

DAVID J. MEYER
SENIOR VICE PRESIDENT AND GENERAL COUNSEL
AVISTA CORPORATION
P.O. BOX 3727
1411 EAST MISSION AVENUE
SPOKANE, WASHINGTON 99220-3727
TELEPHONE: (509) 495-4316
FACSIMILE: (509) 495-4361

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	CASE NO. AVU-E-04-01
OF AVISTA CORPORATION FOR THE)	CASE NO. AVU-G-04-01
AUTHORITY TO INCREASE ITS RATES)	
AND CHARGES FOR ELECTRIC AND)	
NATURAL GAS SERVICE TO ELECTRIC AND)	DIRECT TESTIMONY
NATURAL GAS CUSTOMERS IN THE STATE)	OF
OF IDAHO)	DON F. KOPCZYNSKI
_____)	

FOR AVISTA CORPORATION

(ELECTRIC AND NATURAL GAS)

1 **I. INTRODUCTION**

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

3 A. My name is Don F. Kopczynski and I am employed as the General Manager of
4 Energy Delivery for Avista Utilities, at 1411 East Mission Avenue, Spokane, Washington.

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

7 A. Yes. Prior to joining the Company in 1979, I earned a Bachelor of Science
8 Degree in Engineering from the University of Idaho. I have also earned a Master's Degree in
9 Business Management from Washington State University and a Master's Degree in
10 Organizational Leadership from Gonzaga University. Over the past 24 years I have spent
11 approximately 14 years in Energy Delivery, managing Engineering, various aspects of
12 Operations, and Customer Service. In addition, I spent three years managing the Energy
13 Resources Department, including Power Supply, Generation and Production, and Natural Gas
14 Supply. More recently, I worked in the areas of Corporate business analysis and
15 development, and served in a variety of leadership roles in subsidiary operations for Avista
16 Corp. I was appointed General Manager of Energy Delivery in 2003. I serve on several
17 boards of directors including the University of Idaho Research Park and the Second Harvest
18 Food Bank.

19 **Q. What is the scope of your testimony?**

20 A. I will provide an overview of the Company's natural gas and electric
21 distribution facilities, operations, and customer programs in Idaho. I will also discuss
22 significant investments being made in the Company's electric transmission system, and

1 describe our continuing focus on vegetation management. Lastly, I will discuss the factors
2 driving the need for the pro forma adjustments proposed in this case for both programs.

3 **Q. Are you sponsoring exhibits in this proceeding?**

4 A. Yes. I am sponsoring Exhibit No. 12, which was prepared under my direction.

5 **II. OVERVIEW OF AVISTA'S ENERGY DELIVERY SERVICE**

6 **Q. Please provide an overview of the customers served by Avista Utilities in**
7 **Idaho.**

8 A. As of December 31, 2003, the Company served 109,315 electric customers
9 and 61,799 natural gas customers in the five northern counties of Idaho. Avista's largest
10 electric customer in Idaho is the Potlatch Corporation's Lewiston facility, with an annual
11 usage of approximately 870 million kWh. The Company anticipates residential and
12 commercial electric load growth to average between 2.0 and 2.5 percent annually for the next
13 four years, primarily due to expected increases in both population and the number of
14 businesses in its service territory. While the number of electric customers is expected to
15 increase, the average annual usage by residential customers is not expected to change
16 significantly. For the next four years, Avista expects natural gas load growth to average
17 between 4.0 and 4.5% annually in its Idaho and Washington service territories. The natural
18 gas load growth is primarily due to expected conversions from electric and oil space heat and
19 electric water heating to natural gas, and increases in both population and the number of
20 businesses in Avista's service territory.

1 **Q. Please describe the Company's electric and natural gas delivery facilities.**

2 A. Avista Utilities operates a vertically-integrated electric system in Idaho. In
3 addition to the hydroelectric and thermal generating resources described by Mr. Storro, the
4 Company has approximately 4,216 miles of lines in the following classes in Idaho: 269 miles
5 of 230 kV transmission, 603 miles of 115 kV transmission, and 3,342 miles of sub-
6 transmission and distribution line at a variety of voltages. The predominant distribution
7 voltage is 13.2 kV. Avista owns and maintains a total of 1,467 miles of natural gas pipelines
8 in the state of Idaho, of which 488 miles are steel and 979 miles are polyethylene.

