

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DOCKET NO. UE-14 _____

DOCKET NO. UG-14 _____

EXHIBIT NO. ____ (DBD-5)

DAVE B. DEFELICE

REPRESENTING AVISTA CORPORATION

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Base Load Hydro

ER No: 4147
ER Name: Base Hydro

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$4,596¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|-------|
| 2013 | 903 | | | | | | | 3 | | -249 | | | 1,149 |
| 2014 | 1,000 | | | | | | | | | | | | 1,000 |
| 2015 | 1,000 | | | | | | | | | | | | 1,000 |
| 2016 | 1,000 | | | | | | | | | | | | 1,000 |

Business Case Description:

This program is to cover the capital maintenance expenditures required to keep these plants operating within 90% of their current performance. The program will focus on ways to maintain compliance while maintaining reasonable unit availability. These plants are the Upper Spokane River plants, including Post Falls, Upper Falls, Monroe Street and Nine Mile.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



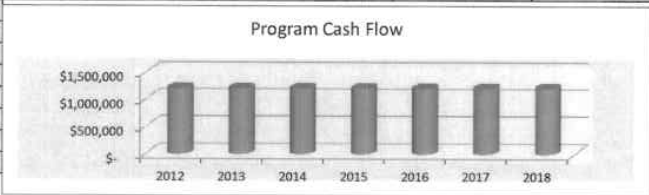
Capital Investment Business Case

| | | | |
|--------------------------------|------------------------|--|---|
| Investment Name: | Base Load Hydro | Assessments: | |
| Requested Amount | \$1,200,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 10 Year Program | Strategic: | Generating Fleet Modernization |
| Dept., Area: | GPSS | Operational: | Operations require execution to perform at current levels |
| Owner: | Andy Vickers | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Jason Thackston | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 89 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|---|--|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This program is to cover the capital maintenance expenditures required to keep these plants operating within 90% of their current performance (this assumes some degradation of performance over time.) The program will focus on ways to maintain compliance and reduce overall O&M expenses while maintaining a reasonable unit availability. These plants are the Upper Spokane River Plants. These include PF, UF, MS, NM | This program would systematically upgrade various equipment to improve | \$ 1,200,000 | \$ - | \$ - | 10 |

| | | | | | |
|---|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo : | n/a | \$ 645,000 | \$ - | \$ - | 16 |
| Alternative 1: Brief name of alternative (if applicable) | Current Unit availability has been declining over the past several years (see graph below). Status quo would anticipate a continuation of this general decline. This is due to the relative lower priority of these plants when contrasted to other generating assets. | | | | |
| Alternative 1: | Fund this program at something above the historical amount would result in some improvement but would continue the declining rate of availability | \$ 750,000 | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 2: | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3: | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

| | | | | |
|---------------------------|--|---------------------|--------------------|---------------------|
| Program Cash Flows | Associated Ers (list all applicable): | | | |
| 2012-2016 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved |
| Previous | \$ 310,000 | \$ - | \$ - | \$ 310,000 |
| 2012 | \$ 1,200,000 | \$ - | \$ - | \$ 1,149,000 |
| 2013 | \$ 1,200,000 | \$ - | \$ - | \$ 1,149,000 |
| 2014 | \$ 1,200,000 | \$ - | \$ - | \$ 1,149,000 |
| 2015 | \$ 1,200,000 | \$ - | \$ - | \$ 1,149,000 |
| 2016 | \$ 1,200,000 | \$ - | \$ - | \$ 1,149,000 |
| 2017 | \$ 1,200,000 | \$ - | \$ - | \$ 1,149,000 |
| 2018 | \$ 1,200,000 | \$ - | \$ - | \$ 1,149,000 |
| Future | \$ 1,200,000 | \$ - | \$ - | \$ - |
| Total | \$ 9,910,000 | \$ - | \$ - | \$ 8,353,000 |



Mandate Excerpt (if applicable):
Within this program, there are some FERC and NERC mandated items that are included. These are expected to be managed as part of the overall program and are not considered as individual items here.

Additional Justifications:
The historical availability for the base load hydro plants has been declining over the past ten years due to deteriorating equipment and a need to replace some equipment and systems that are very old. The age of these plants (Post Falls 105 yrs old, Nine Mile 103 years old, and Upper Falls 90 years old) also create some issues due to the band aid investments that have been made over the years to address immediate problems rather than a programmatic approach as indicated by this program.

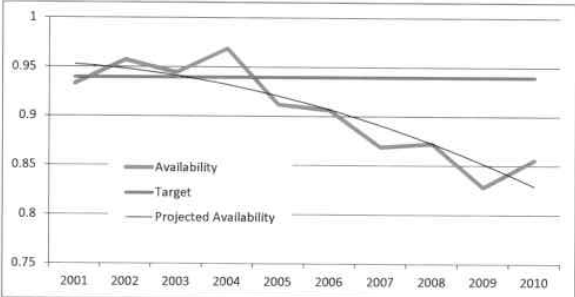
Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|---|--|---|------------------|---|--|
| Internal Labor Availability: | <input checked="" type="checkbox"/> Low Probability | <input checked="" type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



Capital Investment Business Case

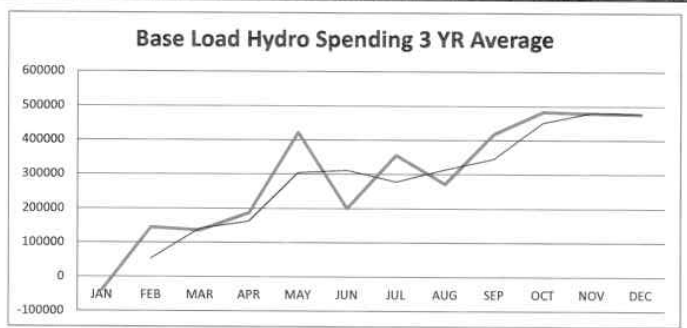
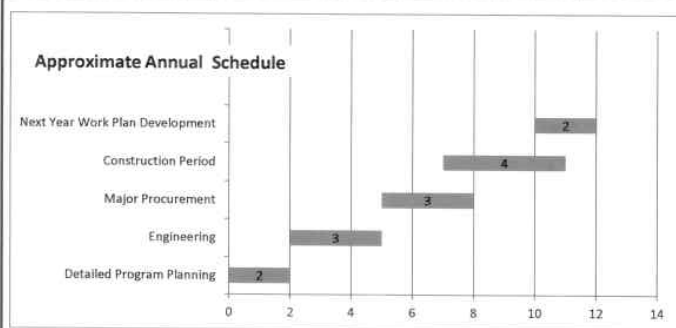
| Key Performance Indicator(s) | |
|-----------------------------------|-------------------|
| Expected Performance Improvements | |
| KPI Measure: | Unit Availability |



Prepared signature *[Signature]*

Reviewed signature *[Signature]*
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager



To be completed by Capital Planning Group

| | | |
|------------------------|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Clark Fork Settlement Agreement

ER No: ER Name:

6100 Clark Fork License/Compliance

6103 Clark Fork Implement PME Agreement

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$50,217¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-----|-----|-----|-----|-------|-----|-----|-----|-----|-----|-----|--------|
| 2013 | 1,719 | | | | | | | 66 | 157 | 34 | | 211 | 1,251 |
| 2014 | 10,830 | 42 | 47 | 722 | 740 | 4,951 | 101 | 107 | 757 | 766 | 748 | 736 | 1,110 |
| 2015 | 7,081 | 25 | 28 | 451 | 461 | 465 | 59 | 63 | 471 | 477 | 466 | 459 | 3,654 |
| 2016 | 21,946 | 54 | 69 | 535 | 568 | 572 | 100 | 115 | 555 | 584 | 561 | 542 | 17,690 |

Business Case Description:

Implementation of Protection, Mitigation and Enhancement (PM&E) programs. License is issued to Avista Corporation for a period of 45 years, effective March 1, 2001, to operate and maintain the Clark Fork Project No. 2058. The License includes hundreds of specific legal requirements, many of which are reflected in License Articles 404-430. These Articles derived from a comprehensive settlement agreement between Avista and over 20 other parties, including the States of Idaho and Montana, various federal agencies, five Native American tribes, and numerous Non Governmental Organizations. We are required to develop, in consultation with the Management Committee, a yearly work plan and report, addressing all PM&E measures of the License. In addition, implementation of these measures is intended to address ongoing compliance with Montana and Idaho Clean Water Act requirements, the Endangered Species Act (fish passage), and state, federal and tribal water quality standards as applicable. License articles also describe our operational requirements for items such as minimum flows, ramping rates and reservoir levels, as well as dam safety and public safety requirements.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|-------------------------|-------------------------------------|--|---|
| Investment Name: | Clark Fork Settlement Agreement | Assessments: | |
| Requested Amount | \$12,569,817 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 45 Year Program | Strategic: | Other |
| Dept., Area: | Environmental | Operational: | Operations require execution to perform at current levels |
| Owner: | Tim Swant (Mgr), Bruce Howard (Dir) | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Marian Durkin | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 174 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|-------------|---------------|----------|-------------|---------------------|
| Recommend Program Description: Implementation of Protection, Mitigation and Enhancement (PM&E) programs. License is issued to Avista Corporation for a period of 45 years, effective March 1, 2001, to operate and maintain the Clark Fork Project No. 2058. The License includes hundreds of specific legal requirements, many of which are reflected in License Articles 404-430. These Articles derived from a comprehensive settlement agreement between Avista and over 20 other parties, including the States of Idaho and Montana, various federal agencies, five Native American tribes, and numerous Non Governmental Organizations. We are required to develop, in consultation with the Management Committee, a yearly work plan and report, addressing all PM&E measures of the License. In addition, implementation of these measures is intended to address ongoing compliance with Montana and Idaho Clean Water Act requirements, the Endangered Species Act (fish passage), and state, federal and tribal water quality standards as applicable. License articles also describe our operational requirements for items such as minimum flows, ramping rates and reservoir levels, as well as dam safety and public safety requirements. | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| | | \$ 12,569,817 | \$ - | \$ - | 4 |

| | | | | | |
|---|-------------|--------------|----------|--------------------------|---------------------|
| Annual Cost Summary - Increase/(Decrease) | | | | | |
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Program: If the PM&Es are not funded, there is potential for penalties/fines, new license requirements or alternative enforcement and higher mitigation costs, and/or loss of operational flexibility of the hydro facilities; in addition, we are subject to direct enforcement or lawsuits regarding the settlement. | n/a | \$ - | \$ - | From Moderate to Extreme | 20 |
| | | \$ - | \$ - | \$ - | 0 |
| | | \$ - | \$ - | \$ - | 0 |
| | | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|---------------|----------|-------------|---------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 5 years of costs | | | | | 6103 6100 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | \$ - | \$ - | \$ - | \$ - | | | | | |
| 2012 | \$ - | \$ - | \$ - | \$ 5,728,500 | | | | | |
| 2013 | \$ 5,348,751 | \$ - | \$ - | \$ 5,475,220 | | | | | |
| 2014 | \$ 12,569,817 | \$ - | \$ - | \$ 12,569,817 | | | | | |
| 2015 | \$ 18,760,951 | \$ - | \$ - | \$ 18,760,951 | | | | | |
| 2016 | \$ 13,410,790 | \$ - | \$ - | \$ 13,410,790 | | | | | |
| 2017 | \$ 15,056,504 | \$ - | \$ - | \$ 15,056,504 | | | | | |
| 2018 | \$ 5,139,269 | \$ - | \$ - | \$ 5,139,269 | | | | | |
| Total | \$ 50,090,309 | \$ - | \$ - | \$ 55,945,278 | | | | | |

Mandate Excerpt (if applicable):
Article 401. The licensee shall comply with the terms and conditions of this license in accordance with the Clark Fork Settlement Agreement (CFSA) (License Application Volume III) Entered into January 28, 1999, in addition to the articles set forth within the FERC project 2058-014

Additional Justifications:
The CFSA establishes processes and includes measures for resolving a wide range of complex and conflicting areas of interest to 27 various parties. Under this agreement, Avista will work with a Management Committee comprised of one representative of each of the parties to implement the PM&E measures.

Resources Requirements: (request forms and approvals attached)

| | | |
|--|--|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input type="checkbox"/> Medium Probability <input checked="" type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |

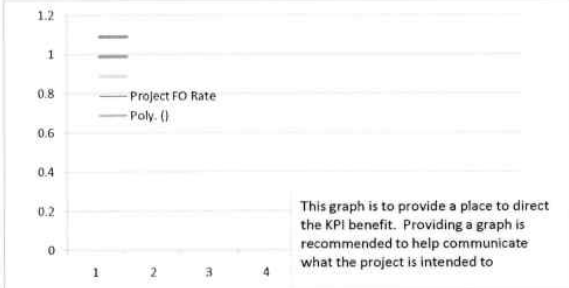
Capital Program Business Case



Key Performance Indicator(s)


Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here
 KPI Measure: Fill in the name of the KPI here



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Reviewed signature _____
 Director/Manager

Other Party Review signature 
 (if necessary) Director/Manager

Capital Budget Projections

| | | 2014 | 2015 | 2016 | 2017 | 2018 | |
|----------------|-------------------------------|-------------------|-------------------|-------------------|-------------------|------------------|---|
| | | | | | | | Core PME: assumes 3% labor change, 3% ave GDP and int adjustment (10 year historical review) |
| ER 6103 | | 3,687,817 | 3,827,951 | 4,023,790 | 4,225,504 | 4,352,269 | |
| | Guy | 1,317,000 | 2,103,000 | 2,322,000 | 2,566,000 | 12,000 | Spillway Crest modifications for TDG: assumes repairs to Bay 2 are complete in 2013 and revised design are completed in late 2013 early 2104. Modify 1 bay in 2014, 2 bays in 2015, 2 bays in 2016, and 2 bays in 2017 |
| | Bruce | 225,000 | 340,000 | 425,000 | 245,000 | 375,000 | Tributary traps for downstream passage: assumes feasibility study and design 2014 - 2015, with construction anticipated in 2016 |
| | | 4,900,000 | 9,900,000 | 2,500,000 | - | - | Cabinet Gorge fishway: assumed to be started post spill 2014 and completed by the start of Q3 2016 |
| | | 390,000 | 590,000 | 3,920,000 | 7,620,000 | - | Noxon Rapids fishway: assumes project on hold at 30% level with construction to begin 2016. Some background project work would continue. |
| | Min Flow | 250,000 | 200,000 | 100,000 | 100,000 | 100,000 | |
| | Clark Fork Delta | 1,500,000 | 1,500,000 | - | - | - | erosion remediation with Avista contributing 15-25% to the erosion loss. Project to begin in the fall of 2014 through 2015. |
| | Permitting & Additional Labor | 200,000 | 200,000 | 70,000 | 200,000 | 200,000 | permitting needs on all construction: Fishway Projects & GSCP change in management of Spillway Crest and additional anticipated labor expenses |
| | ER 6100 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | Ongoing non-PME capital for facilities maintenance. |
| B04 | | 12,569,817 | 18,760,951 | 13,410,790 | 15,056,504 | 5,139,269 | |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Generation Battery Replacement

ER No: ER Name:
4108 System Battery Replacement

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$509¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 112 | | | | | | | | | 1 | | | 111 |
| 2014 | 100 | | | | | | | | | | | | 100 |
| 2015 | 183 | | | | | | | | | | | | 183 |
| 2016 | 115 | | | | | | | | | | | | 115 |

Business Case Description:

This program is set up around an asset management plan for the station batteries in all generating stations. This is the same as the current battery replacement item. This item will also have some minor fluctuations as the number and size of batteries in any one year can change.

Offsets:

There are no anticipated offsets with this business case.

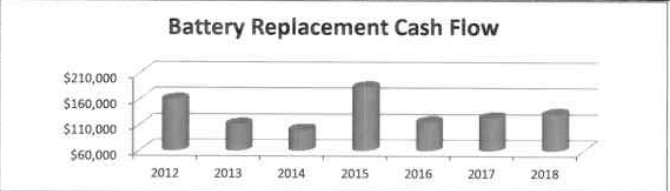
¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

| | | | | | | |
|---|--|--|--|---------------------|--------------------|----------------------------|
| Investment Name: | Generation Battery Replacement | | | | | |
| Requested Amount | \$160,000 | | | | | |
| Duration/Timeframe | 20 Year Program | | | | | |
| Dept., Area: | GPSS | | | | | |
| Owner: | Andy Vickers | | | | | |
| Sponsor: | Jason Thackston | | | | | |
| Category: | Program | | | | | |
| Mandate/Reg. Reference: | n/a | | | | | |
| | | Assessments: | | | | |
| | | Financial: | Low - >0% and < 5% CIRR | | | |
| | | Strategic: | Life Cycle Programs | | | |
| | | Operational: | Operations somewhat impacted by execution | | | |
| | | Business Risk: | ERM Reduction >5 and <= 10 | | | |
| | | Program Risk: | High certainty around cost, schedule and resources | | | |
| | | Assessment Score: | 72 | | | |
| Recommend Program Description: | | Annual Cost Summary - Increase/(Decrease) | | | | |
| This program is set up around an asset management plan for the station batteries in all generating stations. This is the same as the current Battery replacement item. This item will also have some minor fluctuations as the number and size of batteries in any one year can change. | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| | | Forced outages from battery failures | \$ 160,000 | \$ - | \$ - | 0 |
| | | Annual Cost Summary - Increase/(Decrease) | | | | |
| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo : | We currently have a battery replacement program in place | n/a | \$ 120,000 | \$ - | \$ - | 0 |
| Alternative 1: Brief name of alternative (if applicable) | Failure to replace batteries on a planned basis will result in system failures of a battery and subsequently place an entire generating asset and public at risk due to loss of protection and control of the systems. | possible outages and equipment failures | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|---------------------|---------------------|--------------------|-------------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 2012-2016 | | | | | 4108 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | \$ 10,000 | \$ - | \$ - | \$ 10,000 | | | | | |
| 2012 | \$ 160,000 | \$ - | \$ - | \$ 160,000 | | | | | |
| 2013 | \$ 111,000 | \$ - | \$ - | \$ 111,000 | | | | | |
| 2014 | \$ 100,000 | \$ - | \$ - | \$ 100,000 | | | | | |
| 2015 | \$ 183,000 | \$ - | \$ - | \$ 183,000 | | | | | |
| 2016 | \$ 115,000 | \$ - | \$ - | \$ 115,000 | | | | | |
| 2017 | \$ 124,000 | \$ - | \$ - | \$ 124,000 | | | | | |
| 2018 | \$ 131,000 | \$ - | \$ - | \$ 131,000 | | | | | |
| Future | \$ 201,000 | \$ - | \$ - | \$ - | | | | | |
| Total | \$ 1,135,000 | \$ - | \$ - | \$ 934,000 | | | | | |



Mandate Excerpt (if applicable):
n/a

Additional Justifications:
This is part of a life cycle program for battery replacement. While there is little to measure the benefits from this program, failure to execute this program results in unplanned system battery failures. We have experienced these failures in the recent past and had been fortunate that we did not loose control of the plant. When a battery fails, there is a risk of loss of control, loss of protection, and the possibility of extensive damage to powerhouse equipment due to the excess low voltage or loss of control. The DC system is the one system that must be near fail safe in order to protect both property and personnel.

Resources Requirements: (request forms and approvals attached)


| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



Capital Investment Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|----------------------------------|
| Expected Performance Improvements | |
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

No graph is available

Prepared signature 

Reviewed signature 
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Hydro Safety Minor Blanket

ER No: ER Name:

6001 Hydro Generation Minor Blanket

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$215¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 50 | | | | | | | | | | | | 50 |
| 2014 | 65 | | | | | | | | | | | | 65 |
| 2015 | 70 | | | | | | | | | | | | 70 |
| 2016 | 75 | | | | | | | | | | | | 75 |

Business Case Description:

Funds periodic capital purchases and projects to ensure public safety at hydro facilities, on and off water, in context of FERC regulatory and license requirements. Hydro Public Safety measures as described in the Federal Energy Regulation Commission (FERC) publication “Guidelines for Public Safety at Hydropower Projects” and as documented in Avista’s Hydro Public Safety Plans for each of its hydro facilities.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|--|--|---|
| Investment Name: | Hydro Safety Minor Blanket | Assessments: | |
| Requested Amount | \$65,000 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | Lifetime Year Program | Strategic: | Other |
| Dept., Area: | Environmental | Operational: | Operations require execution to perform at current levels |
| Owner: | Michele Drake (Coor); Bruce Howard (Dir) | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Marian Durkin | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 160 |
| Mandate/Reg. Reference: | FERC Hydro Public Safety Guidelines | Annual Cost Summary - Increase/(Decrease) | |

| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|-------------|--------------|----------|-------------|---------------------|
| Funds periodic capital purchases and projects to ensure public safety at hydro facilities, on and off water, in context of FERC regulatory and license requirements | n/a | \$ 65,000 | \$ - | \$ - | 4 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--------------------------------|--|-------------|--------------|----------|--------------------------|---------------------|
| Alternative 1: Funded | Funding of this program reduces liability risk and improves public safety on and near the Hydro Facilities. These requirements come from Federal Law and are referenced as part of our hydro licenses from FERC. | n/a | \$ 65,000 | \$ - | \$ - | 20 |
| Alternative 2: Unfunded | Potential compliance issues and possible fines imposed. Potential for loss of life or injury and increased legal litigation associated with recreational liability. | | \$ - | \$ - | from moderate to extreme | 4 |
| | | | | | | |
| | | | | | | |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|--------------------|-------------------|-------------|-------------|-------------------|---------------------------------------|--|--|--|--|
| 5 years of costs | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | \$ - | \$ - | \$ - | \$ - | | | | | |
| 2012 | | \$ - | \$ - | \$ 35,000 | | | | | |
| 2013 | | \$ - | \$ - | \$ 5,000 | | | | | |
| 2014 | \$ 65,000 | \$ - | \$ - | \$ 65,000 | | | | | |
| 2015 | \$ 70,000 | \$ - | \$ - | \$ 70,000 | | | | | |
| 2016 | \$ 75,000 | \$ - | \$ - | \$ 75,000 | | | | | |
| 2017 | \$ 80,000 | \$ - | \$ - | \$ 80,000 | | | | | |
| 2018 | \$ 80,000 | \$ - | \$ - | \$ 80,000 | | | | | |
| Total | \$ 210,000 | \$ - | \$ - | \$ 250,000 | | | | | |

Mandate Excerpt (if applicable):
Section 10© of the Federal Power Act authorizes the FERC to establish regulations requiring owners of hydro projects under its jurisdiction to operate and properly maintain such projects for the protection of life, health and property. Title 18, Part 12, Section 42 of the Code of Federal Regulations states that, "To the satisfaction of, and within a time specified by the Regional Engineer an applicant, or licensee must install, operate and maintain any signs, lights, sirens, barriers or other safety devices that may reasonably be necessary."

Additional Justifications:
Hydro Public Safety measures as described in the Federal Energy Regulation Commission (FERC) publication "Guidelines for Public Safety at Hydropower Projects" and as documented in Avista's Hydro Public Safety Plans for each of its hydro facilities.

Resources Requirements: (request forms and approvals attached)

| | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure: FERC's Annual Dam Safety Inspections, Public Use Inspection (conducted approximately once every five years) and review & approval of Avista's submittals.

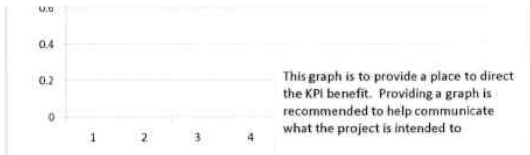


Prepared signature

Reviewed signature Director/Manager



Capital Program Business Case



Other Party Review signature
(if necessary)

[Signature]
Director/Manager

Capital Budget Projections

| | 2014 | 2015 | 2016 | 2017 | 2018 | |
|------------|---------------|---------------|---------------|---------------|---------------|---|
| ER 6001 | 65,000 | 70,000 | 75,000 | 80,000 | 80,000 | Dam Safety anticipated need for safety equipment |
| H04 | 65,000 | 70,000 | 75,000 | 80,000 | 80,000 | |
| ER 7108 | 265,000 | 195,000 | 125,000 | 125,000 | 125,000 | Franchising / Permit Renewals assume 40 year Railroad permit renewals on existing substations & equipment on the John Wayne Pioneer Trail |

| HED | Year | Description | Est Cost |
|---------------|------|--|----------|
| Cabinet Gorge | 2014 | K-rated gate at main entrance, S. entrance, and overlook entrance (all equipped with intercom, card swipe, and CCTV) | \$65,000 |
| Noxon Rapids | 2015 | K-rated gate at main entrance, S. entrance, and near substation (all equipped with intercom, card swipe, and CCTV) | \$70,000 |
| Long Lake | 2016 | K-rated gate at main entrance (equipped with intercom, card swipe, and CCTV) | \$25,000 |
| Nine Mile | 2016 | K-rated gate at main entrance (equipped with intercom, card swipe, and CCTV) | \$25,000 |
| Post Falls | 2016 | K-rated gate at main entrance (equipped with intercom, card swipe, and CCTV) | \$25,000 |
| Long Lake | 2017 | Down Stream Warning System | \$80,000 |
| Nine Mile | 2018 | Down Stream Warning System | \$80,000 |

To be completed by Capital Planning Group

| | | |
|------------------------|----------------------------|----------|
| Rationale for decision | Review Cycles 2012-2016 | |
| | Date | Template |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Little Falls Plant Upgrade

ER No: ER Name:
4152 Little Falls Powerhouse Redevelopment

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$33,700¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-------|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | 27 | | | | | | | 9 | 6 | 5 | 7 | | |
| 2014 | 9,000 | | | | | | | | | | | | 9,000 |
| 2015 | 6,500 | | | 6,500 | | | | | | | | | |
| 2016 | 9,000 | | | 9,000 | | | | | | | | | |

Business Case Description:

The existing Little Falls equipment ranges in age from 60 to more than 100 years old. The Company has experienced an increase in forced outages at Little Falls over the past six years has significantly increased (from approximately 20 hours in 2004 to several hundred hours in the past three to four years) due to equipment failures on a number of different pieces of equipment. This project will replace nearly all of the old, unreliable equipment with new. This includes replacing two of the turbines, all four generators, all generator breakers, three of the four governors, all of the automatic voltage regulators, removing all four generator exciters, replacing the unit controls, changing the switchyard configuration, replacing the unit protection system, and replacing and modernizing the station service.

Offsets:

An O&M Offset was included in the O&M Offset adjustment for \$1,500 in 2013, \$3,000 in 2014 and 2015. After the revenue requirements was finalized, it was determined that these savings are related to employee labor that will be redistributed to other projects. These savings were included in the revenue requirement in this case and should have been excluded.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

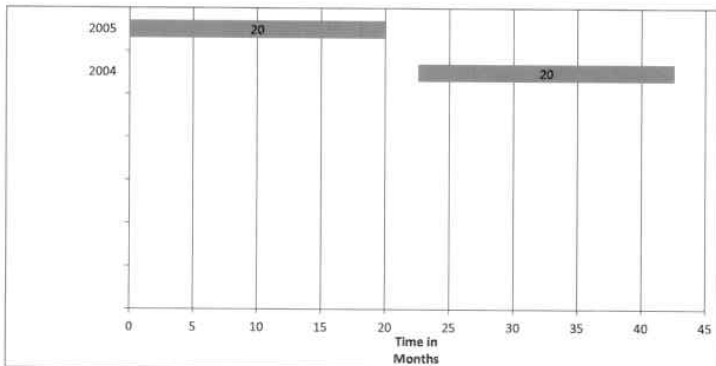


Capital Investment Business Case

| | | | | | |
|---|--|---------------------|---------------------|--------------------|----------------------------|
| Investment Name: | Little Falls Plant Upgrade (Revised) | | | | |
| Requested Amount | \$56,100,000 | | | | |
| Duration/Timeframe | 8 Year Project | | | | |
| Dept., Area: | GPSS | | | | |
| Owner: | Andy Vickers | | | | |
| Sponsor: | Jason Thackston | | | | |
| Category: | Project | | | | |
| Mandate/Reg. Reference: | n/a | | | | |
| Assessments: | Financial: MH - >= 9% & <12% CIRR Strategic: Generating Fleet Modernization Operational: Operations improved beyond current levels Business Risk: ERM Reduction >5 and <= 10 Project/Program Risk: High certainty around cost, schedule and resources Assessment Score: 104.5 | | | | |
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| The existing Little Falls equipment ranges in age from 60 to more than 100 years old. We have experienced an increase in forced outages at Little Falls over the past six years has significantly increased (from ~20 hours in 2004 to several hundred hours in the past three to four years) due to equipment failures on a number of different pieces of equipment. This project will nearly all of the old, unreliable equipment with new. this includes replacing two of the turbines, all four generators, all generator breakers, three of the four governors, all of the AVR's, removing all four generator extcers, replacing the unit controls, changing the switchyard configuration, replacing the unit protection system, and replace | there would be some performance improvement | \$ 56,100,000 | \$ (20,000) | \$ - | 3 |
| Cost Summary - Increase/(Decrease) | | | | | |
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo : | Forced outages and emergency repairs would continue to increase, reducing the reliability of the plant. At some point, personnel may need to be placed back in the plant. | \$ - | \$ 20,000 | \$ 150,000 | 12 |
| Alternative 1: Brief name of alternative (if applicable) | This would replace the two items that are currently in the worst condition, and then continue to use the older equipment. This continues to rely on this older equipment for reliability purposes. This would only minimally improve Force Outage rate for the plant. | \$ 5,000,000 | \$ 20,000 | \$ - | 9 |
| Alternative 2: Brief name of alternative (if applicable) | This would replace the major cost items, but the station service reliability would continue to cause an increasing unplanned outages. However, the replacement and down time costs would be much less | \$ 51,000,000 | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|-------------|-------------|----------------------|
| Previous | \$ 1,800,000 | \$ - | \$ - | \$ 1,800,000 |
| 2012 | \$ 3,200,000 | \$ - | \$ - | \$ 2,000,000 |
| 2013 | \$ 6,500,000 | \$ - | \$ - | \$ 5,800,000 |
| 2014 | \$ 9,400,000 | \$ - | \$ - | \$ 9,700,000 |
| 2015 | \$ 8,800,000 | \$ - | \$ - | \$ 8,800,000 |
| 2016 | \$ 9,400,000 | \$ - | \$ - | \$ 9,400,000 |
| 2017 | \$ 8,800,000 | \$ - | \$ - | \$ 8,800,000 |
| 2018 | \$ 6,200,000 | \$ - | \$ - | \$ 6,200,000 |
| Future | \$ 2,000,000 | \$ - | \$ - | \$ - |
| Total | \$ 56,100,000 | \$ - | \$ - | \$ 52,500,000 |

Milestones (high level targets)

| | | | | | |
|-------------|---------------------------|----------|------------------------------------|----------|-----------------|
| October-10 | Project Started | March-14 | Control Room Installed | July-15 | Second Unit OOS |
| July-12 | AVR/Breaker Replacement | June-14 | Control Panels Installed | March-16 | Second Unit RTS |
| February-12 | AVR/Breaker Work Complete | June-14 | Switchyard Work Complete | July-16 | Third Unit OOS |
| July-13 | Demolition Complete | July-14 | First Unit Out of Service (OOS) | March-17 | Third Unit RTS |
| January-14 | Station Service Complete | March-15 | First Unit Returned to Service (R) | 7/1/117 | Fourth Unit OOS |

| | | | | | |
|--|------------------------------|--|--|--|--|
| Associated Ers (list all applicable): | 4102 | | | | |
| | 4103 | | | | |
| Mandate Excerpt (if applicable): | This is not a mandated item. | | | | |

Additional Justifications:

Because of the age and condition of all of the equipment of the plant, all of the equipment has been qualified as obsolete in accordance with the obsolescence criteria tool. The Asset Management tool has been applied to Little Falls and also supports this project. The Asset Management studies that have been done to date are still subject to further refinements, but the general conclusions support this project. There are many items in this 100 year old facility which do not meet modern design standards, codes, and expectations. This project will bring Little Falls to a place where it can be relied on for another 50 to 100 years. Finally, this project will need to be worked in coordination with our Indian Relations group as the Little Falls project is part of a settlement agreement with the Spokane Tribe.

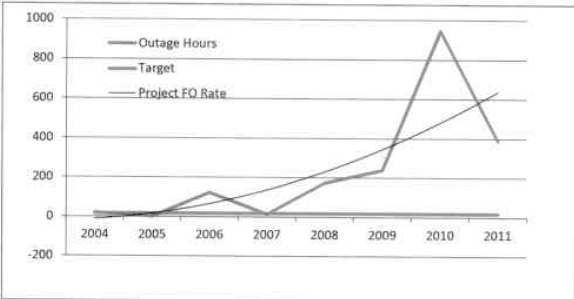
Resources Requirements: (request forms and approvals attached)



Capital Investment Business Case

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

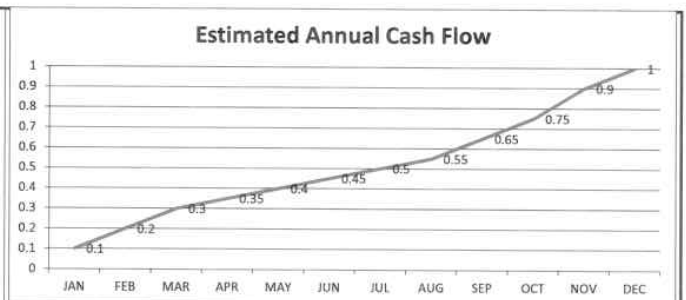
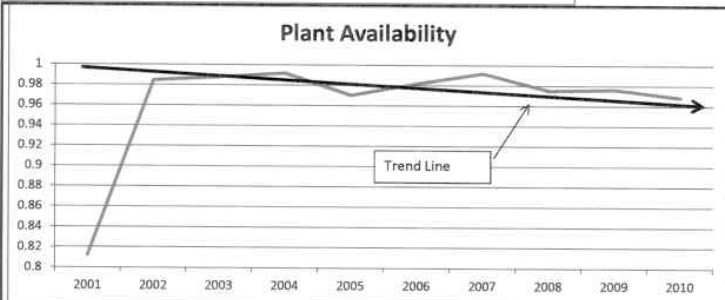
Key Performance Indicator(s)
 Expected Performance Improvements
 KPI Measure: Forced Outage Hours



Prepared signature *[Signature]*

Reviewed signature *[Signature]*
 Director/Manager

Other Party Review signature
 (if necessary) Director/Manager



Revision: 2013 Business Case: This project business case is being revised and is requesting additional amounts for the 2013 budget year. The reason for this request is that originally some of the station service and switchyard work was contemplated to be done in future years but with better project planning, we have now determined that we must get a new station service and panel room installed before we start work on the generating units themselves. This results in shifting the unit upgrade work an additional year.

Another consideration is that some of the major cost components (i.e. turbine runners, generator stators, governors) will not be bid and procured for a year or so. The actual expected costs could change considerably as we begin to pin down costs of these major items and better determine a more comprehensive scope of work.

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Nine Mile Hydroelectric Development Rehabilitation & Modernization

ER No: ER Name:

4140 Nine Mile Redevelopment

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$62,004¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-----|-----|-----|-------|-----|-------|-----|-------|-----|--------|-------|--------|
| 2013 | 990 | | | | | | | | 52 | | 2 | 935 | |
| 2014 | 9,208 | 683 | 363 | 150 | 3,784 | 268 | 1,897 | | | | | 2,064 | |
| 2015 | 47,044 | | | | | | | | 1,850 | | | | 45,194 |
| 2016 | 13,801 | 75 | 456 | 83 | 75 | 79 | | | 34 | | 12,870 | 64 | 64 |

Business Case Description:

This program is to rehabilitate and modernize the 4 unit Nine Mile Hydroelectric Development. This program includes projects to replace Units 1 and 2, which are more than 100 years old. In addition, a new warehouse will be constructed, new tail race gate system will be added, new grounding and communications will be added, a barge landing will be added, a cottage will be removed and another remodeled, a new panel room will be added, Units 3 & 4 will be overhauled and modernized, the powerhouse will be restored, a new access gates and controls will be added and other improvements will be made.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|---------------------------------------|---|---|---|
| Investment Name: | Nine Mile Rehab Program | Assessments: | |
| Requested Amount | \$90,913,000 | Financial: | 14.00% |
| Duration/Timeframe | 8 Year Project | Strategic: | Generating Plant Modernization |
| Dept., Area: | GPSS | Business Risk: | Business Risk Reduction >10 and <= 15 |
| Owner: | Andy Vickers | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Jason Thackston | Assessment Score: | 112 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost |
| Recommend Project Description: | This program is to rehabilitate and modernize the 4 unit Nine Mile HED. This program includes projects to replace Units 1 and 2 which are more than 100 years old and are wore out. In addition, a new warehouse will be constructed, new tail race gate system will be added, new grounding and communications will be added, a barge landing will be added, a cottage will be removed and another remodeled, a new panel room will be added, Units 3 & 4 will be overhauled and modernized, the powerhouse will be restored, a new access gates and controls will be added and other improvements will be made. | O&M Cost | Other Costs |
| | | Business Risk Score | |
| | | increase capacity, energy, and renewable credits. (REC's) | \$ 90,913,000 |
| | | | \$ - |
| | | | \$ - |
| | | | 4 |

| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|---|--|--|---------------------|--------------------|----------------------------|
| Unfunded Project: | | | Capital Cost | O&M Cost | Other Costs | |
| Currently both Units 1 and 2 are tagged out of service due to them being mechanically wore out. A FERC license amendment has been received to replace these units. | | n/a | \$ - | \$ - | \$ - | 16 |
| <i>Alternative 1: Brief name of alternative (if applicable)</i> | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 4 |
| <i>Alternative 2: Brief name of alternative (if applicable)</i> | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| <i>Alternative 3 Name: Brief name of alternative (if applicable)</i> | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved | Associated Ers (list all applicable): |
|--------------|----------------------|---------------------|--------------------|----------------------|--|
| Previous | \$ 10,612,838 | \$ - | \$ - | \$ 10,612,838 | |
| 2013 | \$ 15,379,000 | \$ - | \$ - | \$ 12,999,000 | |
| 2014 | \$ 21,505,000 | \$ - | \$ - | \$ 21,505,000 | |
| 2015 | \$ 10,193,000 | \$ - | \$ - | \$ 17,900,000 | |
| 2016 | \$ 6,000,000 | \$ - | \$ - | \$ 9,600,000 | |
| 2017 | \$ 13,315,000 | \$ - | \$ - | \$ 7,000,000 | |
| 2018 | | | | \$ 7,500,000 | |
| 2019 | | | | \$ - | |
| Total | \$ 66,392,000 | \$ - | \$ - | \$ 76,504,000 | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|--------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|--|
| 4140 | \$ 15,379,000 | \$ 21,505,000 | \$ 10,193,000 | \$ 6,000,000 | \$ 13,315,000 | \$ 66,392,000 | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 15,379,000 | \$ 21,505,000 | \$ 10,193,000 | \$ 6,000,000 | \$ 13,315,000 | \$ 66,392,000 | Additional Justifications: |
| | | | | | | | Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

| Milestones (high level targets) | | | | | | | |
|--|------|------------|------|------------|------|------------|------|
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability Enterprise Tech: YES - attach form NO or Not Required Capital Tools: YES - attach form NO or Not Required

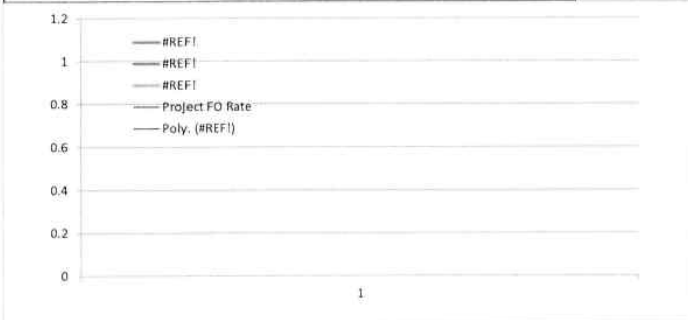
Capital Project Business Case



Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature *W. Abraham*

Reviewed signature *[Signature]*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Regulating Hydro

ER No: 4148
ER Name: Regulating Hydro

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$11,932¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-------|-----|-----|-----|-----|-------|
| 2013 | 3,292 | | | | | | | 1,221 | 16 | 14 | 8 | | 2,033 |
| 2014 | 2,500 | | | | | | | | | | | | 2,500 |
| 2015 | 3,000 | | | | | | | | | | | | 3,000 |
| 2016 | 3,000 | | | | | | | | | | | | 3,000 |

Business Case Description:

This program is to cover the capital maintenance expenditures required to keep these plants operating at their current performance. The program will work to improve the reliability of these plants so that their value can be maximized in both the energy and ancillary markets. These plants are Long Lake, Little Falls, Noxon Rapids and Cabinet Gorge.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

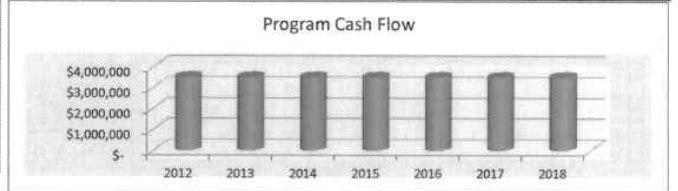


Capital Investment Business Case

| | | | |
|--|-------------------------|---|--|
| Investment Name: | Regulating Hydro | Assessments: | |
| Requested Amount | \$3,500,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 20 Year Program | Strategic: | Generating Fleet Modernization |
| Dept., Area: | GPSS | Operational: | Operations improved beyond current levels |
| Owner: | Andy Vickers | Business Risk: | Business Risk Reduction >0 and <= 5 |
| Sponsor: | Jason Thackston | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 88 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |
| Recommend Program Description: | | Performance | Capital Cost |
| This program is to cover the capital maintenance expenditures required to keep these plants operating at their current performance. The program will work to improve the reliability of these plants so that their value can be maximized in both the energy and ancillary markets. These plants are LL, LF, NR, CG. | | describe any incremental changes that this Program would benefit present operations | \$ 3,500,000 |
| | | | \$ - |
| | | | \$ - |
| | | | Business Risk Score |
| | | | 10 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|--|--|---------------------|---------------------|--------------------|----------------------------|
| Status Quo : | Current work has been done to achieve a relatively high availability rate for this group of assets. Work has been prioritized according to equipment needs. | n/a | \$ 1,890,000 | \$ - | \$ - | 15 |
| Alternative 1: Brief name of alternative (if applicable) | We could reduce spending to reduced levels for small decrease in overall availability but reducing ancillary services from plant (i.e. no Cabinet reserves, load following services, etc.) | describe any incremental changes in operations | \$ 2,200,000 | \$ - | \$ - | 15 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|------|--|--|--|
| 2012-2016 | | | | | | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | \$ 1,890,000 | \$ - | \$ - | \$ 1,890,000 | 4000 | 4102 | | | |
| 2012 | \$ 3,500,000 | \$ - | \$ - | \$ 2,533,000 | 4003 | 4103 | | | |
| 2013 | \$ 3,500,000 | \$ - | \$ - | \$ 2,033,000 | 4004 | 4105 | | | |
| 2014 | \$ 3,500,000 | \$ - | \$ - | \$ 2,833,000 | 4100 | | | | |
| 2015 | \$ 3,500,000 | \$ - | \$ - | \$ 3,533,000 | | | | | |
| 2016 | \$ 3,500,000 | \$ - | \$ - | \$ 3,533,000 | | | | | |
| 2017 | \$ 3,500,000 | \$ - | \$ - | \$ 3,533,000 | | | | | |
| 2018 | \$ 3,500,000 | \$ - | \$ - | \$ 3,533,000 | | | | | |
| Future | \$ 3,500,000 | \$ - | \$ - | \$ - | | | | | |
| Total | \$ 29,890,000 | \$ - | \$ - | \$ 23,421,000 | | | | | |



Mandate Excerpt (if applicable):
Within this program, there are some FERC and NERC mandated items that are included. These are expected to be managed as part of the overall program and are not considered as individual items here.

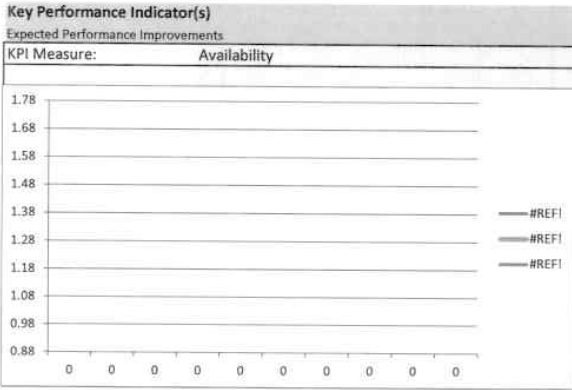
Additional Justifications:
The magnitude of the value of this program is not evident with the scoring system used. The CIRR calculated for this program is 54.07% for each reduction of 1% in availability. Sustaining this program is very important for this class of assets. While the purpose of this program is to sustain our current level of unit availability for these plants, individually, we have been experiencing a decline in the availability of Little Falls due to aging equipment and failures of that equipment. This is being addressed in a separate project request. Additionally, efforts will be made within this program to improve what is commonly referred to as the ancillary services from these generating assets. This include installing blow down systems to allow for spinning reserves, moving load following demands to all of these plants, voltage regulating needs, etc. This will also include some elements of hydro license compliance as related to plant operations and equipment.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|---|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



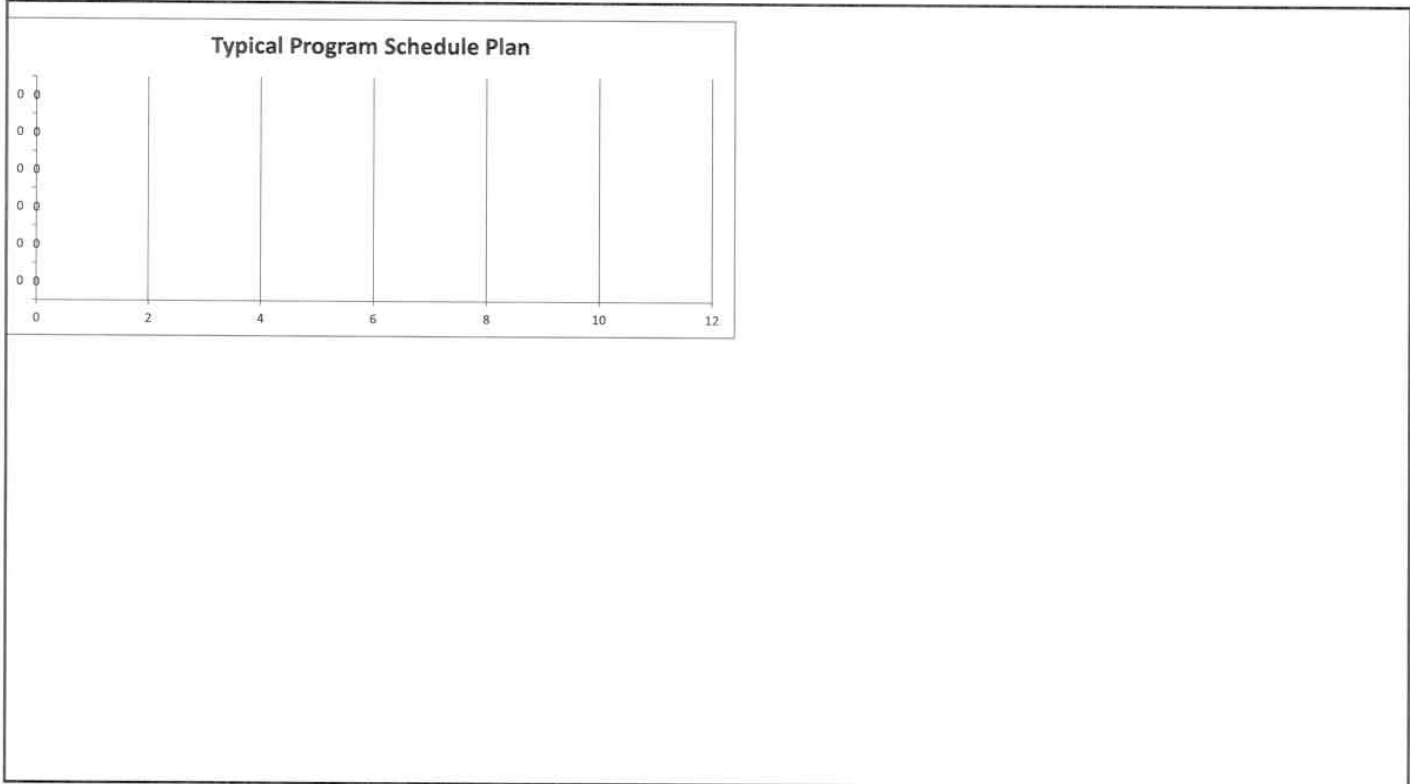
Capital Investment Business Case



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Director/Manager

Other Party Review signature
(if necessary) Director/Manager



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | Date | Template |
| | 2012-2016 | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Spokane River License Implementation

ER No: ER Name:

6107 Spokane River Implementation (PM&E)

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$20,187¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-----|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|--------|
| 2013 | 1,860 | | | | | | | 3 | 2 | 1 | | | 1,854 |
| 2014 | 4,815 | | | 1,204 | | | 1,204 | | | 1,204 | | | 1,204 |
| 2015 | 462 | | | 116 | | | 116 | | | 116 | | | 116 |
| 2016 | 16,222 | | | | | | | | | | | | 16,222 |

Business Case Description:

The Spokane River Project capital projects fulfill FERC’s license requirements related to wetlands, water quality, recreation, and land use improvements that will lead to improvements located at Nine Mile, and Lake Spokane (the Long Lake Dam reservoir). The water quality improvements and wetland acquisition and/or enhancements are mandatory conditions included in the License as part of the Washington and Idaho 401 Water Quality Certifications, whereas the recreation and land use projects are FERC’s License requirements. This year we will continue modeling a number of potential total dissolved gas remedies for Long Lake Dam, and monitoring low dissolved oxygen (DO) in the tailrace below the dam to determine if the aeration equipment we installed in previous years will sufficiently meet the State’s water quality standards. We are also installing additional aeration equipment in the Long Lake Powerhouse to further improve DO in the tailrace. We completed the channel modifications at Upper Falls last fall, which were approved by the Washington Department of Ecology. We will work to complete the required Nine Mile and Lake Spokane recreation projects during this year’s construction season.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--|--|--|---|
| Investment Name: | Spokane River License Implementation | Assessments: | |
| Requested Amount | \$2,902,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 50 Year Program | Strategic: | Other |
| Dept., Area: | Environmental | Operational: | Operations require execution to perform at current levels |
| Owner: | Elvin "Speed" Fitzhugh (Mgr), Bruce Howard (Dir) | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Marian Durkin | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 174 |
| Mandate/Reg. Reference: | FERC Project No 2545-091 | Annual Cost Summary - Increase/(Decrease) | |
| Recommend Program Description: | | Performance | Capital Cost |
| Implementation of Protection, Mitigation and Enhancement (PM&E) programs related to the FERC License for Project 2545. Includes items enforceable by FERC, mandatory conditioning agencies, and through settlement agreements. | | n/a | \$ 2,902,000 |
| | | | \$ - |
| | | | \$ - |
| | | | \$ - |
| | | | Business Risk Score |
| | | | 8 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|---|--------------------|---------------------|---------------------|--------------------------|----------------------------|
| Alternative 1: Funded (PM&E) | The Federal Energy Regulatory Commission issued a license to Avista Corporation for a period of 50 years, effective June 18, 2009, to operate and maintain the Spokane River Project No. 2545-091. The License defines how Avista shall operate the Project and includes several hundred requirements we must meet to retain our License. Overall, the License is issued pursuant to the Federal Power Act. It embodies requirements of a wide range of other laws, including the Clean Water Act, the Endangered Species Act, the National Historic Preservation Act, among others. These requirements are expressed through specific license articles (or Protection, Mitigation and Enhancement Measures), relating to fish, terrestrial resources, water quality, recreation, education, cultural, and aesthetic resources at the project. In addition, the License incorporates requirements specific to a 50-year settlement agreement between Avista, the Department of Interior and the Coeur d'Alene Tribe, which includes specific funding requirements over the term of the license. Avista entered into additional two-party settlement agreements with local and state agencies, and the Spokane Tribe; these agreements also include funding commitments. The License also references our requirements for land management, dam safety, public safety and monitoring requirements, which apply for the term of the License. | n/a | \$ 2,902,000 | \$ - | \$ - | 20 |
| Alternative 2: Unfunded (PM&E) | We are subject to License enforcement directly from the Federal Energy Regulatory Commissions, independent enforcement of certain measures by state agencies under their delegated authorities, and third-party claims by those with whom we entered settlement agreements. We are also subject to citizen lawsuits in certain settings for non-compliance. If the License conditions are not funded, there is the potential for penalties, extensive legal costs, alternative mitigation costs, and/or loss of operations flexibility of the hydro facilities, or the loss of a license to operate in extreme cases. | | \$ - | \$ - | from moderate to extreme | 8 |
| | | | | | | |
| | | | | | | |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|---------------------------|----------------------|---------------------|--------------------|-----------------|--|--|--|--|--|
| 5 years of costs | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | \$ - | \$ - | \$ - | \$ - | | | | | |
| 2012 | | | | | | | | | |
| 2013 | | | | | | | | | |
| 2014 | \$ 2,902,000 | \$ - | \$ - | \$ - | | | | | |
| 2015 | \$ 11,262,000 | \$ - | \$ - | \$ - | | | | | |
| 2016 | \$ 2,591,000 | \$ - | \$ - | \$ - | | | | | |
| 2017 | \$ 529,000 | \$ - | \$ - | \$ - | | | | | |
| 2018 | \$ 579,000 | \$ - | \$ - | \$ - | | | | | |
| Total | \$ 16,755,000 | \$ - | \$ - | \$ - | | | | | |



Capital Program Business Case

Mandate Excerpt (if applicable):

The Project consists of: Post Falls, Upper Falls, Monroe Street, Nine Mile and Long Lake HEDs.

Additional Justifications:

The license is subject to: mandatory conditions issued on June 5, 2008 by the Idaho Department of Environmental Quality (401 Water Quality Certification), conditions issued on May 8, 2009 by the Washington Department of Ecology (401 Certification), conditions filed May 4, 2007 by the US Forest Service (Federal Power Act 4(e)), conditions filed January 27, 2009 by the US Department of the Interior (Federal Power Act 4(e)), conditions of the Total Dissolved Gas Control and Mitigation Program incorporated into the License, and subject to the articles set forth in Form L-1, entitled "Terms and Conditions of License for Constructed Major Project Affecting Lands of the United States."

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

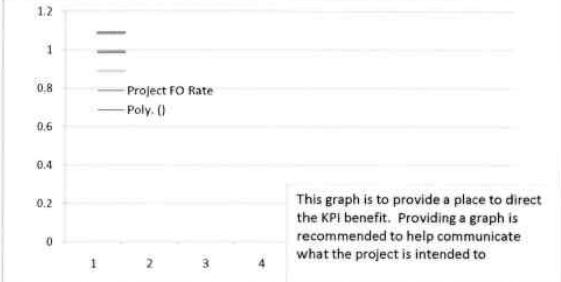
Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|--|
| KPI Measure: | Federal Energy Regulatory Commission (FERC) |
| | Bureau of Indian Affairs (BIA) |
| | Idaho Department of Environmental Quality (ID DEQ) |
| | Washington Department of Ecology (WA DOE) |



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Reviewed signature  Director/Manager
Other Party Review signature (if necessary)  Director/Manager

Capital Budget Projections

| | 2014 | 2015 | 2016 | 2017 | 2018 | |
|------------|------------------|-------------------|------------------|----------------|----------------|--|
| Hank | | | | | | |
| Meghan | 1,465,000 | 10,896,000 | 2,303,000 | 196,000 | 221,000 | Riverbank stabilization |
| Dave | 200,000 | 100,000 | 75,000 | 75,000 | 75,000 | Wetlands - WA land purchase, ID St Joe Property (401 settlement) and additional mitigation properties targeted for |
| Tim | 148,000 | 113,000 | 168,000 | 133,000 | 138,000 | Fishery assumes allotted money for purchase of property or easements, as required by the Spokane River License. There is |
| Rene | 789,000 | 153,000 | 145,000 | 145,000 | 145,000 | Recreation assuming agency budgets, plans, and new agreements are accepted. |
| Speed | 300,000 | | | | | Huntington Park |
| C04 | 2,902,000 | 11,262,000 | 2,591,000 | 529,000 | 579,000 | |

To be completed by Capital Planning Group

| | |
|------------------------|---------------|
| Rationale for decision | Review Cycles |
|------------------------|---------------|

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Base Load Thermal Plant

ER No: ER Name:

4149 Base Load Thermal

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$14,100¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-------|-------|-----|-----|------|-----|-----|
| 2013 | 4,135 | | | | | | | 2,568 | 433 | 259 | -209 | 542 | 542 |
| 2014 | 2,200 | | | | | | 2,200 | | | | | | |
| 2015 | 2,200 | | | | | | 2,200 | | | | | | |
| 2016 | 2,205 | | | | | | 2,205 | | | | | | |

Business Case Description:

This program is necessary to sustain or improve the existing operating costs of Coyote Springs 2, Colstrip, and Kettle Falls. Work includes replacement of items identified through asset management decisions and programs necessary to maintain reliable and low operating costs of these plants. As this program proceeds, it is expected that forced outage rates and forced de-rates of these facilities will decrease to a level one standard deviation less than current average.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

| | | | |
|--------------------------------|--------------------------------|--|---|
| Investment Name: | Base Load Thermal Plant | Assessments: | |
| Requested Amount | \$6,500,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | ongoing Year Program | Strategic: | Generating Fleet Moderization |
| Dept., Area: | GPSS / Power Supply | Operational: | Operations require execution to perform at current levels |
| Owner: | Andy Vickers | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Jason Thackston | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 94 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|---|--|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This program is necessary to sustain or improve the existing operating costs of these major Base Load generating stations. This program is specifically for Coyote Springs 2, Colstrip, Kettle Falls, and Lancaster. Work includes replacement of items identified through asset management decisions and programs necessary to maintain reliable and low operating costs of these plants. As this program proceeds, it is expected that forced outage rates and forced derates of these facilities will decrease to a level one standard deviation less than current average resulting in more economic benefits of the project. | This will improve the forced outage rate for these plants by an overall 0.1% | \$ 2,200,000 | \$ - | \$ - | 8 |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo : These plants continue to age and their economic performance has degraded over time. These degrades have been offset with work that is included in a program like this. Currently, each plant is manged independent of the other, | n/a | \$ - | \$ - | \$ - | 15 |
| Alternative 1: Brief name of alternative (if applicable) The program can be reduced in amount and effectiveness in accomplishing the Goal | current trend would be reduced. | \$ 5,500,000 | \$ - | \$ - | 10 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 2012-2016 | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | 4148 | | | | |
| Previous | \$ 6,520,910 | \$ - | \$ - | \$ 6,520,910 | | | | | |
| 2012 | \$ 6,500,000 | \$ - | \$ - | \$ 6,877,000 | | | | | |
| 2013 | \$ 6,500,000 | \$ - | \$ - | \$ 7,500,000 | | | | | |
| 2014 | \$ 6,500,000 | \$ - | \$ - | \$ 2,200,000 | | | | | |
| 2015 | \$ 6,500,000 | \$ - | \$ - | \$ 2,200,000 | | | | | |
| 2016 | \$ 6,500,000 | \$ - | \$ - | \$ 2,200,000 | | | | | |
| 2017 | \$ 6,500,000 | \$ - | \$ - | \$ 2,200,000 | | | | | |
| 2018 | \$ 6,500,000 | \$ - | \$ - | \$ 2,200,000 | | | | | |
| Future | \$ 6,500,000 | \$ - | \$ - | \$ - | | | | | |
| Total | \$ 58,520,910 | \$ - | \$ - | \$ 31,897,910 | | | | | |

Mandate Excerpt (if applicable):
Within the program there are a number of regulatory mandates for air emissions and monitoring that must be complied with. In addition there numerous NERC requirements that must be met. These mandates are included within the amount listed above.

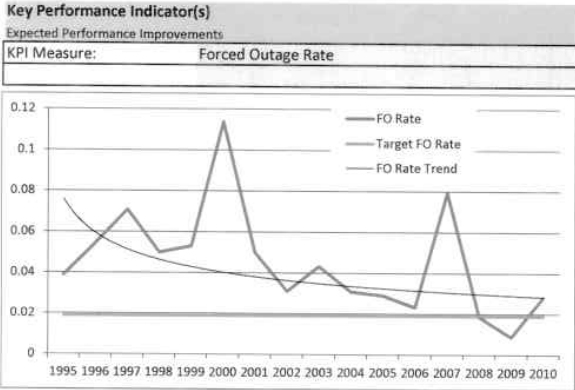
Additional Justifications:
As these plants degrade, we expose ourselves to an increasing forced outage rates and must acquire replacement energy and capacity from the market. This can leave use with significant exposure for shareholders in a particular year.

Resources Requirements: (request forms and approvals attached)

- | | |
|--|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input type="checkbox"/> Medium Probability <input checked="" type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |



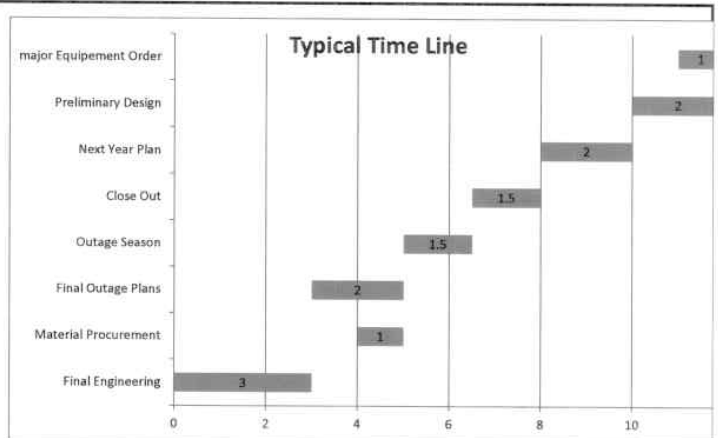
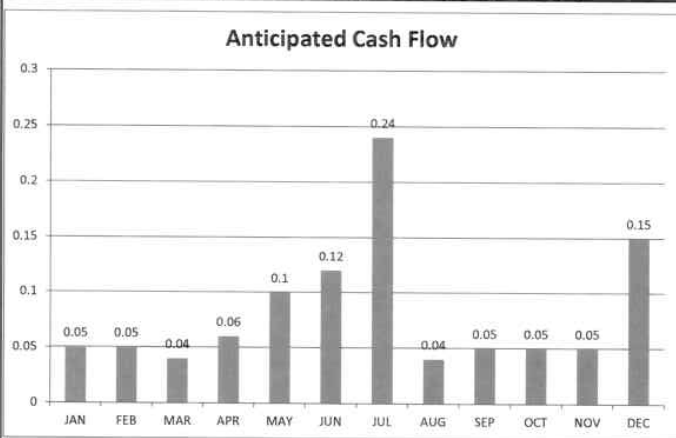
Capital Investment Business Case



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Reviewed signature *Andrew K...*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles 2012-2016 | |
|------------------------|----------------------------|----------|
| | Date | Template |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Peaking Generation

ER No: 4150
ER Name: Peaking Generation

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$2,120¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 1,000 | | | | | | | 420 | 16 | 64 | | | 500 |
| 2014 | 500 | | | | | | 500 | | | | | | |
| 2015 | 500 | | | | | | 500 | | | | | | |
| 2016 | 500 | | | | | | 500 | | | | | | |

Business Case Description:

This program is to cover the capital maintenance expenditures required to keep the gas fired peaking units (Boulder Park, Rathdrum and Northeast Combustion Turbine) operating at or above their current performance. The program will focus on maximizing ability of these units to start and run when demanded (starting reliability).

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

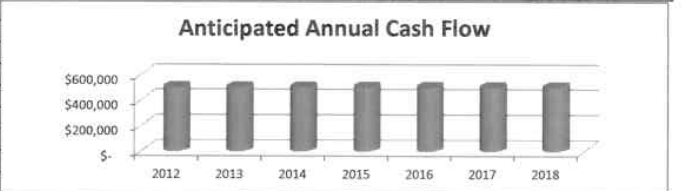


Capital Investment Business Case

| | | | |
|--|---------------------------|--|---|
| Investment Name: | Peaking Generation | Assessments: | |
| Requested Amount | \$500,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 10 Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | GPSS | Operational: | Operations require execution to perform at current levels |
| Owner: | Andy Vickers | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Sponsor: | Jason Thackston | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 94 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |
| Recommend Program Description: | | Performance | Capital Cost |
| This program is to cover the capital maintenance expenditures required to keep the gas fired peaking units operating at or above their current performance. The program will focus on maximizing ability of these units to start and run when demanded (starting reliability). These plants include BP, RCT, NECT. | | By expending these funds, the start reliability for these assets will be improved. | \$ 500,000 |
| | | | \$ - |
| | | | \$ - |
| | | | \$ - |
| | | | Business Risk Risk Sco |
| | | | 0 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Risk Sco |
|---|---|--|---------------------|---------------------|--------------------|-------------------------------|
| Status Quo : | Presently, there is very little invested in these assets as historically they have not been used extensively. The overall reliability of all of these assets reflect that effort. | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | |
|---------------------------|---------------------|---------------------|--------------------|---------------------|--|--|--|--|
| 2012-2016 | | | | | 4002 | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | 4107 | | | |
| Previous | \$ 10,000 | \$ - | \$ - | \$ 10,000 | 4118 | | | |
| 2012 | \$ 500,000 | \$ - | \$ - | \$ 500,000 | 4113 | | | |
| 2013 | \$ 500,000 | \$ - | \$ - | \$ 620,000 | | | | |
| 2014 | \$ 500,000 | \$ - | \$ - | \$ 500,000 | | | | |
| 2015 | \$ 500,000 | \$ - | \$ - | \$ 500,000 | | | | |
| 2016 | \$ 500,000 | \$ - | \$ - | \$ 500,000 | | | | |
| 2017 | \$ 500,000 | \$ - | \$ - | \$ 500,000 | | | | |
| 2018 | \$ 500,000 | \$ - | \$ - | \$ - | | | | |
| Future | \$ 500,000 | \$ - | \$ - | \$ - | | | | |
| Total | \$ 4,010,000 | \$ - | \$ - | \$ 3,130,000 | | | | |



Mandate Excerpt (if applicable):
Within this program, there are some FERC and NERC mandated items that are included. These are expected to be managed as part of the overall program and are not considered as individual items here.

