Exhibit ___(RLCD-T)

Before the
Washington Utilities and Transportation Commission

Avista Corporation

Docket Nos. UE-991606 & UG-991607

Re: Increase Rates & Charges in the Provision of
Electric & Gas Utility Service

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Direct Testimony of

Robert L. C. Damron - Consultant
On Behalf of Public Counsel

May, 2000

WUTC
DOCKET NO. UE-991606
EXHIBIT # T-703
ADMIT W/D REJECT

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

A. My name is Robert L. C. Damron, my business address is 3811 Hawthorne St. S. E., Olympia, Washington 98501. As the owner and sole proprietor of Damron Enterprises, I am a self-employed consultant in utility and insurance regulatory matters. Under contract, I am testifying on behalf of the Public Counsel Section of the Washington Attorney General's Office in these proceedings.

Qualifications

Q. Please briefly describe your education and business experience.

A. I received a BA degree in 1969 and completed a year of post-graduate studies in Business Administration in 1970 at The Central Washington University, in Ellensburg, Washington. For 20 years, from 1974 through 1994 I worked as a Revenue Requirement Specialist with the Washington Utilities and Transportation Commission ("WUTC"). For 4 ½ years, from January 1995 through April 1999, I worked as a rate analyst/economist for the Office of the Insurance Commissioner of the State of Washington ("OIC"). I have also done consulting work under the company name Damron Enterprises, in matters involving utility and insurance regulatory matters. I have prepared an exhibit, which describes my education and work experience.

Q. Referring you to what has been marked for identification as Exhibit No.______(RLCD-1), with the heading "EDUCATION AND WORK EXPERIENCE," is this the exhibit to which you refer?

A. Yes.

Purpose of Testimony

Q. What was your assignment in this case?

A. I was assigned to review cost allocations and depreciation issues in this case. Specifically, I was assigned to review that portion of Mr. Don Falkner's testimony and exhibits regarding jurisdictional allocations and Mr. Dave DeFelice's testimony and exhibits regarding changes in depreciation rates. I reviewed the 1,800 pages of the underlying Depreciation Study supporting Mr. DeFelice's Exhibit No. 281. I reviewed Mr. Falkner's exhibits and underlying work-papers on the subject of allocations, and I reviewed a number of Company responses to data requests. I have also conducted an electric industry survey, or trend analysis, examining the increases in Administrative and General expenses over the years 1988 through 1998. In addition, I have quantified the revenue requirement impact of recommendations made by Public Counsel witnesses Mr. Jim Lazar, Mr. Steve Hill and myself, and have prepared pro forma income statements for both Avista's Washington electric and gas regulated utility operations, for the 12 months ended December 31, 1998.

Recommendation Regarding Revenue Requirements

Q. Including the impact of the recommendations of all of Public Counsel's witnesses, what is Avista's revenue requirement for both Washington electric and gas regulated utility operations, for the 12 months ended December 31, 1998?

A. Our analysis indicates that Avista Corporation has no revenue deficiency in either its Washington electric or gas operations in the State of Washington. Our analysis shows **excess** revenues of $2,058,000 for Avista's Washington regulated electric utility operations and **excess** revenues of $1,026,000 for Avista's Washington regulated gas utility operations. Hence, Public Counsel's recommendation is that Avista's requests for increased rates and charges in its Washington Electric and Gas utility operations be denied. I am advised by counsel that Public Counsel reserves the right to review the recommendations asserted by all other parties of record in this case and take a position on those issues in final brief. I have prepared exhibits, which reflect the results of our analysis.

Avista's Washington Electric Pro Forma Results of Operations

Q. Referring you to what has been marked for identification as Exhibit No.______(RLCD-2), with the heading, "Avista Corporation, Summary of Electric Pro forma Results of Operations, For the 12 months ended December 31, 1998," is this your summary of Avista's pro forma regulated electric utility operations in the State of Washington?

A. Yes. The exhibit shows the net operating income effect of all adjustments in column (B) and the rate base effect in column (C). For ease of reference, I have given all Company adjustments a restating or pro forma adjustment number of RA-## and P-##, respectively. The adjustments proposed by the witnesses on behalf of Public Counsel for restating and pro forma adjustments are numbered RA-PC-## and P-PC-##, respectively. As shown on line 39, column (E) at Washington electric pro forma results of operations before rates, the exhibit reflects a rate of return of 9.01%. At Mr. Steve Hill's recommended overall rate of return on rate base of 8.82%, **excess** revenues of $2,058,000 are shown on line

40, in column (D). Column (F) shows the effect on the rate of return of each adjustment.

