DAVID J. MEYER
VICE PRESIDENT AND CHIEF COUNSEL FOR
REGULATORY & GOVERNMENTAL AFFAIRS
AVISTA CORPORATION
P.O. BOX 3727
1411 EAST MISSION AVENUE
SPOKANE, WASHINGTON 99220-3727
TELEPHONE: (509) 495-4316
FACSIMILE: (509) 495-8851
DAVID.MEYER@AVISTACORP.COM

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	CASE NO. AVU-E-21-01
OF AVISTA CORPORATION FOR THE	)	CASE NO. AVU-G-21-01
AUTHORITY TO INCREASE ITS RATES	)	
AND CHARGES FOR ELECTRIC AND	)	
NATURAL GAS SERVICE TO ELECTRIC	)	DIRECT TESTIMONY
AND NATURAL GAS CUSTOMERS IN THE	)	OF
STATE OF IDAHO	)	DENNIS P. VERMILLION
	)	

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

I. INTRODUCTION

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

A. My name is Dennis P. Vermillion and I am employed as the President and Chief Executive Officer of Avista Corporation (Avista or Company). In that role I also serve as a member of Avista's Board of Directors. I also serve as the Chairman of the Board of Directors for Avista's subsidiary Alaska Electric Light and Power Company. My business address is 1411 East Mission Avenue, Spokane, Washington.

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

A. Yes. I received a Bachelor of Science degree in electrical engineering from Washington State University in 1985. I started working for Avista in 1985 and have held numerous positions in energy trading, marketing, risk management, power transmission contracting, and resource planning and coordination. I was appointed as President and Chief Operating Officer of Avista Energy in 2001. I was appointed Vice President of Energy Resources for Avista Utilities in 2007 at the close of the sale of Avista Energy. In 2009, I was appointed President of Avista Utilities, and later in January 2018 was appointed President of Avista Corporation and began serving on Avista Corporation's Board of Directors. On October 1, 2019, I was promoted to the role of President and Chief Executive Officer.

I currently serve as a board member for Western Energy Institute (WEI) and American Gas Association (AGA) and the Avista Foundation. I formerly served on the board of Spokane County United Way and was a past chairman of the Spokane County Campaign.

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

A. In my testimony I provide an overview of the Company's proposal in this filing for a Two-Year Rate Plan and address why the Company is filing a general rate case at this time given the COVID-19 pandemic. I summarize the Company's proposal in this filing, and address our continuing capital investment, which continues to be the primary driver behind the Company's most recent general rate cases. I will also discuss the Company's proposal to offset the revenue requirement approved for Rate Year 1 in this case with a Tax Customer Credit, resulting in no bill impact for electric customers, and a reduction in billed rates for natural gas customers, beginning September 1, 2021. Later, I discuss our ongoing focus on cost management and cost efficiencies which have been undertaken to help mitigate the overall rate request, as well as our continued focus on communicating with customers, our overall customer satisfaction, and our customer support programs. Finally, I introduce the other Company witnesses who support this general rate case filing.

A table of contents for my testimony is as follows:

Q. Are you sponsoring exhibits in this proceeding?

A. Yes. I am sponsoring Exhibit No. 1, Schedule 1 which provides a diagram of

Avista's corporate structure, and maps showing Avista's electric and natural gas service areas, including natural gas fields, trading hubs and major pipelines.

II. OVERVIEW OF AVISTA

Q. Please briefly describe Avista Utilities.

A. Avista Utilities serves approximately 392,000 retail electric and 362,000 retail natural gas customers in a 30,000 square mile service territory covering portions of Idaho, Washington and Oregon. As of December 31, 2019 (the Company's test year used in this case), Avista Utilities had total assets (electric and natural gas) of approximately $6.1 billion (on a system basis), with electric retail revenues of $800 million (system) and natural gas retail revenues of $294 million (system). Avista has approximately 1,800 regular and seasonal employees.

Q. Please describe Avista's current business focus for its utility operations.

A. Our strategy continues to focus on our energy and utility-related businesses, with our primary emphasis on the natural gas and electric utility business. Our strategic initiatives are now aligned across four focus areas: our customers, our people, performance, and innovation. We are placing emphasis upon our customer focus as being central to all that we do to ensure our services are safe, responsible, and affordable.

Q. Would you please describe the extent of the service outages experienced by customers in Idaho during the recent major windstorm event on January 2021?

A. On January 13, 2021, the Company experienced near-hurricane-force winds across its service territory that uprooted or snapped a significant number of trees that were blown into our electric transmission and distribution lines, taking them out of service. Not only were the windspeeds extreme but they coincided with conditions where the soil was unfrozen and highly saturated from rains, rendering conditions prime for the uprooting of conifers across our forested service area. Among the damage we experienced was the unprecedented loss of all six of our electric transmission lines serving communities in the Silver Valley. Much of the damage to these lines was in remote areas that were difficult to reach, both for locating the damage and performing repairs. The extent of repairs required to the transmission backbone, combined with extensive damage to our electric distribution lines, along with the major damage that occurred all across our Idaho and Washington service area, created a large and extended outage for many of our Silver Valley and other customers. Avista launched an all-out response to this storm by deploying all 60 of the Company's electric crews, putting on 44 additional crews from electric contractors, and receiving the mutual aid support of 22 electric crews from neighboring utilities. These electric crews were aided in tree removal by 19 vegetation management crews. All customers had their service restored by January 20, 2021. We are very proud of the efforts of our employees and contractors in restoring service and assisting customers in this unprecedented event.

Q. Would you briefly describe efforts the Company is undertaking to drive a better customer experience when working with Avista?

A. Yes. I am very proud of the Company's renewed focus on putting our customers at the center of our business in order to drive a better customer experience. Customer experience is an important concept that we take seriously, as it describes the experiences of our customers when they hear about us or they interact with us directly, via face-to-face interactions, phone calls, texts, online interactions, social media, etc. Customer experience is the sum of all interactions a customer has with Avista – both direct and indirect, and their perception about us (what they see, hear, think, and feel). These interactions may vary depending on who, when, or where they occur and the issue in general. Having clear visibility to each of these interactions will allow us to provide a better customer experience across all our service territories. Therefore, we are putting our customers at the center and building on years of excellent customer satisfaction to provide the customer experience our customers want, when they want it. Illustration No. 1 below provides a summary of how Avista is showing *__care__* for our customers, the *__ease__* with which customers can interact with us, how we continue to build *__trust__*, and the *__ownership__* each and every employee should have for our customers.

__Illustration No. 1 – Customer at the Center__

To effectuate this goal, Avista has been continuing its investment in Customer Facing and Customer Experience technologies, multiyear programs to improve Avista's interaction with all of our customers, and to provide employees a single reference point to meet the needs of our customers. Further information about these investments are described by Company witness Mr. Magalsky.

III. COVID-19 PANDEMIC

Q. Would you please explain why Avista believes filing a general rate case now, during a pandemic, is a wise decision?

A. Yes. As I will discuss in more detail in Section IV of my testimony, the Company has and continues to make significant investments in programs and technology which we believe are necessary as we take Avista into the future, and we need to - at this time - recover these costs from customers. At the same time, we carefully considered the timing of this case, and when a "right time" might be. We believe that now is that time because, as Company witnesses Mr. Thies and Mr. Krasselt will discuss, in 2020 Avista undertook a tax review determining measures it could undertake to mitigate our general rate requests on our customers. As I will detail later, the Company is proposing to fully offset the electric Rate Year 1 increase, and natural gas general rate increases over the Two-Year Rate Plan[1], with these tax benefits, called "Tax Customer Credit". The timing of these benefits, coupled with the recent filing of Avista's federal tax return, in my mind makes now as opportune a time as any to file this case with the Commission.