Additional Justifications:
With wind and other renewables coming on line, there has been an increase in the amount of times that these units have been called on. The value of these units may not be reflected with this new market. Also, the analysis used currently does not contemplate the emergency reserve power value of these units. There are times when energy is unavailable from other sources and the spot price of energy can exceed \$500/MWh or more. (\$50 - \$80/MWh being normal). This risk is somewhat modeled in the Business Risk reduction for this item.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|---|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



Capital Investment Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|-------------------|
| Expected Performance Improvements | |
| KPI Measure: | Unit Starts |
| | Unit Availability |

No Data is currently available for these measures.

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Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Post Falls Intake Gate Replacement

ER No: ER Name:

4153 Post Falls Intake Gate Replacement

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$900¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 1 | | | | | | | 1 | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This project is to replace the existing wooden timbered head gates with new steel gates, and to modify the structure to include a hoist system. Provisions for the gates will be made to pull the gates out for easy maintenance purposes. This work also includes installation of new controls and appropriate emergency power systems. The work plan is to design and begin gate fabrication in year 1 and construction in year 2.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case

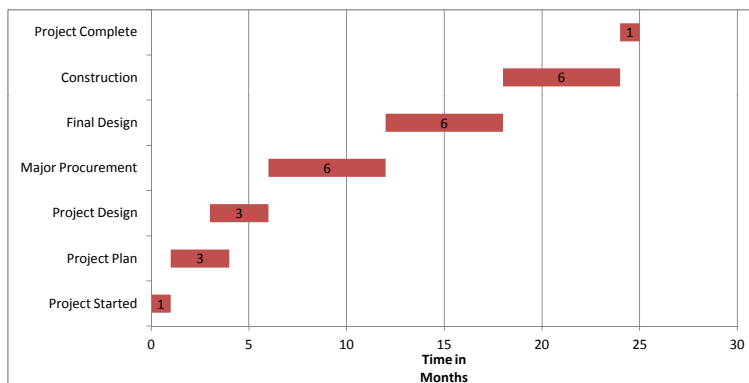


| | | | |
|--------------------------------|---|---|--|
| Investment Name: | Post Falls Intake Gate Replacement (Revised) | Assessments: | |
| Requested Amount | \$2,200,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 1 Year Project | Strategic: | Generating Fleet Modernization |
| Dept., Area: | GPSS | Operational: | Operations improved beyond current levels |
| Owner: | Carlberg | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Storro | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 165 |
| Mandate/Reg. Reference: | CFR Title 18, Chapter I, Subchapter B, Part 12 | Cost Summary - Increase/(Decrease) | |

| Recommend Project Description: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|--|---|---------------------|---------------------|--------------------|----------------------------|
| This project is to replace the existing wooden timbered head gates with new steel gates and to modify the structure to include a hoist system. Provisions for the gates will be made to pull the gates out for easy maintenance purposes. This work is to also include installation of new controls and appropriate emergency power systems. The work plan is to design and begin gate fabrication in year 1 and construction in year 2. | | Operator safety will be greatly improved. | \$ 2,200,000 | \$ (50,000) | \$ - | 2 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|--|--|---------------------|---------------------|--------------------|----------------------------|
| Status Quo : | The current gate system uses timbers as the main gate structure which have been in use for decades and their integrity is suspect. Further these gates do not seal very well and extensive maintenance is necessary. | n/a | \$ - | \$ 50,000 | \$ - | 16 |
| Alternative 1: Brief name of alternative (if applicable) | There were several gate system evaluated, and there are less expensive first cost options. However, the maintenance costs for these other options is far greater, putting pressure on other options. | other gate options would perform similarly | \$ 1,800,000 | \$ 50,000 | \$ - | 2 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline **Construction Cash Flows (CWIP)**



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|---------------------|--------------------|---------------------|
| Previous | \$ 900,000 | \$ - | \$ - | \$ 379,055 |
| 2012 | \$ 2,200,000 | \$ - | \$ - | \$ 2,200,000 |
| 2013 | \$ - | \$ - | \$ - | \$ 900,000 |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 3,100,000 | \$ - | \$ - | \$ 3,479,055 |

| Milestones (high level targets) | | | |
|--|--------------------|-------------|------------------|
| November-10 | Project Started | December-12 | Project Complete |
| April-11 | Project Plan | | |
| June-11 | Project Design | | |
| November-11 | Major Procurement | | |
| July-12 | Construction Start | | |

| | | | | | | | |
|--|------|--|--|--|--|--|--|
| Associated Ers (list all applicable): | 4153 | | | | | | |
|--|------|--|--|--|--|--|--|

| | |
|---|--|
| Mandate Excerpt (if applicable): | CFR 18.1.B.Part 12; 2007 FERC Inspection Report, July 10, 2007 Letter to FERC with Plant and Schedule; 2011 FERC Inspection Report and Part 12 Report Recommendation and August 13, 2012 letter to FERC requesting extension |
|---|--|

Additional Justifications:

Capital Investment Business Case



Resources Requirements: *(request forms and approvals attached)*

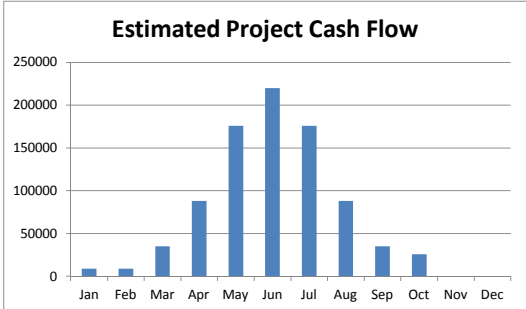
Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

Expected Performance Improvements
 KPI Measure:



Prepared signature

Reviewed signature
 Director/Manager

Other Party Review signature
 (if necessary) Director/Manager

To be completed by Capital Planning Group

| | | |
|------------------------|----------------------------|----------|
| Rationale for decision | Review Cycles 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Coyote Springs Long-Term Service Agreement (“LTSA”)

ER No: ER Name:

4143 CS2 LTSA Cash Accrual

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,121¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 179 | | | | | | | | | | | | 179 |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This program is to cover the capital accruals required to execute our LTSA with General Electric for Coyote Springs Unit 2. This is the same as the current LTSA item. This program will have fluctuations in expenditure to account for the variable operating hours and operating conditions that feed into the LTSA formula.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

| | | | |
|--|------------------------------------|--|--|
| Investment Name: | Coyote Springs LTSA | Assessments: | |
| Requested Amount | \$650,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 5+ Year Program | Strategic: | Life Cycle Programs |
| Dept., Area: | Power Supply | Operational: | Operations require execution to perform at current levels |
| Owner: | Thomas Dempsey/Scott Kinney | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Jason Thackston | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 89 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |
| Recommend Program Description: | | Performance | Capital Cost |
| This program is to cover the capital accruals required to execute our LTSA with GE for Coyote Springs Unit 2. This is the same as the current LTSA item. This program will have fluctuations to account for the variable operating hours and operating conditions that feed into the LTSA formula. | | This program assures best response times to outages and forced outages | \$ 650,000 |
| | | | O&M Cost |
| | | | \$ - |
| | | | Other Costs |
| | | | \$ - |
| | | | Business Risk Score |
| | | | 10 |

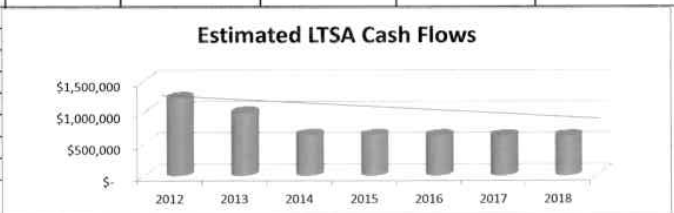
| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|---|--|---------------------|---------------------|--------------------|----------------------------|
| Status Quo : | This is a contract with GE to provide the necessary services, parts, and labor to maintain the Frame 7EA gas turbine. This is the major component of the Coyote Springs Unit 2 combined cycle plant (CCCT). | n/a | \$ 650,000 | \$ - | \$ - | 15 |
| Alternative 1: Brief name of alternative (if applicable) | none | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows
2012-2016

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|---------------------|--------------------|---------------------|
| Previous | \$ 10,000 | \$ - | \$ - | \$ 10,000 |
| 2012 | \$ 1,232,735 | \$ - | \$ - | \$ 2,231,043 |
| 2013 | \$ 998,299 | \$ - | \$ - | \$ 1,000,000 |
| 2014 | \$ 649,943 | \$ - | \$ - | \$ 711,000 |
| 2015 | \$ 644,712 | \$ - | \$ - | \$ 707,000 |
| 2016 | \$ 639,324 | \$ - | \$ - | \$ 703,000 |
| 2017 | \$ 633,775 | \$ - | \$ - | \$ 700,000 |
| 2018 | \$ 628,058 | \$ - | \$ - | \$ 700,000 |
| Future | \$ 2,451,565 | \$ - | \$ - | \$ - |
| Total | \$ 7,888,412 | \$ - | \$ - | \$ 6,762,043 |

Associated Ers (list all applicable):

| | | | |
|------|--|--|--|
| 4143 | | | |
|------|--|--|--|



Mandate Excerpt (if applicable):
n/a

Additional Justifications:
This LTSA is a contractual agreement between Avista and GE.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



Capital Investment Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|-------------------|
| Expected Performance Improvements | |
| KPI Measure: | Unit Availability |

Prepared signature Shawn C. Deppa 12/2/13

Reviewed signature Scott Keimig 12/2/13
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

To be completed by Capital Planning Group

| | | |
|------------------------|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Rathdrum Combustion Turbine - Replace Mark V Controller

ER No: ER Name:

4154 Rathdrum CT Upgrade Unit 1 to Mark VI Controller

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$500¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 45 | | | | | | | 1 | 42 | | 1 | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

In 2007, the Mark V controller on Unit 2 failed catastrophically, taking the unit out of service for several months. A new Mark VI controller was installed in its place. This project is to replace the Mark V controller in Unit 1 with a Mark VI controller to match Unit 1. The Mark V technology is at the end of its life and is minimally supported by the original equipment manufacturer. In addition, some features make the Mark VI a better solution for our operations.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case

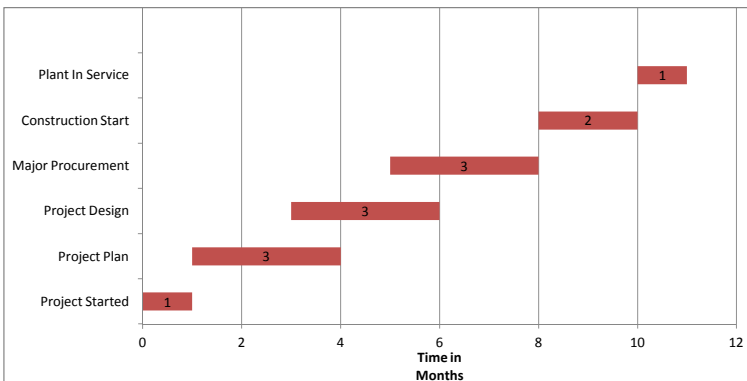


| | | | | | |
|--------------------------------|--|------------------------------|--|---|--|
| Investment Name: | Rathdrum CT Replace Mark V Controller (Revised) | Assessments: | | | |
| Requested Amount | \$918,000 | Financial: | MH - >= 9% & <12% CIRR | | |
| Duration/Timeframe | 1 Year Project | Strategic: | Reliability & Capacity | | |
| Dept., Area: | GPSS | Operational: | Operations improved beyond current levels | | |
| Owner: | Tim Carlberg | Business Risk: | ERM Reduction >5 and <= 10 | | |
| Sponsor: | Dick Storro | Project/Program Risk: | High certainty around cost, schedule and resources | | |
| Category: | Project | Assessment Score: | 105 | Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | | | | |

| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|---|---------------------|---------------------|--------------------|----------------------------|
| In 2007, the Mark V controller on Unit 2 failed catastrophically, taking the unit out of service for several months. A new Mark VI controller was installed in its place. This project is to replace the old Mark V controller in Unit 1 with a Mark VI controller to match Unit 1. The Mark V technology is at the end of its life and is minimally supported by the OEM. In addition, there are some features that make the Mark VI a better solution for our operations. | OEM future support for controller software and hardware | \$ 918,000 | \$ - | \$ - | 2 |

| Alternatives: | | Performance | Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|---|--|---|---------------------|--------------------|----------------------------|
| | | | Capital Cost | O&M Cost | Other Costs | |
| Status Quo : | The existing Mark V controller continues to be functional, however the technology is dated. Due to a catastrophic failure four years ago, the Mark V controller was replaced in Unit 2. We currently have a mis-matched controller set for these turbines | n/a | \$ - | \$ - | \$ - | 12 |
| Alternative 1: Brief name of alternative (if applicable) | Another option that will be pursued is to install a Mark Vie retrofit system. This may provide the same functionality of the planned Mark VI, but could be less expensive. We will work with GE to further evaluate this options | OEM future support for controller software and | \$ 500,000 | \$ - | \$ - | 2 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|---------------------|--------------------|---------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2012 | \$ 10,000 | \$ - | \$ - | \$ 918,000 |
| 2013 | \$ 908,000 | \$ - | \$ - | \$ 500,000 |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 918,000 | \$ - | \$ - | \$ 1,418,000 |

| Milestones (high level targets) | | | |
|--|--------------------|---------|------------------|
| November-12 | Project Started | July-13 | Plant In Service |
| December-12 | Project Plan | | |
| February-13 | Project Design | | |
| March-13 | Major Procurement | | |
| June-13 | Construction Start | | |

| | | | | | | | |
|--|------|--|--|--|--|--|--|
| Associated Ers (list all applicable): | 4154 | | | | | | |
| Mandate Excerpt (if applicable): | n/a | | | | | | |

Additional Justifications:
A modest operational issue we currently face is that we have two different types of control systems for the same plant. This has some implications for spare parts and even maintenance issued on a limited basis. The technology of the Mark V is now being phased out by GE, and being replaced with the Mark VI control. Completing this project will assure a higher availability over the long term for Unit 1 and provide some marginal improvement for the operations and maintenance of the plant.

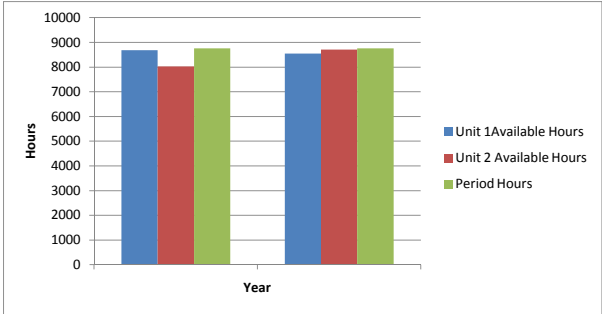
Capital Investment Business Case



Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability Enterprise Tech: YES - attach form NO or Not Required
 Contract Labor: YES NO Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

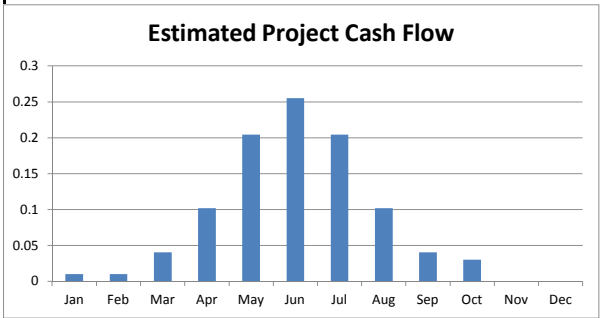
Key Performance Indicator(s)
 Expected Performance Improvements
 KPI Measure: Unit Availability



Prepared signature _____

Reviewed signature _____
 Director/Manager

Other Party Review signature _____
 (if necessary) Director/Manager



2013 Budget Revisions: Due to availability of engineering resources, this project was delayed from 2012 and is now planned for 2013. Some initial investigation was performed in early 2012 and final scope of work is not yet firm.

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Long Lake Replace Field Windings

ER No: ER Name:

4169 Long Lake HED Replace Field Windings

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,400¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | | | | | | | | | | | | | |
| 2014 | 800 | | | | | | | | | | | | 800 |
| 2015 | 2,430 | | | | | | | | | | | | 2,430 |
| 2016 | 170 | | 170 | | | | | | | | | | |

Business Case Description:

Long Lake Replace Generator Field Windings - over the past 10 years, we have observed a continuing decline in the insulation level on the generators at Long Lake. This decline is measured using Megger test instruments. We have experienced an increasing amount of forced outages and down time due to the poor condition of these units. We had planned to address this as part of the Long Lake redevelopment project however, that was delayed due to problems at Little Falls. It is the opinion of engineering that the generators at Long Lake will not run reliably for the six years or more to when this would be address as part of that project.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|--------------------------------|---------------------------|--------------------------|--|
| Investment Name: | LLRepl Field Wndgs | Assessments: | |
| Requested Amount | \$3,400,000 | Financial: | 9.62% |
| Duration/Timeframe | no. years 3 | Strategic: | Reliability & Capacity |
| Dept., Area: | GPSS | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Andy Vickers | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Jason Thackston | | |
| Category: | Project | | |
| Mandate/Reg. Reference: | n/a | Assessment Score: | 99 |

| | | | | | |
|--|---|--|------------|-------------|----------------------------|
| Recommend Project Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| Long Lake Replace Generator Field Windings - over the past 10 years, we have observed a continuing decline in the insulation level on the generators at Long Lake. This decline is measured using Megger test instruments. We have experienced an increasing amount of forced outages and down time due to the poor condition of these units. We had planned to address this as part of the Long Lake redevelopment project however that was delayed due to problems at Little Falls. It is the opinion of engineering that the generators at Long Lake will not run reliably for the six years or more to when this would be address as part of that project. | This would reduced plant forced outages | Capital Cost | O&M Cost | Other Costs | 2 |
| | | \$ 3,400,000 | \$ 100,000 | \$ - | |

| | | | | | | |
|--|---|--|--------------|------------|----------------------------|----|
| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score | |
| Unfunded Project: | Our forced outage events and durations continue to generally increase as our crews find ways to try to keep the units on line. Megger readings indicate that we continue to degrade in insulation levels. The costs represent estimated repairs and loss of revenues from forced outages. | n/a | \$ - | \$ 265,000 | \$ 1,152,000 | 12 |
| Alternative 1: Brief name of alternative (if applicable) | Replace one or two sets of field poles rather than rewind them. This would allow the work to get done more quickly and reduce second and third year budget impacts. The incremental cost is reflective of one set of poles. | describe any incremental changes in operations | \$ 3,700,000 | \$ - | \$ - | 2 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------------|-------------|---------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 1,572,000 | \$ 50,000 | \$ - | \$ 1,572,000 |
| 2015 | \$ 1,658,000 | \$ 50,000 | \$ - | \$ 1,658,000 |
| 2016 | \$ 170,000 | \$ - | \$ - | \$ 170,000 |
| 2017+ | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 3,400,000 | \$ 100,000 | \$ - | \$ 3,400,000 |

| | | | |
|--|--|--|--|
| Associated Ers (list all applicable): | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|---|
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

Milestones (high level targets)

| | | | | | |
|-------------|--------------------|-------------|--------------------|------------|------|
| April-14 | Contracts in Place | October-15 | 3rd Unit Completed | January-00 | open |
| July-14 | 1st Unit Started | October-15 | 4th Unit Started | January-00 | open |
| October-14 | 1st Unit Completed | December-15 | 4th Unit Completed | January-00 | open |
| October-14 | 2nd Unit Started | March-16 | Project Complete | January-00 | open |
| December-14 | 2nd Unit Completed | January-00 | open | January-00 | open |
| July-15 | 3rd Unit Started | January-00 | open | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: (request forms and approvals attached)

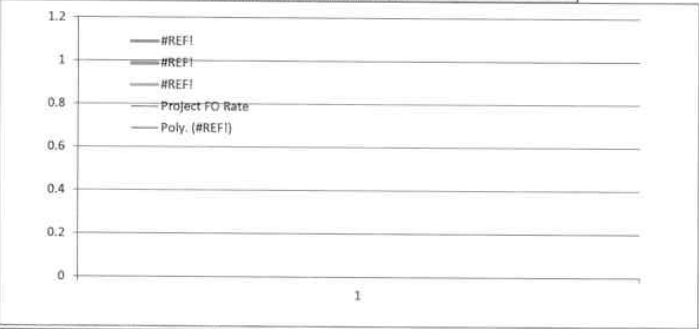
| | | | | | | | | | |
|------------------------------|---|---|---|------------------|--|--|----------------|--|--|
| Internal Labor Availability: | <input checked="" type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



Capital Project Business Case

Key Performance Indicator(s)
 Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature *[Signature]*
 Reviewed signature *[Signature]*
 Director/Manager
 Other Party Review signature _____
 (if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

| To be completed by Capital Planning Group | | | | | | | | | | | | | | | |
|---|---------------|--|------|----------|--|--|--|--|--|--|--|--|--|--|--|
| Rationale for decision | Review Cycles | | | | | | | | | | | | | | |
| | | 2012-2016 | | | | | | | | | | | | | |
| | | <table border="1"> <thead> <tr> <th>Date</th> <th>Template</th> </tr> </thead> <tbody> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </tbody> </table> | Date | Template | | | | | | | | | | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Noxon Spare Coils

ER No: ER Name:

4166 Noxon Rapids HED Spare Coils

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,350¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-------|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | 1,350 | | | | | | | | | 1,350 | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This project is to replace the spare coils that were used last spring to repair the stator winding that failed for Unit 4. This item will procure 100 spare coils. These spares cover Units 1 through 4 (Unit 5 is different). Because we had spares on hand, we were able to return Unit 4 to normal service within 11 weeks. Without these spares, the unit would have been out for 9 months or more. Prices for coils supplied under emergency conditions would likely carry a 30% premium. This project does not include any installation, only replacing stock that we had previously.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|--------------------------------|--|--|--|
| Investment Name: | Noxon Spare Coils | Assessments: | |
| Requested Amount | Estimated Total Capital Expenditure | Financial: | 8.54% |
| Duration/Timeframe | 1 Year Project | Strategic: | Reliability & Capacity |
| Dept., Area: | GPSS | Business Risk: | Business Risk Reduction >0 and <= 5 |
| Owner: | Andy Vickers | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Jason Thackston | Assessment Score: | 88 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost |

| | | | | |
|---|---|--------------|-------------|---------------------|
| Recommend Project Description: | | O&M Cost | Other Costs | Business Risk Score |
| This project is to replace the spare coils that were used last spring to repair the stator winding that failed for Unit 4. This item will procure 100 spare coils. These spares cover Units 1 through 4 (Unit 5 is different). Because we had spares on hand, we were able to return Unit 4 to normal service within 11 weeks. Without these spares, the unit would have been out for 9 months or more. Prices for coils supplied under emergency conditions would likely carry a 30% premium. This project does not include any installation, only replacing stock that we had previously. | describe any incremental changes that this Project would benefit present operations | \$ - | \$ - | 3 |
| | | Capital Cost | | |
| | | \$ 1,350,000 | | |

| | | | | |
|--|---|--|-------------|---------------------|
| Alternatives: | | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Project: | Should we not have adequate spare coils on hand, we would risk a significantly longer forced outage (at least 6 months) and a much higher cost (30% premium). | n/a | \$ 165,484 | 4 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | 3 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | 0 |
| | | Capital Cost | | |
| | | \$ 2,100,000 | | |

| | | | | |
|---------------------------|--------------|----------|-------------|--------------|
| Program Cash Flows | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved |
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 1,350,000 | \$ - | \$ - | \$ 1,350,000 |
| 2015 | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017+ | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 1,350,000 | \$ - | \$ - | \$ 1,350,000 |

| | | | |
|--|--|--|--|
| Associated Ers (list all applicable): | | | |
| | | | |
| | | | |
| | | | |

| | | | | | | | |
|--------------|-------------|--------------|-------------|-------------|--------------|--------------|---|
| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
| TBD | \$ - | \$ 1,350,000 | \$ - | \$ - | \$ - | \$ 1,350,000 | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ 1,350,000 | \$ - | \$ - | \$ - | \$ 1,350,000 | Additional Justifications: After some discussion, it was determined to procure 100 coils in order to have an adequate supply in case of multi coil failures. We had a single point failure and consumed 34 of our spares. It was estimated that if we had two coils fail, we would consume 3X that number and may not have enough to effect repairs as hoped. |

| | | | | | | | |
|--|----------------------|------------|------|------------|------|------------|------|
| Milestones (high level targets) | | | | | | | |
| September-14 | Spare Coils Received | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can

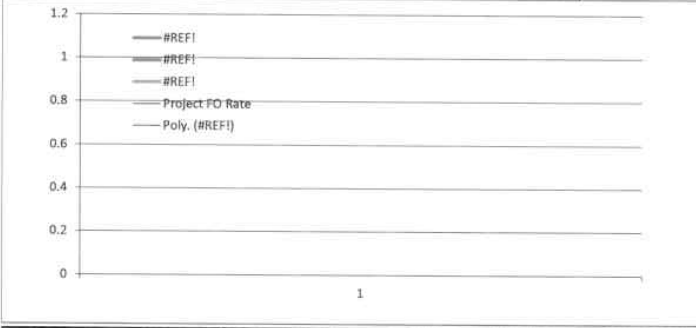
| | | | | | | | |
|---|--|---|---|------------------|--|--|--|
| Resources Requirements: (request forms and approvals attached) | | | | | | | |
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Capital Tools: |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: |
| | | | | | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | <input type="checkbox"/> YES - attach form |
| | | | | | | | <input type="checkbox"/> YES - attach form |
| | | | | | | | <input checked="" type="checkbox"/> NO or Not Required |



Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature *[Signature]*
 Reviewed signature *[Signature]*
 Director/Manager
 Other Party Review signature _____
 (if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Coyote Springs 2 Replace Inlet Air Filter System

ER No: ER Name:

4167 CS2 Inlet Air System

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$510¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | 500 | | | | | | 500 | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

Coyote Springs 2 Replace Inlet Air Filter System. This project would replace the present air filters with a new system that is more effective at particulate removal than the current system. Cursory studies indicate that these new filters would reduce the number of water wash's required to maintain unrestricted air flow, and reduce the particles going through the turbine, which in turn reduces the erosion we see on the blades and buckets.

Offsets:

An estimated savings of \$20,587 (\$13,384 WA) for 2014 was determined and presented on the attached Business Case. If Coyote Springs 3 continues with the current system, performance level decreases will be experienced over time until the air media needs to be replaced. This has been included in the O&M Offsets adjustment as shown in Company witness Mrs. Andrews' workpapers.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|-------------------------|-----------------------------|---|--|
| Investment Name: | CS2 Inlet Air Sys | Assessments: | |
| Requested Amount | \$ 500,000 | Financial: | 7.00% |
| Duration/Timeframe | 1 Year Project | Strategic: | Generating Plant Modernization |
| Dept., Area: | Power Supply | Business Risk: | Business Risk Reduction >0 and <= 5 |
| Owner: | Scott Kinney / Andy Vickers | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Jason Thackston | Assessment Score: | 80 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost |

| | | | | | |
|---|--|--------------|-------------|-------------|---------------------|
| Recommend Project Description: Coyote Springs 2 Replace Inlet Air Filter System. This project would replace the present air filters with a new system that is more effective at particulate removal than the current system. cursory studies indicate that these new filters would reduce the number of water wash's required to maintain unrestricted air flow, and reduce the particles going through the turbine, which in turn reduces the erosion we see on the blades and buckets. | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| | Would reduce need for water wash. Assume on per year | \$ 500,000 | \$ (20,587) | \$ - | 3 |

| | | | | | | |
|---|--|--|--------------|-----------|-------------|---------------------|
| Annual Cost Summary - Increase/(Decrease) | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Alternatives: | | | | | | |
| Unfunded Project: | We can continue to operate with the current system but at a slightly decreasing performance level over time until we would be forced to replace the air media in the future. | n/a | \$ - | \$ 20,587 | \$ - | 6 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 3 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|----------|--------------|-------------|-------------|------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ 10,000 | \$ - | \$ - | \$ 10,000 |
| 2014 | \$ 490,000 | \$ (20,587) | \$ - | \$ 500,000 |
| 2015 | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017+ | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 500,000 | \$ (20,587) | \$ - | \$ 510,000 |

| Associated Ers (list all applicable): | | | |
|---------------------------------------|--|--|--|
| | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|-------|------|------|------|------|-------|-------|--|
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

Milestones (high level targets)

| | | | | | |
|-------------|-------------------|------------|------|------------|------|
| August-13 | Project Initiated | January-00 | open | January-00 | open |
| December-13 | Material Ordered | January-00 | open | January-00 | open |
| July 1 14 | System Installed | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: (request forms and approvals attached)

| | | | | | | | | | |
|------------------------------|--|---|---|------------------|--|---|----------------|--|---|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |

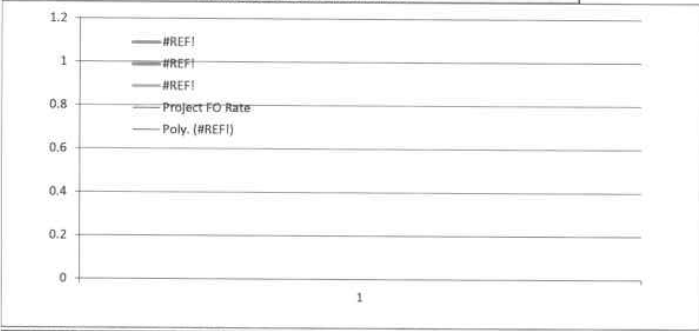


Capital Project Business Case

Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature *[Signature]*
 Reviewed signature *[Signature]* Director/Manager
 Other Party Review signature _____ Director/Manager
 (if necessary)

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

To be completed by Capital Planning Group

| | | |
|------------------------|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Colstrip Thermal Capital

ER No: ER Name:

4116 Colstrip Capital Additions

7130 Colstrip Unit 4 Outage due to Generator Failure

Approved Business Case Spend Amount 2013-2016 (\$000s): \$16,218¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-------|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | 8,004 | 210 | 616 | 636 | 658 | 1,123 | 874 | 584 | 627 | 607 | 616 | 608 | 845 |
| 2015 | 3,177 | 235 | 233 | 240 | 248 | 424 | 330 | 220 | 237 | 229 | 233 | 229 | 319 |
| 2016 | 5,836 | 395 | 390 | 416 | 432 | 940 | 650 | 371 | 396 | 385 | 390 | 386 | 685 |

Business Case Description:

This program is for ongoing capital expenditures associated with normal outage activities on Units 3 & 4 at Colstrip. Every 2 out of 3 years we have outages at Colstrip with higher capital program activities. For non-outage years, the program activities are reduced. Avista votes its 15% share of Unit's 3 & 4 and its approximate 10% share of common facilities to approve or disapprove of the budget proposed by PPLM on behalf of all the owners. Individual projects are reviewed for appropriate rates of return and necessity.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|-------------------------|-------------------------------------|---|---|
| Investment Name: | Colstrip 3&4 Capital | Assessments: | |
| Requested Amount | Estimated Total Capital Expenditure | Financial: | 10.00% |
| Duration/Timeframe | 5+ Year Program | Strategic: | None |
| Dept., Area: | Power Supply | Business Risk: | Business Risk Reduction - None |
| Owner: | Scott Kinney | Program Risk: | Low certainly around cost, schedule and resources |
| Sponsor: | Jason Thackston | Assessment Score: | 29 |
| Category: | Program | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost |

| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|--|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This program is for ongoing capital expenditures associated with normal outage activities on Units 3 & 4 at Colstrip. Every 2 out of 3 years we have outages at Colstrip with higher capital program activities. For non-outage years, the program activities are reduced. Avista votes its 15% share of Unit's 3 & 4 and its approximate 10% share of common facilities to approve or disapprove of the budget proposed by PPLM on behalf of all the owners. Individual projects are reviewed for appropriate rates of return and necessity. | These programs are required for continued operation of units 3&4 | \$ 7,420,000 | \$ - | \$ - | 0 |

| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|--|--------------|----------|---------------|---------------------|
| Unfunded Program: Generally speaking, we can only vote our small share. We do not have the option of unilaterally rejecting the proposed capital projects. We would have to sell our portion of the plant to escape funding these projects. | n/a | \$ - | \$ - | \$ 50,000,000 | 0 |
| Alternative 1: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | Capital Cost | O&M Cost | Other Costs | Approved |
|----------|---------------|----------|-------------|---------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 7,414,223 | \$ - | \$ - | \$ 7,205,250 |
| 2015 | \$ 3,176,850 | \$ - | \$ - | \$ 3,176,850 |
| 2016 | \$ 6,054,849 | \$ - | \$ - | \$ 5,836,350 |
| 2017 | \$ 7,486,699 | \$ - | \$ - | \$ 7,377,450 |
| 2018 | \$ 2,232,750 | \$ - | \$ - | \$ 2,232,750 |
| Total | \$ 26,365,371 | \$ - | \$ - | \$ 25,828,650 |

| | | |
|------|--|--|
| 4116 | | |
|------|--|--|

| ER | 2014 | 2015 | 2016 | 2017 | 2018 | Total | Mandate Excerpt (if applicable): |
|-------|--------------|--------------|--------------|--------------|--------------|---------------|--|
| 4116 | \$ 7,414,223 | \$ 3,176,850 | \$ 6,054,849 | \$ 7,486,699 | \$ 2,232,750 | \$ 26,365,371 | We have limited input. This provides somewhat of a mandate. Also, this program is a "rollup" of many categories of capital work. Many are, in fact mandated by EPA and other regulatory bodies. |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 7,414,223 | \$ 3,176,850 | \$ 6,054,849 | \$ 7,486,699 | \$ 2,232,750 | \$ 26,365,371 | Additional Justifications: These projects are reviewed individually by PPL and the remaining members of the committee. Joint approval is given only where need and/or shareholder/ratepayer needs meet the proper thresholds. |

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here
 Fill in the name of the KPI here



Prepared signature *Sharon C. Boyer* 10/2/13

Reviewed signature *Scott Kinney* 12/2/13
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager



Capital Program Business Case



This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Kettle Falls Generating Facility (“KFGS”) Water Supply

ER No: ER Name:

4151 Kettle Falls Develop New River Wells

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,310¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-------|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | 1,615 | | | | | | | 1,615 | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

KFGS receives its water from the City of Kettle Falls from an agreement that dates back to the construction of the plant in the early 1980's. That agreement will expire next year and future rates will be higher, affecting the costs of the plant. This effort is to secure necessary water rights and a long-term water supply for the plant that is controlled by the Company.

Offsets:

Since the plant went into service, the water supply requirements for the plant have come from the City of Kettle Falls. When completed, this project will allow us to move off of the City system as we will have our own water supply. This will reduce the amount we pay for the water and this is the source of that offset. It is estimated that the net savings in 2015 will be \$18,750 for total system and \$12,189 allocated to Washington. This has been included in the O&M Offsets adjustment as shown in Company witness Mrs. Andrews’ workpapers.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

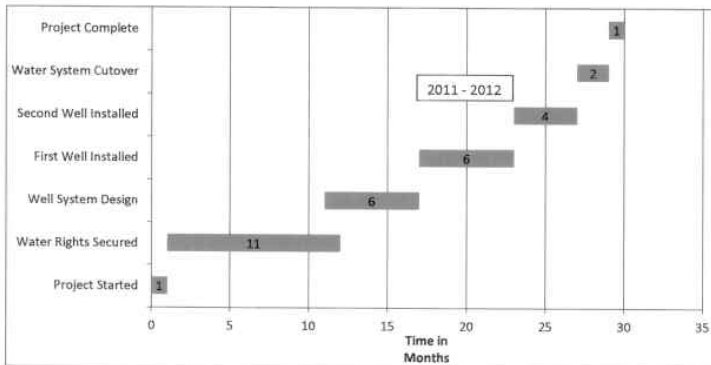


Capital Investment Business Case

| | | | | | | |
|--|--|--|--|---|--------------------|----------------------------|
| Investment Name: | Kettle Falls Water Supply | | | | | |
| Requested Amount | \$1,500,000 | | | | | |
| Duration/Timeframe | 1 Year Project | | | | | |
| Dept., Area: | GPSS | Assessments: | | | | |
| Owner: | Andy Vickers | Financial: | Medium - >= 5% & <9% CIRR | | | |
| Sponsor: | Jason Thackston | Strategic: | Reliability & Capacity | | | |
| Category: | Project | Operational: | Operations require execution to perform at current levels | | | |
| Mandate/Reg. Reference: | n/a | Business Risk: | ERM Reduction >5 and <= 10 | | | |
| | | Project/Program Risk: | High certainty around cost, schedule and resources | | | |
| | | Assessment Score: | 84 | Cost Summary - Increase/(Decrease) | | |
| Recommend Project Description: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| KFGS receives its water from the City of Kettle Falls from an agreement that dates back to the construction of the plant in the early 1980's. That agreement will expire next year and future rates will be higher - impacting the costs of the plant. This effort is to secure necessary water rights and a long term water supply for the plant that is controlled by the company. | | This will not affect current plant performance | \$ 850,000 | \$ (18,750) | \$ - | 0 |
| | | Cost Summary - Increase/(Decrease) | | | | |
| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo : | This is not an option, the agreement will expire next year so either a higher rate will result or a new source will need to be developed. | n/a | \$ - | \$ 18,750 | \$ - | 0 |
| Alternative 1: Brief name of alternative (if applicable) | This project is to develop a two pump system so that if a pump fails, we would still have water to operate the plant. We could eliminate this pump and risk a forced outage on a water pump failure. | increases risk of a forced outage | \$ 1,700,000 | \$ (18,750) | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|---------------------|
| Previous | \$ 151,837 | \$ - | \$ - | \$ 151,837 |
| 2012 | \$ 1,500,000 | \$ - | \$ - | \$ 1,500,000 |
| 2013 | \$ 600,000 | \$ - | \$ - | \$ 460,000 |
| 2014 | \$ - | \$ - | \$ - | \$ 850,000 |
| 2015 | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 2,251,837 | \$ - | \$ - | \$ 2,961,837 |

Milestones (high level targets)

| | | | |
|--------------|-----------------------|-----------|----------------------|
| September-09 | Project Started | July-12 | Water System Cutover |
| October-10 | Water Rights Secured | August-12 | Project Complete |
| June-11 | Well System Design | | |
| March-12 | First Well Installed | | |
| June-12 | Second Well Installed | | |

| | | | | | | |
|--|------|--|--|--|--|--|
| Associated Ers (list all applicable): | 4151 | | | | | |
| Mandate Excerpt (if applicable): | n/a | | | | | |

Additional Justifications:

Water rights have been procured but are currently being carried in suspense on this project. \$800,000 of the \$1,500,000 are in this account. Work to develop the first well was begun in 2011 and continues through the first quarter of 2012. In addition, this item includes an estimated \$300,000 to procure additional water rights to guarantee adequate water for the future. Actual cash expected for 2012 is \$700,000

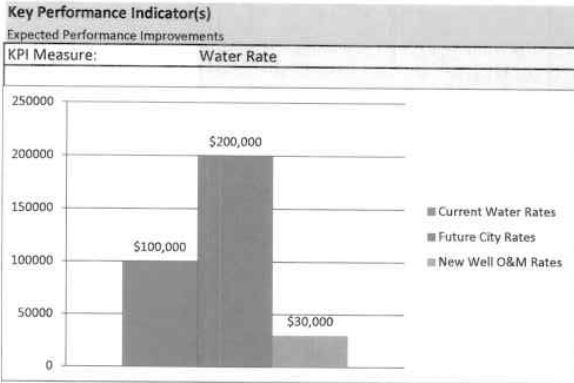


Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required



Prepared signature Steve W...

Reviewed signature Andrew K...
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the project

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Post Falls South Channel Gate Replacement

ER No: 4162
ER Name: PF S Channel Gate Replacement

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$11,008¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-----|-----|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 11,008 | | | 11,008 | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

Avista had planned to maintain the south channel gates to comply with FERC Dam Safety directives. When a pre-construction underwater investigation was done, it was discovered that the condition of the concrete structure was very poor and would not handle the planned work. This project includes an engineering investigation into options and project estimates. It is anticipated that much of the existing concrete structure will be removed and replaced with a new concrete structure, new gates and hoist systems to automate the operation.

Offsets:

An O&M Offset was included in the O&M Offset adjustment for \$5,000 in 2015. After the revenue requirements was finalized, it was determined that these savings are related to employee labor that will be redistributed to other projects and should have been excluded.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|--|--------------------------|--|
| Investment Name: | Post Fall South Channel Replacement | Assessments: | |
| Requested Amount | Estimated Total Capital Expenditure | Financial: | 0.00% |
| Duration/Timeframe | 3 Year Project | Strategic: | Generating Plant Modernization |
| Dept., Area: | GPSS | Business Risk: | Business Risk Reduction >0 and <= 5 |
| Owner: | Andy Vickers | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Jason Thackston | | |
| Category: | Mandatory | | |
| Mandate/Reg. Reference: | CFR Title 18, Chapter I, Subchapter B, Part 12 | Assessment Score: | 55 |

| Recommend Project Description: | | Annual Cost Summary - Increase/(Decrease) | | | | | |
|--|---|--|---------------|------------|-------------|---------------------|---|
| | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| Avista had planned to maintain the south channel gates to comply with FERC Dam Safety directives. When a pre-construction underwater investigation was done, it was discovered that the condition of the concrete structure was very poor and would not handle the planned work. This has resulted in an effort to evaluate options. This item includes an engineering investigation into options and project estimates. It is anticipated that much of the existing concrete structure will be removed and replaced with a new concrete structure, new gates and hoist systems to automate the operation. | | Gate operations would be automated. | \$ 11,008,000 | \$ (5,000) | | | 5 |
| Alternatives: | | Annual Cost Summary - Increase/(Decrease) | | | | | |
| | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| Unfunded Project: | We are currently under a FERC Dam Safety directive to correct problems on the existing gates and structure. We have deferred these costs for several years and are in the process of requesting additional delays of mandated work. | n/a | \$ - | \$ - | \$ - | 20 | |
| Alternative 1: Brief name of alternative (if applicable) | At the time this case is being submitted, no alternatives are known. | describe any incremental changes in operations | \$ - | \$ - | \$ - | 5 | |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 | |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 | |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|----------------------|
| Previous | \$ 63,830 | \$ - | \$ - | \$ 63,830 |
| 2013 | \$ 950,000 | \$ - | \$ - | \$ 1,144,000 |
| 2014 | \$ 1,920,000 | \$ - | \$ - | \$ 8,294,000 |
| 2015 | \$ - | \$ - | \$ - | \$ 1,570,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 2,870,000 | \$ - | \$ - | \$ 11,008,000 |

Associated Ers (list all applicable):

| | | | |
|-----|--|--|--|
| new | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|--------------|-------------------|---------------------|-------------|-------------|-------------|---------------------|---|
| new | \$ 960,000 | \$ 1,950,000 | \$ - | \$ - | \$ - | \$ 2,910,000 | CFR 18.I.B.Part 12; 2007 FERC Inspection Report, July 10, 2007 Letter to FERC with Plan and Schedule; 2011 FERC Inspection Report and Part 12 Report Recommendation and August 13, 2012 letter to FERC requesting extension |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 960,000 | \$ 1,950,000 | \$ - | \$ - | \$ - | \$ 2,910,000 | |

Additional Justifications:
The sequence of correspondence described above presents the highlights of discussions. This project has also been discussed at numerous meetings and inspections with FERC Dam Safety Inspectors and the FERC Regional Engineer. Expectation of addressing gate structural concerns on this structure are well understood.

Milestones (high level targets)

| | | | | | |
|--------------|-------------------------------|-------------|-----------------------|------------|------|
| September-12 | Project Kick-Off | December-14 | Construction Complete | January-13 | open |
| March-13 | Design Basis Complete | March-12 | Project Closed Out | January-13 | open |
| July-13 | Gate Supply Bids Out | January-13 | open | January-13 | open |
| September-13 | Gate Supply Awarded | January-13 | open | January-13 | open |
| January-14 | Issue Construction RFP | January-13 | open | January-13 | open |
| May-14 | Installation Contract Awarded | January-13 | open | January-13 | open |

Milestones should be general. Use your judgement on project progress so that progress can be measured. Provide at least three milestones per year

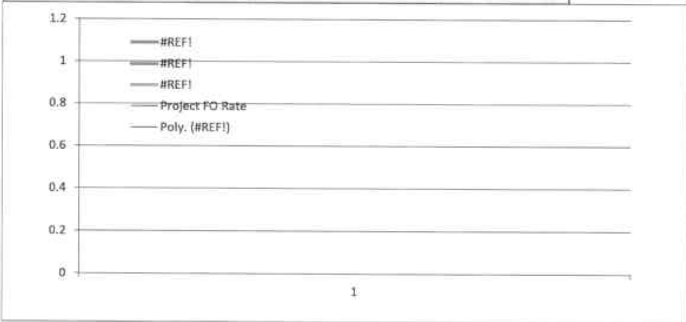
Resources Requirements: (request forms and approvals attached)

| | | | | | | | | | |
|------------------------------|--|--|---|------------------|--|--|----------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input checked="" type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



Capital Program Business Case

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure: FERC Mandate



Prepared signature *[Signature]*
Reviewed signature *[Signature]* Director/Manager
Other Party Review signature (if necessary) Director/Manager

Because of the timing of the discovery of the concrete condition, the initial budget estimate was made very quickly within a two week time period which did not allow for much investigation of what would be needed for the project. As a result, the original request has been increased as we have learned about the needed work to address this issue.

Additional Information: The original plan had contemplated a single spillgate in place of the current six gates, expecting to reduce construction costs. However, upon further scoping work, it was determined that going to a single gate design would require removal of six post tension anchors that were installed in the 1990's for dam stability. This forced a change in scope to include six gates, increasing the cost.

Also, the project will now require a cofferdam to facilitate the necessary construction. That along with the access improvements needed to perform the site construction have also increased the cost over the original estimate.

| To be completed by Capital Planning Group | | |
|---|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Cabinet Gorge Unit 1 Refurbishment

ER No: ER Name:

4161 CG HED U#1 Refurbishment

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$11,400¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-----|-----|-----|--------|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 11,400 | | | | 10,880 | | | 520 | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This is the Capital portion of a major overhaul project planned for Cabinet Gorge Unit 1. The runner hub has significant issues, and will need to be upgraded to allow for frequent cycling with integration of intermittent resources. The present automatic voltage regulator has relatively slow response due to its hybrid design. It also has no limiters for generator protection. A new system will improve both of these. The machine monitoring will allow for better analysis of the machine condition for this critical unit. New protective relays will be installed and new controls will be integrated with the project to replace the failing Bailey NET90 system. Rehab of this unit will also allow flexibility around minimum flow for fish habitat.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|-------------------------|---|--|--|
| Investment Name: | Cabinet Gorge Unit 1 Refurbishment_Rehab | Assessments: | |
| Requested Amount | Estimated Total Capital Expenditure | Financial: | 9.24% |
| Duration/Timeframe | 3 Year Project | Strategic: | Generating Plant Modernization |
| Dept., Area: | GPSS | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Andy Vickers | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Jason Thackston | Assessment Score: | 98 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost |

| | | | | | |
|---|--|---------------|------|------|---|
| Recommend Project Description: This is the Capital portion of a major overhaul project planned for Cabinet Gorge Unit 1. The runner hub has significant issues, and will need to be upgraded to allow for frequent cycling with integration of intermittent resources. The present AVR is relatively slow response due to its hybrid design. It also has no limiters for generator protection. A new system will improve both of these. The machine monitoring is to allow for better analysis of machine condition for this critical unit. New protective relays are to be installed and new controls will be integrated with the project to replace the failing Bailey NET90 system. Rehab of this unit will also allow flexibility around minimum flow for fish habitat. | Better voltage control and response for blackstart (NERC), predictable rewind timing | \$ 11,400,000 | \$ - | \$ - | 4 |
| | Annual Cost Summary - Increase/(Decrease) | | | | |

| | | | | | | |
|--|---|--|--------------|--------------|-------------|---------------------|
| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Project: | The unit will continue to deteriorate, and we will miss the opportunity of being able to run the plant at 3,000cfs, losing considerable flexibility | n/a | \$ - | \$ 1,550,027 | \$ - | 12 |
| Alternative 1: Install IRIS Monitoring System Only | Most critical is to install a Partial Discharge Monitoring system to better assess the condition of the generator winding to assist in rewind timing. The unit is also in need of rewedge & re-insulation of the field windings | none | \$ 949,000 | \$ 868,026 | \$ - | 4 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|----------------------|
| Previous | \$ 330,000 | \$ - | \$ - | \$ - |
| 2013 | \$ 5,172,658 | \$ - | \$ - | \$ 1,300,000 |
| 2014 | \$ 3,394,638 | \$ - | \$ - | \$ 5,200,000 |
| 2015 | \$ - | \$ - | \$ - | \$ 4,900,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 8,567,296 | \$ - | \$ - | \$ 11,400,000 |

| | | | |
|--|--|--|--|
| Associated Ers (list all applicable): | | | |
| none | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|--------------|---------------------|---------------------|-------------|-------------|-------------|---------------------|---|
| none | \$ 5,172,658 | \$ 3,394,638 | \$ - | \$ - | \$ - | \$ 8,567,296 | not applicable |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | Additional Justifications: The present AVR is a hybrid design that utilized the rotating exciter equipment. When we perform blackstart testing, the relatively slow response of the AVR system does not allow the unit to maintain a stable voltage output to energize transmission lines and other loads. A new fast response system will remedy this dilemma. New Relays, Unit Control System, and other equipment replacements will be performed to update this machine to modern standards. |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 5,172,658 | \$ 3,394,638 | \$ - | \$ - | \$ - | \$ 8,567,296 | |

Milestones (high level targets)

| | | | | | |
|--------------|------------------------------|---------------|-----------------------------|-------------|------|
| October-12 | Project Start | September-13 | Discharge Ring installation | January-14 | open |
| November-12 | Basis of Design | October-13 | Runner delivered to site | November-14 | open |
| December-12 | AVR Ordered | November-14 | Runner installation | January-15 | open |
| March-13 | Monitoring Equipment Ordered | January-14 | Installation Completion | April-15 | open |
| July-13 | Final Design | March-14 | Machine in Service | April-15 | open |
| September-13 | Equipment Delivered to Site | September -14 | open | January-13 | open |

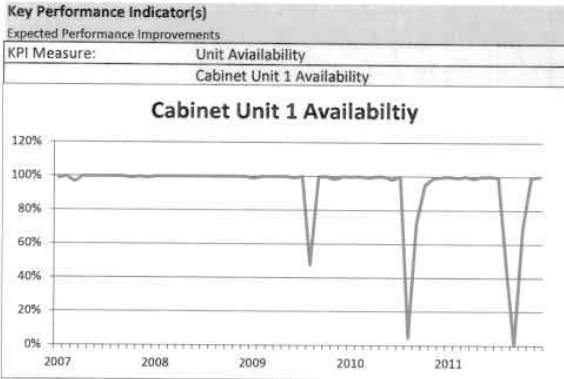
Milestones should be general. Use your judgement on project progress so that progress can be measured. Provide at least three milestones per year

Resources Requirements: (request forms and approvals attached)

| | | | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|----------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



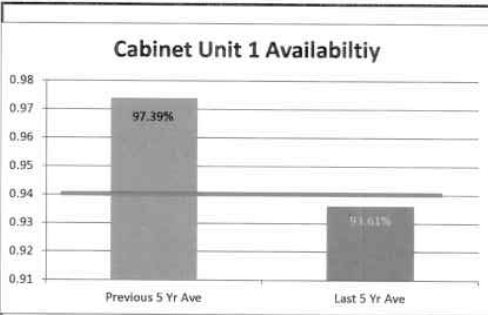
Capital Program Business Case



Prepared signature *Steve Wank*

Reviewed signature *Andrew K...*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager



Some other explanation of the chart included above is that you can see that we are experiencing increasing outages over time to address the problems with the unit. These outages are generally increasing over time.

The monitoring system is intended to help us capture when a major outage is likely to occur and then plan accordingly. An asset management study has shown the benefits of a monitoring system that we can use to predict when we should plan for major events rather than perform the work after failure.

The chart at the left shows the decreasing availability that has been experienced over the past ten years due to mechanical problems with the unit. Doing this capital project at the same time as the major maintenance will improve future availability as this will not be needed again.

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Generation / Production

Business Case Name: Kettle Falls Generating Station Ash Collector

ER No: 4168 **ER Name:** KFGS Ash Collector

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,907¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-------|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 1,907 | | | | | | | | 1,907 | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This project will replace the ash collector at the Kettle Falls Generating Station. The current unit requires frequent repair of metal surfaces due to ash abrasion, which requires plant outages.

Offsets:

O&M savings are estimated to be \$75,000 in 2014 (\$48,758 Washington) due to the reduction of maintenance costs associated with ash abrasion and have been included in the O&M Offsets adjustment as shown in Company witness Mrs. Andrews' workpapers.

There is \$38,100 of avoided costs that will not otherwise result in incremental cost savings. It is estimated that there is a 20% probability of an outage occurring if the replacement does not take place. By putting into service the ash collector, it is estimated that \$190,500 of additional costs are avoided. The total avoided cost of a five day outage, based on the probability of occurrence of 20%, is calculated to be \$38,100 (\$190,500 x 20%) system and \$9,529 Washington.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|-------------------------|--------------------|---|--|
| Investment Name: | KFGS Ash Collector | Assessments: | |
| Requested Amount | \$1,907,000 | Financial: | 6.91% |
| Duration/Timeframe | 1 Year Project | Strategic: | Life-cycle asset management |
| Dept., Area: | GPSS | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Andy Vickers | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Jason Thackston | Assessment Score: | 94 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | | |

| | | | | | |
|---|--|---------------------|---------------------|--------------------|----------------------------|
| Recommend Project Description: To replace the ash collector at the Kettle Falls Generating Station. Current unit requires frequent repair of metal surfaces due to ash abrasion, requiring plant outages. Other | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| | Would eliminate need to reweld current ash collector and associated risks of failure | \$ 1,907,000 | \$ (75,000) | \$ (38,100) | 3 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|--|--|---------------------|---------------------|--------------------|----------------------------|
| Unfunded Project: | Continue to repair, risking plant availability | Requires plant outages to repair. | \$ - | \$ 75,000 | \$ 38,100 | 9 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 3 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|---------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 1,907,000 | \$ - | \$ - | \$ 907,000 |
| 2015 | \$ - | \$ - | \$ - | \$ 1,000,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017+ | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 1,907,000 | \$ - | \$ - | \$ 1,907,000 |

| Associated Ers (list all applicable): | | | |
|--|--|--|--|
| | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|--------------|-------------|---------------------|-------------|-------------|-------------|---------------------|---|
| 4149 | \$ - | \$ 1,907,000 | \$ - | \$ - | \$ - | \$ 1,907,000 | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ 1,907,000 | \$ - | \$ - | \$ - | \$ 1,907,000 | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

Milestones (high level targets)

| | | | | | |
|------------|------|------------|------|------------|------|
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: (request forms and approvals attached)

| | | | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|----------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

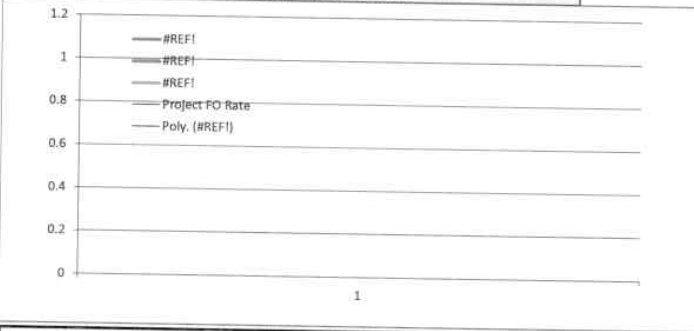



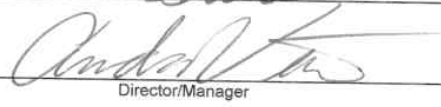
Capital Project Business Case

Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared Neil Thorson 
 Reviewed signature 
 Director/Manager
 Other Party Review signature
 (if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

To be completed by Capital Planning Group

| | | |
|------------------------|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Capital Tools & Stores Equipment

ER No: ER Name:

7005 Stores Equip

7006 Tools Lab & Shop Equipment

7002 Office Mach & Equipment

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$7,631¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 404 | | | | | | 18 | 20 | 57 | 37 | 136 | 136 | |
| 2014 | 1,937 | 280 | 280 | 280 | 43 | 43 | 43 | 43 | 43 | 43 | 280 | 280 | 280 |
| 2015 | 2,348 | 333 | 333 | 333 | 58 | 58 | 58 | 58 | 58 | 58 | 333 | 333 | 333 |
| 2016 | 2,466 | 348 | 348 | 348 | 63 | 63 | 63 | 63 | 63 | 63 | 348 | 348 | 348 |

Business Case Description:

This business case is for the purchase and repair of tool and facility material handling equipment. This includes equipment such as forklifts, manlifts, shelving, cutting/binding machines, etc. These funds are used for capital Stores equipment company-wide. The ER's included in this business case are blanket projects that occur year over year

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | | | |
|--|---|------------------|--|---|--|
| Investment Name: | Capital Tools and Stores | | | | |
| Requested Amount | \$ | 1,936,500 | Assessments: | | |
| Duration/Timeframe | Ongoing | Year Program | Financial: | MH - >= 9% & <12% CIRR | |
| Dept., Area: | Supply Chain | | Strategic: | Life Cycle Programs | |
| Owner: | Cody Krogh | | Operational: | Operations require execution to perform at current levels | |
| Sponsor: | Don Kopczynski | | Business Risk: | ERM Reduction >0 and <= 5 | |
| Category: | Program | | Program Risk: | High certainty around cost, schedule and resources | |
| Mandate/Reg. Reference: | n/a | | Assessment Score: | 84 | Annual Cost Summary - Increase/(Decrease) |
| Recommend Program Description: | | | Performance | Capital Cost | O&M Cost |
| Purchase and repair of tool and facility material handling equipment | | | Enhances crew efficiency | \$ 1,500,000 | \$ - |
| | | | | Other Costs | Business Risk Score |
| | | | | \$ - | 0 |
| | | | Annual Cost Summary - Increase/(Decrease) | | |
| Alternatives: | | | Performance | Capital Cost | O&M Cost |
| Status Quo: | Describe the current condition of the asset(s) and problems that need to be corrected | | n/a | \$ - | \$ - |
| | | | | Other Costs | Business Risk Score |
| | | | | \$ - | 0 |
| Alternative 1: Repair all tools | Increased labor to repair failed tools, increased cost to have outside repairs performed (not all tools can be repaired), delayed response by crews, reduced crew efficiency, increased labor to find/rent tools and equipment, safety concerns for not having appropriate equipment to perform craft work (meter testing, metering equipment, specialized cable splicing, leak detection, utility locating equipment, reduction of safety related equipment, etc.) | | n/a | \$ - | \$ 1,233,606 |
| | | | | Other Costs | Business Risk Score |
| | | | | \$ - | 0 |
| Alternative 1: Rent Forklifts | Increased rental expense & labor to "Other" budget shifting 95% of costs to CAP loading, 5% to O&M | | | \$ 665,000 | \$ 35,000 |
| | | | | Other Costs | Business Risk Score |
| | | | | \$ - | 0 |

| | | | | | | | |
|---------------------------|---------------------|---------------------|--------------------|--|------|---------|-------------------|
| Program Cash Flows | | | | Associated Ers (list all applicable): | | | |
| 5 years of costs | | | | 2013 | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | 7006 | 1500000 | 2014 |
| | | | | | | | 7008 \$ 1,422,007 |
| | | | | | | | 7005 514493 |
| 2013 | \$ 1,500,000 | \$ - | \$ - | \$ 880,000 | | | |
| 2014 | \$ 1,575,000 | \$ - | \$ - | \$ 1,936,500 | | | |
| 2015 | \$ 1,653,750 | \$ - | \$ - | \$ 2,348,325 | | | |
| 2016 | \$ 1,736,438 | \$ - | \$ - | \$ 2,465,742 | | | |
| 2017 | \$ 1,823,259 | \$ - | \$ - | \$ 2,552,563 | | | |
| 2018 | | | | \$ 2,552,563 | | | |
| Total | \$ 8,288,447 | \$ - | \$ - | \$ 12,735,693 | | | |

Mandate Excerpt (if applicable):
N/A

Additional Justifications:
Increased budget 2014-2017 amount by 5% to account for inflation

Resources Requirements: (request forms and approvals attached)

| | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |



Capital Program Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|---|
| Expected Performance Improvements | |
| KPI Measure: | Tool Repair as a percentage of tool purchases |
| | Fill in the name of the KPI here |

Prepared signature 

Reviewed signature 
Director/Manager

Other Party Review signature 
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | | |
|---|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
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| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Central Operating Facility (Mission Campus) Long-Term Restructuring Plan

ER No: ER Name:

7126 Long term Campus Re-Structuring Plan

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$14,700¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-------|-----|-----|-----|-----|-------|-------|
| 2013 | 8,461 | | | | | | 1,060 | 623 | 627 | | | 1,150 | 5,000 |
| 2014 | 2,000 | | | | | | | | | | | | 2,000 |
| 2015 | 1,500 | | | | | | | | | | | | 1,500 |
| 2016 | 3,500 | | | | | | | | | | | | 3,500 |

Business Case Description:

Construct a new warehouse in 2012 and remodel the old warehouse in the Service Bldg to accommodate 110 work stations in 2013. The project also adds 125 employee parking spaces. The new warehouse shall utilize current material handling technologies to increase employee efficiencies, and its height will allow more material to be stored per square foot, thus allowing the Company to use limited square space more efficiently. The facility will provide IS/IT infrastructure and networking in north half of the Mission campus where it is currently non-existent, in anticipation of future projects. This project will also allow the HVAC renovation of the north-building wing to be accomplished in one year rather than a staged process, which results in a one-time \$1.2M reduction in capital costs for that project.

Offsets:

No O&M Offsets are listed on the attached Business Case, however after further discussion it was determined that incremental savings occur in 2014 and 2015. These O&M savings are the result of eliminating the need of leased facilities used for personnel that will be relocated to the Mission Campus. In addition, savings are gained due to line trucks and employees not having to travel and off-load waste matters that are recyclable or hazardous. Savings are \$20,000 in 2014 and \$20,000 in 2015 on a system level. The allocation to Washington is 79.22% for Electric and 20.78% for Gas making the Washington allocated savings \$15,844 Electric and \$4,156 Gas in each year. This has been included in the O&M Offsets adjustment as shown in Company witness Mrs. Andrews' workpapers.

In addition, the attached business case shows "other costs" as (\$1,200,000). These savings are related to capital and are not inclusive of O&M savings.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



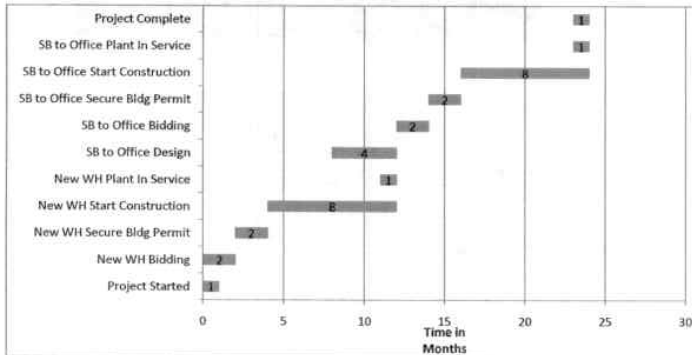
| | | | |
|--------------------------------|---|---|--|
| Investment Name: | COF Long-Term Restructuring Plan | Assessments: | |
| Requested Amount | \$17,750,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 5 Year Project | Strategic: | Other |
| Dept., Area: | Facilities | Operational: | Operations improved beyond current levels |
| Owner: | Mike Broemling & Eric Bowles | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 100.5 |
| Mandate/Reg. Reference: | n/a | Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|-----------------------|
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
| Construct a new warehouse in 2012 and remodel the old warehouse in the Service Bldg to accommodate 110 work stations in 2013. Also add 125 parking spaces. New warehouse shall utilize current material handling technologies to increase employee efficiencies, and its height will allow for more material to be stored per SF, thus using our limited SF here at the COF more efficiently. Provide IS/IT infrastructure and networking in north half of the COF where it is currently non-existent, in anticipation of future projects. This project will also allow the HVAC renovation of the north building wing to be accomplished in one year rather than a staged process, which results in a one-time \$1.2M reduction in capital costs for that project. PLEASE SEE ADDITIONAL EFFICIENCIES UNDER "ADDITIONAL JUSTIFICATIONS" BELOW. The CIRR is 12.5%-16.0% excluding the HVAC savings and any other facility sales or cessation of rentals. | Alleviates current space issues by creating on-site office space and parking to house employees and contractors | \$ 17,750,000 | \$ - | \$ (1,200,000) | 3 |
| Cost Summary - Increase/(Decrease) | | | | | |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|-----------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
| Status Quo: | COF will continue to not have enough office space and parking to accommodate demand. Continue to obtain more leases, buy buildings, or buy land and construct buildings to house our employees. | \$ - | \$ - | \$ - | 6 |
| Alternative 1: Construct a new warehouse (recommended option) | See Project Description above. | \$ 9,500,000 | \$ - | \$ (1,200,000) | 3 |
| Alternative 2: General Office Building "wing" addition and parking garage | Construct a parking garage and an addition to the existing building on the west end (156 workstations and 120 parking spaces). No new warehouse bldg or warehouse efficiency gains. | \$ 30,000,000 | \$ - | \$ - | 3 |
| Alternative 3 Name : Ross Court Office Building and Parking Lot | Construct a new office building at the Ross Court location in addition to parking spaces (240 workstations and 151 parking spaces). No new warehouse bldg or warehouse efficiency gains. | \$ 15,000,000 | \$ - | \$ - | 3 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|-------------|-------------|----------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2012 | \$ 3,050,000 | \$ - | \$ - | \$ 3,050,000 |
| 2013 | \$ 7,700,000 | \$ - | \$ - | \$ 7,700,000 |
| 2014 | \$ 2,400,000 | \$ - | \$ - | \$ 2,000,000 |
| 2015 | \$ 3,000,000 | \$ - | \$ - | \$ 3,000,000 |
| 2016 | \$ 2,000,000 | \$ - | \$ - | \$ 2,000,000 |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 18,150,000 | \$ - | \$ - | \$ 17,750,000 |

Milestones (high level targets)

| | | | |
|-------------|----------------------------------|------------|--|
| August-12 | New WH Start Construction | March-15 | WH Yard & Wash Bay Start Const |
| April-13 | New WH Plant In Service | August-15 | GPSS & Spo Const. Remodel: Start Const |
| May-13 | SB to Office Start Construction | October-15 | WH Yard & Wash Bay In Service |
| October-13 | SB to Office Plant in Service | March-16 | GPSS & Spo Const. Remodel: In Service |
| March-14 | New IR & Hazmat Bldg Start Const | | |
| December-14 | New IR & Hazmat Bldg In Service | | |

| | | | | | | | |
|--|------|--|--|--|--|--|--|
| Associated Ers (list all applicable): | 7126 | | | | | | |
| Mandate Excerpt (if applicable): | n/a | | | | | | |

Additional Justifications:

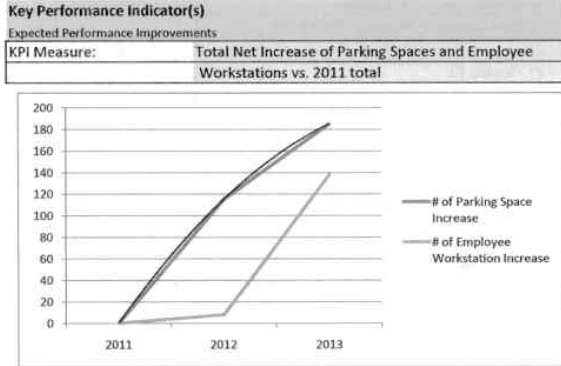
Sept 2013 changes: \$2.4 M for new IR / Haz Mat area in 2014, \$1.5M for WH Yard and Wash Bay in 2015, \$1.5M in 2015 and \$2M in 2016 for G&P/Spo Construct Remodel. New IR and Hazmat Bldgs will result in time efficiencies for linemen trucks and drop off processes. Increasing the WH storage yard will also result in time efficiencies for WH personnel due to closer material, more level asphalted area (rather than gravel), and controlled (fenced) inventory and stocking. Wash bay will save time from washing vehicles off site and will prevent frequent freezing/breakdown of current wash bay. Office renovations of Spokane Construction and GPSS will replace a 30 year old HVAC system and increase number of cubicles on campus to accommodate for growth.

