

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

AVISTA CORPORATION's

Pipe Replacement Program Plan

DOCKET PG-160292

ORDER 01

ORDER APPROVING AVISTA  
CORPORATION'S PIPE  
REPLACEMENT PLAN FOR 2015-17

**BACKGROUND**

- 1 On December 31, 2012, the Utilities and Transportation Commission (Commission) issued its Policy on Accelerated Replacement of Pipeline Facilities with Elevated Risk (Policy Statement).<sup>1</sup> As required by the Policy Statement, each investor-owned gas pipeline utility company filed a Master Plan for replacing pipe that represents an elevated risk of failure in 2013.
- 2 The Policy Statement also requires each investor-owned gas pipeline utility company to file a pipeline replacement plan (PRP) every two years for replacing pipe that represents an elevated risk of failure, beginning June 1, 2013.<sup>2</sup> Each company's plan must include:<sup>3</sup>
- 1) a Master Plan for replacing all facilities with an elevated risk of failure;
  - 2) a Two-Year Plan that specifically identifies the pipe replacement program goals for the upcoming two year period; and, if applicable,
  - 3) a Pipe Location Plan for identifying the location of pipe or facilities that present an elevated risk of failure.

Each Plan must also: (1) target pipe or facilities that pose an elevated risk of failure; (2) be a measured and reasonable response in relation to the elevated risk without unduly

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<sup>1</sup> Docket UG-120715 (December 31, 2012).

<sup>2</sup> *Id.* ¶ 43. Subsequent PRP filings should be filed by June 1 every two years thereafter (*i.e.*, June 1, 2015, 2017, 2019, etc.).

<sup>3</sup> *Id.* ¶ 42.

burdening ratepayers, and (3) be in the public interest.<sup>4</sup> Finally, each Plan should contain a section analyzing its impact on rates.<sup>5</sup>

3 Companies seeking to recover costs must simultaneously file a proposed CRM with their Plan. The CRM must document costs invested to replace elevated-risk pipe, use a normalized accounting treatment, and include an operations and maintenance offset.<sup>6</sup>

4 On May 29, 2015, Avista Corporation (Avista or Company) filed with the Commission its “Two-Year Plan for Managing Select Pipe Replacement in Avista Utilities’ Natural Gas System” (2015 Two-Year Plan). The Company seeks an order from the Commission approving its 2015 Two-Year Plan. The expected level of capital investment each year was used to derive a corresponding revenue requirement, which was allocated by rate class to determine the level of rate impact for the customers in each class. Those years where costs are already included in rates will have no new incremental rate impact.

5 Avista identified three types of facilities located in Washington posing an elevated risk of failure: vintage Aldyl-A polyethylene mains,<sup>7</sup> PE service piping where it transitions to rigid steel service tees, and isolated steel, which historically may or may not have had adequate cathodic protection.

6 Avista’s 2015-2017 Two Year Plan is materially unchanged from its 2013-2015 Two Year Plan, so the Company was not required to file an updated Master Plan. Avista’s Plan also indicates that a Pipe Location Plan is not warranted because the Company knows where its elevated risk pipe is located. Because Avista classifies this pipe as higher risk pipe, this pipe is on a priority replacement schedule.

7 Commission Staff (Staff) reviewed the Company’s filing and concluded that Avista’s 2015 Two-Year Plan includes all items required by the Commission’s Policy Statement. Staff agrees that the Company has such a very small amount of unknown pipe in its system that a Pipe Location Plan is not required. Avista is on schedule to remediate identified elevated risk pipeline facilities according to their Plan filed on May 31, 2013. Overall, Staff finds that the Company’s 2015-2017 Two Year Plan is substantially

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<sup>4</sup> *Id.* ¶¶ 44-56.

<sup>5</sup> *Id.* ¶ 55.

<sup>6</sup> *Id.* ¶¶ 63-76.

<sup>7</sup> Pre-1984 manufacture and pre-1987 installation mains, which are susceptible to slow crack growth.

unchanged from its initial 2013-2015 Two Year Plan, is consistent with the Commission's Policy Statement, and adequately addresses all known elevated risk pipeline facilities in Washington. Accordingly, Staff recommends the Commission approve Avista's 2015 Two-Year Plan.

### **DISCUSSION**

8 The Commission approves Avista's 2015 Two-Year Plan. We agree with Staff that the Company's 2015 Two-Year Plan is consistent with our Policy Statement. The Commission commends Avista for continuing its proactive approach to identifying elevated risk facilities and implementing a cost-efficient replacement program.

### **FINDINGS AND CONCLUSIONS**

- 9 (1) The Washington Utilities and Transportation Commission is an agency of the state of Washington vested by statute with the authority to regulate the rates, rules, regulations, and practices of public service companies, including natural gas companies.
- 10 (2) Avista Corporation is a natural gas company and a public service company subject to Commission jurisdiction.
- 11 (3) Avista Corporation filed its 2015 Pipeline Replacement Plan with the Commission on May 29, 2015.
- 12 (4) Avista's 2015 Two-Year Plan is reasonable and measured approaches to replace pipeline facilities with an elevated risk of failure.

### **ORDER**

#### **THE COMMISSION ORDERS:**

- 13 (1) Avista Corporation's 2015 Two-Year Plan is approved.
- 14 (2) Avista Corporation should file an updated Pipeline Replacement Plan for 2017-19 no later than June 1, 2017.

DATED at Olympia, Washington, and effective April 7, 2016.

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**DAVID W. DANNER, Chairman**

**PHILIP B. JONES, Commissioner**

**ANN E. RENDAHL, Commissioner**