Q. Generally, what has Avista's response been to the COVID-19 pandemic?

[1] In Rate Year 2, as discussed below, although the natural gas tax credit will reduce natural gas billed rates approximately 1.8% over a 10-year amortization period, the Company also proposes to use an additional customer credit to offset the natural gas Rate Year 2 proposed increase effective September 1, 2022 through August 31, 2023.

A. Avista continues to operate in a manner that sustains focus on critical functions. The policies, procedures and protocols that we developed as we quickly initiated our response to this crisis have served us well. Following guidance from local, state, and the federal government, the CDC and local health organizations, we've reduced public interactions for all of our employees, moved the majority of employees to work from home, closed our buildings to the public, eliminated non-essential work travel, shifted the type of work being done in the field and more. Our approach is working. To date, we have had very few confirmed cases of COVID-19 amongst our employees, our customer service representatives continue to provide attentive and exceptional service to our customers, and we're appropriately staffed to keep the lights on and the natural gas flowing. We're grateful to our employees, customers and communities who have played a role in ensuring we're able to continue this important work safely.

As broader state and national efforts continue to identify how we'll move together toward re-opening, or more "normal" operations, given the rollout of vaccines, we realize we cannot just flip a switch and return to "business as usual." As an essential service provider, we believe we have a unique responsibility to ensure our approach is measured, gradual and strategic.

We're ready for the next phase of response. As we look ahead, many things will stay the same, such as the majority of employees working remotely, while other things may begin to shift. While we remain committed to sustaining our focus on our critical functions, we've been hard at work assessing state guidelines and our projects to identify how we can safely and responsibly continue on with important work that supports our ability to provide our customers with safe, affordable, and reliable electricity and natural gas. This means our teams will continue to be out trimming trees, maintaining natural gas infrastructure, replacing or repairing wood poles, restoring service during recent storms, such as the significant windstorm that hit our service territory in January 2021, supporting construction projects and engaging in other work that can be completed safely.

Q. Has the Company measured overall customer satisfaction during the pandemic?

A. Yes. As I will discuss in more detail later, Avista's recent results from its Voice-of-the-Customer survey resulted in 96 percent satisfied customers for year-end 2020. We are very proud to continue to receive such positive results, even during this very disruptive time period we are in.

Q. What has Avista done during the pandemic to help its customers and communities during the pandemic?

A. The Company has worked hard on a number of fronts to help our customers and communities during the pandemic. I am extremely proud of our quick, thorough, and wide-ranging level of support and activity undertaken at the first moments of this crisis. And I am proud that Avista, now 10 months into the pandemic, is continuing to innovate and find ways to assist our customers, especially our most vulnerable. Provided below are just some of the activities undertaken, in general categories:

<u>Residential Customers</u>

- Suspended collections, disconnections, and requests for deposits;[2]
- Started outbound calls to regular customers who pay in our main lobby to discuss service options;
- Revised/extended residential payment plans, allowing generous plans extending

[2] In Idaho, Avista restarted the collections process on July 28, 2020, with the first disconnections occurring in September 2020. In Oregon and Washington, Avista is operating under a moratorium that prohibits disconnections until April 2021, at the earliest.

out as long as 24 months;

- Applied deposits to account balances, with customer permission;
- Initiated proactive outreach to seniors and disabled customers for rate discount program enrollment, where available;
- Developed a multi-channel communication plan for customers to not only convey empathy, but to provide tools and education regarding resources available to them and our actions taken to keep customers and employees safe as we work in the community; and
- Made technology investments in MyAvista.com and the Company's Integrated Voice Response systems which enhanced self-service and online payment arrangements.

Non-Residential Customers

- As with Residential customers, we suspended collections and disconnections;
- Developed the Small Business Concierge Service Program, where we proactively called small business customers to understand their concerns and needs, offer payment arrangements including application of any deposits to their account balances, offer energy efficiency kits, among other things;
- Led the development of InlandBizStrong.org, a tool for businesses to navigate the pandemic and inform them of federal, state, and regional resources that could help; and
- Virtual Energy Audits offered as a substitute for customers requesting physical audits, as well as virtual inspections for C/I verification of energy efficiency measures.

Community

- Made donations totaling over $1.5 million, including $1 million toward relief from the impacts of COVID-19. Donations include local food banks, propelling employee match dollars through increased employee match rate and annual maximums, early funding for United Way, World Relief for Emergency Health Response Planning, and Drive-In WIFI to rural communities;
- Committed through Avista Foundation to the COVID-19 Northern Idaho and Eastern Washington Community Response Fund hosted by Innovia Foundation;
- Advocated for approximately $900 million in federal LIHEAP funding on behalf of all community action agencies to benefit customers in need;
- Customers and communities are looking to Avista to provide support beyond funding and the role of the 'utility' function. They are seeking advice and counsel

- in navigating through these uncertain times. Team members are engaging with the community and supporting customer requests for collaboration and knowledge sharing of work from home environment, COVID related safety precautions, technology constraints and other community initiatives;
- As a community leader in all of the jurisdictions we serve, we proactively engaged in response and recovery planning with regional leadership; and
- Provided for the early release of administrative funds to CAP agencies to support their vital work.

These are just a number of efforts the Company has undertaken, throughout our service territories, to assist during this crisis, and we are committed to continuing to assist in every way possible as recovery continues to take shape.

Q. Please address how the Company has continued to operate during the pandemic.

A. I am so very proud of each and every member of the Avista team. They have shown a level of resiliency and flexibility throughout, especially because the pandemic has affected them on a personal level, just as with our customers. From the employees who had to start working at home with little notice, while at the same time become de facto educators given school shutdowns, to our crews in the field who willingly put themselves in harm's way to continue to provide our customers with our essential services. Early on there was little known about the spread of the virus, yet our crews willingly accepted that risk, modified their work practices, and delivered for our customers. Today, Avista's leadership team is developing a return to workplan which we will communicate to our employees in the coming months. In the meantime, we have communicated to our employees presently working from home that they would not be required to return to their applicable office earlier than July 1, 2021.

IV. SUMMARY OF GENERAL RATE CASE

Q. Would you please summarize the Company's Two-Year Rate Plan proposal included in this electric and natural gas general rate case filing?

A. Yes. In this filing, the Company is proposing a Two-Year Rate Plan, which would begin with new rates effective September 1, 2021 and September 1, 2022. The Company is proposing a Two-Year Rate Plan to, once again, avoid annual rate cases in its Idaho jurisdiction, providing benefits to all stakeholders. A Two-Year Rate Plan, with base rate increases in 2021 and 2022, would provide benefits to its customers by providing some level of rate certainty over this two-year period; relief to all stakeholders – customers, the Commission and its Staff, intervenors, and the Company - from the administrative burdens and costs of litigation of annual general rate cases; and to Avista by providing a two-year window to manage its business in order to achieve a fair rate of return within known price changes.[3] Further, we have a somewhat unique opportunity to offset much of the impact of the rate case through the use of the Tax Customer Credit, mentioned earlier and discussed in more detail later in my testimony. Finally, the Company filed for, and the Commission approved through settlement a Two-Year Rate Plan in its 2017 general rate case. Avista found that the results were very reasonable, especially because the parties agreed, in settlement, to a reasonable first year revenue requirement.

