

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-050482

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SUPPLEMENTAL DIRECT TESTIMONY OF

DON M. FALKNER

REPRESENTING AVISTA CORPORATION

1 **I. INTRODUCTION**

2 **Q. Please state your name, business address, and present position with Avista**
3 **Corp.**

4 A. My name is Don M. Falkner. My business address is 1411 East Mission Avenue,
5 Spokane, Washington. I am employed by Avista Corp., doing business as Avista Utilities
6 (“Avista” or “Company”) and my current position is Manager of Revenue Requirements in the
7 State and Federal Regulation Department.

8 **Q. Have you previously filed direct testimony in this proceeding?**

9 A. Yes I have. My pre-filed direct testimony and exhibits in this proceeding covered
10 accounting and financial data in support of the Company's need for the proposed increase in
11 rates.

12 **Q. Why are you filing supplemental direct testimony in this proceeding?**

13 A. A section of my original direct testimony, dealing with a Company accounting
14 proposal associated with our proposal for implementation of Advanced Meter Reading in
15 Washington, was inadvertently omitted from the Company’s original filing. This portion of my
16 testimony was referenced in the direct testimony of David D. Holmes, Exhibit No.__(DDH-
17 1T), starting on page 1 and continuing onto page 2.

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19 **ADVANCED METER READING PROJECT ACCOUNTING PROPOSAL**

20 **Q. As testified by Mr. David Holmes, Avista is introducing a proposal for**
21 **implementation of Advanced Meter Reading (“AMR”) for its Washington customers. Does**
22 **the Company have a proposal for how to account for this project?**

1 A. Yes it does. As was noted by Mr. Holmes, the Company proposes to install AMR
2 devices on all Washington electric and natural gas meters over a six-year period commencing in
3 2006. The project will involve the installation of additional electronics for existing natural gas
4 meters, replacement of electric meters with new solid-state meters, as well as other
5 communication infrastructure, and finally computer hardware and software investment.

6 Due to the multi-year nature of this project, as well as the Company's desire to be able to
7 measure and analyze both the costs and benefits of the entire project, we propose to treat AMR
8 investment costs as an integrated construction project. All capital investment would follow our
9 standard capitalization policy and be capitalized to construction work in progress, FERC account
10 107, until the entire AMR project becomes operational, or used and useful. At that point, the
11 project will be unitized into the appropriate FERC plant accounts, depreciation would begin and
12 the investment would receive rate base treatment in regulatory filings.

13 **Q. Why are you making this an accounting proposal in this filing?**

14 A. There are some segments of the capital investment included in this project,
15 specifically electronic upgrades to existing meters, and/or new meters, that an argument can be
16 made for immediate inclusion in plant-in-service. That would mean earlier inclusion in rate base
17 and initiation of depreciation. However, the actual AMR project would not be completely used
18 and useful, at least as the whole project is defined, until some 6 years or so after the project
19 initially begins. Keeping the capital costs bundled, as a single construction work in progress
20 item, will facilitate easier tracking and analysis of all the aspects of the Washington AMR
21 program. The Company requests approval from the Commission to account for the AMR project
22 as described above. An identical proposal was made and accepted in our Idaho jurisdiction.

1 **Q. Does that conclude your supplemental direct testimony?**

2 **A. Yes, it does.**