

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UG-04 _____

DIRECT TESTIMONY OF

SCOTT L. MORRIS

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

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Q. Please state your name, employer and business address.

A. My name is Scott L. Morris and I am employed as the President of Avista Utilities (Avista or Company) and Senior Vice-President of Avista Corporation, at 1411 East Mission Avenue, Spokane, Washington.

Q. Would you briefly describe your educational background and professional experience?

A. I am a graduate of Gonzaga University with a Bachelors degree and a Masters degree in organizational leadership. I have also attended the Kidder Peabody School of Financial Management.

I joined the Company in 1981 and have served in a number of roles including customer service manager. In 1991, I was appointed general manager for Avista Utilities' Oregon and California natural gas utility business. I was appointed President and General Manager of Avista Utilities, an operating division of Avista Corporation, in August 2000. In February 2003, I was appointed Senior Vice-President of Avista Corporation.

In 1999, I was appointed by then-Governor John Kitzhaber as a board member of the Oregon Economic and Community Development Commission. I served as a member of the board of directors and as board president of Southern Oregon Regional Economic Development Inc. I served as a director and board president of the Medford/Jackson

1 County Chamber of Commerce, and board member and board president of the
2 Providence Community Health Foundation.

3 I am currently a member of the Providence Services of Eastern Washington board
4 of directors, a member of the Gonzaga University board of regents, a director of the
5 Washington Roundtable, and Chairman of the Spokane Regional Chamber of Commerce
6 board of trustees. In 2002, I was appointed by Governor Locke to the Chairmanship of
7 the Washington Economic Development Commission.

8 **Q. What is the scope of your testimony?**

9 A. I am testifying as the policy witness for the Company. I provide an
10 overview of Avista Corporation and Avista Utilities. I describe Avista Utilities' overall
11 utility operations, the Company's rate request in this filing, and the primary factors
12 driving the Company's need for general rate relief. I will also explain the Company's
13 customer support programs that are in place to assist our customers. Thereafter, I
14 introduce each of the other witnesses providing testimony on the Company's behalf.

15 **Q. Are you sponsoring an exhibit in this proceeding?**

16 A. Yes. I am sponsoring Exhibit No. ____ (SLM-2), which was prepared under
17 my direction.

18 **Q. Please describe Avista's current business focus for the utility and**
19 **subsidiary operations.**

1 A. The Company has worked hard to continue to operate what I believe to be
2 a very efficient utility. The Company has historically run its operations with attention to
3 minimizing expense while providing quality service and a high level of customer
4 satisfaction. Over the past four years the Company has faced a number of serious
5 challenges and has instituted several aggressive measures to manage its way through the
6 financial difficulties presented by the adverse market conditions experienced in 2000 and
7 2001. With large electric and natural gas cost deferrals on its books, the Company's
8 credit ratings dropped in October 2001 to below investment grade. In order to improve
9 its financial condition, the Company scaled back and sold subsidiary businesses and
10 made significant temporary reductions in capital and operation and maintenance (O&M)
11 budgets, intended to get the Company through this difficult period. Through this
12 process, however, the Company has exercised discretion to avoid cuts that could have
13 had long-term negative consequences in its utility operations. Mr. Malquist will discuss
14 further the actions taken by the Company to improve cash flow, reduce debt, and work
15 toward regaining an investment grade credit rating.

16 Our strategy continues to focus Avista Corp. activities on our energy and energy-
17 related businesses, with our primary focus on the electric and natural gas utility
18 business. There are four distinct components to our business focus for the utility, which
19 we have referred to as the four legs of a stool, with each leg representing customers,
20 employees, the communities we serve, and our financial investors. For the stool to be

1 level, each of these legs must be in balance by having the proper focus. This means we
2 must maintain a strong, low-cost utility business by delivering efficient, reliable and high
3 quality service to our customers and the communities we serve. We are fortunate to
4 have dedicated employees who, despite the challenges of the past four years, have
5 maintained high morale and high customer satisfaction.

6 For our subsidiaries, specifically our non-regulated energy activities, we are
7 managing the size and the risk associated with this business, which we have done by
8 scaling back operations to the Western Electricity Coordinating Council (WECC) region,
9 to make the best use of our knowledge and experience in markets we know well.

10 **Q. Please briefly describe Avista's subsidiary businesses.**

11 A. Avista Corp.'s primary subsidiaries include the energy marketing and
12 resource management business, Avista Energy, and the information and technology
13 business, Avista Advantage, described below. These subsidiaries are headquartered in
14 Spokane, Washington. In 2001, Avista disposed of substantially all of the assets of
15 Avista Communications, and sold eighty-three percent of Avista Labs in 2003. A
16 diagram of Avista's corporate structure is provided on page 1 of Exhibit No. ____ (SLM-2).