Q. Please elaborate on the benefits of a reasonable first year revenue

[3] The Two-Year Rate Plan would not preclude tariff filings authorized by or contemplated by the terms of the Power Cost Adjustment (PCA), Purchased Gas Adjustment (PGA), Public Purpose Rider Adjustment (DSM) or similar adjustments. The Company is proposing that the Two-Year Rate Plan also not preclude the Company from filing for rate relief or accounting treatment for major changes in costs not reflected in this filing, such as the potential for increasing corporate tax rates as espoused by the Biden administration, or new safety or reliability requirements imposed by regulatory agencies.

requirement.

A. In any multiyear rate plan, the first-year revenue requirement approved by a commission will persist for each year of the rate plan and is the basis for additional revenue adjustment in year 2 in this case. If the revenue requirement is sufficient for the first year of the plan, and the next year is built off of that revenue requirement, the utility would have a better opportunity to earn its allowed rate of return. But if the first-year revenue requirement is insufficient, that insufficiency will persist, and the utility may not be able to earn its authorized returns during the plan.

Q. Would you please provide an overview of the Company's general rate request?

A. Yes. As discussed by Company witnesses Ms. Andrews and Mr. Miller, the Company is requesting a Two-Year Rate Plan with a Rate Year 1 electric base rate relief of $24.8 million (10.1 percent) and natural gas base rate relief of $0.1 million (0.1 percent), effective September 1, 2021. This is before the effect of the Tax Customer Credit Tariff Schedules 76 (electric) and 176 (natural gas). Table No. 1 below provides the electric bill percentage change.

The Company is also requesting a Rate Year 2 electric base rate relief of $8.7 million (3.2 percent) and natural gas base rate relief of $1.0 million (2.2 percent), effective September 1, 2022. This is before the effect of the Deferred Depreciation Credit Tariff Schedule 177 (natural gas).

Table No. 1 below provides the billed impact of the Company's electric rate request, including the effects of the Tax Customer Credit. Table No. 2 provides the billed impact of the Company's natural gas rate request, including the effects of the Tax Customer Credit in

Year 1 of the Rate Plan, and the Deferred Depreciation Credit offset in Year 2 of the Rate Plan.

Table No. 1 – 2021 and 2022 Electric Billed Percentage Change

Rate Schedule	Description	2021 Billing Change	2022 Billing Change
Residential Service	Schedule 1	0.0%	3.9%
General Service	Schedules 11 & 12	0.0%	3.4%
Large General Service	Schedules 21 & 22	0.0%	3.4%
Extra Large General Service	Schedule 25	0.0%	3.4%
Extra Large General Service 25P	Schedule 25P	0.0%	1.3%
Pumping Service	Schedules 31 & 32	0.0%	3.4%
Street & Area Lights	Schedules 41 - 49	0.0%	3.4%
Total		**0.0%**	**3.5%**

Table No. 2 – 2021 and 2022 Natural Gas Billed Percentage Change

Rate Schedule	Description	2021 Billing Change	2022 Billing Change
General Service	Schedule 101	-1.9%	0.1%
Large General Service	Schedules 111 & 112	-1.5%	0.1%
Interruptible Service	Schedules 131 & 132	0.0%	0.0%
Transportation Service	Schedule 146*	-2.7%	0.1%
Total		**-1.8%**	**0.1%**

** excludes commodity and interstate pipeline transportation costs*

Q. What is the Company's proposed cost of capital?

A. The The Company's electric and natural gas requests are based on a proposed rate of return of 7.3 percent, with a capital structure comprised of 50 percent equity and 50 percent debt, a 4.7 percent cost of debt, and a 9.9 percent return on equity (ROE).

Q. As discussed by Mr. Thies and Ms. Andrews, the Company is proposing to offset the Company's base electric and natural gas rate relief requests with a "Tax Customer Credit." Why is the Company proposing such a credit?

A. The Company felt it was important to find ways to offset base rate increases for our customers during the COVID-19 pandemic. We realize that the Company's request to recover its costs in this case related to providing safe and reliable energy service would have an impact on our customers. As I stated earlier, we understand that our customers have been impacted, and that we have sought to assist in a number of ways. This holds true for this case as well. We desired to find a way to mitigate our request – in effect deferring for a period of time the impact of this rate case on our customer's bills.

Q. Would you please provide more details on what the Company is proposing in this regard?

A. Yes. As discussed further in detail by Company witness Mr. Krasselt, Avista filed with this Commission on October 30, 2020 a Tax Accounting Application requesting authorization to change its accounting for federal income tax expense from a normalization method to a flow-through method for certain plant basis adjustments, including tax Industry Director Directive No. 5 ("IDD #5"), and meters (see Case Nos. AVU-E-20-12 and AVU-G-20-07).[4]

Approval of the Company's application would provide immediate benefits to customers, which Avista is requesting approval to defer, and to begin amortization through separate tariff those benefits concurrent with the effective date of this GRC.[5] As explained further in Ms. Andrew's testimony, approval in all three of Avista's jurisdictions (Idaho, Washington and Oregon) to make this change is required, and any changes need to be adjusted concurrently with a GRC, as the methodology change has significant impact on both tax

[4] As discussed by Mr. Krasselt, IDD #5 relates to mixed services costs that are part of the capitalized book costs of utility property but can be capitalized to inventory and expensed for tax purposes as a cost of goods sold expenditure. The meter accounting method change allows Avista, for income tax purposes, to deduct meter costs instead of capitalizing them if the per unit cost is less than $200.

[5] On December 31, 2020, Commission Staff filed comments supporting the Company's application as filed.

credits and rate base.

The proposed amortization by the Company of the electric tax benefits ($31.3 million), beginning September 1, 2021 through separate "Tax Customer Credit" Tariff Schedule 76 (electric) of $24.8 million, offsets the Company's base electric rate relief requested in its entirety for Rate Year 1 (September 1, 2021) until approximately November 30, 2022. The result is no billed impact to electric customers for the Rate Year 1 increase. Customers would, however, see a bill increase for Rate Year 2, effective September 1, 2022 of 3.5 percent or $8.7 million, as shown in Table No. 1 above.

For natural gas customers, the Company proposes to begin amortizing the natural gas tax benefits ($12.1 million) beginning September 1, 2021 over a 10-year period, through separate "Tax Customer Credit" Tariff Schedule 176 (natural gas) of approximately $1.2 million annually. This would offset the slight increase in Rate Year 1 ($0.1 million) and result in an overall reduction for natural gas customers of approximately 1.8 percent at that time on a billed basis, as shown in Table No. 2 above. In addition, for Rate Year 2, the Company proposes to amortize its "Natural Gas Deferred Depreciation Expense"[6] balance of approximately $0.9 million for one-year effective September 1, 2022 through August 31, 2023, offsetting the proposed $1.0 million increase through Separate "Deferred Depreciation Credit" Tariff Schedule 177. Customers would therefore see an overall slight bill impact effective September 1, 2022 of 0.1 percent.

