

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-17_____

DOCKET NO. UG-17_____

EXH. SLM-2

SCOTT L. MORRIS

REPRESENTING AVISTA CORPORATION

SUMMARY OF COMPANY WITNESSES

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Q. Would you please provide a brief summary of the testimony of the other witnesses representing Avista in this proceeding?

A. Yes. The following additional witnesses are presenting direct testimony on behalf of Avista:

Mr. Mark Thies, Senior Vice President, Chief Financial Officer and Treasurer, will provide a financial overview of the Company and will explain the proposed capital structure, overall rate of return, and Avista's credit ratings. He will also discuss, among other things, the Company's capital expenditures program.

Mr. Adrien McKenzie, as Vice President of Financial Concepts and Applications (FINCAP), Inc., has been retained to present testimony with respect to the Company's cost of common equity. He concludes that:

- In order to reflect the risks and prospects associated with Avista's jurisdictional utility operations, his analyses focused on a proxy group of 16 other utilities with comparable investment risks;
- Because investors' required return on equity is unobservable and no single method should be viewed in isolation, he applied the DCF, ECAPM, CAPM and risk premium methods to estimate a fair ROE for Avista, as well as referencing the expected earnings approach;
- Based on the results of these analyses, he concluded that the cost of equity for the proxy group of utilities is in the 9.5 percent to 10.7 percent range, or 9.6 percent to 10.8 percent after incorporating an adjustment to account for the impact of common equity flotation costs; and,
- As reflected in the testimony of Mark T. Thies, Avista is requesting a fair ROE of 9.9 percent, which falls below the 10.2 percent midpoint of his recommended range. Considering capital market expectations, the exposures faced by Avista, and the economic requirements necessary to maintain financial integrity and support additional capital investment even under adverse circumstances, it is his opinion that 9.9 percent represents a conservative ROE for Avista.

1 Ms. Elizabeth Andrews, Senior Manager of Revenue Requirements, will cover the
2 need for the additional rate relief requested in the Company's filing. She will summarize the
3 Company's revenue increase requests for the proposed three-year rate plan for the period May
4 1, 2018 through April 30, 2021. Avista has proposed electric and natural gas revenue
5 increases to become effective May 1, 2018, May 1, 2019, and May 1, 2020. The filing of one
6 rate case for a three-year period will reduce the burden to all stakeholders of processing a
7 general rate case every year.

8 Mr. Scott Kinney, Director of Power Supply, will provide an overview of Avista's
9 resource planning and power supply operations. This includes summaries of the Company's
10 generation resources, the current and future load and resource position, and future resource
11 plans. As part of an overview of the Company's risk management policy, he will provide an
12 update on the Company's hedging practices. He will also address hydroelectric and thermal
13 project upgrades, followed by an update on recent developments regarding hydro relicensing.

14 Mr. Clint Kalich, Manager of Resource Planning & Power Supply Analyses, will
15 describe the Company's use of the AURORA_{XMP} dispatch model, or "Dispatch Model." He
16 will explain the key assumptions driving the Dispatch Model's market forecast of electricity
17 prices. The discussion includes the variables of natural gas, Western Interconnect loads and
18 resources, and hydroelectric conditions. He will also describe how the model dispatches
19 Avista's resources and contracts to maximize customer benefit and tracks their values for use
20 in pro forma calculations. Finally, he will present the modeling results provided to Company
21 witness Mr. Johnson for his power supply pro forma adjustment calculations.

22 Mr. William Johnson, Wholesale Marketing Manager, will 1) identify and explain the
23 proposed normalizing and pro forma adjustments to the 2016 test period power supply

1 revenues and expenses; and 2) describe the proposed level of expense and Retail Revenue
2 Adjustment for ERM purposes, using the pro forma costs proposed by the Company in this
3 filing. He will also briefly describe both the Power Cost Rate Adjustment filed by the
4 Company concurrently with this general rate case, as well as the proposed Power Cost Updates
5 that are proposed to be a part of the Company's Three-Year Rate Plan.