Resources Requirements: (request forms and approvals attached)

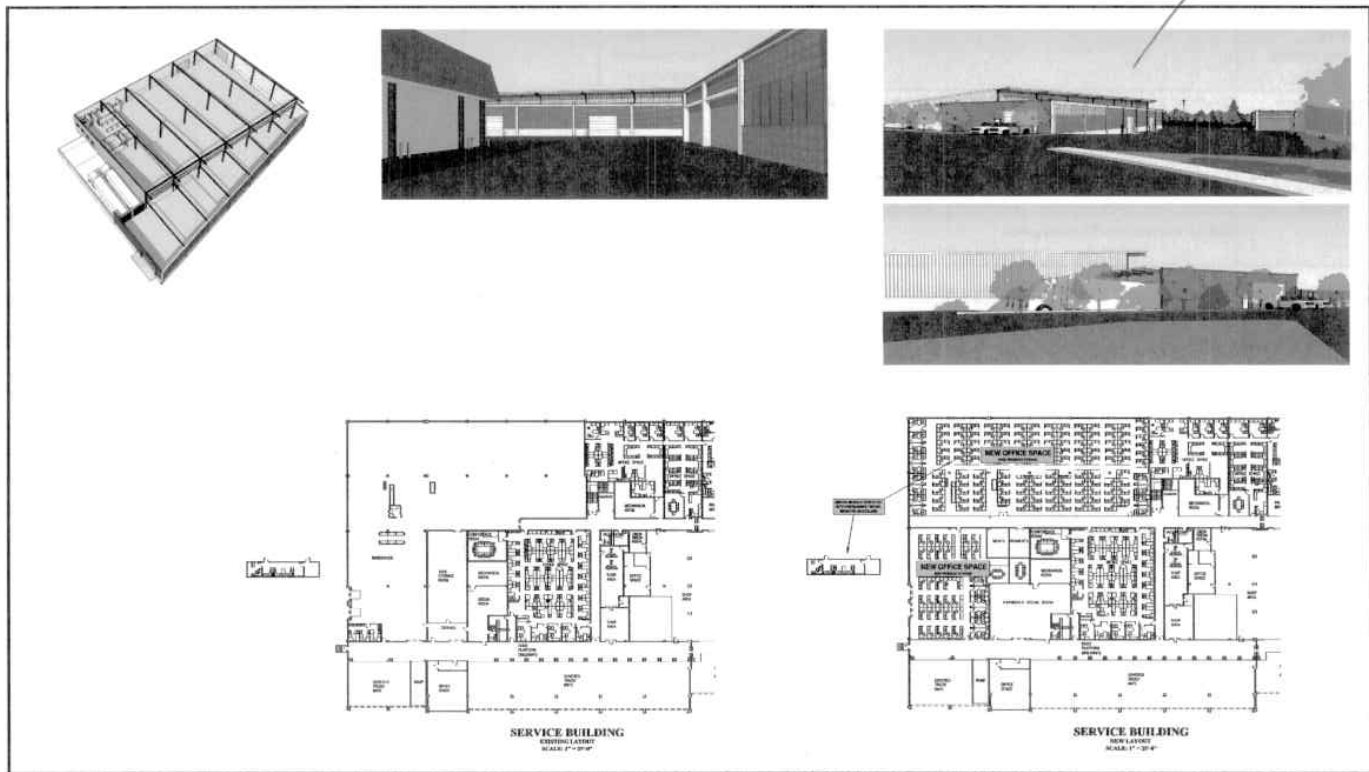


Capital Investment Business Case

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required



Prepared signature *[Signature]*
 Reviewed signature *[Signature]* Director/Manager
 Other Party Review signature *[Signature]* Director/Manager
 (if necessary)



To be completed by Capital Planning Group

| | | |
|------------------------|----------------------------|----------|
| Rationale for decision | Review Cycles 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Dollar Rd Service Center Addition and Remodel

ER No: ER Name:

7107 Dollar Road Land Purchase and Facility Expansion

7132 Dollar Rd Service Center Addition and Remodel

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$9,346¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | 213 | | | | | | | | 5 | 2 | | 7 | 199 |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | 8,000 | | | | | | | | | | | | 8,000 |

Business Case Description:

New addition and complete remodel of the Dollar Road Service Center. In 2012/13, this project involves the construction of a new 15,000 square foot Fleet Facility.

For 2015/16, the project involves construction of a new 2-story office building, gas meter shop, covered parking canopies, parking lot, and asphalted storage yard. The following items will be completed:

- 1) structural strengthening of existing building roof components to alleviate current leaking and structural snow deflection/damage.
- 2) New building shell/envelope over the existing building, and insulation for increased energy efficiencies.
- 3) Construction of a new gas meter shop which will be relocated from the central Mission campus. This will allow the Company to reclaim square footage to help alleviate current space issues at the Mission campus. The project will also allow for the introduction of current technologies and efficiencies to gas meter shop operations.

Offsets:

O&M offsets per the attached Business Case are \$20,000. Savings are related to the new facility and will reduce office space rentals due to the relocation of the Gas Meter Shop from Mission Campus, as well as office space on the second floor of the new building. This will also provide yearly energy use and maintenance savings, as well as daily crew workflow efficiencies. After further discussion it was determined that the offsets would total \$91,210 occurring in 2016.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

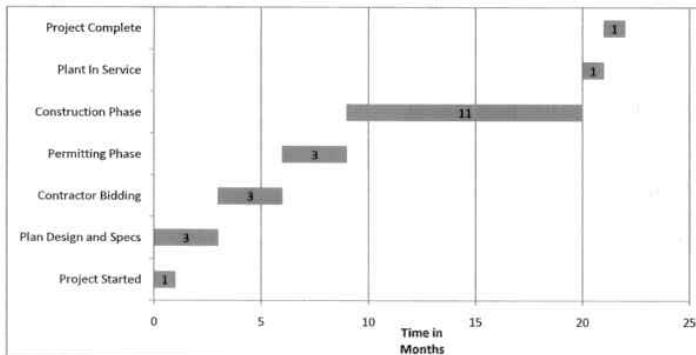
| | | | |
|--------------------------------|--|------------------------------|---|
| Investment Name: | Dollar Rd Service Center Addition and Remodel | Assessments: | |
| Requested Amount | \$11,846,000 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | 4 Year Project | Strategic: | Other |
| Dept., Area: | Facilities | Operational: | Operations require execution to perform at current levels |
| Owner: | Mike Broemling & Eric Bowles | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 83 |
| Mandate/Reg. Reference: | n/a | | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| New addition and complete remodel of the Dollar Road Service Center. 2012/13: Construct new 15,000 SF Fleet Facility. 2015/16: New 2-story office building, gas meter shop, covered parking canopies, parking lot, and asphalted storage yard. The following items will be provided: 1) structural strengthening of existing building roof components to alleviate current leaking and structural snow deflection/damage. 2) New bldg. envelope over existing bldg. and insulation for increased energy efficiencies. 3) New gas meter shop. Move from COF. Reclaim SF at COF to alleviate current space issues. Introduce current technologies and efficiencies to gas mtr shop operations. PLEASE SEE ADDITIONAL EFFICIENCIES UNDER "ADDITIONAL JUSTIFICATIONS" BELOW. The CIRR is 9%-12%. | Provides upgraded facility that translates to efficient, timely, and high productivity for gas services. | \$ 11,846,000 | \$ (20,000) | \$ - | 2 |

| | | | | | | |
|---|---|---------------------------------|---------------------|--------------------|----------------------------|---|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| Status Quo: | Estimated yearly \$30K O+M costs to upkeep dilapidated building. Capital costs (including asphalt, roof repair, HVAC systems) would be approx. \$150K over the next two years, as probable capital repairs will be needed as facility functions fail. Avista CNG vehicles will need to be serviced by a facility off site | n/a | \$ 150,000 | \$ 30,000 | \$ - | 6 |
| Alternative 1: Construct a new addition and complete remodel. (recommended option) | See Project Description above. | Provides upgraded gas facility. | \$ 8,500,000 | \$ (20,000) | \$ - | 2 |
| Alternative 2: Purchase another lot and build entirely new building | Price increase due to purchasing new lot and for new building construction. No cost savings from reuse of existing structure. May be difficult to sell existing site due to environmental concerns, thus would carry approx. \$10k O+M costs on unused building and land. | Provides upgraded gas facility. | \$ 10,000,000 | \$ 20,000 | \$ - | 2 |
| Alternative 3 Name : | | \$ - | \$ - | \$ - | | |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|-------------|-------------|----------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2012 | \$ 2,500,000 | \$ - | \$ - | \$ 2,500,000 |
| 2013 | \$ 1,300,000 | \$ - | \$ - | \$ 1,346,000 |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ 4,000,000 | \$ - | \$ - | \$ 4,000,000 |
| 2016 | \$ 4,000,000 | \$ - | \$ - | \$ 4,000,000 |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 11,800,000 | \$ - | \$ - | \$ 11,846,000 |

| | |
|--|--------------------------------|
| Milestones (high level targets) | |
| July-12 | Fleet Bldg Start Construction |
| February-13 | Fleet Bldg Plant In Service |
| July-15 | Office Bldg Start Construction |
| June-16 | Office Bldg Plant in Service |

| | | | | | | |
|--|------|--|--|--|--|--|
| Associated Ers (list all applicable): | 7107 | | | | | |
| | 7001 | | | | | |
| Mandate Excerpt (if applicable): | n/a | | | | | |

Additional Justifications:
5) Covered truck storage for 12 rigs. Protect fleet investments from weather. Also time efficiencies for servicemen, less truck prep due to rainy, snowy, etc. conditions before being dispatched. 6) Wash bay for trucks on-site. Time efficiencies to not take trucks off-site or back to COF for washing. 7) New asphalted storage yard. Shall provide over 2 additional acres of storage for gas equipment. 8) New required IS/IT infrastructure and networking. 9) New required office furniture. 10) Fleet bldg will allow for service of CNG fuel systems for Avista vehicles. Currently we have no code-compliant Fleet facility to serve CNG systems. ***Note: this facility had the 2nd most deficient score on the Facilities Department's Building Assessment Survey. The survey consisted of Avista's company-wide facilities and service centers and shall incur large amounts of O+M funds to upkeep if project is not approved.

Resources Requirements: (request forms and approvals attached)

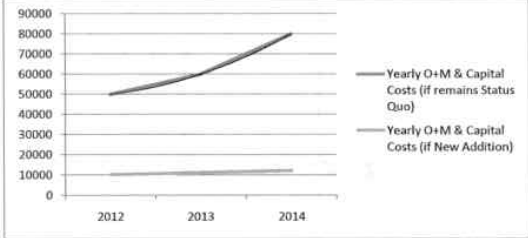


Capital Investment Business Case

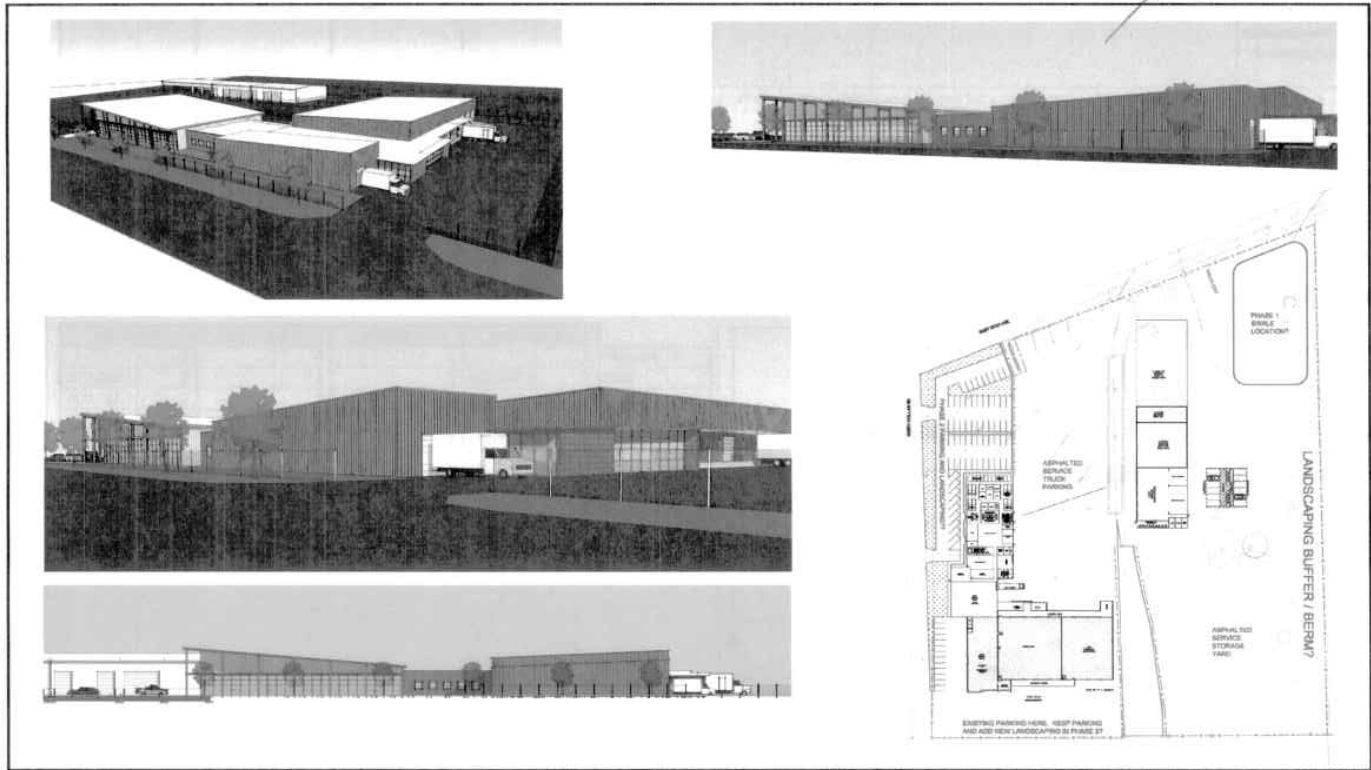
Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure: Yearly O+M and capital costs for facility



Prepared signature 
Reviewed signature  Director/Manager
Other Party Review signature (if necessary)  Director/Manager



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Structures and Improvements/Furniture

ER No: ER Name:

7001 Structures & Improvements

7003 Office Furniture

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$14,153¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 2,025 | | | | | | | 680 | 9 | 626 | 53 | 383 | 380 |
| 2014 | 3,353 | 279 | 279 | 279 | 279 | 279 | 279 | 279 | 279 | 279 | 279 | 279 | 279 |
| 2015 | 3,600 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| 2016 | 3,600 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 | 300 |

Business Case Description:

This program is for the Capital Maintenance, Improvements, and Furniture budgets at 50 plus Avista offices and service centers (over 700,000 square feet in total). Many of the included service centers were built in the 1950's and 1960's and are starting to show signs of severe aging. The program includes capital projects in all construction disciplines (Roofing, Asphalt, Electrical, Plumbing, HVAC, Energy efficiency projects etc.). This program is driven mainly from the results of an objective building survey completed at each service center. The survey assigns a rating to each building category based on condition. This will help us create capital project lists for each service center and make decisions on continued maintenance vs. future replacement.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|--|--------------------------|---|
| Investment Name: | Structures and Improvements and Furniture | Assessments: | |
| Requested Amount | \$25,773,300 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | 7 Year Program | Strategic: | Life Cycle Programs |
| Dept., Area: | Facilities | Operational: | Operations require execution to perform at current levels |
| Owner: | Mike Broemling & Eric Bowles | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 84 |
| Mandate/Reg. Reference: | n/a | | |

| | | | | | |
|---|---|--|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| This program would be responsible for the Capital Maintenance, Improvements, and Furniture budgets at 50 plus Avista Offices and Service Centers (over 700,000 sf total). Many of the included Service Centers were built in the 50's and 60's and are starting to show signs of severe aging. The program would include Capital projects in all construction disciplines (Roofing, Asphalt, Electrical, Plumbing, HVAC, Energy efficiency projects etc.). This program would be driven mainly from the results of an objective building survey completed at each Service Center. The survey assigns a rating to each building category based on condition. This will help us create capital project lists for each Service Center and make decisions on continued maintenance vs future replacement. | Improve operating functionality, increased safety, increased energy efficiency. | Capital Cost | O&M Cost | Other Costs | |
| | | \$ 25,773,300 | | \$ - | 0 |

| | | | | | | |
|--|--|---|--|---------------------|--------------------|----------------------------|
| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| Status Quo : | We are experiencing severe issues with Asphalt Parking, Roof leaking, Energy loss due to inefficient HVAC systems, Low E glass, lack of building insulation, etc... Failure to maintain or replace these system can result in excessive Utility bills, increased damage to other adjacent systems, (example roof leak), as well as increased safety liability (sidewalk heaving and potholes) etc... | n/a | Capital Cost | O&M Cost | Other Costs | |
| | | | \$ - | \$ - | \$ - | 0 |
| Alternative 1: Brief name of alternative (if applicable) | Reducing Capital repair and replacements would drive up O & M costs respectively. This would also increase the risk for unplanned major failures which could also incur additional productivity costs for other departments affected (example major HVAC shutdown). | lower capital would drive up O&M and risk major failure | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|------|------|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | |
| 5 years of costs | | | | | Current ER | 7001 | 7003 | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | |
| 2012 | \$ 4,820,000 | \$ - | \$ - | \$ 4,420,000 | | | | |
| 2013 | \$ 4,000,000 | \$ - | \$ - | \$ 3,600,000 | | | | |
| 2014 | \$ 4,000,000 | \$ - | \$ - | \$ 3,353,300 | | | | |
| 2015 | \$ 4,000,000 | \$ - | \$ - | \$ 3,600,000 | | | | |
| 2016 | \$ 4,000,000 | \$ - | \$ - | \$ 3,600,000 | | | | |
| 2017 | \$ - | \$ - | \$ - | \$ 3,600,000 | | | | |
| 2018 | \$ - | \$ - | \$ - | \$ 3,600,000 | | | | |
| Total | \$ 20,820,000 | \$ - | \$ - | \$ 25,773,300 | | | | |

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
With the completion of the Facilities Survey in May 2011, we now have the ability to rate the condition of each of our service centers which in turn helps us allocate money to where it is needed most. We are also working on creating a long range lifecycle plan to identify when continued maintenance is no longer prudent and replacement is a more cost effective solution. In addition, the office furniture budget is included in this program and can support various office remodels, chair and furniture replacements, furniture layout remodels, modular wall systems, and new furniture for misc. projects.

Resources Requirements: (request forms and approvals attached)

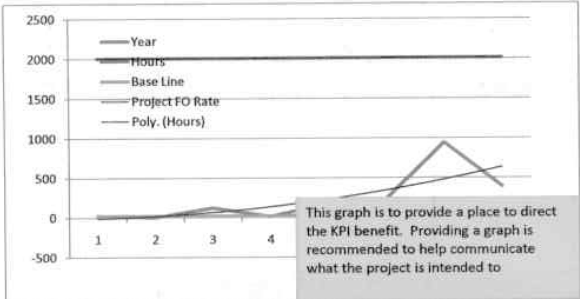
Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Capital Program Business Case



Key Performance Indicator(s)
Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here
Fill in the name of the KPI here



Prepared signature _____
 Reviewed signature _____ Director/Manager
 Other Party Review signature _____ Director/Manager
 (if necessary)



| To be completed by Capital Planning Group | | Review Cycles | |
|---|-----------|---------------|--|
| Rationale for decision | 2012-2016 | | |
| | Date | Template | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Clinic Expansion Project

ER No: 7120
ER Name: Spokane Health Clinic

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$150¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 150 | | | | | | | | | | | | 150 |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

Capital equipment costs for the new Clinic that will be completed in 4th Quarter 2013. Costs include all furniture, specialized equipment, oxygen systems, exam tables etc. for a two-room examination Facility. Project shows the possibility of significant savings to the company through bringing many of the third party health costs back in house at a reduced cost to the employee.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Apprentice & Craft Training

ER No: ER Name:

7200 Apprentice Craft Train

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$240¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 10 | | | | | | | | | | | 5 | 5 |
| 2014 | 60 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| 2015 | 60 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| 2016 | 60 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |

Business Case Description:

This program is for on-going capital improvements to support the essential skills needed for journeyman workers, apprentices and pre-apprentices now and for the future. It is important to provide the types of training scenarios that employees face in the field. Capital expenditures under this program include items such as building new facilities or expanding existing facilities, purchase of equipment needed, or build out of realistic utility field infrastructure used to train employees. Examples include: new or expanded shops, truck canopies, classrooms, backhoes and other equipment, build out of "Safe City" located at the Company's Jack Stewart training facility in Spokane, which could include commercial and residential building replicas, and distribution, transmission, smart grid, metering, gas and substation infrastructure.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | |
|-------------------------|------------------------------|
| Investment Name: | Apprentice/Craft Trng |
| Requested Amount | \$60,000 |
| Duration/Timeframe | 10 Year Program |
| Dept., Area: | Apprentice/Craft Training |
| Owner: | Linda Jones |
| Sponsor: | Karen Feltes |
| Category: | Mandatory |
| Mandate/Reg. Reference: | 296-05 WAC & Chpt 49 04 RCW |

| | |
|---------------------|--|
| Assessments: | |
| Financial: | 7.00% |
| Strategic: | Performance Excellence |
| Business Risk: | Business Risk Reduction >0 and <= 5 |
| Program Risk: | High certainty around cost, schedule and resources |
| Assessment Score: | 102 |

| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|---|--------------|----------|-------------|---------------------|
| "This program is for on-going capital improvements to support the essential skills needed for journey workers, apprentices and pre-apprentices now and for the future. It is important to provide the types of training scenarios that employees face in the field. The program is for capital infrastructure needed to create an effective set-up for training craft employees. Capital expenditures under this program could include items such as building new facilities or expanding existing facilities, purchase of equipment needed, or build out of realistic utility field infrastructure used to train employees. Examples include: new or expanded shops, truck canopy, classrooms, backhoes and other equipment, build out of "Safe City" - commercial and residential building replicas, and distribution, transmission, smart grid, metering, gas and substation infrastructure." | describe any incremental changes that this Program would benefit present operations | \$ 60,000 | \$ - | \$ - | 2 |

| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|---|--------------|-----------|-------------|---------------------|
| Unfunded Program: | n/a | \$ - | \$ 20,000 | \$ - | 6 |
| <i>Alternative 1: Brief name of alternative (if applicable)</i> | Describe other options that were considered | \$ - | \$ - | \$ - | 2 |
| <i>Alternative 2: Brief name of alternative (if applicable)</i> | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| <i>Alternative 3 Name : Brief name of alternative (if applicable)</i> | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | |
|--------------------|-------------------|-------------|-------------|-------------------|
| | Capital Cost | O&M Cost | Other Costs | Approved |
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ 60,000 | \$ - | \$ - | \$ 60,000 |
| 2014 | \$ 60,000 | \$ - | \$ - | \$ 60,000 |
| 2015 | \$ 60,000 | \$ - | \$ - | \$ 60,000 |
| 2016 | \$ 60,000 | \$ - | \$ - | \$ 60,000 |
| 2017 | \$ 60,000 | \$ - | \$ - | \$ 60,000 |
| 2018 | \$ - | \$ - | \$ - | \$ 60,000 |
| Total | \$ 300,000 | \$ - | \$ - | \$ 360,000 |

| Associated Ers (list all applicable): | | | |
|---------------------------------------|--|--|--|
| | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|--------------|------------------|------------------|------------------|------------------|------------------|-------------------|
| 7200 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 300,000 |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 60,000 | \$ 300,000 |

Mandate Excerpt (if applicable):
See Below

Additional Justifications:
The proper training of apprentices is governed by the Washington State Apprenticeship Rules and Act (Chpt 296-05 WAC & Chpt 49 04 RCW) as well as numerous other Washington State Labor and Industries WAC/RCW regulations. And by the Federal Department of Labor under Apprentice Labor Standards 29 CFR Part 29 and the Fitzgerald Act-National Apprenticeship Act and other DOL regulations and rules. Compliance/safety training for journey workers is mandated by multiple rules/regulations at the federal level via OSHA and at the state level via WAC.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

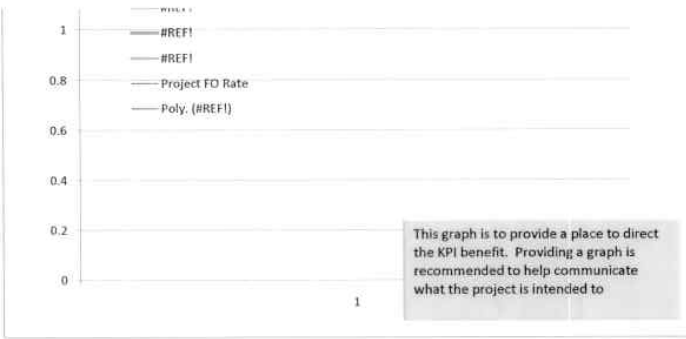
Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

1.2 _____ #RFF1

Prepared N Thorson

Capital Program Business Case



Reviewed signature Linda Jones
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: HVAC Renovation Project at Mission Campus Headquarters

ER No: 7101
ER Name: COF HVAC Improvement

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$17,383¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-------|-----|-----|-------|-----|-----|-----|-----|-------|
| 2013 | 6,507 | | | | | | | | 16 | 26 | 18 | -53 | 6,500 |
| 2014 | 2,000 | | | | 2,000 | | | | | | | | |
| 2015 | 8,000 | | | | | | | 8,000 | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

The HVAC Renovation Project began in 2007 and 2008. The HVAC Project is a systematic replacement of the original 1956 Heating, Ventilation and Air Conditioning System for the Service Building, Cafeteria/Auditorium and General Office Building. The original HVAC equipment has been operating 24/7 since original construction in 1956. The Project entails a floor by floor evacuation and relocation of employees and a complete demolition of each floor; including a massive Asbestos Abatement component, and removing the original fire proofing on the basic steel structure. The Project requires exhaustive demolition and reconstruction of each floor. Sustainable energy savings and conservation are built into the Project as we apply for LEED certification for each floor. The 5th, 4th, and 3rd floor has obtained LEED-CI Gold status recognizing all of the renewable strategies we employed during the design and construction phases. The goal of this project is to re-purpose and recycle the entire Facility for the next generation of Avista employees to use for 50 more years. Life cycle costs weighed heavily on our Construction Specifications and equipment choices during the design phase. The design team chose energy efficient equipment that was designed for 30 to 50 year life cycles.

Offsets:

After revenue requirements was finalized, it was determined that offsets exist for this business case. The project will produce approximately \$36,000 (system) in reduced energy costs for 2013 and 2014. For 2013, this would include six months of the savings or \$18,000. Washington's allocation of this is \$14,000 for Electric and \$4,000 for gas. In 2014, offsets were \$36,000 (\$29,000 WA Electric \$7,000 WA Gas). The O&M savings for 2015 are estimated to be \$112,590 and are planned to be in-service September 2015. As such, the offset amount is \$28,148 (\$22,000 WA Electric and \$6,000 WA Gas). These additional savings should have been included in revenue requirements.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



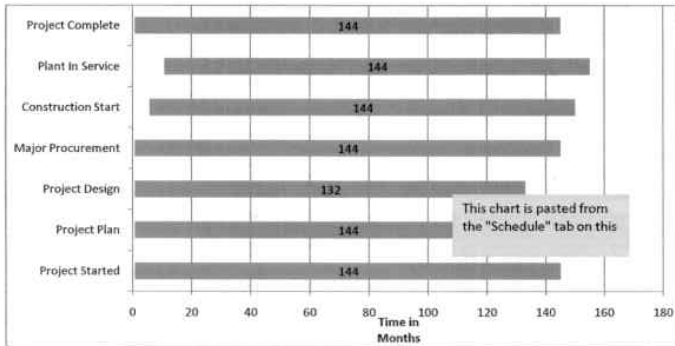
| | | | |
|--------------------------------|--------------------------------|---|--|
| Investment Name: | HVAC Renovation Project | Assessments: | |
| Requested Amount | \$39,804,485 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | 8 Year Project | Strategic: | Life Cycle Programs |
| Dept., Area: | Facilities Mangement | Operational: | Operations improved beyond current levels |
| Owner: | Mike Broemling & Eric Bowles | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 105 |
| Mandate/Reg. Reference: | n/a | Cost Summary - Increase/(Decrease) | |

| Recommend Project Description: | Performance | Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|---|------------------------------------|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| The HVAC Renovation Project began in 2007 and 2008. The HVAC Project is a systematic replacement of the original 1956 Heating, Ventilation and Air Conditioning System for the Service Building, Cafeteria/Auditorium and General Office Building. The original HVAC equipment has been operating 24/7 since original construction in 1956. The Project entails a floor by floor evacuation and relocation of employees and a complete demolition of each floor; including a massive Asbestos Abatement component, and removing the original fire proofing on the basic steel structure. The Project requires exhaustive demolition and reconstruction of each floor. Sustainable energy savings and conservation are built into the Project as we apply for LEED certification for each floor. The 5th, 4th, and 3rd floor has obtained LEED-CI Gold status recognizing all of the renewable strategies we employed during the design and construction phases. The goal of this project is to re-purpose and recycle the entire Facility for the next generation of Avista employees to use for 50 more years. Life cycle costs weighed heavily on our Construction Specifications and equipment choices during the design phase. The design team chose energy efficient equipment that was designed for 30 to 50 year life cycles. | This Project greatly improves air quality in the Facility and saves tremendous amounts of energy going forward. | \$ 39,804,485 | \$ - | \$ - | 0 |

| Alternatives: | Performance | Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|---|---|-----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Status Quo : The current condition of the HVAC system is very poor. It is 60 years old and our newest equipment was installed in the new addition of the General Office Building in 1978. 75% of our equipment was installed in 1956. Parts are no longer available for our equipment and replacement parts have to be manufactured. | n/a | Varies, but in the hundreds of thousands as equip. breaks down. | \$ 25,000 | \$ - | 0 |
| Alternative 1: Brief name of alternative (if applicable) During the Design Phase which occurred in 2008, several different types of HVAC delivery systems were compared and analyzed for distinct characteristics. Initial cost and life cycle cost were evaluated for the Project. By Value engineering our choices we were able to settle on our current system. Analysis is attached. | Updated municipal codes required us to increase air flow in the | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) The only option that was discussed was to do "nothing", and maintain our 60 year old equipment. This scenario had been in place for the last 20 years, and time finally expired on the equipment. It is simply impractical to try to keep antiquated equipment up and running 24 hours a day when the replacement parts are no longer available. | describe any incremental changes in operations | Varies, but in the hundreds of thousands as equip. breaks down. | \$ 25,000 | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|-------------|-------------|----------------------|
| Previous | \$ 18,121,485 | \$ - | \$ - | \$ 18,121,485 |
| 2012 | \$ 4,300,000 | \$ - | \$ - | \$ 4,300,000 |
| 2013 | \$ 6,500,000 | \$ - | \$ - | \$ 7,383,000 |
| 2014 | \$ 10,000,000 | \$ - | \$ - | \$ 7,000,000 |
| 2015 | \$ - | \$ - | \$ - | \$ 3,000,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 38,921,485 | \$ - | \$ - | \$ 39,804,485 |

Milestones (high level targets)

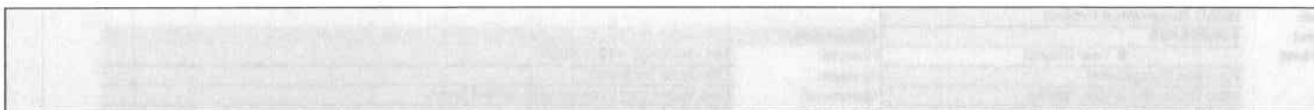
| | | | |
|-------------|----------------------|--------|----------------------------|
| October-07 | 5th Fir Start Const. | Jun-11 | 2nd Fir Start Const. |
| December-08 | 5th Fir In Service | Oct-12 | 2nd Fir In Service |
| March-09 | 4th Fir Start Const. | Jan-13 | 1st Fir/Bsmt Start Const. |
| February-10 | 4th Fir In Service | Mar-14 | 1st Fir/Bsmt In Service |
| May-10 | 3rd Fir Start Const. | Apr-14 | 70's Addition Start Const. |
| Mar-11 | 3rd Fir In Service | Jun-15 | 70's Addition In Service |

| | | | | | | | |
|--|---|------|------|------|------|--|--|
| Associated Ers (list all applicable): | Current ER | 7101 | 7001 | 7003 | 7050 | | |
| Mandate Excerpt (if applicable): | ASHRAE- When upgrading HVAC Systems, all design has to conform to ASHRAE standards, and air flows are regulated by the Washington Administrative code (WACS). | | | | | | |

Additional Justifications:



Capital Investment Business Case



Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

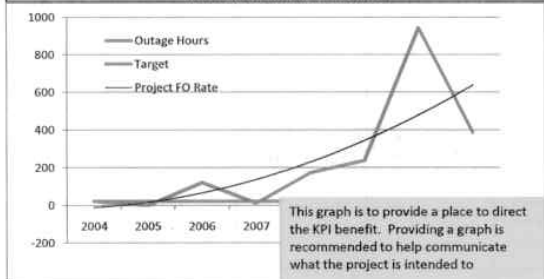
Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here
 Fill in the name of the KPI here



Prepared signature _____
 Reviewed signature _____ Director/Manager
 Other Party Review signature _____ Director/Manager
 (if necessary)

OVERVIEW

Avista Corp. needs to renovate the HVAC system that serves the five-story general office building on their Spokane corporate campus. This need to renovate the system is due to the age of the current mechanical system which is approaching 20 years in the original portion of the office building and in excess of 30 years in the office building addition. While Avista has maintained the system exceptionally over the years, satisfying the expected life and performance, the current system is prone to failure, does not provide great flexibility, requires more energy than today's more efficient systems, and spare parts are difficult to locate.

As a result, Avista Corp. hired McKinstry to provide a design/build approach to the HVAC renovation. The first step in the process entailed determining the most appropriate HVAC system for the project. This was completed by generating various options for consideration, then developing information for each system that would allow McKinstry to recommend a solution to Avista, with Avista ultimately approving the recommended solution. In order to generate a list of potential HVAC system options, McKinstry considered on-site building reviews, met with facility personnel, and reviewed the building mechanical drawings. Based on these tasks, McKinstry developed the following options for review:

RENOVATION OPTIONS

- Existing System:** The existing system utilizes a single unitary air handling unit on each floor that serves a dual duct VAV system for the general office building portion. A multi-zone air handling unit located in a roof-top penthouse serves all the floors of the new addition. The new addition also utilizes dual duct technology. Chilled water and heating water are provided to all air handling units via the central plant located in the Service Building. The dual duct distribution system throughout the building is a high velocity system, with on average noise, vibration and suspension related energy in ducts in the air.
- Renovation Option #1:** This option replaces the existing air handling equipment with similar equipment in both size and function. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
- Renovation Option #2:** This option replaces the existing air handling equipment with a new heating unit and new cooling unit per floor (per floor building and new heating unit and new cooling unit to serve the office addition). This option was developed as a way to increase energy performance over option #1. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
- Renovation Option #3a:** This option is the same as Option #2, however, it utilizes a lower discharge air temperature at the air handling units on each floor. By using a lower discharge air temperature, it is possible for the new air handling units on each floor to also serve the respective portion of the office addition for that floor. This eliminates the need for a partitioned mechanical system that serves the office addition. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
- Renovation Option #3:** This option provides alternating heating and cooling air handling units per floor in the original office building and new air handling units in the penthouse that serves the office addition. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.

- Renovation Option #4:** This option provides new cooling-only air handling units on each floor of the office building and in the penthouse. Heating is provided through hot water coils located at VAV boxes. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
- Renovation Option #4a:** This option is the same as Option #4, however, it utilizes a lower discharge air temperature at the air handling units on each floor. By using a lower discharge air temperature, it is possible for the new air handling units on each floor to also serve the respective portion of the office addition for that floor. This eliminates the need for a partitioned mechanical system that serves the office addition. Heating is provided through hot water coils located at VAV boxes. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
- Renovation Option #5:** This option provides new roof mounted air handling units to serve all portions of the office space. New shafts provide conditioned air to the office space. Heating is provided through hot water coils located at VAV boxes. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
- Renovation Option #6:** This option provides new roof mounted cooling-only air handling units to serve all portions of the office space. New shafts provide conditioned air to the office space. Heating is provided through hot water coils located at VAV boxes. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
- Renovation Option #7:** This option replaces the existing system with a new unitary floor HVAC distribution system. The option includes new air handling units located on the floor, dual duct distribution, VAV boxes, controls, and the raised floor system itself, along with any of the other building upgrades needed to accommodate the raised floor system.
- Renovation Option #8:** This option replaces the existing system with a ground source heat pump system throughout the building.

EVALUATION

In order to evaluate each option, McKinstry created a mechanical system selection matrix that included key information needed to select the proper system. The matrix is included as Attachment A – Mechanical System Option Evaluation. The primary factors that were evaluated on a quantitative basis included first costs and operational costs. Additional factors were also reviewed on a qualitative basis.

In order to develop the first cost budget, McKinstry created preliminary mechanical schematics that provided equipment information and layout, as well as duct distribution on floors. McKinstry's estimating group then developed mechanical first costs based on the available information. Mechanical first costs make up the majority of the overall first cost, however, there were other miscellaneous costs to consider for each option including electrical work and other miscellaneous work. For these items, McKinstry relied on consultants and past experience to develop the budgets.

In order to develop operational costs, McKinstry developed an energy model for each system to predict energy use and cost. The energy model simulates the energy use of the HVAC system over the course of an entire year. It is a custom model built around the existing building conditions, the weather data specific to Spokane, and the type of HVAC system modeled. Also, McKinstry's service group evaluated the specific of each option and provided annual service costs (preventive maintenance). Preventive maintenance costs were based on the preliminary equipment list generated for each option. Together, the energy costs and service costs were combined to reach the overall operational cost for each option.

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|-----------|
| | Date | Template |
| | | 2012-2016 |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Microwave Refresh

ER No: ER Name:

5121 Microwave Replacement with Fiber

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$8,007¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 2013 | 3,171 | | | | | | | | | 1,642 | 29 | | 1,500 |
| 2014 | 1,625 | | | | | 186 | | 551 | 73 | | 300 | | 514 |
| 2015 | 1,073 | | | | | | | | | 220 | | | 853 |
| 2016 | 4,034 | | | | | | | | | | | | 4,034 |

Business Case Description:

The purpose of this project is to refresh the aging microwave technology with current technology to provide for high-speed data communications. These communication systems support relay and protection schemes of the electrical transmission system.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



| | | | |
|---|------------------------|---|---|
| Investment Name: Microwave Refresh | | Assessments: | |
| Requested Amount | \$ 19,267,507 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | 7 Year Project | Strategic: | Reliability & Capacity |
| Dept., Area: | Enterprise Technology | Operational: | Operations require execution to perform at current levels |
| Owner: | Jacob Reidt/Jim Corder | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Jim Kensok | Project/Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 81 |
| Mandate/Reg. Reference: | n/a | Cost Summary - Increase/(Decrease) | |
| Recommend Project Description: | | Performance | Capital Cost |
| The purpose of this project is to refresh the aging microwave technology with current technology to provide for the high speed data communications. These communication systems support relay and protection schemes of the electrical transmission system. | | The current system are out of date and in need of replacement | \$ - |
| | | O&M Cost | \$ - |
| | | Other Costs | \$ - |
| | | ERM Risk Score | 0 |
| | | Cost Summary - Increase/(Decrease) | |
| Alternatives: | | Performance | Capital Cost |
| Status Quo : | | | \$ - |
| | | O&M Cost | \$ - |
| | | Other Costs | \$ - |
| | | ERM Risk Score | 0 |
| Alternative 1: Brief name of alternative (if applicable) | | | \$ - |
| | | O&M Cost | \$ - |
| | | Other Costs | \$ - |
| | | ERM Risk Score | 0 |
| Alternative 2: Brief name of alternative (if applicable) | | | \$ - |
| | | O&M Cost | \$ - |
| | | Other Costs | \$ - |
| | | ERM Risk Score | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | | | \$ - |
| | | O&M Cost | \$ - |
| | | Other Costs | \$ - |
| | | ERM Risk Score | 0 |

| Timeline | Construction Cash Flows (CWIP) | | | |
|--------------|--------------------------------|-------------|-------------|----------------------|
| | Capital Cost | O&M Cost | Other Costs | Approved |
| Previous | \$ 2,910,116 | \$ - | \$ - | \$ 2,910,116 |
| 2012 | \$ 1,559,877 | \$ - | \$ - | \$ 1,200,000 |
| 2013 | \$ 1,500,000 | \$ - | \$ - | \$ 1,500,000 |
| 2014 | \$ 1,657,391 | \$ - | \$ - | \$ 1,407,391 |
| 2015 | \$ 1,050,000 | \$ - | \$ - | \$ 1,050,000 |
| 2016 | \$ 4,050,000 | \$ - | \$ - | \$ 4,050,000 |
| 2017 | \$ 4,100,000 | \$ - | \$ - | \$ 3,050,000 |
| 2018 | \$ 4,100,000 | \$ - | \$ - | \$ 4,100,000 |
| Future | \$ 1,050,000 | \$ - | \$ - | \$ - |
| Total | \$ 21,977,384 | \$ - | \$ - | \$ 19,267,507 |

December-14 Ben-M230 2014
December-14 Remaining MW

| Milestones (high level targets) | | | |
|---------------------------------|---------------|-------------|-----------------------|
| December-11 | NLW-SHN Prior | December-12 | M15-NLW 2012 |
| December-12 | NLW-SHN 2012 | December-13 | M15-NLW 2013 |
| December-13 | NLW-SHN 2013 | December-12 | Fiber to Low Off 2012 |
| December-11 | M23-SPU Prior | December-13 | Fiber to Low Off 2013 |
| December-12 | M23-SPU 2012 | December-14 | Fiber to Low Off 2014 |
| December-13 | M23-SPU 2013 | December-16 | Ben-MPK-BLD Ring |
| | | December-16 | CLW Sub 2016 |
| | | December-14 | Ben-M23 2014 |
| | | December-15 | Ben-M23 2015 |
| | | December-16 | Ben-M23 2016 |
| | | December-17 | Remaining MW |
| | | December-18 | Remaining MW |

| | | | | | | | |
|--|------|--|--|--|--|--|--|
| Associated Ers (list all applicable): | 5119 | | | | | | |
| Mandate Excerpt (if applicable): | na | | | | | | |

Additional Justifications:

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|---|------------------|--|---|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |



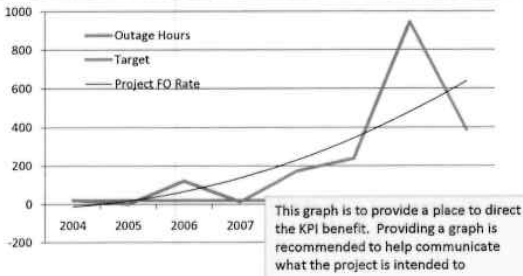
Capital Investment Business Case

YES - attach form NO or Not Required

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here
Fill in the name of the KPI here



Prepared signature *Johny Smith*

Reviewed signature *SB*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the project

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Mechanical Shop 3 Ton Crane

ER No: ER Name:

4165 Mechanical Shop 3 Ton Crane

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$0¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | 154 | | | | | | | | | | 154 | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

Replace 480v exposed buss shop crane with freestanding 3 ton unit. Present crane is an electrocution hazard, and cannot handle many jobs due to its limited size. Limitations force us to outsource work that could be done at little or no incremental cost by our own employees. The crane is also outmoded, with limited parts availability.

Offsets:

An estimated O&M offset of \$20,000 (\$13,000 WA) is gained by eliminating the need to outsource work to external contractors. These offsets are estimated to occur in 2014 and have been included in the O&M Offsets adjustment as shown in Company witness Mrs. Andrews' workpapers.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | | | | | |
|--|---|---|---|---------------------|--------------------|----------------------------|---|
| Investment Name: | Mech Shop 3 Ton Crane | Assessments: | | | | | |
| Requested Amount | \$154,000 | Financial: | 6.58% | | | | |
| Duration/Timeframe | 1 Year Project | Strategic: | Reliability & Capacity | | | | |
| Dept., Area: | GPSS | Business Risk: | Business Risk Reduction >5 and <= 10 | | | | |
| Owner: | Andy Vickers | Project Risk: | High certainty around cost, schedule and resources | | | | |
| Sponsor: | Jason Thackston | Assessment Score: | 84 | | | | |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | | | | | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| Recommend Project Description: | | Replace 480v exposed buss shop crane with freestanding 3 ton unit. Present crane is an electrocution hazard, and cannot handle many jobs due to its size. Limitations force us to outsource work that could be done at little or no incremental cost by our own employees. The crane is also outmoded, with limited parts availability. | describe any incremental changes that this Project would benefit present operations | \$ 154,000 | \$ (20,000) | \$ - | 0 |
| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| Unfunded Project: | 480v exposed buss crane in use now. Potential for external contact. | n/a | \$ - | \$ 20,000 | \$ - | 6 | |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | | | \$ - | 0 | |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 | |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 | |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved | Associated Ers (list all applicable): |
|--------------|-------------------|---------------------|-------------|-------------|---------------------------------------|
| Previous | \$ - | \$ - | \$ - | \$ - | 7006 |
| 2013 | \$ 154,000 | \$ (20,000) | \$ - | \$ - | |
| 2014 | \$ - | \$ (20,000) | \$ - | \$ - | |
| 2015 | \$ - | \$ (20,000) | \$ - | \$ - | |
| 2016 | \$ - | \$ (20,000) | \$ - | \$ - | |
| 2017+ | \$ - | \$ (20,000) | \$ - | \$ - | |
| Total | \$ 154,000 | \$ (100,000) | \$ - | \$ - | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|--------------|-------------------|-------------|-------------|-------------|-------------|-------------------|---|
| 7006 | \$ 154,000 | \$ - | \$ - | \$ - | \$ - | \$ 154,000 | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 154,000 | \$ - | \$ - | \$ - | \$ - | \$ 154,000 | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

Milestones (high level targets)

| | | | | | |
|-------------|---------------|------------|------|------------|------|
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| February-13 | Begin Project | January-00 | open | January-00 | open |
| March-13 | In Service | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: (request forms and approvals attached)

| | | | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|----------------|--|---|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |



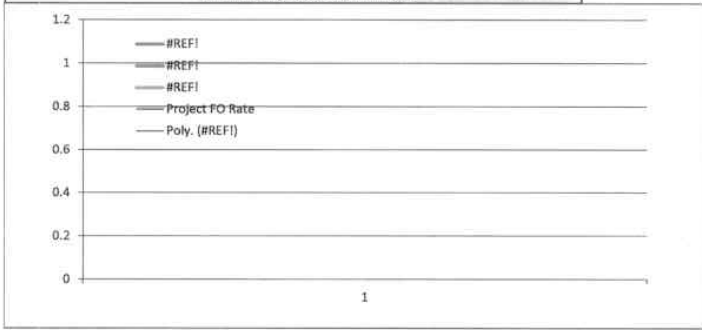
Capital Project Business Case

Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

Click Here To Submit **NEW** Requests only
(If updating **revisions** to a previous business case go to "Review Template" tab)



Prepared signature

Reviewed signature
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

To be completed by Capital Planning Group

| | | |
|------------------------|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Transmission Outage Management

ER No: ER Name:

5148 Transmission Outage Management

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$300¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | 300 | | | | | | | 300 | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

System Operations proposes installation of a Transmission Outage Management system that would provide additional transmission outage management functionality, streamline current transmission outage management processes, and eliminate the current homegrown logging application. Implementing this system would automate many processes that are performed in a manual fashion and would bring Avista's capabilities up to industry standards. Maintenance of the logging portion of the application would change from programming the application (current) to configuring the application. Mining of data for calculating compliance reports and reliability indicators would be reduced with normalized data and automated processes.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|--------------------------------|--------------------------------|--|--|
| Investment Name: | Transmission Outage Mgt | Assessments: | |
| Requested Amount | \$300,000 | Financial: | 7.00% |
| Duration/Timeframe | 1 Year Project | Strategic: | Reliability & Capacity |
| Dept., Area: | System Operations | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Heather Rosentrater | Project Risk: | Moderate certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | Assessment Score: | 70 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Capital Cost | O&M Cost |

| | | | | | |
|--|--|--|---------------------|--------------------|----------------------------|
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| System Operations proposes installation of a Transmission Outage Management system that would provide additional transmission outage management functionality, streamline current transmission outage management processes, and eliminate the current homegrown logging application. Implementing this system would automate many processes that are performed in a manual fashion and would bring Avista's capabilities up to industry standards. Maintenance of the logging portion of the application would change from programming the application (current) to configuring the application. Mining of data for calculating compliance reports and reliability indicators would be reduced with normalized data and automated processes. | Consistency in logging and the dissemination of the information. | \$ 300,000 | \$ 30,000 | \$ - | 12 |
| | | Annual Cost Summary - Increase/(Decrease) | | | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Project: | n/a | \$ 300,000 | \$ 30,000 | \$ - | 20 |
| Alternative 1: Sagali | <ul style="list-style-type: none"> •Dispatch logging •Switching Order logging •Standard naming conventions •Auditing of outages, logs, and Switching Orders | | \$ - | \$ - | 12 |
| Alternative 2: Equinox | <ul style="list-style-type: none"> Outage Scheduling Planned Outage Coordination Control Room Operator Logging, Reporting, and Notification Reliability Analysis | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: SunNet Consulting | Transmission Outage Application integrates Outage Scheduling on the Transmission, Distribution & Generation Systems and System Operations Logging and Reporting Requirements | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|-------------------|------------------|-------------|-------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 300,000 | \$ 30,000 | \$ - | \$ 300,000 |
| 2015 | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017+ | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 300,000 | \$ 30,000 | \$ - | \$ 300,000 |

| | | | |
|--|--|--|--|
| Associated Ers (list all applicable): | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|----|------|------|------|------|-------|-------|--|
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| | | | | | | | Additional Justifications: |
| | | | | | | | Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |



Capital Project Business Case

| | | | | | | |
|--------------|------|------|------|------|------|------|
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

Milestones (high level targets)

| | | | | | |
|------------|------|------------|------|------------|------|
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required

Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

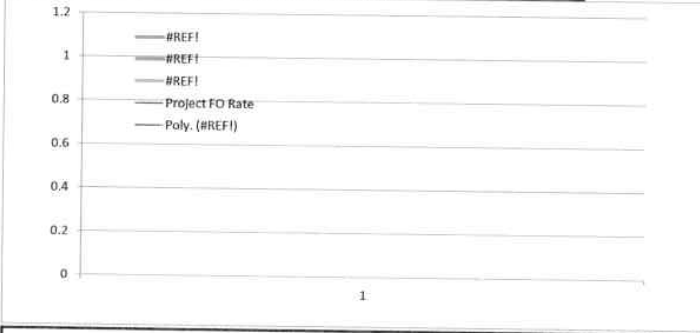


Capital Project Business Case

Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature Greg C. Park

Reviewed signature [Signature]
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

- <http://sagali.com/compass.html> Sagali
- <http://www.sncsw.com/index.html> SunNet
- <http://www.equinox.ca/equinox/about/Defau> Equinox Equinox

To be completed by Capital Planning Group

| | | |
|------------------------|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: New Deer Park Service Center

ER No: ER Name:

7135 Deer Park Service Center

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$2,500¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 2,500 | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | 2,500 |

Business Case Description:

Replace existing Deer Park Service Center. Current building is over 40 years old, and existing storage yard is becoming too small for ever-growing inventory. Environmental concerns with existing site located near railroad tracks, and close proximity to city water well. Presently cleaning up existing soil contamination, and prolonged remaining at site could lead to environmental spills in the future. The existing building is tight for current line truck sizes, warehouse is undersized, and has code compliance and security issues. Deer Park is one of our lower-performing service centers on the Facilities Building Survey Report.

Offsets:

No O&M offsets are presented on the attached copy of the Business Case, however after further discussion it was determined that \$16,000 of annual savings would occur after the in-service date of September 2015. This amount has been prorated to include only 3 of those months. Savings are from facilities energy and maintenance savings including employee efficiencies due to larger facilities and more spacious storage yard. The total O&M offset is calculated as \$16,000 x (3/12) = \$4,000. Washington’s portion of this is \$3,169 Electric and \$831 Gas. This has been included in the O&M Offsets adjustment as shown in Company witness Mrs. Andrews’ workpapers.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|--|------------------------------|--|--|
| Investment Name: | New Deer Park Svc Ctr | Assessments: | |
| Requested Amount | \$2,500,000 | Financial: | |
| Duration/Timeframe | 1 year 2015 | Strategic: | Customer Cost Management |
| Dept., Area: | Facilities | Business Risk: | Business Risk Reduction >0 and <= 5 |
| Owner: | Mike Broemling | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopyczynski | Assessment Score: | 54 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost |
| Recommend Project Description: | | O&M Cost | Other Costs |
| Replace existing Deer Park Service Center. Current building is over 40 years old, and existing storage yard is becoming too small for ever-growing inventory. Environmental concerns with existing site located near railroad tracks, and close proximity to city water well. Presently cleaning up existing soil contamination, and prolonged remaining at site could lead to environmental spills in the future. The existing building is tight for current line truck sizes, warehouse is undersized, and has code compliance and security issues. Deer Park is one of our lower-performing service centers on the Facilities Building Survey Report. | | Business Risk Score | |
| | | | |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|--|--|--------------|-----------|-------------|---------------------|
| Unfunded Project: | Deer Park is one of our lowest scoring service centers. Continual O&M and capital funding will need to be poured into the building to maintain its usability. Storage yard will eventually become too small for material. Line trucks will remain a tight fit, and in some cases, remain exposed to weather. | n/a | \$ 50,000 | \$ 25,000 | \$ - | 8 |
| Alternative 1: Brief name of alternative (if applicable) | None. Purchasing additional properties and expanding the service center is not an option. Auto junkyard and RR tracks to the west, unknown as to soil contamination and environmental issues. Public streets to north and east. Lot to south small, and city water well supply nearby (contamination?). | describe any incremental changes in operations | \$ - | \$ - | \$ - | 4 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|---------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ 2,500,000 | \$ - | \$ - | \$ 2,500,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017+ | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 2,500,000 | \$ - | \$ - | \$ 2,500,000 |

| Associated Ers (list all applicable): | | | |
|---------------------------------------|--|--|--|
| 7001 | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|--------------|-------------|-------------|---------------------|-------------|-------------|---------------------|----------------------------------|
| 7001 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ 2,500,000 | \$ - | \$ - | \$ 2,500,000 | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ - | \$ 2,500,000 | \$ - | \$ - | \$ 2,500,000 | |

Milestones (high level targets)

March-15 Start Construction
November-15 Plant in service

Resources Requirements: (request forms and approvals attached)

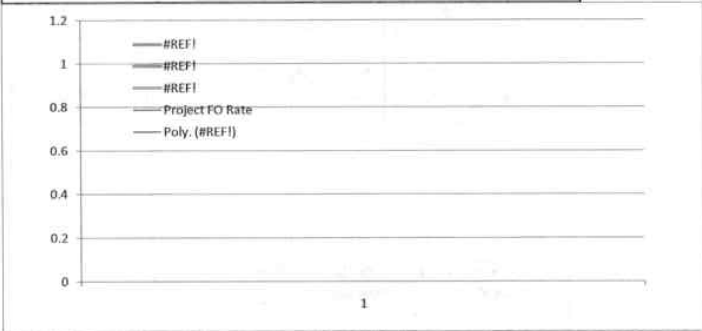
Internal Labor Availability: Low Probability Medium Probability High Probability Enterprise Tech: YES - attach form NO or Not Required Capital Tools: YES - attach form NO or Not Required
Contract Labor: YES NO Facilities: YES - attach form NO or Not Required Fleet: YES - attach form NO or Not Required

Capital Project Business Case



Key Performance Indicator(s)
Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature Vance Ruppert
 Reviewed signature Eric Bowles
 Director/Manager
 Other Party Review signature Mike B...
 (if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

| To be completed by Capital Planning Group | | Review Cycles | |
|---|-----------|---------------|--|
| Rationale for decision | 2012-2016 | | |
| | Date | Template | |
| | | | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: General

Business Case Name: Central Office Facility – Mission Campus (“COF”) Long-term Restriction Phase 2

ER No: ER Name:

7131 COF Long Term Restructuring Plan Phase 2

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$8,500¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 2,000 | | | | | | | | | | | | 2,000 |
| 2016 | 6,500 | | | | | | | | | | | | 6,500 |

Business Case Description:

COF Long Term Restructuring Plan, Phase 2. This project involves the construction of a new Fleet Vehicle Garage and 4-story parking structure. By the end of 2015, Facilities projects will add approx. 183 new cubicles. Our parking lots will be beyond max capacity. The Fleet Garage is over 50 yrs old and is constrained. New garage will allow for maintenance of Compressed Natural Gas vehicles as the current bldg does not allow for this. Once Fleet is relocated there will be a distinct separation between operational/service vehicles and employee vehicle. This separation will increase safety by eliminating intermingling of pedestrians in work areas. Office building & parking garage is projected to allow Call Center and any leased facilities to come back to Mission campus. Ross Park conversion to office will secure any future employee expansion that will occur.

Offsets:

There are no offsets presented on the attached Business Case. However after further discussion, it was determined that O&M savings of \$33,000 will occur in July 2015. These O&M savings are the result of eliminating the need of leased facilities used for personnel that will be relocated to the Mission Campus. In addition, we would not need to rent or purchase addition space for parking. These annual savings have been prorated to include savings after the in-service date. The resulting offset is calculated as $\$33,000 \times (5/12) = \$13,860$. Washington’s apportionment of this amount is \$10,980 Electric and \$2,880 Gas. This has been included in the O&M Offsets adjustment as shown in Company witness Mrs. Andrews’ workpapers.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Project Business Case



| | | | |
|--------------------------------|--------------------------------|--|--|
| Investment Name: | COF LngTrm Restruct Ph2 | Assessments: | |
| Requested Amount | \$47,500,000 | Financial: | 7.00% |
| Duration/Timeframe | 5 Year Project | Strategic: | Other |
| Dept., Area: | Facilities | Business Risk: | Business Risk Reduction >10 and <= 15 |
| Owner: | Mike Broemling and Eric Bowles | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | Assessment Score: | 86 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | | |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| COF Long Term Restructuring Plan, Phase 2. Construct new Fleet Vehicle Garage and 4-story parking structure. By end of 2015 Facilities projects will add approx. 183 new cubicles. Our parking lots will be beyond max capacity. The Fleet Garage is over 50 yrs old and is constrained by its dims from our ever enlarging vehicles and line trucks. New garage will allow for maintenance of CNG vehicles, current bldg does not allow this. Once Fleet is moved, a distinct separation b/n Operations / Service vehicles and Administrative Employees and vehicles. Separation will increase safety by eliminating intermingling of pedestrians in work areas. Office building & parking garage is projected to allow Call Center and any leased facilities to come back to Mission campus. Ross Park conversion to office will secure any future employee expansion that will occur. | State of the art fleet building. Service vehicles contained to north campus. Employee vehicles near main GOB. | \$ 47,500,000 | \$ - | \$ - | 2 |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Project: | Employee parking shall overflow into Logan neighborhood. City of Spokane will probably enforce parking regulations if this occurs. Added 5-to-10 minutes walk time from employee cars to desks. All CNG vehicles will have to be maintained at Dollar Road Fleet Bldg, with its extra 15 minute travel time. Continued rental or purchased facilities off site of COF for Avista departments (i.e. call center). | \$ - | \$ - | \$ - | 15 |
| Alternative 1: Brief name of alternative (if applicable) | Build extra parking lot on Ross Court ONLY. Approx. 220 add'l spaces req'd. to offset new employee load. Inconvenient and increased walk times for employees. | \$ 2,000,000 | \$ 20,000 | \$ - | 2 |
| Alternative 2: Brief name of alternative (if applicable) | Build new fleet building off-site. Purchase new lot for construction. Travel times and inefficiencies greatly increased. | \$ 7,000,000 | \$ 20,000 | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved | Associated Ers (list all applicable): |
|--------------|----------------------|-------------|-------------|----------------------|---------------------------------------|
| Previous | \$ - | \$ - | \$ - | \$ - | 7126 |
| 2013 | \$ - | \$ - | \$ - | \$ - | |
| 2014 | \$ - | \$ - | \$ - | \$ - | |
| 2015 | \$ 2,000,000 | \$ - | \$ - | \$ 2,000,000 | |
| 2016 | \$ 6,500,000 | \$ - | \$ - | \$ 6,500,000 | |
| 2017 | \$ 16,000,000 | \$ - | \$ - | \$ 16,000,000 | see note under add'l justification |
| 2018 | \$ 19,000,000 | \$ - | \$ - | \$ 19,000,000 | |
| 2019 | \$ 4,000,000 | \$ - | \$ - | \$ - | |
| Total | \$ 47,500,000 | \$ - | \$ - | \$ 43,500,000 | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|--------------|-------------|-------------|---------------------|---------------------|----------------------|----------------------|--|
| 7126 | \$ - | \$ - | \$ 2,000,000 | \$ 6,500,000 | \$ 39,000,000 | \$ 47,500,000 | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | SEE NOTE | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | UNDER ADD'L | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | JUSTIFICATIONS | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ - | \$ 2,000,000 | \$ 6,500,000 | \$ 39,000,000 | \$ 47,500,000 | Additional Justifications: PLEASE NOTE: Request \$2M in 2015 (Ross Court parking), \$6.5M in 2016 (Fleet Bldg), \$16M in 2017 and \$15M in 2018 (parking garage and office building), \$4M in 2018 and \$4M in 2019 (Ross Park Building covert to office). |

Milestones (high level targets)

| | | | |
|--------------|---------------------------------------|--------|--|
| April-16 | Ross Court parking start construction | Aug-18 | Ross Park convert to office start construction |
| September-16 | Ross Court parking in service | May-19 | Ross Park convert to office in service |
| January-16 | Fleet Bldg Start Construction | | |
| December-16 | fleet bldg in service | | |
| April-17 | Park garage & office start const. | | |
| May-18 | Park garage & office in service | | |

Milestones should be general. Use your judgement on project progress so that progress can be measured.

