recalculation of the electric and natural gas "attrition allowance" or use of "attrition models," nor does it require yet another review of the power supply "computational error." Both of these issues were reviewed and resolved in Order 06 of the 2015 GRC. Further, as I will demonstrate the "models" relied on by AWEC and Staff included material errors, calling into question their usefulness and validity.

- The "Refund Period" should relate to no more than the 11 month period – January 11, 2016 through December 15, 2016. The 2015 GRC rate period ended on December 15, 2016. Thereafter, rates were re-examined in Docket Nos. UE-160228 and UG-160229, based on fresh evidence and a new test period, with an order received in that case on December 15, 2016. In the Commission's Order in UE-160228/UG-160229, the Commission deemed the then-existing rates were just, reasonable and sufficient. No party challenged or appealed the Commission's fresh determination of just, reasonable and sufficient rates.

- Pro-rated "earnings sharing" amounts already refunded to customers in 2016 (11 months) must offset ordered refunds, in order to avoid double counting. These amounts are not in debate: i.e., the Company has refunded actual amounts to customers over the period 2016 – 2018. To ignore these amounts would provide a duplication of refunds to customers – a "double-dip" into earnings of the Company, and overstate refunds to customers. The subset of "earnings sharing" used to offset refunds by Avista total $1.33 million for electric and $1.58 million for natural gas for 2016 (11 months). Ordered refunds for the period of 2.26 years, if any, require offsets (subset) in the amount of $2.76 million for electric and $3.32 million for natural gas.[4]

- Party positions do not represent reasonable "end results". The Parties' "primary" positions would impose refunds ranging from $36 million to $57.8 million for electric, and $7.1 million to $19.2 million for natural gas. The ROE impact on the Company of any such level of refunds for 2016 and 2017, range as lows as 6.98% to a high of 8.37% – a staggering 113 to 252 basis points below the authorized 9.5% ROE.[5] These results would fall near or well below the 8.22% this Commission found was not a reasonable "end result" and deemed insufficient by the Commission in its 2015 GRC Order 06.

[4] If this Commission orders Remand refunds that include the "power supply correction" or recalculation using an attrition model, as proposed by the parties, total "earnings sharing" should be applied (rather than the above "subset" associated with rate base only) for electric of $2.405 million (2016 rate year) and $3.899 million (2.26 years). For natural gas, the amounts to apply would be $2.711 million (2016 rate year) and $5.340 million (2.26 years). See Exh. EMA-23 R.

[5] In 2018, the results are slightly higher, mainly due to the May 1, 2018 effective date of new rates approved in Dockets UE-170485 and UG-170486, producing ROEs in the range of 8.42% ~~13%~~ to 8.75% ~~45%~~.

for 2017 and 2018 if the Commission decides a multi-year impact is appropriate. In summary, the 2016 ROE's that would result from the Parties positions, if approved by this Commission, range from 6.98% to 8.37% for overall Washington operations.[11] Even lower results occur in 2017, ranging from 7.16% to 8.23%. ~~6.99% to 8.04%.~~ In 2018, the results are slightly higher, mainly due to the May 1, 2018 effective date of new rates approved in Dockets UE-170485 and UG-170486, producing ROEs in the range of 8.42% to 8.75%. ~~8.13% to 8.45%.~~ None of these annual outcomes produce reasonable "end result" ROEs that should be considered by this Commission as appropriate, not coming close to the 9.5% ROE actually approved by this Commission for the periods 2016 – 2018.

III. SCOPE OF REMAND AND ANNUAL REFUNDS

Q. Please summarize the Company's position in this proceeding on the scope of this remand case as it relates to any ordered refunds.

A. For the Company's part, and as discussed in my direct testimony in this Remand Proceeding, Avista believes that the Court of Appeals remanded back to the Commission only issues related to "attrition rate base." Avista has determined the rate base associated with isolating the escalated rate base portion of the attrition model compared to the pro forma rate base approved in Order 05, produces "attrition" escalated rate base of $28.0 million for electric and $33.4 million for natural gas. Prior to considering 2016 actual rate base, the resulting revenue requirement, after including actual "earnings sharing" offsets

[11] For 2016, the proposed refunds would result in Washington operation ROEs of 6.98% (AWEC), 8.24% (Staff), and 8.37% (PC).

discussed further by Mr. Thies, our investors and rating agencies focus their attention on the overall Washington jurisdiction results.