Q. How is the Company proposing to spread the September 1, 2021 base

[6] The available "Natural Gas Deferred Depreciation Expense" balance of approximately $900,000 is a result of the Company deferring the benefit of reduced natural gas depreciation expense recorded on its books of record, but not yet reflected in its natural gas customer rates, for the period December 1, 2019 through August 31, 2021 (estimated), per Order No. 34276 in Case Nos. AVU-E-18-03 and AVU-G-18-02 (see Stipulation and Settlement at page 9, para. 14).

electric increase to each of the customer rate schedules?

A. The proposed electric increase to each customer rate schedule effective September 1, 2021, is shown in Table No. 3 below.[7]

<u>Table No. 3 – Proposed Percentage Electric Change by Schedule (September 1, 2021)</u>

<u>Rate Schedule</u>	**Increase in Base Rates**	**Increase in Billing Rates with Offset**
Residential Schedule 1	10.1%	0.0%
General Service Schedules 11/12	10.1%	0.0%
Large General Service Schedules 21/22	10.1%	0.0%
Extra Large General Service Schedule 25	10.1%	0.0%
Clearwater Paper Schedule 25P	10.1%	0.0%
Pumping Service Schedules 31/32	10.1%	0.0%
Street & Area Lights Schedules 41-48	10.1%	0.0%
Overall	**10.1%**	**0.0%**

Q. What is the monthly bill change for a residential electric customer with average consumption, in Year 1?

A. After combining the base rate increase with the proposed tax benefit offset, the proposed monthly bill change for a residential customer using an average of 892 kWhs per month is $0.00 per month, or a 0.0 percent change in their electric bill. The present monthly bill for 892 kWhs is $85.63, and that would be unchanged.

Q. How is the Company proposing to spread the September 1, 2021 <u>base</u> natural gas increase to each of the customer rate schedules?

A. The proposed natural gas increase to each customer rate schedule effective Septebmer 1, 2021, is shown in Table No. 4 below.[8]

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[7] Company witness Mr. Miller provides details of the proposed spread of the electric base rate increase, and tax offset to each customer rate schedule.

[8] Company witness Mr. Miller provides details of the proposed spread of the natural gas base rate increase, and tax offset to each customer rate schedule.

Table No. 4 - Proposed Percentage Natural Gas Increase by Schedule (Sept. 1, 2021)

Rate Schedule	Increase in Margin Rates	Reduction in Billing Rates with Offset
General Service Schedule 101	0.1%	-1.9%
Large General Service Schedules 111/112	0.1%	-1.5%
Interrupt. Sales Service Schedules 131/132	0.0%	0.0%
Transportation Service Schedule 146*	0.1%	-2.7%
Overall	**0.1%**	**-1.8%**

** excludes commodity and interstate pipeline transportation*

Q. What is the monthly bill change for a residential natural gas customer with average consumption, in Year 1?

A. After combining the base rate increase with the proposed tax benefit offset, the proposed monthly bill change for a residential customer using an average of 63 therms of natural gas per month would be a reduction of $0.95 per month, or -1.9 percent. The present monthly bill for 63 therms per month is $49.49, and the proposed bill would be $48.54.

Q. How is the Company proposing to spread the September 1, 2022 base electric increase to each of the customer rate schedules?

A. The proposed electric increase to each customer rate schedule effective September 1, 2022, is shown in Table No. 5 below.

Table No. 5 – Proposed Percentage Electric Change by Schedule (September 1, 2022)

Rate Schedule	Increase in Base Rates	Increase in Billing Rates
Residential Schedule 1	3.6%	3.9%
General Service Schedules 11/12	3.2%	3.4%
Large General Service Schedules 21/22	3.2%	3.4%
Extra Large General Service Schedule 25	3.2%	3.4%
Clearwater Paper Schedule 25P	1.2%	1.3%
Pumping Service Schedules 31/32	3.2%	3.4%
Street & Area Lights Schedules 41-48	3.2%	3.4%
Overall	**3.2%**	**3.5%**

Q. What is the monthly bill change for a residential electric customer with average consumption, in Year 2?

A. The proposed monthly bill change for a residential customer using an average of 892 kWhs per month is $3.38 per month, or a 3.9 percent change in their electric bill. The present monthly bill for 892 kWhs is $85.63, and that would increase to $89.01.

Q. How is the Company proposing to spread the September 1, 2022 <u>base</u> natural gas increase to each of the customer rate schedules?

A. The proposed natural gas increase to each customer rate schedule effective Septebmer 1, 2022, is shown in Table No. 6 below.

<u>Table No. 6-Proposed Percentage Natural Gas Increase by Schedule (September 1, 2022)</u>

Rate Schedule	**Increase in Margin Rates**	**Increase in Billing Rates with Offset**
General Service Schedule 101	2.2%	0.1%
Large General Service Schedules 111/112	2.2%	0.1%
Interrupt. Sales Service Schedules 131/132	0.0%	0.0%
Transportation Service Schedule 146*	2.2%	0.2%
Overall	**2.2%**	**0.1%**

** excludes commodity and interstate pipeline transportation*

Q. What is the monthly bill change for a residential natural gas customer with average consumption, in Year 2?

A. After combining the base rate increase with the proposed deferred depreciation benefit offset, the proposed monthly bill change for a residential customer using an average of 63 therms of natural gas per month would be $0.05 per month, or 0.1 percent. The present bill for 63 therms per month is $48.54, and the proposed bill would be $48.59.

V. GENERAL RATE CASE DRIVERS

Q. What are the primary factors driving the Company's requested electric and natural gas revenue increases?

A. As discussed by Ms. Andrews, the primary factors driving the Company's electric and natural gas revenue requirements in Rate Year 1 and Rate Year 2 is an increase in net plant investment (including return on investment, depreciation and taxes, and offset by the tax benefit of interest) from that currently authorized. For Rate Year 1, electric net power supply expenses also contribute significantly to the incremental electric revenue requirement. Other changes impacting the Company's revenue requirement requests relate to increases in distribution, operation and maintenance (O&M), and administrative and general (A&G) expenses for both electric and natural gas operations, compared to current authorized levels.

Q. What are the major components of the increased plant investment included in the Company's request?

A. A breakdown of the incremental electric and natural gas gross plant additions for each year shown in Table No. 7 is as follows:

Table No. 7 – Gross Plant Additions

Gross Plant Additions (000s)			
	Electric		Total Over
Investment	RY1	RY2	2-YR Plan
Generation/Transmission	$ 66,651	$ 47,009	$ 113,660
Distribution	$ 57,053	$ 27,577	$ 84,630
General & Intangible	$ 10,233	$ 5,216	$ 15,449
Total Electric Gross Additions	$ 133,937	$ 79,802	$ 213,739
	Natural Gas		Total Over
Investment	RY1	RY2	2-YR Plan
Distribution	$ 56,961	$ 7,848	$ 64,809
General & underground Storage	$ 8,146	$ 1,545	$ 9,691
Total Natural Gas Gross Additions	$ 65,107	$ 9,393	$ 74,500

The specific 2020 through August 2023 pro forma capital expenditures undertaken by the Company to expand and replace its generation, transmission, distribution and general facilities are discussed further by Company witnesses Mr. Thackston regarding production investment (including the Company's investment in Colstrip Units 3 and 4), Ms. Rosentrater regarding transmission, distribution and general investment, Mr. Kensok regarding the costs associated with Avista's IS/IT projects, Mr. Howell regarding Wildfire Plan investments, Mr. Magalsky regarding customer technology projects, and Mr. Kinney regarding Energy Imbalance Market (EIM) investments.