Resources Requirements: (request forms and approvals attached)

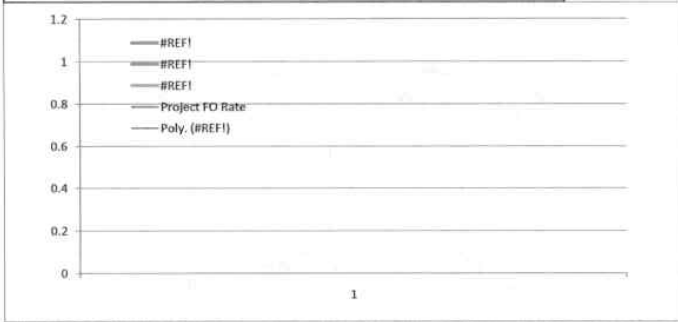
| | | | | | | | | | |
|-------------------------------------|---|---|---|-------------------------|---|---|-----------------------|--|--|
| Internal Labor Availability: | <input checked="" type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Capital Project Business Case



Key Performance Indicator(s)
Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here
Fill in the name of the KPI here



Prepared Vance Ruppert 
 Reviewed Eric Bowles 
 Director/Manager
 Other Party Review signature 
 (if necessary) Director/Manager

PLEASE SEE DRAWINGS ATTACHED TO SHAREPOINT SITE FOR MORE INFO

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Aldyl A Replacement

ER No: 3008
ER Name: Aldyl -A Pipe Replacement

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$63,156¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-------|-----|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2013 | 8,463 | | | | | | | 1,778 | 1,915 | 1,573 | 729 | 1,392 | 1,076 |
| 2014 | 16,452 | 945 | 891 | 1,028 | 1,171 | 1,464 | 1,453 | 1,301 | 1,676 | 1,586 | 1,603 | 1,180 | 2,153 |
| 2015 | 16,817 | 965 | 910 | 1,051 | 1,197 | 1,497 | 1,486 | 1,330 | 1,713 | 1,622 | 1,639 | 1,205 | 2,203 |
| 2016 | 17,885 | 1,018 | 963 | 1,115 | 1,271 | 1,593 | 1,582 | 1,416 | 1,819 | 1,729 | 1,746 | 1,280 | 2,352 |

Business Case Description:

This program covers the replacement of 730 miles of pre-1987 Aldyl A mains and the remediation of 16,000 bending stress sites on services tapped from steel main. Due to the tendency for this material to suffer brittle-like cracking leak failures, Aldyl A will eventually reach a level of unreliability that is not acceptable. Please also see Company witness Labolle for further details regarding this program.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|---|--|---|
| Investment Name: | Aldyl A Replacement_mains and bending stress | Assessments: | |
| Requested Amount | \$17,600,000 | Financial: | Medium ->= 5% & <9% CIRR |
| Duration/Timeframe | 20 Year Program | Strategic: | Life Cycle Programs |
| Dept., Area: | Gas Delivery | Operational: | Operations require execution to perform at current levels |
| Owner: | Mike Faulkenberry | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 89 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This program covers the replacement of 730 miles of pre-1987 Aldyl A mains and the remediation of 16,000 bending stress sites on services tapped from steel main. Due to the tendency for this material to suffer brittle-like cracking leak failures, Aldyl A will eventually reach a level of unreliability that is not acceptable. There is a potential harm to the public through damage to life and property and there is a high likelihood of increasing regulatory scrutiny from increasing failures. | As Aldyl A is removed, O&M expense associated with repairing the increasing leaks will be eliminated in proportion | \$ 10,250,000 | \$ - | \$ - | 5 |
| Annual Cost Summary - Increase/(Decrease) | | | | | |

| | | | | | | |
|--|--|--|---------------------|--------------------|----------------------------|---|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| Unfunded Program: | If unfunded, the increasing failures of mains and services is modeled to result in more than 13 catastrophic events in Washington alone. Extended to Idaho and Oregon, the cost of the effects (at a 10% escalation) and increasing expenses for O&M leak repair could total more than \$60MM over a 20 year period, an average of \$3MM annually. | n/a | | \$ 3,000,000 | 15 | |
| Alternative 1: Brief name of alternative (if applicable) | 20 year replacement program: Replace 37 miles of main and remediate 800 service taps each year, prioritized by DIMP risk modeling. Modeling suggests that if pipe is removed on a first in-first out basis up to 3 catastrophic events could occur over 20 years, however, using a DIMP based approach to remove highest risk facilities first without regard to age only it may be possible to avoid any incidents. | As Aldyl A is removed, O&M expense associated with repairing the increasing leaks will be eliminated in proportion | \$ 17,552,196 | \$ (60,000) | \$ - | 5 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|----------------------|---------------------|--------------------|-----------------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 5 years of costs | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| 2012 | \$ 5,000,000 | \$ - | \$ - | \$ 5,000,000 | | | | | |
| 2013 | \$ 10,250,000 | \$ - | \$ - | \$ 12,000,000 | | | | | |
| 2014 | \$ 17,552,196 | \$ - | \$ - | \$ 16,452,196 | | | | | |
| 2015 | \$ 17,817,429 | \$ - | \$ - | \$ 16,817,429 | | | | | |
| 2016 | \$ 18,885,272 | \$ - | \$ - | \$ 17,885,272 | | | | | |
| 2017 | | | | \$ 18,262,977 | | | | | |
| 2018 | | | | \$ 18,648,237 | | | | | |
| Total | \$ 69,504,897 | \$ - | \$ - | \$ 105,066,111 | | | | | |

2% inflation included in above numbers

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
Avista has experienced 2 injury and property damage events due to failing Aldyl A since 2005 and is currently bound by a settlement agreement with the Washinging Utility and Transportation Commission. Further events of this nature will most likely result in some sort of mandatory pipe replacement program with a timeline we cannot control. Taking a proactive and priority-justified approach is critical at this time to protect life and property for the public as well as reduce Avista's exposure to the risks of liability and regulatory scrutiny.

Resources Requirements: (request forms and approvals attached)

| | | |
|--|--|--|
| Internal Labor Availability: <input checked="" type="checkbox"/> Low Probability <input type="checkbox"/> Medium Probability <input type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |

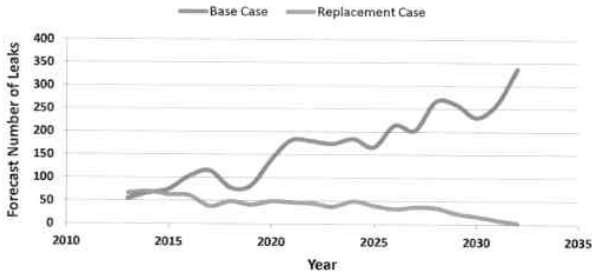


Capital Program Business Case

Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|--|
| KPI Measure: | Prevention of leaks and their consequences |
| | Fill in the name of the KPI here |



Prepared signature
 Reviewed signature Director/Manager
 Party Review signature (if necessary) Director/Manager

| Business Case | ERM Risk Reduction | Unfunded Raw Score | Revised Risk Raw Score | Unfunded Project/Program Risk (no funding if a project, cease funding if an existing program) | | | | | |
|---|--------------------|--|------------------------|--|-------------------|--|-------------------|--|------------------|
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| Aldyl A Replacement (mains & bending stress tees) | 15 | 20 | 5 | 3 - \$2MM - \$4MM | < Once / year | 4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change | < Once / year | | |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | | | 5 - Potential for multiple loss of lives Wide spread damage on property or business Public health infrastructure impact up to 72 hours | < Once / year | 2 - Potential for minimal or minor injury Lost Time Incident and Severity Rate increases year over year | < Once / 5 years |
| | | | | Revised Risk if funded/completed | | | | | |
| | | | | 3 - \$2MM - \$4MM | < Once / 50 years | 3 - Could result in a sustained negative impact to local, online, or industrial relationships and / or national / global media coverage | < Once / 50 years | | |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | 5 - Potential for multiple loss of lives Wide spread damage on property or business Public health infrastructure impact up to 72 hours | < Once / 50 years | 2 - Potential for minimal or minor injury Lost Time Incident and Severity Rate increases year over year | < Once / 50 years | | | | |

Budget request for 2014, 2015, and 2016 were revised with updated budget projections based on new models and information.

WA UTC Docket UG-120715 Commission Policy on Accelerated Replacement of Pipeline with Elevated Risk was issued on December 31, 2012. The new policy will include a Cost Recovery Mechanism (CRM) based generally on the mechanism used in Oregon with NWNG.

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Cathodic Protection

ER No: 3004
ER Name: Cathodic Protection-Minor Blanket

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,000¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 172 | | | | | | | 8 | 4 | 71 | 5 | 39 | 45 |
| 2014 | 800 | 48 | 43 | 52 | 58 | 67 | 80 | 77 | 87 | 78 | 72 | 62 | 75 |
| 2015 | 800 | 49 | 43 | 52 | 58 | 67 | 80 | 77 | 87 | 78 | 72 | 62 | 75 |
| 2016 | 800 | 49 | 43 | 52 | 58 | 67 | 80 | 77 | 87 | 78 | 72 | 62 | 75 |

Business Case Description:

This program will replace existing and install new cathodic protection systems to ensure compliance with 49 CFR 192, Subpart I - "Requirements for Corrosion Control" that requires pipelines be protected against external corrosion by means of a cathodic protection system. This program will ensure appropriate cathodic protection levels are maintained, reduce corrosion related failures, help prevent leaks within steel pipeline systems and enhance public safety.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|--------------------------------|--|--------------------------|---|
| Investment Name: | Cathodic Protection_Natural Gas | Assessments: | |
| Requested Amount | \$800,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | On-Going Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | Gas Operations | Operational: | Operations require execution to perform at current levels |
| Owner: | Mike Faulkenberry | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczyński | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 154 |
| Mandate/Reg. Reference: | 49 CFR 192, Subpart I - "Requirements for Corrosion Control" | | |

| | | | | | |
|---|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This annual program will replace existing and install new cathodic protection systems to ensure compliance with 49 CFR 192, Subpart I - "Requirements for Corrosion Control" that requires pipelines be protected against external corrosion by means of a cathodic protection system. This program will ensure appropriate cathodic protection levels are maintained, reduce corrosion related failures, help prevent leaks within steel pipeline systems and enhance public safety. | describe any incremental changes that this Program would benefit present operations | \$ 800,000 | \$ - | \$ - | 3 |

| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|---|--|--|---------------------|--------------------|----------------------------|
| | | | Capital Cost | O&M Cost | Other Costs | |
| Unfunded Program: | Avista would be out of compliance in portions of its gas distribution system. | n/a | \$ - | \$ - | \$ - | 12 |
| Alternative 1: Brief name of alternative (if applicable) | Install new and replace existing cathodic protection system. | n/a | \$ 800,000 | \$ - | \$ - | 3 |
| Alternative 2: Brief name of alternative (if applicable) | | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|---------------------------|---------------------|---------------------|--------------------|---------------------|--|--|--|--|--|
| 5 years of costs | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | \$ - | \$ - | \$ - | \$ - | 3004 | | | | |
| 2012 | \$ 500,000 | \$ - | \$ - | \$ 500,000 | | | | | |
| 2013 | \$ 500,000 | \$ - | \$ - | \$ 600,000 | | | | | |
| 2014 | \$ 800,000 | \$ - | \$ - | \$ 800,000 | | | | | |
| 2015 | \$ 800,000 | \$ - | \$ - | \$ 800,000 | | | | | |
| 2016 | \$ 800,000 | \$ - | \$ - | \$ 800,000 | | | | | |
| 2017 | \$ 800,000 | \$ - | \$ - | \$ 800,000 | | | | | |
| 2018 | \$ 600,000 | \$ - | \$ - | \$ 600,000 | | | | | |
| Total | \$ 3,400,000 | \$ - | \$ - | \$ 3,500,000 | | | | | |

Mandate Excerpt (if applicable):
49 CFR 192.455(a) "Except as provided in paragraphs (b), (c), and (f) of this section, each buried or submerged pipeline installed after July 31, 1971, must be protected against external corrosion, including the following: (2) It must have a cathodic protection system designed to protect the pipeline in accordance with this subpart, installed and placed in operation within 1 year after completion of construction."

Additional Justifications:
Any supplementary information that may be useful in describing in more detail the nature of the Program, the urgency, etc.

Resources Requirements: (request forms and approvals attached)


| | | |
|--|--|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input checked="" type="checkbox"/> Medium Probability <input type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |



Capital Program Business Case

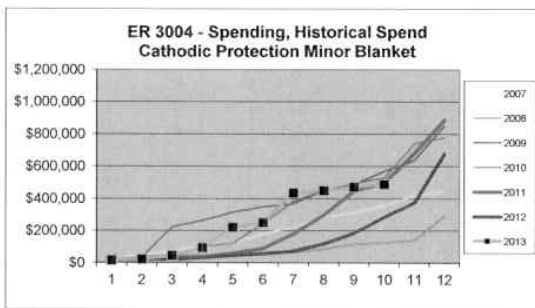
Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure:

Prepared signature 

Reviewed signature  Director/Manager

Other Party Review signature _____ Director/Manager
(if necessary)

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program



Historical Spending

| Business Case | ERM Risk Reduction | Status Quo Raw Score | Risk on Completion Raw Score | Status Quo Risk | | | | | |
|-----------------------------------|--------------------|--|------------------------------|---|-------------------|--|-------------------|--|-------------------|
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| Cathodic Protection - Natural Gas | 9 | 12 | 3 | 4 - \$4MM - \$10MM | < Once / 10 years | 4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change | < Once / 10 years | 1 - < 1,500 Customer hours | < Once / 10 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | 4 - Potential for multiple serious injuries or loss of an individual life Major damage to property or business Public health infrastructure impact up to 72 hours | < Once / 5 years | | | | |
| | | | | Risk upon Completion | | | | | |
| | | | | 1 - < \$200k | < Once / 5 years | 1 - No likely impact on media or regulatory relationship | < Once / 50 years | 1 - < 1,500 Customer hours | < Once / 50 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | 2 - Potential for minimal or minor injury, Outages and/or equipment damage Public health infrastructure impact up to 24 hours | < Once / 50 years | | | | | | |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | Date | Template |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Gas Non-Revenue Program

ER No: ER Name:

3005 Gas Distribution Non-Revenue Blanket

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$25,550¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-------|-----|-------|-----|-----|-----|
| 2013 | 4,728 | | | | | | | 1,049 | 929 | 1,271 | 669 | 386 | 425 |
| 2014 | 4,702 | 621 | 468 | 502 | 631 | 595 | 615 | 682 | 710 | 621 | 721 | 549 | 685 |
| 2015 | 8,925 | 749 | 585 | 625 | 759 | 719 | 745 | 818 | 846 | 749 | 853 | 674 | 809 |
| 2016 | 9,108 | 768 | 598 | 635 | 778 | 732 | 758 | 837 | 859 | 762 | 872 | 687 | 822 |

Business Case Description:

This annual program will replace sections of existing natural gas piping that require replacement to improve the operation of the gas system but are not directly linked to new revenue. The program includes replacement of pipe and facilities that are at the end of their useful life or have failed. It includes improvements in equipment and/or technology to enhance system operation and/or maintenance, replacement of obsolete facilities, replacement of main to improve cathodic performance, and projects to improve public safety and/or improve system reliability. Starting in 2014, costs associated with the labor and minor materials to complete the Planned Meter Change-out ("PMC") program will no longer be captured in this Business Case, they will be on the "Gas PMC Program".

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|--------------------------------|--|---|
| Investment Name: | Gas Non-Revenue Program | Assessments: | |
| Requested Amount | \$5,600,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | On-Going Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | Gas Operations | Operational: | Operations require execution to perform at current levels |
| Owner: | Mike Faulkenberry | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Don Kopczynski | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 89 |
| Mandate/Reg. Reference: | | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|---|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This annual program will replace sections of existing gas piping that require replacement to improve the operation of the gas system but are not directly linked to new revenue. The program includes replacement of pipe and facilities that are at the end of their useful life or have failed. It includes improvements in equipment and/or technology to enhance system operation and/or maintenance, replacement of obsolete facilities, replacement of main to improve cathodic performance, and projects to improve public safety and/or improve system reliability. Starting in 2014, costs associated with the labor and minor materials to complete the PMC program will no longer be captured in this Business Case, they will be on the "Gas PMC Program". This results in a \$1M reduction in the 2014 budget request; however the historical spend has been high in this category, so the resultant 2014 request is \$6,00,000 (total). | describe any incremental changes that this Program would benefit present operations | \$ 5,600,000 | \$ - | \$ - | 8 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|---|--|---------------------|---------------------|--------------------|----------------------------|
| Unfunded Program: | Avista will be unable to complete capital non-revenue system enhancements | n/a | \$ - | \$ - | \$ - | 8 |
| Alternative 1: Brief name of alternative (if applicable) | Complete installation and/or upgrade of non-revenue assets. | n/a | \$ 5,600,000 | \$ - | \$ - | 2 |
| Alternative 2: Brief name of alternative (if applicable) | | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|--|--|--|
| 5 years of costs | | | | | Current ER | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | 3005 | | | |
| Previous | \$ - | \$ - | \$ - | \$ - | | | | |
| 2012 | \$ 4,223,000 | \$ - | \$ - | \$ 3,823,000 | | | | |
| 2013 | \$ 4,349,690 | \$ - | \$ - | \$ 7,949,690 | | | | |
| 2014 | \$ 5,600,000 | \$ - | \$ - | \$ 5,600,000 | | | | |
| 2015 | \$ 6,000,000 | \$ - | \$ - | \$ 6,000,000 | | | | |
| 2016 | \$ 6,000,000 | \$ - | \$ - | \$ 6,000,000 | | | | |
| 2017 | | | | \$ 6,000,000 | | | | |
| 2018 | | | | \$ 6,000,000 | | | | |
| Total | \$ 26,172,690 | \$ - | \$ - | \$ 29,372,690 | | | | |

Mandate Excerpt (if applicable):

Additional Justifications:
The program addresses a number of mandatory projects, at the direction of the commission and/or projects that enhance public safety and system reliability. (Example: Incremental pipe enhancements, replacement of odorization equipment, installation of steel pipe to enhance system cathodic protection, etc.)

Resources Requirements: (request forms and approvals attached)

| | | |
|--|--|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input type="checkbox"/> Medium Probability <input checked="" type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |



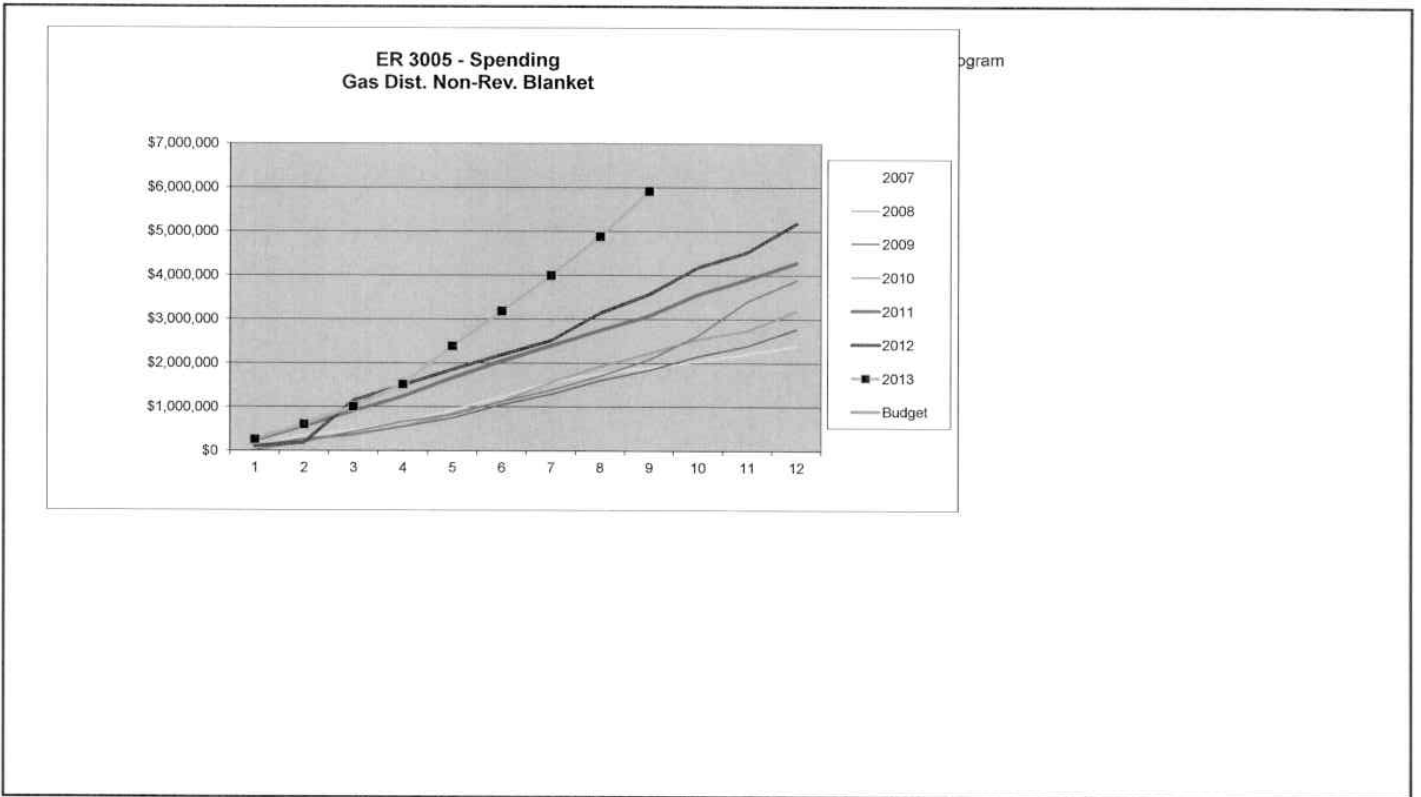
Capital Program Business Case

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure:

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Reviewed signature 
Director/Manager

Other Party Review signature (if necessary) _____
Director/Manager



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Gas Reinforcement

ER No: ER Name:

3000 Gas Reinforce-Minor Blanket

3268 Reinforcement Appleway Bridge Crossing, Liberty Lake, WA

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,950¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 394 | | | | | | | 14 | | | 325 | 29 | 26 |
| 2014 | 1,000 | 66 | 56 | 68 | 73 | 81 | 103 | 101 | 112 | 95 | 86 | 81 | 77 |
| 2015 | 1,000 | 66 | 57 | 68 | 73 | 81 | 103 | 101 | 112 | 95 | 86 | 81 | 77 |
| 2016 | 1,000 | 66 | 57 | 68 | 73 | 81 | 103 | 101 | 112 | 95 | 86 | 81 | 77 |

Business Case Description:

This annual program will provide for necessary reinforcements and reliability looping of the existing gas distribution system in WA, ID, and OR. Avista has an obligation to provide reliable service that is of adequate pressure and capacity. Periodic reinforcement of the system is required to reliably serve due to increased demand at existing service locations and new customers. Execution of this program on an annual basis will ensure the continuation of reliable gas service that is of adequate pressure and capacity.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



| | | | |
|--------------------------------|--|--------------------------|--|
| Investment Name: | Gas Reinforcement | Assessments: | |
| Requested Amount | \$1,000,000 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | On-Going 2012+ | Strategic: | Reliability & Capacity |
| Dept., Area: | Gas Operations | Operational: | Operations not impacted by execution |
| Owner: | Mike Faulkenberry | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Don Kopczynski | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 143 |
| Mandate/Reg. Reference: | WAC 480-90-148(2)(d), IDAPA 31.31.01.151, OR | | |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This annual program will provide for necessary reinforcements and reliability looping of the existing gas distribution system in WA, ID, and OR. Avista has an obligation to provide reliable service that is of adequate pressure and capacity. Periodic reinforcement of the system is required to reliably serve due to increased demand at existing service locations and new customers. Execution of this program on an annual basis will ensure the continuation of reliable gas service that is of adequate pressure and capacity. The 2013 budget was cut and needs to be increased for 2014+ (to \$1,000,000) to ensure adequate capacity that will meet a design day load. Specific ER's may be added to this Business Case as they are defined as Reinforcement Projects. | describe any incremental changes that this Program would benefit present operations | \$ 1,050,000 | \$ - | \$ - | 4 |

| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|--|--|--|---------------------|--------------------|----------------------------|
| Status Quo: | | | Capital Cost | O&M Cost | Other Costs | |
| Gas distribution reinforcements are identified on an on-going basis and need to be completed when identified to ensure continuation of reliable service. | | n/a | | \$ - | \$ - | 16 |
| Alternative 1: Pipe Installation | Capital Pipe Installations - Install additional pipe to reinforce and loop existing gas distribution system to increase system reliability. | Reduced system monitoring during cold | \$ 1,000,000 | | \$ - | 4 |
| Alternative 2: Uprate Alternative | Distribution System Uprates - Increase the operating pressure of existing gas distribution system to a 60 PSIG MAOP. Uprating gas distribution system will increase the delivery capacity in addition to increases operating efficiency by tying existing distribution system together with similar operating pressures. | Reduction in regulator station maintenance. | \$ 50,000 | \$ 100,000 | \$ - | 4 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|---------------------------|---------------------|---------------------|--------------------|-------------------------|--|--|--|--|--|
| 2012-2016 | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved Capital | | | | | |
| | | | | | 3000 | | | | |
| | | | | | 3268 | | | | |
| 2012 | \$ 1,050,000 | \$ - | \$ - | \$ 800,000 | | | | | |
| 2013 | \$ 1,050,000 | \$ - | \$ - | \$ 950,000 | | | | | |
| 2014 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 | | | | | |
| 2015 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 | | | | | |
| 2016 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 | | | | | |
| 2017 | \$ 800,000 | \$ - | \$ - | \$ 800,000 | | | | | |
| 2018 | \$ 600,000 | \$ - | \$ - | \$ 600,000 | | | | | |
| 2019 | \$ - | \$ - | \$ - | \$ - | | | | | |
| Total | \$ 6,500,000 | \$ - | \$ - | \$ 6,150,000 | | | | | |

Mandate Excerpt (if applicable):
WAC 480-90-148(2)(d), "Each gas utility must maintain its gas system in a condition that enables it to furnish safe, adequate, and efficient service." IDAPA 31.31.01.151, "Service to the customer shall assure the customer of adequate pressure, a definite heat content, and the accurate measurement of gas." OR Tariff - Rule 14(A)(2), "The Company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient quantity of gas to its customers but does not guarantee continuity or sufficiency of quantity."

Additional Justifications:
Program required to reliably serve customers



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

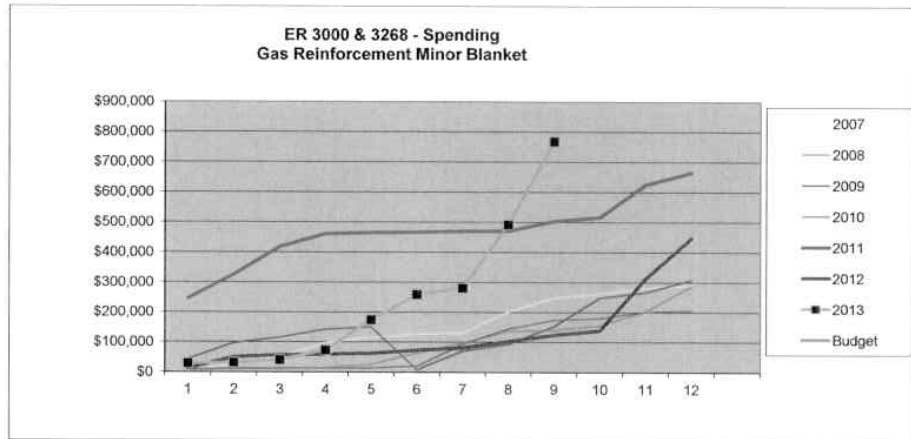
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
 Expected Performance Improvements
 KPI Measure: Cold Weather Related Outages
 Fill in the name of the KPI here

Prepared signature *[Signature]*

Reviewed signature *[Signature]*
 Director/Manager

Other Party Review signature (if necessary) Director/Manager



| Business Case | ERM Risk Reduction | Status Quo Raw Score | Risk on Completion Raw Score | Status Quo Risk | | | | | |
|-------------------|--------------------|---|------------------------------|---|-------------------|--|-------------------|--|-------------------|
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| Gas Reinforcement | 12 | 16 | 4 | 2 - \$200k - \$2MM | < Once / year | 4 - Potential for regulator to impose onerous restrictions or Board or management to make leadership change | < Once / year | 5 - > 120,000 Customer-hours | < Once / 5 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | | | 1 - Potential for injury Public health infrastructure impact up to 8 hours | < Once / 10 years | 1 - Potential for injury | < Once / 50 years |
| | | | | Risk upon Completion | | | | | |
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| | | | | 1 - < \$200k | < Once / 10 years | 2 - Could result in a moderate negative impact to local, online, or industrial relationships and /or regional media coverage | < Once / 10 years | 1 - < 1,500 Customer-hours | < Once / 10 years |
| Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood | | | | |
| | | 1 - Potential for injury Public health infrastructure impact up to 8 hours | < Once / 50 years | 1 - Potential for injury | < Once / 50 years | | | | |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles 2012-2016 | |
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| | Date | Template |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Gas Replacement Street & Highway

ER No: ER Name:

3003 Gas Replace-St&Hwy

3302 HWY 62 - HP & IP Main Relocation & SSFT #1316

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$18,000¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 1,938 | | | | | | | 847 | 303 | 235 | 194 | 153 | 207 |
| 2014 | 4,500 | 214 | 201 | 419 | 269 | 331 | 527 | 314 | 388 | 549 | 363 | 274 | 651 |
| 2015 | 4,500 | 214 | 201 | 419 | 269 | 331 | 527 | 314 | 388 | 549 | 363 | 274 | 651 |
| 2016 | 4,500 | 214 | 201 | 419 | 269 | 331 | 527 | 314 | 388 | 549 | 363 | 274 | 651 |

Business Case Description:

This annual program will replace sections of existing gas piping that require replacement due to relocation or improvement of streets or highways in areas where natural gas piping is installed. Avista installs many of its facilities in public right-of-way under established franchise agreements. Avista is required under the franchise agreements, in most cases, to relocate its facilities when they are in conflict with road or highway improvements.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



| | | | |
|--------------------------------|---|--------------------------|---|
| Investment Name: | Gas Replacement Street and Highway | Assessments: | |
| Requested Amount | \$4,500,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | On-Going | Strategic: | Other |
| Dept., Area: | Gas Operations | Operational: | Operations require execution to perform at current levels |
| Owner: | Mike Faulkenbery | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Don Kopczynski | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 140 |
| Mandate/Reg. Reference: | Franchise Agreements and Permits | | |

| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|---|--|---------------------|--------------------|----------------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This annual program will replace sections of existing gas piping that require replacement due to relocation or improvement of streets or highways in areas where gas piping is installed. Avista installs many of its facilities in public right-of-way under established franchise agreements. Avista is required under the franchise agreements, in most cases, to relocate its facilities when they are in conflict with road or highway improvements. | describe any incremental changes that this Program would benefit present operations | \$ 4,500,000 | \$ - | \$ - | 2 |

| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|---|--|--|---------------------|--------------------|----------------------------|
| | | | Capital Cost | O&M Cost | Other Costs | |
| Status Quo: | Avista would be out of compliance with established franchise agreements and/or permits if work is not completed. | n/a | \$ - | \$ - | \$ - | 16 |
| Alternative 1: | Relocate facilities in conflict with street and highway projects where established franchise agreements and/or permits exist. | n/a | \$ 4,500,000 | \$ - | \$ - | 2 |
| Alternative 2: | | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|--|--|--|
| 2012-2016 | | | | | Current ER | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | |
| | | | | | 3003 | | | |
| | | | | | 3302 | | | |
| 2012 | \$ 2,200,000 | \$ - | \$ - | \$ 2,200,000 | 3297 | | | |
| 2013 | \$ 4,500,000 | \$ - | \$ - | \$ 4,500,000 | | | | |
| 2014 | \$ 4,500,000 | \$ - | \$ - | \$ 4,500,000 | | | | |
| 2015 | \$ 4,500,000 | \$ - | \$ - | \$ 4,500,000 | | | | |
| 2016 | \$ 4,500,000 | \$ - | \$ - | \$ 4,500,000 | | | | |
| 2017 | \$ 4,500,000 | | | \$ 4,500,000 | | | | |
| 2018 | \$ 4,500,000 | | | \$ 4,500,000 | | | | |
| Total | \$ 29,200,000 | \$ - | \$ - | \$ 29,200,000 | | | | |

Mandate Excerpt (if applicable):
Franchise agreements and typical state highway and R/R permits prescribe that the utility will relocate at their expense when in conflict with entity activities.

Additional Justifications:
Mandatory work to maintain compliance with existing franchise and operating permits with state highway districts and rail roads.



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

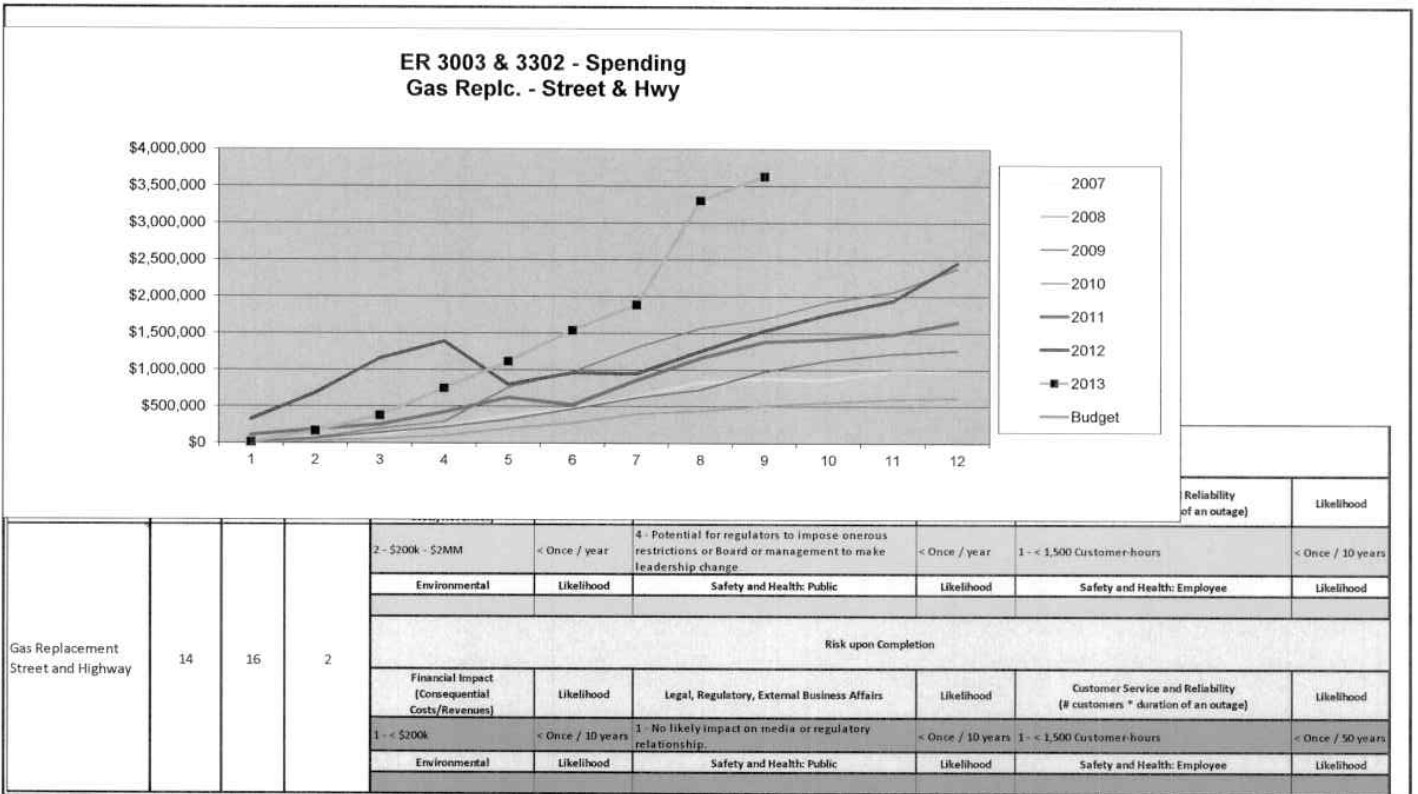
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
 Expected Performance Improvements
 KPI Measure:

Prepared signature *JM alu*

Reviewed signature *[Signature]* Director/Manager

Other Party Review signature (if necessary) Director/Manager



| | | | | Reliability of an outage | Likelihood | | | | |
|------------------------------------|------------|---------------------------|------------|---|-------------------|--|-------------------|--|-------------------|
| Gas Replacement Street and Highway | 14 | 16 | 2 | 2 - \$200k - \$2MM | < Once / year | 4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change | < Once / year | 1 - < 1,500 Customer-hours | < Once / 10 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | Risk upon Completion | | | | | |
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| | | | | 1 - < \$200k | < Once / 10 years | 1 - No likely impact on media or regulatory relationship. | < Once / 10 years | 1 - < 1,500 Customer-hours | < Once / 50 years |
| Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood | | | | |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Gas Telemetry Deployment

ER No: ER Name:
3117 Gas Telemetry

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,200¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 98 | | | | | | | | | | | 38 | 60 |
| 2014 | 400 | 31 | 26 | 28 | 30 | 35 | 33 | 31 | 43 | 35 | 36 | 31 | 42 |
| 2015 | 400 | 31 | 26 | 28 | 30 | 35 | 33 | 31 | 43 | 35 | 36 | 31 | 42 |
| 2016 | 400 | 31 | 26 | 28 | 30 | 35 | 33 | 31 | 43 | 35 | 36 | 31 | 42 |

Business Case Description:

This program will continue the installations of gas telemetry throughout Avista's natural gas service territory. Further enhancing the telemetry sites will increase the visibility of the gas system to help analyze operational concerns and cold weather performance. This program will also replace the current mechanical pressure recording charts with electronic pressure recording devices. These types of projects also enhance our disaster recovery efforts by updating existing telemetry and adding new sites. Gas Scheduling benefits from this data also by having independent measurement points to check the pipelines values and to receive more timely information from the field.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|----------------------|--------------------------|--|
| Investment Name: | Gas Telemetry | Assessments: | |
| Requested Amount | \$400,000 | Financial: | 7.00% |
| Duration/Timeframe | Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | Gas Engineering | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Mike Faulkenberry | Program Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | Assessment Score: | #NAME? |
| Category: | Program | | |
| Mandate/Reg. Reference: | CFR 192.741 192.631 | | |

| | | | | | |
|--|---|--|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| This program will continue the installations of gas telemetry throughout Avista's gas service territory. Further enhancing the telemetry sites will increase the visibility of the gas system to help analyze operational concerns and cold weather performance. This program will also replace the current mechanical pressure recording charts with electronic pressure recording devices. These types of projects also enhance our Disaster Recovery efforts by updating existing telemetry and adding new sites. Gas Scheduling benefits from this data also by having independent measurement points to check the pipelines values and to receive more timely information from the field. | describe any incremental changes that this Program would benefit present operations | Capital Cost | O&M Cost | Other Costs | |
| | | \$ 400,000 | \$ - | \$ - | 1 |

| | | | | | |
|--|---|--|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| Unfunded Program: | No further enhancements or maintenance of the existing telemetry system. Existing mechanical pressure recorders are expensive to fix and replace. | Capital Cost | O&M Cost | Other Costs | |
| | n/a | \$ - | \$ 50,000 | \$ - | 8 |
| Alternative 1: Brief name of alternative (if applicable) | Increase the number of gas telemetry sites and maintain or upgrade existing facilities. This funding level was previously approved as part of the Gas PMC Business Case. We are now requesting to separate it out as it does not align well with the PMC program. | \$ 400,000 | \$ - | \$ - | 1 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

| | | | | |
|---------------------------|---------------------|---------------------|--------------------|---------------------|
| Program Cash Flows | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved |
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 370,000 | \$ - | \$ - | \$ 400,000 |
| 2015 | \$ 370,000 | \$ - | \$ - | \$ 400,000 |
| 2016 | \$ 370,000 | \$ - | \$ - | \$ 400,000 |
| 2017 | \$ 370,000 | \$ - | \$ - | \$ 400,000 |
| 2018 | \$ 370,000 | \$ - | \$ - | \$ 400,000 |
| Total | \$ 1,850,000 | \$ - | \$ - | \$ 2,000,000 |

| | | | |
|--|--|--|--|
| Associated Ers (list all applicable): | | | |
| 3117 | | | |
| | | | |
| | | | |

| | | | | | | | |
|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---|
| ER | 2014 | 2015 | 2016 | 2017 | 2018 | Total | Mandate Excerpt (if applicable): |
| 3117 | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 2,000,000 | CFR 192.741 - Each distribution system supplied by more than one source must be equipped with telemetering or recording pressure gauges to indicate the gas pressure in the district. |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | CFR 192.631 - Control Room Mgmt |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | Additional Justifications: Increased gas telemetry sites will also aide in the installation and monitoring of Automatic Shut Off or Remote Control Valves (ASO/RCV). Disaster Recovery - new telemetry sites are IP addressable to help in the event the primary dispatch center (Mission) is not available. |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 400,000 | \$ 2,000,000 | |

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

| |
|-------------------------------------|
| Key Performance Indicator(s) |
| Expected Performance Improvements |
| KPI Measure: |
| |

Prepared signature 

Reviewed signature  Director/Manager

Other Party Review signature (if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | | | | | | | | | | | | | |
|---|---------------|--|------|----------|--|--|--|--|--|--|--|--|--|
| Rationale for decision | Review Cycles | | | | | | | | | | | | |
| | | 2012-2016 | | | | | | | | | | | |
| | | <table border="1"> <thead> <tr> <th>Date</th> <th>Template</th> </tr> </thead> <tbody> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> <tr><td> </td><td> </td></tr> </tbody> </table> | Date | Template | | | | | | | | | |
| Date | Template | | | | | | | | | | | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Isolated Steel Replacement

ER No: 3007
ER Name: Isolated Steel Replacement

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$10,582¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 1,121 | | | | | | | 188 | 180 | 116 | 184 | 173 | 280 |
| 2014 | 2,598 | 192 | 165 | 177 | 192 | 226 | 220 | 200 | 275 | 230 | 238 | 196 | 287 |
| 2015 | 2,818 | 209 | 179 | 192 | 208 | 245 | 238 | 217 | 299 | 249 | 258 | 213 | 311 |
| 2016 | 2,818 | 209 | 179 | 192 | 208 | 245 | 238 | 217 | 299 | 249 | 258 | 213 | 311 |

Business Case Description:

This annual program will replace sections of cathodically isolated steel pipe. Isolated portions of pipe including risers, service pipe and main will be replaced as required to meet the requirements of 49 CFR 192.455 & 157 and in accordance with WUTC Docket PG-100049. This program will be conducted in ID and OR also to assure cathodically isolated steel is identified and replaced as needed.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

| | | | |
|--------------------------------|--|--------------------------|--|
| Investment Name: | Isolated Steel Replacement | Assessments: | |
| Requested Amount | \$2,598,333 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | On-Going | Strategic: | Reliability & Capacity |
| Dept., Area: | Gas Operations | Operational: | Operations somewhat impacted by execution |
| Owner: | Mike Faulkenberry | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 117 |
| Mandate/Reg. Reference: | WAC Docket PG-100049, 49CFR192.455&157 | | |

| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|---|--|---------------------|--------------------|----------------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This annual program will replace sections of cathodically isolated steel pipe. Isolated portions of pipe including risers, service pipe and main will be replaced as required to meet the requirements of 49 CFR 192.455 & 157 and in accordance with WAC Docket PG-100049. This program will be conducted in ID and OR also to assure cathodically isolated steel is identified and replaced as needed. | describe any incremental changes that this Program would benefit present operations | \$ 2,598,333 | \$ - | \$ - | 12 |

| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|---|--|--|---------------------|--------------------|----------------------------|
| Status Quo: | | | Capital Cost | O&M Cost | Other Costs | |
| | Avista would be out of compliance with Docket PG-100049 and 49 CFR 192.455 & 457. | n/a | \$ - | \$ - | \$ - | 12 |
| Alternative 1: | Complete programmatic replacement of isolated steel pipe | n/a | \$ 2,598,333 | \$ - | \$ - | 9 |
| Alternative 2: | | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|---------------------------|----------------------|-------------|-------------|----------------------|--|--|--|--|--|
| 2012-2016 | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved Capital | 3007 | | | | |
| 2012 | \$ 2,321,433 | \$ - | \$ - | \$ 1,095,000 | | | | | |
| 2013 | \$ 2,348,337 | \$ - | \$ - | \$ 2,348,333 | | | | | |
| 2014 | \$ 2,598,333 | \$ - | \$ - | \$ 2,598,333 | | | | | |
| 2015 | \$ 2,790,043 | \$ - | \$ - | \$ 2,818,333 | | | | | |
| 2016 | \$ 2,790,043 | \$ - | \$ - | \$ 2,818,333 | | | | | |
| 2017 | \$ 2,818,333 | | | \$ 2,818,333 | | | | | |
| 2018 | \$ 2,818,333 | | | | | | | | |
| Total | \$ 18,484,855 | \$ - | \$ - | \$ 14,496,665 | | | | | |

Mandate Excerpt (if applicable):
Docket PG-100049 (III) - "Agreement"(2) - Avista agrees to survey its entire Washington State pipeline system to find isolated steel and complete all remedial action set forth in this Agreement within five years of the effective date of this Agreement.

Additional Justifications:



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
Expected Performance Improvements

KPI Measure:

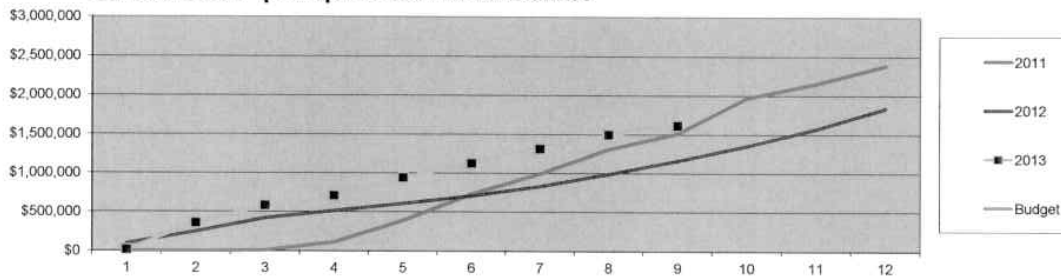
| | B | U | Z | AA |
|----|---------------------------|------------------|--------------------------|------------------|
| | Department | YTD October 2013 | Minimum to Complete 2013 | Percent Complete |
| 1 | | | | |
| 2 | Spokane Gas Construction | 586 | 650 | 90% |
| 3 | Roseburg | 113 | 107 | 106% |
| 4 | Medford Construction | 5 | 222 | 2% |
| 6 | Clarkston Electric & Gas | 6 | 34 | 18% |
| 7 | La Grande | 25 | 28 | 89% |
| 8 | Sandpoint / Bonners Ferry | 4 | 7 | 57% |
| 9 | CDA Gas | 38 | 31 | 123% |
| 10 | Klamath Falls | 24 | 43 | 56% |
| 11 | Pullman Electric & Gas | 14 | 98 | 14% |
| 12 | Total YTD 2013 | 815 | 1220 | 67% |

Prepared signature *[Signature]*

Reviewed signature *[Signature]* Director/Manager

Other Party Review Signature (if necessary) Director/Manager

ER 3007 - Spending
Isolated Steel Pipe Replacement Minor Blanket



| Business Case | ERM Risk Reduction | Status Quo Raw Score | Risk on Completion Raw Score | Status Quo Risk | | | | | |
|----------------------------|--------------------|----------------------|------------------------------|---|------------------|--|-------------------|--|-------------------|
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| Isolated Steel Replacement | 3 | 12 | 9 | 3 - \$2MM - \$4MM | < Once / 5 years | 4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change | < Once / 5 years | 1 - < 1,500 Customer-hours | < Once / 10 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | Risk upon Completion: | | | | | |
| | | | | 3 - \$2MM - \$4MM | < Once / 5 years | 2 - Could result in a moderate negative impact to local, online, or industrial relationships and /or regional media coverage | < Once / 10 years | 1 - < 1,500 Customer-hours | < Once / 50 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
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| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Overbuilt Pipe Replacement

ER No: 3006
ER Name: Overbuilt Pipe Replacement Blanket

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,300¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 390 | | | | | | | 40 | 65 | 34 | 73 | 66 | 112 |
| 2014 | 900 | 82 | 74 | 73 | 73 | 75 | 73 | 72 | 85 | 72 | 74 | 75 | 72 |
| 2015 | 900 | 82 | 73 | 73 | 73 | 75 | 73 | 71 | 86 | 72 | 75 | 74 | 73 |
| 2016 | 900 | 82 | 73 | 73 | 73 | 75 | 73 | 71 | 86 | 72 | 75 | 74 | 73 |

Business Case Description:

This program will replace sections of existing natural gas distribution piping that has either experienced encroachment or have been built over/covered by customer-constructed improvements (i.e. decks, driveways, etc.). These types of situations restrict the Company’s access to pipe. The project will address the replacement of sections of gas main and services that no longer can be operated safely. The replacements will be completed to enhance public safety. All types of overbuilds will be addressed with the primary focus of the project being overbuilds in manufactured/mobile home developments.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|--------------------------------|-----------------------------------|--------------------------|--|
| Investment Name: | Overbuilt Pipe Replacement | Assessments: | |
| Requested Amount | \$900,000 | Financial: | 7.00% |
| Duration/Timeframe | On Going Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | Gas Operations | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Mike Faulkenberry | Program Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | | |
| Category: | Mandatory | | |
| Mandate/Reg. Reference: | 49 CFR 192.361(f) | Assessment Score: | 131 |

| | | | | | |
|---|---|--|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| This program will replace sections of existing gas piping that have experienced encroachment or have been overbuilt by customer constructed improvements (i.e. decks, driveways, etc.) that restricts the Company's access to pipe. It will address the replacement of sections of gas main and services that no longer can be operated safely. The replacements will be completed to enhance public safety. All types of overbuilds will be addressed with the primary focus of the project being overbuilds in manufactured/mobile home developments. | describe any incremental changes that this Program would benefit present operations | Capital Cost | O&M Cost | Other Costs | |
| | | \$ 900,000 | \$ - | \$ - | 4 |

| | | | | | |
|--|--|--|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| Unfunded Program: | Avista will continue operating with increased risk due to overbuilds | Capital Cost | O&M Cost | Other Costs | |
| | n/a | \$ - | \$ - | \$ - | 12 |
| Alternative 1: Brief name of alternative (if applicable) | Complete programmatic replacement of overbuilt pipe. | Capital Cost | O&M Cost | Other Costs | |
| | describe any incremental changes in operations | \$ 900,000 | \$ - | \$ - | 4 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | Capital Cost | O&M Cost | Other Costs | |
| | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | Capital Cost | O&M Cost | Other Costs | |
| | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|---------------------|
| Previous | \$ 500,000 | \$ - | \$ - | \$ 500,000 |
| 2013 | \$ 900,000 | \$ - | \$ - | \$ 600,000 |
| 2014 | \$ 900,000 | \$ - | \$ - | \$ 900,000 |
| 2015 | \$ 900,000 | \$ - | \$ - | \$ 900,000 |
| 2016 | \$ 900,000 | \$ - | \$ - | \$ 900,000 |
| 2017 | \$ 900,000 | \$ - | \$ - | \$ 900,000 |
| 2018 | \$ 900,000 | \$ - | \$ - | \$ 900,000 |
| Total | \$ 4,500,000 | \$ - | \$ - | \$ 5,100,000 |

Associated Ers (list all applicable):

| | | | |
|------|--|--|--|
| 3006 | | | |
| | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|--------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---|
| 3006 | \$ 900,000 | \$ 900,000 | \$ 900,000 | \$ 900,000 | \$ 900,000 | \$ 4,500,000 | 49 CFR 192.361(f) "Installation of service lines under buildings. Where an underground service line is installed under a building:" [Not allowed w/o conduit] |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 900,000 | \$ 900,000 | \$ 900,000 | \$ 900,000 | \$ 900,000 | \$ 4,500,000 | |

Resources Requirements: (request forms and approvals attached)

| | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |



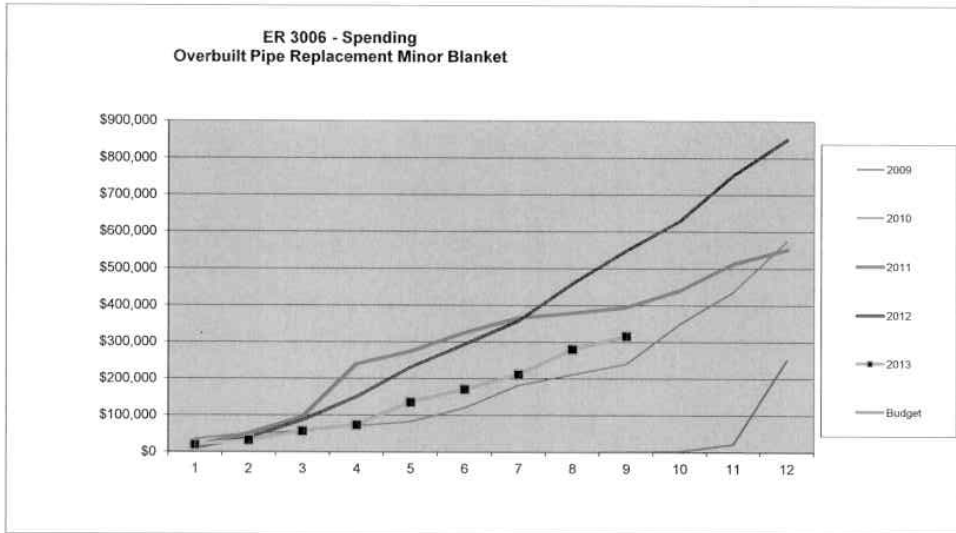
Capital Program Business Case

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure:

Prepared signature *J. Alan*

Reviewed signature *[Signature]*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Regulator Station Reliability Replacement

ER No: 3002
ER Name: Regulator Reliable - Blanket

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$2,850¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 218 | | | | | | | 5 | 6 | 122 | 23 | 32 | 31 |
| 2014 | 600 | 36 | 31 | 39 | 44 | 48 | 64 | 64 | 67 | 59 | 52 | 48 | 47 |
| 2015 | 800 | 44 | 40 | 51 | 58 | 64 | 88 | 87 | 89 | 81 | 70 | 64 | 63 |
| 2016 | 800 | 44 | 40 | 51 | 58 | 64 | 88 | 87 | 89 | 81 | 70 | 64 | 63 |

Business Case Description:

This annual project upgraded or replaced various regulator stations within the natural gas distribution system, improving station reliability and reducing operation and maintenance costs. Existing stations required upgrades due to many factors, such as replacement of obsolete equipment and improvement in regulation technology.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

| | | | |
|--------------------------------|--|--|---|
| Investment Name: | Regulator Station Reliability Replacement | Assessments: | |
| Requested Amount | \$600,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | On-Going | Strategic: | Life Cycle Programs |
| Dept., Area: | Gas Operations | Operational: | Operations require execution to perform at current levels |
| Owner: | Mike Faulkenberry | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 75 |
| Mandate/Reg. Reference: | | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|---|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This annual program will replace or upgrade existing regulator stations and meter stations to current Avista standards. This program will address enhancements that will improve system operating performance, safety, replacement of inadequate or antiquated equipment that is no longer supported, and ensure the reliable operation of metering and regulating equipment. | describe any incremental changes that this Program would benefit present operations | \$ 600,000 | \$ - | \$ - | 2 |

| | | | | | |
|---|--|--|------|------|----------------------------|
| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| Status Quo : | Stations are identified on an on-going basis that require upgrade or replacement to ensure continued reliable operation. Stations that are not upgraded may pose a greater risk to leaks or affect system reliability. | \$ - | \$ - | \$ - | 4 |
| Alternative 1: | Upgrade stations as identified on an on-going basis | \$ 600,000 | \$ - | \$ - | 2 |
| Alternative 2: | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|---------------------|---------------------|--------------------|---------------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 2012-2016 | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | 3002 | | | | |
| 2012 | \$ 500,000 | \$ - | \$ - | \$ 400,000 | | | | | |
| 2013 | \$ 650,000 | \$ - | \$ - | \$ 650,000 | | | | | |
| 2014 | \$ 600,000 | \$ - | \$ - | \$ 600,000 | | | | | |
| 2015 | \$ 800,000 | \$ - | \$ - | \$ 800,000 | | | | | |
| 2016 | \$ 800,000 | \$ - | \$ - | \$ 800,000 | | | | | |
| 2017 | \$ 800,000 | | | \$ 800,000 | | | | | |
| 2018 | \$ 800,000 | | | \$ 800,000 | | | | | |
| Total | \$ 4,950,000 | \$ - | \$ - | \$ 4,850,000 | | | | | |

Mandate Excerpt (if applicable):
CFR § 192.739 - Pressure limiting and regulating stations: Inspection and testing. Mandates that Regulating Stations must be inspected annually. If older components are not repairable, then maintenance might not be completed appropriately.

Additional Justifications:
Approximately 50% of the spending is required to satisfy the replacement of antiquated equipment or have an elevated safety risk. Approximately 50% of the spending is strategic and provides enhancements that facilitate operation and maintenance.

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
 Expected Performance Improvements
 KPI Measure:

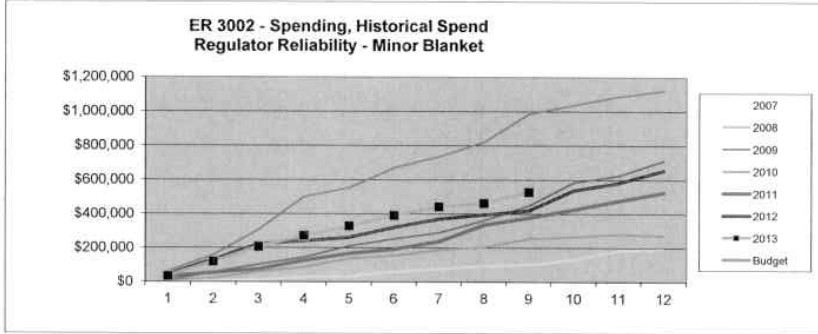


Capital Investment Business Case

Prepared signature *[Signature]*

Reviewed signature *[Signature]*
Director/Manager

Other Party Review signature (if necessary) _____
Director/Manager



g the Program

| Business Case | ERM Risk Reduction | Status Quo Raw Score | Risk on Completion Raw Score | Status Quo Risk | | | | | |
|---|--------------------|--|------------------------------|---|-------------------|--|-------------------|---|-------------------|
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (If customers * duration of an outage) | Likelihood |
| Regulator Station Reliability Replacement | 2 | 4 | 2 | 1 - < \$200k | < Once / 10 years | 2 - Could result in a moderate negative impact to local, online, or industrial relationships and /or regional media coverage | < Once / 10 years | 1 - < 1,500 Customer hours | < Once / 10 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | 1 - Isolated spill with 0 to low level PCBs, no migration, air emission minor exceedence, standard clean-up | < Once / 10 years | 1 - Potential for injury Public health infrastructure impact up to 8 hours | < Once / 10 years | 1 - Potential for injury | < Once / 10 years |
| | | | | Risk upon Completion | | | | | |
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (If customers * duration of an outage) | Likelihood |
| | | | | 1 - < \$200k | < Once / 10 years | 1 - No likely impact on media or regulatory relationship. | < Once / 50 years | 1 - < 1,500 Customer hours | < Once / 10 years |
| Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood | | | | |
| 1 - Isolated spill with 0 to low level PCBs, no migration, air emission minor exceedence, standard clean-up | < Once / 50 years | 1 - Potential for injury Public health infrastructure impact up to 8 hours | < Once / 50 years | 1 - Potential for injury | < Once / 50 years | | | | |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Replace Deteriorating Steel Gas Systems

ER No: 3001
ER Name: Replace Deteriorating Gas System

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,400¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 495 | | | | | | | 22 | 39 | 62 | 249 | 43 | 81 |
| 2014 | 800 | 42 | 41 | 49 | 56 | 71 | 73 | 65 | 81 | 79 | 79 | 57 | 107 |
| 2015 | 1,000 | 52 | 51 | 61 | 70 | 89 | 92 | 83 | 101 | 100 | 98 | 71 | 132 |
| 2016 | 1,000 | 52 | 51 | 61 | 70 | 89 | 91 | 82 | 101 | 99 | 99 | 71 | 134 |

Business Case Description:

This annual program will replace sections of existing steel gas piping that are suspect for failure or are showing signs of deterioration within the gas system. This program will address the replacement of sections of gas main with corrosion related issues that no longer operate reliably and/or safely. Sections of the gas system require replacement due to many factors including material failures, environmental impact, increased leak frequency, or coating problems. This program will identify and replace sections of steel pipe to improve public safety and system reliability. The projects primary focus is to address corrosion related pipe issues.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



| | | | |
|-------------------------|--|-------------------|--|
| Investment Name: | Repl. Deteriorating Steel Gas Systems | Assessments: | |
| Requested Amount | \$800,000 | Financial: | <= 0% CIRR |
| Duration/Timeframe | On-Going | Strategic: | Life Cycle Programs |
| Dept., Area: | Gas Operations | Operational: | Operations improved beyond current levels |
| Owner: | Mike Faulkenberry | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 79 |
| Mandate/Reg. Reference: | | | |

| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|---|--------------|----------|-------------|---------------------|
| This annual program will replace sections of existing steel gas piping that are suspect for failure or are showing signs of deterioration within the gas system. This program will address the replacement of sections of gas main with corrosion related issues that no longer operate reliably and/or safely. Sections of the gas system require replacement due to many factors including material failures, environmental impact, increased leak frequency, or coating problems. This program will identify and replace sections of steel pipe to improve public safety and system reliability; it's primary focus is to address corrosion related pipe issues. | describe any incremental changes that this Program would benefit present operations | \$ 800,000 | \$ - | \$ - | 1 |

| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|--|--------------|----------|-------------|---------------------|
| <i>Status Quo</i> : A number of locations have been identified in Medford, Klamath Falls, Roseburg, and La Grande OR that have older main at a higher operating risk related to leaks. | n/a | \$ - | \$ - | \$ - | 6 |
| <i>Alternative 1: Pipe Installation</i> Strategically replace sections of at-risk steel piping. | Reduced risk of system leaks | \$ 800,000 | \$ - | \$ - | 1 |
| <i>Alternative 2:</i> | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| <i>Alternative 3 Name</i> : Brief name of alternative (if applicable) | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | Associated Ers (list all applicable): | | | |
|--------------------|---------------------------------------|----------|-------------|--------------|
| 2012-2016 | Capital Cost | O&M Cost | Other Costs | Approved |
| | | | | Current ER |
| | | | | 3001 |
| 2012 | \$ 800,000 | \$ - | \$ - | \$ 800,000 |
| 2013 | \$ 600,000 | \$ - | \$ - | \$ 600,000 |
| 2014 | \$ 800,000 | \$ - | \$ - | \$ 800,000 |
| 2015 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 |
| 2016 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 |
| 2017 | \$ 1,000,000 | | | \$ 1,000,000 |
| 2018 | \$ 1,000,000 | | | \$ 1,000,000 |
| Total | \$ 6,200,000 | \$ - | \$ - | \$ 6,200,000 |

| |
|---|
| Mandate Excerpt (if applicable): |
| N/A |

| |
|--|
| Additional Justifications: |
| This program has been executed historically using a qualitative assessment method at the district level. |

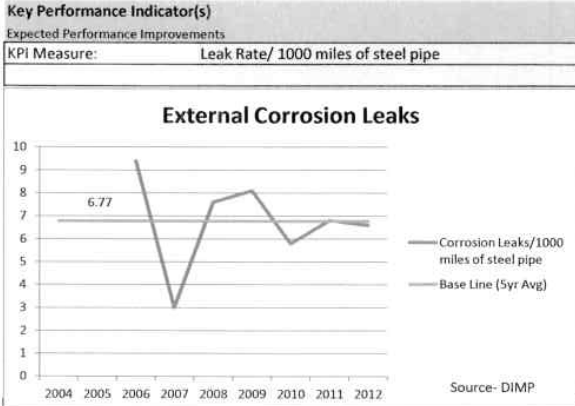


Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

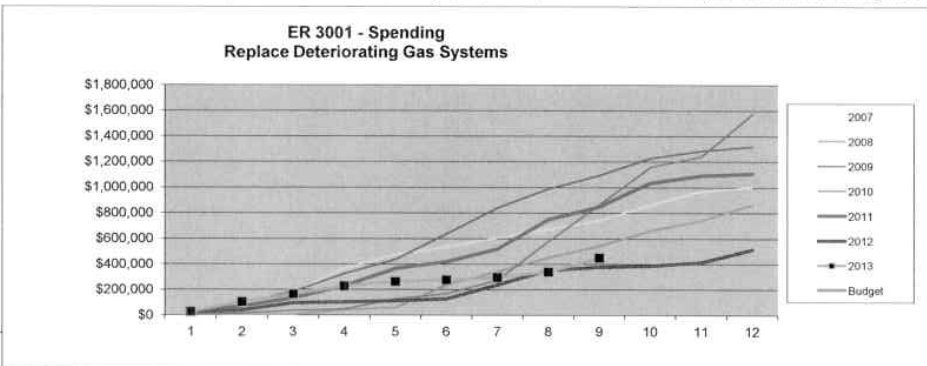


Prepared signature *[Signature]*

Reviewed signature *[Signature]*
Director/Manager

Other Party Review signature (if necessary) _____ Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program



| Business Case | Reduction | Cost Score | Completion Rate Score | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (if customers * duration of an outage) | Likelihood |
|---------------------------------------|-----------|------------|-----------------------|--|-------------------|---|-------------------|---|-------------------|
| Repl. Deteriorating Steel Gas Systems | 7 | 8 | 1 | 1- \$2MM - \$4MM | < Once / 10 years | 4- Potential for regulators to impose onerous restrictions or Board or management to make leadership change | < Once / 10 years | 1- < 1,500 Customer-hours | < Once / 10 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | 1- Isolated spill with 0 to low level PCBs, no migration, air emission minor exceedance, standard clean-up | < Once / year | 3- Potential for serious injury significant damage to equipment, property or business; Public health infrastructure impact up to 48 hours | < Once / 10 years | 1- Potential for injury | < Once / 10 years |
| | | | | Risk upon Completion | | | | | |
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (if customers * duration of an outage) | Likelihood |
| | | | | 1- < \$200k | < Once / 50 years | 1- No likely impact on media or regulatory infrastructure | < Once / 50 years | 1- < 1,500 Customer-hours | < Once / 50 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | 1- Isolated spill with 0 to low level PCBs, no migration, air emission minor exceedance, standard clean-up | < Once / 50 years | 1- Potential for injury; Public health infrastructure impact up to 8 hours | < Once / 50 years | 1- Potential for injury | < Once / 50 years |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Gas Planned Meter Change-out (“PMC”) Program - Capital Replacements

ER No: ER Name:

3055 Gas Meter Replacement Non-Revenue

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,090¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | 1,000 | 76 | 63 | 70 | 75 | 83 | 93 | 89 | 110 | 89 | 87 | 80 | 85 |
| 2015 | 1,030 | 78 | 65 | 72 | 77 | 85 | 96 | 92 | 114 | 92 | 90 | 82 | 88 |
| 2016 | 1,061 | 79 | 66 | 74 | 79 | 88 | 99 | 95 | 117 | 95 | 92 | 85 | 91 |

Business Case Description:

This annual program will provide for replacement of gas meters and associated measurement equipment that are completed in association with the Gas Planned Meter Change-out (PMC) program. Avista is required by commission rules and an approved Tariff in WA, ID, and OR to test meters for accuracy and ensure proper metering performance. Execution of this program on an annual basis will ensure the continuation of reliable gas measurement. This program will include the labor and minor materials associated with the PMC program. Major materials (meters, regulators, and ERTs) will be charged to the appropriate growth ERs.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|---|--------------------------|--|
| Investment Name: | Gas PMC Program | Assessments: | |
| Requested Amount | \$1,000,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | On-Going Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | Gas Engineering | Business Risk: | Business Risk Reduction >10 and <= 15 |
| Owner: | Mike Faulkenberry | Program Risk: | Moderate certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | | |
| Category: | Mandatory | | |
| Mandate/Reg. Reference: | WAC 480-90-348, IDAPA 31.31.01.151-200, OAR | Assessment Score: | 185 |

| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|-------------|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This annual program will provide for replacement of gas meters and associated measurement equipment that are completed in association with the Gas Planned Meter Change out (PMC) program. Avista is required by commission rules and an approved Tariff in WA, ID, and OR to test meters for accuracy and ensure proper metering performance. Execution of this program on an annual basis will ensure the continuation of reliable gas measurement. This program will include the labor and minor materials associated with the PMC program. Major materials (meters, regulators, and ERTs) will be charged to the appropriate growth ERs. | | \$ 1,000,000 | \$ - | \$ - | 0 |

| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|-------------|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Status Quo : Avista would be out of compliance with state administrative requirements in WA, ID, and OR related to gas measurement and could face fines if not completed. | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 1: Replacement gas meters, ERTS, and regulators as part of the gas meter PMC program and complete strategic enhancement of the telemetry and measurement technology systems. | | \$ 1,000,000 | \$ - | \$ - | 0 |
| Alternative 2: | | | \$ - | \$ - | 0 |
| | | \$ - | \$ - | \$ - | 0 |

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|--------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 |
| 2015 | \$ 1,030,000 | \$ - | \$ - | \$ 1,030,000 |
| 2016 | \$ 1,060,900 | \$ - | \$ - | \$ 1,060,900 |
| 2017 | \$ 1,092,727 | \$ - | \$ - | \$ 1,092,727 |
| 2018 | \$ 1,125,509 | \$ - | \$ - | \$ 1,125,509 |
| Total | \$ 4,183,627 | \$ - | \$ - | \$ - |

| | | | |
|------|--|--|--|
| 3055 | | | |
| | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|--------------|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------------|
| 3055 | \$ - | \$ 1,000,000 | \$ 1,030,000 | \$ 1,060,900 | \$ 1,092,727 | \$ 4,183,627 | see below |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
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| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ 1,000,000 | \$ 1,030,000 | \$ 1,060,900 | \$ 1,092,727 | \$ 4,183,627 | |

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure: # of meter changed out vs. # required (this changes annually)

Prepared signature *J. B. Allen*

Reviewed signature *[Signature]*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program
MANDATE EXCERPT: OAR 860-023-0015(3) - "Each energy utility shall adopt schedules for periodic tests and repairs of meters. The length of time meters shall be allowed to remain in service before receiving periodic tests and repairs is to be determined from periodic analysis of the accuracy of meters tested. The schedules adopted shall be subject to the Commission's approval."
ADDITIONAL COMMENTS: Program required to reliably serve customers, ensure accurate measurement, and properly bill gas revenue. These charges had historically gone into ER3005, the Business Case for ER3005 will be adjusted to show the change starting in 2014. Historically ER3117 had been combined with this program, as of 1-1-14, it will be on its own Business Case.