9 **Q. Please describe the Company's operations centers that support electric**
10 **and gas customers in Idaho.**

11 A. The Company has construction offices in Grangeville, Orofino, Lewiston-
12 Clarkston, Moscow-Pullman, Kellogg, St. Maries, Coeur d'Alene, Sandpoint and Bonner's
13 Ferry, and customer contact center operations in Lewiston and Coeur d'Alene. Avista's four
14 customer contact centers in Coeur d'Alene, Lewiston, Spokane, and Medford, Oregon are
15 networked, allowing the full pool of regular and part-time employees to respond to customer
16 calls in all jurisdictions.

17 **Q. What construction and maintenance programs does the Company have in**
18 **place to maintain gas and electric facilities?**

19 A. Avista Utilities utilizes Company seasonal and regular crews for gas and
20 electric construction, including new and reconstructed lines, damage repair, and connecting
21 new customers. The Company employs contract crews and temporary and part-time
22 employees to meet customer needs during the peak construction season. The company also

1 has several maintenance programs to ensure the reliability of our electric and gas
2 infrastructure, including underground cable replacement, wood pole inspection and
3 replacement, vegetation management, electric transmission line inspection and rebuild,
4 substation inspection, valve and regulator station maintenance, atmospheric corrosion
5 protection, leak survey, and an array of programs directed toward the inspection,
6 maintenance, repair and replacement of specific pieces of gas and electric distribution
7 equipment.

8 **Q. Please explain the customer service programs that Avista provides for its**
9 **customers in Idaho.**

10 A. Avista Utilities offers a number of programs for its Idaho customers such as
11 energy efficiency programs, Project Share for emergency assistance to customers, a CARES
12 program, level pay plans, and payment arrangements. Some of these programs will serve to
13 mitigate the impact on customers of the proposed rate increase.

14 **Q. Please describe Avista Utilities' conservation, or energy efficiency,**
15 **programs.**

16 A. For the past eight years, Avista Utilities' energy efficiency programs in Idaho
17 have provided for the consistent delivery of comprehensive conservation services. Avista
18 Utilities offers energy efficiency services to residential, commercial, and industrial
19 customers. Programs include audits or direct incentives for residential weatherization, high-
20 efficiency furnaces and water heaters, and commercial qualifying gas-efficiency projects. In
21 2003, the American Council for an Energy-Efficient Economy (ACEEE) awarded Avista its

1 "Recognition of Achievement Certificate" for its gas efficiency programs. The ACEEE had
2 recognized Avista's electric HVAC rooftop program with a similar award in 2002.

3 **Q. Please describe the recent results of the Company's Project Share**
4 **efforts?**

5 A. Project Share is a voluntary contribution option allowing customers to include
6 donations that are distributed through community action agencies to customers in need.
7 Avista Utilities has consistently had relatively high per-customer contributions when
8 compared to other utilities with Project Share programs. Avista Utilities customers donated
9 \$320,661 on system basis in 2003 of which \$127,226 was directed to Idaho Community
10 Action Agencies. The Company contributed an additional \$60,000 to Idaho in 2003.

11 **Q. Does the Company offer a bill averaging program?**

12 A. Yes. Comfort Level Billing is the Company's option for customers to pay the
13 same bill amount each month of the year. This allows customers to more easily budget for
14 energy bills and it also avoids higher winter bills. This program has been well-received by
15 participating customers. Approximately 14,000 Idaho customers are on Comfort Level
16 Billing.

17 In addition, the Company's Contact Center Representatives work with customers to
18 set up payment arrangements to pay energy bills. In 2002, 31,773 Idaho customers were
19 provided with over 91,500 such payment arrangements.

20 **Q. Please summarize Avista's CARES program.**

21 A. In Idaho, Avista is currently working with over 750 special needs customers
22 in the CARES (Customer Assistance Referral and Evaluation Service) program. Specially

1 trained representatives provide referrals to area agencies and churches for customers with
2 special needs for help with housing, utilities, medical assistance, etc. In 2002, over 7,300
3 Idaho customers received \$1,700,000 in various forms of energy assistance (Federal LIHEAP
4 program, Project Share, and local community funds). This program and the partnerships we
5 have formed have been invaluable to customers who often have nowhere else to go for help.

6 **Q. What has been Avista's experience with customer service automation?**

7 A. Customers are able to access Avista's Interactive Voice Response (IVR)
8 system for automated transactions such as:

- 9 • Entering their own payment arrangements (52,000 system wide in 2002)
- 10 • Reporting outages and listening to automated outage messages (80,000
11 messages spoken in 2002)
- 12 • Conducting other business such as obtaining account balances and requesting
13 a duplicate bill (over 92,000 customers obtained their account balance in
14 2002).

