

# **2014 Capital Expenditure Plan Update**

**May 30, 2014**

**Provided Pursuant to Order 09/14  
Dockets UE-120436 & UG-120437/UE-110876 & UG-110877 (Consolidated)**



## **Background**

This report is being provided pursuant to the Washington Utilities and Transportation Commission Order No. 9/14 in Dockets UE-120436 & UG-120437 and UE-110876 & UG-110877 (Consolidated). Paragraph 115 of that Order states:

As to the capital expenditures Avista plans to make in calendar year 2014, the Company must file: (1) its capital expenditure plan for 2014 on or before September 30, 2013; and (2) updates on changes in meeting its capital expenditure plan for 2014 and reports on progress in making such capital improvements on June 1, September 1, and December 1, 2014, respectively, for the previous quarters.

The capital budget for 2013 and 2014 that was approved by Avista's Board of Directors in 2011 reflected a total Company budget for 2013 of \$252 million, and for 2014 of \$258 million. These capital investment dollar amounts for 2013 and 2014 were reflected in Avista's last general rate case<sup>1</sup>, and were part of the foundation for the settlement agreement approved by the Commission in December 2012.

Avista spent approximately \$286 million in 2013. As compared to the \$252 million reflected in our last rate case for 2013, the Company spent approximately \$33.9 million, or 13.5% more than that reflected in our last general rate case.

## **2014 Capital Expenditure Plan Update**

In the previous general rate case<sup>2</sup> the Company included \$258 million of capital investment for 2014. This was the same level of spend that the Company reported in its first 2014 Capital Expenditure Plan filed with the Commission in September 2013.

As reported in the Company's February 27, 2014 Capital Progress Report, in the last quarter of 2013, the Company finalized the 2014 Capital budget and increased the level of capital spend to \$331 million. Since that time, on May 8, 2014, Avista's Board of Directors agreed to increase the Capital budget to \$351 million related to the Company's customer information system.

For the last few years the Company has been in the process of implementing its new Customer Service and Work and Asset Management software system ("Project Compass"). The original in service date or "go live" date for Project Compass was Q3 of 2014, with a total budget of \$80 million. The Company recently announced a later time frame for the launch of Project Compass. The Project Compass Team determined the cause of the schedule change as several complex work activities taking additional time and resources than were allotted in the initial project plan. Therefore, the Project Compass Team requested to increase the capital budget amount to approximately \$98 million. Avista's Board of Directors agreed to increase the amount of

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<sup>1</sup> Included in Exhibit No. \_\_\_ (DBD-2) in Dockets UE-120436 & UG-120437.

<sup>2</sup> Id.

funding for Project Compass for up to an additional \$20 million (or \$100 million total) and extended the completion date to on or before January 2015.

A detailed listing and supporting documentation for the 2014 capital projects<sup>3</sup> was previously provided in the Company's February 27, 2014 Capital Progress Report. Attachment 1 shows the progress through March 31, 2014.

As explained by Company witness Mr. Thies<sup>4</sup>, the Company is making significant capital investments in electric generation, transmission and distribution facilities, and in our natural gas distribution system to better serve the needs of our customers. These investments target the preservation and enhancement of safety, service reliability, and the replacement of aging infrastructure. As further explained by Mr. Thies, there are three primary drivers of the need to increase Avista's level of capital investment, including: 1) the business need to fund a greater portion of the departmental requests for new capital investments that in the past have not been funded; 2) the need to capture investment opportunities and benefits identified by our asset management capabilities; and 3) a continued focus on controlling the increase in operation and maintenance (O&M) spending through prudent capital investment.

The current planned 2014 capital investment of \$351 million is higher than the \$258 million included in the prior general rate case for 2014.

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<sup>3</sup> This information was provided in the Company's 2014 general rate case, Dockets UE-140188 & UG-140189, Exhibit Nos.\_\_(DBD-4) and (DBD-5). The projects included in the general rate case relate to transfers to plant in 2014, whereas, the capital budget amounts discussed above relate to actual spend in 2014.

<sup>4</sup> Dockets UE-140188 & UG-140189, Exhibit No.\_\_(MTT-1T), starting at page 4, line 17.

