



August 29, 2014

Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive S.W.
P.O. Box 47250
Olympia, Washington 98504-7250

Attention: Mr. Steve King, Executive Director & Secretary

RE: **Compliance Filing**- Avista Corporation – Dockets UE-120436 & UG-120437/UE-110876 & UG
110877 (consolidated)

In Order No. 9/14 in the above referenced dockets, at Paragraph 115, the Commission stated:

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.

Please find enclosed for filing with the Commission the original and twenty copies of Avista's "2014 Capital Expenditure Plan Update" report.

Please direct any questions on this matter to Liz Andrews at 509.495.8601.

Sincerely,

Kelly Norwood
Vice President, State & Federal Regulation

Enclosures
cc: Service list

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COMMISSION

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served the Compliance Filing in the Washington Electric and Gas General Rate Case Filing (UE-120436 et al), by mailing a copy thereof, postage prepaid to the following:

<p>Steven King Executive Director & Secretary Washington Utilities and Trans. Comm. 1300 S. Evergreen Park Dr. SW Olympia, WA 98504-7250 sking@utc.wa.gov</p>	<p>Simon J. ffitc Lisa Gafken Senior Assistant Attorney General Public Counsel Section 800 Fifth Avenue, Suite 2000 Seattle, WA 98104-3188 simonf@atg.wa.gov</p>
<p>Mark Vasconi Washington Utilities and Trans. Comm. 1300 S. Evergreen Park Dr. SW Olympia, WA 98504-7250 mvasconi@utc.wa.gov</p>	<p>Ronald L. Roseman Attorney At Law 2011 14th Avenue East Seattle, WA 98112 ronaldroseman@comcast.net</p>
<p>Chuck Eberdt The Energy Project 3406 Redwood Ave. Bellingham, WA 98225 Chuck_Eberdt@opportunitycouncil.org</p>	<p>Donald T. Trotter Washington Utilities & Trans. Comm. 1400 S. Evergreen Park Dr. SW Olympia, WA 98504-0128 dtrotter@utc.wa.gov</p>
<p>Chad Stokes Tommy Brooks Cable Huston Benedict Haagensen & Lloyd LLP 1001 SW Fifth Avenue, Ste 2000 Portland, OR 97204-1136 cstokes@cablehuston.com tbrooks@cablehuston.com</p>	<p>S. Bradley Van Cleve Melinda J. Davison Davison Van Cleve, P.C. 333 S.W. Taylor, Suite 400 Portland, OR 97204 bvc@dvclaw.com mjd@dvclaw.com mail@dvclaw.com</p>
<p>Edward A. Finklea Executive Director Northwest Industrial Gas Users 326 Fifth Street Lake Oswego, OR 97034 efinklea@nwigu.org</p>	<p>Nancy Hirsh NW Energy Coalition 811 – 1st Avenue, Suite 305 Seattle, WA 98104 nancy@nwenergy.org</p>
<p>Tom Schooley Washington Utilities and Trans. Comm. 1300 S. Evergreen Park Dr. SW Olympia, WA 98504-7250 tschooley@utc.wa.gov</p>	
<p>Todd D. True Kristen Boyles Amanda Goodin NW Energy Coalition 705 Second Avenue STE 203 Seattle, WA 98104 ttrue@earthjustice.org</p>	

I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 29th day of August 2014.



Karen Schuh
Sr Regulatory Analyst, Rates & Tariffs

2014 Capital Expenditure Plan Update

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August 29, 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 case¹, 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 case² 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 approximately \$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

¹ Included in Exhibit No. ___ (DBD-2) in Dockets UE-120436 & UG-120437.

² Id.

approximately \$98 million. Avista's Board of Directors agreed to increase the amount of funding for Project Compass for up to an additional \$20 million (or \$100 million total). The completion date has been extended to the first quarter of 2015.

A detailed listing and supporting documentation for the 2014 capital projects³ was previously provided in the Company's February 27, 2014 Capital Progress Report. Attachment 1 shows the progress through June 30, 2014.

As explained by Company witness Mr. Thies⁴, 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.

³ 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.

⁴ Dockets UE-140188 & UG-140189, Exhibit No.__(MTT-1T), starting at page 4, line 17.

