

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-080416

SUPPLEMENTAL DIRECT TESTIMONY OF

CLINT G. KALICH

REPRESENTING AVISTA CORPORATION

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

3 A. My name is Clint G. Kalich, the Manager of Resource Planning & Power
4 Supply Analyses, in the Energy Resources Department. I am employed by Avista Corporation
5 at 1411 East Mission Avenue, Spokane, Washington.

6 **Q. Are you the same Clint G. Kalich who provided prefiled direct testimony**
7 **in this Docket on behalf of Avista Corporation?**

8 A. Yes.

9 **Q. Are you sponsoring any exhibits to be introduced in this proceeding?**

10 A. Yes. I am sponsoring Exhibit No. ____ (CGK-5) (AURORA_{XMP} Summary
11 Output—Project Generation (GWh)).

12 **Q. What power supply-related adjustments is the Company proposing in its**
13 **supplemental filing?**

14 A. Avista is proposing two power supply-related adjustments in this filing. First,
15 we are updating the cost of natural gas that is used to fuel our natural gas-fired thermal
16 generation. The second adjustment reflects the new short-term firm power and natural gas
17 contracts that have been executed since our original general rate case (GRC) filing.

18 With regard to the short-term contracts, in our March 2008 GRC filing, we included all
19 known short-term, fixed-price contracts for the 2009 calendar-year proforma rate period,
20 consistent with our prior general rate case. In this supplemental filing, we are simply
21 including the additional known short-term contracts for the 2009 proforma rate period.

1 **Q. Why is the Company proposing to update natural gas prices in this**
 2 **proceeding?**

3 A. Natural gas prices have risen substantially since the Company's March 2008
 4 GRC filing. The update to natural gas prices in this proceeding will more accurately reflect
 5 the cost to serve customers during the period that retail rates will be in place, and will provide
 6 the Commission with the best available evidence upon which to make its decision in this case.

7 **Q. Please describe the difference between the previously filed natural gas**
 8 **prices and the prices in this July 2008 update.**

9 A. The natural gas prices originally filed for this case were based on a 3-month
 10 average, from October 1, 2007 to December 31, 2007, of 2009 calendar-year monthly forward
 11 prices, (this methodology to use a 3-month average of forward prices is consistent with prior
 12 general rate cases.) For this supplemental filing, we used the 3-month average of forward
 13 prices for the period April 1, 2008 to June 30, 2008 as the starting point. A comparison of the
 14 updated 3-month average natural gas prices with the prior October – December 2007 prices is
 15 shown below in Table No. 1 for each supply basin. The average increase for the basins most
 16 affecting Avista's costs (i.e., Spokane, Stanfield, Rockies) is approximately 30%.

17 **Table No. 1 – Pro Forma Natural Gas Prices (\$/dth)**

Basin	Original Filing Oct-Dec 2007	Update Apr-Jun 2008
Henry Hub	8.36	10.94
AECO	7.56	9.83
Stanfield	7.91	10.20
Spokane	8.28	10.66
Rockies	7.02	7.86
Sumas	8.15	10.45
Malin	7.99	10.28
Topock	7.97	10.17

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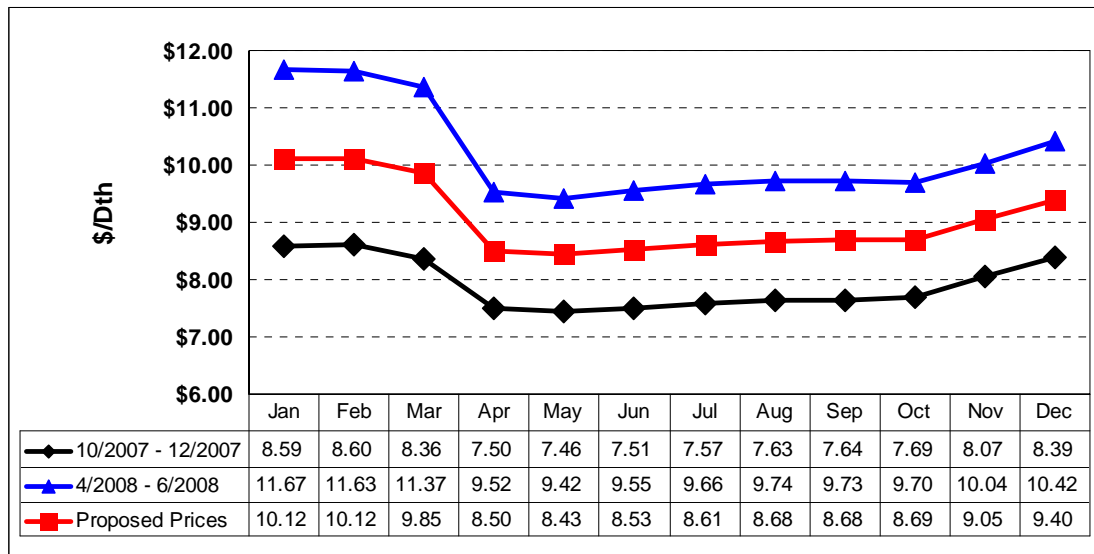
2 **Q. Is the Company proposing in this filing to reflect the full increase in**
 3 **natural gas prices using the most recent 3-month average?**

4 A. No. The Company has chosen to reflect only half of the increase in natural gas
 5 prices in this filing, even though the best available information would support the higher
 6 prices.

7 **Q. What are the resulting natural gas prices for Coyote Springs 2 used in this**
 8 **update filing, as compared to the Company’s original filing?**

9 A. Natural gas prices used for Coyote Springs 2 are represented by the Stanfield
 10 basin. Figure No. 1 below shows the Stanfield prices included in our original filing, the
 11 updated prices, and the prices proposed by the Company in this supplemental filing.

12 **Figure No. 1 – Stanfield Price Comparison for the 2009 Proforma Period**



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14 A comparison of natural gas prices for each supply basin are shown in Table No. 2
 15 below.

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Table No. 2 – Pro Forma Natural Gas Prices (\$/dth)

Basin	Filed Oct-Dec	Apr-Jun	Propose d
Henry Hub	8.36	10.94	9.65
AECO	7.56	9.83	8.69
Stanfield	7.91	10.20	9.05
Spokane	8.28	10.66	9.46
Rockies	7.02	7.86	7.44
Sumas	8.15	10.45	9.24
Malin	7.99	10.28	9.13
Topock	7.97	10.17	9.06

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Q. Please explain the adjustment to reflect the additional short-term contracts?

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A. In addition to updated natural gas prices, additional short-term contracts were added to reflect transactions made for the 2009 pro-forma period. The earlier filing included two short-term contracts in place at the time of the filing, and this update includes additional contracts executed as of June 30, 2008. The additional purchases and sales are treated as obligations and rights to energy in the AURORA Model, and the dollar amounts are included in Mr. Johnson's supplemental testimony and exhibits.

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Q. Please summarize the updated results from the Dispatch Model that are used for ratemaking.

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A. The updated values are contained in Exhibit No. ___(CGK-5) and were provided to Mr. Johnson for use in his calculations.

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Q. Does that conclude your supplemental direct testimony?

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A. Yes.

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