15 Our goal is to provide convenient options to our customers. The IVR is available 7
16 days a week/24 hours a day. Many customers would rather use automation than speak to an
17 agent. (Over 28% of all callers used the automated system without speaking to a customer
18 service agent in 2002). In addition to customer convenience, we are able to offset labor costs
19 by use of the IVR. In 2002, we would have needed an additional 16 full-time representatives
20 to handle the automated volume (adding as much as \$500,000 in costs). Total call volume
21 (including automated transactions) has gone from one million calls in 2000 to 1.4 million in
22 2003.

23 In addition, Avista's "Net Reps" responded to over four times the amount of e-mails
24 in 2003 compared to 2000, which is an indicator that internet contact is gaining popularity.

1 The number of E-Bill customers has increased three times over 2001. Customers enjoy the
2 easy, convenient options available with this service.

3 **Q. Please provide some examples of Avista's community involvement in**
4 **north Idaho?**

5 A. Our employees have been very active in civic and community activities. For
6 example, recently Company employees:

- 7 • were Bronze Sponsors of the American Cancer Society's 2003 Relay for Life
8 in Coeur d'Alene;
- 9
- 10 • assisted in gathering 3,200 pounds of personal care items for the Coeur
11 d'Alene and Post Falls food bank;
- 12
- 13 • received certificates of appreciation from Habitat for Humanity and the City
14 of Pinehurst; and
- 15
- 16 • were awarded the Business of the Month for October 2003 from the Wallace
17 Chamber of Commerce.
- 18

19 **III. MAJOR TRANSMISSION PROJECTS**

20 **Q. Please briefly describe Avista's Transmission upgrade projects.**

21 A. Avista's transmission plan will add over 100 circuit miles of new 230 kV
22 transmission line to its system and will increase the capacity of another 50 miles of
23 transmission line. Also, Avista is constructing two new 230 kV substations and is
24 reconstructing three existing transmission substations. Related projects at six 230 kV
25 substations are necessary to meet capacity requirements, upgrade protective relaying systems
26 and to meet regional and national reliability standards. In total, Avista will perform work in
27 eleven of its thirteen 230 kV substations or 85% of its system.

1 **Q. What are the most significant projects Avista is undertaking?**

2 A. The most significant projects are described below. Each of these projects are
3 shown on the map in Exhibit No. 12.

- 4 • **Beacon-Rathdrum 230:** Avista is reconstructing 25 miles of transmission
5 line between Rathdrum, ID and Spokane, WA. This project includes
6 reconstructing the Rathdrum 230 kV substation in Idaho.
7
- 8 • **Dry Creek:** Avista is constructing a new 230 kV substation near Clarkston,
9 WA that will enable existing transmission lines to form a ring around the
10 Lewiston, ID and Clarkston, WA area which will serve load and improve
11 reliability by reducing congestion during peak energy flows.
12
- 13 • **Spokane Valley Reinforcement:** Avista is adding 500 MW of 230 kV to 115
14 kV transformation capability to serve customers in eastern Washington and
15 Northern Idaho.
16
- 17 • **Pinecreek Substation:** Avista recently completed the reconstruction of this
18 230 kV facility located in Pinehurst, ID.
19
- 20 • **Palouse Reinforcement:** Avista plans to construct 60 miles of 230 kV
21 transmission line between the Benewah and Shawnee substations to relieve
22 congestion on the existing Benewah-Moscow 230 kV line and to provide an
23 alternant source of power to the Shawnee Substation. The Benewah
24 Substation will be upgraded to increase its capacity and service reliability.
25
- 26 • **Beacon-Bell 230:** Avista is uprating the capacity on these lines from 400 to
27 800 MVA to prevent overloads between Avista and BPA's largest substations
28 in Spokane, WA by reconductoring the existing lines.
29

30 **Q. What are the expected costs of these upgrades?**

31 A. The overall cost of these transmission projects is estimated to be \$100 million.
32 In this filing the Company has included the cost of three projects with near term completion
33 dates. These three projects are Pine Creek 230, Beacon-Rathdrum 230, and Beacon-Bell 230
34 at a system cost estimated to be \$26.3 million. Mr. Falkner has included the Idaho allocated
35 cost of approximately \$9 million in his revenue requirement analysis.