# **ATTACHMENT 1**

## **2014 Capital Expenditure Progress**



Capital Expenditures by Business Case  
March 2014

Business Case	YTD Actual	Annual Budget
Clark Fork Settlement Agreement	711,399	12,569,822
Environmental Compliance	18,606	250,001
Hydro Safety Minor Blanket	-	65,001
Spokane River License Implementation	332,209	2,902,001
<b>Total Environmental</b>	<b>1,062,215</b>	<b>15,786,825</b>
Aldyl A Replacement	1,237,506	16,452,197
Gas Cathodic Protection Program	54,623	800,003
Gas Chase Rd Gate Stn and HP Main Project	1,733,177	5,400,068
Gas Deteriorated Steel Pipe Replacement Program	150,589	800,006
Gas Isolated Steel Replacement Program	380,211	2,598,336
Gas N Spokane Hwy 2 HP Main Reinforcement Project	-	99,928
Gas N-S Corridor Greene St HP Main Project	3,087	-
Gas Non-Revenue Program	1,041,537	5,600,013
Gas Oakland Bridge HP Main Gas Project	5,654	279,992
Gas Overbuilt Pipe Replacement Program	52,729	900,003
Gas PMC Program	376,412	1,000,002
Gas Regulator Stn Replacement Program	117,886	600,001
Gas Reinforcement Program	40,794	1,000,001
Gas Replacement Street and Highway Program	901,367	4,500,012
Gas Spokane St Bridge IP Main Project	1,943	-
Gas Telemetry Program	38,674	400,001
<b>Total Gas</b>	<b>6,136,189</b>	<b>40,430,563</b>
2019 Peaking Resource	-	500,001
Base Load Hydro	234,635	1,149,002
Base Load Thermal Plant	487,250	2,200,002
Cabinet Gorge Automation Replacement	-	99,002
Cabinet Gorge Unit 1 Refurbishment	144,662	5,200,001
Colstrip Thermal Capital	793,367	7,205,250
Coyote Springs LTSA	199,605	711,000
CS2 Capital Improvements	150	-
CS2 Inlet Air Sys	-	500,001
Generation Battery Replacement	-	100,001
Kettle Falls Water Supply	16,439	850,001
KFGS Ash Collector	32,148	907,001
Little Falls Plant Upgrade	2,209,374	9,700,000
Long Lake Replace Field Windings	-	1,572,001
Mech Shop 3 Ton Crane	-	154,000
Nine Mile Rehab	3,196,275	21,505,001
Noxon Rapids Turbine Replacement	42,973	-
Noxon Spare Coils	-	1,350,001
Peaking Generation	49	500,003
Post Falls South Channel Replacement	163,641	8,294,001
Regulating Hydro	98,153	2,833,001
<b>Total Generation</b>	<b>7,618,721</b>	<b>65,329,270</b>
New Revenue - Growth	9,655,845	33,170,535
Lewiston Mill Road Sub	788,811	1,950,001
<b>Total Growth</b>	<b>10,444,656</b>	<b>35,120,536</b>
AFM COTS Migration	-	1,750,000
AvistaUtilities.com and AvaNet Redesign	405,395	940,000
CSS Replacement	7,997,270	27,741,268
Enterprise Business Continuity Plan	134,035	482,000
Enterprise Security	311,968	2,183,311
High Voltage Protection for Substations	222,511	799,977
Microwave Refresh	248,636	1,407,391
Mobility in the Field	83,028	570,000
Next Generation Radio Refresh	454,853	4,145,207
RTCCS Refresh	(28)	-
Technology Expansion to Enable Business Process	720,349	3,835,572
Technology Refresh to Sustain Business Process	4,023,374	13,862,243
Transmission Outage Management	-	300,001
<b>Total ET</b>	<b>14,601,392</b>	<b>58,016,970</b>
Apprentice Training	754	60,001
Capital Tools & Stores Equipment	387,783	1,936,502

**Capital Expenditures by Business Case  
March 2014**

<b>Business Case</b>	<b>YTD Actual</b>	<b>Annual Budget</b>
Clinic Expansion Project	2,171	-
COF Long-Term Restructuring Plan	3,028	2,000,002
Dollar Rd Service Center Addition and Remodel	793	-
Fleet Budget	34,315	5,585,504
Franchising for WSDOT	41,808	265,001
HVAC Renovation Project	1,379,054	7,000,002
Jackson Prairie Storage	64,117	500,000
Structures and Improvements/Furniture	264,015	3,353,301
<b>Total Other</b>	<b>2,177,836</b>	<b>20,700,313</b>
Battery Storage Grant	-	-
Clearwater Sub Upgrades	487,001	2,000,000
Colstrip Transmission	9,855	368,888
Dist Grid Modernization	949,796	9,700,019
Distribution Line Protection	-	250,000
Distribution Minor Rebuild	1,775,295	8,300,012
Distribution Transformer Change-Out Program	1,492,180	4,700,001
Distribution Wood Pole Management	3,044,526	9,900,011
Elec Replacement/Relocation	196,967	2,300,008
Harrington 4 kV Cutover	4,901	1,000,001
Meter Minor Blanket	238,399	-
Moscow 230 Sustation Rebuild	841,639	2,653,235
Noxon Switchyard Rebuild	35,643	2,525,001
Primary URD Cable Replacement	53,621	1,000,009
S Region Voltage Control	-	2,500,002
SCADA - SOO & BUCC	177,685	1,090,499
Segment Reconductor and FDR Tie Program	415,649	3,454,380
Smart Grid Demonstration Project	(6,150)	525,000
Smart Grid Workforce Training Grant - DOE	10,656	-
Spokane Electric Network	350,077	2,299,701
Spokane Smart Circuit	21,145	-
Spokane Valley Transmission Reinforcement	68,409	3,400,003
Storms	979,128	3,300,011
Substation - 115 kV Line Relay Upgrades	7,218	1,000,001
Substation - Asset Mgmt. Capital Maintenance	1,186,402	4,100,012
Substation - Capital Spares	500,678	3,550,000
Substation - Distribution Station Rebuilds	681,730	5,680,082
Substation - New Distribution Stations	65,478	1,396,665
T&D Reimbursable	(51,110)	-
Transmission - Asset Management	36,790	1,315,002
Transmission - NERC High Priority Mitigation	25,275	1,900,001
Transmission - NERC Low Priority Mitigation	-	250,001
Transmission - NERC Medium Priority Mitigation	6,318	1,693,005
Transmission - Reconductors and Rebuilds	(189,724)	11,446,748
Tribal Permits and Settlements	103,369	495,193
Westside Rebuild	482	-
Worst Feeders	563,893	1,499,924
<b>Total T&amp;D</b>	<b>14,083,221</b>	<b>95,593,415</b>
<b>Subtotal Capital Expenditures</b>	<b>56,124,230</b>	<b>330,977,892</b>
Project Compass Additional Spend <sup>1</sup>		20,000,000
<b>Total Capital Expenditures</b>	<b>56,124,230</b>	<b>350,977,892</b>

<sup>1</sup> Additional Spend was approved by Avista's Board of Directors on May 8, 2014 and was not included in the March 31, 2014 results. It has been included here, in order to represent the total budget going forward.