17 Avista Energy is an electricity and natural gas marketing, trading and resource
18 management business, operating primarily within the WECC. Besides the Spokane
19 headquarters, Avista Energy also has an office in Vancouver, British Columbia, Canada.
20 Avista Energy focuses on optimization of combustion turbines and hydroelectric assets

1 owned by other companies, long-term electric supply contracts, natural gas storage, and
2 electric transmission and natural gas transportation arrangements. Avista Energy is also
3 involved in trading electricity and natural gas, including derivative commodity
4 instruments. Avista Energy purchases natural gas and electricity from producers and
5 energy marketing and trading companies. Its customers include commercial and
6 industrial end-users, electric utilities, natural gas distribution companies, and energy
7 marketing and trading companies.

8 Avista Energy manages Avista Power's 49 percent ownership of a 270 MW
9 natural gas combined cycle combustion turbine plant in Rathdrum, Idaho, which
10 commenced commercial operation in September 2001. Avista Power is inactive at this
11 time with no plans for additional generation projects.

12 Avista Advantage is a provider of internet-based facility intelligence, cost
13 management, billing and information services. Avista Advantage analyzes and presents
14 consolidated bills on-line, and pays utility and other facility-related expenses for multi-
15 site customers throughout North America, such as the Federal Aviation Administration,
16 Alaska Airlines, Frito Lay, Hard Rock Café, and Starbucks, to name a few. Information
17 gathered from invoices, providers and other customer-specific data allows Avista
18 Advantage to provide its customers with in-depth analytical support, real-time reporting
19 and consulting services with regard to facility-related energy, waste, repair and
20 maintenance, and telecom expenses.

1 **II. OVERVIEW OF AVISTA UTILITIES' ENERGY DELIVERY SERVICE**

2 **Q. Please briefly describe Avista Utilities.**

3 A. Avista Utilities provides electric and natural gas service within a 26,000
4 square mile area of eastern Washington and northern Idaho. The Company,
5 headquartered in Spokane, Washington, also provides natural gas distribution service
6 in southwestern and northeastern Oregon, and in the South Lake Tahoe area of
7 California. Maps showing the Company's electric and natural gas Washington service
8 area and Avista's total natural gas service areas are provided in pages 2 and 3 of Exhibit
9 No. ___(SLM-2).

10 As of December 31, 2003, Avista Utilities had total assets (electric and natural
11 gas) of approximately \$2.6 billion (on a system basis), with natural gas retail revenues
12 of \$277 million (system). As of December 2003, the Utility had 1,450 full-time
13 employees.

14 **Q. Please provide an overview of the customers served by Avista Utilities**
15 **in Washington.**

16 A. Of the Company's 298,000 natural gas customers (at year end 2003),
17 131,000 were Washington customers. The Company serves the Washington counties of
18 Adams, Asotin, Franklin, Grant, Lincoln, Stevens, Spokane, Whitman, Klickitat and
19 Skamania. Approximately 60% of Washington natural gas retail revenues were from
20 residential customers, 25% from commercial and 15% from industrial and

1 transportation customers. The Company has 22 transportation customers in
2 Washington. Therm usage and number of customers for each customer class are
3 shown on page 4 of Exhibit No. ____ (SLM-2).

4 Avista expects natural gas load growth to average between 4.0 and 4.5%
5 annually for the next four years in its Washington service territory. The natural gas
6 load growth is primarily due to expected conversions from electric and oil space heat
7 and electric water heating to natural gas, and increases in both population and the
8 number of businesses in Avista's service territory.

9 **Q. Please describe Avista Utilities' Washington natural gas delivery**
10 **facilities.**

11 A. Avista owns and maintains a total of 2,609 miles of natural gas pipelines
12 in the state of Washington, of which 1,165 miles are steel and 1,344 miles are
13 polyethylene. The Company is well connected to multiple supply basins in the western
14 United States and western Canada, including the AECO (Alberta), SUMAS (British
15 Columbia) and Rockies (Domestic) supply basins. In addition, Avista Utilities has
16 capacity delivery rights on seven pipelines and owns natural gas storage facilities,
17 including a one-third ownership interest in the Jackson Prairie Natural Gas Storage
18 Project (Jackson Prairie), located near Chehalis, Washington.

19 **Q. Please provide an update on the Company's plan to move the natural**
20 **gas procurement functions from Avista Energy back to Avista Utilities.**

1 A. In April 2004 the WUTC approved Avista's transition plan to move the
2 natural gas procurement functions under the Benchmark Mechanism from Avista
3 Energy back to Avista Utilities.