Table No. 20 – Earned Returns Incorporating Parties' Positions – WA Jurisdiction[59]

"End Result" of Proposed Refund - ROE Impact Washington System			
	2016	**2017**	**2018** [2]
Authorized ROE	**9.50%**	**9.50%**	**9.50%**
Actual Commission Basis ROE[1]	9.60%	9.60%	9.29%
ROE After Application of Refund:			
WA Commission Staff	8.24%	~~7.98%~~ 8.18%	~~8.45%~~ 8.75%
Public Counsel	8.37%	~~8.04%~~ 8.23%	~~8.41%~~ 8.71%
AWEC	6.98%	~~6.99%~~ 7.16%	~~8.13%~~ 8.42%

[1]Includes impact of actual 50/50 Earnings Sharing
[2]2018 new rates effective May 1, 2018.

As can be seen above, with the exception of Avista's actual Commission Basis return on equity, the "best" ROE under the Parties refund scenarios would have been provided by Commission Staff in 2018, which of course is greatly affected by the May 1, 2018 general rate increase approved by the Commission – and that is only an ~~8.45%~~ 8.75% ROE, a full ~~105~~ 75 basis points below the authorized 9.5% ROE approved in 2015.

The remaining ROE's of note, as proposed by the Parties, particularly in 2016 and 2017, range from a low of 6.98%, as proposed by AWEC, to a high of 8.37%, as proposed by Public Counsel – a staggering 113 to 252 basis points below the authorized 9.5%.

Q. What were the results for Washington electric and natural gas, individually, and how would the Parties' positions affect those results?

[59] See Ms. Andrews' electronic rebuttal workpapers for ROE calculations provided in Table Nos. 20-22.

A. Table Nos. 21 and 22 below, provide, separately, the Washington electric and natural gas actual Commission Basis Report ROE results, as well as the effect on the individual ROEs if this Commission were to now approve the level of refunds proposed by each of the Parties.

Table No. 21 – Earned Returns Incorporating Parties' Positions – WA Electric

"End Result" of Proposed Refund - ROE Impact Washington Electric

	2016	2017	2018 [2]
Authorized ROE	**9.50%**	**9.50%**	**9.50%**
Actual Commission Basis ROE[1]	9.40%	9.40%	9.21%
ROE After Application of Refund:			
WA Commission Staff	8.02%	~~7.80%~~ 7.99%	~~8.37%~~ 8.67%
Public Counsel	8.08%	~~7.76%~~ 7.95%	~~8.33%~~ 8.62%
AWEC	7.03%	~~7.04%~~ 7.21%	~~8.13%~~ 8.42%

[1] Includes impact of actual 50/50 Earnings Sharing
[2] 2018 new rates effective May 1, 2018.

For electric, after the "earnings sharing" through decoupling was applied, and refunded to customers in the 2016 and 2017 rate years, the Company slightly under-earned its allowed ROE of 9.5%.[60] Applying the refunds, however, as proposed by the Parties would have had a significant impact in each of those years, and especially in 2016 and 2017, causing as much as nearly ~~247~~ 230 basis points of under earnings in both years (AWEC's proposal). The highest result under Public Counsel's proposal, still results in 142 basis points under-earnings.

[60] The 50/50 "earnings sharing" through the decoupling mechanism is based on the approved rate of return (ROR), and authorized capital structure and cost of debt. That said, the actual common equity/debt ratios and cost of debt included in the annual Commission Basis Reports, versus authorized included in the decoupling "earnings sharing" calculation can vary, causing the Company's CBR ROR and ROE to vary at times, such as in this instance, causing the Company to under-earn slightly on a CBR basis.

Switching to Washington natural gas, although better, still would result in significant under-earnings under most of the Parties proposals for the Washington operations, with the exception of ~~one~~ years ~~(~~2016 and 2017~~)~~ for one party (Public Counsel).

Table No. 22 – Earned Returns Incorporating Parties' Positions – WA Natural Gas

"End Result" of Proposed Refund - ROE Impact Washington Natural Gas

	2016	2017	2018 [2]
Authorized ROE	**9.50%**	**9.50%**	**9.50%**
Actual Commission Basis ROE[1]	10.70%	10.40%	9.62%
ROE After Application of Refund:			
WA Commission Staff	9.33%	~~8.88%~~ 9.10%	~~8.81%~~ 9.13%
Public Counsel	9.85%	~~9.37%~~ 9.60%	~~8.78%~~ 9.09%
AWEC	6.72%	~~6.76%~~ 6.93%	~~8.12%~~ 8.41%