1 **Q. What is Avista doing to minimize the cost and environmental impact of**
2 **these projects?**

3 A. Wherever possible, Avista is committed to upgrading existing transmission
4 lines and using existing corridors rather than building new lines. This reduces the impact to
5 the environment and to property owners and other stakeholders. With regard to substations at
6 Rathdrum, Dry Creek and Boulder, the Company believes it has achieved the right blend of
7 reliability, cost and operational flexibility for now and into the foreseeable future.

8 **Q. Are these projects coordinated with BPA's projects in the region?**

9 A. Yes. In August of 2002, Avista entered into an agreement with BPA known as
10 the West of Hatwai letter agreement. Avista's plan to upgrade its 230 kV facilities supports
11 and enhances BPA's 500 kV project to construct a transmission line between Grand Coulee
12 Dam and Bell Substation in North Spokane. By working together, both Avista and BPA have
13 achieved a least cost plan of service that addresses commercial, load service and regional
14 reliability issues.

15 This plan has been reviewed by peer utilities and approved by other Northwest
16 transmission owners and by utility members of the Western Electricity Coordinating Council
17 (WECC). The Northwest Power Pool Transmission Planning Committee agreed that a
18 blended plan of Avista's and BPA's stand-alone plans was the best plan. Avista and BPA
19 continue to coordinate, plan and schedule construction activities to minimize the security and
20 reliability issues during this transmission expansion phase.

1 **Q. What are the Western Electricity Coordinating Council's and the North**
2 **American Electricity Reliability Council's (NERC) roles in upgrading Avista's**
3 **transmission's system**

4 A. WECC and NERC are the governing bodies that assign the transmission
5 transfer capacity for all cutplanes in the western United States. They also establish planning
6 and operating standards that member systems must adhere to in order to maintain reliability
7 throughout the western interconnection. Avista and BPA are currently working through the
8 WECC three-phase rating process to determine a new transfer limit for the West of Hatwai
9 cutplane. This process demands considerable analysis of how these additions operate in
10 conjunction with the bulk transmission system throughout the western interconnection
11 (western United States as well as a portion of Canada and Mexico).

12 **Q. What is the West of Hatwai cutplane and what is its effect on regional**
13 **reliability?**

14 A. The West of Hatwai cutplane or "transfer path" is identified by WECC as the
15 combination of transmission lines that are crossed by a line drawn from BPA's Grand Coulee
16 Bell 230 kV line corridor extending southward to the Lewiston-Clarkston area encompassing
17 Avista's 230 kV lines to Wanapum (PacifiCorp/Scottish Power) and Oxbow (Idaho Power).
18 It is shown as Path #6 on WECC's map of principal transmission lines. West of Hatwai has a
19 path rating of 2800 MW and is continuously monitored by BPA and Avista to ensure that
20 scheduled and real time power flows do not exceed the path rating. Typically, the generation
21 output of hydropower during the spring runoff combines with light load conditions which
22 increases loading on West of Hatwai up to the path rating. Recent load reductions at Kaiser

1 Mead, Columbia Falls, and the Addy mine have increased loading on these transmission
2 facilities. Avista has deployed numerous short-term operational strategies to maximize the
3 amount of transmission available across the cutplane. Continued reliance on these short-term
4 strategies could have a long-term adverse impact on reliability if Avista and BPA do not
5 construct the planned facilities.

6 **Q. Has Avista used any operational strategies to defer the expansion of**
7 **transmission facilities?**

8 A. Yes. As mentioned earlier, Avista has used several short-term strategies to
9 defer the expansion. These include efforts in demand side management, fuel switching to
10 natural gas, thermally uprating several 230 kV transmission lines, installing numerous
11 thermal relay protection schemes, and operating its 115 kV system in an open, radial system.
12 Under a radial scheme, transmission lines are “sectionalized” by control and communication
13 to specific switches and operating these switches in a normally open configuration. Thus,
14 load can be served from transformers in a manner that if one line section suffers an outage,
15 the outage is isolated to that sectionalized portion of the line. This reduces both the length of
16 the outage and the number of customers effected by the outage. Since February of 2000,
17 Avista radialized its 115 kV network to prevent bulk transfer across that system associated
18 with outages on parallel path 230 kV and 500 kV transmission lines. This has made the 115
19 kV lines primarily a load service system and has created additional capacity and reduced
20 customer outages for most end-use customers. This has reduced transmission losses by 15-20
21 aMW and has increased reliability to customers as well as reducing the amount of time for
22 restoration.