4 Under the transition plan, the Company is in the process of reviewing its gas
5 procurement needs and determining its strategies for the gas purchasing program to be
6 followed under the Utility. An additional five employees are needed at the Utility to
7 manage the natural gas procurement operations. In addition, the Company recently
8 increased its credit line facility from \$245 million to \$350 million in preparation of the
9 transfer back to the Utility. The Company has included in its pro forma adjustments
10 Washington's allocated portion of the estimated additional costs for labor and
11 associated administrative support costs for the five additional employees. Witness
12 Hirschorn sponsors this pro forma adjustment and describes it in more detail.

13 The Company is not requesting a change in purchased gas costs in this filing.
14 Changes in these costs will be addressed in the periodic purchased gas adjustment
15 (PGA) filings.

16 **Q. Avista recently announced the sale of its ownership in the South Lake**
17 **Tahoe, California natural gas distribution properties. Would you please briefly**
18 **address the proposed sale?**

19 A. Yes. In July 2004, Avista announced its agreement with Southwest Gas to
20 sell its South Lake Tahoe, California natural gas distribution properties. This

1 agreement is subject to regulatory review, including approval by the California Public
2 Utilities Commission (CPUC).

3 Avista's primary goal is to focus on our core business in the Northwest and
4 rebuild our financial strength. The South Lake Tahoe properties, which include
5 approximately 18,000 customers, are isolated from the rest of our system, and is the
6 only area we serve in California. In comparison, Southwest Gas has been serving much
7 of the Lake Tahoe Basin for 40 years, and the South Lake Tahoe community is
8 contiguous to existing Southwest Gas Service territories.

9 **III. RATE REQUESTS**

10 **Q. What is Avista's natural gas rate request in this filing?**

11 A. Through this filing the Company is requesting that the Commission grant
12 an increase of \$8,635,000 or 6.2% for Avista Utilities' Washington natural gas operations.
13 Avista's last general rate increase for natural gas service was in December of 2000, based
14 on a 1998 test period.

15 The Company's current request is based on a proposed rate of return of 9.86% with
16 a common equity ratio of 46.72% and an 11.5% return on equity. The Company is
17 proposing to spread the requested natural gas increase to move customer class rates of
18 return approximately two-thirds towards unity. As a result, the proposed rate spread for
19 natural gas would result in an increase for each customer class as shown below.

20

Illustration 1**Service Schedule**Proposed
Increase

General Service Schedule 101	7.1%
Large General Service Schedule 111/112	3.7%
High Annual Load Factor – Lg. General Service Schedule 121/122	4.4%
Interruptible Sales Service Schedule 131/132	2.9%
Transportation Service Schedule 146 (excluding gas costs) ¹	30.8%

The Company is proposing to raise the residential basic charge to \$5.50 from the current \$5.00. Mr. Hirschhorn will address these rate spread and rate design issues.

Q. What are the primary factors driving the Company's request for a natural gas rate increase?

A. The primary factors contributing to the need for rate relief include an increase in the cost of capital, a decline in therm usage by customers, new investment in the natural gas distribution system, and a general increase in operating expenses in the roughly five years since the last general rate case.

As Mr. Malquist explains in his testimony, Avista experienced a significant increase in borrowing costs during the 2000 and 2001 energy crisis as it financed large natural gas and electric energy deferrals at higher interest rates. An additional component is declining therm usage by customers on a weather adjusted basis, which the Company is experiencing in all of the states in which it serves. Mr. Hirschhorn explains

¹ The proposed increase for Transportation Schedule 146 is not comparable to the proposed increases for the other (sales) service schedules, as Schedule 146 revenue does not include an amount for the cost of gas or pipeline transportation (transportation customers acquire their own gas and pipeline

1 in his testimony that residential average usage has decreased approximately 10% in the
2 past five years, and there has also been a significant reduction in sales to industrial
3 customers. This reduction in usage results in insufficient revenues (margin) to cover
4 operating costs, and in this case has resulted in an increase in revenue requirement of
5 approximately \$3 million.

6 Finally, the Company's last general rate case was based on a 1998 test period.
7 Since that time Avista has invested an additional \$43 million in capital additions and
8 system upgrades to its natural gas distribution system. In addition, the requested
9 increase reflects a general increase in operating expenses over the past five years. Mr.
10 Falkner provides additional details related to the Company's revenue requirement
11 request.

