Exhibit No. __(SLM-1T)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-15_____

DOCKET NO. UG-15_____

DIRECT TESTIMONY OF

SCOTT L. MORRIS

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

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

A. My name is Scott L. Morris and I am employed as the Chairman of the Board, President and Chief Executive Officer of Avista Corporation (Company or Avista), at 1411 East Mission Avenue, Spokane, Washington.

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

A. Yes. 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, and in May 2006, I was appointed as President and Chief Operating Officer. Effective January 1, 2008, I assumed the position of Chairman of the Board, President, and Chief Executive Officer.

I am a member of the Gonzaga University board of trustees, a member of Edison Electric Institute board of directors, a member of the American Gas Association, and immediate past chair of the Washington Roundtable. On January 1, 2011, I was appointed to the Federal Reserve Bank of San Francisco, Seattle Branch board of directors and currently serve as chair. I also serve on the board of trustees of Greater Spokane Incorporated.

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

A. I will summarize the Company's rate request in this filing, and provide some context for why there is a continuing need for retail rate increases, not just for Avista, but for the electric and natural gas utility industry in general. I will provide an overview of our cost management initiatives, our communications initiatives to help customers better understand the changes in costs that are causing rates to increase, and briefly explain the Company's customer support programs in place to assist our customers. Finally, I will introduce each of the other witnesses providing testimony on the Company's behalf.

A table of contents for my testimony is as follows:

Q. Are you sponsoring exhibits in this proceeding?

A. Yes. I am sponsoring three exhibits. Exhibit No. _____ (SLM-2) includes an overview of Avista and its utility and subsidiary operations, as well as a diagram of Avista's corporate structure. Exhibit No. _____ (SLM-3) includes a map showing Avista's electric and natural gas service areas. Exhibit No. _____ (SLM-4) includes line graphs showing, among other things, the changes in Avista's electric retail rates from 1889 to 2014, which help provide context for the revenue increases proposed in this filing.

II. SUMMARY OF RATE REQUESTS

Q. Please provide an overview of Avista's electric rate request in this filing.

A. Avista is proposing an overall increase in electric base revenues of $33.2 million or 6.6%. The Company's request is based on a proposed rate of return of 7.46% with a common equity ratio of 48.0% and a 9.9% return on equity. Avista is requesting an overall net electric billed increase of 6.7%. Details of the changes in costs related to the proposed revenue increase are provided by later witnesses. Company witness Mr. Ehrbar will provide details of the proposed rate spread for the increase to each electric customer class, as shown in the illustration below:

Illustration No. 1:

Rate Schedule	Increase in Base Rates	Increase in Billing Rates
Residential Schedule 1	7.5%	7.6%
General Service Schedules 11/12	3.8%	3.7%
Large General Service Schedules 21/22	6.6%	6.6%
Extra Large General Service Schedule 25	6.6%	6.6%
Pumping Service Schedules 31/32	7.5%	7.5%
Street & Area Lights Schedules 41-48	9.3%	8.9%
Overall	**6.6%**	**6.7%**

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

A. With regard to natural gas, the Company is requesting an overall revenue increase of $12.0 million, or 7.0% in base rates. The proposed general increase over present billing rates, including all other rate adjustments (Purchased Gas Cost Adjustment, DSM, etc.) is 6.9%. As with the electric increase, the Company's request is based on a proposed rate of return of 7.46% with a common equity ratio of 48.0% and a 9.9% return on equity. The proposed rate spread for each natural gas customer class is shown in the illustration below:

Illustration No. 2:

Rate Schedule	Increase in Base Rates	Increase in Billing Rates
General Service Schedule 101	8.0%	7.8%
Large General Service Schedules 111/112	3.8%	3.7%
Ex. Lg. General Service Schedules 121/122	2.7%	2.5%
Interrupt. Sales Service Schedules 131/132	3.5%	3.4%
Transportation Service Schedule 146[1]	22.9%	22.9%
Overall	**7.0%**	**6.9%**

Q. Is the Company proposing any changes to the cost of natural gas for its retail natural gas customers in this case?

A. No, Avista is not proposing changes in this filing related to the commodity cost of natural gas or upstream pipeline transportation costs. Changes in the commodity cost of natural gas and transportation costs included in customers' rates are addressed in the Company's annual Purchased Gas Cost Adjustment (PGA) filing.

III. CONTEXT FOR RETAIL RATE CHANGES – 1889 to 2014

Q. Is the 125 year history of Avista's retail rates informative in relation to Avista's proposed revenue increases in this filing?

A. Yes. During 2014 Avista celebrated its 125th year anniversary, following its founding in Spokane in 1889. A review of historical data over this 125 year period is very instructive regarding the retail price changes Avista is seeking right now. The illustrations below will show the changes over time from 1889 to 2014 for the following sets of data related to Avista's electric utility operations:

[1] For Schedule 146, including an estimate of 45.0 cents per therm for the cost of natural gas and pipeline transportation, the proposed increase to Schedule 146 rates represents an average increase of 3.4% in those customers' total natural gas bill.

