Exhibit No. __(DRH-1T)

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-090134

DOCKET NO. UG-090135

DOCKET NO. UG-060518

(consolidated)

REBUTTAL TESTIMONY OF

DAVID R. HOWELL

REPRESENTING AVISTA CORPORATION

I. INTRODUCTION

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

A. My name is David R. Howell. I am employed by Avista Corporation as the Gas Engineering Design Manager. My business address is 1411 East Mission, Spokane, Washington.

Q. Please briefly describe your education background and professional experience.

A. I graduated from Washington State University in December 1992 with a Bachelor of Science Degree in Mechanical Engineering. I have been a registered Professional Engineer in the State of Washington since 1998. Since graduation I have worked as a project engineer and capital project long range planner for both the food processing and aluminum industry. I have worked in the natural gas industry since 2001. I worked for over three years for an interstate pipeline company and was responsible for capital projects, commissioning of capital expansion equipment, and implementation of their Integrity Management Internal Inspection program. I have made a number of presentations to the Western Energy Institute (WEI) regarding internal inspection and integrity management issues. I have been employed by Avista since March 2004 and have served within the natural gas engineering department as a senior design engineer and in my current position as the Gas Engineering Design Manager. As the senior design engineer I was responsible for completion of numerous natural gas capital projects including high pressure pipeline reinforcements, relocations, gate station expansions, system uprates, and regulator station enhancements.

Q. As the Gas Engineering Design Manager, what are your responsibilities?

A. As the Gas Engineering Design Manager, I am responsible for the long range plan, identification, design, and construction of projects related to the safe and reliable operation of the natural gas distribution system. I am directly responsible for the natural gas engineering design team that includes four engineers and two designers. The natural gas engineering design team manages over 125 active projects and is responsible for implementation and updating of design standards, design of all high pressure natural gas systems including piping and regulator stations, uprates to existing systems, installation and modification of gate stations, and material specifications for the design of all natural gas distribution facilities.

Q. Has your position at Avista provided you the opportunity to become familiar with the capital projects discussed below?

A. Yes. I am directly familiar with each of the capital projects discussed below and can testify that each project has already been completed and are in service, with costs that are known and measurable.

Q. What is the purpose of your testimony?

A. In its original filing, the Company pro formed all capital investment expenditures, excluding capital expenditures for customer growth or new revenue, which will be completed and transferred to plant-in-service during the period October 1, 2008 through December 31, 2009. Company witness Mr. DeFelice sponsored direct testimony that described each of the projects and explained how each of the projects will benefit customers.

Staff and the Public Counsel, in their direct testimony, recommend rejection of the Company's proposal. Each of these parties argue that the electric distribution, the natural gas distribution projects and the general plant projects should be rejected because they claim they

violate the known and measurable principle and because the Company failed to recognize any offsetting revenues or costs. Company witness Mr. Norwood addresses these arguments in his rebuttal testimony.

In his rebuttal testimony, Mr. DeFelice reiterates the Company's position that its proposal relating to capital investment recovery provides a proper matching of revenues and costs for rate making purpose. In addition, Mr. DeFelice also provides an alternate proposal that addresses Staff's and Public Counsel's concerns, regarding certain 2009 capital additions. In his alternate proposal, Mr. DeFelice identified six electric distribution projects, four natural gas distribution projects and three general plant projects that were completed and in service by July 31, 2009 (the latest date this data was available). In addition, to address Staff's arguments regarding off-setting factors and to be conservative (i.e. overstate, if anything, any "off-sets"), Avista reduced the costs and rate base associated with this group of assets for any estimated future revenues or cost savings.

My rebuttal testimony will describe three of the four natural gas distribution projects, explain how customers will benefit from these projects and describe the Company's approach to determine any "off-sets" that were used. The fourth natural gas distribution project is described in Mr. DeFelice's rebuttal testimony.

My testimony will show that the rate base additions are known and measurable and any applicable off-sets have been reflected.

II. DESCRIPTION OF CAPITAL PROJECTS

Q. Could you please describe the capital projects related to the Company's natural gas distribution system that Mr. DeFelice used in his alternate proposal?

A. Yes. The three natural gas distribution projects in service from October 1, 2008 through July 31, 2009 that were directly charged to the Washington natural gas operations include the Natural Gas Distribution Non-Revenue Projects, the Nine Mile Gate Station and the Qualchan Reinforcement Project.