12 **Q. You have discussed the base or fixed costs of Avista's natural gas**
13 **business. There have been significant increases in natural gas supply costs. Would**
14 **you please describe these changes?**

15 A. Yes. The natural gas industry has experienced significant volatility and
16 upward price pressure on the wholesale cost of natural gas. These costs are addressed
17 through the periodic Purchased Gas Adjustments. The following graph shows the
18 history of gas supply cost changes. In addition, the bottom portion of the graph shows

transportation), whereas other sales schedules include an appropriate level of revenue to cover those costs. Witness Hirschhorn in his direct testimony explains that a comparable increase figure is 3%.

1 the change in the Company's distribution and overhead costs (base rate costs) over time.
 2 As shown in the illustration, the Company's management of its costs has resulted in these
 3 costs remaining relatively stable over time, as measured on a per-therm basis.

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**Illustration 2
 Avista Utilities Residential Rates
 Washington Natural Gas**

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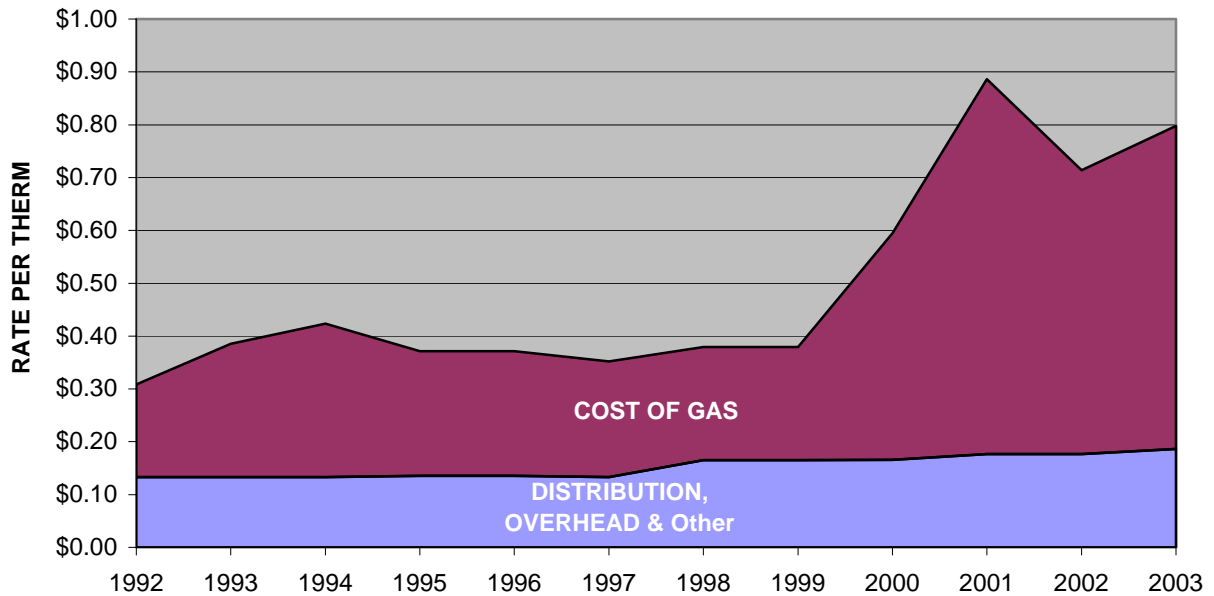
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Q. Has the Company considered the possible economic impacts of the Company's rate proposals in its service territory?

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A. Yes. Through my involvement with area chambers and economic development agencies, I am particularly mindful of the impact that rate increases have on our customers, including the businesses within our service area and the important role the utility plays in the communities we serve. The company will continue to aggressively manage its costs and strive to achieve the appropriate balance in

1 providing safe and reliable service at competitive rates, while working toward a
2 financially healthy utility. In the long term, a financially healthy utility will foster
3 satisfied customers and healthy communities.

4 **IV. CUSTOMER SUPPORT PROGRAMS**

5 **Q. Please outline the programs the Company has in place to mitigate the**
6 **impacts on customers of the proposed rate increase.**

7 A. Avista Utilities offers a number of programs to assist customers who have
8 difficulty in paying their energy bills. Some of these programs are operated in
9 cooperation with local Washington community action agencies who are experienced in
10 targeting the assistance where it is needed most. These programs include the Low
11 Income Rate Assistance Program (LIRAP), energy efficiency programs, Project Share for
12 emergency assistance to customers, a CARES (Customer Assistance Referral and
13 Evaluation Service) program, level pay plans, and payment arrangements.