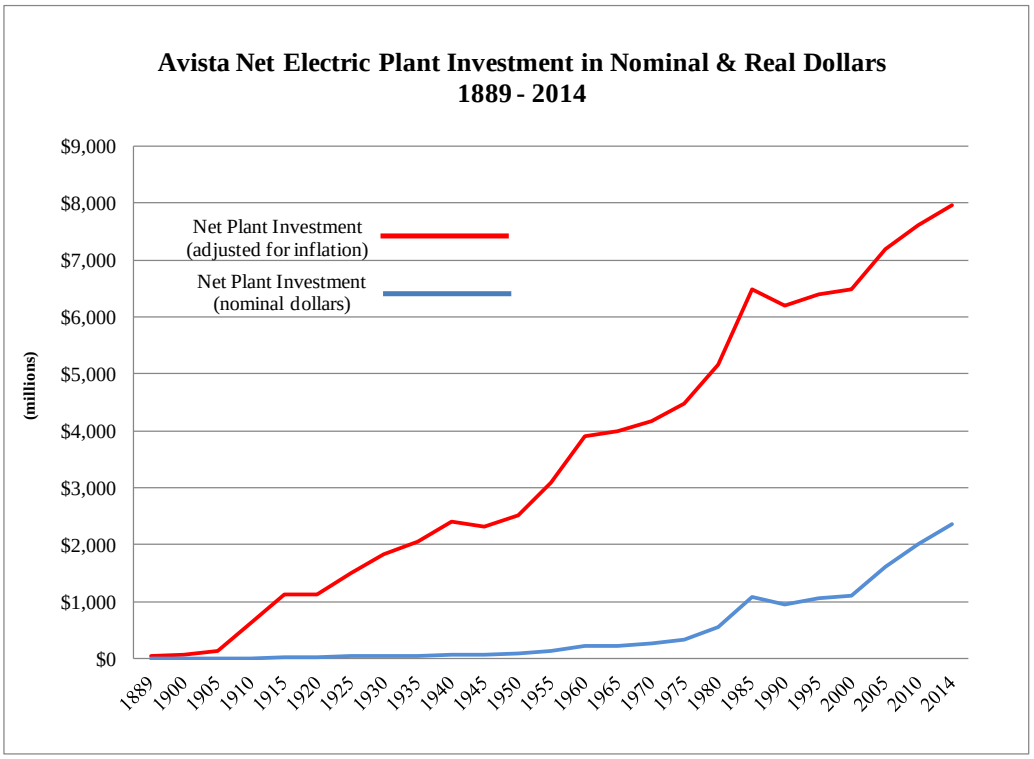
a. Net plant investment
b. Number of residential customers
c. Residential use-per-customer
d. Residential retail rate per kilowatt-hour (kWh)

The level of retail rates is influenced heavily by changes in net plant investment over time, growth in the number of customers, and changes in the use-per-customer. These data, as presented in the line graphs below, illustrate visually why Avista, as well as other utilities, are seeking retail rate increases on an annual basis. These line graphs are also provided, and are easier to view, in Exhibit No. _____ (SLM-4).

Q. How has Avista's net plant investment for its electric operations changed from 1889 to 2014?

A. The line graph in Illustration No. 3 below shows the growth in Avista's net plant investment for its electric operations from 1889 to 2014. The data have been presented in five-year increments for ease of viewing. The blue line represents the growth in net plant investment in nominal dollars, i.e., the true dollars that were spent in the years they were spent. The red line represents growth in net plant investment with the dollars adjusted for inflation, i.e., the dollars each year were adjusted to reflect the cost in today's dollars ("real" dollars) for the same plant and equipment. The nominal dollars were adjusted to real dollars in order to see, and better illustrate, the growth over time in net plant investment, using comparable dollars.

Illustration No. 3



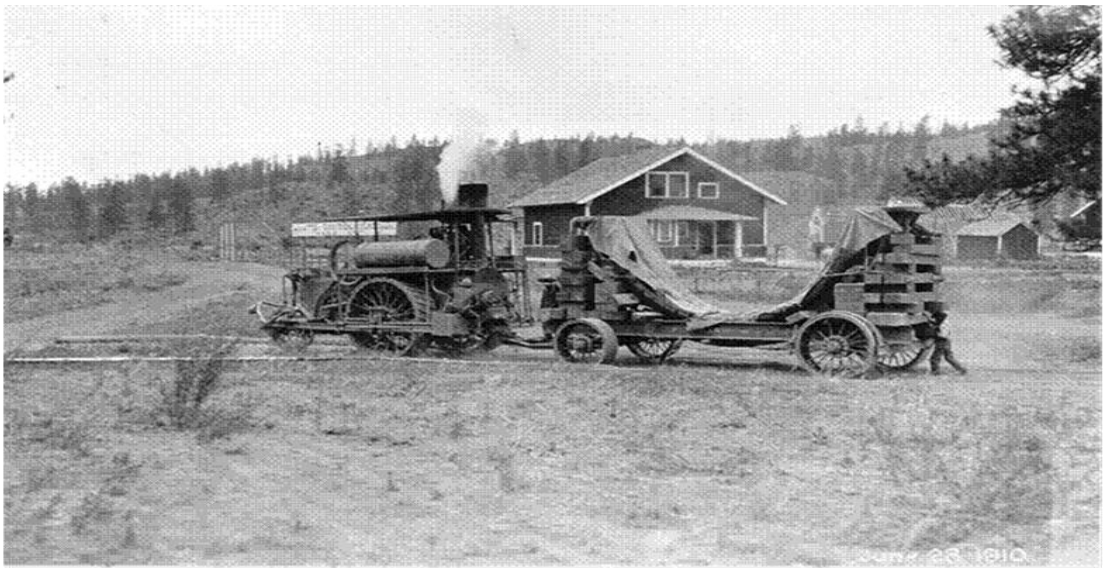
The red line on the graph illustrates, among other things, the rapid expansion of net plant investment during the 1950s and early 1960s following World War II, where net plant investment nearly doubled in a relative short period of time. The red line also shows that net plant investment in recent years has grown at a relatively rapid pace. Part of Avista's recent new plant investment is related to replacing some of the plant and equipment from the 1950s and 1960s, which is now 50 to 60 years old, and the cost to replace those facilities is substantially higher than the original cost of installation.