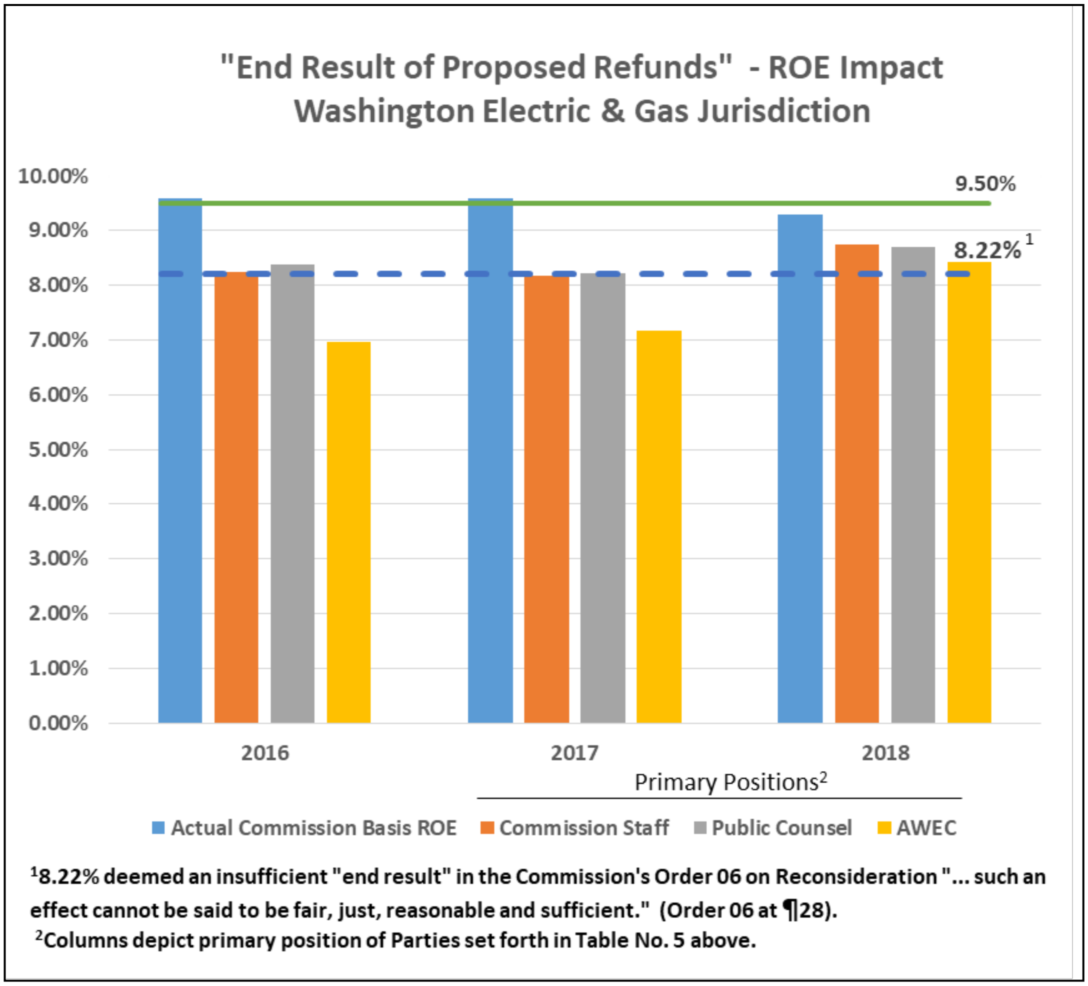
[1]Includes impact of actual 50/50 Earnings Sharing
[2]2018 new rates effective May 1, 2018.

Of note, once one reviews the Washington natural gas ROE results provided in Table No. 22, both on an actual Commission Basis and based on the proposals of the Parties, it is evident that the Washington natural gas operations helped in each of the years to prop the Washington electric operations up on a Washington total jurisdiction basis.

Q. Do you believe that any of the returns, especially those showing in Table Nos. 20 (WA jurisdiction) and 21 (WA electric) above, produce a reasonable "end result"?

A. No, I do not. And I do not believe this Commission would either, based on the Commissions own statements in it 2015 GRC Order 06, as discussed previously in my testimony (see Section III.) Specifically, as noted by the Commission when the Parties requested it "reconsider" or "re-open the record" to consider lower revenue requirements,

Illustration No. 1 – Earned Returns Incorporating Parties' Positions



As is evident, taken as a whole (electric and natural gas) or Washington electric alone, all of the proposals for 2016 and 2017 are either at or far below the 8.22% deemed insufficient by the Commission.

Mr. Thies discusses further the implications of such an "end result" on the Company if ordered by this Commission, as well as how such results might be viewed by both Rating Agencies and the investment community.