Q. Referring you to what has been marked for identification as Exhibit No.______(RLCD-3), with the heading, "Avista Corporation, Electric Pro forma Results of Operations, For the 12 months ended December 31, 1998," is this your full pro forma statement of Avista's pro forma regulated electric utility operations in the State of Washington?

A. Yes. The exhibit follows a similar format to the Company's statements. However, as is customary, I show the results of all restating actual adjustments on page 1, column (d) and the results of all pro forma adjustments in column (f). Page 2 shows some detail of the Federal income tax calculations and detail of the Company's rate base. Pages 3 through 12 show the detail of each restating actual adjustment. Pages 11 and 12 are restating adjustments proposed by Public Counsel's witness Mr. Jim Lazar. I am responsible for the calculation of the tax and rate base effects of Mr. Lazar's adjustments. However, the working capital calculation included as part of adjustment "RA-PC-05, BiMonthly Meter Reading & Billing," was calculated by Mr. Lazar. Mr. Lazar testifies to the theory behind adjustments RA-PC-01 through RA-PC-06.

In the calculation of rate base for Public Counsel's adjustments, I have used end-of-period deferred taxes, which has been the standard treatment of this item by the Commission for many years. Although, I did not audit or adjust the rest of the Company's pro forma statements to end-of-period deferred taxes, it is my position that such adjustments should be made.

Pages 13 through 16 of the exhibit, shows the detail of each pro forma adjustment. I am responsible for the calculation of adjustment P-PC-03, Pro Forma Depreciation Adjustment, on page 13, column (f). I will discuss this adjustment later in my testimony.

Page 17 summarizes the Cost of Capital recommended made by Mr. Steve Hill. He proposes an equity capital structure ratio of 38.97% and a cost of equity of 10.88%. The Cost of Equity does not reflect the 0.25% equity incentive bonus requested by the Company. Mr. Jim Lazar testifies to the rejection of this requested incentive bonus to Avista's equity return.

Page 18 of the exhibit reflects the Pro forma Debt adjustment, RA-16, which the Company has identified as the "Pro Forma Restated Debt Interest" Adjustment. The Company's adjustment changes as a result of the change in pro forma rate base and the weighted cost of debt proposed by Public Counsel's witnesses. Page 18, line 1 is total pro forma rate base. Line 2 is available for Construction Work in Progress ("CWIP"). However, the Company did not include any CWIP in its adjustment and I did not audit this part of the Company's presentation. In theory, if the Company does not use a net-of-tax Allowance For Funds Used During Construction, ("AFUDC") rate, then CWIP should be included in this calculation, which has been the standard treatment of this item in many prior rate cases. Line 3 is the weighted cost of debt, which is the sum of the weighted cost of long-term debt, short-term debt and preferred securities, from page 17, lines 1, 2 and 4, column (E). It is my understanding that the Company incurs a tax-deductible interest expense associated with preferred securities. It would, therefore, be appropriate to include the amount in the composite weighted cost of debt in the Pro Forma Debt calculation.

Page 19 of the exhibit shows the Net-to-Gross Conversion Factor calculation, which is used in the revenue requirement calculation and is applied to any identified net operating income excess or deficiency to identify the gross revenue excess or deficiency.

Page 20 is the Revenue Requirement Calculation. On line 7, I show Public Counsel adjustment P-PC-04, which removes the 2.0% equity incentive return for Kettle Falls, requested by the Company. I used the recommended return of Mr. Steve Hall of 8.82% on line 7, column (C). Mr. Jim Lazar testifies to the removal of the 2% equity incentive return. Page 20, line 13 reflects excess revenues of $2,058,000.

Avista's Washington Gas Pro Forma Results of Operations

Q. Referring you to what has been marked for identification as Exhibit No.______(RLCD-4), with the heading, "Avista Corporation, Summary of Gas Pro forma Results of Operations, For the 12 months ended December 31, 1998," is this your summary of Avista's pro forma regulated gas utility operations in the State of Washington?