Recently, the Company replaced one of its generators at the Little Falls Hydro plant. This generator has provided power to Avista's customers for over 100 years. The first photograph in Illustration No. 4 below shows half of the generator stator being delivered by

rail to the hydro facility in June 1910. The second photo is of the very same piece of equipment being removed from the plant in July 2014.

Illustration No. 4

1910



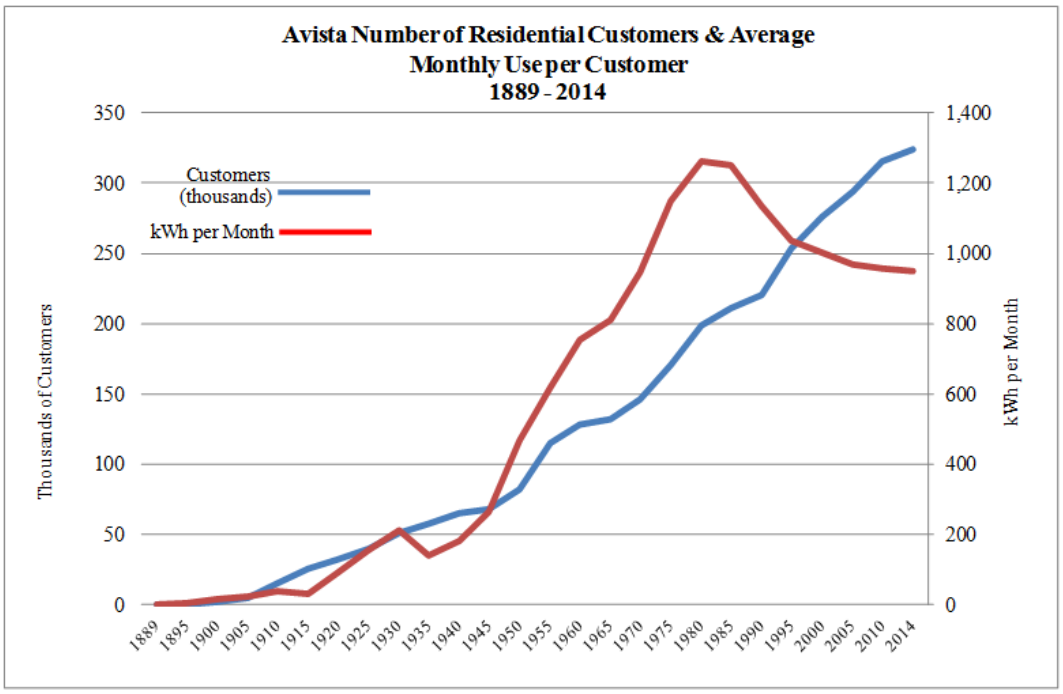
2014

This is but one illustration of Avista's aging infrastructure. Company witness Mr. Thies and other witnesses provide details related to current and planned capital expenditures.

Q. How has Avista's number of customers and use-per-customer changed from 1889 to 2014?

A. The line graph in Illustration No. 5 below shows the change over time in both the number of residential customers (blue line) and the residential use-per-customer (red line) for the period 1889 to 2014. The data, again, are presented in five-year increments for ease of viewing.

Illustration No. 5



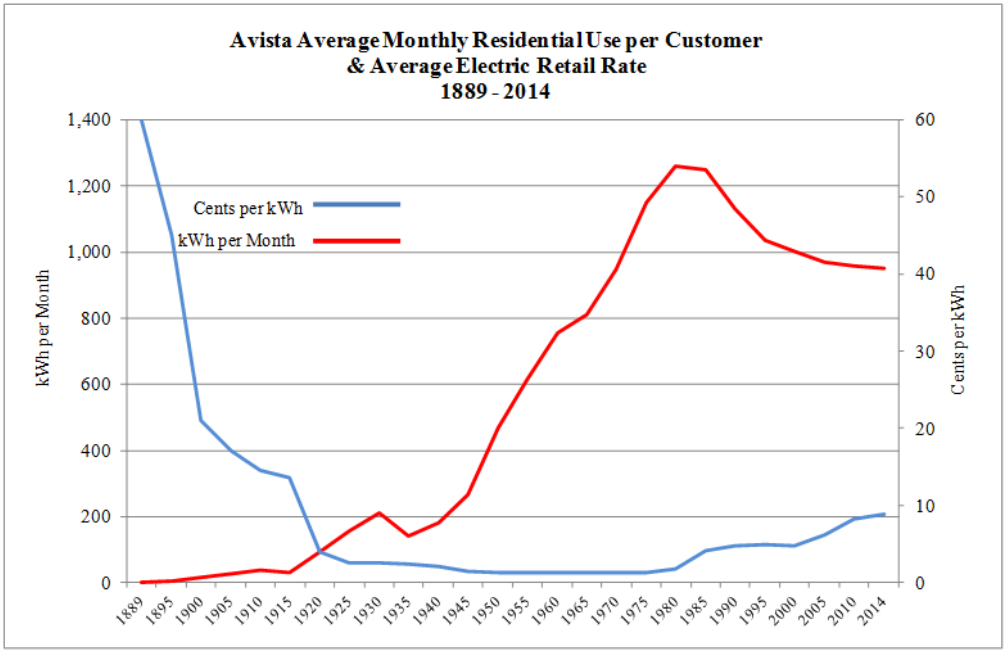
Among the observations from the line graph, two are very significant and quite relevant to retail price changes during the 125 year period. First, from the 1950s through roughly 1980, there was steady growth in the number of customers (blue line), which was also combined with rapid growth in use-per-customer (red line). Second, beginning around