Previous Scoring:

| Business Case | Business Risk Reduction | Uncertainty Risk Score | Revised Risk Raw Score | Undated Project/Program Risk (no funding if a project, cease funding if an existing program) | | | | | |
|---------------------------------------|-------------------------|---|------------------------|--|-------------------|--|-------------------|--|-------------------|
| | | | | Financial Impact (Consequential Costs/Benefits) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| Gas FMC Program, Capital Replacements | 32 | 16 | 4 | 2 - \$200k - \$2M | < Once / year | 4 - Potential for regulators to impose onerous restrictions or Board for management to make budgetary change | < Once / year | 1 - 1,500 Customer-hours | < Once / 10 years |
| | | | | Environmental | Likelihood | Safety and Health- Public | Likelihood | Safety and Health- Employee | Likelihood |
| | | | | | | 1 - Potential for injury | < Once / 10 years | 1 - Potential for injury | < Once / 10 years |
| | | | | | | Public health infrastructure impact up to 8 hours | < Once / 10 years | 1 - Potential for injury | < Once / 10 years |
| | | | | Revised Risk if funded/completed | | | | | |
| | | | | 1 - \$200k | < Once / year | 1 - No likely impact on media or regulatory relationship | < Once / 10 years | 1 - 1,500 Customer-hours | < Once / 10 years |
| Environmental | Likelihood | Safety and Health- Public | Likelihood | Safety and Health- Employee | Likelihood | | | | |
| | | 1 - Potential for injury | < Once / 10 years | 1 - Potential for injury | < Once / 10 years | | | | |
| | | Public health infrastructure impact up to 8 hours | < Once / 10 years | 1 - Potential for injury | < Once / 10 years | | | | |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|-----------|
| | Date | Template |
| | | 2012-2016 |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Encoder Receiver Transmitter (“ERT”) Replacement Program

ER No: 3054
ER Name: Gas ERT Replacement Program

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,846¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 902 | 54 | 49 | 58 | 65 | 78 | 84 | 78 | 95 | 87 | 85 | 67 | 102 |
| 2016 | 944 | 56 | 51 | 60 | 68 | 81 | 89 | 82 | 99 | 91 | 89 | 71 | 107 |

Business Case Description:

This program covers labor required for the consistent replacement of 19,500 gas ERTs annually for a 12-year cycle, beginning in the year 2015. Analyses has identified that a levelized replacement strategy will minimize the effect of unit failures as well as introduce new, levelized populations of ERTs into the system for future predictive maintenance. Large populations of ERTs are predicted to fail in quantities of over 20,000 units per year at the peak, causing an operations burden of personnel and equipment as well as an unreasonable number of estimated bills (currently Avista experiences just a couple hundred failures annually due to small ERT populations). The cost of the ERT will go against ER1053, not this business case.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|--------------------------------|--------------------------|--|
| Investment Name: | ERT Replacement Program | Assessments: | |
| Requested Amount | \$0 | Financial: | 7.00% |
| Duration/Timeframe | 12 Year Program | Strategic: | Life-cycle asset management |
| Dept., Area: | Gas Engineering | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Mike Faulkenberry | Program Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | | |
| Category: | Program | | |
| Mandate/Reg. Reference: | n/a | Assessment Score: | 91 |

| | | | | | |
|---|--|--|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| This program covers the consistent replacement of 19,500 gas ERTs annually for a 12 year cycle, beginning in the year 2015. Analysis has identified that a leveled replacement strategy will minimize the effect of unit failures as well as introduce new, leveled populations of ERTs into the system for future predictive maintenance. Large populations of ERTs are predicted to fail in quantities of over 20,000 units per year at the peak, causing an operations burden of personnel and equipment as well as an unreasonable number of estimated bills (currently Avista experiences just a couple hundred failures annually due to small ERT populations). Cost of the ERT will go against ER1053, not this business case. | As ERTs are replaced in a planned way, the impact to operations resources and customer billing estimates can | Capital Cost | O&M Cost | Other Costs | 1 |
| | | \$ 901,890 | \$ 8,000 | \$ - | |

| | | | | | | |
|---|--|---|--------------|------------|----------------------------|---|
| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score | |
| Unfunded Program: | If unfunded, the number of field ERT failures will increase to an unsustainable level. At its peak, more than 20,000 ERTs are predicted to fail annually, each requiring a maintenance call and estimated bill for customers. Avista experiences only a couple hundred failures currently due to small | n/a | \$ 1,058,000 | \$ 117,000 | \$ - | 2 |
| Alternative 1: Brief name of alternative (if applicable) | 12 year program: Replace approx 19,500 ERTs annually until all ERTs are refreshed. Replacements beyond this 12 year cycle then occur at 14 years of age, so there will be a lag & re-set of this program at that time, however, new populations will have been leveled so there are no more than 19,500 | As ERTs are refreshed, trouble calls for field failures | \$ 901,890 | \$ 8,000 | \$ - | 1 |
| Alternative 2: Brief name of alternative (if applicable) | Prior to the recent analysis, the belief was that replacing units older than 10 years of age was the best advantage. This modern study has shown that doing a 'birthday' replacement at 10 years will pull units with too much life still available, and does not introduce level populations back into the system | Aggressive, early replacement is not desired | \$ 1,950,000 | \$ 690 | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | | |
|---------------------------|---------------------|---------------------|--------------------|-----------------|------------------|
| Program Cash Flows | | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | |
| Previous | \$ - | \$ - | \$ - | \$ - | - |
| 2014 | \$ - | \$ - | \$ - | \$ - | - |
| 2015 | \$ 901,890 | \$ - | \$ - | \$ - | 901,890 |
| 2016 | \$ 943,960 | \$ - | \$ - | \$ - | 943,960 |
| 2017 | \$ 994,140 | \$ - | \$ - | \$ - | 994,140 |
| 2018 | \$ 1,044,320 | \$ - | \$ - | \$ - | 1,044,320 |
| Total | \$ 3,884,310 | \$ - | \$ - | \$ - | 3,884,310 |

| | | | |
|--|--|--|--|
| Associated Ers (list all applicable): | | | |
| 3054 | | | |
| | | | |
| | | | |

| | | | | | | | |
|--------------|-------------|-------------------|-------------------|-------------------|---------------------|---------------------|---|
| ER | 2014 | 2015 | 2016 | 2017 | 2018 | Total | Mandate Excerpt (if applicable): |
| 3054 | \$ - | \$ 901,890 | \$ 943,960 | \$ 994,140 | \$ 1,044,320 | \$ 3,884,310 | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ 901,890 | \$ 943,960 | \$ 994,140 | \$ 1,044,320 | \$ 3,884,310 | |

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|--------------------------------|
| Expected Performance Improvements | |
| KPI Measure: | # of ERTs replaced vs. planned |

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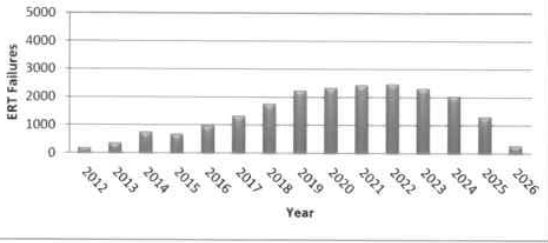
Reviewed signature 
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

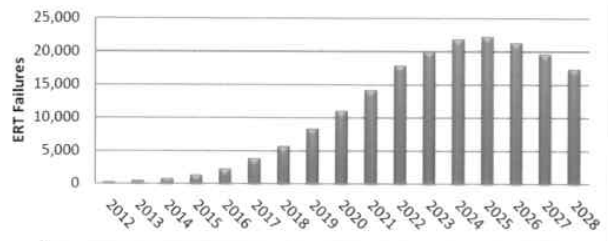
This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

Avista has over 230,000 gas ERTs in service since the year 2000. There have been large population years, such as 2004 and 2005, which represent over 100,000 units alone. These ERTs run on batteries that will eventually discharge and need replacement, and are predicted to happen in large quantities over short periods of time, peaking at over 20,000 field failures a year unless organized replacements begin. A leveled replacement rate of approximately 19,500 units annually, starting in 2015, balances the maximum life of the battery while reducing the effects of field failures to a manageable level. The leveled replacement process also introduces smaller populations of ERTs back into the system so the next time batteries need replacing there will only be about 19,500 unit families in place for any given future year. (Refer to Asset Management Report Titled "ERT Replacement Strategy Development, 6/14/12)

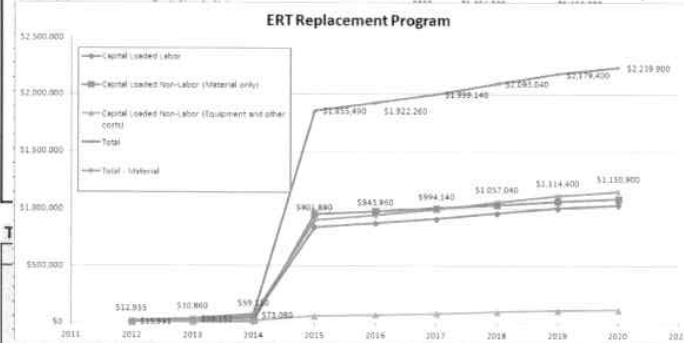
Annual Failures Beyond 19,417 Planned Replacements



Failures in a Run-to-Failure Model



ERT Replacement Program



Review Cycles
2012-2016

| Date | Template |
|------|----------|
| | |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Goldendale High Pressure Main Replacement

ER No: 3306
ER Name: Goldendale HP

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,500¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 3,500 | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | 3,500 |

Business Case Description:

The coating on the existing high pressure main that feeds the town of Goldendale is disbanded and is showing signs of early stages of corrosion. This line has been exposed in several different locations, and all sections have similar characteristics. It is proposed to replace nearly 3 miles of 4" HP feeding the town of Goldendale with new 4" steel main. Federal code mandates that the coating on steel mains must be properly adhered to the main to protect the pipe from corrosion. This gas system was purchased from Columbia Gas Co and the construction records are not complete, an added benefit to replacement would be the opportunity to have complete construction and pressure test documentation.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|--------------------------------|----------------------------|--------------------------|---|
| Investment Name: | Goldendale HP | Assessments: | |
| Requested Amount | \$0 | Financial: | 7.00% |
| Duration/Timeframe | 1 Year Project | Strategic: | Reliability & Capacity |
| Dept., Area: | Gas Engineering | Business Risk: | Business Risk Reduction >10 and <= 15 |
| Owner: | Mike Faulkenberry | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | | |
| Category: | Project | | |
| Mandate/Reg. Reference: | CFR 192.459 192.461 | Assessment Score: | 94 |

| Recommend Project Description: | Annual Cost Summary - Increase/(Decrease) | | | | Business Risk Score |
|--|---|--------------|----------|-------------|---------------------|
| | Performance | Capital Cost | O&M Cost | Other Costs | |
| The coating on the existing HP main that feeds the town of Goldendale is disbonded and is showing signs of early stages of corrosion. This line has been exposed in several different locations, all have similar characteristics. It is proposed to replace nearly 3 miles of 4" HP feeding the town of Goldendale with new 4" steel main. Federal code mandates that the coating on steel mains must be properly adhered to the main to protect the pipe from corrosion. This gas system was purchased from Columbia Gas Co and the construction records are not complete, an added benefit to replacement would be the opportunity to have complete construction and pressure test documentation. | | \$ 3,500,000 | \$ - | \$ - | 1 |

| Alternatives: | | Annual Cost Summary - Increase/(Decrease) | | | | Business Risk Score |
|---|---|--|-------------|---------------------|------|---------------------|
| Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | | |
| Unfunded Project: | If unfunded, we could face potential fines from the WUTC. | \$ - | \$ 100,000 | \$ - | 12 | |
| Relocate Meter Stn | Replace 3 miles of 4" HP gas main as described above. | \$ 3,500,000 | \$ - | \$ - | 1 | |
| Rewrap pipe | Rewrap the 3 miles of HP gas main | high O&M expense | \$ - | \$ 2,000,000 | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|--------------|----------|-------------|--------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ 3,500,000 | \$ - | \$ - | \$ 3,500,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017+ | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 3,500,000 | \$ - | \$ - | \$ 3,500,000 |

| Associated Ers (list all applicable): | | | |
|---------------------------------------|--|--|--|
| 3xxx | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|--------------|------|------|--------------|------|-------|--------------|---|
| 3xxx | \$ - | \$ - | \$ 3,500,000 | \$ - | \$ - | \$ 3,500,000 | 192.459 Corrosion control: Examination of buried pipeline when exposed. |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | 192.461 Corrosion control: Protective coatings |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ - | \$ 3,500,000 | \$ - | \$ - | \$ 3,500,000 | |

Milestones (high level targets)

| | | | | | |
|------------|------|------------|------|------------|------|
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can be measured.

Resources Requirements: (request forms and approvals attached)

| | | | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|----------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



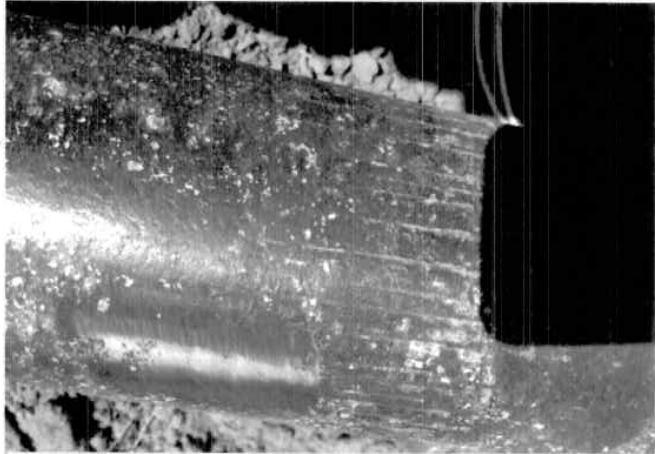
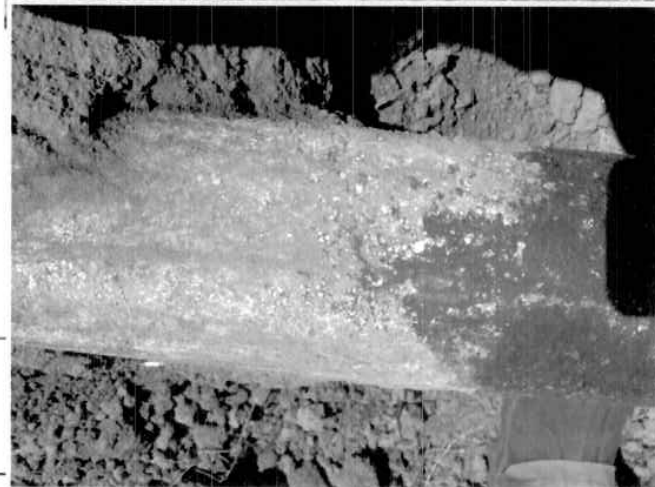
Capital Project Business Case

| |
|-----------------------------------|
| Key Performance Indicator(s) |
| Expected Performance Improvements |
| KPI Measure: |

Prepared signature 

Reviewed signature  Director/Manager

Other Party Review signature
(if necessary) Director/Manager

| | |
|--|--|
| <p>June 25, 2013</p> <p>Jody Morehouse</p> <p>SUBJECT Goldendale High Pressure Coating Adhesion</p> <p>As per federal code 49, part 192.461 a coating system must be installed with sufficient adhesion to the metal surface to effectively resist under film migration of moisture. The coating system on the Goldendale HP between the gate station and the regulation station in town appears to consist of a thin plastic. The adhesion of the coating is nonexistent; migration of moisture under the coating is present. Kenny Gibson recently installed test leads at several locations. Ken was asked to visually inspect the pipe and provide photographic evidence of what he observed. The photos are included with the recommendation.</p> <p>Cathodic Protection levels on the piping are at adequate levels. However cathodic protection currents work much like a flash light, the current only gathers on those sections of pipe that are exposed to the soil. Therefore a coating that is loosely adhered to the metal is effectively shielded the pipe from the cathodic protection current and the environment. Therefore a separate corrosion cell can develop between the coating and the metal.</p> <p>RECOMMENDATION</p> <ul style="list-style-type: none"> According to Kenny Gibson the pipe seemed to be in pretty good shape other than the whitish material under the coating adhered to the metal. This is a corrosion product left behind from the corrosion cell between cathodic and anodic areas on the metal's surface. The existing pipe would need to be cleaned to an SSPC-SP 5/NACE No. 1 (near white metal) and coated with an epoxy type coating system. Another option would be to remove the HP piping and install a new pipe with and FBE (fusion bonded epoxy) coating. <p>Gary Douglas Cathodic Protection Specialist</p> |   |
|--|--|

| To be completed by Capital Planning Group | |
|---|---------------|
| Rationale for decision | Review Cycles |
| | 2012-2016 |
| | Date |
| | Template |
| | |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Natural Gas Distribution

Business Case Name: Reinforcement, Highway 2 North of old Kaiser Aluminum

ER No: 3237
ER Name: US2 N Spo Gas HP Reinforce(Kaiser Prop)

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,405¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 1,400 | | | | | | | | | | | | 1,400 |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This project will reinforce the area north of the Kaiser Aluminum property along Hwy 2. The distribution system in this area is not able to reliably serve customers on a design day. Additionally, Avista serves the Inland Asphalt plant located north of this location that cannot reliably serve this customer in the spring and fall. Approximately 8,000' of 6" high-pressure steel will be installed. Engineering to start in 2014, construction planned for 2015. This project is the top reinforcement priority for the Spokane area.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

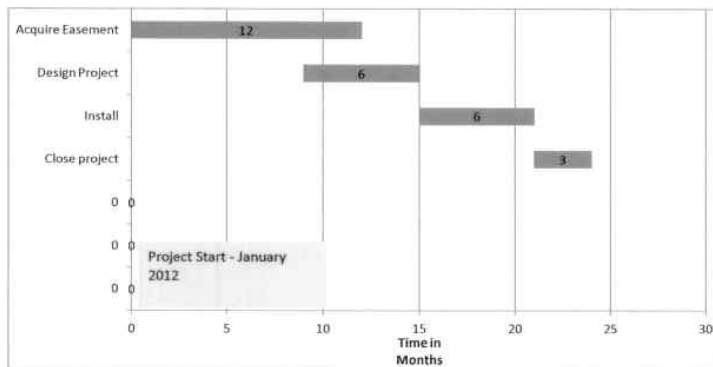


Capital Investment Business Case

| | | | | | |
|---|--|---|---------------------|---------------------|----------------------------|
| Investment Name: | Reinforcement, Hwy 2 (Kaiser), Spokane WA | | | | |
| Requested Amount | \$ 100,000 | | | | |
| Duration/Timeframe | no. years: 1 Year Project: 2014 | | | | |
| Dept., Area: | Gas Engineering | | | | |
| Owner: | Mike Faulkenberry | | | | |
| Sponsor: | Don Kopczynski | | | | |
| Category: | Project | | | | |
| Mandate/Reg. Reference: | WAC 480-90-148(2)(d) | | | | |
| Assessments: | Financial: Low - >0% and < 5% CIRR | | | | |
| | Strategic: Reliability & Capacity | | | | |
| | Operational: Operations not impacted by execution | | | | |
| | Business Risk: ERM Reduction >0 and <= 5 | | | | |
| | Project/Program Risk: Moderate certainty around cost, schedule and resources | | | | |
| | Assessment Score: 34 | | | | |
| Recommend Project Description: | Performance | Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| This project will reinforce the area north of the Kaiser property along Hwy 2. The distribution system in this area is not able to reliably serve customers on a design day. Additionally, Avista serves the Inland Asphalt plant located north of this location that is not able to be reliability served in the spring and fall. Completion of this reinforcement will improve pressures in the US2 Kaiser area. Approximately 8,000' of 6" HP steel will be installed. Engineering to start in 2014, construction planned for 2015. This project is the top reinforcement priority for the Spokane area. | describe any incremental changes that this project would benefit present operations | Capital Cost \$ 1,400,000 | O&M Cost \$ - | Other Costs \$ - | 6 |
| Cost Summary - Increase/(Decrease) | | | | | |
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo : | Inability to reliability serve all customers on the north side of the Kaiser near Hwy 2. | \$ - | \$ - | \$ - | 6 |
| Alternative 1: Brief name of alternative (if applicable) | Capital Pipe Installations (8000') - Install additional pipe to reinforce and loop existing gas distribution system to increase system capacity and reliability. | \$ 1,400,000 | \$ - | \$ - | 1 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|---------------------|
| Previous | \$ 43,500 | \$ - | \$ - | \$ 43,500 |
| 2012 | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ 5,000 |
| 2014 | \$ 100,000 | \$ - | \$ - | \$ 100,000 |
| 2015 | \$ 1,300,000 | \$ - | \$ - | \$ 1,300,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 1,443,500 | \$ - | \$ - | \$ 1,448,500 |

Milestones should be general. In some cases it may be as simple as project start, project complete. Use your judgment on project progress so that progress can be measured.

Milestones (high level targets)

- August-14 Acquire easement
- December-14 Design pipe installation
- November-15 Install pipe
- December-15 Project complete and closed

| | | | | | | |
|--|--|------|--|--|--|--|
| Associated Ers (list all applicable): | Current ER | 3237 | | | | |
| Mandate Excerpt (if applicable): | WAC 480-90-148(2)(d), "Each gas utility must maintain its gas system in a condition that enables it to furnish safe, adequate, and efficient service." | | | | | |

Additional Justifications:

This project requires a easement through the Kaiser Property to be completed. The project schedule is dependant upon acquisition of the appropriate easements. This project is a strategic reinforcement and is addressing pressure issues related to operation of the asphalt plant north of Hwy 2 during the shoulder months and enhancements to the gas system to accommodate future growth in the area of the old Kaiser property. This project CIRR will increase with growth in the area within or near the Kaiser property.



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
 Expected Performance Improvements
 KPI Measure:

Prepared signature 
 Reviewed signature  Director/Manager
 Other Party Review signature (if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the project

| Business Case | ERM Risk Reduction | Status Quo Raw Score | Risk on Completion Raw Score | Status Quo Risk | | | | | |
|-------------------------------------|--------------------|----------------------|------------------------------|---|-------------------|---|-------------------|--|-------------------|
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| Chase Rd. Gate Station Installation | 5 | 6 | 1 | 1 - < \$200k | < Once / 5 years | 2 - Could result in a moderate negative impact to local, online, or industrial relationships and/or regional media coverage | < Once / 5 years | 1 - < 1,500 Customer-hours | < Once / 10 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | Risk upon Completion | | | | | |
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| | | | | 1 - < \$200k | < Once / 50 years | 1 - No likely impact on media or regulatory relationship. | < Once / 50 years | 1 - < 1,500 Customer-hours | < Once / 50 years |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Gas Underground Storage

Business Case Name: Jackson Prairie Storage

ER No: 7201
ER Name: Jackson Prairie Storage

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,050¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|-----|-----|
| 2013 | 450 | | | | | | | -1 | 2 | 326 | - 44 | 83 | 83 |
| 2014 | 500 | | | | 33 | | 33 | 36 | 364 | | 33 | | |
| 2015 | 1,000 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 |
| 2016 | 1,000 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 | 83 |

Business Case Description:

Jackson Prairie (JP) Underground Storage Facility stores natural gas. Avista owns this facility as a 1/3 partner with Puget Sound Energy and Williams' Northwest Pipeline. Puget Sound Energy is the managing partner for the facility, which is located in Chehalis, WA. The requested capital represents Avista's 1/3 share of the capital needed to maintain the existing facility and maintain equal ownership status. The purpose of the facility is to allow Avista to serve customers on a peak day, and to purchase natural gas at potentially lower costs during off-peak periods and store that gas for use during high cost periods.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



| | | | |
|--------------------------------|--------------------------------|--|---|
| Investment Name: | Jackson Prairie Storage | Assessments: | |
| Requested Amount | \$1,000,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 20+ Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | Natural Gas Resources | Operational: | Operations require execution to perform at current levels |
| Owner: | Steve Harper | Business Risk: | ERM Reduction >15 |
| Sponsor: | Jason Thackston | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 116 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|---|--|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Jackson Prairie (JP) Underground Storage Facility stores natural gas. Avista owns this facility as a 1/3 partner with Puget Sound Energy and Williams' Northwest Pipeline. Puget Sound Energy is the managing partner for the facility which is located in Chehalis, WA. The requested capital represents Avista's 1/3 share of the capital needed to maintain the existing facility and maintain equal ownership status. The purpose of the facility is to allow Avista to serve customers on a peak day, and to purchase natural gas at potentially lower costs during off-peak periods and store that gas for use during high cost periods. | describe any incremental changes that this Program would benefit present operations | \$ 1,000,000 | \$ - | \$ - | 2 |
| | | Annual Cost Summary - Increase/(Decrease) | | | |

| | | | | | |
|---|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| <i>Status Quo :</i> | Not recommended-- Not to fund Avista's 1/3 capital obligation. Failure by Avista to fund its 1/3 capital obligation would dilute Avista's ownership percentage. Voting rights would be diminished and therefore decisions made by other partners would not be in the best interest of Avista or its customers. | n/a | \$ - | \$ - | 20 |
| <i>Alternative 1: Brief name of alternative (if applicable)</i> | Recommended -- Support Avista's 1/3 capital obligation. Estimated to be approximately \$1,000,000 per year looking forward. Cost is estimated to be \$539,000 in 2014. Capital needs vary year-to-year, but relate to well, compression, pipe, separator/dehydration, metering and control facilities. | \$ 1,000,000 | \$ - | \$ - | 2 |
| <i>Alternative 2: Brief name of alternative (if applicable)</i> | Not recommended-- Fund a lesser amount than Avista's 1/3 capital obligation. Voting rights would be diminished and therefore decisions made by other partners would not be in the best interest of Avista or its customers. | \$ - | \$ - | \$ - | 2 |
| <i>Alternative 3 Name : Brief name of alternative (if applicable)</i> | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|---------------------|---------------------|--------------------|-----------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 2012-2016 | | | | | ER 7201 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | | \$ - | \$ - | \$ - | | | | | |
| 2012 | \$ 630,000 | \$ - | \$ - | \$ 630,000 | | | | | |
| 2013 | \$ 550,000 | \$ - | \$ - | \$ 550,000 | | | | | |
| 2014 | \$ 539,000 | \$ - | \$ - | \$ 500,000 | | | | | |
| 2015 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 | | | | | |
| 2016 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 | | | | | |
| 2017 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 | | | | | |
| 2018 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 | | | | | |
| Future | \$1,000,000/year | \$ - | \$ - | \$ - | | | | | |
| Total | \$ 5,719,000 | \$ - | \$ - | \$ 5,680,000 | | | | | |

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
While not a mandated project by definition, this Program is not one that can easily be terminated. The use of JP is documented and acknowledged as part of Avista's Integrated Resource Plan.



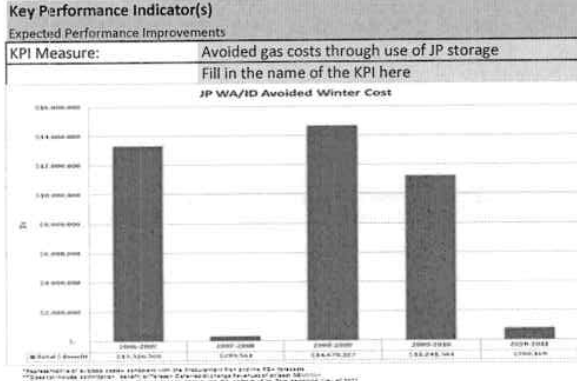
Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Prepared signature Marcus J. Carcione

Reviewed signature [Signature]
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

| Business Case | ERM Risk Reduction | Status Quo Raw Score | Risk on Completion Raw Score | Status Quo Risk | | | | | |
|-------------------------|--------------------|---|------------------------------|---|-------------------|---|-------------------|--|------------|
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| Jackson Prairie Storage | 18 | 20 | 2 | 5 - > \$10MM | < Once / year | 3 - Could result in a sustained negative impact to local, online, or industrial relationships and / or national / global media coverage | < Once / year | | |
| | | | | Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood |
| | | | | | | 1 - Potential for injury Public health infrastructure impact up to 8 hours | < Once / year | | |
| | | | | Risk upon Completion | | | | | |
| | | | | Financial Impact (Consequential Costs/Revenues) | Likelihood | Legal, Regulatory, External Business Affairs | Likelihood | Customer Service and Reliability (# customers * duration of an outage) | Likelihood |
| | | | | 1 - < \$200k | < Once / 10 years | 1 - No likely impact on media or regulatory relationship. | < Once / 50 years | | |
| Environmental | Likelihood | Safety and Health: Public | Likelihood | Safety and Health: Employee | Likelihood | | | | |
| | | 1 - Potential for injury Public health infrastructure impact up to 8 hours | < Once / 50 years | 1 - Potential for injury | < Once / 50 years | | | | |

| To be completed by Capital Planning Group | | Review Cycles | |
|---|-----------|---------------|--|
| Rationale for decision | 2012-2016 | | |
| | Date | Template | |
| | | | |
| | | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Transportation

Business Case Name: CNG Fleet Conversion

ER No: ER Name:

7127 CNG Fleet Conversion

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,300¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 932 | | | | | | | 232 | | | | | 700 |
| 2014 | 200 | 8 | 8 | 12 | 14 | 16 | 24 | 24 | 22 | 22 | 18 | 16 | 16 |
| 2015 | 200 | 8 | 8 | 12 | 14 | 16 | 24 | 24 | 22 | 22 | 18 | 16 | 16 |
| 2016 | 200 | 8 | 8 | 12 | 14 | 16 | 24 | 24 | 22 | 22 | 18 | 16 | 16 |

Business Case Description:

Building four CNG refueling stations and converting 119 light duty trucks to CNG over the next seven years. If more vehicles are acquired in the fleet, there is a potential for more CNG to be served from these refueling stations. The refueling stations will be located in Dollar rd., Spokane main campus, Coeur d' Alene and Klamath Falls. They were constructed in 2012 and 2013. Vehicle conversion will begin in 2012 on 15-20 vehicles per year for the foreseeable future. In addition, the expected life of the refueling stations should provide service to Company vehicles for 20 years, therefore 3 generations of vehicles (average life 7 years).

Offsets²:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

² Included in the alternatives on the CNG Fleet Conversion business case are \$6,625,950 of potential avoided costs for the 20 year project, on a present value basis. These costs are not included in the O&M Offset adjustment as they are based on the potential savings of adding new CNG vehicles vs. adding new gasoline/diesel vehicles.



Capital Investment Business Case

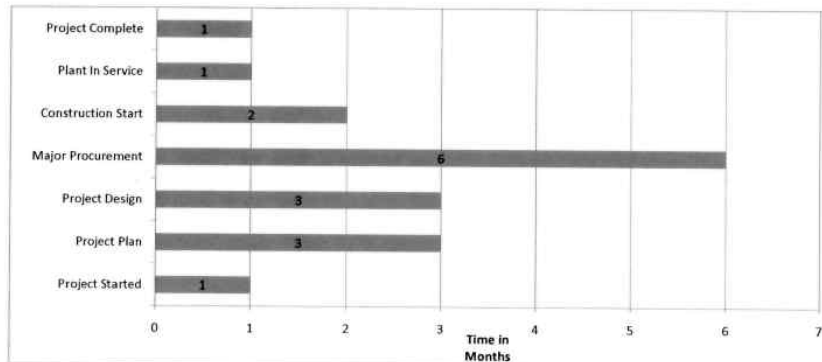
| | | | |
|-------------------------|------------------------------|-----------------------|--|
| Investment Name: | CNG Fleet Conversion | Assessments: | |
| Requested Amount | \$4,100,000 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | 21 Year Project | Strategic: | Value & Growth |
| Dept., Area: | Strategic Initiatives | Operational: | Operations improved beyond current levels |
| Owner: | Ken Boni | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Roger Woodworth/Scott Morris | Project/Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 93 |
| Mandate/Reg. Reference: | n/a | | |

| Recommend Project Description: | Performance | Cost Summary - Increase/(Decrease) | | | ERM Risk Score |
|--|--|------------------------------------|------------|-------------|----------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Building 4 CNG refueling stations and converting 119 light duty trucks to CNG over the next seven years. If more vehicles are acquired in the Fleet, there is a potential for more CNG to be served from these refueling stations. The refueling stations will be located in Dollar rd., Spokane main campus, Coeur d' Alene and Klamath Falls. They will be constructed in 2012 and 2013. Vehicle conversions will begin in 2012 on 15 - 20 vehicles per year for the foreseeable future. In addition, the expected life of the refueling stations should provide service to Company vehicles for 20 years, therefore 3 generations of vehicles (ave life 7 | Fuel cost savings, cleaner emissions, possible public access for CNG | \$ 4,100,000 | \$ 757,059 | \$ - | 3 |

| Alternatives: | | Performance | Cost Summary - Increase/(Decrease) | | | ERM Risk Score |
|---|---|--|------------------------------------|----------------|-------------|----------------|
| Status Quo : | | | Capital Cost | O&M Cost | Other Costs | |
| Continued dependence of foreign oil and the use of a high carbon fuel | | n/a | \$ - | \$ (6,625,950) | \$ - | 6 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 3 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs |
|--------------|---------------------|-------------------|-------------|
| Previous | \$ - | \$ - | \$ - |
| 2012 | \$ 2,200,000 | \$ 16,400 | \$ - |
| 2013 | \$ 700,000 | \$ 27,192 | \$ - |
| 2014 | \$ 200,000 | \$ 28,008 | \$ - |
| 2015 | \$ 200,000 | \$ 28,713 | \$ - |
| 2016 | \$ 200,000 | \$ 30,605 | \$ - |
| 2017 | \$ 200,000 | \$ 31,523 | \$ - |
| 2018 | \$ 200,000 | \$ 32,469 | \$ - |
| Future | \$ 200,000 | \$ 562,149 | \$ - |
| Total | \$ 4,100,000 | \$ 757,059 | \$ - |

Milestones (high level targets)

| | | | | | |
|--------------|--------------------|-------------|------------------|----------|------|
| November-11 | Project Started | December-12 | Plant In Service | mm/dd/yy | open |
| March-12 | Project Plan | December-12 | Project Complete | mm/dd/yy | open |
| June-12 | Project Design | | open | mm/dd/yy | open |
| March-12 | Major Procurement | | open | mm/dd/yy | open |
| September-12 | Construction Start | | open | mm/dd/yy | open |

Associated Ers (list all applicable):

| | | | | | | |
|------------|--|--|--|--|--|--|
| Current ER | | | | | | |
|------------|--|--|--|--|--|--|

Mandate Excerpt (if applicable):

provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:

Optimize our fleet to lower costs and environmental performance and jump start new growth of natural gas as a transportation fuel for our customers. This will ultimately stage new margin for natural gas sales and shareholder value.

Resources Requirements: (request forms and approvals attached)



Capital Investment Business Case

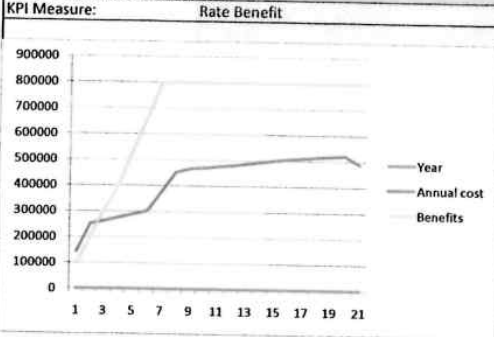
Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

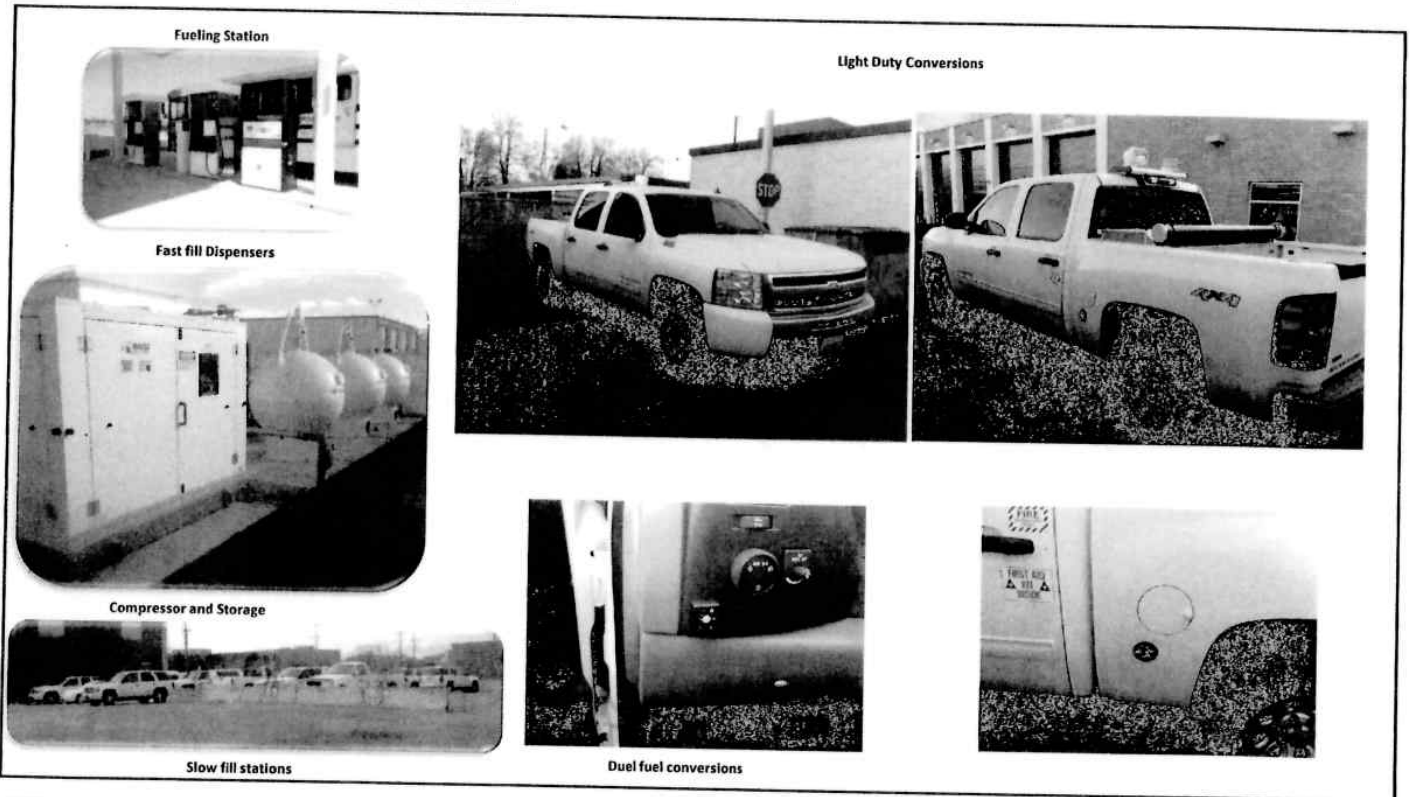
Expected Performance Improvements



Prepared signature [Signature]

Reviewed signature [Signature]
Director/Manager

Other Party Review signature (if necessary) _____
Director/Manager



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|-----------|
| | Date | Template |
| | | 2012-2016 |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Transportation

Business Case Name: Fleet Budget

ER No: ER Name:

7000 Transportation Equip

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$23,564¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-------|-------|-----|-----|
| 2013 | 4,287 | | | | | | | 467 | 199 | 1,568 | 1,084 | 485 | 484 |
| 2014 | 5,586 | 467 | 465 | 465 | 465 | 465 | 465 | 465 | 467 | 465 | 465 | 465 | 465 |
| 2015 | 6,500 | 543 | 541 | 541 | 541 | 542 | 541 | 541 | 544 | 541 | 542 | 542 | 541 |
| 2016 | 6,500 | 543 | 541 | 541 | 541 | 542 | 541 | 541 | 544 | 541 | 542 | 542 | 541 |

Business Case Description:

Fleet utilizes a Vehicle Replacement Model analysis program to determine which vehicles are replaced for the next budget cycle. This program utilizes our internal data regarding equipment utilization, repair costs, purchase costs, disposal costs, and business needs across all classes of equipment. This provides a consistent and level spend to cover all departments effectively. This contributes to the operational readiness for all departments and our Company as a whole. The 5 year projection includes analysis of 19 classes of vehicles in total and the replacement of over 600 assets.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

| | | | | | | |
|--|---|--|---|---------------------|--------------------|----------------------------|
| Investment Name: Fleet Budget | | Assessments: | | | | |
| Requested Amount | \$ 5,585,502 | Financial: | MH - >= 9% & <12% CIRR | | | |
| Duration/Timeframe | 5 2014 - 2016 | Strategic: | Life Cycle Programs | | | |
| Dept., Area: | Fleet | Operational: | Operations require execution to perform at current levels | | | |
| Owner: | Al Fisher | Business Risk: | ERM Reduction >0 and <= 5 | | | |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources | | | |
| Category: | Program | Assessment Score: | 84 | | | |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | | | | |
| Recommend Program Description: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Fleet utilizes a VRM (Vehicle Replacement Model) analysis program to determine which vehicles get replaced for the next budget cycle. This program utilizes our internal data regarding equipment utilization, repair costs, purchase costs, disposal costs, and business needs across all classes of equipment. This provides a consistent and level spend to cover all departments effectively. This contributes to the operational readiness for all departments and our company as a whole. The 5 year projection includes analysis of 19 classes in total and the replacement of over 600 assets. | | Replacing equipment within a lifecycle allows operations to be more effective with less break downs and repairs that are inherent with older vehicles. | \$ 5,585,502 | \$ - | \$ - | 3 |
| Alternatives: | | Annual Cost Summary - Increase/(Decrease) | | | | |
| Status Quo : | We maintain and repair our equipment at the existing levels utilizing our current life cycle analysis realizing equipment has a useful life range. Using Capital Dollars to help keep O&M costs down. | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| | | Equipment remains reliable. No risk to Operations. | \$ 5,585,502 | \$ - | \$ - | 0 |
| Reduced Spend | Cut Spend by 50% to focus only on equipment that is at the end of it's life cycle, is at the upper end of repair costs, and is difficult to replace with a rental if equipment fails mid-year. This will create less spend on Capital, with an increase in O&M spend. | Less reliable equipment. Risk to operation's commitments. | \$ 2,792,751 | \$ 653,568 | \$ - | 0 |
| Only replace equipment upon failure. | Continue to maintain and repair equipment, but replace only when repairs are no longer an option. Minimal Capital expenditure with a maximum expenditure on O&M. | Unreliable equipment, failed commitments and schedules by Operations, ultimately | \$ - | \$ 1,307,136 | ??? | 9 |
| | | | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 2012-2016 | | | | | Current ER 7000 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | \$ 9,468,000 | \$ - | \$ - | \$ 9,468,000 | | | | | |
| 2012 | \$ 7,673,715 | \$ - | \$ - | \$ 7,673,715 | | | | | |
| 2013 | \$ 6,639,045 | \$ - | \$ - | \$ 4,978,945 | | | | | |
| 2014 | \$ 7,595,175 | \$ - | \$ - | \$ 5,585,502 | | | | | |
| 2015 | \$ 8,160,495 | \$ - | \$ - | \$ 6,500,000 | | | | | |
| 2016 | \$ 8,790,915 | \$ - | \$ - | \$ 6,500,000 | | | | | |
| 2017 | \$ - | \$ - | \$ - | \$ 6,500,000 | | | | | |
| 2018 | \$ - | \$ - | \$ - | \$ 6,500,000 | | | | | |
| Future | \$ - | \$ - | \$ - | \$ - | | | | | |
| Total | \$ 48,327,345 | \$ - | \$ - | \$ 44,238,162 | | | | | |

Mandate Excerpt (if applicable):
The Federal Motor Carrier Safety Administration (FMCSA), Department of Transportation (DOT), American National Standards Institute (ANSI), Occupational Safety and Health Administration (OS

Additional Justifications:
With the implementation of FMCSA's Compliance, Safety, Accountability (CSA) program, there is a concentrated effort from the Federal Government along with State Agencies to crack down on faulty equipment and organization's failure to educate drivers and maintain their Fleets. This is now being carried out by an increased number of roadside inspections along with weigh station inspections to gather data on companies and help them figure out who the biggest offenders are and penalize them with fines. The increased inspections are resulting in scorecards that go along with companies and the higher the score the worse off the company is.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general

| Key Performance Indicator(s) | |
|-----------------------------------|----------------------|
| Expected Performance Improvements | |
| KPI Measure: | Vehicle Availability |
| | |

sense of how likely staff will be provided (this does not require a firm commitment).

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Reviewed signature 
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: AvistaUtilities.com Redesign

ER No: 5143 **ER Name:** AU.com & AVANet Redevelopment

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,539¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | 1,000 | | | | | | | | | | | | 1,000 |
| 2014 | 1,538 | | | | | | | | | | | | 1,538 |
| 2015 | 240 | | | | | | | | | 240 | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

Refresh of the AvistaUtilities.com website to improve navigation, updating the look and feel of the overall site, creating a new homepage layout, and improving self-service and search functionality for customers. Since 2008, web usage on the AvistaUtilities.com site has increased by more than 55% and usability standards have since then changed to incorporate the emergence of mobile app technologies. The refresh includes improved functionality to allow for more customer self-serve use on our website.

Offsets:

\$100,000 of additional O&M costs are included with this business case which negate the \$100,000 of O&M savings (see signed business case under "Other Costs.") These savings are related to reduction in labor due to efficiencies gained by customers being able to navigate the website effectively. No offset has been included in the O&M Offset adjustment for this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|--------------------------------|--------------------------------|---|--|
| Investment Name: | AvistaUtilities.com Redesign | Assessments: | |
| Requested Amount | \$1,500,000 | Financial: | 7.00% |
| Duration/Timeframe | 3 Year Project | Strategic: | Customer Experience |
| Dept., Area: | Customer Solutions | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Dana Anderson, Jim Corder | Project Risk: | Moderate certainty around cost, schedule and resources |
| Sponsor: | Dana Anderson, Jim Kensok | Assessment Score: | 77 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Capital Cost | O&M Cost |
| Recommend Project Description: | See Attached Project Charters. | Performance | Other Costs |
| | | Improved usability for customers and improved capability for information sharing and delivery to increase overall employee engagement | Business Risk Score |
| | | \$ 1,000,000 | \$ 500,000 |
| | | | \$ - |
| | | | 0 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|--|---|--------------|------------|-------------|---------------------|
| Unfunded Project: | Not consistent with industry and web best practices. 14% of customers are currently unable to complete transactions on the web and of those that can consistent feedback indicates that transactional tasks are time consuming and sometimes unusable. | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 1: Brief name of alternative (if applicable) | Redesign of AvistaUtilities.com | Improved usability, capability and new technology | \$ 1,000,000 | \$ 500,000 | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | | | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | | | \$ - | \$ - | \$ - | 0 |

| | Capital Cost | O&M Cost | Other Costs | Approved |
|----------|--------------|------------|--------------|--------------|
| Previous | \$ 10,452 | \$ - | \$ - | \$ 10,452 |
| 2013 | \$ 1,000,000 | \$ 100,000 | \$ (50,000) | \$ 419,000 |
| 2014 | \$ 500,000 | \$ 100,000 | \$ (100,000) | \$ 940,000 |
| 2015 | \$ - | \$ 100,000 | \$ (100,000) | \$ 180,000 |
| 2016 | \$ - | \$ 100,000 | \$ (100,000) | \$ - |
| 2017 | \$ - | \$ 100,000 | \$ (100,000) | \$ - |
| Total | \$ 1,500,000 | \$ 500,000 | \$ (450,000) | \$ 1,549,452 |

| Associated Ers (list all applicable): | | | |
|---------------------------------------|--|--|--|
| New | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|-------|------|------|------|------|------|-------|---|
| New | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | Additional Justifications: |
| | | | | | | | 1. The benefits are defined in the attached charter. In general they relate to a redesigned site for improved usability for customers as well as improved tools for employee information. |
| | | | | | | | 2. This project supports the Customer Engagement strategy by improving the website to better serve customers. |
| | | | | | | | 3. This Project supports the Employee strategy by improving capability for delivering information to employees. |

| Milestones (high level targets) | | | | | | | |
|---------------------------------|------------------|--|------------|------|--|------------|------|
| September-12 | Project Start | | January-00 | open | | January-00 | open |
| January-13 | Phase 0 Complete | | January-00 | open | | January-00 | open |
| April-13 | Phase 1 Complete | | January-00 | open | | January-00 | open |
| August-13 | Phase 2 Complete | | January-00 | open | | January-00 | open |
| February-14 | Phase 3 Complete | | January-00 | open | | January-00 | open |
| January-00 | open | | January-00 | open | | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can



Capital Program Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

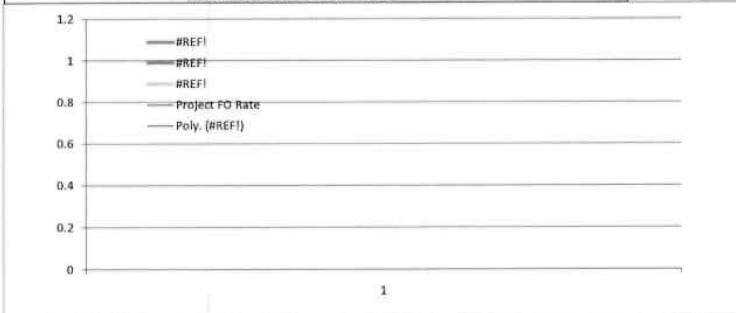
Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required

Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here
Fill in the name of the KPI here



Prepared signature _____

Reviewed signature Sara Anderson
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

Attachment 1: Project Charter
Attachment 2: Charter Addendum for AU.com
Attachment 2: Charter Addendum for AVAnet

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: Enterprise Business Continuity Plan

ER No: ER Name:

5010 Enterprise Business Continuity

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,864¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 339 | | | | | | | | | | 218 | | 121 |
| 2014 | 482 | | | 120 | | | 120 | | | 120 | | | 120 |
| 2015 | 450 | | | 112 | | | 112 | | | 112 | | | 112 |
| 2016 | 450 | | | 112 | | | 112 | | | 112 | | | 112 |

Business Case Description:

Avista has developed an Enterprise Business Continuity Plan (“EBCP”) to facilitate emergency response and business continuity activities in fulfillment of our mission to provide safe and reliable service to our customers. The program supports the Enterprise Business Continuity objectives by providing an all-hazards framework for emergency response, technology recovery, alternate facilities and business continuity activities. The program provides communications, escalation and operational procedures necessary for efficient response to events.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|--|--|--|
| Investment Name: | Enterprise Business Continuity Plan | Assessments: | |
| Requested Amount | \$385,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 5 Year Program | Strategic: | Other |
| Dept., Area: | Enterprise Technology | Operational: | Operations improved beyond current levels |
| Owner: | Clay Storey/Jim Corder | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Jim Kensok | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 106 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|-----------------------------------|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Avista has developed an Enterprise Business Continuity Plan (EBCP) to facilitate emergency response and business continuity activities in fulfillment of our mission. The program supports the Enterprise Business Continuity objectives by providing an all-hazards framework for emergency response, technology recovery, alternate facilities and business continuity activities. The program provides communications, escalation and operational procedures necessary for efficient response to events. See "Additional Justifications:" for more information. | This is a risk mitigation program | \$ 482,000 | \$ 498,755 | | 4 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|---|--|---------------------|---------------------|--------------------|----------------------------|
| Unfunded Program: | Without this program the company's ability to prepare for and respond to emergency event will be diminished. This will have the effect of creating longer delays in the restoration of business services for our customer and shareholders, potentially even action by the utility commission against Avista. | n/a | \$ - | \$ - | \$ - | 25 |
| Alternative 1: Brief name of alternative (if applicable) | Avista has developed an Enterprise Business Continuity Plan (EBCP) to facilitate emergency response and business continuity activities in fulfillment of our mission. The program supports the Enterprise Business Continuity objectives by | This is a risk mitigation program | \$ 482,000 | \$ 498,755 | \$ - | 4 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|---------------------------|---------------------|---------------------|--------------------|---------------------|--|--|--|--|--|
| 5 years of costs | | | | | 5010 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| 2012 | \$ 482,000 | \$ 488,838 | \$ - | \$ 482,000 | | | | | |
| 2013 | \$ 600,000 | \$ 549,558 | \$ - | \$ 482,000 | | | | | |
| 2014 | \$ 600,000 | \$ 610,278 | \$ - | \$ 482,000 | | | | | |
| 2015 | \$ 450,000 | \$ 655,818 | \$ - | \$ 450,000 | | | | | |
| 2016 | \$ 450,000 | \$ 701,358 | \$ - | \$ 450,000 | | | | | |
| 2017 | \$ 450,000 | \$ 746,898 | \$ - | \$ 450,000 | | | | | |
| 2018 | \$ 450,000 | \$ 792,438 | \$ - | \$ 450,000 | | | | | |
| Total | \$ 3,482,000 | \$ 4,545,186 | \$ - | \$ 3,246,000 | | | | | |

Mandate Excerpt (if applicable):
n/a

Additional Justifications:
Support of the Enterprise Business Continuity Plan mitigates risk and minimizes the impact on the shareholders, customers, employees, and the community during and following an incident requiring activation of the EBCP. Through the development and maintenance of standardized mission critical plans and comprehensive alternate facilities planning, exercises and testing, the response, recovery and restoration efforts are synchronized, which in turn, lowers the risk of direct, indirect, tangible or intangible losses. Through on-going development, maintenance, review, and testing of the critical alternate operating procedures in support of critical business processes, process and procedure gaps are identified. This process will ensure the readiness of systems, procedures, processes, and people during emergency operations and provide an environment of constant improvement.

Resources Requirements: (request forms and approvals attached)


| | | |
|--|--|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input type="checkbox"/> Medium Probability <input checked="" type="checkbox"/> High Probability | Enterprise Tech: <input checked="" type="checkbox"/> YES - attach form <input type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input checked="" type="checkbox"/> YES - attach form <input type="checkbox"/> NO or Not Required | |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |

Capital Program Business Case



| Key Performance Indicator(s) | |
|-----------------------------------|----------------------------------|
| Expected Performance Improvements | |
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

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Reviewed signature  _____
Director/Manager

Other Party Review signature  _____
(if necessary) Director/Manager

The Program is planned to include the following Projects in the next 5 years:

1. Enterprise Business Continuity management software
2. Alternate facilities infrastructure
3. Includes AFM/OMT in Disaster Recovery
4. Includes Mobile Dispatch in Disaster Recovery
5. Includes AMR systems(Fixed network, AutoSOI, MV90, others) in Disaster Recovery
6. Filesystem expansion in Disaster Recovery

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: Mobility in the Field

ER No: 5144
ER Name: Mobility in the Field

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,410¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 113 | | | | | | | | | | | | 113 |
| 2014 | 690 | | | 172 | | | 172 | | | 172 | | | 172 |
| 2015 | 420 | | | 105 | | | 105 | | | 105 | | | 105 |
| 2016 | 320 | | | 80 | | | 80 | | | 80 | | | 80 |

Business Case Description:

This program is to increase the Company's mobility in the field using mobile devices. A Mobile Road Map Team has documented 30 opportunities where mobile technology could be used in the field. The top opportunities, with the highest benefit and savings, are included over the five-year program. The first phase is the project called "Visibility in the Field", which will assist in Leak Survey and Gas Service Dispatch by providing spatial maps in the field using a mobile device.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|-------------------------|---------------------------------------|---|--|
| Investment Name: | Mobility in the Field | Assessments: | |
| Requested Amount | \$200,000 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | 5 Year Program | Strategic: | Agile Technology Platforms |
| Dept., Area: | Energy Delivery | Operational: | Operations improved beyond current levels |
| Owner: | Heather Rosentrater & Mike Broemeling | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski & Jim Kensok | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 83 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
|---|---|--------------|----------|-------------|----------------|
| This program is to increase our mobility in the field using mobile devices. A Mobile Road Map Team has documented 30 opportunities where mobile technology could be used in the field. The top opportunities, with the highest benefit and savings, are included over the five year program. Additional mobile opportunities will continue to emerge, therefore a Mobility Program is requested. The Customer IRR (CIRR) at 9% per Dave DeFelice. Opportunities will be done in phases over the 5 years. The first phase will be for the project called Visibility in the Field which enables the following: 1. Leak Survey 2. Gas Service Dispatch This would provide spatial maps in the field, using a mobile device resulting in efficiency gained for our field employees. Our customer will benefit with these new capabilities and efficiencies. The benefits would include operations improvements to reduce compliance risk, reduce duplicate effort, more timely entry of data along with improved tools and information in the field. The top opportunities are 1. View GIS Layers and Multiple Maps in the Field (in 2013) 2. Gas Exposed Pipe Report (in 2014) 3. Capture Facility Data (in 2015) 4. Provide Gas Blue Leak Survey Form (in 2013) 5. Damage Assessment (OMT) (in 2016). | ArcGIS Online will allow us to share information with web maps. This will increase collaboration with internal employees and external contractors and partners. This supports our strategic goals for agile technology. | \$ 200,000 | | | 2 |
| Annual Cost Summary - Increase/(Decrease) | | | | | |

| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
|---|---|------------------------------|----------|-------------|----------------|
| Unfunded Program: | | | | | |
| Maps are printed and taken out to the field; Paper process to gather information in the field and then enter the data into electronic format once in the office; If a Serviceman does have a Go-Book then both the electronic entry is done along with the paper process as a backup; Information is relayed by | n/a | \$ - | \$ - | \$ - | 3 |
| Alternative 1: Add ArcGIS Server with tablet mobile devices | Either establish an ELA with Esri or purchasing licenses individually, installation of servers and ArcGIS Server application, establish governance, hire one FTE for AFM Team, deploy approximately 180 mobile devices, user testing, process changes and training. Mobile devices deployed would | \$ 150,000 | | | 2 |
| Alternative 2: Add ArcGIS Server with Mesa devices | Mobile devices deployed as a Mesa. | \$4,000 per device estimate | | | 0 |
| Alternative 3 Name : Add ArcGIS Server with Go-Book devices | Mobile devices deployed as a Go-Book. | \$10,000 per device estimate | | | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|--------------------|---------------------|---------------------|-----------------------|---------------------|---------------------------------------|--|--|--|--|
| 5 years of costs | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| 2012 | | | | \$ - | | | | | |
| 2013 | \$ 200,000 | | | \$ 100,000 | | | | | |
| 2014 | \$ 320,000 | \$ 126,000 | \$ (200,000) | \$ 570,000 | | | | | |
| 2015 | \$ 420,000 | \$ 300,000 | \$ (392,000) | \$ 420,000 | | | | | |
| 2016 | \$ 320,000 | \$ 350,000 | \$ (425,000) | \$ 320,000 | | | | | |
| 2017 | \$ 400,000 | \$ 400,000 | \$ (472,000) | \$ - | | | | | |
| 2018 | \$ - | \$ - | \$ - | \$ - | | | | | |
| Total | \$ 1,660,000 | \$ 1,176,000 | \$ (1,489,000) | \$ 1,410,000 | | | | | |

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
The hardware and software technology is advancing in such a manner that it will now benefit our field personnel to have a Mobility in the Field Program. We now have less expensive mobile devices to deploy along with a disconnected application for our field workers to be able to work offline and synch information back and forth when connection is successful to wi-fi or cellular. Advances in technology are making mobile capabilities more of a standard in doing business. Our field workers need to have the tools that make them more efficient in their work processes, able to post data quickly and have more information to ultimately benefit our customers.

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability Enterprise Tech: YES - attach form NO or Not Required

YES

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the



Capital Program Business Case

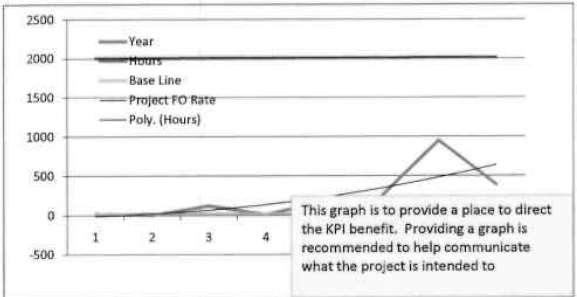
Contract Labor: Low Probability Medium Probability High Probability
 YES NO

Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

Expected Performance Improvements
 KPI Measure: To be determined by each project
 Fill in the name of the KPI here



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 Reviewed signature *[Signature]* Director/Manager
 Other Party Review signature *[Signature]* Director/Manager
 (if necessary)

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | | |
|---|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: Technology Refresh to Sustain Business Process

ER No: 5005 **ER Name:** Information Technology Refresh Program

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$63,698¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-------|-----|-------|-----|-----|-------|-------|-------|-------|-------|-------|-------|
| 2013 | 10,919 | | | | | | | 2,860 | 2,226 | 1,285 | 1,404 | 1,245 | 1,899 |
| 2014 | 13,862 | 122 | 122 | 2,721 | 122 | 122 | 3,721 | 122 | 122 | 2,721 | 122 | 122 | 3,721 |
| 2015 | 19,362 | 565 | 565 | 2,985 | 565 | 565 | 3,985 | 565 | 565 | 2,985 | 565 | 565 | 4,889 |
| 2016 | 19,362 | 1,032 | 876 | 2,361 | 893 | 915 | 3,342 | 873 | 860 | 2,304 | 861 | 822 | 4,222 |

Business Case Description:

This program is in place to provide for technology refresh in alignment with the roadmaps for application and technology lifecycles. The continuation of technology refresh programs provides benefit to Avista by providing a stable and reliable application and computing platform to allow for the safe and reliable operation of our electric and gas infrastructure.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | | | |
|---|---|---|---|--|----------------------------|
| Investment Name: | Technology Refresh to Sustain Business Proce | Assessments: | | | |
| Requested Amount | \$10,019,774 | Financial: | Medium - >= 5% & <9% CIRR | | |
| Duration/Timeframe | 10 Year Program | Strategic: | Life Cycle Programs | | |
| Dept., Area: | IS/IT | Operational: | Operations require execution to perform at current levels | | |
| Owner: | Jacob Reid/Jim Corder | Business Risk: | ERM Reduction >5 and <= 10 | | |
| Sponsor: | Jim Kensok | Program Risk: | High certainty around cost, schedule and resources | | |
| Category: | Program | Assessment Score: | 89 | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | | | Capital Cost | O&M Cost |
| Recommend Program Description: | | Performance | | Other Costs | Business Risk Score |
| This program is in place to provide for technology refresh in alignment with the roadmaps for application and technology lifecycles. The continuation of technology refresh programs provides benefit to Avista by providing a stable and reliable application and computing platform to allow for the safe and reliable operation of our electric and gas infrastructures. | | This program provides for current technologies for the normal operation of the business | \$ 10,019,774 | \$ - | 15 |
| Alternatives: | | Performance | | Other Costs | Business Risk Score |
| Unfunded Program: | Not doing this program will result in four major impacts: 1) Reduction of 62 staff members with key institutional knowledge 2) Decrease in business process efficiency 3) increase in O&M labor to support the technology 4) increase technology outages impacting the operations of the business. | The performance of the computing technology at | \$ - | \$ 1,895,751 | 20 |
| Technology Refresh Programs | This program is in place to provide for technology refresh in alignment with the roadmaps for application and technology lifecycles. The continuation of technology refresh programs provides benefit to Avista by providing a stable and reliable application and computing platform to allow for the safe and reliable operation of our electric and gas infrastructures. | This program provides for current technologies for the normal | \$ 10,019,774 | \$ - | 15 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|--------------------|----------------------|-------------|-------------|-----------------------|---------------------------------------|------|--|--|--|
| 5 years of costs | | | | | 5005 | 5007 | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | 5024 | 5008 | | | |
| | \$ 9,973,758 | \$ - | \$ - | \$ 9,973,758 | 5128 | 5009 | | | |
| 2013 | \$ 10,019,774 | \$ - | \$ - | \$ 11,110,491 | 5131 | | | | |
| 2014 | \$ 12,129,043 | \$ - | \$ - | \$ 13,862,243 | | | | | |
| 2015 | \$ 13,949,536 | \$ - | \$ - | \$ 19,362,243 | | | | | |
| 2016 | \$ 17,183,753 | \$ - | \$ - | \$ 19,362,243 | | | | | |
| 2017 | \$ 19,031,035 | \$ - | \$ - | \$ 19,362,243 | | | | | |
| 2018 | \$ - | \$ - | \$ - | \$ 19,362,243 | | | | | |
| Total | \$ 72,313,141 | \$ - | \$ - | \$ 112,395,464 | | | | | |

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
Technology refresh program costs increase year over year to two main reasons. The first is because of the continuous technological evolution which causes obsolescence. Manufacturers continue to upgrade and improve their systems to provide improved performance and function. This in turn requires companies to replace system on a periodic basis to maintain reliability and functionality. The second main reason is due to the addition of new hardware and software to support new business requirements and growth. New equipment purchased under Technology Expansion Program will have to be refreshed in 3-5 years adding to the refresh budget. For example, infrastructure refresh costs the increase from year to year due to prior years spend in Technology Expansion, roughly \$800k in Distributed Systems and \$500k in Network Systems per year. Business Application Expansion is up between 2011 & 2012 because of the inclusion of some small to medium projects into the expansion program.