14 **Q. What is Avista Utilities low-income rate assistance program?**

15 A. The low-income rate assistance program, approved by the Washington
16 Commission in 2001, collects approximately \$3 million (gas and electric combined) per
17 year through electric and natural gas tariff surcharges of 0.60% electric (Schedule 91)
18 and 0.79% gas (Schedule 191). These funds are distributed by community action
19 agencies in a manner similar to the Federal and State-sponsored Low Income Heating
20 Energy Assistance Program (LIHEAP). Avista Utilities' LIRAP supplements the reach

1 of its LIHEAP funds. The Company, with the assistance of community action agencies
2 and the Commission, directed this program towards those members of the community
3 least able to pay for electric and natural gas service.

4 **Q. Please describe Avista Utilities' conservation, or energy efficiency,**
5 **programs.**

6 A. In 1995 Avista Utilities proposed, and the WUTC approved, a mechanism
7 (DSM Tariff rider) for funding natural gas energy-efficiency. Avista uses the funding
8 from the DSM Tariff Rider to provide a comprehensive portfolio of programs within
9 the bounds of cost-effectiveness and business prudence. The Company offers energy
10 efficiency services to residential, commercial, and industrial customers. Programs
11 include audits or direct incentives for residential weatherization, high-efficiency
12 furnaces and water heaters, and commercial qualifying gas-efficiency projects. In 2003,
13 the American Council for an Energy-Efficient Economy (ACEEE) awarded Avista its
14 "Recognition of Achievement Certificate" for its gas efficiency programs. The ACEEE
15 recognized Avista's electric HVAC rooftop program with a similar award in 2002.

16 **Q. Please describe the recent results of the Company's Project Share**
17 **efforts?**

18 A. Project Share is a voluntary contribution option allowing customers to
19 include donations that are distributed through community action agencies to customers
20 in need. Avista Utilities has consistently had relatively high per-customer

1 contributions when compared to other utilities with Project Share type programs.
2 Avista Utilities customers donated \$320,661 on system basis in 2003 of which \$221,577
3 was directed to Washington Community Action Agencies. The Company contributed
4 an additional \$150,000 to be used by Washington Community Action Agencies in 2003.

5 In addition, Avista's promotion of the Project Share program was recently
6 awarded 2nd place in the Professionally Produced Paid TV Commercial category by the
7 National Fuel Funds Network.

8 **Q. Does the Company offer a bill averaging program?**

9 A. Yes. Comfort Level Billing provides an option for customers to pay the
10 same bill amount each month of the year. This allows customers to more easily budget
11 for energy bills and it also avoids higher winter bills. This program has been well-
12 received by participating customers. Approximately 36,000 of Avista's 131,000
13 Washington natural gas customers are on Comfort Level Billing.

14 **Q. Please summarize Avista's CARES program.**

15 A. In Washington, Avista is currently working with over 4,000 special needs
16 customers in the CARES (Customer Assistance Referral and Evaluation Service)
17 program. Specially trained representatives provide referrals to area agencies and
18 churches for customers with special needs for help with housing, utilities, medical
19 assistance, etc. In 2003, 24,142 Washington customers received \$5,919,000 in various
20 forms of energy assistance (Federal LIHEAP program, Project Share, LIRAP and local

1 community funds). This program and the partnerships we have formed have been
2 invaluable to customers who often have nowhere else to go for help.

3 **Q. What has been Avista's experience with customer service automation?**

4 A. Customers are able to access Avista's Interactive Voice Response (IVR)
5 system for automated transactions such as:

- 6 • Entering their own payment arrangements,
7
- 8 • Reporting outages and listening to automated outage messages,
9 and
10
- 11 • Conducting other business such as obtaining account balances and
12 requesting a duplicate bill.
13

14 Our goal is to provide convenient options to our customers. The IVR is available
15 7 days a week/24 hours a day. Some customers would rather use automation than
16 speak to an agent. (Over 31% of all callers used the automated system without
17 speaking to a customer service agent in 2003). In addition to customer convenience, we
18 are able to offset labor costs by use of the IVR. In 2003, we would have needed an
19 additional 22.6 full-time representatives to handle the automated volume (adding as
20 much as \$1,144,000 in costs). Total call volume (including automated transactions) has
21 gone from one million calls in 2000 to 1.4 million in 2003.

22 In addition, Avista's "Net Reps" responded to over four times the amount of e-
23 mails in 2003 compared to 2000, which is an indicator that internet contact is gaining
24 popularity. The number of E-Bill customers has increased from 3,000 in 2001 to

1 approximately 13,000 in 2003. Customers enjoy the easy, convenient options available
2 with this service.