1980, the use-per-customer began to decline dramatically. The decline in use-per-customer was due in part to Avista's energy efficiency programs that began in 1978, as well as the regional and national efforts generally to encourage consumers to use energy more efficiently. The change from rapid growth in use-per-customer to a significant reduction in use-per-customer beginning around 1980 had a direct impact on Avista's retail rates.

Q. What were Avista's retail rates from 1889 to 2014, and how were they affected by the growth in net plant investment, number of customers and use-per-customer?

A. The line graph in Illustration No. 6 below shows Avista's retail rate per kWh for its residential customers (blue line) for the period 1889 to 2014. The red line on the graph is the same use-per-customer line on the graph in Illustration No. 5 above. The graph shows that Avista's retail rates were flat to declining for approximately 50-60 years, up until about 1980 when they began to rise.

Illustration No. 6



The three graphs above, taken together, illustrate the significance of the relationship over time of the rate of growth in net plant investment, number of customers, and use-per-customer. During the 1950s, for example, there was rapid growth in net plant investment, but it was accompanied by rapid growth in use-per-customer, combined with steady growth in the number of customers. The net result was retail prices that were either flat or declining, due in large part to the annual growth in revenues being sufficient to cover the annual growth in costs. During the 1950s, Avista added new major baseload generating resources (Cabinet Gorge in 1952, and Noxon Rapids in 1959), and yet retail prices continued to be flat or declining, due primarily to the strong growth in kWh sales.

In contrast, retail prices began to increase in 1980 due, at least in part, to the significant decline in use per customer, which resulted in lower annual sales growth.

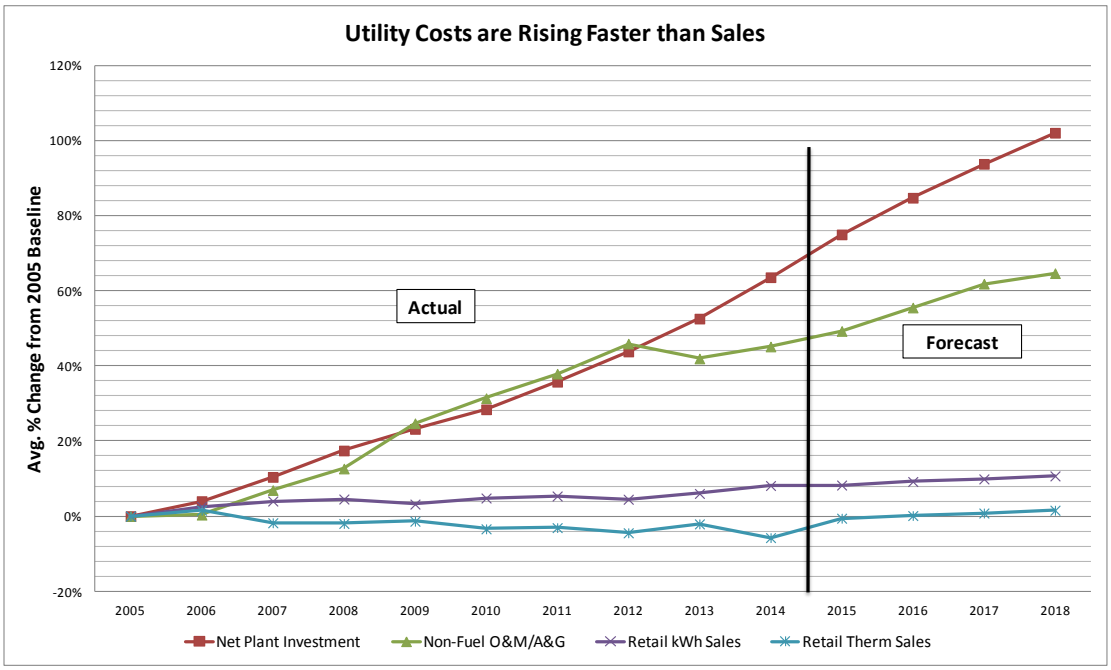
Avista's annual customer growth, and total sales growth, is currently approximately 1%, and it is expected to continue at or near this level for the foreseeable future. Net plant investment and operating expenses, however, are growing at a faster pace. Avista's obligation to serve all customers with safe, reliable service, and maintain a high level of customer satisfaction, demands continued investment in facilities, as well as utility operating expenses necessary to accomplish these objectives.