6 Ms. Jody Morehouse, Director of Gas Supply, will describe Avista's natural gas
7 procurement planning process, provide an overview of the Jackson Prairie natural gas storage
8 facility, and provide an overview of the Company's 2016 Natural Gas Integrated Resource
9 Plan.

10 Ms. Heather Rosentrater, Vice President of Energy Delivery will provide an overview
11 of the Company's electric and natural gas energy delivery facilities, she will also discuss our
12 electric reliability objectives, types of investments, and system performance, and explain the
13 factors driving our investment in electric distribution infrastructure. Her testimony will
14 explain why our planned investments in electric distribution are necessary to maintain the
15 current levels of asset health and performance of our system and will discuss the need for each
16 distribution capital project and program by the "Investment Driver" classification used to
17 categorize our infrastructure investment needs. She will describe how our planned compliance
18 with mandatory federal standards for transmission planning is driving a greater demand for
19 new investment, and why our planned investments in our natural gas distribution system are
20 necessary in the time frame they are being carried out.

21 Finally, she will explain why each capital investment planned for our fleet and
22 facilities areas are necessary to support the efficient delivery of service to our customers, today
23 and into the future.

1 Mr. Jeff Schlect, Senior Manager, FERC Policy and Transmission Services, describes
2 Avista's transmission revenues and expenses included in the Company's request for rate relief
3 effective May 1, 2018.

4 Mr. Jim Kensok, Vice President and Chief Information and Security Officer, will
5 provide an overview of IS/IT and describe the costs associated with Avista's information
6 technology programs and projects. He will also describe the additional expenses required to
7 support a range of new and updated applications and systems necessary to support Company
8 cyber and general security, emergency operations readiness, electric and natural gas facilities
9 and operations support, and customer services.

10 Ms. Karen Schuh, Senior Regulatory Analyst, will cover the Company's expected
11 capital investments in utility plant from December 31, 2016 through April 30, 2021, during
12 the period of the Company's proposed Three-Year Rate Plan.

13 She prepared the capital adjustments that are incorporated in the Company's
14 Traditional Pro Forma Studies, the EOP Rate Base Studies, and the Rate Year Studies.

15 Mr. Kevin Christie, Vice President, Customer Solutions, will provide an overview of
16 the Company's Customer Solutions organization, our Customer Service & Support programs,
17 what we are doing to meet our evolving customer expectations, Avista's products and services
18 initiatives in Washington, and finally, he will summarize the Company's natural gas line
19 extension allowance program.

20 Ms. Tara Knox, Senior Regulatory Analyst, will cover the Company's electric revenue
21 normalization adjustments and the electric cost of service study performed for this proceeding.

22 Mr. Joseph Miller, Senior Regulatory Analyst, will cover the Company's natural gas
23 revenue normalization adjustments and cost of service study performed for this proceeding.

1 Mr. Patrick Ehrbar, Senior Manager of Rates and Tariffs, discusses the spread of the
2 proposed annual electric base revenue increase of \$61,356,000, or 12.5%, among the
3 Company's electric general service schedules. On a billed revenue basis, and including the
4 expiration of the September 1, 2017 Power Cost Rate Adjustment, the increase in revenue on
5 a billed basis is 8.8%.

6 With regard to natural gas service, he will describe the spread of the proposed annual
7 base revenue increase of \$8,269,000, or 9.3%, among the Company's natural gas service
8 schedules. On a billed basis, which incorporates the cost of natural gas, demand-side
9 management funding, etc., the increase is 5.4%. His testimony will also describe the changes
10 to the rates within the Company's electric and natural gas service schedules, as well the
11 proposed increase in the basic charge for residential electric rate Schedules 1/2 and natural
12 gas rate Schedules 101/102. Additionally, his testimony will provide an overview of the
13 Power Cost Rate Adjustment concurrently-filed with this general rate case, and the proposed
14 rate spread, rate design, and implementation related to the Company's proposed Three-Year
15 Rate Plan.