3 **Q. Are there other noteworthy accomplishments that you would like to**
4 **address?**

5 A. Yes. There are several items of which I am particularly proud. Avista's
6 employees continue to collaborate on innovative ideas. For the fifth straight year, Avista
7 Corporation has received an *Outstanding Stewards of America's Rivers* award from the
8 National Hydropower Association (NHA). The group honored Avista for its
9 preservation work in the Clark Fork River basin. In addition, the NHA also recognized
10 Avista with the *2004 Hydro Achievement Award*. This award recognizes hydro industry
11 leaders who expand the industry's commitment to the environment and local
12 communities through recreational enhancement.

13 The Kettle Falls Generating Station, the first wood waste fired plant in the United
14 States built by a utility solely for the generation of electricity, marked its 20th anniversary
15 in December 2003. This plant has won several awards, such as the Washington State's
16 Environmental Excellence Award, for reducing emissions from burning waste in open
17 wigwam burners, and *Power Magazine's* Energy Conservation Award.

18 However, I am most pleased with the response of Avista Utilities' employees in
19 the past four years as the Company faced its most serious financial challenge in its 114
20 year history. Employees have maintained quality customer service and reliability while

1 being challenged to do more with less. While we have maintained tight controls on
2 capital and O&M budgets, our customer service surveys indicate that customer
3 satisfaction has remained high. Our most recent overall customer satisfaction survey
4 results show a satisfied customer rating of 90% in our Washington and Idaho operating
5 divisions. These results can be achieved only with very committed and competent
6 employees.

7 **V. OTHER COMPANY WITNESSES**

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

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

12 Mr. Malyn Malquist, Senior Vice President, Chief Financial Officer and Treasurer
13 will describe, among other things, the overall financial condition of the Company, its
14 current credit ratings, the Company's plan for a return to investment grade credit ratings,
15 the proposed capital structure, and the return on equity requested by the Company. Mr.
16 Malquist explains that:

- 17 • The Company's credit rating is below investment grade for unsecured debt.
18 This general rate request is an important component in the continuing
19 improvement of Avista's financial condition, providing the opportunity to
20 regain an investment grade credit rating;
21
22 • Avista is aggressively rebuilding its financial health, including retiring
23 higher cost debt and conserving cash through initiatives;
24

- 1 • The Company has proposed an overall rate of return of 9.86%, including a
2 46.72% equity ratio and an 11.5% return on equity;
3
- 4 • Although the analyses of Dr. Avera support a return on common equity in
5 excess of 11.5%, Avista has limited its request to 11.5% in an effort to balance
6 the competing objectives of Avista regaining its financial health within a
7 reasonable period of time, and the impacts that increased rates have on our
8 customers.
9

10 Dr. William E. Avera, as a principal in Financial Concepts and Applications
11 (FINCAP), Inc., has been retained to present testimony with respect to the Company's
12 cost of common equity. He concludes that:

- 13 • Analyses related to the cost of common equity for a benchmark group of
14 utilities in the western U.S. yields an ROE in the range of 10.2% to 12.4%;
15
- 16 • The investment risks associated uniquely with Avista, however, are
17 significantly greater than those of the utilities in the benchmark group and
18 investors require a higher rate of return to compensate for that risk;
- 19 • Based on capital market analyses, even an 11.5% ROE falls below the
20 current required rate of return for Avista, in light of investors' economic
21 requirements for the utility operations and the Company's specific risks;
22
- 23 • The challenges imposed by the evolving structural changes in the industry
24 imply that utilities will be required to incorporate relatively greater
25 amounts of equity in their capital structures. The equity ratio of 46.72%
26 proposed by Avista in this case would be consistent with the target range
27 that Standard & Poors expects for an investment grade rated utility.
28

29 Mr. Don Falkner, Manager of Revenue Requirements, will discuss the Company's
30 overall revenue requirement proposal. In addition, his testimony and exhibits in this
31 proceeding will generally cover accounting and financial data in support of the
32 Company's need for the proposed increase in rates. He explains:

- 33 • Natural gas revenue requirement calculations of \$8,635,000 or 6.2%;

- 1 • Natural gas results of operations;
- 2
- 3 • Pro forma 2003 rate of return of 5.79% which includes expense and rate base
- 4 adjustments; and
- 5
- 6 • System and jurisdictional allocations.
- 7

8 Ms. Tara Knox, Rate Analyst, sponsors the cost of service study for natural gas
9 service and the weather normalization adjustments to retail usage. Ms. Knox studies
10 show that:

- 11 • Gas general service schedule 111 (primarily small commercial customers) is
- 12 earning more than the overall return, and all other schedules are earning
- 13 less than the overall return to varying degrees.
- 14
- 15 • Mr. Hirschorn incorporates these findings in his rate spread
- 16 recommendation.
- 17