Because annual costs are growing at a faster pace than revenues, it is necessary to increase retail rates each year so that total revenues are equal to total costs. These are the circumstances facing not just Avista, but many investor-owned and consumer-owned utilities across the country, and it is the primary reason Avista has requested electric and natural gas revenue increases through this filing.

Q. How does Avista's growth in net plant investment and operating expenses compare with the growth in revenue, both for the recent historical period as well as expectations for future years?

A. The graph in Illustration No. 7 below shows actual information for the period 2005 to 2014, and forecast information for 2015 to 2018.

Illustration No. 7



The red line on the graph shows the actual growth in net utility plant investment (electric and natural gas combined) through 2014, and the expected growth for 2015 through 2018. The purple and blue lines on the graph show the changes in retail kilowatt-hour (kWh) sales and retail therm sales, respectively, for the same time period. The graph clearly shows that net plant investment is growing at a much faster pace than sales. The green line on the graph also shows that non-fuel operations and maintenance (O&M) expenses and administrative and general (A&G) expenses are growing at a faster pace than sales.

The graph shows this mismatch is forecast to continue to the future. Therefore, retail rates must be increased to cover this increase in net plant investment and operating expenses, since revenue growth is not sufficient to cover it.

IV. COST MANAGEMENT AND EFFICIENCIES

Q. Is Avista continuing to take steps to manage the growth in its costs?

A. Yes. The graph in Illustration No. 7 above shows the reduction in operating expenses in 2013 (green line) related primarily to Avista's Voluntary Severance Incentive Plan (VSIP) executed in late 2012, which reduced employee complement and reduced overall operating expenses. The slope of the operating expense line for future years is also lower, which reflects additional measures taken by the Company to reduce the annual growth in expenses.

For example, we made changes to the retirement income (pension) and post-retirement medical plans offered to non-union employees, effective January 1, 2014. This reduced future utility operating costs associated with employee benefits. Changes to plans offered to the bargaining unit employees will be subject to future negotiations.

For non-union employees, Avista no longer offers a pension plan for new hires beginning January 1, 2014. Avista will make a contribution to a 401(K) fund established for the employee, but no longer offers a defined benefit pension plan that provides an annual annuity upon retirement.

Beginning January 1, 2014, Avista no longer provides funding for post-retirement medical for non-union new hires. In addition, for both existing and new hire non-union employees, when the retiree reaches age 65, Avista will no longer provide an Avista-sponsored medical plan. Through these changes Avista is transitioning out of funding medical coverage for retirees.

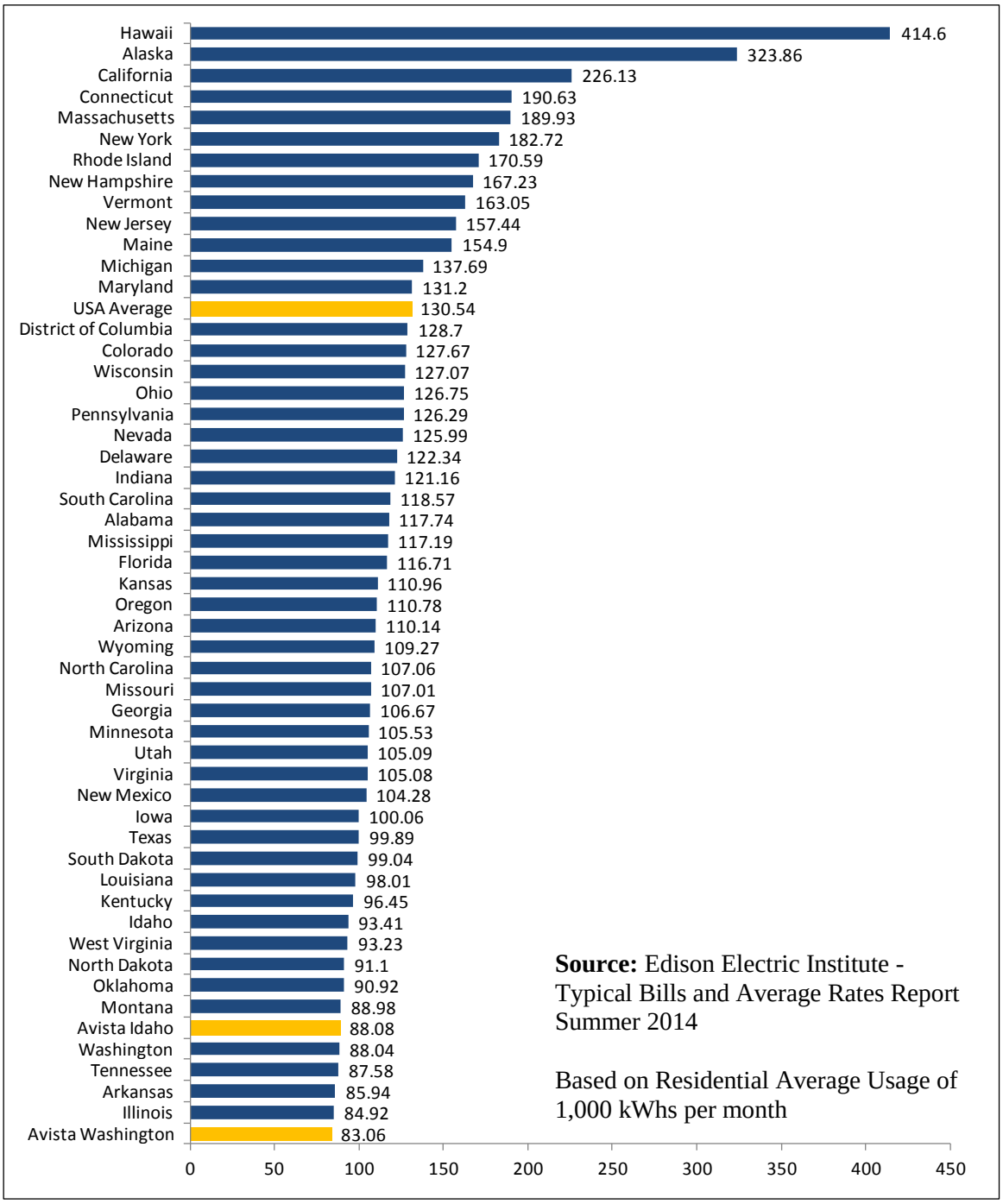
Avista also has ongoing measures to mitigate the annual growth in operating expenses, such as a hiring restriction. The hiring restriction requires approval by the Chairman/President/CEO, the President of the Utility, the Chief Financial Officer, and the Sr. VP for Human Resources for all replacement or new hire positions.