Resources Requirements: (request forms and approvals attached)

| | | | | | | | |
|------------------------------|--|---|--|------------------|---|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required | |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |



Capital Program Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|----------------------------------|
| Expected Performance Improvements | |
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

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Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | |
|---|---------------|
| Rationale for decision | Review Cycles |
| | 2012-2016 |
| | Date |
| | Template |
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| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: Customer Service System Replacement (Project Compass)

ER No: 5138
ER Name: Customer Information System (CIS) Replacement

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$78,963¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-----|-----|-----|-----|-----|-----|-----|-----|--------|-------|-------|-----|
| 2013 | 9,184 | | | | | | | | | | 8,074 | 1,110 | |
| 2014 | 67,341 | | | | | | | | | 67,341 | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

The Customer Information System (CIS) will be implemented in two waves. The first wave includes the Maximo application in the Company's areas of Generation, Production, and Substation Support. This wave has an estimated go-live date or transfer to plant date of September 2013. The second wave, includes Maximo application in the Company's areas of Transmission, Distribution, and Gas Operations, as well as the Customer Care and Billing application. This large technology project is described in detail in the testimony of Mr. Kensok.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: Enterprise Security

ER No: ER Name:

5002 Security Initiative

5014 Security Systems

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$8,165¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 2013 | 1,530 | | | | | | | 176 | 27 | 944 | 37 | | 346 |
| 2014 | 2,183 | | | 455 | | | 518 | | | 545 | | | 665 |
| 2015 | 2,185 | | | 546 | | | 546 | | | 546 | | | 546 |
| 2016 | 2,186 | | | 455 | | | 517 | | | 545 | | | 670 |

Business Case Description:

This program is to maintain and improve all security aspects to protect people, assets, information & operations through projects, activities and polices. It will also manage the number of security incidents at level that aligns with our corporate risk expectations. Additionally it will increase the culture of security through education and training.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|----------------------------|--|--|
| Investment Name: | Enterprise Security | Assessments: | |
| Requested Amount | \$1,836,932 | Financial: | 12% |
| Duration/Timeframe | 10 Year Program | Strategic: | Agile Technology Platforms |
| Dept., Area: | Enterprise Technology | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Clay Storey/Jim Corder | Program Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Jim Kensok | Assessment Score: | 92 |
| Category: | Program | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost |

| | | | | | |
|--|--------------------|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This program is to maintain and improve all security aspects to protect people, assets, information & operations through projects, activities and polices. It will also manage the number of security incidents at level that aligns with our corporate risk expectations. Additionally it will increase the culture of security through education and training. | | \$ 1,836,932 | \$ - | \$ - | 9 |

| | | | | | | |
|--|--|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Program: | Address issues related to violations of the security and compliance as they arise and pay fines as there are assessed. | The risk of security incidents increases | | \$ - | \$ 5,000,000 | 15 |
| Alternative 1: Brief name of alternative (if applicable) | This program is to maintain and improve all security aspects to protect people, assets, information & operations through projects, activities and polices. It will also manage the number of security incidents at level that aligns with our corporate risk expectations. Additionally it will increase the culture of security through education and training. | Decreases the likelihood or severity of security incidents | \$ 1,836,932 | \$ - | \$ - | 9 |
| Alternative 2: Brief name of alternative (if applicable) | | | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | | | \$ - | \$ - | \$ - | 0 |

| | | | | | |
|---------------------------|---------------------|---------------------|--------------------|----------------------|--|
| Program Cash Flows | | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | |
| Previous | \$ 1,885,000 | \$ - | \$ - | \$ 1,885,000 | |
| 2013 | \$ 1,885,000 | \$ - | \$ - | \$ 1,610,000 | |
| 2014 | \$ 1,885,000 | \$ - | \$ - | \$ 2,185,000 | |
| 2015 | \$ 1,885,000 | \$ - | \$ - | \$ 2,185,000 | |
| 2016 | \$ 1,885,000 | \$ - | \$ - | \$ 2,185,000 | |
| 2017 | \$ 1,885,000 | \$ - | \$ - | \$ 2,185,000 | |
| 2018 | \$ - | \$ - | \$ - | \$ 2,185,000 | |
| Total | \$ 9,425,000 | \$ - | \$ - | \$ 10,350,000 | |

| | | | |
|--|--|--|--|
| Associated Ers (list all applicable): | | | |
| From 5014 | | | |
| | | | |
| | | | |

| | | | | | | |
|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
| | | | | | | \$ - |
| | | | | | | \$ - |
| | | | | | | \$ - |
| 5014 | \$ 1,885,000 | \$ 1,885,000 | \$ 1,885,000 | \$ 1,885,000 | \$ 1,885,000 | \$ 9,425,000 |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 1,885,000 | \$ 1,885,000 | \$ 1,885,000 | \$ 1,885,000 | \$ 1,885,000 | \$ 9,425,000 |

Mandate Excerpt (if applicable):
The program is not mandatory however project under the scope of this business case may be mandatory base on their specific requirements.

Additional Justifications:
2012 Budget Note: This program is being fund by a reduction in the Technology Refresh and Technology Expansion business cases, for \$565k and \$820k respectively. And \$500,000 from Security Initiative Business Case (ERS002).

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

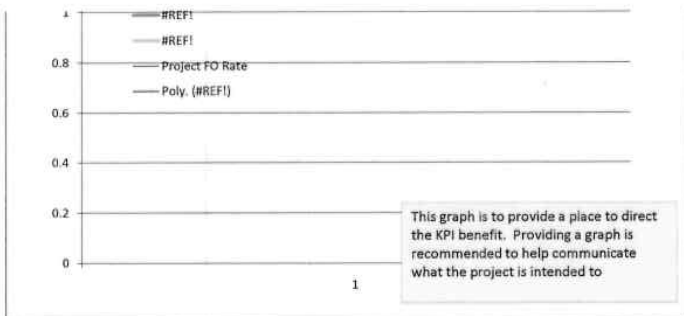
Key Performance Indicator(s)
 Expected Performance Improvements
 KPI Measure: Fill in the name of the KPI here
 Fill in the name of the KPI here

Prepared _____ signature





Capital Program Business Case



Reviewed signature *Chay Storey*
Director/Manager

Other Party Review signature *[Signature]*
(if necessary) Director/Manager

2013 Projects

- Certificate Management
- CVA expansion to SCADA and GCN
- Data loss prevention software and Data classification standards
- Email Encryption
- File Integrity Monitoring
- Network Access Control Phase 1
- Network Device Config Analysis Automation
- Network IPS Expansion
- Security monitoring expansion to GCC and SCADA (QRadar)
- Two factor authentication

2014 Projects

- SIEM & Qflow Refresh
- Controlled Access based on need to know
- SSPWR Internet Access
- Iron Security Appliances (SGDP) Refresh
- Asset management - Authorized & Unauthorized SW
- Identity Management Solution
- Controlled Use of Admin Privileges
- Password Vault

2015 Projects

- PKI Refresh
- CVA Hardware Refresh
- Web Services Security (O&M)
- Disk Encryption Refresh
- Network Device Config Analysis Refresh
- McAfee NSM & NIPS Refresh
- Malware Detection Appliance Refresh (FireEye)
- Limitation and Control of Network Ports, Protocols, and Services
- Configuration management tool
- Boundary Defense
- Application SW-Secure config
- Account Monitoring and Control
- HR Systems Integration w/Active Directory

2016 Projects

- Asset mgmt/Auth & Unauth Devices Refresh
- Password Vault Refresh
- Network Access Control Refresh
- Identity Management Refresh
- Enterprise Reduced Sign-On
- Controlled Access based on need to know-Refresh

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: Technology Expansion to Enable Business Process

ER No: ER Name:

5006 Information Technology Expansion Program

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$21,543¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 2013 | 3,311 | | | | | | | 629 | 446 | 425 | 343 | 296 | 1,171 |
| 2014 | 3,836 | 175 | 175 | 608 | 175 | 175 | 608 | 175 | 175 | 608 | 175 | 175 | 608 |
| 2015 | 5,799 | 271 | 271 | 909 | 271 | 271 | 909 | 271 | 271 | 909 | 271 | 271 | 909 |
| 2016 | 6,060 | 155 | 195 | 1,032 | 363 | 271 | 1,027 | 286 | 334 | 998 | 224 | 140 | 1,034 |

Business Case Description:

This program facilitates the technology growth throughout the Company. This includes technology expansion for the entire workforce, business process automation and increases in technology to support efficient business processes.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | | | | |
|---------------------------------------|--|--------------------------|--|--|--------------------|----------------------------|
| Investment Name: | Technology Expansion to Enable Business Pro | | | | | |
| Requested Amount | \$7,675,945 | Assessments: | | | | |
| Duration/Timeframe | 10 Year Program | Financial: | 7.00% | | | |
| Dept., Area: | Enterprise Technology | Strategic: | Agile Technology Platforms | | | |
| Owner: | Jacob Reidt/Jim Corder | Business Risk: | Business Risk Reduction >5 and <= 10 | | | |
| Sponsor: | Jim Kensok | Program Risk: | High certainty around cost, schedule and resources | | | |
| Category: | Program | Assessment Score: | 81 | Annual Cost Summary - Increase/(Decrease) | | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Recommend Program Description: | This program facilitates the technology growth throughout the company. This includes technology expansion for the entire workforce, business process automation and increases in technology to support efficient business processes. | | | | | |
| | | | \$ 7,675,945 | \$ - | \$ - | 5 |

| | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|--|-------------|--------------|----------|-------------|---------------------|
| Alternatives: | | | | | | |
| Unfunded Program: | Without funding this program will not be able to deliver technology assets and application enhancement to provide for growth of the technology base or improvements to in-house developed applications. A consequence of not funding this program will be the loss of 20+ application FTE's who possess business knowledge that is not quickly or easily replaced. | n/a | \$ - | \$ - | \$ - | 15 |
| Alternative 1: Brief name of alternative (if applicable) | This program facilitates the technology growth throughout the company. This includes technology expansion for the entire workforce, business process automation and increases in technology to support efficient business processes. | | \$ 7,675,945 | \$ - | \$ - | 5 |
| Alternative 2: Brief name of alternative (if applicable) | | | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | | | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | |
|---------------------------|----------------------|-------------|-------------|----------------------|--|
| | Capital Cost | O&M Cost | Other Costs | Approved | |
| Previous | \$ 7,792,700 | \$ - | \$ - | \$ 7,792,700 | |
| 2013 | \$ 7,675,945 | \$ - | \$ - | \$ 5,848,113 | |
| 2014 | \$ 7,835,572 | \$ - | \$ - | \$ 3,835,572 | |
| 2015 | \$ 8,083,991 | \$ - | \$ - | \$ 5,799,088 | |
| 2016 | \$ 7,559,940 | \$ - | \$ - | \$ 6,059,940 | |
| 2017 | \$ 8,330,445 | \$ - | \$ - | \$ 6,830,445 | |
| 2018 | \$ - | \$ - | \$ - | \$ 8,496,234 | |
| Total | \$ 39,485,893 | \$ - | \$ - | \$ 36,869,392 | |

| Associated Ers (list all applicable): | | |
|--|--|--|
| 5006 | | |
| | | |
| | | |

amounts same as 2012 less 820k moved to new Enterprise Security business case

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|--|
| 5006 | \$ 7,675,945 | \$ 7,835,572 | \$ 8,083,991 | \$ 7,559,940 | \$ 8,330,445 | \$ 39,485,893 | na |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 7,675,945 | \$ 7,835,572 | \$ 8,083,991 | \$ 7,559,940 | \$ 8,330,445 | \$ 39,485,893 | Additional Justifications: Technology Expansion is being reduced in 2012 because the security specific items are being moved to an Enterprise Security business case. The CIRR for this business case is an approximation because the items in this business case are so interconnected with other department's initiatives it is very difficult to calculate. |

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|---|---|--|------------------|---|--|
| Internal Labor Availability: | <input checked="" type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

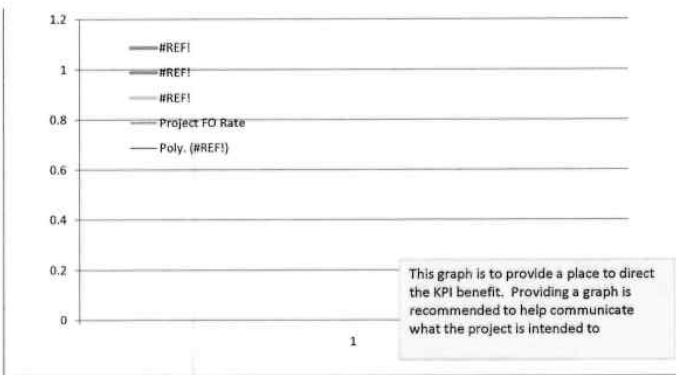
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

| | |
|-------------------------------------|----------------------------------|
| Key Performance Indicator(s) | |
| Expected Performance Improvements | |
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

Prepared signature



Capital Program Business Case



Reviewed signature Director/Manager

Other Party Review signature Director/Manager
(if necessary)

Please see attachment for descriptions of the work completed under this program.

| To be completed by Capital Planning Group | | Review Cycles | |
|---|--|---------------|----------|
| Rationale for decision | | 2012-2016 | |
| | | Date | Template |
| | | | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: RTCCS Refresh

ER No: ER Name:

5119 Moducom Repl(RTCCS)

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$22¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | -3 | | | | | | | -6 | 3 | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

Replace the current Moducom Radio Telecom Command and Control System (RTCCS) with a newer system which is also compatible with the radio equipment that will be used in conjunction with the Next Generation Radio Project. These are currently in use Distribution Dispatch; SO; Generation Control Center; Noxon and Cabinet Gorge Clarkfork HED; Credit Dispatch; Wholesale Marketing.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



| | | | |
|-------------------------|--|---|--|
| Investment Name: | Project Name | Assessments: | |
| Requested Amount | Estimated Total Capital Expenditure | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | no. years Year Project | Strategic: | Agile Technology Platforms |
| Dept., Area: | Department | Operational: | Operations improved beyond current levels |
| Owner: | Typically Director | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Typically Executive Officer | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 100 |
| Mandate/Reg. Reference: | n/a | Cost Summary - Increase/(Decrease) | |

| | | | | | |
|---|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Replace the current Moducum Radio Telecom Command and Control System (RTCCS) with a newer system which is also compatible with the radio equipment that will be used in conjunction with the Next Generation Radio Project. These are currently in use Distribution Dispatch; SO; Generation Control Center; Noxon and Cabinet Gorge Clarkfork HED; Credit Dispatch; Wholesale Marketing. | describe any incremental changes that this project would benefit present operations | \$ - | \$ - | \$ - | 6 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|---|--|---------------------|---------------------|--------------------|----------------------------|
| <i>Status Quo :</i> | Describe the current condition of the asset(s) and problems that need to be corrected | n/a | \$ - | \$ - | \$ - | 10 |
| <i>Alternative 1: Brief name of alternative (if applicable)</i> | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 6 |
| <i>Alternative 2: Brief name of alternative (if applicable)</i> | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| <i>Alternative 3 Name: Brief name of alternative (if applicable)</i> | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline **Construction Cash Flows (CWIP)**

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|---------------------|--------------------|---------------------|
| Previous | \$ 1,165,244 | \$ - | \$ - | \$ 1,165,244 |
| 2012 | \$ 2,618,156 | \$ - | \$ - | \$ 2,618,156 |
| 2013 | \$ 21,600 | \$ - | \$ - | \$ 21,600 |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 3,805,000 | \$ - | \$ - | \$ 3,805,000 |

Rebaselined after completion of Design & Planning

| | | | |
|--|------------------------------|------------|------------------|
| Milestones (high level targets) | | | |
| January-11 | Project Started | January-13 | Project Complete |
| December-11 | Year End | | |
| March-12 | Design & Planning Complete | | |
| December-12 | Execution Complete | | |
| January-13 | Warrenty & Closeout Complete | | |
| January-13 | Project Complete | | |

| | | | | | | | |
|--|------|--|--|--|--|--|--|
| Associated Ers (list all applicable): | 5119 | | | | | | |
|--|------|--|--|--|--|--|--|

| | |
|---|----|
| Mandate Excerpt (if applicable): | na |
|---|----|

| | |
|-----------------------------------|--|
| Additional Justifications: | |
|-----------------------------------|--|

Capital Investment Business Case



Resources Requirements: *(request forms and approvals attached)*

| | | | | | | |
|------------------------------|--|---|---|------------------|--|---|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here

Fill in the name of the KPI here

This graph is to provide a place to direct the KPI benefit. Providing a graph is recommended to help communicate what the project is intended to

Prepared signature _____

Reviewed signature _____
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the project

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: High Voltage Protection for Substations

ER No: ER Name:

5142 High Voltage Protection Upgrade

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$2,131¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 1,457 | | | | | | | | | 904 | 28 | 525 | |
| 2014 | 2,014 | | | 144 | 136 | 178 | 154 | 138 | 161 | 304 | 166 | 154 | 478 |
| 2015 | 320 | | | 80 | | | 80 | | | 80 | | | 80 |
| 2016 | 320 | | | | | | | | | | | | 320 |

Business Case Description:

High Voltage Protection to personnel and telecommunication equipment by fiber integration, demark relocation, & equipment remediation at suburban and rural substations.

Offsets:

The O&M Offsets adjustment includes offsets 2013 and 2014 of \$9,650 (\$6,273 Washington) and \$15,900 (\$10,336 Washington) respectively. After further discussion it was determined that these savings will be distributed to other expenses and the initial savings will be negated. These additional savings should not have been included in revenue requirements.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



| | | | | | |
|--|---|---|---|---|-----------------------|
| Investment Name: | High Voltage Protection for Substations_ Revise | | | | |
| Requested Amount | \$4,371,844 | Assessments: | | | |
| Duration/Timeframe | 6 Year Project | Financial: | Medium - >= 5% & <9% CIRR | | |
| Dept., Area: | Enterprise Technology | Strategic: | Reliability & Capacity | | |
| Owner: | Jacob Reid/Jim Corder | Operational: | Operations require execution to perform at current levels | | |
| Sponsor: | Jim Kensok | Business Risk: | ERM Reduction >5 and <= 10 | | |
| Category: | Mandatory | Project/Program Risk: | High certainty around cost, schedule and resources | | |
| Mandate/Reg. Reference: | Yes | Assessment Score: | 128 | Cost Summary - Increase/(Decrease) | |
| Recommend Project Description: | | Performance | Capital Cost | O&M Cost | ERM Risk Score |
| High Voltage Protection to personnel and Telco equipment by fiber integration, demark relocation, & equipment remediation at suburban and rural substations. | | describe any incremental changes that this project would benefit present operations | \$ 3,820,309 | \$ (374,500) | 3 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Alternatives: | | Performance | Capital Cost | O&M Cost | ERM Risk Score |
| Status Quo : | Not repairing this situation has potential to increase the risk to Avista and/or telephone company personnel working near substations and the risk of damage to communications equipment caused by electrical faults. | n/a | \$ - | \$ - | 15 |
| Alternative 1: Brief name of alternative (if applicable) | High Voltage Protection to personnel and equipment by fiber integration, demark relocation, & equipment remediation at suburban and rural substations. | 16 substations integrated onto fiber network, reducing | \$ 3,820,309 | \$ (48,600) | 3 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|---------------------|------------------|---------------------|
| Previous | \$ 1,243,989 | \$ - | \$ - | \$ 1,243,989 |
| 2012 | \$ 1,041,320 | \$ (18,000) | \$ - | \$ 997,355 |
| 2013 | \$ 525,000 | \$ (37,300) | \$ 12,000 | \$ 690,500 |
| 2014 | \$ 530,000 | \$ (53,200) | \$ 12,000 | \$ 800,000 |
| 2015 | \$ 320,000 | \$ (53,200) | \$ 12,000 | \$ 320,000 |
| 2016 | \$ 160,000 | \$ (53,200) | \$ 12,000 | \$ 320,000 |
| 2017 | \$ - | \$ (53,200) | \$ 12,000 | \$ - |
| 2018 | \$ - | \$ (53,200) | \$ 12,000 | \$ - |
| Future | \$ - | \$ (53,200) | \$ 12,000 | \$ - |
| Total | \$ 3,820,309 | \$ (374,500) | \$ 84,000 | \$ 4,371,844 |

Rebaselined after completion of Design & Planning

Milestones (high level targets)

| | | | | | |
|-------------|---------------------|-------------|----------------------------------|-------------|------------------|
| October-11 | Major Procurement | January-13 | First fiber project close | December-14 | RLH Construction |
| December-11 | Previous Spend 2011 | February-13 | First remediation project close | December-15 | RLH Construction |
| October-12 | Major Procurement | March-13 | Second remediation project close | December-16 | RLH Construction |
| December-12 | Previous Spend 2012 | April-13 | Future GridNet Sites engineering | | |
| | | July-13 | HVP Shop labor finishes | | |
| | | December-13 | Finalize GridNet Installation | | |

Associated Ers (list all applicable):

| | | | | | | | |
|------|--|--|--|--|--|--|--|
| 5119 | | | | | | | |
|------|--|--|--|--|--|--|--|

Mandate Excerpt (if applicable):

Under CenturyLink (FKA Qwest) tariff Number 1 section 13.7 requires that the customer provide high voltage protection for communication circuits in high voltage areas. Please notes below for additional information

Additional Justifications:

In order to balance the need for communications from devices at substation locations with safety of personnel and equipment, high voltage protection & isolation standards have arisen. Telco companies have the ability or desire to turn off communication circuits to substations until Avista works with them to electrically isolate the copper coming into the substation. This effects Phone, Modem, SCADA, and / or Metering & Monitoring systems at the substations. This set of projects was created to mitigate this tariff risk as well as the lower likelihood (but more expensive) risks to personnel and equipment.

Resources Requirements: (request forms and approvals attached)



Capital Investment Business Case

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

| Key Performance Indicator(s) | |
|-----------------------------------|----------------------------------|
| Expected Performance Improvements | |
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

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Reviewed signature 
 Director/Manager

Other Party Review signature
 (if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the project

Please see the follow link for CenturyLink (FKA Qwest) Tariff No. 1 that outlines the requirements for High Voltage Protection Circuits.
http://3A%2F%2Ftariffs.qwest.com%3A8000%2Fidc%2Fgroups%2Fpublic%2Fdocuments%2Ftariff%2Ffcc1_s013p021.pdf

This project was started in 2011 under ER5005 and is being moved out of ER5005 into its own Business Case.

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: Next Generation Radio Refresh

ER No: ER Name:

5106 Next Generation Radio System

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$6,887¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-------|-----|-----|-----|-------|
| 2013 | 1,999 | | | | | | | | | | | | 1,999 |
| 2014 | 7,235 | | | | | | | | 4,458 | | | | 2,777 |
| 2015 | 27 | 15 | 10 | 2 | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This project is refreshing Avista’s 20 year old Land Mobile Radio (“LMR”) system that is used for critical crew communications during outage restoration and daily operations of maintaining the electric and gas distribution and transmission systems. Avista continues to maintain a private LMR system because the offerings available from public providers cannot provide communication throughout our rural service territory and as a portion of our nation’s critical infrastructure it is imperative that Avista have a communication system that will operate in the event of a disaster to help safeguard the general public.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

| | | | |
|---|--|--|---|
| Investment Name: | Next Generation Radio Refresh | | |
| Requested Amount | \$ | 22,476,931 | Assessments: |
| Duration/Timeframe | 5 Year Project | | Financial: Medium - >= 5% & <9% CIRR |
| Dept., Area: | Enterprise Technology | | Strategic: Agile Technology Platforms |
| Owner: | Jacob Reidt/Jim Corder | | Operational: Operations require execution to perform at current levels |
| Sponsor: | Jim Kensok | | Business Risk: ERM Reduction >5 and <= 10 |
| Category: | Mandatory | | Project/Program Risk: High certainty around cost, schedule and resources |
| Mandate/Reg. Reference: | FCC Narrow Banding Mandate (See below) | | Assessment Score: 128 |
| Recommend Project Description: | | | |
| This project is refreshing Avista's 20 year old Land Mobile Radio (LMR) system that is used for critical crew communications during outage restoration and daily operations of maintaining the electric and gas distribution and transmission systems. Avista continues to maintain a private Land Mobile Radio system because the offerings available from public providers cannot provide communication throughout our rural service territory and as a portion of our nation's critical infrastructure it is imperative that Avista have a communication system that will operate in the event of a disaster to help safeguard the general public. | | Performance | ERM Risk Score |
| | | The current radio system will not meet the required mandate and due for refresh. | 0 |
| Cost Summary - Increase/(Decrease) | | | |
| | | Capital Cost | O&M Cost |
| | | \$ - | \$ - |
| | | Other Costs | ERM Risk Score |
| | | \$ - | 0 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
|--|---|--|---------------------|---------------------|--------------------|-----------------------|
| Status Quo : | Describe the current condition of the asset(s) and problems that need to be corrected | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|---------------------|--------------------|----------------------|
| Actual | | | | |
| Forecast | | | | |
| Previous | \$ 11,327,464 | \$ - | \$ - | \$ 11,327,464 |
| 2012 | \$ 8,003,573 | \$ - | \$ - | \$ 4,262,000 |
| 2013 | \$ 2,997,260 | \$ - | \$ - | \$ 2,715,260 |
| 2014 | \$ 3,946,378 | \$ - | \$ - | \$ 4,145,207 |
| 2015 | \$ 27,000 | \$ - | \$ - | \$ 27,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 26,301,675 | \$ - | \$ - | \$ 22,476,931 |

Rebased after completion of Design & Planning

| Milestones (high level targets) | | | |
|--|-----------------|-------------|-----------------|
| February-08 | Project Started | December-15 | year end actual |
| December-11 | year end actual | | |
| December-12 | year end actual | | |
| December-13 | year end actual | | |
| December-14 | year end actual | | |

| | | | | | | | |
|--|------|--|--|--|--|--|--|
| Associated Ers (list all applicable): | 5106 | | | | | | |
| Mandate Excerpt (if applicable): | na | | | | | | |

| | |
|-----------------------------------|--|
| Additional Justifications: | |
|-----------------------------------|--|



Resources Requirements: *(request forms and approvals attached)*

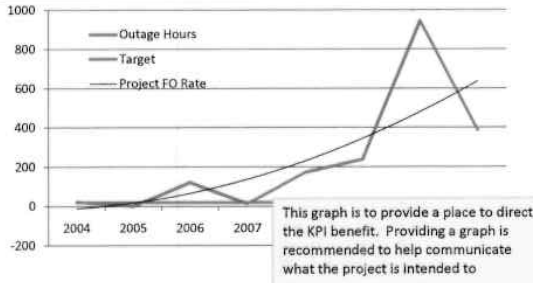
Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here
Fill in the name of the KPI here



Prepared signature *[Signature]*

Reviewed signature *[Signature]*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the project.

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | Date | Template |
| | 2012-2016 | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology
Business Case Name: GridGlo GFX Integration
ER No: 7129 **ER Name:** GridGlo GFX Integration

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$662¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | 240 | | | | | | | | | | | | 240 |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

Trove (formerly gridglow) will develop, deliver and integrate the Trove Fusion Exchange Platform (GFX Platform) with Avista’s Blue Cube framework. The GFX Platform embeds advanced analytical algorithms enabling utilities to derive business insights from the fusion of organic grid data with organic and external customer data within an open, multi-layered architecture. The GFX Platform provides Application-Program Interfaces (“API”) APIs to an embedded analytics layer, and Forecasting Application is in scope for this business cases.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|--------------------------------|-----------------------|--------------------------|--|
| Investment Name: | Trove GFX Integration | Assessments: | |
| Requested Amount | \$662,000 | Financial: | 22.00% |
| Duration/Timeframe | 1 Year Project | Strategic: | Agile Technology Platforms |
| Dept., Area: | Enterprise Technology | Business Risk: | Business Risk Reduction - None |
| Owner: | Mark Gustafson | Project Risk: | Moderate certainty around cost, schedule and resources |
| Sponsor: | Jim Kensok | | |
| Category: | Project | | |
| Mandate/Reg. Reference: | n/a | Assessment Score: | 78 |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Project Description: GridGlo changed their company name to Trove in 2013. Trove will develop, deliver and integrate the Trove Fusion Exchange Platform (GFX Platform) with Avista's Blue Cube framework. The GFX Platform embeds advanced analytical algorithms enabling utilities to derive business insights from the fusion of organic grid data with organic and external customer data within an open, multi-layered architecture. The GFX Platform provides Application-Program Interfaces ("API") APIs to an embedded analytics layer, an analytical workflow layer, and access to the Trove fusion layer of customer attributes. Note: The Load Forecasting Application is in scope for this business case and added as of 10/13. IRR score is at High case= 65.80%; Medium case =22.63%; Low case = 15.27% (negative) | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| | describe any incremental changes that this Project would benefit present operations | \$ 662,000 | \$ 67,100 | \$ - | 0 |

| | | | | | | |
|--|---|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | | | | | | |
| Unfunded Project: | Describe the current condition of the asset(s) and problems that need to be corrected | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| | | n/a | \$ - | \$ - | \$ - | 0 |
| Alternative 1: Brief name of alternative (if applicable) | Trove GFX Integration | describe any incremental changes in operations | \$ 662,000 | \$ 67,100 | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | |
|---------------------------|---------------------|---------------------|--------------------|-------------------|
| Program Cash Flows | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved |
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ 284,500 | \$ - | \$ - | \$ 284,500 |
| 2014 | \$ 377,500 | \$ 67,100 | \$ - | \$ 377,500 |
| 2015 | \$ - | \$ 114,600 | \$ - | \$ - |
| 2016 | \$ - | \$ 138,200 | \$ - | \$ - |
| 2017+ | \$ - | \$ 114,600 | \$ - | \$ - |
| Total | \$ 662,000 | \$ 434,500 | \$ - | \$ 662,000 |

| | | | |
|--|--|--|--|
| Associated Ers (list all applicable): | | | |
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|--------------|-------------|-------------|-------------|-------------|--------------|--------------|---|
| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

| | | | | | | |
|--|-----------------------|------------|------|------------|------|---|
| Milestones (high level targets) | | | | | | |
| August-13 | Business Requirements | January-00 | open | January-00 | open | Milestones should be general. Use your judgement on project progress so that progress can |
| December-13 | BlueCube Integration | January-00 | open | January-00 | open | |
| March-14 | GFX Final Delivery | January-00 | open | January-00 | open | |
| January-00 | open | January-00 | open | January-00 | open | |
| January-00 | open | January-00 | open | January-00 | open | |
| January-00 | open | January-00 | open | January-00 | open | |

| | | | | | | | | | |
|---|--|--|---|-------------------------|---|--|-----------------------|--|--|
| Resources Requirements: (request forms and approvals attached) | | | | | | | | | |
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input checked="" type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input checked="" type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



Capital Project Business Case

YES

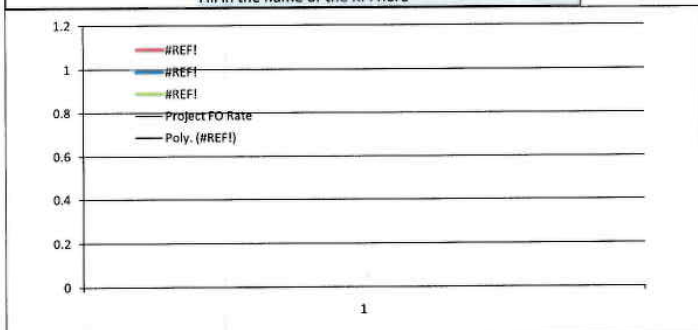
YES - attach form NO or Not Required

YES - attach form NO or Not Required

Key Performance Indicator(s)

Expected Performance Improvements

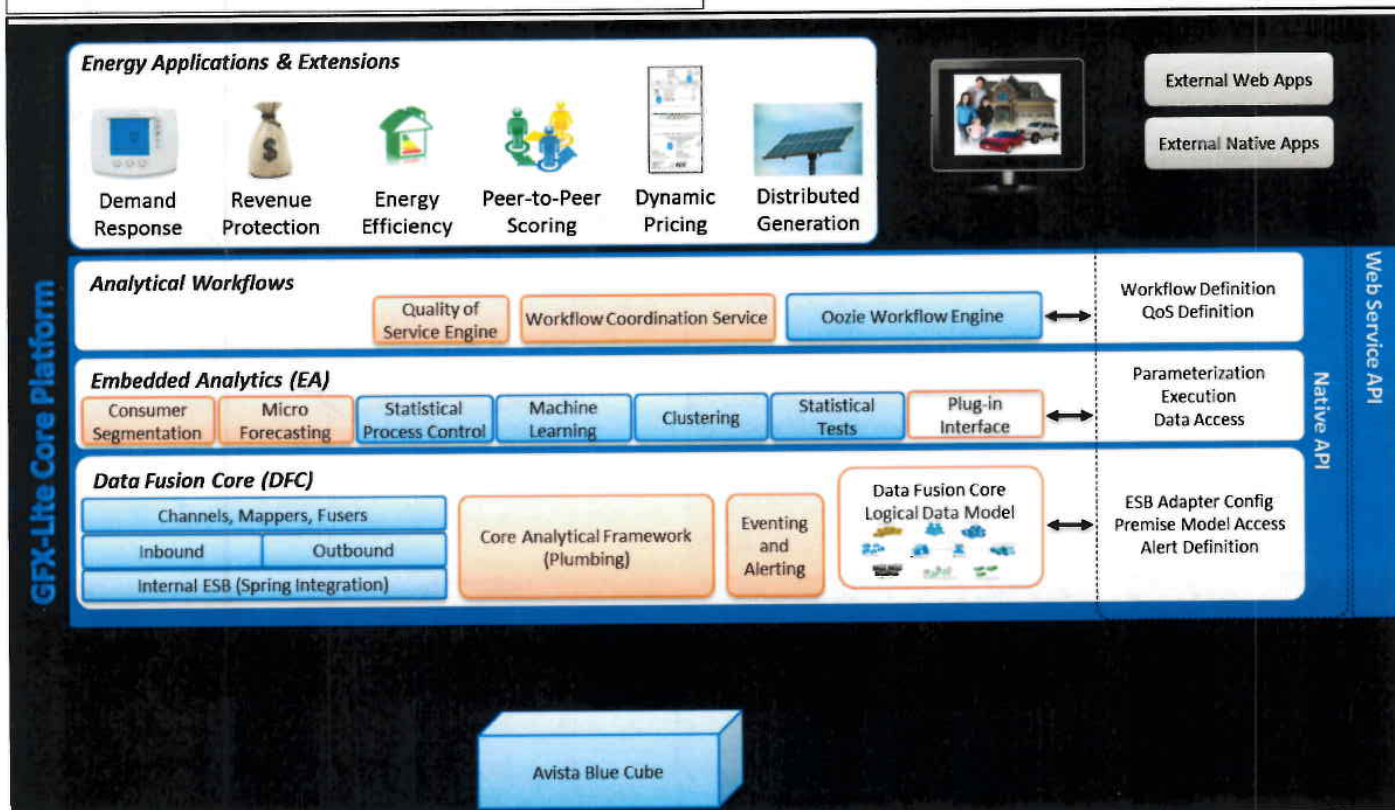
KPI Measure: Fill in the name of the KPI here
Fill in the name of the KPI here



Prepared signature *Andrea Pike*

Reviewed signature *Mark Wolff*
Director/Manager

Other Party Review signature *Jim Korsch*
(if necessary) Director/Manager



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
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| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: Asset Facilities Management (“AFM”) - Migration to a Commercial Off-The-Shelf (“COTS”) Application

ER No: 5147
ER Name: AFM COTS Migration

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$18,350¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-----|-----|-------|-----|-----|-------|-----|-----|-------|-----|-----|--------|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 8,350 | | | 2,088 | | | 2,088 | | | 2,088 | | | 2,088 |
| 2016 | 10,000 | | | | | | | | | | | | 10,000 |

Business Case Description:

The project is to migrate the existing AFM system to a COTS application, which aligns to our AFM Roadmap and strategic goals for the transition to more agile technology platforms. The project will include the replacement of the natural gas and electric Construction Design Tool, Edit, and the Company’s Outage Management Tool and associated applications. The selection of the COTS solution will occur after business requirements are gathered and an RFI/RFP process is completed. The O&M estimates are related to the RFI/RFP process, licensing and maintenance fees, and for certain components of the system that will go live during the course of the project.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Project Business Case



| | | | |
|--------------------------------|--------------------------------|--|--|
| Investment Name: | AFM COTS Migration | Assessments: | |
| Requested Amount | \$41,000,000 | Financial: | 8.00% |
| Duration/Timeframe | 4 Year Project | Strategic: | Agile Technology Platforms |
| Dept., Area: | Enterprise Technology | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Josh DiLuciano and John Gibson | Project Risk: | Moderate certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | Assessment Score: | 76 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Performance | Capital Cost |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| The project is to migrate AFM to a COTS application which aligns to our AFM Roadmap and strategic goals for Agile Technology Platforms. The project will include the replacement of Gas and Electric CDT, EDIT, and OMT/ADMS applications. The selection of the COTS solution will occur after business requirements are gathered and an RFI/RFP process is completed. The O&M estimates are related to the RFI/RFP process, licensing maintenance fees and when parts of the system go live during the course of the project. | describe any incremental changes that this Project would benefit present operations | \$ 41,000,000 | \$ 3,500,000 | \$ - | 12 |

| | | | | | |
|---|---|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Project: | Describe the current condition of the asset(s) and problems that need to be corrected | \$ - | \$ - | \$ - | 16 |
| Alternative 1: AFM COTS Migration TBD | Describe other options that were considered | | | \$ - | 12 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|---------------------|-------------|----------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 3,000,000 | \$ 500,000 | \$ - | \$ 1,750,000 |
| 2015 | \$ 10,000,000 | \$ 1,000,000 | \$ - | \$ 6,600,000 |
| 2016 | \$ 13,000,000 | \$ 1,000,000 | \$ - | \$ 10,000,000 |
| 2017 | \$ 15,000,000 | \$ 1,000,000 | \$ - | \$ 10,000,000 |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 41,000,000 | \$ 3,500,000 | \$ - | \$ 28,350,000 |

| Associated Ers (list all applicable): | | | |
|---------------------------------------|--|--|--|
| | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|---|
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

Milestones (high level targets)

- July-14 - June 15 Plan
- July 15 - June 16 Design & Construct
- July 16 - June 17 Deploy
- June 17 - December 17 Train

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability Enterprise Tech: YES - attach form NO or Not Required Capital Tools: YES - attach form NO or Not Required
Contract Labor: YES NO Facilities: YES - attach form NO or Not Required Fleet: YES - attach form NO or Not Required

Capital Project Business Case



Key Performance Indicator(s)

| | |
|-----------------------------------|----------------------------------|
| Expected Performance Improvements | |
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature 

Reviewed signature 
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

To be completed by Capital Planning Group

| | | |
|------------------------|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Enterprise Technology

Business Case Name: Financial Forecast Model

ER No: 5149
ER Name: Financial Forecast Model

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$500¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 500 | | | | | | | 500 | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

The vendor no longer supports the Impact Financial Forecasting application. As a result, the software needs to be replaced. The output from this software is used for all financial decision making that occurs in the organization and is considered a critical system. With a new system, operational work as it relates to financial planning and analysis could be improved. Improved usability of a new system could allow users to gain efficiencies in their work by allowing streamlined data uploads, downloads, and reporting. The O&M costs refer to software maintenance in 2016 and beyond.

After the company finalized the ProForma Cross Check study in this case, more information became available regarding this business case. This business case will now be included in the Technology Refresh business case. However, the estimated costs have not changed for this ER.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Colstrip Transmission Capital Additions

ER No: 2214
ER Name: Colstrip Transmission-PNACI Capital Additions

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,244¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 40 | | | | | | | 16 | 3 | 4 | 9 | 5 | 3 |
| 2014 | 369 | 7 | 12 | 9 | 21 | 97 | 52 | 16 | 24 | 50 | 21 | 16 | 44 |
| 2015 | 208 | 4 | 7 | 5 | 12 | 54 | 29 | 9 | 14 | 28 | 12 | 9 | 25 |
| 2016 | 215 | 4 | 7 | 6 | 12 | 56 | 30 | 9 | 14 | 29 | 12 | 9 | 25 |

Business Case Description:

This program is for capital replacement and upgrades and for O&M expenses for the jointly owned 500 kV Colstrip Transmission System. Program funding is used as transmission assets reach the end of their useful lives, requiring replacement or increased capacity. The program can also be used to accommodate necessary upgrades due to new interconnection requests on these facilities. Under the Colstrip Project Transmission Agreement (among Avista, Northwestern Energy, PacifiCorp, Portland General Electric and Puget Sound Energy), Avista is obligated to fund capital and O&M expenses commensurate with Avista's ownership share in these facilities. Such facilities include hardware, software, and operating system upgrades, as well as deployment of capabilities to meet new operating standards and requirements. Some system upgrades may be initiated by other requirements, including NERC reliability standards, growth, and third-party projects (e.g. transmission or generation interconnections under FERC regulations). Examples of upgrades to be completed under this program in the next 2 years are: 500 kV breaker replacement at Colstrip Substation, 500 kV communication replacement (OPGW Project) between Broadview and Colstrip to meet required dual communication paths under NERC standards, 500 kV relay upgrades at Broadview and 500 kV tower erosion mitigation.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|--------------------------------|----------------------------------|--|---|
| Investment Name: | Colstrip Transmission | Assessments: | |
| Requested Amount | \$410,220 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | 20 Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | Transmission | Operational: | Operations require execution to perform at current levels |
| Owner: | Jeff Schlect/Heather Rosentrater | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 102 |
| Mandate/Reg. Reference: | Program | Annual Cost Summary - Increase/(Decrease) | |

| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
|--|--|--------------|------------|-------------|----------------|
| For capital upgrades and replacement and for O&M expenses for the jointly owned 500 kV Colstrip Transmission System. Program funding is used as transmission assets reach end-of-life, requiring replacement or upgrade. Under the Colstrip Project Transmisison Agreement (among Avista, NorthWestern Energy, PacifiCorp, Portland General Electric and Puget Sound Energy), Avista is obligated to fund capital and O&M expenses commensurate with Avista's ownership share in these facilities. Such facilities include hardware, software, and operating system upgrades to meet new operating standards and requirements. Some upgrades may be initiated by NERC reliability standards, growth, and third-party projects (e.g. transmission or generation interconnections required by FERC policy). Examples of upgrades to be completed under this program in the next 2 years are: 500 kV breaker replacement at Colstrip Substation, 500 kV communication replacement (OPGW Project) between Broadview and Colstrip to meet required dual communication paths under NERC standards, 500 kV relay upgrades at Broadview and 500 kV tower erosion mitigation. | Improved performance, upgraded equipment, better status & control, new life cycle. | \$ 410,220 | \$ 399,838 | \$ - | 12 |

| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
|---|---|--------------|----------|-------------|----------------|
| Unfunded Program: Non-compliant operational capabilities and practices would result in negative audit findings, financial penalties, and litigation expenses due to breach of contract with other joint owners. Obsolete equipment would remain in service until failure. | Severe negative system reliability and compliance impacts | \$ - | \$ - | \$ - | 0 |
| Alternative 1: Brief name of alternative (if applicable) Describe other options that were considered | Performance remains at current levels; min. improve | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated ERs (list all applicable): | | | | |
|--------------------|---------------------|---------------------|-------------|---------------------|---------------------------------------|--|--|--|--|
| 5 years of costs | Capital Cost | O&M Cost | Other Costs | Approved | 2214 | | | | |
| 2012 | \$ 410,220 | \$ 399,838 | \$ - | \$ - | | | | | |
| 2013 | \$ 463,000 | \$ 387,000 | \$ - | \$ 452,000 | | | | | |
| 2014 | \$ 368,887 | \$ 392,853 | \$ - | \$ 368,887 | | | | | |
| 2015 | \$ 208,220 | \$ 339,985 | \$ - | \$ 208,220 | | | | | |
| 2016 | \$ 215,354 | \$ 316,572 | \$ - | \$ 215,354 | | | | | |
| 2017 | \$ 60,000 | \$ 324,888 | \$ - | \$ 60,000 | | | | | |
| 2018 | \$ 150,000 | \$ 330,000 | \$ - | \$ 150,000 | | | | | |
| Total | \$ 1,875,681 | \$ 2,491,136 | \$ - | \$ 1,454,461 | | | | | |

Mandate Excerpt (if applicable):
NERC reliability standards are being continually changed. New and changed standards are expected which will address emergency operations, transmission operations, critical infrastructure protection, communications, and balancing authority operations.
(See http://www.nerc.com/filez/standards/Reliability_Standards_Under_Development.html)

Additional Justifications:
This program is for capital replacement and upgrades and for operations and maintenance expenses for the jointly owned 500 kV Colstrip Transmission System. **Cuts to this program need to be closely evaluated to assure that reliable and compliant operations are not impacted and that Avista would not be in breach of contract with other joint transmission owners.**

Resources Requirements: (request forms and approvals attached)

| | | |
|--|--|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input type="checkbox"/> Medium Probability <input checked="" type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |



Capital Program Business Case

| | |
|-----------------------------------|---|
| Key Performance Indicator(s) | |
| Expected Performance Improvements | |
| KPI Measure: | Complete projects ahead of need and compliance targets. |

Prepared signature JASCHUNT
JEFF SCHLECT - SR MANAGER, TRANSMISSION SVCS

Reviewed signature Heaton
HEATON ROSENBLATER Director/Manager DIRECTOR - BNSO

Other Party Review signature _____
(if necessary) Director/Manager

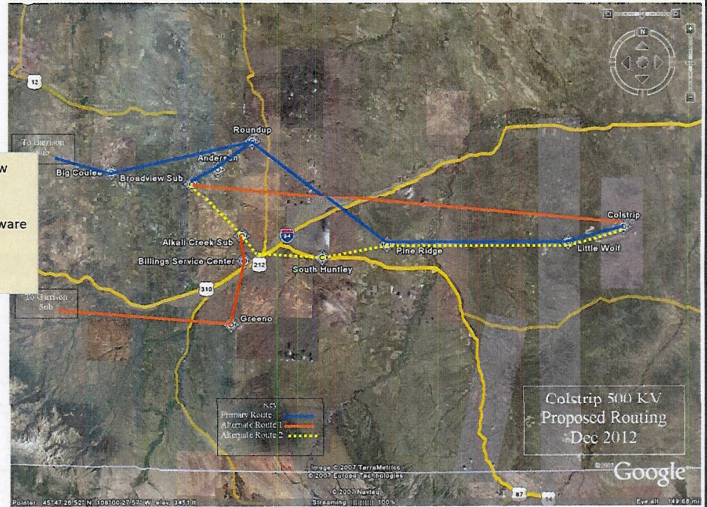


Colstrip Transmission – NWE 500kV maintenance crew was patrolling the 500kV lines to assess right-of-way access road damage that occurred in 2011 because of record high runoff. When flying over the area where the lines cross the Big Horn River, two towers were observed to be in danger of becoming undermined by the river. The attached picture shows about 150' of land left between the edge of the water and the base of the nearest tower. During the 1st week of June, 2011 there was 260' of land there. The river appears to be continuing to erode the bank.

The lines pictured are the A & B lines between Broadview and Colstrip. This is an issue of very high importance to NWE as the operator of the 500 kV Colstrip Transmission System. Maintenance work is schedule for 2012 to mitigate this erosion problem.

Broadview-Colstrip Communications - 500 kV communication replacement between Broadview Substation and Colstrip Substation now requires dual communication paths for reliability.

NWE has adopted a non-test policy on the SLYP/SLCN relay systems due to the age of the hardware and concern that any cycling of cards or hardware has too great a risk of failure. NERC testing standards are expected to be updated, but the OPGW replacement project is planned for completion prior to implementation of testing standards.



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
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| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Distribution Grid Modernization

ER No: ER Name:

2470 Dist Grid Modernization
2554 Feeder Automation Upgrades
2570 Sandpoint Grid Modernization Project

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$53,641¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|--------|
| 2013 | 6,630 | | | | | | | 537 | 262 | 195 | 229 | | 5,455 |
| 2014 | 9,450 | | | | | | | | | | | | 9,450 |
| 2015 | 13,500 | | | | | | | | | | | | 13,500 |
| 2016 | 21,000 | | | | | | | | | | | | 21,000 |

Business Case Description:

The Distribution Grid Modernization Program provides value to customers and shareholders by improving grid reliability, energy savings and operational ability through a systematic and managed upgrade of our aging distribution system. This program seeks cost effective opportunities to increase service quality performance and system availability through the identification of locations that would benefit from the addition of switched capacitor banks, regulators and smart grid devices. The long-term plan represented by the IRR of 6.4% aims to upgrade 6 feeders per year to cover the whole distribution system in a 60 year cycle. This coordinates well with Wood Pole Management's 20 year cycle such that every third planned maintenance trip to a feeder would be an upgrade, expanding Wood Pole Management's scope. The average cost to rebuild each feeder is estimated to be \$3.5M.

Offsets:

O&M offsets associated with this business case may occur in the future, however, they are not quantifiable at this time.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|--------------------------------|--|--|
| Investment Name: | Dist Grid Modernization | Assessments: | |
| Requested Amount | See Plan Below | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | Indefinite Year Program | Strategic: | Life Cycle Programs |
| Dept., Area: | Electrical Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Troy Dehnel | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 93 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| The Distribution Grid Modernization Program provides value to customers and shareholders by improving Grid Reliability, Energy Savings and Operational Ability through a systematic and managed upgrade of our aging distribution system. This program seeks cost effective opportunities to increase service quality performance and system availability through the identification of locations that would benefit from the addition of switched capacitor banks, regulators and smart grid devices. The long-term plan represented by the IRR of 6.4% aims to upgrade 6 feeders per year to cover the whole distribution system in a 60 year cycle. This coordinates well with Wood Pole Management's 20 year cycle such that every third planned | When completed save an average of 1,970 MWh* annually & Reduce Outages | \$ 9,000,000 | \$ - | \$ 60,000 | 4 |
| Annual Cost Summary - Increase/(Decrease) | | | | | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Program: | No systematic plan for wholistic address of conductors, reconfiguring services for better access, or adding devices that benefit the performance of the feeder. | \$ 120,000 | \$ - | \$ 600,000 | 25 |
| Alternative 1: Brief name of alternative (if applicable) | The Dist Grid Modernization Program provides benefits to customers, employees, and shareholders by replacing problematic poles, cross-arms, cut-outs, transformers, conductor, etc. In addition, adding switched capacitor banks and smart grid devices is of benefit due to increased energy efficiency | \$ 9,000,000 | \$ - | \$ 60,000 | 4 |
| Alternative 2: Brief name of alternative (if applicable) | | | | | |
| Alternative 3 Name: Brief name of alternative (if applicable) | | | | | |

| | | | | | | | | | |
|---------------------------|-----------------------|---------------------|--------------------|-----------------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 7 years of costs | | | | | Feeder Upgrad 2470 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | Feeder Autom 2570 | | | | |
| 2012 | \$ 9,000,000 | \$ - | \$ - | \$ 8,000,000 | | | | | |
| 2013 | \$ 6,941,084 | \$ - | \$ - | \$ 6,941,084 | | | | | |
| 2014 | \$ 9,700,000 | \$ - | \$ - | \$ 9,700,000 | | | | | |
| 2015 | \$ 16,000,000 | \$ - | \$ - | \$ 16,000,000 | | | | | |
| 2016 | \$ 21,000,000 | \$ - | \$ - | \$ 21,000,000 | | | | | |
| 2017 | \$ 21,000,000 | \$ - | \$ - | \$ 21,000,000 | | | | | |
| 2018 | \$ 21,000,000 | \$ - | \$ - | \$ 21,000,000 | | | | | |
| Total | \$ 104,641,084 | \$ - | \$ - | \$ 103,641,084 | | | | | |

Mandate Excerpt (if applicable):
The Avista Distribution System Efficiencies Program Study (Gibson, 2009) identified the existing distribution system losses to be approximately 12%. Assuming, all of the distribution feeders studied were economically viable to upgrade the system would experience a reduction of losses by 7%. The total energy savings corresponding to the implementation of the upgrades would correspond to an energy savings of approximately 29.2 MW on peak and 13.5 MW on average.

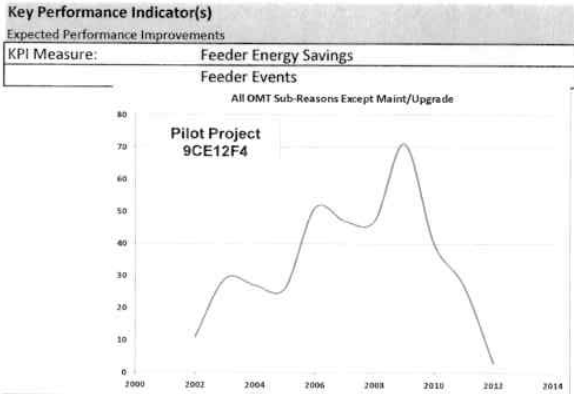
Additional Justifications:
*1,970 MWh Annual Energy savings based on the charter document: *The Avista Distribution System Efficiencies Program Study (Gibson, 2009)*.

Resources Requirements: (request forms and approvals attached)

| | | |
|--|--|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input type="checkbox"/> Medium Probability <input checked="" type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |



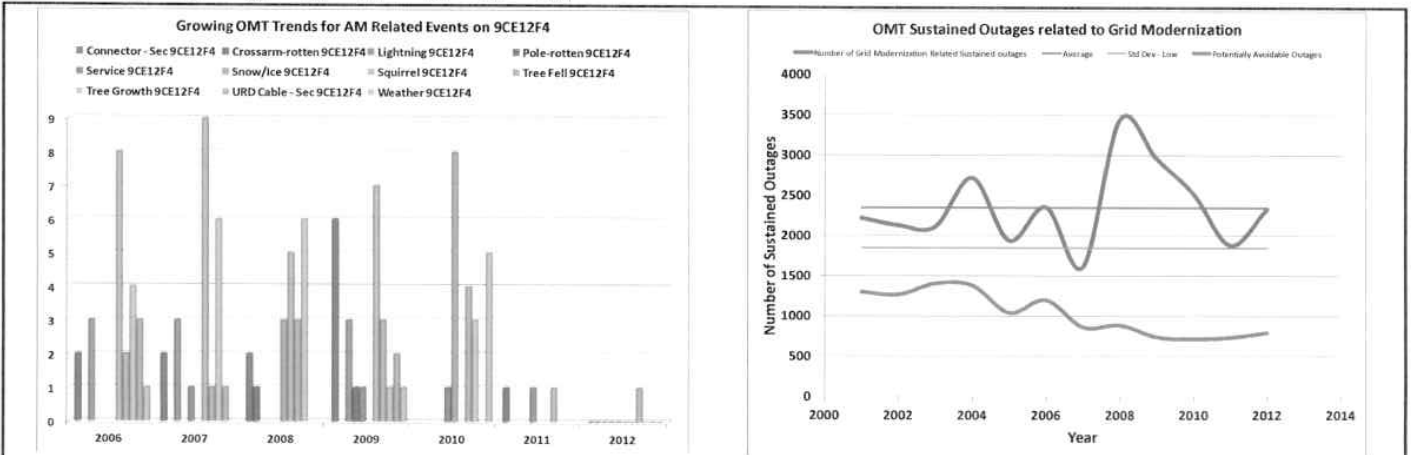
Capital Program Business Case



Prepared signature

Reviewed signature Director/Manager

Other Party Review signature Director/Manager
(if necessary)



| Year | Planned Miles for Modernization (Miles)* | Actual Miles Completed (Miles) | Anticipated Power Savings (kW)* | Realized Power Savings (kW) | Anticipated Number of Sustained Outages | Realized Number of Sustained Outages |
|------|--|--------------------------------|---------------------------------|-----------------------------|---|--------------------------------------|
| 2012 | 95 | 82 | 127 | 39.4 | 2340 | 2331 |

| Feeder | Area | Year Complete | Annual Energy Savings (MWh) |
|--------------|-------------------|---------------|-----------------------------|
| 9CE12F4 | Spokane, WA (9m) | 2009 | 601 |
| BEA12F1 | Spokane, WA | 2012 | 972 |
| F&C12F2 | Spokane, WA | 2012 | 570 |
| BEA12F5 | Spokane, WA | 2013 | 885 |
| WIL12F2 | Wilbur, WA | 2013 | 1,403 |
| CDA121 | Coeur d'Alene, ID | 2013 | 438 |
| Total | | | 4,869 |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Distribution Line Protection

ER No: 2276
ER Name: Distribution Line Protection

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$750¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 253 | | | | | | | | 2 | 2 | | | 250 |
| 2014 | 250 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| 2015 | 125 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |
| 2016 | 125 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |

Business Case Description:

Avista's Electric Distribution system is configured into a trunk and lateral system. Lateral circuits are protected via fuse-links and operate under fault conditions to isolate the lateral in order to minimize the number of affected customers in an outage. Engineering recommends treatment of the removal and replacement of Chance Cutouts, the removal and replacement of Durabute cutouts and the installation of cut-outs on un-fused lateral circuits. This is a targeted program to ensure adequate protection of lateral circuits and to replace known defective equipment.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|--------------------------------|-------------------------------------|--|---|
| Investment Name: | Distribution Line Protection | Assessments: | |
| Requested Amount | 875,000 5-years | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | On-going Year Program | Strategic: | Life Cycle Programs |
| Dept., Area: | Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Al Fisher | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 93 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|-----------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
| Avista's Electric Distribution system is configured into a trunk and lateral system. Lateral circuits are protected via fuse-links and operate under fault conditions to isolate the lateral minimize the number of affected customers. Engineering recommends treatment of the following: 1. Removal and replacement of Chance Cutouts 2. Removal and replacement of Durabute cutouts 3. Installation of cut-outs on unfused lateral circuits. This is a targeted program to ensure adequate protection of lateral circuits and to replace known defective equipment. | Investments necessary to maintain current operations and to extend the life of current assets. | \$ 250,000 | \$ 10,000 | | 8 |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|-----------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
| Unfunded Program: | n/a | \$ - | \$ - | \$ - | 15 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 8 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|---------------------|---------------------|--------------------|---------------------|--|-------------|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 5 years of costs | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | 2416 | System Wide | | | |
| 2013 | \$ 250,000 | \$ 5,000 | \$ - | \$ 250,000 | | | | | |
| 2014 | \$ 250,000 | \$ 10,000 | \$ - | \$ 250,000 | | | | | |
| 2015 | \$ 125,000 | \$ 10,000 | \$ - | \$ 125,000 | | | | | |
| 2016 | \$ 125,000 | \$ 10,000 | \$ - | \$ 125,000 | | | | | |
| 2017 | \$ 125,000 | \$ 5,000 | \$ - | \$ 125,000 | | | | | |
| 2018 | | | | \$ 125,000 | | | | | |
| Total | \$ 875,000 | \$ 40,000 | \$ - | \$ 1,000,000 | | | | | |

Mandate Excerpt (if applicable):

Additional Justifications:
This program was funded for a 2-year period in the 2009-2010 timeframe. This request allows for completion of the Chance cutout replacements but also includes the installation of devices on unfused laterals.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|---------------------------|
| Expected Performance Improvements | |
| KPI Measure: | # Cutout Replacement |
| | # New Cutout Installation |

Prepared signature *John M. Davis*

Reviewed signature *Alan E. Fisher*
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

This space is to be used for photographs, charts, C

Spokane, N & W

- Davenport 12F2 - Convert FDR to LG
- Rickson 751 - Reinf 2.5 mi
- S Okello 521 - Record
- Lang Lake - Cw On to LG (1.5FWS)
- 3HT 12F2 - Waste Water
- Mastie St Secondary Ckt - Record
- Millwood 12F4 - Record 0.5 mi
- Cubset 12F1 - Record 40 ACSR
- NE 12F2 - Tie to NE 12F4
- EE 12F2 - Tower MT
- Liberty Lk 12F2 - Henry Rd Tie
- NE 12F1 Record & Split FDR
- SCE 12F4 - Record 300
- Fort Wright 12F1 - Record 1 mi
- Deer Park 12F2 - Record 20 ACSR
- NE 12F2 - Tie to WAK 12F3
- Barker 12F2 - Tie to EFM 12F1
- East Farms 12F1 - Record 1.5 MI
- Fort Wright 12F4 - Record 500
- SCE 12F1 - Tie to BEA 12F6
- SCE 12F2 - Tie to Chester 12F2
- Silver Lk 12F1 - Record 2.1 mi
- Third & Hubbs 12F1 - Tie to 12F7
- CAW 12F4 - Tie to 3HT 12F7
- Chester 12F4 - Record 1.75 mi
- SCE 12F3/See 12F1 - Record 1 mi
- Sunset 12F1 - Record 1.5 mi
- SCE 12F1 - Tie to SCE 12F3 Bladwy 0.5 mi
- ML 12F1 Record 1/0 CU 0.8 mi
- CH 12F3 Record 20 CU 3 mi
- BKR 12F3 Record 30 ACSR 1 mi

- BKR 12F3 Record 1 mi
- ML 12F2 Record 0.5 mi
- Cokille 34F1 - Hwy 25N Record
- Giffert 34F1 - Replace Neutral
- Om 12F3 Record 2.4 mi
- Cokille 12F2 - Record 2 mi
- Cokille 12F2 - Record 4.7 mi Oakshot
- CHW12F2 - Record 0.25 mi - Avon
- CHW12F2 - Angel Pk Record 0.75mi
- Om 12F1 and Cok 12F2 Viper Midline
- GRN12F1 Tie to CLV12F2 4.5 mi
- GIF 34F1 - CHW 12F3 FDR Tie
- Om 12F2 - Record 1.2 mi
- GRV12F2 Record 4.1 MI Old Kettle Rd
- CLV12F4 Record 1.6 mi
- RET12F2 - Chg FDR Voltage to 13.2 KV
- CLV34F1 - Kelly Hill Rd
- CHW12F2 - Flaming Trail Record
- GIF34F1&2, CLV34F1 - 3 Midlines
- Cokille Area Switched Banks

CDA and E

- Sawpoint 4522 - Record 0.7 mi
- Old Town - Cw Tie Record
- Dallon 131 Record 1.5 mi
- Dallon 131 - Record 1.4 mi
- Alvendale 151 - Record 1.5 mi
- Dallon 131 - Recor 0.8 mi (Akersburg)
- Dallon 133 - Add 1 gn 3.1 miles
- RF 213 - Record 1.2 mi Robertson Pk
- Dallon 134 - Coldwater Ck Loop
- Pleasant View 241 - Ckt 1 mi
- Blue Ck 321 - Record 1.2 mi
- Dallon 131 - Extend 0.5 mi
- Pine Ck 424 - Record 1 mi
- Wallace 542 - Re-scale 1.5 mi to tie to
- Ogden 611 - Record 1.5 mi
- Rathdun 233 LG 1 mi (Hylo Ranch)
- Lucky Fr 562 - Add FDR
- CDA - Diprey mitigation
- Hastler 140 - Extend 3/4 0.5 mi
- Blue Ck 321 Record 3 mi
- Laneview 343 - Conv to tie to LG
- Wallace 544 Record for Star Mine

Palouse & L/C

- Hillbrook 1206 - Record 3700
- Ondino 1281
- 10th&Blount 1253 tie to 1256
- 10th&Blount 1253 - 1 mi record & reg
- S Lewiston 1358 Extend
- CPD 1210 - Record 86 CU
- Palouse 312 - Add Phase
- Moscow 515 tie to 512
- Ewer 241 Midline Regs

| To be completed by Capital Planning Group | | Review Cycles | |
|---|------|---------------|--|
| Rationale for decision | Date | 2012-2016 | |
| | | Template | |
| | | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Distribution Minor Rebuild

ER No: 2055
ER Name: Electric Distribution Minor Blanket

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$34,800¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-------|-----|-----|-----|
| 2013 | 4,792 | | | | | | | 611 | 988 | 1,319 | 570 | 683 | 611 |
| 2014 | 8,300 | 833 | 675 | 661 | 661 | 687 | 654 | 627 | 889 | 628 | 677 | 687 | 621 |
| 2015 | 8,300 | 833 | 674 | 661 | 661 | 687 | 654 | 627 | 890 | 628 | 677 | 687 | 621 |
| 2016 | 8,300 | 833 | 674 | 661 | 661 | 687 | 654 | 627 | 890 | 628 | 677 | 687 | 621 |

Business Case Description:

This program is for distribution minor rebuild as requested by the customer or initiated by Avista. Examples of construction work includes replacing meters, services, transformers, primary overhead or underground lines, or devices. This also includes addressing trouble related jobs (i.e. replacing burnt or damaged poles).