18 Mr. Brian Hirschorn, Manager of Retail Pricing, discusses the spread of the
19 proposed annual revenue changes among the Company's general service schedules and
20 addresses the Company's revenue normalization adjustment. He explains, among other
21 things, that:

- 22 • The proposed natural gas annual revenue increase is \$8,635,000, or 6.2%;
- 23 ○ The increase for a residential customer using an average of 78 therms of gas
- 24 per month would be \$4.45 per month, or 6.6%, which includes a proposed
- 25 increase in the monthly basic or customer charge from \$5.00 to \$5.50.
- 26

27 **Q. Does this conclude your pre-filed direct testimony?**

28 A. Yes.

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

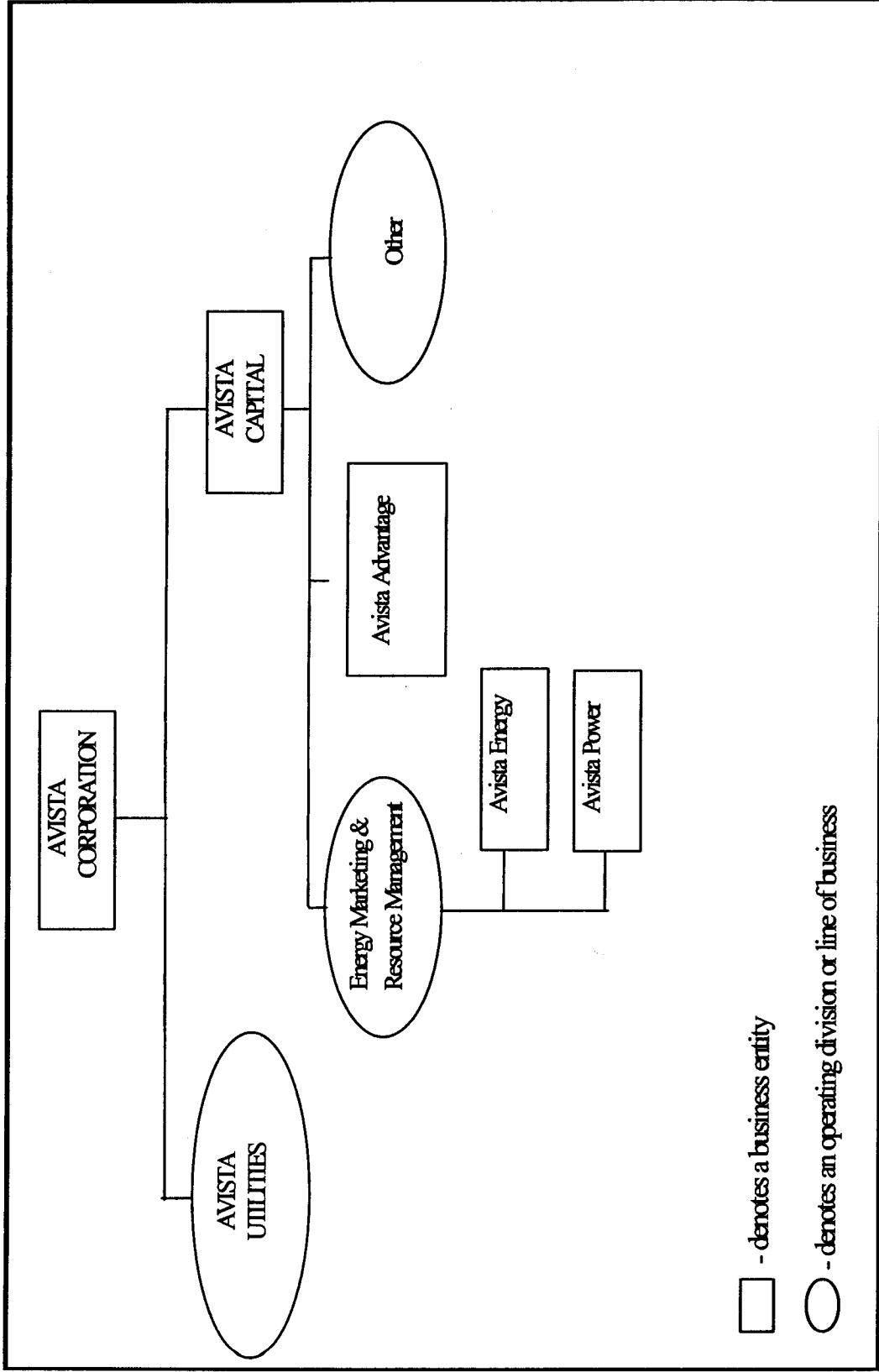
DOCKET NO. UG-04 _____

EXHIBIT NO. ____ (SLM-2)