A. Yes. The exhibit shows the net operating income effect of all adjustments in column (B) and the rate base effect in column (C). The exhibit follows the same format as Exhibit No._______(RLCD-2). As shown on line 29, column (E), at Washington gas pro forma results of operations before rates, the exhibit reflects a rate of return of 9.34%. At Mr. Steve Hill's recommended overall rate of return on rate base of 8.82%, excess revenues of $1,026,000 are shown on line 30, in column (D). Column (F) shows the effect on the rate of return of each adjustment.

Q. Referring you to what has been marked for identification as Exhibit No.______(RLCD-5), with the heading, "Avista Corporation, Gas Pro forma Results of Operations, For the 12 months ended December 31, 1998," is this your full pro forma statement of Avista's pro forma regulated gas utility operations in the State of Washington?

A. Yes. The exhibit follows a similar format to the Company's statements. However, again, as is customary, I show the results of all restating actual adjustments on page 1, column (d) and the results of all pro forma adjustments in column (f). Page 2 shows some detail of the Federal income tax calculations and detail of the Company's rate base. Pages 3 through 10 show the detail of each restating actual adjustment. Pages 9 and 10 are adjustments proposed by Public Counsel's witness Mr. Jim Lazar. I am responsible for the calculation of the tax and rate base effects of Mr. Lazar's adjustments. However, the working capital calculation included as part of adjustment "RA-PC-05, BiMonthly Meter Reading & Billing," was calculated by Mr. Lazar. Mr. Lazar testifies to the theory behind adjustments RA-PC-01 through RA-PC-06. Adjustments RA-PC-03 and RA-PC-04 only affect electric operations.

Again, in the calculation of rate base for Public Counsel's adjustments, I have used end-of-period deferred taxes, which has been the standard treatment by the Commission of this item for many years. Although I did not audit or adjust the rest of the Company's pro forma statement to end-of-period deferred taxes, it is my position that such adjustments should be made.

Pages 11 and 12 of the exhibit, shows the detail of each pro forma adjustment. I am responsible for the calculation of adjustment P-PC-01, Pro Forma Depreciation Adjustment, on page 11, column (D). I will discuss this adjustment later in my testimony.

Page 13 summarizes the Cost of Capital recommended made by Mr. Steve Hill. Again, he proposes an equity capital structure ratio of 38.97% and a cost of equity of 10.88%. The Cost of Equity does not reflect a 0.25% equity incentive bonus requested by the Company. Mr. Jim Lazar testifies to the rejection of this requested incentive bonus to Avista's equity return.

Page 14 of the exhibit reflects the Pro forma Debt adjustment, RA-12, which the Company has identified as the "Pro Forma Restated Debt Interest" Adjustment. Page 14, line 1 is total pro forma rate base. Line 2 is available for Construction Work in Progress ("CWIP"). However, the Company did not include any CWIP in its adjustment and I did not audit this part of the Company's presentation. As I have testified, in theory, if the Company does not use a net-of-tax AFUDC rate, then CWIP should be included in this calculation. Line 3 is the weighted cost of debt, which is the sum of the weighted cost of long-term debt, short-term debt and preferred securities, from page 13, lines 1, 2 and 4, column (E).

Page 15 of the exhibit shows the Net-to-Gross Conversion Factor calculation.

Page 16 is the Revenue Requirement Calculation. Page 16, line 7 reflects excess revenues of $1,026,000.

Recommendation Regarding Jurisdictional Allocations

Q. You indicated that one of your responsibilities was the review of Avista's jurisdictional allocations. Do you contest the jurisdictional allocations sponsored by the Company in this case?

A. No. However, my answer should not be construed as an endorsement of the Company's allocations.

Recommendation Regarding Changes in Depreciation Rates

Q. What position do you take regarding the Company's proposed changes in depreciation rates?

A. After the hearings held in the last week of March 2000 in these dockets, the Company and WUTC Staff arrived at a settlement agreement regarding depreciation rates for both Avista's electric and gas operations. It is my understanding that the Company filed a revised Exhibit No. 291, reflecting this agreement. I have reviewed revised Exhibit No. 291, reflecting the settlement agreement, and as revised and as agreed to by the WUTC Staff, I do not contest the Company's revised proposed depreciation rate changes. I have prepared exhibits, which summarize my understanding of the stipulated agreement. I have also calculated the adjustment to net operating income and rate base that result from the agreed upon depreciation rates.

