Exhibit No(EMA-1T)
BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION
DOCKET NO. U-060273
DIRECT TESTIMONY OF
ELIZABETH M. ANDREWS
REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

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2	Q.	Please	state	your	name,	business	address,	and	present	position	with	Avista
3	Corporation.											

- A. My name is Elizabeth M. Andrews. I am employed by Avista Corporation as a

 Senior Regulatory Analyst in the State and Federal Regulation Department. My business address

 is 1411 East Mission, Spokane, Washington.
- 7 Q. Would you please describe your education and business experience?
 - A. I am a 1990 graduate of Eastern Washington University with a Bachelor of Arts Degree in Business Administration, majoring in Accounting. That same year, I passed the November Certified Public Accountant exam, earning my CPA License in August 1991. I worked for Lemaster & Daniels, CPAs from 1990 to 1993, before joining the Company in August 1993. I served in various positions within the sections of the Finance Department, including General Ledger Accountant and Systems Support Analyst until 2000. For the past six years, I have served in the State and Federal Regulation Department. I have also attended several utility accounting and ratemaking courses.
 - Q. As a Senior Regulatory Analyst, what are your responsibilities?
 - A. Aside from special projects, I am responsible for the preparation of normalized revenue requirement and pro forma studies for the various jurisdictions in which the Company provides utility services. During the last six years I have assisted in the Company's electric and natural gas general rate filings in Washington and Idaho.
 - Q. What is the scope of your testimony in this proceeding?

A. My testimony in this proceeding will generally cover Avista's current accounting policies and procedures used by Avista and its regulated and non-regulated businesses to charge costs or services between the Utility and its subsidiaries. As discussed within my testimony, these policies and procedures will not change with the formation of the proposed holding company structure.

II. COST ALLOCATIONS

- Q. Regarding regulated Utility operations and accounting for such, have there been any changes to the Company's system and jurisdictional procedures as approved in the Company's previous rate proceedings?
- A. No. For ratemaking purposes, the Company allocates revenues, expenses and rate base between electric and gas services and between Washington, Idaho, and Oregon jurisdictions where electric and/or gas service is provided. The current methodology was implemented in 1994 and has not changed. In Docket No. UE-050482, consistent with the accepted allocation methodology, the Company reflected the reallocation of costs resulting from the sale of the Company's California gas distribution properties in April 2005. This accepted allocation methodology for the regulated Utility operations will not be impacted by the proposed holding company structure.
- Q. Please explain the Company's current cost allocation procedures for charges of costs or services between the Utility and its subsidiaries.

A. Avista's current cost allocation procedures for transactions or costs for services between the Utility and its subsidiaries are accounted for appropriately under applicable statutes and rules established by each Commission.

All charges that relate to corporate services provided to subsidiaries and costs incurred, including labor costs loaded for benefits, are directly billed to subsidiaries at cost. No allocation of expenses occurs, no additional margin or profit is included, and no assets are allocated. Examples of these charges are salaries of general office employees who spend time on corporate support, such as managerial functions, accounting, federal income tax filing, payroll, etc. Their time is charged directly to suspense accounts (Deferred Debit 186), loaded for benefits and then established as a receivable (Account 146) when billed to the affiliate. If other resources are expended during the course of this work such as travel or consulting services, these costs are also charged to suspense accounts and billed to the affiliate. Suspense and capture of Avista Corporation employee costs, which are then billed back to the subsidiaries at cost, serve to reduce the expenses that must be borne by the utility.

The revenues and expenses associated with the types of transactions listed above are reviewed by Commission staff and other interested parties during rate cases and through existing Commission reporting requirements, such as the Subsidiary Transaction Report filed with the WUTC and the Affiliated Interest Report filed with the OPUC annually.

Q. Will the Company's proposed Reorganization change the current accounting policies or procedures with respect to its regulated and non-regulated subsidiaries?

A. No. Avista's current cost allocation procedures and the basis of assigning costs between the Utility and any of Avista's subsidiaries would remain unchanged through the approval of the Reorganization.

For example, Avista employees currently reporting to Avista Corporation (dba Avista Utilities) would not change after the Reorganization, with the exception of the five senior Officers who would also report to the new AVA holding company. These Officers' salaries and expenses would be allocated as appropriate between Avista's regulated and non-regulated businesses and the allocation would follow the same procedures as under the Company's current structure.

The proposed Reorganization also would not entail the transfer of Utility assets, nor, as discussed further by Company witness Mr. Norwood, would it adversely affect the financial, technical, and managerial abilities of Avista Utilities. Avista customers would see no change in the Utility or its operations, because the Utility would continue to provide the same high-quality service as before the Reorganization. In addition, after the Reorganization, Avista Utilities would continue to be subject to the same regulatory jurisdiction of the Commission as to rates, service, accounting and other general matters of utility operations.

III. PROTECTIONS FOR CUSTOMERS

Q. Has the Company proposed any other protections for customers?

A. Yes. As mentioned above, there will be little if any effect on Avista customers, employees, or the Company's current accounting policies and procedures. To ensure this, as described further by Mr. Norwood, Avista's Reorganization proposal includes protections for

- customers, such as the continuation of internal controls that preclude cross-subsidization among

 Avista's businesses, assuring segregation of operations to prevent the co-mingling of assets

 between the regulated and non-regulated businesses, the fair allocation of Holding Company

 costs among the utility and other subsidiaries, and the fact that customers will see no change in

 rates resulting from the cost of forming the holding company. Avista would also continue to

 comply with all applicable statutes, rules, and Commission practices regarding property transfers,

 affiliated or subsidiary transactions, and securities transactions
 - Q. Has the Company agreed to develop an Intercompany Administrative

 Services Agreement to address cost allocation methodologies?
 - A. Yes. Stipulation No.9-f, recently approved by the Idaho Public Utilities Commission in Order No. 30091, Case Nos. AVU-E-06-1 and AVU-G-06-1, as set forth in the Stipulation reproduced in Exhibit No._(KON-3), requires Avista to prepare an Intercompany Administrative Services Agreement (IASA) that will memorialize the corporate and affiliate cost allocation methodologies discussed above. The IASA will be filed with the Commission as soon as practicable after the closing of the transaction.

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- Q. Does that conclude your pre-filed direct testimony?
- 18 A. Yes, it does.