Exhibit No (WGJ-6T)
BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
DOCKET NO. UE-080416
SUPPLEMENTAL DIRECT TESTIMONY OF
WILLIAM G. JOHNSON
REPRESENTING AVISTA CORPORATION

1		I. INTRODUCTION	
2	Q.	Please state your name, business address, and present position with Avista	
3	Corporation	•	
4	A.	My name is William G. Johnson. My business address is 1411 East Mission	
5	Avenue, Spo	kane, Washington, and I am employed by the Company as a Wholesale Marketing	
6	Manager in the Energy Resources Department.		
7	Q.	Are you the same William G. Johnson who provided prefiled direct	
8	testimony in this Docket on behalf of Avista Corporation?		
9	A.	Yes.	
10	Q.	What is the scope of your supplemental testimony in this proceeding?	
11	A.	My testimony will describe the changes made to the power supply pro forma to	
12	update power	r supply expense for higher natural gas prices and to include all actual short-term	
13	electric and n	natural gas fuel transactions the Company has entered into as of June 30, 2008.	
14	Q.	Are you sponsoring any exhibits to be introduced in this proceeding?	
15	A.	Yes. I am sponsoring Exhibit Nos (WGJ-7) through (WGJ-9), which	
16	were prepare	d under my supervision and direction. I am also providing workpapers with details	
17	of additional	actual electric and natural gas fuel transactions the Company has entered into	
18	between Janu	ary 1, 2008 and June 30, 2008.	
19	Q.	Are other company witnesses providing testimony regarding issues you are	
20	addressing?		

A. Yes. Company Witness Mr. Kalich provides detailed testimony on the AURORA model used by the Company to develop the updated short-term power purchase expense, fuel expense and short-term power sales revenue included in my exhibits.

## II. UPDATED POWER SUPPLY EXPENSE

Q. What is the increase in pro forma power supply expense proposed in this update filing?

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A. The increase in pro forma power supply expense is \$12,212,000 (\$203,416,000 - \$191,204,000) on a system basis. The Washington allocation of this adjustment of \$7,887,731 is incorporated into the revenue requirement calculation for the Washington jurisdiction by Company Witness Ms. Andrews.

Updated Pro Forma Power Supply Expense			
	<u>System</u>	Washington <u>Allocation</u>	
Filed 2009 Pro Forma Power Supply Expense	\$191,204,000		
Update to Filed Pro Forma Expense	\$12,212,000	\$7,887,731	
Updated 2009 Pro Forma Power Supply Expense	\$203,416,000		

- Q. What is the primary driver of the increased power supply expense?
- A. The primary driver of increased expense is higher natural gas fuel prices. As explained by Company Witness Mr. Kalich, natural gas prices have increased since the Company's original filing from \$7.91 to \$9.05 (i.e. reflecting only half of the more recent 3 month average of \$10.20). This increase in natural gas fuel price accounts for the majority of the power supply expense increase.
- Q. What additional actual electric and natural gas fuel contracts has the Company entered into since the original rate filing?

A. The Company's original rate filing included two actual electric transactions for 2009 entered into as of December 31, 2007. During the first half of 2008 the Company entered into an additional 34 electric transactions and 15 natural gas transactions. Actual transactions include physical electric and natural gas transactions and financial electric transactions (fixed for floating swaps). The physical electric transactions were included in the AURORA model the same as the long term contracts. The cost and revenue from these contracts is shown on lines 2 and 66 of Exhibit No. \_\_\_\_\_ (WGJ-7). The financial electric transactions are not included in the AURORA model and are included in the pro forma as mark-to-market (using AURORA electric prices as the market) expense and revenue and are shown on lines 2a and 66a of Exhibit No. \_\_\_\_\_ (WGJ-7). The natural gas transactions were also not included in the AURORA model and are included in the pro forma as mark-to-market (using AURORA natural gas prices as the market) expense and are shown on line 42a of Exhibit No. \_\_\_\_\_ (WGJ-7).

## Q. What is the impact on overall power supply expense from these additional actual electric and natural gas fuel contracts?

A. The actual electric and natural gas fuel contracts have a very small impact on power supply expense compared to what the expense would be if the contracts were not included in the AURORA model. Including the actual electric and natural gas fuel contracts in the pro forma increase power supply expense by \$345, 965. This increased expense is due to the lower gas costs used in the AURORA model. The actual transactions would lower power supply expense if the actual 3-month average natural gas prices, as explained by Witness Kalich, were used in the AURORA model. The breakdown of this net expense between physical electric, financial electric and natural gas is shown below.

Actual Electric and Natural Gas Transactions Impact on Proforma Power Supply Expense	
Physical Electric Transactions Mark to Market	\$1,108,085
Financial Electric Transactions Mark to Market	\$1,134,990
Natural Gas Transactions Mark to Market	-\$1,897,110
Total Proforma Impact of Actual Transactions	\$345,965

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- Q. Does that conclude your supplemental direct testimony?
- 3 A. Yes.