Company witness Ms. Schultz sponsors the restating and pro forma capital adjustments which incorporate the effects of these capital investments in the determination of the Company's proposed revenue requirements.

Q. What is driving the need for continued capital investment?

A. Exhibit No. 2, Schedule 3 sponsored by Company witness Mr. Thies, is a copy of Avista's "Infrastructure Investment Plan", a plan that provides an overview of our capital investment prioritization process and the six key "investment drivers", which are:

1. Respond to customer requests for new service or service enhancements;
2. Meet regulatory and other mandatory obligations;
3. Replace equipment that is damaged or fails, and support field operations;
4. Replace infrastructure at the end of its useful life based on asset condition;
5. Meet our customers' expectations for quality and reliability of service; and
6. Address system performance and capacity issues.

An explanation of each of these drivers, as well as examples of specific capital projects under these drivers, is provided in the Infrastructure Investment Plan. Mr. Thies provides further details on our capital planning process, which is used to identify and prioritize capital investment, in the appropriate time frame, in a manner that best meets the future needs and expectations of our customers.

Q. Has Avista proposed to update changes in power supply costs, and transmission revenues and expenses?

A. Yes. As discussed in Company witness Mr. Kalich's testimony, the level of Idaho's share of power supply expense effective with Rate Year 1 has increased by approximately $7.1 million ($21.6 million on a system basis) from the level currently included in base rates. This increase in expense is primarily due to the increase in the price of natural gas.[9] In addition, power supply expenses are higher by $3.6 million (of the $7.1 million) as a result of the inclusion of the Palouse and Rattlesnake wind power purchase agreements (PPA), which are currently tracked through the Company's Power Cost Adjustment (PCA). Company witness Mr. Schlect discusses the net changes in the level of Idaho's share of pro forma transmission revenues and expenses that are included in the Rate Year 1 revenue requirement.

Q. Would you please identify the main changes <u>in expenses</u> impacting the Company's filed request?

A. The Company has a series of increases in expenses, included in pro forma adjustments supported by Ms. Andrews. For electric operations, these increases are mainly due, in part, to changes in costs associated with the Company's Wildfire Plan expenses and increases in insurance related to higher premiums, as a result of wildfires across the country. In addition, for both electric and natural gas operations, other increases are a result of increases in labor and benefits, as well as increases in information services/information technology

[9] As described by Mr. Kalich, the average AECO price for the pro forma period in this case is $2.09 per dekatherm, up more than 71 percent from $1.22 per dekatherm in the Company's prior General Rate Case, Docket AVU-E-19-04.

(IS/IT) expenses associated with contractual agreements (necessary to support such costs as cyber and general security, emergency operations readiness, operations support, for example).

VI. COST MANAGEMENT AND EFFICIENCIES

Q. Is Avista continuing to pay particular attention to controlling its costs in order to mitigate the level of price increases to its customers?

A. Yes. We recognize that increases in costs will result in bills that will be more difficult for some of our customers to pay. I can assure you that we are not just sitting on the sidelines as our costs go up. We continue to aggressively manage costs to achieve the appropriate balance in providing safe and reliable service at cost-effective rates, and a high level of customer satisfaction, while preserving the financial health of the utility. We are focused on long-term sustainable savings to continuously improve our service to customers and manage costs into the future. Some of the measures from the last couple of years that we are continuing, are briefly explained below, as well as a number of more recent initiatives.

Q. How is a focus on cost management instilled throughout the organization?

A. I believe that all of us at Avista strive to provide safe, responsible and affordable electric and natural gas service. One way to keep our employees focused on these goals is to have a portion of their compensation be at-risk, payable only with the achievement of certain customer-centered metrics. This at-risk component, in the form of our Short-Term Incentive Plan, keeps our employees focused on:

- <u>O&M Cost per Customer (CPC)</u> - The O&M CPC is a measure that focuses on controlling costs and driving efficiencies in order to keep our costs reasonable for our customers. The metric is based on targeted O&M expense and number of customers. These components are combined to create the O&M CPC metric.

- Customer Satisfaction - This measure is derived from a Voice of the Customer survey, which is conducted each quarter by an independent agency. The rating measures the customer's overall satisfaction with the service they received during a recent contact with the Company's contact center and/or service center.
- Reliability - This measure tracks how quickly the Company restores outages, how frequently customers are affected by outages and what percent of customers experience more than three sustained outages per year. The Company combined three common industry indices in order to balance our focus.
- Response Time – This measure tracks how quickly the Company responds to dispatched natural gas emergency calls. The primary objective is customer and public safety while consistently treating customers the same throughout our service territory.

We believe these metrics are somewhat intertwined in that effective cost management aid in keeping our costs reasonable for our customers, which in concert with reliable service and appropriate response to disruptions in service, results in a positive experience for our customers as measured in part in the Company's Voice-of-the-Customer survey. In the end, we were very purposeful to choose metrics we believe incentivizes our employees to diligently execute cost management and efficiencies throughout the organization, while keeping their focus on safe and reliable electric and natural gas service.

Q. Did Avista achieve its Service Quality Measures Program benchmarks for 2020?

A. The Company is pleased to report we exceeded all six Customer Service

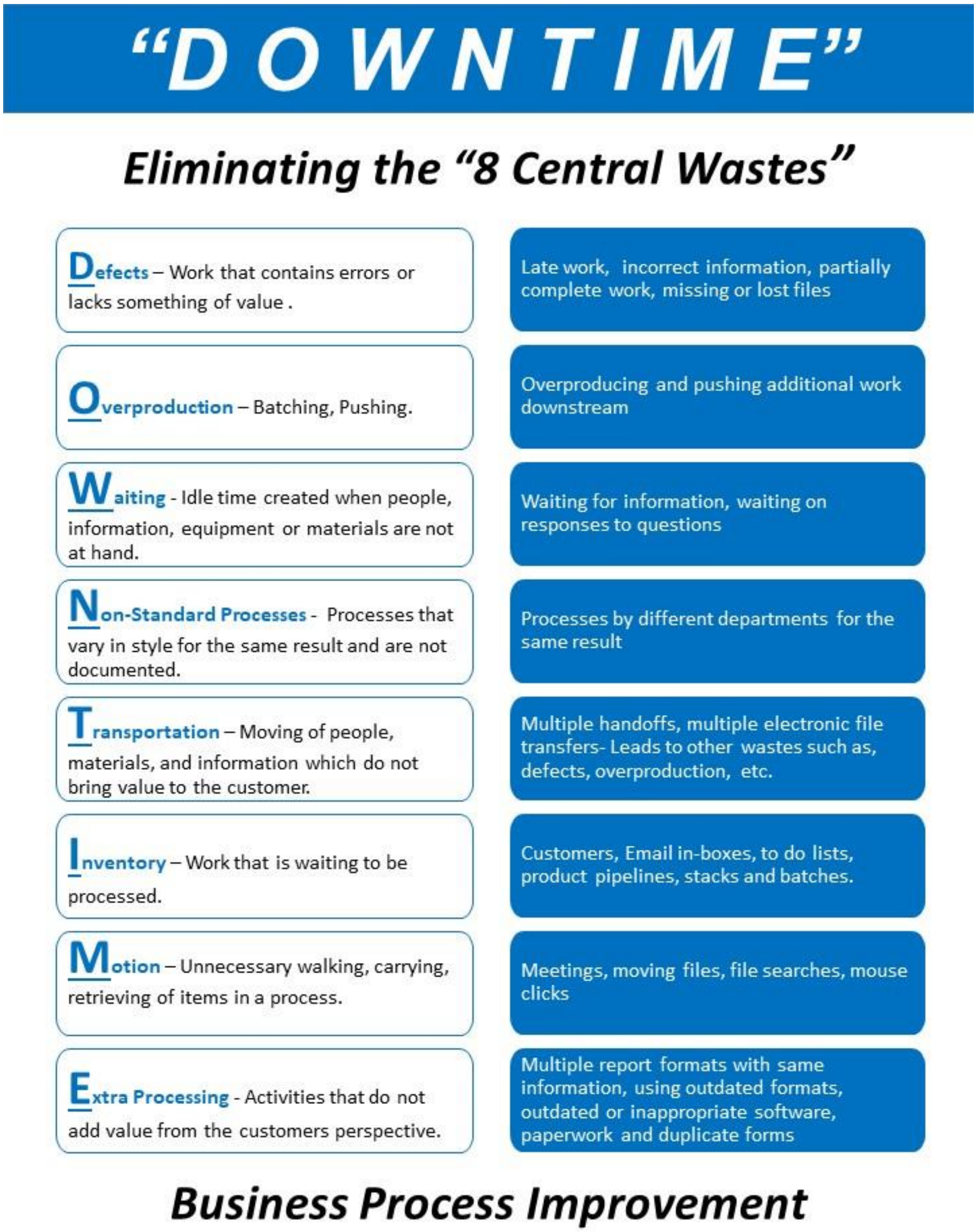
Measure benchmarks for our most recent reporting year in 2019, and noted a continuing relatively stable long-term trend in electric service reliability.[10] Avista experienced a slight decrease in the average occurrence of outages per customer for the year, and a decrease of two minutes in our five-year average for outage duration per customer. Results for Avista's 2019 Customer Service Measures are provided in Company witness Ms. Rosentrater's direct testimony.