I have used end-of-period deferred taxes in the rate base calculation, which has been the standard treatment by the Commission of this rate base component for many years. There is no current tax effect from the change in book depreciation. However, assuming that tax depreciation remains constant, if book depreciation is increased or decreased, the "gap" or difference between book depreciation and tax depreciation changes. Hence, there is a deferred tax effect from this change. The adjustment to rate base is not a pro forma adjustment to rate base. It is a restatement of rate base based upon the change in the rate of capital recovery caused by the change in depreciation rates. The original cost of rate base does not change, just the rate at which the original cost is recovered. A pro forma adjustment to rate base would restate the original costs to some prospective cost level, which the WUTC Staff has traditionally challenged. If you do not make an adjustment to rate base by adjusting accumulated depreciation, the Company receives the increase in depreciation expense, AND they also earn a return on that portion of rate base that has been depreciated by the adjustment, which would not be appropriate.

Q. Referring you to what has been marked for identification as Exhibit No.______(RLCD-6), with the heading, "Avista Corporation, Pro Forma Depreciation Adjustment – WUTC/Company Settlement, For the 12 Months Ended December 31, 1998," is this your exhibit reflecting your understanding of the impact of the stipulated depreciation rates for Avista's electric and gas operations in the State of Washington?

A. Yes. As shown on page 1, column (H), it is my understanding that the revised proposed Company depreciation rates for their Washington regulated electric utility operations, would decrease net operating income by $678,695 and decrease rate base, using end-of-period deferred taxes, by $156,622. As shown on page 2, column (H), it is my understanding that the revised proposed Company depreciation rates for their Washington regulated gas utility operations, would decrease net operating income by $51,227 and decrease rate base, using end-of-period deferred taxes, by $11,822. The electric depreciation adjustment is reflected in my Exhibit Nos._______(RLCD-2) and_______(RLCD-3) as Pro Forma Depreciation Adjustment, P-PC-03. My gas depreciation adjustment appears in my Exhibit Nos.________(RLCD-4) and _______(RLCD-5) as Pro Forma Depreciation Adjustment, P-PC-01.

Q. Referring you to what has been marked for identification as Exhibit No.______(RLCD-7), with the heading, "Avista Corporation, Pro Forma Depreciation Adjustment – Combined Effect of Adjustments RA-PC-03 & P-PC-03, For the 12 months ended December 31, 1998," is this your exhibit reflecting the combined effect of your adjustment P-PC-03 and Mr. Lazar's adjustment RA-PC-03 on the Washington regulated electric utility depreciation expense?

A. Yes. Mr. Lazar is responsible for the theory and reasons behind the adjustment "Production Depreciation Expense, RA-PC-03." I am responsible for the calculations in Pro Forma Depreciation Adjustments, P-PC-03 for electric operations and P-PC-01 for gas operations. This exhibit shows the combined effects of my adjustments and Mr. Lazar's adjustment P-PC-03.

Analysis of Administrative & General Expenses

Q. You indicated that you performed a survey or trend analysis of the increases in Administrative and General Expenses of the regulated electric utility industry in the State of Washington for the years 1988 through 1998, is that correct?

A. Yes. I reviewed the revenues and administrative and general expenses of the three largest investor-owned electric utilities operating in the State of Washington: Avista Corporation, PacifiCorp and Puget Sound Energy, for the years 1988 through 1998. I used the information found in the "Annual Statistics of Electric Companies," prepared by the Energy Section of the WUTC Staff and published by the Commission. I have prepared an exhibit, which summarizes my analysis.

Q. Referring you to what has been marked for identification as Exhibit No._______(RLCD-8), with the heading, "Avista Corporation, Review of Electric Company Administrative & General Expenses," is this the exhibit to which you referred?

A. Yes.

Q. Would you please explain the exhibit?

A. Yes. Pages 1 and 2 reflect my analysis of Avista. Pages 3 and 4 reflect my analysis of PacifiCorp. Pages 5 and 6 reflect my analysis of Puget.

Numeric data for Avista is shown on page 1 of the exhibit. Column (B) shows the Total Washington Electric Operating Revenues for each year from 1988 through 1998. Column (C) shows the percentage increase or decrease since 1988 in the revenues in column (B). On line 14 column (B), it can be seen that the average annual increase in revenues from 1988 through 1995 was 4.06%. However, the average annual increase from 1988 through 1998 was 8.78%, as shown on line 16, column (B). The growth in revenues has accelerated since 1995.

