REVISED Page 31, May 25, 2012

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-12_____

DOCKET NO. UG-12_____

DIRECT TESTIMONY OF

SCOTT L. MORRIS

REPRESENTING AVISTA CORPORATION

1   Dr. Mark Lowry, President of Pacific Economics Group ("PEG") Research LLC.,

2   addresses the challenge of chronic underearning that the Company faces today under the largely

3   traditional approach to regulation that is used by the UTC. He will first explain the underearning

4   problem in general terms. Dr. Lowry then discusses his research to assess the attrition in

5   Avista's Washington electric operations that will result through 2013 from new rates that are

6   based solely on conventional rate setting methods and provides the Attrition Adjustment

7   proposed in the Company's filing. As stated by Dr. Lowry, the Attrition Adjustment portion of

8   the overall revenue requirement determined by his attrition study is approximately $20.521.6

9   million.

10   Mr. Robert Lafferty, Director of Power Supply, will provide an overview of Avista's

11   resource planning and power supply operations. This includes summaries of the Company's

12   generation resources, the current and future load and resource position, future resource plans, and

13   an update on the Company's plans regarding the acquisition of new renewable resources,

14   including the power purchase agreement with Palouse Wind, LLC. As part of an overview of the

15   Company's risk management policy, he will provide an update on the Company's hedging

16   practices. He will also address hydroelectric and thermal project upgrades, followed by an

17   update on recent developments regarding hydro relicensing.

18   Mr. Clint Kalich, Manager of Resource Planning & Power Supply Analyses, will

19   describe the Company's use of the AURORA$_{XMP}$ dispatch model, or "Dispatch Model." He will

20   explain the key assumptions driving the Dispatch Model's market forecast of electricity prices.

21   The discussion includes the variables of natural gas, Western Interconnect loads and resources,

22   and hydroelectric conditions. He will also describe how the model dispatches its resources and

23   contracts to maximize customer benefit and tracks their values for use in pro forma calculations.