Q. Earlier you mentioned continuous improvement. What initiatives has the Company employed in this area?

A. Avista is constantly looking for improvements in the way it provides services to its customers, as well as ways to reduce the costs of those services. Beginning early last decade, Avista has actively engaged in Business Process Improvement (BPI). The goal of BPI is to give our employees the tools that allow for a mindset of continuous improvement through the elimination of waste. In BPI, waste is defined as defects, overproduction, waiting, nonstandard processes, transportation, inventory, motion and extra processing. Illustration No. 2 below shows the "8 Central Wastes" that the tools of BPI are attempting to cure:

[10] Avista annually reports results for its Service Quality programs at the end of April for the prior reporting year. Accordingly, the Company will have complete results for 2020 by April 30, 2021.

Illustration No. 2 – BPI 8 Central Wastes



There are many tools taught to those who have gone through BPI, and it is the intent of the program that graduates will continue the use of those tools and incorporate them into their work areas. In the past, BPI Leader training was a year-long program, with 15 days of training, an additional five-day workshop, and was project management heavy. Given the volume of training and other work constraints, typically only six BPI Leaders were trained in one year.

Q. Has BPI been effective in driving efficiencies?

A. It absolutely has. Between 2016 and 2018, approximately twenty-two projects were deployed throughout the organization. However, what we found was that once a leader was done with a significant project which required a lot of time and effort, graduates tended to revert back to their regular roles without infusing the learning into their work. The heart of BPI is small, incremental improvements, by taking small steps instead of drastic rigorous change. With that in mind, in 2019 the BPI Green Belt was created. In contrast to the traditional BPI program, BPI Green Belt is a three-month program, with four days of training, a three-day workshop, and is project management light. In 2019, 12 Green Belts were trained and completed projects (as opposed to just six BPI candidates that traditionally would have been trained under the old program in one year). Anecdotally, we are seeing the benefit that once the Green Belts are complete, the trained employees are integrating the tools in their daily work.

Q. What other measures has the Company undertaken in recent years to drive cost efficiencies?

A. First, the Company continues to operate under a hiring policy which requires final approvals by the President and CEO, the Chief Financial Officer, and the Vice President for Human Resources for all replacement or new hire positions. In an effort to keep medical office visits down, we offer access to phone or web-based 24/7 telemedicine and we have an on-site medical clinic. In 2017, Avista began offering a self-insured High Deductible Health Plan ("HDHP") in addition to the current self-insured plan. The HDHP requires plan participants to pay all costs of medical care up to defined deductible limits. Over time we expect this plan to result in lower overall medical costs to the Company.

As discussed in greater detail in Avista's 2020 "Infrastructure Investment Plan" sponsored by Mr. Thies, our process to identify and prioritize capital investment is designed to meet the overall need for investment, in the appropriate time frame, in a manner that best meets the future needs and expectations of our customers, in both the short-term and long-term. The Company's practice has been to constrain the level of capital investment each year, such that not all of the prioritized projects and programs will be funded in a given year at the level requested. Avista believes that holding capital spending below the level requested accomplishes several important objectives, including:

- ***Promotes Innovation*** – Encourages ways to satisfy the identified investment needs in a manner that may identify potential cost savings, defer implementation, or other creative options or solutions.

- ***Balances Cost and Risk*** – Captures the customer benefits of deferring needed investments by prudently managing the cost consequences and risks associated with such deferrals.

- ***Efficiently Allocates Capital*** – Ensures that the highest-priority needs are adequately funded in the most efficient and effective way.

- ***Reduces Variability*** – Moderates the magnitude of year-to-year variability to avoid excessive rate impacts, and more efficiently optimizes the number and cost of personnel necessary to carry out the capital projects.

Avista currently has chosen to stabilize the level of annual capital spending at what can be described as a constrained level of approximately $405 million (system), in an effort to accomplish the objectives described above.

The Company's "Work Digitization Effort" prioritized opportunities that have a cost savings potential by digitizing the remaining back office, work processes, inventory or other areas where we might be able to achieve efficiencies. This presented a chance to think about how we might continue to streamline our processes using technology and ultimately create an inventory of opportunities. Avista assembled a team of 40 individuals from across the organization and requested they poll their respective business units for possible ideas to achieve efficiencies and find cost savings. The team collected the ideas and brought them in for review and analysis to determine if they were being addressed in another forum, or if they had merit for future sequencing, planning and implementation efforts. This activity allowed our project planning team an opportunity to ensure that efforts known to create efficiencies were being appropriately sequenced for action. We are continuing to sequence these efforts for planning and implementation as we have funding to do so, and as they make prudent sense to complete.

Another example where the Company has successfully managed its expenses, is related to our Fleet Asset Management Program which includes optimizing our maintenance schedule to reduce repairs and ensure peak performance, idle-reduction programs to reduce fuel consumption, "right-sizing" engines to maximize fuel efficiency and using recycled motor oil.

Finally, the Company's Investment Recovery Department receives materials from the field and inspects these materials for reassignment, reuse, recycling or scrapping. This work in 2019 resulted in a total savings of $586,000 (system). Both of these examples are continuous improvement practices to manage expenses over time.

VII. 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 about a range of subjects through a variety of channels: Avista's website www.myavista.com, electronic and print newsletters, Avista Connect www.myavista.com/Connect, social media, customer forums, one-on-one customer interactions through field personnel and account representatives, bill inserts, direct email, media contacts, group presentations, through our employees' involvement in community, business and civic organizations, and more (of course prior to the pandemic as it relates to in-person meetings). We believe our communications help our customers and the communities we serve to better understand the utility business as well as issues faced by the Company that contribute to their energy rates, such as increased and ongoing infrastructure investment and improvement, environmental mitigation and security.

