Exhibit No. ___(CGK-1T)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-10_____

DIRECT TESTIMONY OF

CLINT G. KALICH

REPRESENTING AVISTA CORPORATION

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V. OTHER KEY MODELING ASSUMPTIONS

Q. Please describe your update to pro forma period natural gas prices.

A. Natural gas prices for this filing are based on a 3-month average from October 1, 2009 to December 31, 2009 of calendar-year 2011 monthly forward prices. Natural gas prices used in the Dispatch Model are presented below in Table No 3.

Table No. 3 – Pro Forma Natural Gas Prices

Basin	2011 $/dth	Basin	2011 $/dth
AECO	6.060	PG&E CITY	6.820
CHICAGO	6.623	RATHDRUM	6.381
CIG	5.968	SJUAN BASIN	6.086
EL PASO	6.166	SOCAL	6.379
MALIN	6.461	STANFIELD	6.381
NECT	6.686	SUMAS	6.479
NWPC RM	5.989	HENRY HUB	6.546

Q. What is the Company's assumption for rate period loads?

A. Rate period loads (January 2011 through December 2011) used in this case are taken from the Company's load forecast completed in July 2009. As this load is generated using "normal weather," it eliminates the need for a weather-normalization adjustment. The Company's latest energy and capacity loads and resources tabulations (L&Rs) are attached in Exhibit No.___(CGK-2). As the L&Rs show, system loads are expected to equal 1,130 aMW in 2011. Removing the 2009 actual (test year) generation from the Clearwater (previously known as Potlatch) cogeneration facility, system loads are 1,077.9 aMW as filed in this proceeding.

Q. Please discuss the availability assumptions for your thermal and gas generating facilities.

A. For baseload generating facilities such as Coyote Springs 2, Kettle Falls Generating Station, and Colstrip, we use a 5-year average through 2009 to estimate long-run

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operating performance. The following table summarizes the average forced outage rates for each of the Company's thermal and gas generation facilities.

Table No. 4 – Equivalent Forced Outage Rates (EFOR) Of Avista Thermal and Gas Plants

Plant	EFOR	Plant	EFOR
Colstrip	9.36%	Rathdrum	5.00%
Coyote Springs	5.07%	Northeast	5.00%
Lancaster	3.00%	Kettle Falls	1.58%
Boulder Park	15.00%	Kettle Falls CT	5.00%

Q. Colstrip had an extended outage in 2009. Would it be reasonable to exclude this single year from the average?

A. No. In the past, various parties have advocated elimination of years where the Colstrip plant had a high forced outage rate, assuming that such years were abnormal and should not be expected to re-occur. This is in fact not the case. The 5-year average of 9.36 percent falls well below the 11.6 percent lifetime plant average. In the 25-year history of Colstrip operations there have been seven years (one event every 3.7 years) where forced outage rates exceed 10 percent. It is therefore not uncommon for some years to have outages like the one experienced in 2009. See Chart No. 1 for a history of forced outages at Colstrip.

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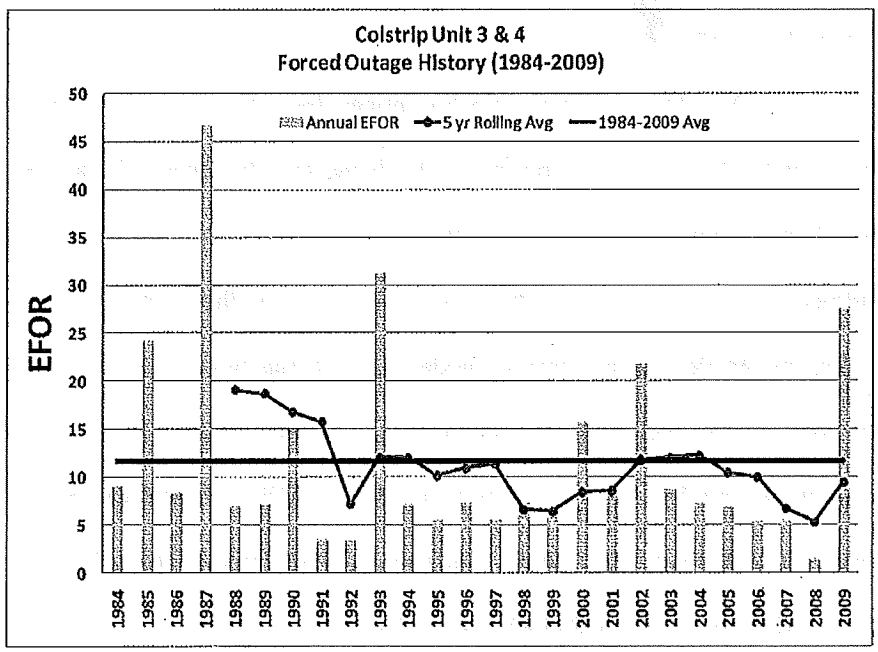
Chart No. 1 – Colstrip Forced Outage History



Q. Please provide a summary of the monthly and average Northwest forward natural gas and electricity prices that directly affect proforma costs.

A. Table No. 5 presents monthly modeled natural gas and electricity prices for this case.

Table No. 5 – Dispatch Model Prices Summary

Month	CSII & Rathdrum Gas ($/dth)	NE/BP/ KFCT Gas ($/dth)	Flat 7x24 Mid-C ($/MWh)	Month	CSII & Rathdrum Gas ($/dth)	NE/BP/ KFCT Gas ($/dth)	Flat 7x24 Mid-C ($/MWh)
Jan-11	6.70	7.02	56.56	Jul-11	6.14	6.44	47.13
Feb-11	6.70	7.02	55.92	Aug-11	6.21	6.50	56.66
Mar-11	6.53	6.84	50.94	Sep-11	6.24	6.54	54.61
Apr-11	6.05	6.34	40.84	Oct-11	6.34	6.64	50.23
May-11	6.01	6.30	32.57	Nov-11	6.64	6.95	56.16
Jun-11	6.07	6.36	32.27	Dec-11	6.98	7.30	62.13
				Average	6.38	6.69	49.66

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Q. Are Mid-Columbia electric prices from the Dispatch Model the same as the Forward Market?

A. No, Mid-Columbia electric prices from the Dispatch Model differ from the forward market for a variety of reasons. This being said, they generally are very close as in this filing. Forward market prices are not only an expectation of future prices, but they contain an adjustment for risk or unknown future conditions, based on the premise you can "lock in" prices. The Dispatch Model is a spot market model that forecasts prices for a specific time in the future given load, hydro, and fuel price conditions. Average annual Mid-Columbia prices in the forward market are $54.90/MWh on-peak and $43.11/MWh off-peak (based on average forwards between 10/1/2009 and 12/31/2009). The average Mid-Columbia price from the Dispatch Model is $54.76/MWh on-peak and $42.83/MWh off-peak.

VI. DEMAND CLASSIFICATION

Q. Witness Knox explains that the Company is changing its methodology for allocating production costs between capacity and energy based on your work. Please explain your concerns with the present methodology and what you propose as a better way to allocate production costs.

A. The historical method to allocate production costs goes through the various FERC accounts and attempts to determine which costs are for demand and which are for energy. As an example, all thermal fuel in FERC account 501 is allocated to energy production, and all "Other" production costs are allocated to demand. Unfortunately, the problem is not this simple. Some of the "Other" costs are almost certainly related to the production of energy and, possibly more surprising to some, various fuel costs can be related to providing capacity (demand).