Q. How do Avista's retail rates compare to other utilities in the Northwest and across the country?

A. Edison Electric Institute periodically prepares a comparison of residential electric bills for investor-owned utilities across the country. Illustration No. 8 below provides a comparison of an Avista residential customer's monthly bill in Washington and Idaho with utility bills in other states. The chart shows that Avista's residential customers' rates are the lowest, or are among the lowest, in the Country.

Illustration No. 8 - Average Residential Monthly Electric Bill

July 1, 2014



Our relatively low retail rates are due in large part to a history of our Company aggressively pursuing the acquisition and preservation of a diversified portfolio of low cost resources for the benefit of our customers. This portfolio includes hydroelectric, wood-waste fired, gas-fired baseload, gas-fired peakers, and coal-fired generation, together with long-term purchases of power and an aggressive energy efficiency program. Our low rates are also a result of Avista's aggressive efforts to control its costs in order to keep retail rates as low as reasonably possible.

V. COMMUNICATIONS WITH CUSTOMERS

Q. How is Avista communicating with its customers to explain what is driving increased costs for the Company?

A. The Company proactively communicates with its customers in a number of ways: customer forums, one-on-one customer interactions through field personnel and account representatives, bill inserts, social media, media contacts, group presentations, and through our employees' involvement in community, business and civic organizations, to name a few. We believe our communications are helping our customers and the communities we serve to better understand the issues faced by the Company, such as increased infrastructure investment, environmental mitigation and security, all of which have led to higher costs for our customers.

Our employees provide excellent customer service, and this focus on communicating with our customers includes providing our employees messaging and new tools and training to make it easier to have conversations about Avista with friends, family and customers. We

are finding that once a customer talks with our employees, and voices their concerns and receives answers to their questions, their satisfaction level increases.

We are also continuing our focus on informing customers of the many programs we offer to provide assistance in managing their energy bills, and ensuring that our employees are equipped to engage in these conversations.

VI. CUSTOMER SATISFACTION

Q. What kind of feedback are you receiving from customers related to customer satisfaction?

A. While we continue to maintain tight controls on capital and O&M/A&G budgets, our customer service surveys indicate that customer satisfaction remains high. Our overall customer satisfaction from our voice-of-the-customer (VOC) surveys in the fourth quarter of 2014 was 95% in our Washington, Idaho, and Oregon operating divisions. The purpose of the VOC Survey is to measure and track customer satisfaction for Avista Utilities' "contact" customers – i.e., customers who have contact with Avista through the Contact Center and/or work performed through an Avista construction office. This rating reflects a positive experience for customers who have contacted Avista related to the customer service or field service they received. These results can be achieved only with very committed and competent employees.

VII. CUSTOMER SUPPORT PROGRAMS

Q. Please summarize briefly the customer support programs that Avista provides for its customers in Washington.

A. Avista Utilities offers a number of programs for its Washington customers, such as energy efficiency programs, the Low Income Rate Assistance Program (LIRAP), Project Share for emergency assistance to customers, the Customer Assistance Referral and Evaluation Service (CARES) program, level pay plans, and payment arrangements. Some of these programs will serve to mitigate the impact on customers of the proposed rate increase.

In the 2013/2014 heating season, 28,650 Washington customers received approximately $8.23 million in various forms of energy assistance (Federal LIHEAP program, LIRAP, Project Share, and local community funds). Some of the key programs that we offer or support are as follows:

1. **Low-Income Rate Assistance Program (LIRAP).** Avista's Low Income Rate Assistance Program in Washington collects approximately $6.7 million per year through electric and natural gas tariff surcharges. The Company, with the assistance of community action agencies, directs these funds to customers least able to pay for electric and natural gas service. The purpose of the LIRAP program is to reduce the energy cost burden among those customers least able to pay energy bills. In the 2013/2014 heating period, for example, the LIRAP funds supplied close to 12,500 grants to our customers.

