

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. U-060273

DIRECT TESTIMONY OF

ELIZABETH M. ANDREWS

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

1
2 **Q. Please state your name, business address, and present position with Avista**
3 **Corporation.**

4 A. My name is Elizabeth M. Andrews. I am employed by Avista Corporation as a
5 Senior Regulatory Analyst in the State and Federal Regulation Department. My business address
6 is 1411 East Mission, Spokane, Washington.

7 **Q. Would you please describe your education and business experience?**

8 A. I am a 1990 graduate of Eastern Washington University with a Bachelor of Arts
9 Degree in Business Administration, majoring in Accounting. That same year, I passed the
10 November Certified Public Accountant exam, earning my CPA License in August 1991. I
11 worked for Lemaster & Daniels, CPAs from 1990 to 1993, before joining the Company in
12 August 1993. I served in various positions within the sections of the Finance Department,
13 including General Ledger Accountant and Systems Support Analyst until 2000. For the past six
14 years, I have served in the State and Federal Regulation Department. I have also attended several
15 utility accounting and ratemaking courses.

16 **Q. As a Senior Regulatory Analyst, what are your responsibilities?**

17 A. Aside from special projects, I am responsible for the preparation of normalized
18 revenue requirement and pro forma studies for the various jurisdictions in which the Company
19 provides utility services. During the last six years I have assisted in the Company's electric and
20 natural gas general rate filings in Washington and Idaho.

21 **Q. What is the scope of your testimony in this proceeding?**

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

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

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

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

1 customers, such as the continuation of internal controls that preclude cross-subsidization among
2 Avista's businesses, assuring segregation of operations to prevent the co-mingling of assets
3 between the regulated and non-regulated businesses, the fair allocation of Holding Company
4 costs among the utility and other subsidiaries, and the fact that customers will see no change in
5 rates resulting from the cost of forming the holding company. Avista would also continue to
6 comply with all applicable statutes, rules, and Commission practices regarding property transfers,
7 affiliated or subsidiary transactions, and securities transactions

8 **Q. Has the Company agreed to develop an Intercompany Administrative**
9 **Services Agreement to address cost allocation methodologies?**

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

16
17 **Q. Does that conclude your pre-filed direct testimony?**

18 A. Yes, it does.