1 **Q. Has the loss of load in the aluminum industry had any impact on Avista's**
2 **transmission projects?**

3 A. Yes. As noted earlier, the loss of the Mead Aluminum smelter load in
4 Spokane combined with the reductions at the Columbia Falls smelter in Columbia Falls,
5 Montana and the Addy Mine Works in Addy, Washington have added significantly to the
6 congestion and potential system overloads across the West of Hatwai cutplane. This loss of
7 load on BPA's system has increased the use of transmission on both BPA's and Avista's
8 networked systems. The existing transmission system was developed to accommodate these
9 large loads in the eastern Washington/northern Idaho/western Montana area. The absence of
10 these large loads has increased the burden on the surrounding transmission network, which is
11 now transferring this power west to the Interstate 5 corridor in western Washington and
12 Oregon.

13 **Q. Have the efforts to form Regional Transmission Organizations affected**
14 **Avista's plans for transmission projects?**

15 A. No. Although Avista is actively engaged in the effort to form a regional
16 transmission organization (RTO), Avista's transmission upgrade plan is required to serve
17 load on Avista's system and is being coordinated with other regional transmission upgrade
18 efforts. Avista is proceeding with its transmission upgrade plan irrespective of RTO
19 development efforts, because there are immediate capacity and reliability issues that must be
20 addressed proactively.

1 **Q. Has Avista involved communities and landowners in these projects?**

2 A. Yes. Avista has a long history of seeking public input when planning and
3 siting transmission lines and substation facilities. The vast majority of community
4 involvement is conducted voluntarily outside the permitting and regulatory process. In fact,
5 Avista believes that incorporating public input enhances these projects.

6 **IV. VEGETATION MANAGEMENT PROGRAM**

7 **Q. Please provide an overview of the Company's vegetation management**
8 **program.**

9 A. Vegetation management, or “tree-trimming,” reduces customer outages,
10 improves safety, and enhances system reliability. Scheduled and ongoing prevention of
11 growing tree limbs making contact with distribution and transmission wires reduces future
12 costs of responding to a series of outages from storm damage. Avista Utilities has a
13 comprehensive and professionally-staffed vegetation management program to ensure facility
14 rights-of-way are maintained in alignment with national utility vegetation management work
15 practices. The program is managed by a system forester, who is also a Certified Arborist and
16 a Certified Utility Specialist, a Forester and a Forestry Field Specialist. The maintenance of
17 rights-of-way is both cycle- and time-based, providing a systematic treatment for all
18 applicable facilities throughout the service territory. The Company's vegetation management
19 approach is integrated, meaning that a variety of management techniques are selected to
20 provide a least-cost treatment for specific sites, based on terrain, line construction and
21 voltage, and customer considerations.

1 **Q. What standards does the Company use to guide the treatment of rights-**
2 **of-way?**

3 A. The Company's vegetation management program operates in compliance with
4 Section 218 of the National Electric Safety Code. Additionally, Avista complies with both
5 ANSI A-300 for Tree Care Operations – Tree, Shrub, and Other Woody Plant Maintenance –
6 Standard Practices, and ANSI Z133.1 – Pruning, Trimming, Repairing and Maintaining, and
7 Removing Trees and Cutting Brush – Safety Requirements. The Company also maintains
8 compliance with all OSHA and State safety and work-practice requirements.

9 **Q. What is Integrated Vegetation Management?**

10 A. Integrated Vegetation Management is the practice of applying a variety of
11 management techniques to move, over the longer term, toward a stable, low-growing plant
12 community that does not interfere with overhead lines, pose a fire hazard, or affect
13 accessibility. This approach involves the forester making an on-site assessment of each
14 circuit as scheduled (i.e. the circuit isn't simply trimmed at its appointed cycle time, but a
15 complete assessment is made to refine the appropriate prescription for treatment application).
16 The assessment includes current vegetation type and composition, vegetation condition, and
17 reviews of environmental requirements, line voltage, type of line construction, line loading,
18 and the criticality of circuit customers (e.g., hospitals, etc.). Specific treatment work is then
19 prescribed, which could include pruning, tree removals, right-of-way clearing, danger-tree
20 removal, and/or application of herbicide or tree growth regulator. The combination of
21 treatments is designed to meet Avista's multiple vegetation management objectives,
22 including reliability, specific customer considerations, and at the least cost.