Column (D) shows Total Washington General Business Revenues, i.e., retail revenues. Column (E) shows the percentage increase or decrease since 1988 in the revenues in column (D). Notice comparing lines 14 and 16, column (D), the percentage growth in retail revenues has slowed since 1995, i.e., the average annual percentage growth in retail revenues from 1988 through 1995 was 2.03% and from 1988 through 1998 is was 1.80%.

Column (F) shows Total Washington Revenues Exclusive of General Business Revenues, i.e., predominately Sales for Resale Revenues and Other Revenues. These are the non-regulated revenues of the Company. Column (G) shows the percentage increase or decrease since 1988 in the revenues in column (F). As shown on line 14, column (F), non-regulated revenues grew at an average annual rate of 10.67% from 1988 through 1995. However, from 1988 through 1998, the average annual increase in non-regulated revenues was 21.48%. The growth in non-regulated revenues has greatly accelerated since 1995.

Column (H) is the Total Washington Administrative and General Expenses ("A&G Expenses") for the years 1988 through 1998. Column (I) shows the percentage increase or decrease since 1988 in the A&G Expenses in column (H). Notice in column (I), line 9, the large increase in A&G Expenses in 1996 and subsequent years. From 1988 to 1998 Avista's A&G Expenses have increased by 121.74%. This figure is also shown on line 15, column (H). While Retail Revenues (regulated revenues) have increased by only 19.58% from 1988 through 1998, total A&G Expenses have increased by 121.74%. Notice on line 15, column (F) non-regulated revenues have increased by 599.69%.

Looking at these statistics, I assume that non-regulated operations are the primary driver behind the large increase in A&G Expenses.

The Graph on page 2 plots the percentage growth since 1988 shown on page 1, columns (E), (G) and (I). Notice that concurrent with the "lift-off," or large increase in non-regulated (or "non-retail) revenues in the 1995-96 period, we also see a major increase in A&G Expenses.

With the Federal deregulation actions, the increase in the non-regulated operations of the Company has skyrocketed and have become a much more significant portion of the Company's overall operations. This raises a concern, because the incentive to subsidize the non-regulated sector of the Company's operations with its regulated operations increases as the non-regulated operations grow.

This phenomenon shows up in varying degrees in my examination of the same data for PacifiCorp and Puget.

PacifiCorp shows an increase in A&G Expenses of 187.40%; while it's regulated revenues have increased by only 36.31% from1988 to 1998. PacifiCorp's non-regulated revenues have increased by 1028.46% over this same period.

The graph on page 4 shows the same "lift-off" in PacifiCorp's non-regulated revenues in the 1995-96 period, accompanied by a large increase in A&G Expenses.

For Puget, the situation is somewhat different. We see the same large increase in non-regulated revenues in recent years and a large increase in A&G Expenses in 1997. However, Puget's A&G Expenses drop back to a "normal" level in 1998.

It should be noted that the Puget reported large decreases and large amounts of negative revenues for Other Operating Revenues for 1995 through 1998. Puget's Sales for Resale continue to grow during this period, but the drop in Other

Operating Revenues offsets, to some extent, the increases in Sales for Resale from 1995 through 1998. I have prepared an exhibit, which compares the growth in A&G Expenses of these three regulated electric utility companies.

Q. Referring you to what has been marked for identification as Exhibit No.______(RLCD-9), with the heading, "Avista Corporation, Three Washington Electric Utilities, Growth in Administrative & General Expenses," is this the exhibit to which you referred?

A. Yes. Of the three electric companies, PacifiCorp shows the largest percentage increase in A&G Expenses. However, PacifiCorp and Puget's A&G Expenses show a decline from 1997 to 1998, while Avista's expenses continue to increase and, in 1998, are 121.74% above their 1988 levels. As I indicated, Puget's A&G Expenses dropped to something resembling normal in 1998, but PacifiCorp's A&G Expenses in 1998 still remain 187.40% above the level of their expenses in 1988.

Q. What do you conclude from this analysis?

A. I conclude that there is clearly a correlation between the growth in non-regulated revenues or non-regulated operations and the growth in A&G Expenses. With this increase comes a strong concern that some of these A&G Expenses are being inappropriately assigned to regulated rather than non-regulated operations.

