 600 (kwhs) per month would be 32.9%, or \$9.04 per month, and for a customer using 1,400 (kwhs) per month would be 37.1%, or \$23.85 per month. The proposed increase per kilowatt-hour by service schedule is as follows:

Residential Service Schedule 1:

0 - 600 kwhs	1.507¢ per kwh
601 - 1,300 kwhs	1.805¢ per kwh
over 1,300 kwhs	2.170¢ per kwh
General Schedules 11 & 12	2.451¢ per kwh
Large General Schedules 21 & 22	1.777¢ per kwh
Extra Large General Service Schedule 25 ..	1.148¢ per kwh
Pumping Service Schedules 31 & 32	1.533¢ per kwh
Street and Area Light Schedules 41-48	All chrgs increase 36.9%

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

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

Sincerely,
Avista Utilities