2. **Project Share.** Project Share is a voluntary program allowing customers to donate funds that are distributed through community action agencies to customers in need. In 2014, the Company's customers donated $279,313 on a system-wide basis, of which $173,161 was distributed by Washington Community Action Agencies. In addition, the Company contributed $140,000 to Project Share for the benefit of Washington customers in 2014.

3. **Comfort Level Billing.** The Company offers the option for all customers to pay the same bill amount each month of the year by averaging their annual usage. Under this program, customers can avoid unpredictable winter heating bills.

4. **CARES Program.** CARES provides assistance to special-needs customers through access to specially trained (CARES) representatives who provide referrals to area agencies and churches for help with housing, utilities, medical assistance, etc.

These programs and the partnerships we have formed with community action agencies have been invaluable to customers who often have nowhere else to go for help. Company witness Mr. Kopczynski provides additional detail in his testimony concerning these and other programs designed to assist customers.

VIII. OTHER COMPANY WITNESSES

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

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

Mr. Mark Thies, Senior Vice President and Chief Financial Officer, will provide a financial overview of the Company and will explain the proposed capital structure, overall rate of return, and Avista's credit ratings. He will also discuss, among other things, the Company's capital expenditures program. In brief, he will provide information that shows:

- Avista's plans call for making significant utility capital investments in generation, transmission and distribution systems to preserve and enhance service reliability for our customers, including the replacement of aging infrastructure. Capital expenditures of $726 million are planned for 2015-2016. Capital expenditures of approximately $1.8 billion are planned for the five-year period ending December 31, 2019. Avista needs adequate cash flow from

operations to fund these requirements, together with access to capital from external sources under reasonable terms, on a sustainable basis.

- We are proposing an overall rate of return of 7.46 percent, which includes a 48.0 percent common equity ratio, a 9.9 percent return on equity (ROE), and a cost of debt of 5.20 percent. We believe our proposed overall rate of return of 7.46 percent and proposed capital structure provide a reasonable balance between safety and economy.

- Avista's corporate credit rating from Standard & Poor's is currently BBB and Baa1 from Moody's Investors Service. Avista must operate at a level that will support a solid investment grade corporate credit rating in order to access capital markets at reasonable rates. A supportive regulatory environment is an important consideration by the rating agencies when reviewing Avista. Maintaining solid credit metrics and credit ratings will also help support a stock price necessary to issue equity under reasonable terms to fund capital requirements.

- Avista completed two significant business unit transactions in 2014: the sale of Ecova and the acquisition of Alaska Electric Light and Power utility operations. These transactions are supportive to our business profile and their financial impacts have positively complemented our ongoing financial structure and operations.

Mr. Adrien McKenzie, as Vice President of Financial Concepts and Applications (FINCAP), Inc., has been retained to present testimony with respect to the Company's cost of common equity. He concludes that:

- In order to reflect the risks and prospects associated with Avista's jurisdictional utility operations, his analyses focused on a proxy group of 21 other utilities with comparable investment risks;
- Because investors' required return on equity is unobservable and no single method should be viewed in isolation, he applied a number of well-accepted quantitative analyses to estimate a fair ROE for the Company;
- Based on the results of these analyses, Mr. McKenzie concluded that the cost of equity for the proxy group of utilities is in the 9.7 percent to 10.9 percent range, or 9.83 percent to 11.03 percent after incorporating an adjustment to account for the impact of common equity flotation costs; and
- As reflected in Mr. Thies' testimony, Avista is requesting a fair ROE of 9.9 percent, which falls below the 10.43 percent midpoint of Mr. McKenzie's

- recommended range. Considering capital market expectations, the exposures faced by Avista, the economic requirements necessary to maintain financial integrity, and support additional capital investment even under adverse circumstances, it is his opinion that 9.9 percent represents a reasonable, but conservative, ROE for Avista.

Ms. Elizabeth Andrews, Manager of Revenue Requirements, will cover the need for the additional rate relief requested in the Company's filing. She will first summarize the Company's 2016 electric and natural gas revenue requirement requests based on the Company's electric and natural gas Attrition Studies. She also compares her electric and natural gas Attrition Study results with that of the Pro Forma Cross Check Studies prepared by Company witness Ms. Smith.

For example, the total revenue requirement associated with Ms. Andrews' electric Attrition Study is approximately $33.2 million. By comparison, the total revenue requirement associated with Ms. Smith's electric Pro Forma Cross Check Study is approximately $33.1 million. For natural gas, the total revenue requirement associated with Ms. Andrews' Attrition Study is $12.0 million, whereas, Ms. Smith's Pro Forma Cross Check Study shows approximately $10.6 million.

Ms. Andrews will also discuss the on-going attrition experienced by Avista, and the importance of rate relief from this filing. Later in her testimony she will discuss in more detail the overall methodology and results of the Company's Attrition Studies.