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 communicate with friends, family and customers. We are finding that once a customer talks with our employees and voice their concerns and receive answers to their questions, their satisfaction level increases. We are also continuing our focus on informing customers of the many programs we offer to aid in managing their energy bills and ensuring that our employees are equipped to engage in these conversations.

VIII. CUSTOMER SATISFACTION

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

A. Our customer service surveys indicate that customer satisfaction remains high. Our overall customer satisfaction from our Voice-of-the-Customer (VOC) surveys for calendar-year 2020 was 96 percent in our Idaho, Washington 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.

IX. CUSTOMER SUPPORT PROGRAMS

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

A. Avista Utilities offers a number of programs for its Idaho customers, such as energy efficiency programs, 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 that COVID-19, in particular, is having on our customers and the affordability of their energy bill. In the 2018/2019 heating season, nearly 17,424 Idaho customers received approximately $4.4 million in various forms of energy assistance (Federal LIHEAP program, Project Share, and local community funds). Some of the key programs that we offer, or support, are as follows:

1. **Project Share.** Project Share is a community fuel fund that is supported by a partnership of utilities and community action agencies; it provides "emergency" energy assistance to qualified households that have exhausted all other energy assistance resources. Avista employees and customers voluntarily donate to Project Share; in 2020 this group donated $78,285 to the program. Additionally, during the same year the Company contributed $71,940 to Project Share, as well as an additional $16,908 campaign match for COVID relief for a total of $88,848 to help individuals stay connected to essential services. In 2020, 545 Avista customers were assisted by Project Share.

2. **Customer Assistance Referral Evaluation Services (CARES) Program.** Avista's CARES Department works with customers experiencing circumstances such as medical crisis, unemployment, family hardships, or other special conditions that may impact the customer's ability to pay their utility bill. CARES works with the customer to connect them with energy assistance, provide specialized payment arrangements, and often delays disconnect to accommodate this process.

3. **Comfort Level Billing.** The Company offers the option for residential 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. **Multiple Payment Methods.** The Company offers a number of no-cost payment methods for residential customers. In addition to making a payment at pay stations, drop boxes, or paying by cash at pay stations or the Company's office, Avista also offers customers online payment through the Company's website whether it is ACH, credit and debit card and pay-by-telephone payment options which provide almost immediate account updating and the customer can make these payments without leaving their home.

5. **Energy Efficiency.** Avista began offering energy efficiency programs to its customers in 1978. These programs pursue all cost-effective energy efficiency and operate within the prevailing market and economic conditions. Recent programs with the highest impacts on energy savings include residential and non-residential prescriptive lighting, residential fuel efficiency, site-specific lighting, and small business projects. Avista energy efficiency programs provide conservation and education options to the residential, low income, commercial, and industrial customer segments. Program delivery includes prescriptive, site-specific, regional, upstream, behavioral, market transformation, and third-party direct install options. Prescriptive programs, or standard offerings, provide cash incentives for standardized products such as the installation of qualifying high-efficiency heating equipment. Prescriptive programs work in situations where uniform products or offerings are applicable for large groups of homogeneous customers and primarily

occur in programs for residential and small commercial customers.

Q. In the Company's last general rate case (Case No. AVU-E-19-04) the Commission approved the development of the Avista Energy Efficiency Assistance Fund (EEAF). Can you please provide a reminder of the purpose of the EEAF?

A. The parties to the Company's last general rate case agreed, as part of the settlement stipulation approved by the Commission, that Avista would establish the EEAF with the purpose of providing additional funding for projects that are not otherwise fully funded through existing energy efficiency incentives, or do not otherwise qualify for traditional energy efficiency funding. The EEAF was funded with approximately $1.6 million, which came from approximately $800,000 related to the AFUDC Equity Tax Deferral[11] and $800,000 Avista shareholder contribution.

How the funds would ultimately be allocated was left to the newly-established EEAF Advisory Group ("Advisory Group"), a stakeholder committee tasked with determining which existing or new programs should receive the funding. Committee members include a representative from Avista, Commission Staff, the Lewiston Community Action Partnership, the Idaho Conservation League, Idaho Forest Group, and Clearwater Paper.

Q. What activities as the EEAF Advisory Group undertaken and which projects have been approved to date by the advisory group?

A. The Advisory Group met four times in 2019. In the first two meetings, the Advisory Group discussed purpose, principles, and operations. Meetings three and four entailed reviewing the first round of submitted project proposals and deciding which projects

[11] Addressed in Case Nos. AVU-E-19-02 and AVU-G-19-01, as ordered in Commission Order No. 34326.

or programs would receive funding.

Q. Did the Advisory Group approve projects for funding?

A. Yes, the Advisory Group approved four programs and/or projects for funding. The first program approved was $250,000 for the Lewiston Community Action Partnership to implement health, safety, and repair measures in single-family residential homes that they currently do not have funding for. Homes that would receive the measures would then be able to go through the Avista low-income weatherization program, which they are unable to do without this new program.[12] The remaining three projects approved were industrial energy efficiency upgrades at Clearwater Paper. The projects would receive a combined maximum funding amount of $428,736 from the EEAF and produce an estimated annual savings of 3,537,012 kWh per year.

Avista filed an update with the Commission on December 29, 2020 related to the progress made with these projects and programs, inclusive of the tracked metrics and will continue to file updates annually until all EEAF funds have been exhausted.

Q. What does the Company expect to take place in 2021 related to the EEAF?

A. The EEAF has approximately $921,264 left to be spent on new projects and programs. The Advisory Group will accept proposals for consideration by the Idaho Forest Group in early 2021 for funding. The Advisory Group will also evaluate the success of the programs and/or projects funded to date and also anticipates soliciting another round of proposals for funding consideration.

[12] This was a joint proposal from ICL/Lewiston CAP.

X. <u>SUMMARY OF WITNESSES</u>

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:

<u>Mr. Mark Thies</u>, Executive Vice President, Chief Financial Officer and Treasurer, will provide a financial overview of Avista Corporation as well as explain our credit ratings and the Company's proposed capital structure and overall rate of return in this case. In brief, he provides information that shows:

1. Avista's plans call for a continuation of utility capital investments in generation, transmission, electric and natural gas distribution systems and technology to preserve and enhance service reliability for our customers, including the continued replacement of aging infrastructure. Capital expenditures of approximately $405 million per year (system) are planned for the five-year period ending December 31, 2024. 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.

2. We are proposing an overall rate of return of 7.30 percent, which includes a 50 percent common equity ratio, a 9.90 percent return on equity, and a cost of debt of 4.70 percent. We believe our proposed overall rate of return of 7.30 percent and the proposed capital structure provide a reasonable balance between safety and economy.

3. Avista's corporate credit rating from Standard & Poor's (S&P) is currently BBB and Baa2 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.