SCOTT L. MORRIS

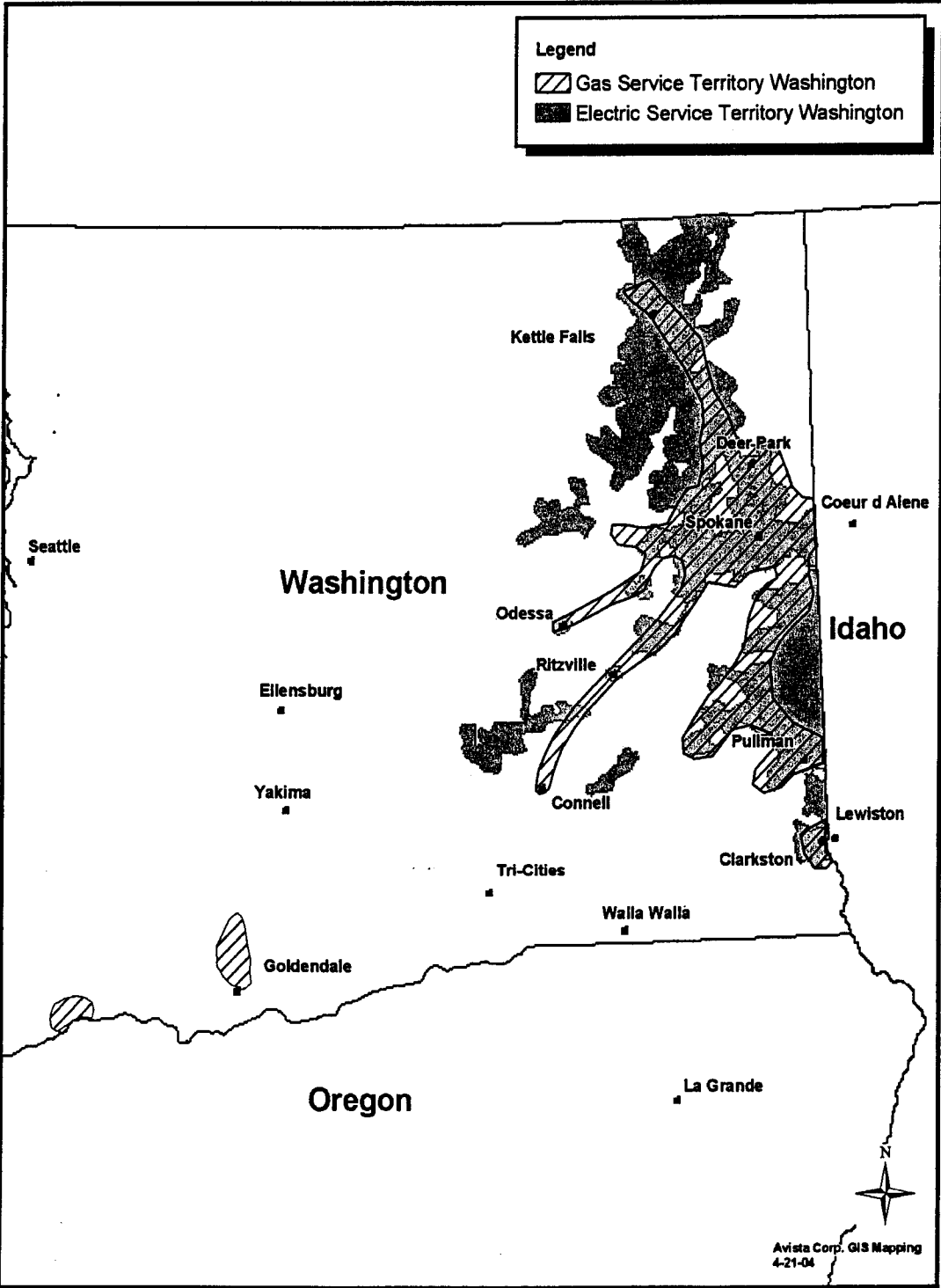
REPRESENTING AVISTA CORPORATION

Avista Corporation Company Overview





AVISTA SERVICE TERRITORY IN WASHINGTON



**Customer Usage
Washington Gas**

Gas	Schedule	No. of Customers*	Therms*	% of Total Therms
General Service	101	129,000	119,088	60%
Lg. General Service	111	2,300	50,591	25%
Ex. Lg. Gen. Service	121	38	8,293	4%
Interruptible Service	131	2	998	1%
Transportation Service	146	22	19,805	10%
		131,362	198,775	100%

*** Note:** Number of Customers as of May 31, 2004
Customer Usage as of December 31, 2003