As shown on my Exhibit No.______(RLCD-3, page 13, column (D), the Company's adjustment P-1, Pro Forma Power Supply, removes $212,502,000 of non-regulated revenues. The adjustment does not remove any amount of A&G

Expenses. Implicit in their adjustment is the assertion that none of their A&G Expenses are associated with non-regulated operations.

If a portion of Avista's A&G Expenses, for the test period, is related to non-regulated operations, then Avista needs to identify those expenses and remove them from their regulated operations. If all of these A&G Expenses are, in fact, related to regulated operations, then the Company needs to explain why they show such a large increase in A&G Expenses; why the growth in their A&G Expenses has grown much more rapidly than those of the major provider of electric service in this state, Puget Sound Energy; and why that increase appears to be concurrent with the large increase in non-regulated operations. In either case, the Company needs to explain the large increases in A&G Expenses. They need to demonstrate the reasonableness of these expenses and demonstrate that the amount of test period expenses was prudently incurred and properly reflect prospective levels of their regulated operating expenses.

Q. What recommendation do you make regarding your analysis of Administrative and General Expenses?

A. Since these increases seem to appear in all three large investor-owned electric utilities in this state and over the same period, I recommend that the Commission initiate an investigation of this matter on a generic basis, and develop additional regulatory oversight of these expenses, if deemed necessary, to insure that the Company's regulated ratepayers are not being charged for non-regulated expenses, and hence, subsidizing non-regulated operations. I believe my analysis clearly supports Mr. Lazar's expressed concerns regarding the growth in A&G Expenses and his proposed adjustments RA-PC-01, Administrative & General Adjustment.

Summary of Adjustments Sponsored by Public Counsel's Witnesses

Q. Would you please summarize the adjustments and position taken by the witnesses for Public Counsel?

A. Yes. I have prepared an exhibit, which summarizes all of the adjustments sponsored by Public Counsel's witnesses.

Q. Referring you to what has been marked for identification as Exhibit No._______(RLCD-10), with the heading, "Summary of Adjustments Sponsored by Public Counsel's Witnesses," is this the exhibit to which you refer?

A. Yes.

Q. Would you please explain the exhibit?

A. Yes. On lines 1 through 13, columns (C) and (E), the exhibit summarizes the Net Operating Income ("NOI") effect, and, in columns (D) and (F), the Rate Base effect of all of the adjustments sponsored by Public Counsel's witnesses. The adjustment numbers and description of the adjustments appear in columns (A) and (B). The first 6 adjustments are sponsored by Mr. Lazar. Adjustment RA-PC-04, "Remove 2% Equity Incentive on Kettle Falls," does not show up in the restating and pro forma adjustment section of Exhibit No.______(RLCD-3). Rather, it is part of the revenue requirement calculation on Exhibit No.______(RLCD-3), page 20, appearing on line 7. As can be seen, some adjustments apply only to the Company's electric operations.

Exhibit No._______(RLCD-10), lines 8 through 12, calculate the net difference in the Pro Forma Depreciation Expense adjustments from the original adjustment proposed by the Company to the amount I calculated as my understanding of the settlement agreement between the WUTC Staff and the Company regarding this issue. Line 13, summarizes the impact of all adjustments sponsored by Public Counsel's witnesses for both Washington Regulated Electric and Gas utility operations.

The bottom of Exhibit No._______(RLCD-10) shows the total revenue deficiency originally asserted by the Company on line 14, the excess revenues identified by the witnesses for Public Counsel appear on line 15, which includes the impact of the recommendations of Mr. Jim Lazar, Mr. Steve Hill, and myself, and the net difference between the Company and Public Counsel on line 16. In other words, the "distance" between the Company and Public Counsel is shown on line 16 as $28.3 million for electric operations and $5.9 million for gas operations, i.e., Avista is higher by those amounts.

Please note that the amounts in columns (C) and (E), lines 1 through 13 are NOI effects. And the amounts on lines 14 through 16 are gross operating revenue amounts.

Again, it is the position of the witnesses testifying on behalf of Public Counsel, that Avista does not show any deficiency in its Washington Electric or Gas utility operations for the test period. I am advised by counsel that Public Counsel may adopt adjustments of the WUTC Staff, ICNU, or other parties. Our final recommendation on Avista's revenue requirement will be presented in the brief.

Even with the limited number of adjustments we present, Avista rates should be reduced, not increased.

Q. Does this conclude your direct testimony?

A. Yes.