

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-10_____

DOCKET NO. UG-10_____

EXHIBIT NO.__(JMK-2)

JAMES M. KENSOK

REPRESENTING AVISTA CORPORATION

**AVISTA UTILITIES
INFORMATION SYSTEMS OPERATING COSTS**

Cost Category: Information Technology Operations

(See also, Exhibit No. ____ (JMK-3), Schedule 1, for additional supporting documentation.)

Pro Forma Amount: \$380,205**Cost Description:**

The most significant increase in the Operations category is the result of additional usage of data and voice networks and changes in telecommunication services. The increased usage supports our customers' access to automated transactions on both the WEB and telephone, e.g., electronic bill payment, outage and restoration information, etc. Additional services include the ability to utilize portable technologies such as cell phones with integrated digital cameras and wireless network connected laptops for mobile dispatching and claims processing. Both of these business processes are automated and result in improved efficiency for field staff and improved customer satisfaction due to faster response times to outages.

Property lease rates for communication facilities have increased significantly. Avista's Mt. Spokane facility increased from approximately \$5,000 to approximately \$73,759 per year. These facilities are the core communication sites for all network traffic that manages Avista's electric and gas infrastructure and field communications. The Open Access Transmission Information System (OATI) costs for transmission scheduling is expected to increase as well.

The expected cost increases will be incurred throughout 2010. Exhibit No. ____ (JMK-3), Schedule 1 includes a detailed work paper listing each line item net increase in cost. The documents represent 2009 and 2010 actual or summary report of invoices paid where they are available.

Timeline:

These operating costs will be incurred by December 31, 2010. (See individual attachments for more details.)

Notes:

- During the course of Avista's pending general rate case, updated information will be available for audit.

**AVISTA UTILITIES
INFORMATION SYSTEMS OPERATING COSTS**

Cost Category: General Expenses

(See also, Exhibit No. ____ (JMK-3), Schedule 2, for additional supporting documentation.)

Pro Forma Amount: \$232,512

Cost Description:

The most significant increases in the general expenses category are the result of new training and technology tools to support the new applications and network that Avista customers and employees depend on to transact business.

Exhibit No. ____ (JMK-3), Schedule 2 includes several invoices conveying the cost of professional training completed in January and February of 2010. Also included is a copy of the training plan for 2010. Once the training is complete, the technology tools will be purchased for the new staff.

Timeline:

These operating costs will be incurred by December 31, 2010. (See individual attachments for more details.)

Notes:

- During the course of Avista's pending general rate case, updated information will be available for audit.

**AVISTA UTILITIES
INFORMATION SYSTEMS OPERATING COSTS**

Cost Category: Software/Hardware Operating and License Fees

(See also, Exhibit No. ____ (JMK-3), Schedule 3, for additional supporting documentation.)

Pro Forma Amount: \$908,545

Cost Description:

The most significant increases in the Software/Hardware Operating and License Fees category is the result of; new software applications, existing maintenance fee increases, and increases in the number of operating licenses over 2009 levels.

New applications such as mobile dispatching for electric crews, requires additional software licenses for crews to access the application. With certain software licenses utilized by the Company, there are annual contract license fee increases. Finally, with the addition of staff, new licenses for the staff to access existing software applications is required to be compliant with the software manufacturers.

For each new critical piece of technology hardware, Avista pays a maintenance fee to ensure that the Company is in compliance with the manufacturer requirements for service of the hardware. The customer benefits by systems they rely on, such as the Web, telephone systems, and meter reading data storage systems. With certain hardware and operating system licenses currently utilized by the Company, there are annual contract license fee increases. The expected cost increases will be incurred throughout 2010.

Exhibit No. ____ (JMK-3), Schedule 3, includes a detailed work paper listing each line item net increase in cost. The documents represent 2009 and 2010 actual or summary report of invoices paid where they are available.

Timeline:

These operating costs will be incurred by December 31, 2010. (See individual attachments for more details.)

Notes:

- During the course of Avista's pending general rate case, updated information will be available for audit.

**AVISTA UTILITIES
INFORMATION SYSTEMS OPERATING COSTS**

Cost Category: Professional Services – Customer and Operating Applications

(See also, Exhibit No. ____ (JMK-3), Schedule 4, for additional supporting documentation.)

Pro Forma Amount: \$1,427,356

Cost Description:

There continues to be exponential growth in the use of Avista automated systems for customers transacting on-line and for Avista to manage its delivery system and mobile workforce.

Exhibit No. ____ (JMK-3), Schedule 4, includes Professional Service Agreements representing contracted services with multiple vendors that Avista depends on to develop software, manage applications, networks and security, in order to deliver on customer expectations. With the increased use of technology, there is a need to increase the staff to support the technology. Avista outsources these functions in order to leverage the technical pool of skills available both in the Spokane market as well as across the country.

These Agreements have various start dates and are renewed on an annual basis except for Hewlett-Packard which runs through 2012. Avista does not anticipate reducing or cancelling any of the attached contracts for several years.

Timeline:

These operating costs will be incurred by December 31, 2010. (See individual attachments for more details.)

Notes:

- During the course of Avista's pending general rate case, updated information will be available for audit.
- Some of the information provided in the supporting documentation is confidential per WAC 480-07-160.

**AVISTA UTILITIES
INFORMATION SYSTEMS OPERATING COSTS**

Cost Category: Professional Services – Network Engineering/Security/Compliance Support
(See also, Exhibit No. ____ (JMK-3), Schedule 5, for additional supporting documentation.)

Pro Forma Amount: \$1,488,757

Cost Description:

The most significant increases in the Professional Services Network Engineering/Security/Compliance Support category are the result of: new staff to engineer and support the new distribution automation network, customer and employee communication network, electric mobile dispatch network, new NERC security compliance and Avista's enterprise business continuity program.

Exhibit No. ____ (JMK-3), Schedule 5, includes a detailed work paper listing each line item net increase in costs. The documents represent 2009 and 2010 actual or summary report of invoices paid where they are available.

Timeline:

These operating costs will be incurred by December 31, 2010. (See individual attachments for more details.)

Notes:

- During the course of Avista's pending general rate case, updated information will be available for audit.
- Some of the information provided in the supporting documentation is confidential per WAC 480-07-160.

**AVISTA UTILITIES
INFORMATION SYSTEMS OPERATING COSTS**

Cost Category: 2011 Operating Cost Increases

(See also, Exhibit No. ____ (JMK-3), Schedule 6, for additional supporting documentation.)

Pro Forma Amount: \$656,775**Cost Description:**

The 2011 expected increases are for professional services and network maintenance/growth costs of \$208,231 and professional services and application software maintenance costs of \$448,544.

The network maintenance and growth cost increases are the result of additional network usage and maintenance and repair fees for new network equipment. These increases are associated with the new distribution automation network, continued roll-out of electric and gas mobile dispatch for trouble work (previously for service work only) and the new Pullman smart meter network.

With these new networks there are new maintenance contracts for equipment such as NetApp storage systems and increased fees for telecomm carriers due to an increase in usage of the networks. Further, the smart meter technology will be implemented in Pullman, WA during 2010. The usage of the new smart meter network will incur monthly charges starting in 2011.

Exhibit No. ____ (JMK-3), Schedule 6, includes a detailed work paper listing the net increase in costs by line item. A new contract with the telecomm carriers and application software and hardware vendor was not available at the time of this filing.

Timeline:

These operating costs will be incurred by December 31, 2011. (See individual attachments for more details.)

Notes:

- During the course of Avista's pending general rate case, updated information will be available for audit.
- Some of the information provided in the supporting documentation is confidential per WAC 480-07-160.