The following table summarizes each project and identifies any "off-sets":

Table 1
Natural Gas Distribution Projects Completed October 1, 2008 through July 31, 2009

Project Description	Original Cost	Offset %	Offset Amount	Revised Cost
Gas Distribution Minor Blanket	$717,177	10%	$71,718	$645,459
Nine Mile Gate Station	1,434,184	0%	0	1,434,184
Qualchan Reinforcement	2,414,436	5%	120,722	2,293,714
	$4,565,797		**$192,440**	**$4,373,358**

Q. Please describe the Natural Gas Distribution Non-Revenue Projects.

A. The Company's Natural Gas Distribution Non-Revenue Projects ($645,459) encompasses a range of gas projects that are necessary to maintain and/or improve the operation and/or maintenance of the gas system but are not directly linked to new revenue. These projects are necessary to ensure the continued safe and reliable operation of the gas distribution system. Projects include relocation of main that is exposed or too shallow, relocation of the high-pressure (HP) main, elimination of HP services, installation of excess flow valves to improve customer

safety, installation of meter protection barricades, replacement of isolated steel risers, installation of primary control valves, offsets and relocations related to substantial main repairs, replacement of isolated steel to improve cathodic protection performance, and replacement of obsolete equipment. Additional items include installation of improvements in equipment and/or technology such as odorization controls, telemetry upgrades for monitoring the system operation, installation of pilot line heaters to improve regulator station performance, and modifications to the system to improve operating reliability by looping the distribution piping. The projects completed within this category provide a customer benefit by ensuring the continued safe and reliable operation of the gas system. The projects include some incremental system efficiencies by the reduction in future operation and maintenance costs, however, the Company does not believe the savings will be material in the rate year. However, in order to be conservative, the Company estimated a 10% efficiency factor for Mr. DeFelice's alternate approach, which may well exceed any benefits actually realized during the rate year. As I have already noted earlier, all of these capital expenditures have been spent and are in service.

Q. Please describe the Nine Mile Gate Station project.

A. The Kettle Falls Relocation Project is a two-phased project. The first phase of the project installed a new gate station (Nine Mile Gate Station ($1,434,184)) in early 2009, on the west side of Spokane, to reinforce the existing high pressure (HP) distribution and to feed the future Kettle Falls HP main that will be relocated. Only the first phase of the project was included in Mr. DeFelice's alternate proposal. The second phase of the project, to be completed in late 2009, will relocate approximately 13,000 feet of the existing Kettle Falls HP transmission main. Relocation of the gate station and gas main are necessary to ensure the safe and reliable

operation of the Kettle Falls HP Main (the cost of this second phase is not included in Mr. DeFelice's alternate proposal as a rate base addition).

The original gate station and HP transmission natural gas main to Kettle Falls, WA initiates in north Spokane. When the transmission pipeline and gate station were originally installed in 1966, the area was very rural and installation of the facilities was appropriate. With growth in the north Spokane area the gate station and facilities have experienced significant encroachment. Easements originally acquired were appropriate at the time based on the rural nature of the installed facilities, however with the high density urban construction, maintenance and operation of the facilities poses operating risks to Avista and the public.

The new gate station and pipe will provide a number of customer benefits. First the relocated gate station and main will improve public safety by locating the gate station and pipeline to an area more distant from commercial areas and residential neighborhoods. The HP main was designed and will be installed with an improved margin of operating safety (<20% SMYS Design), improved construction materials, and non-destructive inspection of all girth welds. Secondly, relocation of the gas main eliminates potential expenditures related to mitigation of High Consequence Areas (HCA's) in association with the Transmission Integrity Management Regulation 49 CFR 192, Subpart O. Last, the relocated facilities have been designed to accommodate receipt of increased gas volumes to serve future reinforcements of the Kettle Falls HP Main. Reinforcement of the Kettle Falls line would not have been possible in its existing location.

The Nine Mile Gate Station that was completed in early 2009 and pro formed in Mr. DeFelice's alternate proposal was necessary for the Company to continue to provide safe and

reliable service. The Company will not realize any additional revenue or a reduction of costs; therefore, no efficiencies were built into Mr. DeFelice's analysis for this project.

Q. Please describe the Qualchan Reinforcement project.

A. The Qualchan Reinforcement Project ($2,293,714) completed a required reinforcement to the southeast Spokane area west of Hwy 195 by looping the existing distribution system. The southeast Spokane distribution system experienced low pressures during high system demand in the winter. The area failed the gas planning model on a design day. Growth in the southeast Spokane area had been significant and had reduced Avista's ability to reliably serve gas to its existing customers. The project improved the system delivery pressure and capacity in the southeast Spokane area. An additional realized benefit was the potential for additional customers within the boundary of the reinforcement however; the Company does not believe the additional revenues will be material in the rate year. However, in order to be conservative, the Company estimated a 5% efficiency factor for Mr. DeFelice's alternate approach, which will likely exceed any benefits actually realized during the rate year.

Q. With regard to these capital projects the Company has included in Mr. DeFelice's alternate proposal to determine rate base additions, what has Avista done to address Staff's concerns related to off-sets?

A. In order to be conservative (err on the side of over-stating benefits), the Company analyzed each capital project listed above and employed its best judgment to identify any possible increase in revenues and/or reduction in expenses associated with the capital projects. The Company was liberal in our estimates of the benefits and erred on the side of overstating the benefits in response to Staff's concerns.

Q. Does this conclude your rebuttal testimony?

A. Yes, it does.