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | | | | |
|---|---|---------------------|--------------------------|--|--|---|
| Investment Name: | Distribution Minor Rebuild | | | | | |
| Requested Amount | \$ | 8,300,000 | Assessments: | | | |
| Duration/Timeframe | On-Going | Year Program | Financial: | Medium - >= 5% & <9% CIRR | | |
| Dept., Area: | Operations | | Strategic: | Reliability & Capacity | | |
| Owner: | Al Fisher | | Operational: | Operations somewhat impacted by execution | | |
| Sponsor: | Don Kopczynski | | Business Risk: | ERM Reduction >15 | | |
| Category: | Program | | Program Risk: | Moderate certainty around cost, schedule and resources | | |
| Mandate/Reg. Reference: | n/a | | Assessment Score: | 90 | Annual Cost Summary - Increase/(Decrease) | |
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| This program is for distribution minor rebuild as requested by the customer or initiated by Avista. Examples of construction work includes replacing meters, services, transformers, primary overhead or underground lines, or devices. This also includes addressing trouble related jobs (i.e. replacing burnt or damaged poles). | CIRR = 8% | \$ 8,300,000 | \$ - | \$ - | 4 | |
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| Status Quo : | n/a | | \$ - | \$ - | 20 | |
| Alternative 1: Brief name of alternative (if applicable) | This program is for distribution minor rebuild as requested by the customer or initiated by Avista. We have spent over \$9MM in the last two years, but hope to stay around \$8.5MM annually. | CIRR = 8% | \$ 8,300,000 | \$ - | \$ - | 4 |
| | | | \$ - | \$ - | 0 | |
| | | | \$ - | \$ - | 0 | |

| | | | | | | | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 5 years of costs | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | 2055 | | | | |
| 2012 | \$ 8,300,000 | \$ - | \$ - | \$ 8,300,000 | | | | | |
| 2013 | \$ 8,500,000 | \$ - | \$ - | \$ 9,900,000 | | | | | |
| 2014 | \$ 8,500,000 | \$ - | \$ - | \$ 8,300,000 | | | | | |
| 2015 | \$ 8,500,000 | \$ - | \$ - | \$ 8,300,000 | | | | | |
| 2016 | \$ 8,500,000 | \$ - | \$ - | \$ 8,300,000 | | | | | |
| 2017 | | | | \$ 8,300,000 | | | | | |
| 2018 | | | | \$ 8,300,000 | | | | | |
| Total | \$ 42,300,000 | \$ - | \$ - | \$ 59,700,000 | | | | | |

Mandate Excerpt (if applicable):

Additional Justifications:
This business case somewhat conversely trends with the Growth business case. If new revenue / hook-up significantly decreases, the funding for this business case may need to go up.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|--|---|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input checked="" type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

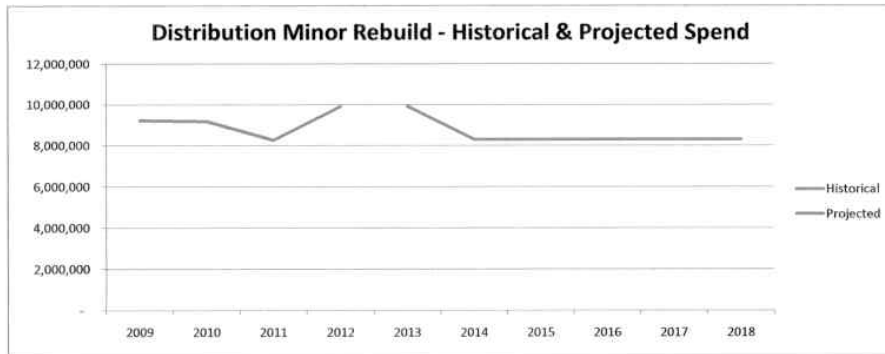
| Key Performance Indicator(s) | |
|-----------------------------------|----------------------------------|
| Expected Performance Improvements | |
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

Prepared signature Laura Wilcox

Reviewed signature Alan E Fisher
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program



Bring back to \$8.3M in capital plan due to resources will be working on other T&D programs in 2014+

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Distribution Transformer Change-Out Program ("TCOP")

ER No: 2535
ER Name: TCOP Related Distribution Rebuilds

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$20,924¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 813 | | | | | | | 90 | 121 | 106 | 109 | 193 | 193 |
| 2014 | 4,700 | 303 | 260 | 315 | 344 | 381 | 489 | 482 | 524 | 453 | 407 | 381 | 363 |
| 2015 | 6,900 | 386 | 345 | 445 | 498 | 557 | 756 | 749 | 765 | 697 | 606 | 556 | 539 |
| 2016 | 5,800 | 347 | 304 | 381 | 421 | 469 | 621 | 614 | 645 | 574 | 506 | 469 | 451 |

Business Case Description:

The Distribution Transformer Change-Out Program has three main drivers. First, the pre-1981 distribution transformers that are targeted for replacement average 42 years of age and are a minimum of 30 years old. Their replacement will increase the reliability and availability of the system. Secondly, the transformers to be replaced are inefficient compared to current standards. Thirdly, pre-1981 transformers have the potential to have PCB containing oil. The transformers to be removed early in the programs are those that are most likely to have PCB containing oil and their replacement will reduce the risk of PCB containing oil spills.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|--|--|---|
| Investment Name: | Distribution Transformer Change-Out Program | Assessments: | |
| Requested Amount | \$ 7,000,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 25 Year Program | Strategic: | Life Cycle Programs |
| Dept., Area: | Asset Management & Process Improvement | Operational: | Operations require execution to perform at current levels |
| Owner: | Glenn Madden (Manager) & Al Fisher (Dir) | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 89 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| The Distribution Transformer Change-Out Program has three main drivers. First, the pre-1981 distribution transformers that are targeted for replacement average 42 years of age and are a minimum of 30 years old. Their replacement will increase the reliability and availability of the system. Secondly, the transformers to be replaced are inefficient compared to current standards and their replacement will result in energy savings. Thirdly, pre-1981 transformers have the potential to have pcb containing oil. The transformers to be removed early in the program are those that are most likely to have pcb containing oil and their replacement will reduce the risk of pcb containing oil spills which are a safety, environmental, and a public relations concern. | When completed save an average of 5.6 MW per hour and eliminate PCB environmental risks | \$ 5,800,000 | \$ 105,000 | \$ - | 3 |
| Annual Cost Summary - Increase/(Decrease) | | | | | |

| | | | | | | |
|--|--|--|---------------------|--------------------|----------------------------|----|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| Unfunded Program: | No planned replacement program for distribution transformers. Substantially higher risk of a pcb containing oil spill occurring. | n/a | \$ 4,500,000 | \$ 200,000 | \$ 900,000 | 12 |
| Alternative 1: Transformer Change-Out Program | The Distribution Transformer Change-Out Program has three main drivers. First, the pre-1981 distribution transformers that are targeted for replacement average 42 years of age and are a minimum of 30 years old. Their replacement will increase the reliability and availability of the system. | When completed save an average of 5.6 MW per | \$ 5,800,000 | \$ 105,000 | \$ - | 3 |
| Alternative 2: | Distribution Engineering has proposed that any pole that the TCOP does work on needs to have the guy replaced with the new standard guy insulator (fiber cable). | | \$ 200,000 | \$ - | \$ - | 0 |
| Alternative 3 Name : | | | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

5 years of costs

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|-------------------|-------------|----------------------|
| 2012 | \$ 7,000,000 | \$ 100,000 | \$ - | \$ 6,000,000 |
| 2013 | \$ 7,200,000 | \$ 102,000 | \$ - | \$ 3,524,015 |
| 2014 | \$ 5,800,000 | \$ 105,000 | \$ - | \$ 4,700,000 |
| 2015 | \$ 5,800,000 | \$ 107,000 | \$ - | \$ 6,900,000 |
| 2016 | \$ 5,800,000 | \$ 110,000 | \$ - | \$ 5,800,000 |
| 2017 | | | | \$ - |
| 2018 | | | | \$ - |
| Total | \$ 31,600,000 | \$ 524,000 | \$ - | \$ 26,924,015 |

Associated Ers (list all applicable):

| | |
|------------|------|
| Current ER | 1003 |
| | 2060 |
| | 2535 |

Mandate Excerpt (if applicable):

Additional Justifications:

Resources Requirements: (request forms and approvals attached)

| | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |

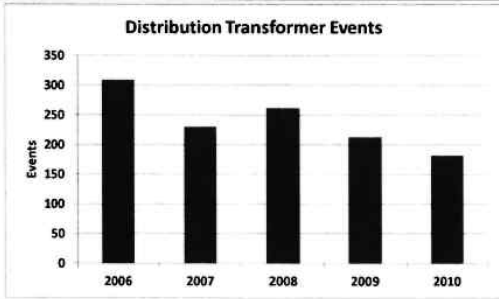


Capital Program Business Case

Key Performance Indicator(s)

Expected Performance Improvements

| | | |
|--------------|---|-------------------------------------|
| KPI Measure: | Distribution Transformer Events | Distribution Transformer Oil Spills |
| | Distribution Transformer Energy Savings | |



Prepared signature John J. Madd

Reviewed signature Alan E. Fisher
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

| | |
|------|-----|
| 2006 | 309 |
| 2007 | 230 |
| 2008 | 262 |
| 2009 | 213 |
| 2010 | 182 |

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles 2012-2016 | |
|------------------------|----------------------------|----------|
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution
Business Case Name: Distribution Wood Pole Management (“WPM”)
ER No: 2060 **ER Name:** Wood Pole Mgmt

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$38,310¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2013 | 4,436 | | | | | | | 607 | 615 | 434 | 485 | 1,169 | 1,124 |
| 2014 | 14,680 | 1,183 | 1,038 | 1,104 | 1,143 | 1,206 | 1,332 | 1,307 | 1,507 | 1,269 | 1,236 | 1,206 | 1,146 |
| 2015 | 15,873 | 1,215 | 1,071 | 1,167 | 1,222 | 1,300 | 1,487 | 1,463 | 1,647 | 1,409 | 1,345 | 1,300 | 1,240 |
| 2016 | 16,093 | 1,235 | 1,091 | 1,187 | 1,241 | 1,319 | 1,506 | 1,481 | 1,666 | 1,428 | 1,364 | 1,316 | 1,259 |

Business Case Description:

Distribution Wood Pole Management Program inspects all Electric Distribution Feeders on a 20 year cycle and repairs or replaces wood poles, cross arms, missing lightning arresters, missing grounds, bad cutouts, bad insulating pins, bad insulators, leaking transformers, replaces guy wires not meeting current code requirements on poles replaced by WPM, and replaces pre-1981 transformers.

Offsets:

The attached copy of the business case does not identify any O&M offsets. However, the company estimates the cost of an event associated with a bad wood pole based on crew response and labor is approximately \$600. The company has experienced a downward trend in wood pole related events. Based on this trend, the company projects a reduction of 144 events in 2015 (project 736 events) compared to 2013 (880 events). This is the same trend and prediction used for 2012 offset calculation. The company WA Offset is $\$86,400 \times 65.01\% = \$56,169$.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|--------------------------------|---|--------------------------|---|
| Investment Name: | Distribution Wood Pole Management | Assessments: | |
| Requested Amount | \$11,500,000 | Financial: | 7.42% |
| Duration/Timeframe | Indefinite Year Program | Strategic: | Life-cycle asset management |
| Dept., Area: | Asset Maintenance | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Glenn Madden (Manager) & Heather Rosentrater/A | Program Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | | |
| Category: | Program | | |
| Mandate/Reg. Reference: | NESC - See WPM Compliance Plan for details | Assessment Score: | 93 |

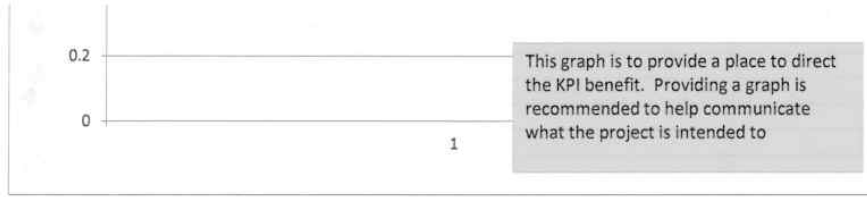
| | | | | | |
|--|--|--|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| Distribution Wood Pole Management Program inspects all Electric Distribution Feeders on a 20 year cycle and repairs or replaces wood poles, crossarms, missing lightning arresters, missing grounds, bad cutouts, bad insulating pins, bad insulators, leaking transformers, replaces guy wires not meeting current code requirements on poles replaced by WPM, and replaces pre-1981 transformers | Customer IRR = 7.42% and avoids an average of 1,700 additional events per year | Capital Cost | O&M Cost | Other Costs | 15 |
| | | \$ 11,172,022 | \$ 530,943 | \$ 5,996,350 | |

| | | | | | | |
|---|---|--|--|---------------------|--------------------|----------------------------|
| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| <i>Status Quo</i> : No Wood Pole Management | Run wood poles and associated equipment to failure | Increase OMT events by 1,700 events | Capital Cost | O&M Cost | Other Costs | 25 |
| | | | \$ 8,186,361 | | \$ 6,834,467 | |
| <i>Alternative 1: Distribution Wood Pole Management - 20 Year Inspection Cycle</i> | Distribution Wood Pole Management Program inspects all Electric Distribution Feeders on a 20 year cycle and repairs or replaces wood poles, crossarms, missing lightning arresters, missing grounds, bad cutouts, bad insulating pins, bad insulators, leaking transformers, and replaces pre-1981 | Customer IRR = 7.94% and avoids an average of 1,700 additional events per year | \$ 10,712,022 | \$ 530,943 | \$ 5,996,350 | 15 |
| <i>Alternative 2: Distribution Wood Pole Management - 20 Year Inspection Cycle with Guy Wire</i> | Distribution Wood Pole Management Program inspects all Electric Distribution Feeders on a 20 year cycle and repairs or replaces wood poles, crossarms, missing lightning arresters, missing grounds, bad cutouts, bad insulating pins, bad insulators, leaking transformers, replaces guy wires not | Customer IRR = 7.42% and avoids an average of 1,700 additional events per year | \$ 11,172,022 | \$ 530,943 | \$ 5,996,350 | 15 |
| <i>Alternative 3 Name</i> : Distribution Wood Pole Management - 10 Year Inspection Cycle with Guy | Distribution Wood Pole Management Program inspects all Electric Distribution Feeders on a 10 year cycle and repairs or replaces wood poles, crossarms, missing lightning arresters, missing grounds, bad cutouts, bad insulating pins, bad insulators, leaking transformers, replaces guy wires not | Customer IRR = 7.66% and avoids an average of 2,250 additional events per year | \$ 17,296,437 | \$ 961,699 | \$ 4,920,632 | 10 |

| | | | | |
|---------------------------|---------------------|---------------------|--------------------|-----------------|
| Program Cash Flows | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved |
| Previous | \$ 9,893,700 | \$ 507,337 | \$ - | \$ 9,486,300 |
| 2013 | | | | \$ 9,851,686 |
| 2014 | \$ 11,500,000 | \$ 519,006 | \$ - | \$ 9,486,300 |
| 2015 | \$ 11,500,000 | \$ 530,943 | \$ 4,540,023 | \$ 9,486,300 |
| 2016 | \$ 11,500,000 | \$ 543,155 | \$ 4,564,898 | \$ 9,486,300 |
| 2017 | \$ 15,000,000 | \$ 555,648 | \$ 4,574,638 | \$ 10,486,300 |
| 2018 | \$ 15,000,000 | \$ 570,094 | \$ 4,588,630 | \$ - |

| | | |
|--|--|--|
| Associated Ers (list all applicable): | | |
| 2060 | | |
| | | |
| | | |

Capital Program Business Case



| WPM Estimate for each years w/ Guy Wire Replacem = | | Total | Proposed WPM Capital Budget |
|--|----------------|-------------|-----------------------------|
| WPM 2014: | \$10,712,022 + | \$460,000 = | \$11,172,022 |
| WPM 2015: | \$10,673,453 + | \$460,000 = | \$11,133,453 |
| WPM 2016: | \$10,571,162 + | \$460,000 = | \$11,031,162 |
| WPM 2017: | \$10,608,892 + | \$460,000 = | \$11,068,892 |
| WPM 2018: | \$10,585,416 + | \$460,000 = | \$11,045,416 |
| | | | \$11,172,022 |
| | | | \$11,389,522 |
| | | | \$11,544,431 |
| | | | \$11,850,347 |
| | | | \$12,097,193 |

To be completed by Capital Planning Group
Rationale for decision

Review Cycles
2012-2016

Capital Program Business Case



| Date | Template |
|------|----------|
| | |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Electric Replacement/Relocation

ER No: ER Name:

2056 Distribution Line Relocations

2061 WSDOT Franchise Requirements Construction

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$9,900¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 1,279 | | | | | | | 244 | 215 | 141 | 254 | 222 | 203 |
| 2014 | 2,300 | 219 | 188 | 186 | 186 | 191 | 184 | 179 | 230 | 179 | 189 | 191 | 178 |
| 2015 | 2,400 | 229 | 197 | 194 | 194 | 199 | 192 | 187 | 240 | 187 | 197 | 199 | 186 |
| 2016 | 2,500 | 237 | 205 | 202 | 202 | 207 | 201 | 195 | 249 | 195 | 205 | 207 | 194 |

Business Case Description:

This annual program will replace sections of existing infrastructure that require replacement due to relocation or improvement of streets or highways. Requirements may come from our franchise agreements, permits, or WA DOT. Avista installs many of its facilities in public right-of-way under established franchise agreements. Avista is required under the franchise agreements, in most cases, to relocate its facilities when they are in conflict with road or highway improvements.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

| | | | |
|--------------------------------|--|--------------------------|---|
| Investment Name: | Elec Replacement and Relocation | Assessments: | |
| Requested Amount | \$ 2,700,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | On-Going 2012+ | Strategic: | Other |
| Dept., Area: | Gas and Electric Operations | Operational: | Operations require execution to perform at current levels |
| Owner: | Al Fisher | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Don Kopczynski | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 140 |
| Mandate/Reg. Reference: | Franchise Agreements and Permits | | |

| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|-------------|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This annual program will replace sections of existing infrastructure that require replacement due to relocation or improvement of streets or highways. Requirements may come from our franchise agreements, permits, or WA DOT. Avista installs many of its facilities in public right-of-way under established franchise agreements. Avista is required under the franchise agreements, in most cases, to relocate its facilities when they are in conflict with road or highway improvements. | | \$ 2,700,000 | \$ - | \$ - | 2 |

| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|---|--|---|----------|-------------|---------------------|
| Status Quo : | | | Capital Cost | O&M Cost | Other Costs | |
| | Avista would be out of compliance with established franchise agreements and/or permits if work is not completed. | n/a | \$ - | \$ - | \$ - | 16 |
| Alternative 1: | Relocate facilities in conflict with street and highway projects where established franchise agreements and/or permits exist. | n/a | \$ 2,700,000 | \$ - | \$ - | 2 |
| Alternative 2: | | | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|--------------------|----------------------|-------------|-------------|----------------------|---------------------------------------|--|--|--|--|
| 2012-2016 | | | | | Current ER | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | 2056 | | | | |
| Previous | | | \$ - | \$ - | 2061 | | | | |
| 2012 | \$ 2,400,000 | \$ - | \$ - | \$ 2,400,000 | | | | | |
| 2013 | \$ 2,700,000 | \$ - | \$ - | \$ 2,700,000 | | | | | |
| 2014 | \$ 2,300,000 | \$ - | \$ - | \$ 2,300,000 | | | | | |
| 2015 | \$ 2,400,000 | \$ - | \$ - | \$ 2,400,000 | | | | | |
| 2016 | \$ 2,500,000 | \$ - | \$ - | \$ 2,500,000 | | | | | |
| 2017 | \$ 2,600,000 | \$ - | \$ - | \$ 2,600,000 | | | | | |
| 2018 | \$ 2,700,000 | \$ - | \$ - | \$ 2,700,000 | | | | | |
| | | \$ - | \$ - | \$ - | | | | | |
| Total | \$ 17,600,000 | \$ - | \$ - | \$ 17,600,000 | | | | | |

Mandate Excerpt (if applicable):
Franchise agreements, typical state highway and R/R permits and WA Department of Transportation prescribe that the utility will relocate at their expense when in conflict with entity activities.

Additional Justifications:
Mandatory work to maintain compliance with existing franchise and operating permits with state highway districts and rail roads.

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure: N/A - Mandatory Work
Fill in the name of the KPI here



Capital Investment Business Case

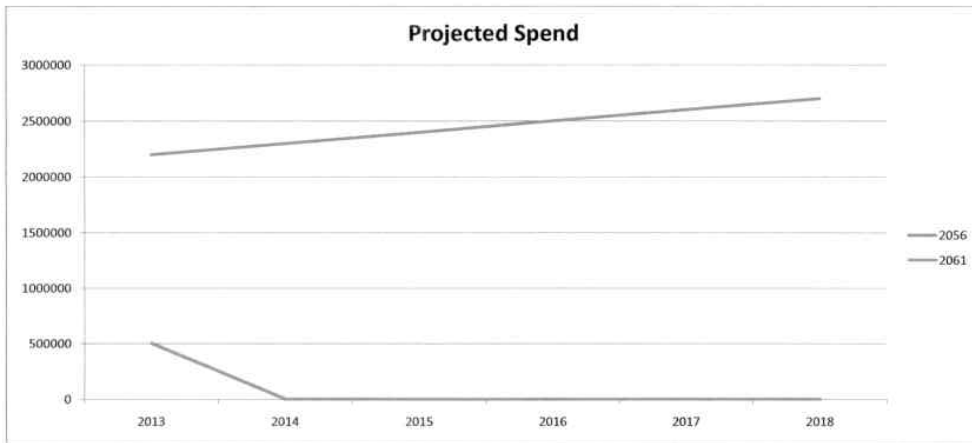
Prepared signature Laura Vickers

Reviewed signature Alan E Fisher
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

WSDOT Franchise work will be incorporated into ER2056 in years 2014 - 2018

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Environmental Compliance

ER No: ER Name:
6000 PCB Identification & Disposal
6101 Forest Service Requirements

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,150¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 213 | | | | | | | | | | | | 213 |
| 2014 | 250 | 4 | 4 | 44 | 7 | 8 | 50 | 12 | 11 | 49 | 9 | 8 | 46 |
| 2015 | 250 | 4 | 4 | 44 | 7 | 8 | 50 | 12 | 11 | 49 | 9 | 8 | 46 |
| 2016 | 250 | 4 | 4 | 44 | 7 | 8 | 50 | 12 | 11 | 49 | 9 | 8 | 46 |

Business Case Description:

Implementation of Forest Service Special Use Permits, waste oil disposal, including PCBs, and environmental compliance requirements related to storm water management, water quality protection, property cleanup and related issues, etc.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|---|---|--|---|
| Investment Name: | Environmental Compliance | Assessments: | |
| Requested Amount | \$250,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 30 Year Program | Strategic: | Other |
| Dept., Area: | Environmental | Operational: | Operations require execution to perform at current levels |
| Owner: | Darrell Soyars (Mgr.); Bruce Howard (Dir) | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Marian Durkin | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Mandatory | Assessment Score: | 182 |
| Mandate/Reg. Reference: | SUP; NEPA; PCB Disposal; EPA TSCA WA | | |
| Recommend Program Description: | | Annual Cost Summary - Increase/(Decrease) | |
| Implementation of Forest Service Special Use Permits (SUP) , Waste Oil Disposal, including PCBs , and Environmental Compliance requirements related to storm water managment, water quality protection, property cleanup and related issues, etc. | | Performance | Capital Cost |
| | | n/a | \$ 250,000 |
| | | | O&M Cost |
| | | | \$ - |
| | | | Other Costs |
| | | | \$ - |
| | | | Business Risk Score |
| | | | 6 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|---|--------------------|---------------------|---------------------|--------------------------|----------------------------|
| Alternative 1: Funded SUP implementation | Avista is required to perform various mitigation activities associated with our right-of-ways (ROW) across National Forest lands. These activities are performed under the framework of the Special Use Permits issue by United States Forest Service (USFS) for 30 years which requires mitigation project to protect. | n/a | \$ 100,000 | \$ - | \$ - | 20 |
| Alternative 2: Unfunded SUP implementation | If mitigation projects are not performed in accordance with the permit and annual workplans, this would represent a violation of the SUP, thus placing the activities associated with our ROW at risk. Potential for USFS enforcement/penalties, as well as NERC/WECC enforcement. | | \$ - | \$ - | from moderate to extreme | 6 |
| Alternative 1: Funded PCB Disposal | Proper disposal of Waste Oil and PCB equipment is required under Washington State and Environmental Protection Agency (EPA), Toxic Substance Control Act (TSCA) regulations. | | \$ 150,000 | \$ - | \$ - | 0 |
| Alternative 2: Unfunded PCB Disposal | If the PCB disposal is not funded, we would be subject to penalties/fines for non-compliance with state/federal laws, as well as subject to proper disposal via enforcement action or to cleanup liabilities, including recovery of treble damages by agencies. | | \$ - | \$ - | from moderate to extreme | 0 |
| Alternative 1: Funded Environmental Compliance | Funding of this program reduces risk of non-compliance and environmental liability | | \$ - | \$ - | \$ - | 15 |
| Alternative 2: Unfunded Environmental Compliance | If unfunded, Avista would run the risk of having facilities out of compliance an/or liability from contamination. Could experience fine or penalties | | \$ - | \$ - | from moderate to extreme | 2 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|---------------------------|-------------------|-------------|-------------|-------------------|--|------|------|------|--|
| 5 years of costs | | | | | Current ER | 6101 | 6000 | 6002 | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | \$ - | \$ - | \$ - | \$ - | | | | | |
| 2012 | \$ - | \$ - | \$ - | \$ 350,000 | | | | | |
| 2013 | \$ - | \$ - | \$ - | \$ 400,000 | | | | | |
| 2014 | \$ 250,000 | \$ - | \$ - | \$ 250,000 | | | | | |
| 2015 | \$ 250,000 | \$ - | \$ - | \$ 250,000 | | | | | |
| 2016 | \$ 250,000 | \$ - | \$ - | \$ 250,000 | | | | | |
| 2017 | \$ 250,000 | \$ - | \$ - | \$ 250,000 | | | | | |
| 2018 | \$ 250,000 | \$ - | \$ - | \$ 250,000 | | | | | |
| Total | \$ 750,000 | \$ - | \$ - | \$ 750,000 | | | | | |

Mandate Excerpt (if applicable):

Additional Justifications:
SUP: Vegetation management is a requirement of the North American Electric Reliability Corporation (NERC) and in place to prevent outages from vegetation located on the transmission ROW and to minimize outages from vegetation located outside the ROW. Unmanaged vegetation growing near power lines can cause damage to facilities, interrupt power supply and start wildfires. Other objectives are to provide a clear, safe work space and access to teh ROW for construction and maintenance work. Permit conditions allow us to conduct vegetation management. PCB: EPA Federal PCB Regulations (for disposal of PCB equipment): Toxic Substances Control Act and Washington Dangerous Waste Regulations (provides criteria for managing and disposal of PCB).

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability Enterprise Tech: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the

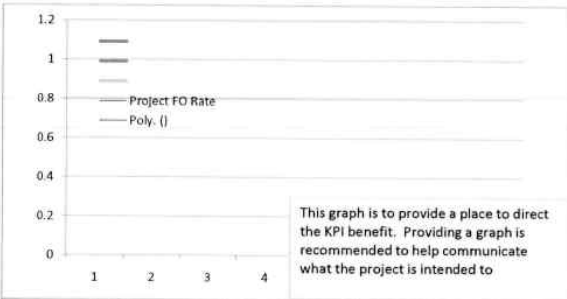


Capital Program Business Case

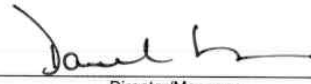
Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|--|
| KPI Measure: | annual meetings with the National Forest Service (NFS) |
| | Environmental Protection Agency |
| | WDOE |



Prepared signature 

Reviewed signature 
Director/Manager

Other Party Review signature (if necessary) _____
Director/Manager

Capital Budget Projections

| | 2014 | 2015 | 2016 | 2017 | 2018 | |
|------------|----------------|----------------|----------------|----------------|----------------|--|
| ER 6000 | 150,000 | 150,000 | 150,000 | 150,000 | 150,000 | PCB Waste Management |
| ER 6101 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | Permit Renewal/Implementation |
| ER 6002 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | Environmental Compliance Pullman Storm Water |
| E14 | 450,000 | 450,000 | 450,000 | 450,000 | 450,000 | |


Engineers Opinion
Cost Estimant...


Avista SR 270 Site
Storm Treat...

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Primary Underground Residential Distribution (“URD”) Cable Replacement

ER No: 2054
ER Name: Electric Underground Replacement

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$2,850¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 737 | | | | | | | 132 | 236 | 106 | 104 | 81 | 77 |
| 2014 | 1,000 | 39 | 30 | 29 | 91 | 134 | 186 | 185 | 138 | 81 | 30 | 30 | 27 |
| 2015 | 1,000 | 39 | 30 | 29 | 187 | 188 | 186 | 185 | 42 | 27 | 30 | 30 | 27 |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This effort involves replacing the first generation of Underground Residential District (URD) cable. This project has been ongoing for the past several years and focuses on replacing a vintage and type of cable that has reached its end of life and contributes significantly to URD cable failures.

Offsets:

The company estimates the cost of per underground cable outage based on crew response and labor is \$3,850. The company has experienced a downward trend in underground outages. Based on this trend, the company projects a reduction of 45 outages in 2015 (project 45 outages) compared to 2012 (72 actual outages). Therefore outage savings are anticipated to be \$103,950 total system or \$68,000 in WA.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



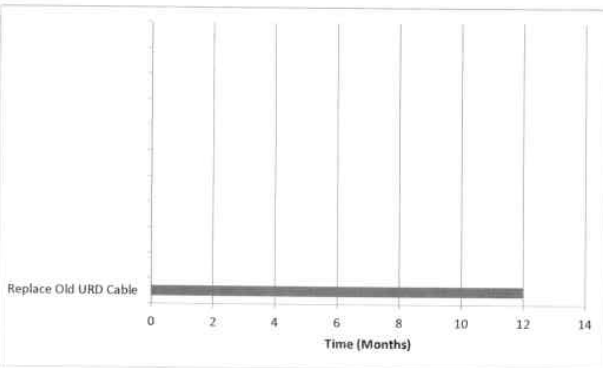
Capital Investment Business Case

| | | | |
|--------------------------------|---|------------------------------|--|
| Investment Name: | Primary URD Cable Replacement 2013 | Assessments: | |
| Requested Amount | \$1,800,000 | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | 2 Year Project | Strategic: | Life Cycle Programs |
| Dept., Area: | Asset Management & Process Improvement | Operational: | Operations improved beyond current levels |
| Owner: | Kevin Christie | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Jason Thackson | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 110 |
| Mandate/Reg. Reference: | n/a | | |

| Recommend Project Description: | Performance | Cost Summary - Increase/(Decrease) | | | ERM Risk Score |
|---|--|------------------------------------|----------|-------------|----------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Complete the replacement of the un-jacketed first generation of Primary URD cable | Customer IRR = 10% and avoids an average of 600 outages per year | \$ 1,800,000 | \$ - | \$ - | 4 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | ERM Risk Score |
|---|--|--|--------------|----------|--------------|----------------|
| Status Quo : | Number of Primary URD Cable faults would increase and the cost to repair the cable would also increase. Without this work and the past 4 years of work, the increased O&M costs would sum up to \$8.8 million over the next 5 years. | Increase number of Outage towards 700 | \$ - | \$ - | \$ 1,300,000 | 10 |
| Alternative 1: Primary URD Cable Replacement | Complete the replacement of the un-jacketed first generation of Primary URD cable | Customer IRR = 10% and avoids an average of 600 outages per year | \$ 1,800,000 | \$ - | \$ - | 4 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline



Construction Cash Flows (CWIP)

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|-------------|-------------|----------------------|
| Previous | \$ 19,852,679 | \$ - | \$ - | \$ 19,852,679 |
| 2012 | \$ 1,800,000 | \$ - | \$ - | \$ 1,982,000 |
| 2013 | \$ 1,000,000 | \$ - | \$ - | \$ 850,000 |
| 2014 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 |
| 2015 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 |
| 2016 | \$ 1,000,000 | \$ - | \$ - | \$ - |
| 2017 | \$ 1,000,000 | \$ - | \$ - | \$ - |
| 2018 | \$ 1,000,000 | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 27,652,679 | \$ - | \$ - | \$ 24,684,679 |

Milestones (high level targets)

| | | | | | |
|--------------|--------------------|-------------|------------------|----------|------|
| November-11 | Project Started | December-12 | Plant In Service | mm/dd/yy | open |
| March-12 | Project Plan | December-12 | Project Complete | mm/dd/yy | open |
| June-12 | Project Design | mm/dd/yy | open | mm/dd/yy | open |
| March-12 | Major Procurement | mm/dd/yy | open | | |
| September-12 | Construction Start | mm/dd/yy | open | | |

Milestones should be general. In some cases it may be as simple as project start, project complete. Use your judgement on project progress so that progress can be measured.

| | | | | | | | |
|--|------------|------|--|--|--|--|--|
| Associated Ers (list all applicable): | Current ER | 2054 | | | | | |
| Mandate Excerpt (if applicable): | | | | | | | |

Additional Justifications:

Resources Requirements: (request forms and approvals attached)



Capital Investment Business Case

Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: Primary URD Cable Events
Avoided Outage Benefits

| KPI Description | Projected URD Cable - Primary OMT Events | Actual URD Cable - Primary OMT Events |
|-----------------|--|---------------------------------------|
| 2009 | 143 | 136 |
| 2010 | 119 | 93 |
| 2011 | 94 | |
| 2012 | 70 | |
| 2013 | 45 | |
| 2014 | 45 | |
| 2015 | 45 | |

the KPI benefit. Providing a graph is recommended to help communicate what the project is intended to.

Prepared signature 

Reviewed signature  Director/Manager

Other Party Review signature  (if necessary) Director/Manager

| Metric Description | Projected Avoided Costs due URD Cable - Pri Caused Outages | Actual Avoided Costs due to URD Cable - Pri Outages |
|--------------------|--|---|
| 2009 | \$1,038,613 | \$1,056,113 |
| 2010 | \$1,228,275 | \$1,295,225 |
| 2011 | \$1,368,561 | |
| 2012 | \$1,516,159 | |
| 2013 | \$1,744,539 | |
| 2014 | \$1,898,311 | |
| 2015 | \$1,997,052 | |

arts, or other data that may be useful in evaluating the project

The 10% customer IRR comes from the 2010 5 Year Plan and Budget Summary document
The ERM values come from the value of avoided outages associate with the early vintage of cable

The average URD-Primary OMT outage affects an average of 33 customers for 3.5 hours
Customer-Hours for base case = 700 * 33 * 3.5 = 80,850
Customer-Hours for base case = 50 * 33 * 3.5 = 5,775

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | Date | Template |
| | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Transmission - Reconductors and Rebuilds

| ER No: | ER Name: |
|---------------|---|
| 2310 | West Plains Transmission Reinforce |
| 2423 | System Transmission: Rebuild Condition |
| 2457 | Benton-Othello 115 Recond |
| 2549 | Moscow City to North Lewiston 115kV Rebuild Project |
| 2550 | Burke-Thompson A&B 115kV Transmission Rebuild Project |
| 2556 | CDA-Pine Creek 115kV Transmission Line: Rebuild |
| 2557 | 9CE-Sunset 115kV Transmission Line: Rebuild |
| 2564 | Devils Gap-Lind 115kV Transmission Rebuild Project |
| 2574 | Chelan-Stratford 115kV - Rebuild Columbia River Xing |
| 2575 | Garden Springs-Silver Lake 115kV - Rebuild H&W-SLK |
| 2576 | Addy-Devils Gap 115kV - Rec/Rebuild 266 & 397 Cond |
| 2577 | Benewah-Moscow 230kV - Structure Replacement |
| 2582 | Beacon-Bell-Francis & Cdr-Waikiki 115kV - Reconfigure |

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$57,396¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 2013 | 4,271 | | | | | | | | 2 | | 1,718 | | 2,550 |
| 2014 | 11,797 | | | | | | | | | | | | 11,797 |
| 2015 | 21,388 | | | | | | | | | | | | 21,388 |
| 2016 | 24,637 | | | | | | | | | | | | 24,637 |

Business Case Description:

This program reconstructs and/or rebuilds existing transmission lines as they reach the end of their useful lives, require increased capacity, or present a risk management issue. Projects include: ER 2310 - West Plains Transmission Reinforcement, ER 2550 - Pine Creek-Burke-Thompson, ER 2557 9CE-Sunset Rebuild, ER 2423 - System Condition Rebuild, ER 2457 Benton-Othello Rebuild, ER2556 CDA-Pine Creek Rebuild, ER 2564 Devils Gap-Lind Major Rebuild, ER 2574 - Chelan-Stratford River Crossing Rebuild, ER 2576a Addy-Devils Gap Reconductor, ER 2575 Garden Springs-Silver Lake Rebuild, ER 2582 BEA-BEL-F&C-WAI Reconfiguration, ER 2577 BEN-M23 Rebuild, ER 25xa - Out-Year Transmission Rebuild.

Offsets:

After revenue requirements were finalized, it was determined that the savings included in the O&M adjustment should have included ERs for Burke-Pine Creek and Benton-Othello 115 based on reductions in line losses rather than Chelan-Stratford 115kV and Benton-Othello 115 based on estimated savings. The updated dollar amount of the O&M adjustment does not change due to this update. In addition, offsets were determined on the Bronx – Cabinet 115 kV rebuild/reconductor. The work involves several projects that have in service dates of November 2014 and November 2013. Therefore, we included two months worth of savings per project. For Burke-Thompson, the annual energy savings from reduced losses is 252 MWh in 2014 and 213MWh in 2015. Two months of which is 42MWh and 35.50MWh respectively. The MWh are multiplied by the avoided energy cost of \$44/MWh to arrive at \$1,848 (\$1,201 WA) and \$1,562 (\$1,015.46 WA) for 2014 and 2015. For Benton-Othello 115, the annual energy savings from reduced line losses is 962 MWh in 2014 and 1,388 MWh in 2015. Assuming two months of savings, the total loss savings are 160 MWh for 2014 and 231MWh for 2015. Assuming an avoided energy cost of \$44/MWh the 2014 savings is \$7,040 (\$4,577 WA) and \$10,164 (\$6,608 WA) for 2015. For Bronx – Cabinet, the annual energy savings from reduced line losses in 2014 is 572 annual or 95.34 MWh for two months. The associated offset is calculated by multiplying 95.34 by \$44/MWh to arrive at \$4,195 (\$2,727 WA) in 2014. In 2015, the MWh were 1,144 annually or 190.67 for two months. The associated savings were \$8,389 (\$5,454 WA). These additional savings should have been included in revenue requirements.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|-------------------------|------------------------------------|-------------------|--|
| Investment Name: | Trans - Recon & Reblids | Assessments: | |
| Requested Amount | \$17,000,000 | Financial: | 10.00% |
| Duration/Timeframe | 50 Year Program | Strategic: | Life-cycle asset management |
| Dept., Area: | T&D - TLD Engineering | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Heather Rostentrater | Program Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | Assessment Score: | |
| Category: | Program | | |
| Mandate/Reg. Reference: | n/a | | |

| Recommend Program Description: | #NAME? | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|--|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This program reconductors and/or rebuilds existing transmission lines as they reach the end of their useful lives, require increased capacity, or present a risk management issue. Projects include: ER 2310 - West Plains Transmission Reinforcement, ER 2550 - Pine Creek-Burke-Thompson, ER 2557 9CE-Sunset Rebuild, ER 2423 - System Condition Rebuild, ER 2457 Benton-Othello Rebuild, ER2556 CDA-Pine Creek Rebuild, ER 2564 Devils Gap-Lind Major Rebuild, ER 2574 - Chelan-Stratford River Crossing Rebuild, ER 2576a Addy-Devils Gap Rebuild, ER 2575 Garden Springs-Silver Lake Rebuild, ER 2582 BEA-BEL-F&C-WAI Reconfiguration, ER 2577 BEN-M23 Rebuild, ER 25xa - Out-Year Transmission Rebuild. | Performance Improved performance (reduced losses), upgraded facilities, greater clearance, new life cycle, and greater load capabilities. | \$ 17,000,000 | \$ - | \$ - | 1 |

| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|---|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Unfunded Program: Transmission lines that would be rebuilt and/or reconducted under this program have 1) high loss conductor, or 2) deteriorated wood structures, or 3) corroded or deteriorated materials, or 4) insufficient clearance, or 5) inadequate capacity. | Med-High probability of a line overload, line failure, or injury/fine within the next 1-10 yrs. | \$ - | \$ - | \$ - | 8 |
| Alternative 1: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|--------------------|---------------|----------|-------------|---------------|---------------------------------------|------|------|------|--|
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| Previous | \$ - | \$ - | \$ - | \$ - | 2310 | 2549 | 2550 | 2557 | |
| 2014 | \$ 11,446,742 | \$ - | \$ - | \$ 11,446,742 | 2423 | 2457 | 2556 | 2564 | |
| 2015 | \$ 21,412,946 | \$ - | \$ - | \$ 21,412,946 | 2574 | 25xa | 2576 | 2582 | |
| 2016 | \$ 24,536,134 | \$ - | \$ - | \$ 24,536,134 | 2577 | 2575 | | | |
| 2017 | \$ 18,102,393 | \$ - | \$ - | \$ 18,102,393 | | | | | |
| 2018 | \$ 6,500,000 | \$ - | \$ - | \$ 6,500,000 | | | | | |
| Total | \$ 81,998,215 | \$ - | \$ - | \$ 81,998,215 | | | | | |

| ER | 2014 | 2015 | 2016 | 2017 | 2018 | Total | Mandate Excerpt (if applicable): |
|-------|---------------|---------------|---------------|---------------|--------------|---------------|--|
| 2310 | \$ - | \$ 25,000 | \$ 1,000,000 | \$ - | \$ - | \$ 1,025,000 | provide brief citation of the law or regulation and a reference number if possible |
| 2549 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 2550 | \$ 3,700,000 | \$ 3,500,000 | \$ - | \$ - | \$ - | \$ 7,200,000 | |
| 2557 | \$ - | \$ 25,000 | \$ 900,000 | \$ - | \$ - | \$ 925,000 | |
| 2423 | \$ 2,500,000 | \$ 2,500,000 | \$ 2,500,000 | \$ 2,000,000 | \$ - | \$ 9,500,000 | |
| 2457 | \$ 2,500,000 | \$ 3,600,000 | \$ 3,500,000 | \$ - | \$ - | \$ 9,600,000 | |
| 2556 | \$ 25,000 | \$ - | \$ 4,500,000 | \$ 5,750,000 | \$ 2,500,000 | \$ 12,775,000 | |
| 2564 | \$ 2,346,742 | \$ 3,947,144 | \$ 4,050,558 | \$ - | \$ - | \$ 10,344,444 | |
| 2574 | \$ 350,000 | \$ - | \$ - | \$ - | \$ - | \$ 350,000 | |
| 25xa | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 2576 | \$ - | \$ - | \$ - | \$ 25,000 | \$ 2,000,000 | \$ 2,025,000 | Additional Justifications: Obligation to serve: Specific transmission lines require rebuild or reconductor for increased capacity due to load growth. Risk Management: Specific transmission lines require rebuild to reduce potential public injury risks. |
| 2582 | \$ - | \$ - | \$ 25,000 | \$ 2,000,000 | \$ - | \$ 2,025,000 | |
| 2577 | \$ 25,000 | \$ 7,815,802 | \$ 8,060,576 | \$ 8,302,393 | \$ - | \$ 24,203,771 | |
| 2575 | \$ - | \$ - | \$ - | \$ 25,000 | \$ 2,000,000 | \$ 2,025,000 | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 11,446,742 | \$ 21,412,946 | \$ 24,536,134 | \$ 18,102,393 | \$ 6,500,000 | \$ 81,998,215 | |

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO
 Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

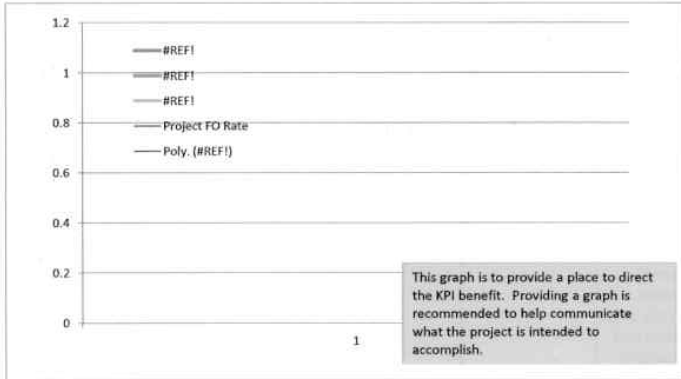
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
Expected Performance Improvements



Capital Program Business Case

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature *Kathleen* 11/22/2013

Reviewed signature *[Signature]*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | | Review Cycles | |
|---|-----------|---------------|--|
| Rationale for decision | 2012-2016 | | |
| | Date | Template | |
| | | | |
| | | | |
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| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Segment Reconductor and FDR Tie Program

ER No: ER Name:

2514 Distribution - Spokane North & West
2515 Distribution - CdA East & North
2516 Distribution - Pullman & Lewis Clark

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$14,115¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | 1,473 | | | | | | | | | 3 | 270 | 450 | 750 |
| 2014 | 2,653 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 2,520 |
| 2015 | 3,074 | 50 | 50 | 669 | 50 | 50 | 669 | 50 | 50 | 669 | 50 | 50 | 669 |
| 2016 | 2,702 | 50 | 50 | 575 | 50 | 50 | 575 | 50 | 50 | 575 | 50 | 50 | 575 |

Business Case Description:

Distribution planning has identified a number of thermal constraints on the system where "segment reconductor" work is warranted to mitigate thermally overloaded conductor. In addition, a number of urban feeder tie additions are required to meet the Company's 500 Amp feeder plan also known as the "feeder and one-half" plan. This work is planned and coordinated with assistance from the five (5) Area Engineers in Spokane, Big Bend, Colville, Coeur'd Alene, and Pullman. Annual spend varies from year-to-year but the operational premise is constant: mitigate thermally overloaded conductor, mitigate known or emerging voltage issues, and establish FDR tie points in compliance with the Company's 500A Feeder Plan.

Offsets:

O&M offsets associated with this business case may occur in the future, however, they are not quantifiable at this time.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|--|--------------------------|---|
| Investment Name: | Segment Reconductor and FDR Tie Pgm | Assessments: | |
| Requested Amount | 4,000,000 (variable, see below) | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | On-going Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Rosenrater/James | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | Moderate certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 84 |
| Mandate/Reg. Reference: | n/a | | |

| | | | | | |
|--|--|--|---------------------|--------------------|-----------------------|
| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | ERM Risk Score |
| Distribution planning has identified a number of thermal constraints on the system where "segment reconductor" work is warranted to mitigate thermally overloaded conductor. In addition, a number of urban feeder tie additions are required to meet the Company's 500 Amp feeder plan also known as the "feeder and one-half" plan. This work is planned and coordinated with assistance from the five (5) Area Engineers in Spokane, Big Bend, Colville, Coeur'd Alene, and Pullman. Annual spend varies from year to year but the operational premise is constant: mitigate thermally overloaded conductor, mitigate known or emerging voltage issues, and establish FDR tie points in compliance with the Company's 500A Feeder Plan. | Investments necessary to maintain current operations and to extend the life of current assets. | Capital Cost | O&M Cost | Other Costs | 4 |
| | | \$ 3,100,000 | | | |

| | | | | | |
|---|---|--|---------------------|--------------------|-----------------------|
| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | ERM Risk Score |
| Unfunded Program: | n/a | Capital Cost | O&M Cost | Other Costs | 25 |
| Unfunding segment reconductor and FDR tie program will result in thermally overloaded conductor segments and significantly compromise the electric distribution system. Loss of load service capacity would result. | | \$ - | \$ - | \$ - | |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 4 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|------------|--------------|------|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 5 years of costs | | | | | Current ER | 2514 | 2515 | 2516 | |
| | Capital Cost | O&M Cost | Other Costs | Approved | Spokane & West | CDA & East | South Region | | |
| 2012 | \$ 4,605,000 | | \$ - | \$ 3,605,000 | | | | | |
| 2013 | \$ 4,300,000 | | \$ - | \$ 3,285,229 | | | | | |
| 2014 | \$ 3,900,000 | | \$ - | \$ 3,455,000 | | | | | |
| 2015 | \$ 4,220,000 | | \$ - | \$ 3,875,000 | | | | | |
| 2016 | \$ 3,500,000 | | \$ - | \$ 3,500,000 | | | | | |
| 2017 | \$ 3,475,000 | | \$ - | \$ 3,475,000 | | | | | |
| 2018 | \$ 4,000,000 | | \$ - | \$ 4,000,000 | | | | | |
| Total | \$ 28,000,000 | \$ - | \$ - | \$ 25,195,229 | | | | | |

Mandate Excerpt (if applicable):

Additional Justifications:
This program is a foundational element of our overall effort to maintain the electric delivery system. While many of the asset management programs such as WPM, PCB transformers, Worst Feeders, URD Cable replacement, are targeted efforts to maintain or improve reliability, this program specifically identifies thermal, voltage, and FDR tie issues amongst 345 individual electric circuits. This program represents the collective effort of distribution planners and area engineers to manage our ability to serve customer load reliably, efficiently, and securely.

Resources Requirements: (request forms and approvals attached)

| | | |
|--|--|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input type="checkbox"/> Medium Probability <input checked="" type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required | |



Capital Program Business Case

Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|--------------------------------|
| KPI Measure: | Dx System Capacity Increase |
| | Dx System 500A Plan Compliance |

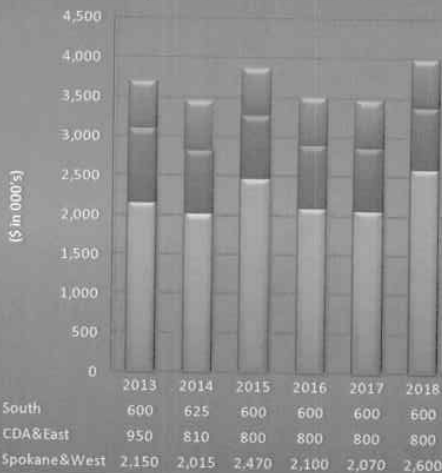


Prepared signature *[Signature]* 11-11-13

Reviewed signature *[Signature]* 11-11-13
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

Segment Reconductor CapEx
(2013-2018)



ROX 751 - Reconductor (see 2414) Mica Peak Cnv to URD Deer Lake Xing COB 12F2 Green Bluff Tie LOO 12F2 Deer Lk Narrows Xing COB 12F1 Recond Midway 1 MI DEE 12F2 Bear Lk-Antler Tie DEE 12F2 Recond to LOO 12F1 SOT 522/523 - Recond- 6A WAS781 - Interset Poles LL - Cnv OH to UG (USFWS) LIB 12F2 - Henry Rd Tie CHE 12F1-12F4 Tie on Bowdish U District FDR Tie Trent Ave DEE 12F2 - Recond 2/0 ACSR LIB 12F1-EFM 12F2 Rocky Hill Tie BKR 12F2 - Tie to EFM 12F1 3HT 12F7 Tie U District Loop BKR 12F2 Recond 2/0 CU on Mission EFM 12F1 - State Ln Bridge - Conv OH/UG 9CE 12F4 Recond 336 9CE 12F2 - Tie to Chester 12F2 SLK 12F1 - Recond 2.1 mi C&W 12F4 - Tie to 3HT 12F7 9CE 12F3 Thierman/Mission Rcd 1 mi BKR 12F1 - Liberty Lk 12F2 on Mission CHW12F2- Angel Pk Recond 0.75mi GRN12F1 Tie to CLV12F2 4.5 mi GIF 34F1 - CHW 12F3 FDR Tie CLV 34F1 - Kelly Hill Rbld CHW 12F2- Flowery Trail Recond GIF 34F1 Midline GRN 12F2 Recond 4.1 Mi Old Kettle Rd CHW 12F4 Recond near Ctrwd Road CLV 12F4 Recond 1.6 mi KET 12F2 - Chg FDR Voltage to 13.2 kv DVP 12F2 Recond 6 miles Hwy 2 SPG 761 - Recond Small CU LIN 711 - Convert to 25 kv - tie Rox751 LIB 12F3 Rcd W Side Lib Lk NW 12F3 tie INT 12F1 Strong Rd URD COB 12F2 Bernhill Rd Rcd 2 ACSR 3HT 12F1-12F5 Tie at Iron Bridge BKR 12F3 Recond 1 mi-Central Premix COB 12F1 - Split FDR BKR 12F3 & SIP 12F3 Recond 1mi 3HT 12F3 Recond 2/0 Switch #980 MIL 12F2 ti to 12F3 Northwoods URD SIP General Upg WAK 12F1-12F4 Tie MIL12F4 tie OPT12F2 Mirabeau URD BEA 12F6-9CE 12F1 Hav. Rcd 1/0 ACSR FWT 12F4 - C&W 12F5 River Xing INT 12F2 Recond 2 mile-Rutter Pkwy COB 12F2 Recond Bernhill to Greenbluff INT 12F2 - DEE 12F1 Improve Tie LIB 12F2 Cnv to OH/UG at Mica Pk SUN 12F4 - Reconductor 2/0 @ SIA SUN 12F2 - Replace Sw 475 w/ Recloser DEE 12F1 Midline (protection req.) SUN 12F4 replace midline 249R SIP 12F3 to BKR (Central Premix) LIB 12F1 - EFM 12F2 Rocky Hill Tie BKR 12F3 Recond 2/0 ACSR 1 mi CLV Area Switched Banks CHW 12F3- ARD 12F2 FDR Tie (5 mi UG) LF34F1- Midline CLV 34F1 Midline OSB 521 - Recond/Viper for Coeur Mine OLD - Dx Tie Recond DAL 131 Recond 1.5 mi DAL 131 - Recond 1.4 mi DAL 131 - Recon 0.8 mi (lakeshore) DAL 133 - Add 1-ph 3.1 miles PF 213 - Recond 1.2 mi Riverbend Pk HUE 142 - Extend 3ph 0.5 mi DAL 134- Coldwater Ck Loop BLU 321 Recond 3 mi (Silver Beach) LKV 343 - Conv 6 mi to UG PVW 241 - Ext 1 mi BLU 321- Recond 1.2 mi PIN 442- Recond 1 mi WAL 544-Recond for Star Mine OGA 611 - Recond 1.5 mi PIN 441 - Reconductor FDR Tie SAG 741 - Recond Lignite 9200 ft SPT 4521 - River Xing & Reloc at Sundowner OLD 721 - create UG loop for Ind Pk RAT 233 - Recond Hwy 41 to 2/0 ACSR PVW 243 - Cap Bank Riverbend Comm PF 213 - Recond McGuire Road BLU 321 - Rbld & UG near Tony's Rest CDA 125- Recond #6 Crapo Dalton & 17th CDA 124-Recond NIC Loop HOL 1206 - Recond 3700' SLW 1358 Extend ORO 1281 TEN 1253 - 1 mi recond & regs CFD 1210 - Recond #6 CU PAL 312 - Add Phase MOS 515 tie to 512 CFD 1211-ext 556 trunk 2miles DRY 1209-rebuild 5mi towards Silcott LOL 1359 - 2-3miles of lateral rblid PDL1201 tie to PDL 1208 PDL 1203 - 3ph loop, so portion TEN 1255 - recond. 75 mi at 5th & Cedar TEN 1257 - 1 mi lateral rblid ORO 1281 - 1 mi recond at sub WSU Steam plant - cable & conduit CFD 1211- Regs at 1.5 miles GRV 1273 - Regs at Orogrande and E City SWT 2403 - Cap bank at Lapwai WIK1279 - extend 2 ph Hwy 95 & Denver GRV 1272 tie to WIK 1278 so of hwy NLEW13 - addt river xing DRY 1208 tie to PDL 1202 - Fair & 13th SLW 1348 tie to SLW 1358 - 12th & 8th IFG Integration TEN 1256 - midline TEN 1257 tie to LOL 1266 ORO 1281-midline KOO 1299-midline JPE 1287-midline KAM-KOO tieline LEO 611-U/B with M115-N Lew Recond SPU Bishop Blvd URD Inc Cap.

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Downtown Spokane Electric Network

ER No: ER Name:
2058 Spokane Electric Network Increase Capacity
2237 Metro FDR Upgrade
2251 Post St-Improvement/Upgrades

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$9,200¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 1,413 | | | | | | | 115 | 177 | 189 | 549 | 192 | 192 |
| 2014 | 2,300 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 |
| 2015 | 2,300 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 | 191 |
| 2016 | 2,299 | 192 | 192 | 192 | 192 | 192 | 192 | 192 | 192 | 192 | 192 | 192 | 192 |

Business Case Description:

Avista owns and maintains an underground electric network that serves the core business district of downtown Spokane. The network is unique to Avista’s electric distribution and requires specialized material, equipment, tooling, and training to perform maintenance repair, planned replacement, and capacity growth projects. The scope of annual capital replacements and additions includes: 10,000 feet of secondary cable, 5,000 feet of primary cable, 15 manholes, and 5 vaults/vault roofs.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|-------------------------|------------------------------|--|---|
| Investment Name: | Spokane Elec. Network | Assessments: | |
| Requested Amount | \$2,300,000 annually | Financial: | MH - >= 9% & <12% CIRR |
| Duration/Timeframe | n/a Year Program | Strategic: | Life Cycle Programs |
| Dept., Area: | Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Rosenrater/James | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 97 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|--|--------------|------------|-------------|---------------------|
| Avista owns and maintains an underground electric network that serves the core business district of downtown Spokane. Topology in the Network is unique to Avista electric distribution and requires specialized material, equipment, tooling, and training to perform maintenance repair, planned replacement, and capacity growth projects. The scope of annual capital replacements and additions includes: 10,000 feet of secondary cable, 5,000 feet of primary cable, 15 manholes, and 5 vaults/vault roofs. Electric revenues associated with the Spokane Network are approximately \$15-20M. | Investments necessary to maintain current operations and to extend the life of current assets. | \$ 2,300,000 | \$ 315,000 | | 6 |

| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|--|--------------|----------|-------------|---------------------|
| Unfunded Program: Unfunding Network operations assumes zero PM activities and an eventual loss system functionality. | n/a | \$ - | \$ - | \$ - | 25 |
| Alternative 1: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 6 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | |
|--------------------|----------------------|---------------------|-------------|----------------------|---------------------------------------|------------|------------|--------------|
| 5 years of costs | | | | | Current ER | 2058 | 2237 | 2251 |
| | Capital Cost | O&M Cost | Other Costs | Approved | | CapX Repl. | Metro PILC | Post St PILC |
| 2012 | \$ 2,150,000 | \$ 315,000 | \$ - | \$ 2,150,000 | | | | |
| 2013 | \$ 2,300,000 | \$ 315,000 | \$ - | \$ 2,300,007 | | | | |
| 2014 | \$ 2,300,000 | \$ 315,000 | \$ - | \$ 2,300,000 | | | | |
| 2015 | \$ 2,300,000 | \$ 315,000 | \$ - | \$ 2,300,000 | | | | |
| 2016 | \$ 2,300,000 | \$ 315,000 | \$ - | \$ 2,300,000 | | | | |
| 2017 | \$ 2,300,000 | \$ 315,000 | \$ - | \$ 2,300,000 | | | | |
| 2018 | \$ 2,300,000 | \$ 315,000 | \$ - | \$ 2,300,000 | | | | |
| Total | \$ 15,950,000 | \$ 2,205,000 | \$ - | \$ 15,950,007 | | | | |

Mandate Excerpt (if applicable):
Various WUTC tariff schedules are associated with customer classifications in downtown Spokane. NESC/WAC govern public and worker safety.