<u>Mr. Adrien McKenzie</u>, as 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:

- To reflect the risks and prospects associated with Avista's jurisdictional utility operations, his analyses focus on a proxy group of 18 utilities with comparable investment risks.
- Because investors' required return on equity is unobservable and no single method should be viewed in isolation, he applies the DCF, CAPM, ECAPM, and risk premium methods to estimate a fair ROE for Avista, as well as referencing the expected earnings approach.
- Based on the results of these analyses and giving less weight to extremes at the high and low ends of the range, he concludes that the cost of equity for the proxy group of utilities is in the **9.4 percent to 10.8 percent** range, or **9.5 percent to 10.9 percent** after incorporating an adjustment to account for the impact of common equity flotation costs.
- As reflected in the testimony of Mark T. Thies, Avista is requesting a fair ROE of **9.9 percent**, which is below the **10.2 percent** midpoint of his recommended range. Considering capital market expectations, the exposures faced by Avista, and 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 ROE for Avista.

Mr. Ryan Krasselt, Vice President, Controller and Principal Accounting Officer, addresses the Company's application[13] filed with the Idaho Public Utilities Commission ("Commission") on October 30, 2020 (Case Nos. AVU-E-20-12 and AVU-G-20-07), requesting authorization to change the Company's accounting for federal income tax expense from the normalization method to a flow-through method for certain plant basis adjustments, including Industry Director Directive No. 5 (IDD #5) and meters. He will specifically address the IRS normalization requirements versus flow-through requirements related to these plant basis adjustments, also referred to as non-protected assets. Avista is currently calculating federal income taxes utilizing the normalization method for the majority of plant-related

[13] The Company has requested in its Tax Accounting Application approval of the change in accounting, and the deferral of benefits, on or before May 1, 2021, to ensure approval from all three jurisdictions is received in time to apply this change and return the customer benefits in each state effective with each general rate case.

temporary book-to-tax differences. He will describe the proposal by Avista to utilize the flow-through method on certain plant basis adjustments, which will provide immediate benefits to customers.

Ms. Elizabeth Andrews, Senior Manager of Revenue Requirements, will generally cover accounting and financial data in support of the Company's Two-Year Rate Plan for the period September 1, 2021 through August 31, 2023. She will explain pro formed operating results, including expense and rate base adjustments made to actual operating results and rate base. In addition, she incorporates the Idaho-share of the proposed adjustments of other witnesses in this case. In addition to discussing the Company's needed rate relief, she will discuss the Company's requests in this case associated with its Wildfire Resiliency Plan ("Wildfire Plan") and discuss the Company's proposal to establish a Wildfire expense balancing account to track wildfire expenses during the 10-year Wildfire Plan. Finally, she will discuss, along with Company witness Mr. Krasselt, the Company's Tax Accounting Application and proposed Tax Customer Credit.

Mr. Kelly Magalsky, Director of Products, Services, and Customer Technology, will provide an overview of the Company's "Customer at the Center" initiative as discussed by Mr. Vermillion, and address the rationale for the projects that we have included in this rate case over the Two-Year Rate Plan.

Mr. Jason Thackston, Senior Vice President of Energy Resources and Environmental Compliance Officer, provides an overview of the Company's recently announced 100 Percent Clean Electricity goal by 2045, carbon neutral electricity supply by the end of 2027, and why it is important to our Company. He will also provide an overview of Avista's resource planning and power supply operations. This overview includes summaries of the Company's current and future resource plans, as well as an overview of the Company's Energy Resources Risk Policy. He will address the generation-related capital projects included in this case, including capital additions associated with the Company's investment in Colstrip Unit Nos. 3 and 4 for the periods 2020 through August 2023. His testimony will conclude with a discussion of the Rattlesnake Flat Wind Power Purchase Agreement.

Mr. Scott Kinney, Director of Power Supply, provides an overview of Avista's evaluation and decision to join the Western Energy Imbalance Market (EIM) operated by the California Independent System Operator (CAISO). He provides an overview of the current cost estimates associated with joining the EIM, including a brief description of Operation and Maintenance Costs (O&M), as well as a detailed description of Capital costs we have included in this rate case over the Two-Year Rate Plan.

Mr. Clint Kalich, Manager of Resource Planning & Power Supply Analyses, will explain efforts the Company has made to simplify its power supply adjustment, providing for better transparency and easy discovery for the Parties and a reasonable level of expense in this case. His testimony will include documentation of the rationale for key inputs and assumptions driving power supply cost values including loads, natural gas and electricity prices, and a comparison to the current level of authorized power supply expense. Finally, he will identify and explain the proposed pro forma adjustments to the 2019 test period power supply revenues and expenses, including the Retail Revenue Credit used in Power Cost Adjustment (PCA) deferral calculations.

Mr. Jeff Schlect, Senior Manager, FERC Policy and Transmission Services, presents Avista's transmission revenues and expenses included in the Company's request for rate relief over the Two-Year Rate Plan effective September 1, 2021 and ending August 31, 2023.

Ms. Heather Rosentrater, Senior Vice President of Energy Delivery and Shared Services, will provide an overview of the Company's electric and natural gas energy delivery facilities, electric reliability trends and areas of focus, and explain the factors driving our continuing investment in electric distribution infrastructure. She will explain how our efforts to maintain the asset health and performance of our electric transmission system, including compliance with mandatory federal standards for transmission planning and operations, is driving a continuing demand for new investment. Further, she will describe why our investments in natural gas distribution are necessary in the time frames completed and why each capital investment in our operations facilities and fleet operations is needed to support the efficient delivery of service to our customers, today and into the future.

Mr. David Howell, Director of Electric Operations and Asset Maintenance, details the Company's response to the increasing threat of wildfires within Avista's service territories by proactively implementing its Wildfire Resiliency Plan. Avista's Wildfire Resiliency Plan reflects the Company's 130-year operating history combined with recent efforts to quantify and respond to the financial, safety-related, and service reliability risks associated with wildfires. Finally, he addresses the incremental costs, both capital and O&M, associated with the Company's Wildfire Plan included in the Company's request for rate relief over the Two-Year Rate Plan.

Mr. James Kensok, Vice President and Chief Information and Security Officer, provides an overview of, and discusses costs associated with, the Company's Information Service/Information Technology (IS/IT) programs, projects and security. These costs are comprised of the capital investments for a range of IS/IT projects that support systems used by the Company, as well as cyber and physical security projects and costs. He explains why our information technology and security investments are necessary in the time frames indicated and why investments in technology are necessary. In addition, he describes the capital additions, and incremental expenses, associated with the Company's IS/IT costs included over the Two-Year Rate Plan.

Ms. Jody Morehouse, Director of Gas Supply, discusses Avista's natural gas resource planning and procurement process, as well as provides an overview of the Company's 2018 Natural Gas Integrated Resource Plan.

Ms. Kaylene Schultz, Manager of Regulatory Affairs, describes the Company's restated twelve-months ended December 31, 2019 net plant from average-of-monthly-averages (AMA) to end-of-period (EOP) adjustment, as well as explain how pro forma capital additions for the period of January 1, 2020 through August 31, 2023 are incorporated into the Company's Two-Year Rate Plan and proposed electric and natural gas revenue requirements.

Ms. Tara Knox, Manager of Regulatory Accounting Initiatives, 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. Joel Anderson, Regulatory Analyst, covers 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. Joseph Miller, Senior Manager of Rates and Tariffs, discusses the spread of the proposed 2021 and 2022 electric and natural gas base revenue increases among the Company's electric and natural gas general service schedules. His testimony will also describe the changes to the rates within the Company's electric and natural gas service schedules and the implementation of the new Tax Customer Credit Rate Schedules 76 and 176 and the new natural gas Deferred Depreciation Credit Schedule 177.

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

A. Yes.