1 **Q. In addition to Integrated Vegetation Management what efforts has Avista**
2 **Utilities made to drive work-practice efficiencies into the program?**

3 A. In the past several years the Company has moved to make vegetation
4 management programs more efficient through the development of expertise and deployment
5 of strategies using both herbicides, and more recently, tree-growth regulator. Both of these
6 treatments can provide a lower-cost solution than conventional trimming, or more
7 importantly, help manage vegetation where trimming and tree removal are not effective
8 options. The Company has tree trimming contract crews to gain efficiencies. Contract crews
9 have larger and more diverse equipment pools to draw on, achieve efficiency through job-site
10 reporting, can be staffed to follow the seasonal nature of the workload, and keep more of a
11 craft-competency focus. At the same time, contract employees receive the same customer
12 training as Avista employees, generally live in our Idaho and Washington service territories,
13 and have long-term relationships with the Company. The Company has also instituted the
14 use of right-of-way clearing machinery and off-road trimming vehicles, and has varied crew
15 compliment and size to better match the type of work.

16 **Q. Why is vegetation management an important operations program for**
17 **Avista?**

18 A. Effective management of rights-of-way vegetation allows the Company to
19 provide safe and reliable electric service to our customers, at a reasonable cost. Maintenance
20 of appropriate clearances minimizes instantaneous disruptions to customer service, and
21 effective management of “danger trees” in and near the right-of-way reduces the risk of line

1 outage and damage to facilities. Appropriate management of vegetation also protects
2 customers, emergency workers, and Avista line and tree personnel.

3 **Q. What is the advantage of approaching vegetation management on a**
4 **systematic, cycle basis?**

5 A. Setting appropriate cycle times for each circuit reduces costs of maintenance
6 over time. There is an optimal time period for such circuit rotation that we seek to achieve.
7 Importantly, the cycle time is not the same for each circuit, but is tailored to specific
8 conditions, including moisture, soil type, vegetation composition and condition, accessibility
9 and customer considerations. Avista's cycle length ranges from two to eight years, with an
10 average of four years for most residential communities. Throughout the 1990's, when this
11 comprehensive vegetation management program was initiated, efforts focused on
12 "reclaiming" rights-of-way, where tree removal rates averaged 45%. After the initial
13 reclamation, ongoing maintenance costs tend to be lower when applied on a more regular
14 interval. Avista's electric circuits were in very good condition in the late 1990's, from a
15 vegetation management perspective, which allowed the Company to maintain satisfactory
16 levels of customer reliability through the emergency funding reductions that occurred during
17 the difficult financial circumstances faced by Avista, caused by the western energy crisis.

18 **Q. How does the Company's vegetation management program interface with**
19 **customers and the community?**

20 A. Avista actively encourages the planting of compatible trees under power lines
21 as an educational effort to avoid future maintenance costs. We participate in the Idaho
22 Urban and Community Forestry Program as co-sponsors of Arbor Day tree planting grants

1 while promoting responsible tree planting near power lines. We work with towns and cities
2 to remove tall growing trees from under powerlines and replant vegetation with appropriate
3 low growing species. Our System Forester gives educational talks to neighborhood groups,
4 service clubs and professional organizations about vegetation and how to avoid tree-wire
5 conflicts.

6 **Q. Please explain why the Company is proposing an increase in vegetation**
7 **management costs over the costs included in the 2002 test period.**

8 A. As described by Company witnesses Morris and Malquist, the Company
9 entered a period of extreme financial stress beginning in early 2001. All budgets were
10 reviewed for cost reductions. The vegetation management program had benefited from
11 consistent previous attention and some aspects of the 2001 and 2002 cycle-basis could be
12 temporarily deferred without significant consequences to customers' or Company facilities.

13 **Q. What is the proforma adjustment for vegetation management in this**
14 **case?**

15 A. The Idaho jurisdictional adjustment, as included in Mr. Falkner's testimony, is
16 \$1.2 million. In that adjustment we have taken the annual vegetation management projects
17 scheduled for 2004 through 2007, and calculated a levelized amount. The work was broken
18 out between distribution and transmission. We also included an average amount for the work
19 that had been temporarily deferred. The sum of those amounts was ultimately compared to
20 the actual vegetation management expenditures during 2002.

1 **Q. Has Avista's electric system reliability been unduly affected due to the**
2 **short-term reduction in activity and funding levels during 2001 and 2002?**

3 A. No. The Company maintained its vegetation management program in a
4 manner that continued to allow the identification and appropriate response for areas that
5 required immediate attention. The Company's vegetation management program was not
6 eliminated, but temporarily maintained at a lower level which considered appropriate levels
7 of reliability and safety.

8 **Q. Does this conclude your prefiled direct testimony?**

9 A. Yes.