**Capital Expenditures by Business Case
June 2014**

Clark Fork Settlement Agreement	2,581,724	12,569,822
Environmental Compliance	35,041	250,001
Hydro Safety Minor Blanket	4,796	65,001
Spokane River License Implementation	823,606	2,902,001
Total Environmental	3,445,167	15,786,825
Aldyl A Replacement	4,736,599	16,452,197
Gas Cathodic Protection Program	132,942	800,003
Gas Chase Rd Gate Stn and HP Main Project	1,890,116	5,400,068
Gas Deteriorated Steel Pipe Replacement Program	669,348	800,006
Gas Isolated Steel Replacement Program	777,007	2,598,336
Gas Ladd Canyon Gate Station	11,333	-
Gas N Spokane Hwy 2 HP Main Reinforcement Project	-	99,928
Gas N-S Corridor Greene St HP Main Project	4,439	-
Gas Non-Revenue Program	2,887,461	5,600,013
Gas Oakland Bridge HP Main Gas Project	27,371	279,992
Gas Overbuilt Pipe Replacement Program	245,266	900,003
Gas PMC Program	741,071	1,000,002
Gas Regulator Stn Replacement Program	257,685	600,001
Gas Reinforcement Program	434,618	1,000,001
Gas Replacement Street and Highway Program	2,237,500	4,500,012
Gas Spokane St Bridge IP Main Project	3,887	-
Gas Telemetry Program	108,963	400,001
Old Hwy 95 Relocation	803	-
Total Gas	15,166,409	40,430,563
2019 Peaking Resource	-	500,001
Base Load Hydro	353,998	1,149,002
Base Load Thermal Plant	1,107,206	2,200,002
Cabinet Gorge Automation Replacement	-	99,002
Cabinet Gorge Unit 1 Refurbishment	1,379,347	5,200,001
Colstrip Thermal Capital	2,602,603	7,205,250
Coyote Springs LTSA	324,936	711,000
CS2 Capital Improvements	(7,879)	-
CS2 Inlet Air Sys	-	500,001
Generation Battery Replacement	-	100,001
Kettle Falls Water Supply	33,315	850,001
KFGS Ash Collector	770,524	907,001
Little Falls Plant Upgrade	4,310,486	9,700,000
Long Lake Replace Field Windings	-	1,572,001
Mech Shop 3 Ton Crane	-	154,000
Nine Mile Rehab	8,404,085	21,505,001
Noxon Rapids Turbine Replacement	42,986	-
Noxon Spare Coils	32,227	1,350,001
Peaking Generation	980	500,003
Post Falls South Channel Replacement	1,473,153	8,294,001
Regulating Hydro	346,172	2,833,001
Total Generation	21,174,140	65,329,270
New Revenue - Growth	20,984,840	33,170,535
Lewiston Mill Road Sub	1,389,752	1,950,001
Total Growth	22,374,592	35,120,536
AFM COTS Migration	-	1,750,000
AvistaUtilities.com and AvaNet Redesign	564,234	940,000
CSS Replacement	18,537,720	27,741,268
Enterprise Business Continuity Plan	255,330	482,000
Enterprise Security	794,796	2,183,311
High Voltage Protection for Substations	317,339	799,977
Microwave Refresh	534,139	1,407,391
Mobility in the Field	295,411	570,000
Next Generation Radio Refresh	1,379,209	4,145,207
RTCCS Refresh	(1,348)	-
Technology Expansion to Enable Business Process	1,822,232	3,835,572
Technology Refresh to Sustain Business Process	7,194,639	13,862,243
Transmission Outage Management	-	300,001

**Capital Expenditures by Business Case
June 2014**

	Total ET	31,693,701	58,016,970
Apprentice Training		1,507	60,001
Capital Tools & Stores Equipment		1,198,217	1,936,502
Clinic Expansion Project		2,171	-
COF Long-Term Restructuring Plan		167,870	2,000,002
Dollar Rd Service Center Addition and Remodel		925	-
Fleet Budget		2,250,072	5,585,504
Franchising for WSDOT		74,425	265,001
HVAC Renovation Project		3,313,919	7,000,002
Jackson Prairie Storage		141,781	500,000
Structures and Improvements/Furniture		518,902	3,353,301
	Total Other	7,669,790	20,700,313
Battery Storage Grant		-	-
Clearwater Sub Upgrades		807,914	2,000,000
Colstrip Transmission		99,909	368,888
Dist Grid Modernization		3,166,491	9,700,019
Distribution Line Protection		18,786	250,000
Distribution Minor Rebuild		3,843,484	8,300,012
Distribution Transformer Change-Out Program		2,411,115	4,700,001
Distribution Wood Pole Management		6,260,338	9,900,011
Elec Replacement/Relocation		735,030	2,300,008
Harrington 4 kV Cutover		9,890	1,000,001
Meter Minor Blanket		249,334	-
Moscow 230 Substation Rebuild		1,555,535	2,653,235
Noxon Switchyard Rebuild		512,062	2,525,001
Primary URD Cable Replacement		254,703	1,000,009
S Region Voltage Control		-	2,500,002
SCADA - SOO & BUCC		557,092	1,090,499
Segment Reconductor and FDR Tie Program		867,164	3,454,380
Smart Grid Demonstration Project		79,458	525,000
Smart Grid Workforce Training Grant - DOE		21,338	-
Spokane Electric Network		1,178,561	2,299,701
Spokane Smart Circuit		33,458	-
Spokane Valley Transmission Reinforcement		814,569	3,400,003
Storms		1,563,806	3,300,011
Substation - 115 kV Line Relay Upgrades		16,924	1,000,001
Substation - Asset Mgmt. Capital Maintenance		2,081,448	4,100,012
Substation - Capital Spares		1,293,667	3,550,000
Substation - Distribution Station Rebuilds		2,377,886	5,680,082
Substation - New Distribution Stations		222,700	1,396,665
T&D Reimbursable		411,833	-
Thornton 230 kV Switching Station		1,848	-
Transmission - Asset Management		1,140,267	1,315,002
Transmission - NERC High Priority Mitigation		244,096	1,900,001
Transmission - NERC Low Priority Mitigation		409,117	250,001
Transmission - NERC Medium Priority Mitigation		357,457	1,693,005
Transmission - Reconductors and Rebuilds		2,086,801	11,446,748
Tribal Permits and Settlements		164,108	495,193
Westside Rebuild		963	-
Worst Feeders		935,734	1,499,924
	Total T&D	36,784,887	95,593,415
Project Compass Additional Spend ¹		-	20,000,000

¹ 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.