Mr. Don Kopczynski, Vice President of Energy Delivery, will provide an overview of the Company's electric and natural gas energy delivery facilities, the planned installation of Advanced Metering Infrastructure, our continuing Natural Gas Pipeline Replacement

Program, and finally, he will summarize Avista's customer support programs in Washington.

Mr. Scott Kinney, Director of Power Supply, will provide an overview of Avista's resource planning and power supply operations. This includes summaries of the Company's generation resources, the current and future load and resource position, and future resource plans. As part of an overview of the Company's risk management policy, he will provide an update on the Company's hedging practices. He will also address hydroelectric and thermal project upgrades, followed by an update on recent developments regarding hydro relicensing.

Mr. Clint Kalich, Manager of Resource Planning & Power Supply Analyses, will describe the Company's use of the AURORA$_{XMP}$ dispatch model, or "Dispatch Model." He will explain the key assumptions driving the Dispatch Model's market forecast of electricity prices. The discussion includes the variables of natural gas, Western Interconnect loads and resources, and hydroelectric conditions. He will also describe how the model dispatches its resources and contracts to maximize customer benefit and tracks their values for use in pro forma calculations. Finally, he will present the modeling results provided to Company witness Mr. Johnson for his power supply pro forma adjustment calculations.

Mr. William Johnson, Wholesale Marketing Manager, will 1) identify and explain the proposed normalizing and pro forma adjustments to the October 2013 through September 2014 test period power supply revenues and expenses, 2) describe proposed changes to the Energy Recovery Mechanism (ERM), and 3) describe the proposed level of expense and load change adjustment rate for ERM purposes, using the pro forma costs proposed by the Company in this filing

Ms. Jody Morehouse, Director of Gas Supply, will describe Avista's natural gas procurement planning process, and provide an update on the Company's 2014 Natural Gas Integrated Resource Plan.

Mr. Bryan Cox, Director, Operations West, describes Avista's transmission revenues and expenses for the 2016 rate year. He will also discuss Avista's Transmission and Distribution capital expenditures, for the period October 2014 through the 2016 rate year.

Mr. Jim Kensok, Vice President and Chief Information and Security Officer, will describe the costs associated with Avista's information technology programs and projects. These costs include the capital investments for a range of systems used by the Company, including the replacement of the Company's legacy Customer Information and Work and Asset Management System ("Project Compass"), and the Avistautilities.com website replacement. He will also describe the additional expenses required to support a range of new and updated applications and systems such as cyber security, the operation of the new Customer Information and Work and Asset Management Systems, the Asset Facilities Management application, and Advanced Metering Infrastructure (AMI), etc., as well as Avista's grid modernization efforts.

Dr. Grant Forsyth, Chief Economist, will describe the methodology used to determine the annual growth rates and historical trends for Avista's expenses and net plant related expenditure categories. His testimony will describe the historical time period of the analysis, the use of a compound growth formula versus alternative methods, and the use of the geometric average rate of growth versus other methods to determine annual growth rates.

Ms. Karen Schuh, Senior Regulatory Analyst, will cover Avista's capital investments in utility plant through the 2016 rate year. In addition, for informational purposes, she is

providing information on capital investment through 2017 as an indication of the ongoing capital investments by the Company.

Ms. Jennifer Smith, Senior Regulatory Analyst, will cover the overall methodology and results of the Company's electric and natural gas Pro Forma Cross Check Studies. The Pro Forma Cross Check Studies show the Company's electric and natural gas results on a pro forma basis for the 2016 rate year, for purposes of comparison to the Attrition Studies. The Pro Forma Cross Check Studies provide operating results, including expense and rate base adjustments made to actual operating results and rate base. These studies incorporate the Washington share of the proposed adjustments of other witnesses in this case.

Ms. Tara Knox, Senior Regulatory Analyst, covers the Company's electric cost-of-service study performed for this proceeding. Additionally, she is sponsoring the electric revenue normalization adjustments to the test year results of operations.

Mr. Joseph Miller, Senior Regulatory Analyst, will cover the Company's natural gas cost of service study performed for this proceeding. Additionally, he is sponsoring the natural gas revenue normalization adjustments to the test year results of operations.

Mr. Patrick Ehrbar, Manager of Rates and Tariffs, discusses the spread of the proposed annual revenue changes among the Company's general service schedules as well as the proposed rate design within each schedule. He explains, among other things, that:

- The proposed increase in electric base revenues is 6.6% or an increase in electric base retail revenues of $33.2 million. The proposed general increase over present billing revenues, including all other rate adjustments (DSM, LIRAP and Residential Exchange), is 6.7%.

- The monthly bill for a residential customer using an average of 966 kWhs per month would increase from $81.22 to $87.67 per month, an increase of $6.45 or 7.9%. This includes the proposed increase in the monthly basic or customer charge from $8.50 to $14.00

- The proposed natural gas annual revenue increase in base rates is $12.0 million, or 7.0%. The overall revenue increase on a billing basis is 6.9%.

- The monthly bill for a residential customer using 66 therms per month would increase from $68.16 to $73.57 per month, an increase of $5.41 or 7.9%. This includes the proposed increase in the monthly basic or customer charge from $9.00 to $12.00.

In addition, he will provide further information related to the proposed increases to the residential basic charges, and provide an overview of how certain requirements stemming from the Company's last general rate case have been addressed in this filing.

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

A. Yes.