Additional Justifications:
Service to the core business district in Spokane is afforded a much higher level of service reliability than other urban or rural areas. This reflects the importance of continuous service to hospitals, law enforcement, city government, banking, legal, commerce, and retail sectors of the local economy.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case


Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: Plan to Actual

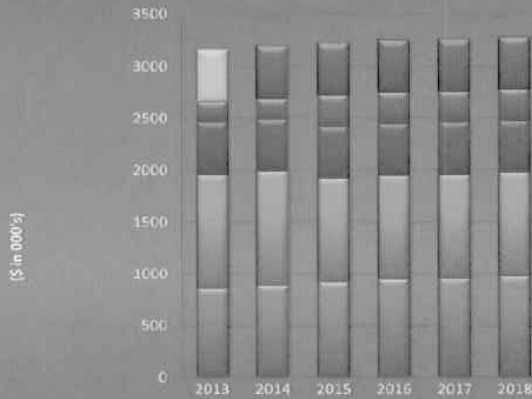


Prepared signature  11-11-13

Reviewed signature  11-11-13
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

Spokane Sec. Network
(2013-2018)



3 Work Plan Actual (conductor feet, equipment counts)

| | Scdry/Svc Cable | Primary Cable | XFMR | Vaults HH/MH | Lights |
|---------------|--------------------|------------------|----------|-----------------|----------|
| JAN | 0 | 0 | 1 | 0 | 0 |
| FEB | 1488 | 200 | 0 | 0 | 0 |
| MAR | 0 | 0 | 0 | 1 | 3 |
| APR | 0 | 1904 | 0 | 2 | 1 |
| MAY | 355 | 1315 | 4 | 5 | 0 |
| JUN | 80 | 1378 | 0 | 1 | 0 |
| JUL | 366 | 2626 | 1 | 0 | 2 |
| AUG | 0 | 2587 | 1 | 3 | 1 |
| SEP | 1614 | 138 | 2 | 0 | 0 |
| OCT | 0 | 0 | 0 | 3 | 0 |
| NOV | | | | | |
| DEC | | | | | |
| TOTALS | 3903 | 10148 | 9 | 15 | 7 |



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Storm Related Electric Transmission and Distribution Capital Project

ER No: ER Name:

2051 Electric Transmission Plant-Storm

2059 Failed Electric Dist Plant-Storm

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$13,600¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|-----|-----|
| 2013 | 2,984 | | | | | | | 216 | 330 | 776 | 1,019 | 315 | 329 |
| 2014 | 3,300 | 401 | 306 | 261 | 240 | 230 | 218 | 209 | 300 | 229 | 267 | 310 | 327 |
| 2015 | 3,400 | 412 | 314 | 269 | 249 | 238 | 226 | 216 | 311 | 236 | 275 | 319 | 335 |
| 2016 | 3,500 | 425 | 323 | 277 | 256 | 245 | 233 | 222 | 319 | 243 | 283 | 329 | 346 |

Business Case Description:

This program will replace cross arms, poles and structures as required due to storms, fires on distribution and transmission lines.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | | | | |
|--|--|--|---------------------|---------------------|--------------------|----------------------------|
| Investment Name: | Storms | | | | | |
| Requested Amount | \$ 3,300,000 | | | | | |
| Duration/Timeframe | On-Going Year Program | | | | | |
| Dept., Area: | Operations | | | | | |
| Owner: | Al Fisher | | | | | |
| Sponsor: | Don Kopczynski | | | | | |
| Category: | Program | | | | | |
| Mandate/Reg. Reference: | n/a | | | | | |
| Assessments: | | | | | | |
| Financial: | | Medium - >= 5% & <9% CIRR | | | | |
| Strategic: | | Reliability & Capacity | | | | |
| Operational: | | Operations require execution to perform at current levels | | | | |
| Business Risk: | | ERM Reduction >15 | | | | |
| Program Risk: | | Moderate certainty around cost, schedule and resources | | | | |
| Assessment Score: | | 98 | | | | |
| Recommend Program Description: | | | | | | |
| This program will replace crossarms, poles and structures as required due to storms, fires on distribution and transmission lines. | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| | | | \$ 3,300,000 | \$ - | \$ - | 4 |
| | | Annual Cost Summary - Increase/(Decrease) | | | | |
| | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Alternatives: | | n/a | | ?? | \$ - | 25 |
| Status Quo : | If we do not replace our failed infrastructure due to storms and fire, Avista will risk having an unreliable system, increased O&M costs to repair, and decreased customer satisfaction. | | | | | |
| Alternative 1: Brief name of alternative (if applicable) | This program will replace crossarms, poles and structures as required due to storms, fires on distribution and transmission lines. | | \$ 3,300,000 | \$ - | \$ - | 4 |
| Alternative 2: Brief name of alternative (if applicable) | | | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | | | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | |
|--------------------|----------------------|-------------|-------------|----------------------|---------------------------------------|------|--|--|
| 5 years of costs | | | | | Current ER | 2051 | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | 2059 | | |
| 2012 | \$ 3,300,000 | \$ - | \$ - | \$ 3,300,000 | | | | |
| 2013 | \$ 3,400,000 | \$ - | \$ - | \$ 3,400,000 | | | | |
| 2014 | \$ 3,300,000 | \$ - | \$ - | \$ 3,300,000 | | | | |
| 2015 | \$ 3,400,000 | \$ - | \$ - | \$ 3,400,000 | | | | |
| 2016 | \$ 3,500,000 | \$ - | \$ - | \$ 3,500,000 | | | | |
| 2017 | \$ 3,500,000 | | | \$ 3,500,000 | | | | |
| 2018 | \$ 3,500,000 | | | \$ 3,500,000 | | | | |
| Total | \$ 23,900,000 | \$ - | \$ - | \$ 23,900,000 | | | | |

Mandate Excerpt (if applicable):

Additional Justifications:

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|--|---|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input checked="" type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|----------------------------------|
| Expected Performance Improvements | |
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

Prepared signature *Laurellicks*

Reviewed signature *Alan E. Fisher*
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | | |
|---|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Substation - 115 kV Line Relay Upgrades

ER No: 2217
ER Name: Spokane-CDA 115 kV Line Relay Upgrades

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,150¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 350 | | | | | | | | | | | 350 | |
| 2014 | 950 | | | | 325 | | | 75 | | 250 | | 50 | 250 |
| 2015 | 900 | | | 125 | 125 | | 100 | 125 | 100 | | 125 | 125 | 75 |
| 2016 | 850 | | 150 | 125 | | | 125 | 200 | 125 | | | 125 | |

Business Case Description:

The 115 kV Transmission line relaying in the greater Spokane-Couer d'Alene area needs to be upgraded. Per System Protection's revised memo dated 10/25/07, the relaying and communications must be upgraded to eliminate false trips and mis-coordination of relays as well as the requirement to trip lines quickly enough to avoid system transient instability, which could lead to cascading outages. The first two years of the project completed the installation of fiber optic communications to all the required substations. Year Two marked the beginning of relay upgrades in the Spokane area, and the remainder of the project will complete the relay upgrades as planned.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



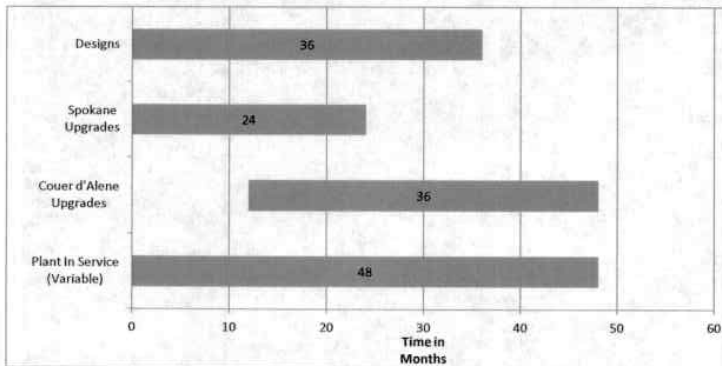
| | | | |
|--------------------------------|--|---|---|
| Investment Name: | Substation - 115 kV Line Relay Upgrades | Assessments: | |
| Requested Amount | \$7,274,676 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 7 Year Project | Strategic: | Reliability & Capacity |
| Dept., Area: | T&D - Substation Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Heather Rosentrater | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 79 |
| Mandate/Reg. Reference: | n/a | Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|---|---|---------------------|--------------------|----------------------------|
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| The 115 kV Transmission line relaying in the greater Spokane-Couer d'Alene area needs to be upgraded. Per System Protection's revised memo dated 10/25/07, the relaying and communications must be upgraded to eliminate false trips and mis-coordination of relays as well as the requirement to trip lines quickly enough to avoid system transient instability, which could lead to cascading outages. The first two years of the project completed the installation of fiberoptic communications to all the required substations. Year Two marked the beginning of relay upgrades in the Spokane area, and the remainder of the project will complete the relay upgrades as planned. | Improved comm., relay operation, & avoidance of potential large system outage problems. | \$ 7,274,676 | \$ - | \$ - | 1 |
| | | Cost Summary - Increase/(Decrease) | | | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo: | Under certain operating conditions and fault scenarios, our 115 kV system in the greater Spokane-Couer d'Alene area is susceptible to potentially large transmission outages. Existing protection schemes and equipment cannot operate quickly enough to prevent these scenarios from occurring. | \$ 100,000 | \$ 500,000 | \$ 500,000 | 6 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|---------------------|
| Previous | \$ 2,624,675 | \$ - | \$ - | \$ 2,624,675 |
| 2012 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 |
| 2013 | \$ 1,250,000 | \$ - | \$ - | \$ 400,001 |
| 2014 | \$ 1,250,000 | \$ - | \$ - | \$ 1,000,000 |
| 2015 | \$ 1,000,000 | \$ - | \$ - | \$ 1,000,000 |
| 2016 | \$ - | \$ - | \$ - | \$ 750,000 |
| 2017 | \$ - | \$ - | \$ - | \$ 500,000 |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 7,124,675 | \$ - | \$ - | \$ 7,274,676 |

Milestones (high level targets)

| | | | |
|-------------|---|-------------|--|
| January-09 | Start Communications Infrastructure - Spokane | January-13 | Start Couer d'Alene Area Relay Upgrades |
| January-10 | Start Communications Infrastructure - Couer d'Alene | December-16 | Complete Spokane Area Relay Upgrades |
| January-10 | Start Relay Upgrades - Spokane | December-17 | Complete Couer d'Alene Area Relay Upgrades |
| December-10 | Complete Communications Infrastructure | | |
| January-11 | Continue Spokane Area Relay Upgrades | | |

| | | | | | | | |
|--|------|--|--|--|--|--|--|
| Associated Ers (list all applicable): | 2217 | | | | | | |
|--|------|--|--|--|--|--|--|

| | |
|---|---|
| Mandate Excerpt (if applicable): | Obligation to serve: Maintain a reliable system that meets customer demand and reliability standards. |
|---|---|

| | |
|-----------------------------------|--|
| Additional Justifications: | This project is already in construction. Additional documentation is available upon request including System Protection Documentation, Proposed Schedules and Priorities, Internal Substation Memos, meeting notes, etc. |
|-----------------------------------|--|



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

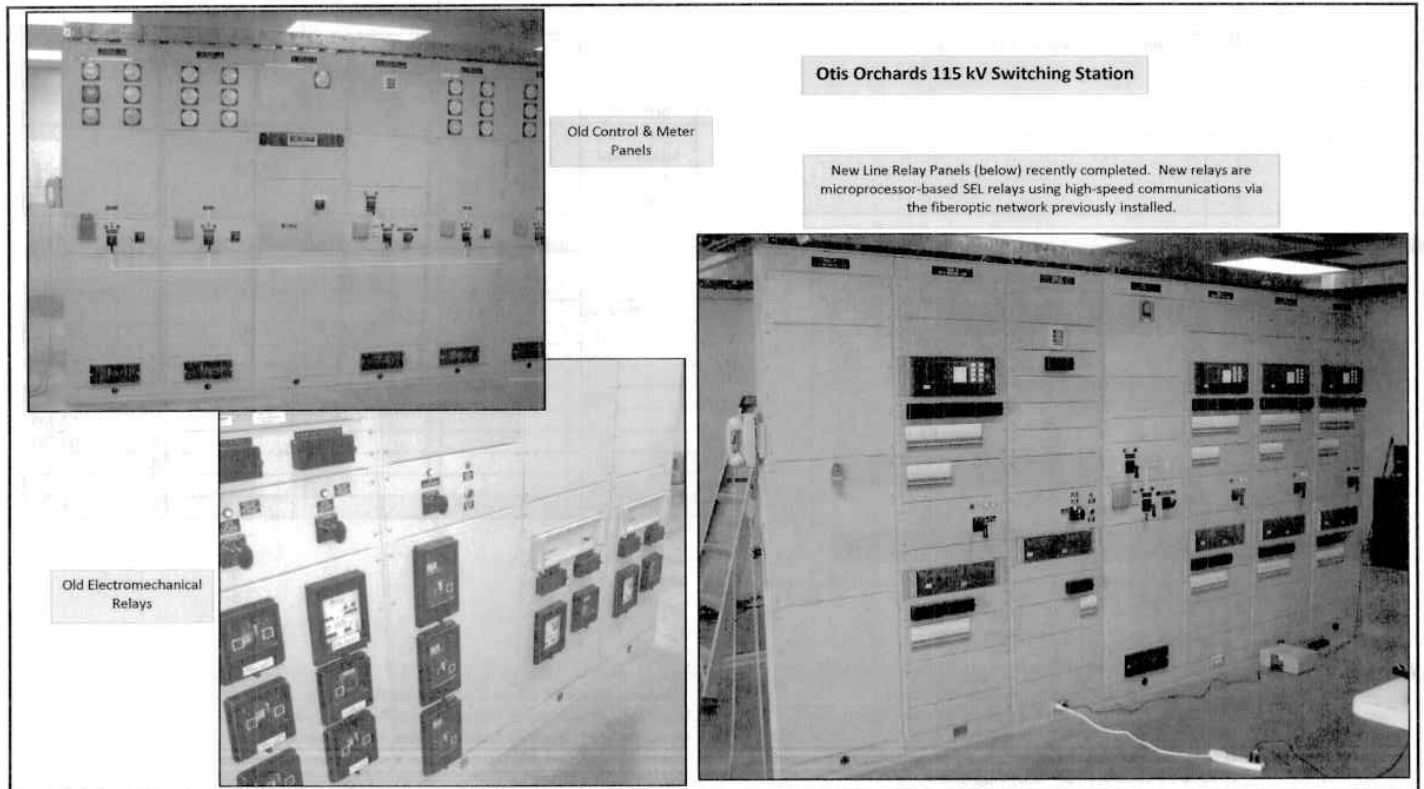
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

| Key Performance Indicator(s) | |
|-----------------------------------|--|
| Expected Performance Improvements | |
| KPI Measure: | Complete 3 Line Relay Upgrades per year. |

Prepared Michael A. Magruder
Mike Magruder, Manager - Substation Engineering

Reviewed Heather Rosentrater
Heather Rosentrater, Director - ENSO

Reviewed Andy Vickers
Andy Vickers, Director - GPSS



| To be completed by Capital Planning Group | | Review Cycles | |
|---|--|---------------|----------|
| Rationale for decision | | 2012-2016 | |
| | | Date | Template |
| | | | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Substation - Asset Mgmt. Capital Maintenance

| ER No: | ER Name: |
|---------------|---|
| 2210 | System-Working Space |
| 2215 | System - Replace High Voltage Breakers |
| 2252 | System - Replace/Install Relays |
| 2253 | System - Upgrade Meters |
| 2260 | System - Upgrade Surge Protection |
| 2275 | System - Rock/Fence Restore |
| 2278 | System-Replace Obsolete Reclosers |
| 2280 | System - Replace Obsolete Circuit Switchers |
| 2293 | SCADA - Install/Replace |
| 2294 | System - Batteries |
| 2336 | System - Replace Dist Power Xfmrs |
| 2343 | System - Replace/Install Substation Structures |
| 2397 | System - Install/Replace Borderline Metering |
| 2425 | System - High Voltage Fuse Upgrades |
| 2449 | System - Replace Substation Air Switches |
| 2481 | System-Replace/Install Capacitor Banks |
| 2492 | System-Install Autotransformer Diagnostic Monitor |
| 2493 | System-Replace/Upgrade Voltage Regulators |
| 2505 | System-Replace Current & Potential Devices |
| 2273 | Beacon ST YD-Oil Contain |

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$16,400¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 2013 | 1,786 | | | | | | | 36 | 672 | 518 | 58 | 415 | 88 |
| 2014 | 4,100 | 220 | 345 | 162 | 363 | 1,537 | 220 | 100 | 392 | 262 | 406 | 87 | |
| 2015 | 4,100 | 220 | 345 | 162 | 363 | 1,537 | 220 | 100 | 392 | 262 | 406 | 87 | |
| 2016 | 4,100 | 220 | 345 | 162 | 363 | 1,537 | 220 | 100 | 392 | 262 | 406 | 87 | |

Business Case Description:

This program installs, replaces, or upgrades substation apparatus via Asset Management planning or emergency replacements. All obsolete, end-of-life, or failed apparatus are covered under this program. Apparatus includes panel houses and associated equipment, high voltage breakers, relays, metering, surge arresters, rock and fence, low voltage breakers/reclosers, circuit switchers, SCADA systems, batteries and chargers, power transformers, high voltage fuses, air switches, capacitor banks, autotransformer diagnostic equipment, step voltage regulators, and instrument transformers.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--|--|--|---|
| Investment Name: | Substation - Asset Mgmt. Capital Maintenance | Assessments: | |
| Requested Amount | \$4,100,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 40 Year Program | Strategic: | Life Cycle Programs |
| Dept., Area: | T&D - Substation Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Heather Rosentrater | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 89 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |
| Recommend Program Description: | Performance | Capital Cost | O&M Cost |
| This program installs, replaces, or upgrades substation apparatus via Asset Management planning or emergency replacements. All obsolete, end-of-life, or failed apparatus are covered under this program. Apparatus includes panelhouses and associated equipment, HV breakers, relays, metering, surge arresters, rock and fence, LV breakers/reclosers, circuit switchers, SCADA systems, batteries and chargers, power transformers, HV fuses, air switches, capacitor banks, autotransformer diagnostic equipment, step voltage regulators, and instrument transformers. | Renew asset life cycle; remove obsolete, end of life apparatus; upgrade; install new apparatus | \$ 4,100,000 | \$ - |
| | | | |
| | | Other Costs | Business Risk Score |
| | | \$ - | 2 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|---|--|---------------------|---------------------|--------------------|----------------------------|
| Unfunded Program: | Maintain (to the best of our ability) all obsolete or end-of-life apparatus. Repair or replace equipment on emergency basis only. Some repairs would not be possible due to obsolescence. Considerably more, and longer, customer outages would result. | n/a | \$ 500,000 | \$ 1,000,000 | \$ 500,000 | 12 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|------|------|------|------|
| 5 years of costs | | | | | 2210 | 2215 | 2252 | 2253 | 2260 |
| | Capital Cost | O&M Cost | Other Costs | Approved | 2275 | 2278 | 2280 | 2293 | 2294 |
| | | | | | 2326 | 2336 | 2343 | 2397 | 2425 |
| 2012 | \$ 4,100,000 | \$ - | \$ - | \$ 4,100,000 | 2449 | 2481 | 2492 | 2493 | 2505 |
| 2013 | \$ 4,100,000 | \$ - | \$ - | \$ 4,100,020 | | | | | |
| 2014 | \$ 4,100,000 | \$ - | \$ - | \$ 4,100,000 | | | | | |
| 2015 | \$ 4,100,000 | \$ - | \$ - | \$ 4,100,000 | | | | | |
| 2016 | \$ 4,100,000 | \$ - | \$ - | \$ 4,100,000 | | | | | |
| 2017 | \$ 4,100,000 | \$ - | \$ - | \$ 4,100,000 | | | | | |
| 2018 | \$ 4,100,000 | \$ - | \$ - | \$ 4,100,000 | | | | | |
| Total | \$ 28,700,000 | \$ - | \$ - | \$ 28,700,020 | | | | | |

Mandate Excerpt (if applicable):

Additional Justifications:
In general, this program is required for operations to perform at current levels as assessed above. However, it could easily be argued that the end results of Capital Maintenance actually improve operations beyond current levels as obsolete equipment is often replaced with apparatus of higher capacity and/or newer technology. If prudent, and if time, resources, and funding allow, we will take every opportunity to make improvements to substation operations when we perform Capital Maintenance.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|--|
| Expected Performance Improvements | |
| KPI Measure: | Meet AM Plan Requirements for all Apparatus |
| | Maintain or increase annual program spend to meet demand |

Prepared Michael A. Magruder
Mike Magruder, Manager - Substation Engineering

Reviewed Heather Rosentrater
Heather Rosentrater, Director - ENSO

Reviewed Andy Vickers
Andy Vickers, Director - GPSS

Capital Maintenance - Apparatus

Step Voltage Regulators
LV (13 kv) Breaker
Sunset Substation

Hern Substation
115 kV Air Switch
115 kV Spill Gaps (to be replaced with Surge Arresters)
HV Fuses

Electromechanical Relays
Westside Substation

Instrument Transformer
Old 3-phase bus PT
Sunset Substation

Sunset Substation - 115 kV Oil Circuit Breaker A-198
HV Breaker - oldest breaker on Avista's system.

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Substation - Capital Spares

ER No: ER Name:

1006 Power Xfmr-Distribution
2000 Power Xfmr-Transmission
2001 Power Circuit Breaker

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$20,840¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-------|-----|-----|-----|-----|-------|-------|-----|
| 2013 | 495 | | | | | | | 13 | 88 | 289 | 4 | 100 | |
| 2014 | 3,050 | | | | | 1,103 | | | | 300 | 1,497 | 150 | |
| 2015 | 8,545 | | | 250 | | 1,150 | | | | 240 | 400 | 6,505 | |
| 2016 | 2,565 | | | 250 | 100 | 950 | | 300 | 300 | 250 | 165 | 250 | |

Business Case Description:

This program maintains our fleet of Power Transformers and High Voltage Circuit Breakers. This fleet of critical apparatus is capitalized upon receipt and placed in service for both planned and emergency installations as required. The annual program expenditures may vary significantly in years when an Autotransformer (230/115 kV) is purchased. In years without an Autotransformer purchase, only minor variations will occur based on planned projects as well as replenishing apparatus fleet levels required for adequate capital spares. These are long lead time items so apparatus levels need to be managed.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|-------------------------|------------------------------|---|---|
| Investment Name: | Substation - Capital Spares | Assessments: | |
| Requested Amount | \$4,720,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 50 Year Program | Strategic: | Life Cycle Programs |
| Dept., Area: | T&D - Substation Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Heather Rosentrater | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 89 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This program maintains our fleet of Power Transformers and High Voltage Circuit Breakers. This fleet of critical apparatus is capitalized upon receipt and placed in service for both planned and emergency installations as required. The annual program expenditures may vary significantly in years when an Autotransformer (230/115 kV) is purchased. In years without an Autotransformer purchase, only minor variations will occur based on planned projects as well as replenishing apparatus fleet levels required for adequate capital spares. These are long lead time items so apparatus levels need to be managed. | Renew asset life cycle; meet capacity requirements; adequate spare inventory | \$ 4,720,000 | \$ - | \$ - | 1 |

| | | | | | | |
|--|--|--|---------------------|--------------------|----------------------------|---|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score | |
| Unfunded Program: | We will not have vital system capital spares required to maintain our electric system in the event of failures (emergency), planned system improvements (reliability), or obligation to serve (growth). In addition, some of this apparatus may be required for compliance upgrades in reliability and capacity. | n/a | \$ - | \$ 500,000 | \$ 250,000 | 8 |
| Alternative 1: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|--|----------------------|---------------------|--------------------|----------------------|--|------|------|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 5 years of costs | | | | | 1006 | 2000 | 2001 | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| 2012 | \$ 3,835,000 | \$ - | \$ - | \$ 2,535,000 | | | | | |
| 2013 | \$ 4,865,000 | \$ - | \$ - | \$ 4,980,100 | | | | | |
| 2014 | \$ 5,115,000 | \$ - | \$ - | \$ 3,550,000 | | | | | |
| 2015 | \$ 9,045,000 | \$ - | \$ - | \$ 8,045,000 | | | | | |
| 2016 | \$ 4,265,000 | \$ - | \$ - | \$ 4,265,000 | | | | | |
| 2017 | \$ 5,800,000 | | | \$ 5,800,000 | | | | | |
| 2018 | \$ 3,865,000 | | | \$ 3,865,000 | | | | | |
| Total | \$ 36,790,000 | \$ - | \$ - | \$ 33,040,100 | | | | | |
| 7-year average annual projected spend: | | | | \$ 4,720,014 | | | | | |

Mandate Excerpt (if applicable):
Obligation to serve: Long lead time capital spares are required to meet system needs and service expectations.

Additional Justifications:
Transformers and High Voltage Circuit Breakers (capital spares) are placed in service based on requirements and need. Replacement transformers and breakers are purchased to maintain required capital spares count. This is managed closely by Substation Engineering with annual reviews of capital spares and planned needs. In general, this is a Life Cycle Program for these assets. This Program also includes a Reliability and Capacity (improved reliability and growth) component as well as a Mandatory (Compliance) component. Commodity pricing and manufacturer lead times can be variable which can lead to increased costs and/or delayed receipt.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



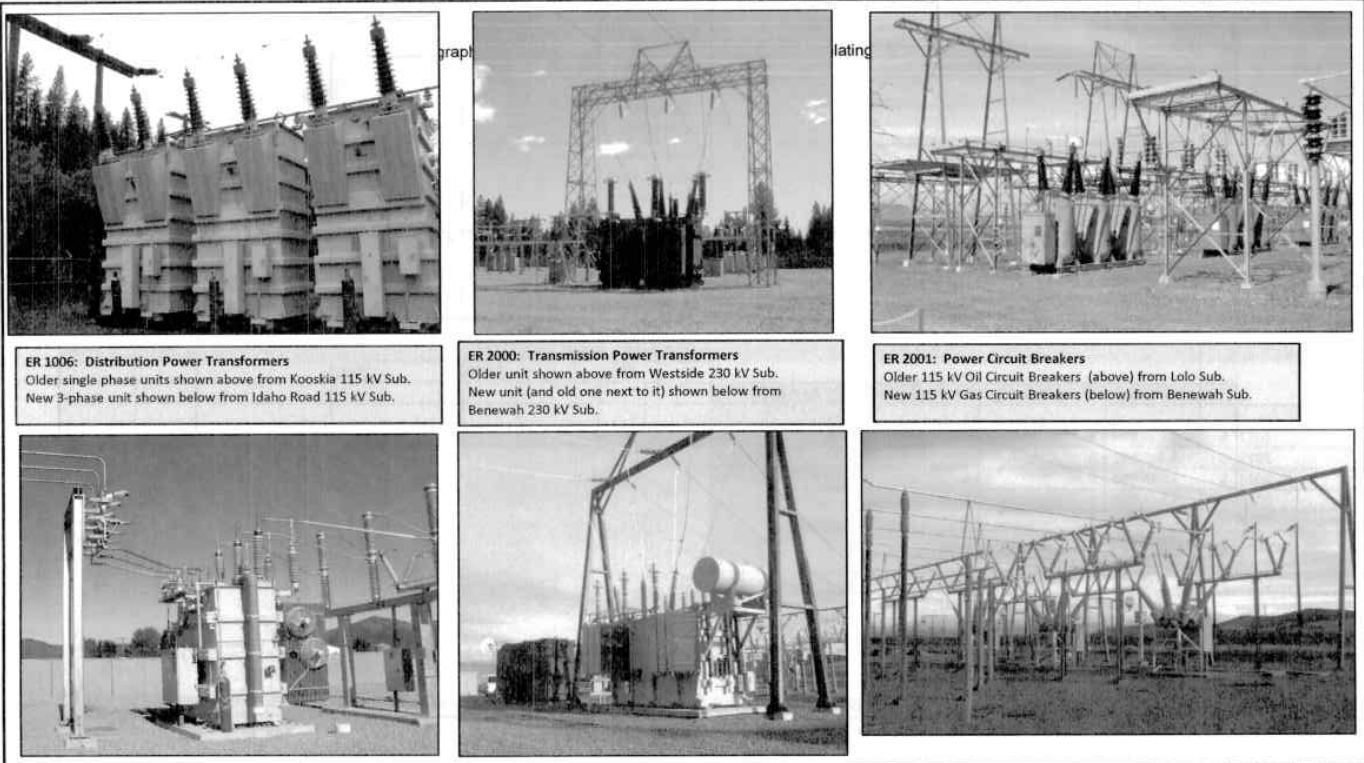
Capital Program Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|--|
| Expected Performance Improvements | |
| KPI Measure: | Annual capital spares review and summary report. |
| | Every capital spare will be justified. |

Prepared Michael A. Magruder
Mike Magruder, Manager - Substation Engineering

Reviewed Heather Rosentrater
Heather Rosentrater, Director - ENSO

Other Party Review signature _____
(if necessary) Director/Manager



ER 1006: Distribution Power Transformers
Older single phase units shown above from Kooskia 115 kV Sub.
New 3-phase unit shown below from Idaho Road 115 kV Sub.

ER 2000: Transmission Power Transformers
Older unit shown above from Westside 230 kV Sub.
New unit (and old one next to it) shown below from Benewah 230 kV Sub.

ER 2001: Power Circuit Breakers
Older 115 kV Oil Circuit Breakers (above) from Lolo Sub.
New 115 kV Gas Circuit Breakers (below) from Benewah Sub.

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Substation - Distribution Substation Rebuilds

| ER No: | ER Name: | | |
|--------|---|------|--|
| 2204 | System Wood Substation Rebuilds | 2562 | Grangeville 115 kV Sub - Rebuild |
| 2283 | Millwood Sub - Rebuild | 2563 | Stratford 115kV - Upgrade Bus |
| 2285 | Sunset Sub - Rebuild | 2565 | Ford 115 kV - Rebuild Substation |
| 2317 | Lyons & Standard 115 Sub-Increase Capacity | 2566 | Northwest 115 kV - Rebuild Substation |
| 2341 | Ninth & Central Sub - Increase Capacity & Rebuild | 2567 | Chester 115 kV - Rebuild Substation |
| 2342 | Pine Creek 230 Sub-Rebuild Dist/Replace Cap Bank | 2568 | Metro 115 kV - Rebuild Substation |
| 2465 | Bronx - 115-21kV | 2569 | Gifford 115 kV - Rebuild Substation |
| 2502 | N. Moscow - Increase Capacity | 2306 | Appleway Sub - Rebuild |
| 2521 | St Maries 634 Cx Fdr | 2390 | Otis Orchards 115-Replace PCBs & Relays |
| 2522 | 10th & Stewart Dx Int | 2538 | College & Walnut Substation Yard Expansion |
| 2533 | Pullman Substation - Rebuild | 2572 | Noxon Construction Sub - Minor Rebuild |
| 2546 | Blue Creek 115 kV - Rebuild | 2573 | Little Fall 115 kV Sub - Rebuild |
| 2547 | Lucky Friday 115 kV - Rebuild | | |

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$25,215¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-------|-----|-------|-----|-------|-----|-------|-------|
| 2013 | 1,241 | | | | | | | 8 | 128 | 15 | 41 | | 1,050 |
| 2014 | 3,230 | 6 | 6 | 6 | 6 | 6 | 6 | 1,606 | 6 | 581 | 506 | 6 | 486 |
| 2015 | 3,125 | 33 | 33 | 33 | 183 | 2,333 | 33 | 33 | 33 | 33 | 33 | 33 | 308 |
| 2016 | 6,870 | 17 | 17 | 17 | 17 | 17 | 17 | 2,717 | 17 | 1,417 | 17 | 2,017 | 587 |

Business Case Description:

This program replaces and/or rebuilds existing substations as they reach the end of their useful lives, require increased capacity, or cannot accommodate necessary equipment upgrades due to existing physical constraints. Included are Wood Substation rebuilds as well as upgrading stations to current design and construction standards. Some station rebuilds may be initiated by other requirements, including obligation to serve, growth, and external projects. Examples of substation rebuilds to be completed under this program in the next 5 years are Big Creek & Kamiah (Wood Substation), Millwood (Life Cycle), Turner (Smart Grid Investment Grant), Blue Creek (Productivity), Lucky Friday (Growth), and Pine Creek Distribution (Life Cycle).

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | | | |
|--|--|--|------------|-------------|----------------------------|
| Investment Name: | Substation - Distribution Station Rebuilds | | | | |
| Requested Amount | \$8,168,573 | | | | |
| Duration/Timeframe | 50 Year Program | | | | |
| Dept., Area: | T&D - Substation Engineering | | | | |
| Owner: | Heather Rosentrater | | | | |
| Sponsor: | Don Kopczynski | | | | |
| Category: | Program | | | | |
| Mandate/Reg. Reference: | n/a | | | | |
| Assessments: | Financial: MH - >= 9% & <12% CIRR | | | | |
| | Strategic: Life Cycle Programs | | | | |
| | Operational: Operations improved beyond current levels | | | | |
| | Business Risk: ERM Reduction >5 and <= 10 | | | | |
| | Program Risk: High certainty around cost, schedule and resources | | | | |
| | Assessment Score: 105 | | | | |
| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| This program replaces and/or rebuilds existing substations as they reach the end of their useful lives, require increased capacity, or cannot accommodate necessary equipment upgrades due to existing physical constraints. Included are Wood Sub rebuilds as well as upgrading stations to current design and construction standards. Some station rebuilds may be initiated by other requirements, including obligation to serve, growth, and external projects (e.g. Smart Grid). Examples of substation rebuilds to be completed under this program in the next 5 years are Big Creek & Kamiah (Wood Subs), Millwood (Life Cycle), Turner (SGIG), Blue Creek (Productivity), Lucky Friday (Growth), and Pine Creek Distribution (Life Cycle). | Improved performance, upgraded equipment, better status & control, new life cycle. | Capital Cost | O&M Cost | Other Costs | 1 |
| | | \$ 8,168,573 | \$ - | \$ - | |
| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| Unfunded Program: | Obsolete and/or high loss equipment, deteriorated wood structures, and non-standard construction or equipment would remain in service until failure. Some stations may need additional capacity for growth or may not be suitable for required expansions to meet other (e.g. Regulatory, SGIG) needs. | Capital Cost | O&M Cost | Other Costs | 8 |
| | Relatively high probability of a station failure within 10 yrs. | \$ 1,000,000 | \$ 500,000 | \$ 250,000 | |
| Alternative 1: Planned Equipment Replacements. | Continuation of non-standard construction practices and configurations leading to considerably slower and more dangerous working conditions for field crews. This would only allow for minimal improvements to the subs while requiring more O&M to maintain aging infrastructure and equipment. | Capital Cost | O&M Cost | Other Costs | 4 |
| | Performance remains at current levels; min. improve | \$ 1,500,000 | \$ 500,000 | \$ - | |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | Capital Cost | O&M Cost | Other Costs | 0 |
| | describe any incremental changes in operations | \$ - | \$ - | \$ - | |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | Capital Cost | O&M Cost | Other Costs | 0 |
| | describe any incremental changes in operations | \$ - | \$ - | \$ - | |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|---------------------------------|----------------------|-------------|-------------|----------------------|---------------------------------------|------|------|------|------|
| 5 years of costs | | | | | 2204 | 2283 | 2285 | 2341 | 2465 |
| | Capital Cost | O&M Cost | Other Costs | Approved | 2502 | 2521 | 2522 | 2546 | 2562 |
| | | | | | 2563 | 2565 | 2566 | 2567 | 2568 |
| 2012 | \$ 7,750,000 | \$ - | \$ - | \$ 7,750,000 | 2569 | 2572 | 2573 | | |
| 2013 | \$ 8,350,000 | \$ - | \$ - | \$ 5,060,013 | | | | | |
| 2014 | \$ 7,680,000 | \$ - | \$ - | \$ 5,505,000 | | | | | |
| 2015 | \$ 7,635,000 | \$ - | \$ - | \$ 6,240,000 | | | | | |
| 2016 | \$ 7,585,000 | \$ - | \$ - | \$ 8,410,000 | | | | | |
| 2017 | | | | \$ 12,140,000 | | | | | |
| 2018 | | | | \$ 12,075,000 | | | | | |
| Total | \$ 39,000,000 | \$ - | \$ - | \$ 57,180,013 | | | | | |
| 7-year average projected spend: | | | | \$ 8,168,573 | | | | | |

Mandate Excerpt (if applicable):
Obligation to serve: Specific substations may require rebuild for increased capacity due to load growth.

Additional Justifications:
This program replaces substations that are at the end of their life cycle or require rebuild for other reasons including capacity, reliability, growth, and contractual or regulatory obligations. Some substations, like Lucky Friday, could be standalone projects under the Mandatory category since we have to meet customer load growth. Therefore, cuts to this program need to be closely evaluated.
Program Link: Substation transmission integration budget dollars (\$415k - \$435k) are included in this program.
Program Link: Substation distribution integration budget dollars (\$300k - \$1.15M) are included in this program.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|---|--|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Capital Program Business Case

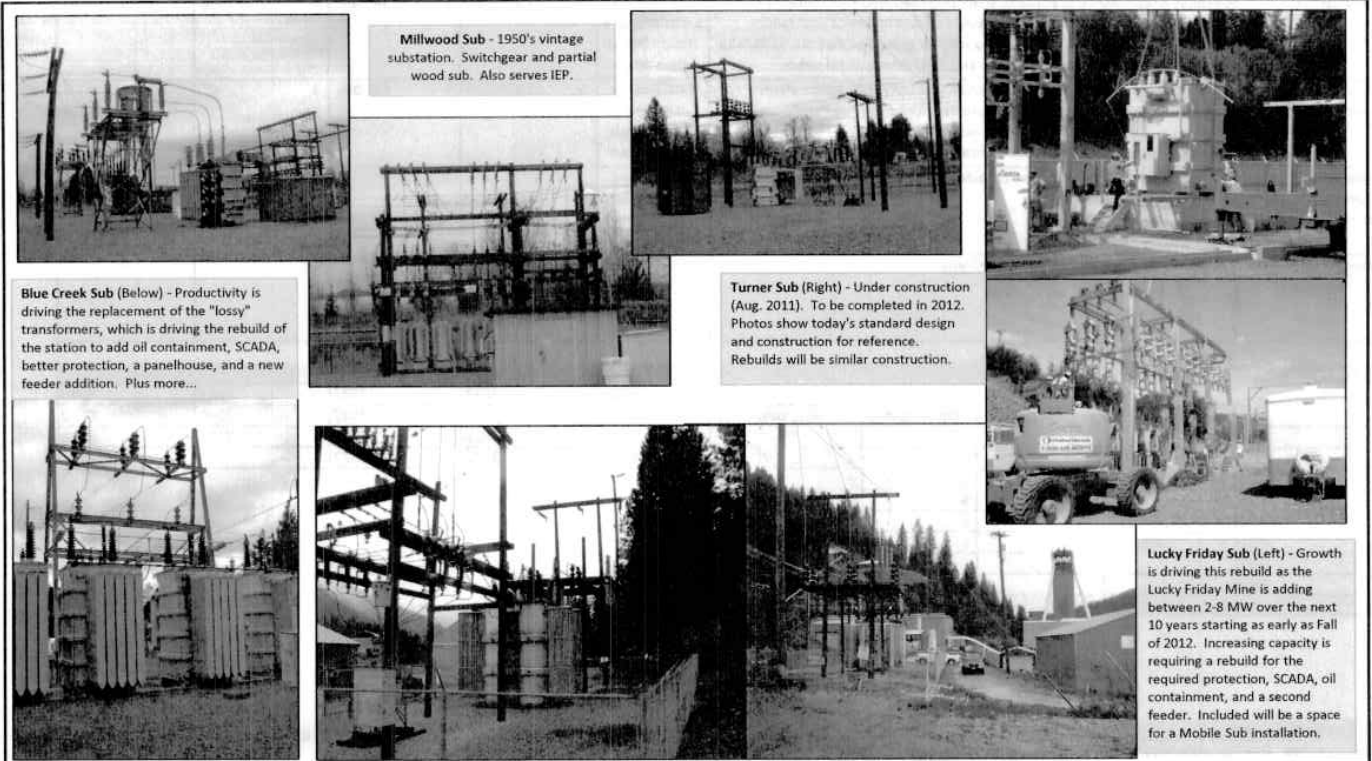


| Key Performance Indicator(s) | |
|-----------------------------------|---|
| Expected Performance Improvements | |
| KPI Measure: | Complete 3 rebuilds per year. |
| | Complete Metro Sub EPC Rebuild by 2018. |

Prepared Michael A. Magruder
Mike Magruder, Manager - Substation Engineering

Reviewed Heather Rosentrater
Heather Rosentrater, Director - ENSO

Reviewed Andy Vickers
Andy Vickers, Director - GPSS



| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution
Business Case Name: Substation - New Distribution Substations

ER No: ER Name:
2274 Tamarack 115Kv Sub-Construction
2322 Downtown West Sub - Property
2443 Greenacres 115-13kV Sub - New Construct
2479 Hillyard 115-13kV Substation
2583 Lewiston Mill Road- Dx Line Integration
2587 Irvin 115-13 kV Sub - Add Distribution Station
2398 Wheatland 115Sub-Const New Sub&2 Feeders

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$4,740¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-------|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 373 | | | | | | | | | | 273 | | 100 |
| 2014 | 379 | | | | | | | | | | | | 379 |
| 2015 | 2,045 | | | | | 2,045 | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This program adds new distribution substations to the system in order to serve new and growing load as well as for increased system reliability and operational flexibility. New substations under this program will require planning and operational studies, justifications, and approved project diagrams prior to funding. Planned new substation projects include Tamarack (NE Moscow), Greenacres and Irvin (Spokane Valley), Hillyard and Downtown West (Spokane). Out years include construction for these and design and construction for one new substation per year on average depending on need and justifications.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|---|--|---|
| Investment Name: | Substation - New Distribution Stations | Assessments: | |
| Requested Amount | \$1,430,714 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 50 Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | T&D - Substation Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Heather Rosentrater | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 80 |
| Mandate/Reg. Reference: | n/a | Annual Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This program adds new distribution substations to the system in order to serve new and growing load as well as for increased system reliability and operational flexibility. New substations under this program will require planning and operational studies, justifications, and approved Project Diagrams prior to funding. This documentation will be included with this business case. Planned new substation projects include Tamarack (NE Moscow), Greenacres and Irvin (Spokane Valley), Hillyard and Downtown West (Spokane). Out years include construction for these and design and construction for 1 new substation per year on average depending on need and justifications. | Improved performance, reliability, operational flexibility; Obligation to Serve. | \$ 1,430,714 | \$ - | \$ - | 1 |
| Annual Cost Summary - Increase/(Decrease) | | | | | |

| | | | | | |
|--|--|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Program: | Without adding new substations as justified, we would not be able to adequately meet our obligation to serve. | | \$ 250,000 | \$ 250,000 | 9 |
| Alternative 1: Extend Feeders; Increase Substation Capacities | Extension of distribution feeders from neighboring substations and increased capacity at those substations would be required at a minimum. The negative impact is most certainly reduced reliability and difficulty in long term maintenance and system operation. Increased liability would result. | \$ 1,000,000 | \$ 150,000 | \$ - | 6 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|------------------------------------|----------------------|---------------------|--------------------|----------------------|--|------|------|------|------|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 5 years of costs | | | | | 2274 | 2321 | 2322 | 2398 | 2443 |
| | Capital Cost | O&M Cost | Other Costs | Approved | 2459 | 2479 | 2480 | 2587 | |
| 2012 | \$ 1,275,000 | \$ - | \$ - | \$ 250,000 | | | | | |
| 2013 | \$ 8,220,000 | \$ - | \$ - | \$ 775,001 | | | | | |
| 2014 | \$ 1,400,000 | \$ - | \$ - | \$ 1,590,000 | | | | | |
| 2015 | \$ 2,750,000 | \$ - | \$ - | \$ 1,025,000 | | | | | |
| 2016 | \$ 2,000,000 | \$ - | \$ - | \$ 1,350,000 | | | | | |
| 2017 | | | | \$ 1,725,000 | | | | | |
| 2018 | | | | \$ 3,300,000 | | | | | |
| Total | \$ 15,645,000 | \$ - | \$ - | \$ 10,015,001 | | | | | |
| 7-year average projected spend: \$ | | | | | 1,430,714 | | | | |

Mandate Excerpt (if applicable):
Obligation to serve: Substations will need to be added to the system as justified for increased capacity and operational reliability requirements due to load growth.

Additional Justifications:
New distribution substations added to the system for load growth and reliability are critical to the long term operation of the system. As load demands increase and customer expectations rise regarding reliability, incremental distribution substation capacity is required. This allows for improved operational flexibility, better system reliability, and easier routine maintenance scheduling as equipment is more easily taken out of service because load can be transferred.
Program Link: Substation transmission integration budget dollars (\$20k - \$3.45M) are included in this program. The Bovill Sub transmission line is budgeted for \$3.45M in 2013.
Program Link: Substation distribution integration budget dollars (\$25k - \$500k) are included in this program. The Bovill Sub distribution integration is budgeted for \$500k in 2013.

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|--|---|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input checked="" type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|---|
| Expected Performance Improvements | |
| KPI Measure: | Energize new subs before need as justified. |

Prepared Michael A. Magruder
Mike Magruder, Manager - Substation Engineering

Reviewed Heather Rosentrater
Heather Rosentrater, Director - ENSO

Reviewed Andy Vickers
Andy Vickers, Director - GPSS

Justification

Tamarack will initially unload 2 feeders - Moscow 115 513 and 514. These are long feeders that serve both suburban and rural load. The Moscow 115 transformers are loaded to 63% and 89% (Winter 2009), with more load projected primarily west of Moscow. Shifting load between Moscow substations would allow us to better configure feeds for the town, particularly from North Moscow - which is a less than ideal location.

Potential Tamarack Location

ALTERNATIVE "A"

Upper Left: Project Diagram and preliminary justification for Tamarack Sub (NE Moscow).
Lower Left: Project Diagram and Scope for Greenacres Sub (Spokane Valley). These Project Diagrams and associated background information via Distribution Planning studies are a requirement for any new substations to be funded under this Program. Each study will be included with the Business Case for reference.

Above: Shown is a preliminary design for a potential new substation in the University District in downtown Spokane. The property has been secured and as electric load increases in the U-District, this new substation will need to be constructed ahead of the need to ensure we have the required capacity and system reliability. In addition, this new sub will improve overall operational flexibility to serve all of our electric load in the U-District vicinity. Construction could occur in the next 3-10 years depending on the load growth.

| To be completed by Capital Planning Group | | Review Cycles | |
|---|-----------|---------------|--|
| Rationale for decision | 2012-2016 | | |
| | Date | Template | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Tribal Permits and Settlements

ER No: ER Name:
2301 Tribal Permits and Settlements

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$2,570¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 103 | | | | | | | 6 | 6 | 5 | 6 | | 81 |
| 2014 | 495 | 7 | 7 | 110 | 7 | 7 | 110 | 7 | 7 | 110 | 7 | 7 | 110 |
| 2015 | 1,430 | | | 358 | | | 358 | | | 358 | | | 357 |
| 2016 | 315 | | | 79 | | | 79 | | | 79 | | | 79 |

Business Case Description:

Avista has hydroelectric, transmission, distribution and substation facilities located on the Coeur d'Alene, Colville, Flathead (Salish/Kootenai), Nez Perce and Spokane Tribe Reservations. These facilities are essential components of our energy resource and delivery systems. Avista is required to obtain permits from the Bureau of Indian Affairs (BIA) for its facilities on land held in trust by the federal government for Tribes and/or individual tribal members. Through some of its tribal settlements, Avista obtained the necessary tribal consent and BIA permits for its facilities on tribal trust land. However, Avista needs to renew approximately 700 rights of way permits for other facilities on Trust Land. The original permits were obtained 50+ years ago and the renewal process can be time-consuming (multiple years) and costly. Some of the permits may be in a trespass situation. Avista is actively working with the BIA and the Tribes to file renewal applications and complete the renewal process.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|--------------------------------|---|--------------------------|---|
| Investment Name: | Tribal Permits and Settlements | Assessments: | |
| Requested Amount | \$325,000 | Financial: | High - Exceeds 12% CIRR |
| Duration/Timeframe | 5 years Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | Real Estate for Native American Relations | Operational: | Operations require execution to perform at current levels |
| Owner: | Toni Pessemier | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Jason Thackston | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 94 |
| Mandate/Reg. Reference: | 25 U.S.C. 323 & 357; 25 CFR 169 | | |

| | | | | | |
|--|---|--|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| Avista has hydro, transmission/distribution and substation facilities on the Coeur d'Alene, Colville, Flathead (Salish/Kootenai), Nez Perce and Spokane Tribe Reservations. These facilities are essential components of our energy resource and delivery systems. Avista is required to obtain permits from the Bureau of Indian Affairs (BIA) for its facilities on land held in trust by the federal government for Tribes and/or individual tribal members. Through some of its tribal settlements, Avista obtained the necessary tribal consent and BIA permits for its facilities on tribal trust land. However, Avista needs to renew approximately 700 rights of way permits for other facilities on Trust Land. The original permits were obtained 50+ years ago and the renewal process can be time-consuming (multiple years) and costly. Some of the permits may be in a trespass situation. Avista is actively working with the BIA and the Tribes to file renewal applications and complete the renewal process. | Maintaining facilities in existing locations versus costs of having to relocate | Capital Cost | O&M Cost | Other Costs | 8 |
| | | \$ 325,000 | \$ - | \$ - | |

| | | | | | | |
|--|---|--|--|---------------------|--------------------|----------------------------|
| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| Unfunded Program: | If permits remain expired or allowed to continue to expire, our facilities will be in a trespass situation exposing the company to litigation and poor media exposure. Additional construction would be required to re-route lines. | Lines could be removed from service impacting | Capital Cost | O&M Cost | Other Costs | 16 |
| | | | \$ 10,000,000 | \$ - | \$ 1,000,000 | |
| Alternative 1: Relocation of facilities | Relocation of distribution, 115kV Transmission and 230kV Transmission facilities off reservation and onto road rights of way or private property would involve unplanned man-hours, fleet and equipment, as well as appraisals, surveys, title reports, easements and compensation. | Restore service to today's system. | \$ 10,000,000 | \$ - | | 0 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|---------------------|---------------------|--------------------|---------------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated ERS (list all applicable): | | | | |
| 5 years of costs | | | | | Current ER 2301 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| 2012 | \$ 325,000 | \$ - | \$ - | \$ 325,000 | | | | | |
| 2013 | \$ 325,000 | \$ - | \$ - | \$ 325,000 | | | | | |
| 2014 | \$ 500,000 | \$ - | \$ - | \$ 500,000 | | | | | |
| 2015 | \$ 1,250,000 | \$ - | \$ - | \$ 1,430,000 | | | | | |
| 2016 | \$ 250,000 | \$ - | \$ - | \$ 315,000 | | | | | |
| 2017 | \$ 300,000 | | | \$ 300,000 | | | | | |
| 2018 | \$ 250,000 | | | \$ 250,000 | | | | | |
| Total | \$ 3,200,000 | \$ - | \$ - | \$ 3,445,000 | | | | | |

Mandate Excerpt (if applicable):
25 U.S.C. 323 (Tribal Trust Lands); 25 U.S.C. 357 (Allotted Lands) and 25 CFR 169 (process)

Additional Justifications:
If Avista is unable to obtain its needed rights of way (ROW) across Tribal Trust, Tribal Fee and Allotted lands, the financial risk to Avista is significant. For example, Avista could be exposed to trespass damages and the requirement that it move, at substantial expense, its lines and facilities.

Resources Requirements: (request forms and approvals attached)

| | | | | | | | |
|------------------------------|--|---|---|------------------|--|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |



Capital Program Business Case

Key Performance Indicator(s)
Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here
 KPI Measure: Fill in the name of the KPI here

This graph is to provide a place to direct the KPI benefit. Providing a graph is recommended to help communicate what the project is intended to

Prepared signature *A. K.* 11-15-13

Reviewed signature *Joni Peterson*
Director/Manager

Other Party Review signature *J. A.*
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
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| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Worst Feeders

ER No: ER Name:
2414 Sys-Dist Reliability-Improve Worst Feeders

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$7,001¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | 500 | | | | | | | | | -1 | 1 | 500 | |
| 2014 | 1,500 | | | | | | | | | | | 149 | 1,350 |
| 2015 | 2,000 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 |
| 2016 | | 2,000 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 |
| | 167 | | | | | | | | | | | | |

Business Case Description:

Initiating in 2009, ER 2414- "Worst Feeders" was proposed by Asset Management to improve the service reliability of the Company's worst performing electric distribution circuits. Many rural feeders significantly exceed the Company SAIFI target of 2.1. This program is coordinated through divisional Area Engineers to identify treatment of these feeders. Work plans may include, reconstruction, hardening, vegetation management, conversion from overhead to underground, enhanced protection, and relocation.

Offsets:

O&M offsets associated with this business case may occur in the future, however, they are not quantifiable at this time.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | | | |
|--|---|---------------------|---------------------|--------------------|----------------------------|
| Investment Name: | Underperforming Elec Ckts (Worst FDRs) | | | | |
| Requested Amount | \$2,000,000 | | | | |
| Duration/Timeframe | on-going Year Program | | | | |
| Dept., Area: | Engineering/Operations | | | | |
| Owner: | Rosentrater/James | | | | |
| Sponsor: | Don Kopczynski | | | | |
| Category: | Program | | | | |
| Mandate/Reg. Reference: | n/a | | | | |
| Assessments: | Financial: Medium - >= 5% & <9% CIRR Strategic: Life Cycle Programs Operational: Operations require execution to perform at current levels Business Risk: ERM Reduction >5 and <= 10 Program Risk: Moderate certainty around cost, schedule and resources | | | | |
| Assessment Score: | 84 | | | | |
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Initiating in 2009, ER 2414- "Worst Feeders" was proposed by Asset Management to improve the service reliability of the Company's worst-performing electric distribution circuits. Many rural feeders significantly exceed the Company SAIFI target of 2.1. This program is coordinated through divisional Area Engineers to identify treatment of these feeders. Work plans may include, reconstruction, hardening, vegetation management, conversion from OH to UG, enhanced protection, and relocation. | Improve the overall system performance of the Company's "top ten" worst feeders. | \$ 2,000,000 | \$ - | \$ - | 12 |
| Annual Cost Summary - Increase/(Decrease) | | | | | |
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Program: | Rural area reliability indices expected to worsen as infrastructure ages and deteriorates. Expect customer contacts to local media and state government and regulatory bodies. | \$ - | \$ - | \$ - | 20 |
| 50% funding | Funding at \$1,000,000 would restrict current treatment to top five worst feeders. | \$ 1,000,000 | \$ - | \$ - | 12 |
| 25% funding | Funding at 500,000 would restrict treatment to enhanced protection only (adding midline reclosers, additional fusing) | \$ 500,000 | \$ - | \$ - | 0 |
| | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | | | | | | | | | |
|---------------------------|----------------------|---------------------|--------------------|----------------------|--|--|--|--|--|
| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
| 5 years of costs | | | | | Current ER 2414 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| 2012 | \$ 2,000,000 | \$ - | \$ - | \$ 1,500,000 | | | | | |
| 2013 | \$ 2,000,000 | \$ - | \$ - | \$ 1,500,750 | | | | | |
| 2014 | \$ 2,000,000 | \$ - | \$ - | \$ 1,500,000 | | | | | |
| 2015 | \$ 2,000,000 | \$ - | \$ - | \$ 2,000,000 | | | | | |
| 2016 | \$ 2,000,000 | | | \$ 2,000,000 | | | | | |
| 2017 | \$ 2,000,000 | | | \$ 2,000,000 | | | | | |
| 2018 | \$ 2,000,000 | \$ - | \$ - | \$ 2,000,000 | | | | | |
| Total | \$ 14,000,000 | \$ - | \$ - | \$ 12,500,750 | | | | | |

Mandate Excerpt (if applicable):

Additional Justifications:
Any supplementary information that may be useful in describing in more detail the nature of the Program, the urgency, etc.

Resources Requirements: (request forms and approvals attached)

| | |
|--|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input checked="" type="checkbox"/> Medium Probability <input type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

| Key Performance Indicator(s) | |
|-----------------------------------|---------------|
| Expected Performance Improvements | |
| KPI Measure: | Monitor SAIFI |

Prepared signature 11-11-13

Reviewed signature 11-11-13
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

| 2006-2012 SAIFI | | | | | | | |
|-----------------|-----------|----------|-----------|----------|-----------------|-----------|-----------------|
| Feeder | 7-yr Rank | 7-yr Ave | 3-yr Rank | 3-yr Ave | %Dif 3yr v. 7yr | 1-yr Rank | % Dif 1yr v 3yr |
| GRV1273 | 1 | 21.02 | 1 | 13.07 | 38% | 3 | 23% |
| DER651 | 2 | 10.44 | 2 | 8.97 | 14% | 12 | 41% |
| GIF34F2 | 3 | 7.40 | 7 | 6.32 | 15% | 4 | -50% |
| SPI12F1 | 4 | 7.19 | 3 | 7.47 | -4% | 10 | 21% |
| STM633 | 5 | 7.18 | 8 | 6.08 | 15% | 6 | -24% |
| CHW12F3 | 6 | 5.58 | 14 | 4.73 | 15% | 24 | 14% |
| JPE1287 | 7 | 5.37 | 4 | 6.82 | -27% | 30 | 46% |
| GIF34F1 | 8 | 5.19 | 17 | 4.11 | 21% | 11 | -32% |
| VAL12F1 | 9 | 5.11 | 6 | 6.34 | -24% | 17 | 24% |
| CLV34F1 | 10 | 5.01 | 11 | 5.29 | -6% | 5 | -61% |
| ROX751 | 11 | 4.97 | 10 | 5.34 | -7% | 118 | 76% |
| ODN732 | 12 | 4.87 | 9 | 6.00 | -23% | 1 | -142% |
| WEI1289 | 13 | 4.70 | 5 | 6.78 | -44% | 53 | 66% |
| WAL543 | 14 | 4.66 | 19 | 4.06 | 13% | 26 | 0% |
| VAL12F2 | 15 | 3.85 | 20 | 3.90 | -1% | 8 | -63% |
| LF34F1 | 16 | 3.85 | 36 | 2.77 | 28% | 183 | 77% |
| COT2402 | 17 | 3.84 | 25 | 3.14 | 18% | 96 | 51% |
| DER652 | 18 | 3.75 | 38 | 2.71 | 28% | 213 | 90% |
| CKF711 | 19 | 3.74 | 34 | 2.85 | 24% | 93 | 45% |
| KET12F2 | 20 | 3.57 | 41 | 2.65 | 26% | 38 | -19% |
| RDN12F2 | 21 | 3.54 | 81 | 1.70 | 52% | 126 | 29% |
| BLU321 | 22 | 3.50 | 154 | 1.03 | 71% | 179 | 31% |
| WAL542 | 23 | 3.44 | 63 | 2.11 | 39% | 59 | -3% |
| SPT4S21 | 24 | 3.43 | 40 | 2.66 | 22% | 138 | 57% |
| MIS431 | 25 | 3.43 | 16 | 4.29 | -25% | 15 | -18% |
| WAL545 | 26 | 3.37 | 77 | 1.77 | 48% | 69 | -15% |
| ORI12F3 | 27 | 3.36 | 31 | 2.92 | 13% | 34 | -12% |
| SPI12F2 | 28 | 3.35 | 80 | 1.74 | 48% | 133 | 33% |
| OGA611 | 29 | 3.27 | 46 | 2.50 | 24% | 45 | -9% |
| JUL662 | 30 | 3.24 | 35 | 2.79 | 14% | 208 | 89% |



| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Spokane Valley Transmission Reinforcement

ER No: ER Name:

2446 Irvin Sub - New Construction
2474 Beacon-Boulder #2 115: Capacity Upgrade
2526 Opportunity 12F2 Cx Fdr
2552 Opportunity 115 kV Switching Station

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$9,996¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-------|-----|-----|-------|
| 2013 | 997 | | | | | | | 143 | 109 | 73 | 13 | | 658 |
| 2014 | 1,900 | | | | | | | | | | | | 1,900 |
| 2015 | 600 | | | | | | | | | | | | 600 |
| 2016 | 6,440 | | | | | | | | | 4,600 | | | 1,840 |

Business Case Description:

The Spokane Valley Transmission Reinforcement Project includes rebuilding 4.4 miles of the Beacon - Boulder #2 115 kV Transmission Line, constructing the new Irvin Switching Station, rebuilding 1.75 miles of the Irvin - Opportunity 115 kV Tap, installing circuit breakers at Opportunity Substation, and constructing a new 2.2 mile 115 kV transmission line from Irvin to Millwood/Inland Empire Paper. The completion of these projects are required to mitigate existing and future performance and reliability issues of the Transmission System in the Spokane Valley.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

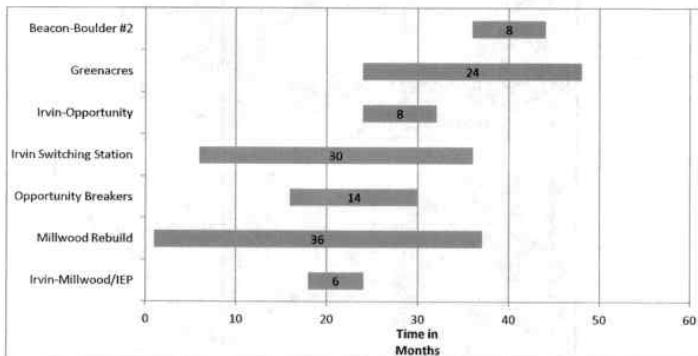
Capital Investment Business Case



| | | | |
|--|--|--|---|
| Investment Name: | Spokane Valley Transmission Reinforcement | Assessments: | |
| Requested Amount | \$13,736,503 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 5 Year Project | Strategic: | Reliability & Capacity |
| Dept., Area: | T&D - Substation & Transmission Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Heather Rosentrater | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 78.5 |
| Mandate/Reg. Reference: | n/a | Cost Summary - Increase/(Decrease) | |
| Recommend Project Description: | | Performance | Capital Cost |
| The Spokane Valley Transmission Reinforcement Project includes rebuilding 4.4 miles of the Beacon - Boulder #2 115 kV Transmission Line, constructing the new Irvin Switching Station, rebuilding 1.75 miles of the Irvin - Opportunity 115 kV Tap, installing circuit breakers at Opportunity Substation, and constructing a new 2.2 mile 115 kV transmission line from Irvin to Millwood/IEP. The completion of these projects are required to mitigate existing and future performance and reliability issues of the Transmission System in the Spokane Valley. | | Ability to serve load growth in area and provide operational flexibility to maintain equipment | \$ 13,736,503 |
| | | O&M Cost | Other Costs |
| | | | |
| | | Business Risk Score | 1 |

| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|--|--|---------------------|---------------------|--------------------|----------------------------|
| Status Quo : | Heavy thermal loading (>90%) is projected to occur on local transmission lines in the near term planning horizon. Presently the Beacon - Boulder #2 Transmission Line cannot be taken out of service to be maintained/rebuilt due to operational constraints serving IEP's new synchronous motor load. | n/a | \$ - | \$ - | \$ - | 6 |
| Alternative 1: Partial Transmission System Upgrades | Upgrade existing Transmission System by installing capacitor banks and rebuilding 115 kV transmission lines with 795 ACSS conductor. Further capital expenditures will be required going forward. | Thermal load reduced in near term planning horizon | \$ 9,600,000 | \$ - | \$ - | 4 |
| Alternative 2: Irvin Plan Minus IRV-MIL 115 kV Line | Construct all items in proposed Project except the new 115 kV transmission line from Irvin to Millwood/IEP. Ability to serve IEP is still constrained. | Thermal load reduced in near term planning horizon | \$ 9,500,000 | \$ - | \$ - | 4 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline **Construction Cash Flows (CWIP)**



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|---------------------|--------------------|----------------------|
| Previous | \$ 40,559 | \$ - | \$ - | \$ 40,559 |
| 2012 | \$ 3,700,000 | \$ - | \$ - | \$ 3,700,000 |
| 2013 | \$ 4,150,000 | \$ - | \$ - | \$ 1,155,944 |
| 2014 | \$ 2,940,000 | \$ - | \$ - | \$ 3,400,000 |
| 2015 | \$ 1,500,000 | \$ - | \$ - | \$ 2,625,000 |
| 2016 | \$ - | \$ - | \$ - | \$ 2,815,000 |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 12,330,559 | \$ - | \$ - | \$ 13,736,503 |

| Milestones (high level targets) | | | |
|--|--|--------------|--|
| January-12 | Construct Irvin-Millwood/IEP 115 line | December-12 | Complete construction (terminate Irvin end of line when Irvin is completed - 2014) |
| January-12 | Rebuild Millwood Sub (not included in Project) | September-13 | Complete rebuild |
| January-12 | Build Irvin 115 kV Switching Station | December-16 | Complete 115 kV Switching Station; Add Distribution later |
| January-12 | Install breakers at Opportunity | December-14 | Complete installation |
| January-13 | Rebuild Irvin-Opportunity 115 kV line | December-13 | Complete rebuild |
| January-13 | Construct Greenacres Sub (not included in Project) | April-15 | Complete construction |
| January-15 | Rebuild Beacon-Boulder #2 115 kV line | December-15 | Complete rebuild |

| | | | | | | |
|--|------|------|------|------|------|------|
| Associated Ers (list all applicable): | 1006 | 2001 | 2446 | 2474 | 2526 | 2552 |
|--|------|------|------|------|------|------|

Mandate Excerpt (if applicable): With continued load growth, violation of TPL-002, R1 (ability to supply projected customer demands under N-1 contingency conditions) will likely occur.

Additional Justifications:
In 2009, The Irvin Project report was reviewed and approved by stakeholders in the Engineering, Operations, and Planning Groups at Avista. A superior project, or collection of projects, was selected to mitigate existing and future performance and reliability issues of the Transmission System in the Spokane Valley. These projects, identified as Option 4a in The Irvin Project, and reiterated in the System Planning Interoffice Memorandum SP-2009-03 – Summary – Irvin (Spokane Valley Transmission Reinforcement) Project are illustrated in Project Diagram SP-0220 – Irvin Project. Further updates are provided in Interoffice Memorandum SP-2011-07 - Spokane Valley Transmission Reinforcement (Irvin Project). All documents are posted on Transmission System Planning SharePoint Site.



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

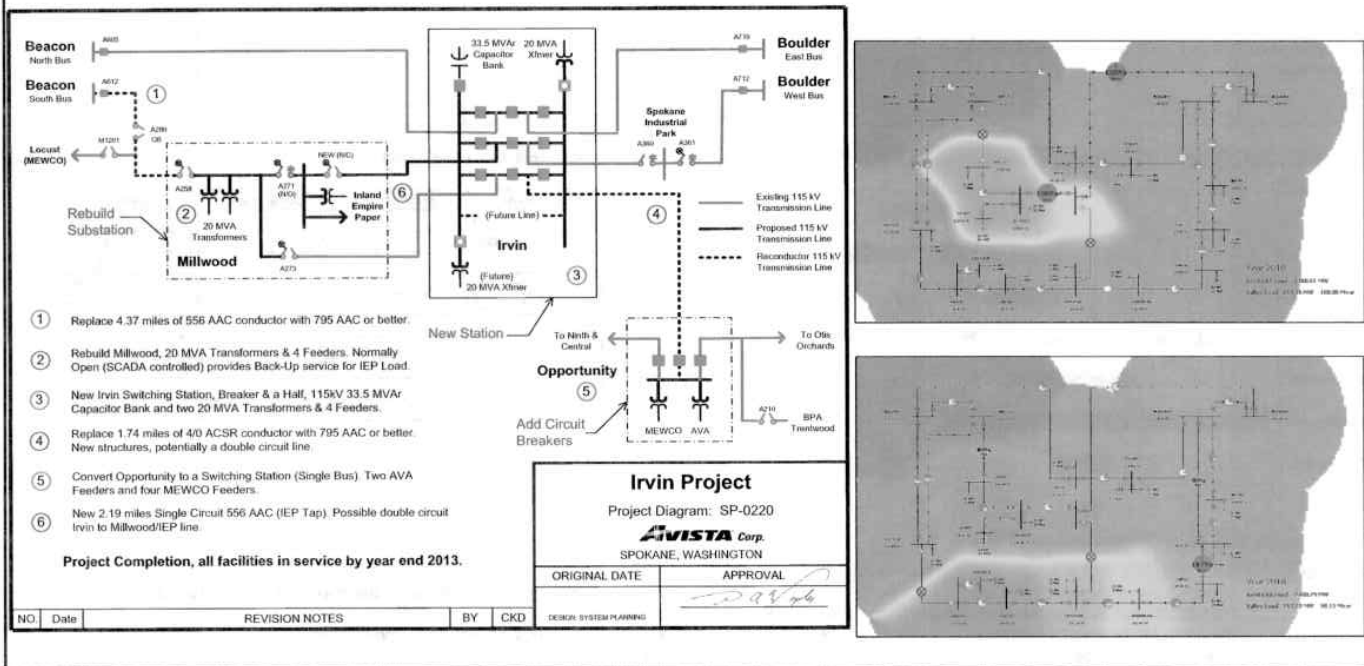
Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
 Expected Performance Improvements
 KPI Measure: Fill in the name of the KPI here
 Fill in the name of the KPI here

Prepared Mike Magruder/Ken Sweigart T&D Substations/Transmission
 Reviewed Heather Rosentrater Director - ENSO
 Reviewed Andy Vickers Director - GPSS

Below is the approved Project Diagram for the "Irvin Project" and power simulation plot indicating thermal overload on transmission lines during specific outage scenarios



| To be completed by Capital Planning Group | | | |
|---|--|---------------|----------|
| Rationale for decision | | Review Cycles | |
| | | 2012-2016 | |
| | | Date | Template |
| | | | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Clearwater Substation Upgrades

ER No: 2571
ER Name: Clearwater 115 kV Substation Upgrades

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,700¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-------|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | 2,700 | | | | | | | | | 2,200 | | | 500 |
| 2015 | 500 | | | | | | | | | | 500 | | |
| 2016 | 500 | | | | | | | | | | 500 | | |

Business Case Description:

Clearwater 115 kV Substation Upgrades. Several components in this station have reached their life cycle and need to be replaced. Some of the station components are non-standard and relatively unreliable. This project will upgrade the station by adding a 115 kV bus sectionalizing breaker and associated air switches on the section of bus between the two power transformers for better operational flexibility and restoration. This work includes construction of a 115 kV line terminal and relocation of 2 lines, upgrading metering, and adding SCADA. This is very difficult work in this particular station and this customer requires continued operation during construction. The protective relays and associated communication system will be upgraded to improve reliability of service.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

| | | | |
|-------------------------|--------------------------------|-------------------|--|
| Investment Name: | Clearwater Sub Upgrades | Assessments: | |
| Requested Amount | \$3,700,000 | Financial: | 7.00% |
| Duration/Timeframe | 4 Year Project | Strategic: | Reliability & Capacity |
| Dept., Area: | T&D - Substations/Transmission | Business Risk: | Business Risk Reduction >15 |
| Owner: | Heather Rosentrater | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | | |
| Category: | Project | | |
| Mandate/Reg. Reference: | n/a | Assessment Score: | 98 |

| | | | | | |
|--|--|---|----------|-------------|---------------------|
| Recommend Project Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| | | Capital Cost | O&M Cost | Other Costs | |
| Clearwater 115 kV Substation Upgrades. Several components in this station have reached their life cycle and need to be replaced. Some of the station components are non-standard and relatively unreliable. This project will upgrade the station by adding a 115 kV bus sectionalizing breaker and associated air switches on the section of bus between the two power transformers for better operational flexibility and restoration. This work includes construction of a 115 kV line terminal and relocation of 2 lines, upgrading metering, and adding SCADA. This is very difficult work in this particular station and this customer requires continued operation during construction. The protective relays and associated communication system will be upgraded to improve reliability of service. | better operational flexibility, improved system comms and metering | \$ - | \$ - | \$ - | 1 |

| | | | | | |
|---|--|---|-----------|--------------|---------------------|
| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
| | | Capital Cost | O&M Cost | Other Costs | |
| Unfunded Project: | n/a | \$ 100,000 | \$ 50,000 | \$ 1,000,000 | 6 |
| Alternative 1: Brief name of alternative (if applicable) | describe any incremental changes in operations | \$ - | \$ - | \$ - | 1 |
| Alternative 2: Brief name of alternative (if applicable) | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|----------|--------------|----------|-------------|--------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ 700,000 | \$ - | \$ - | \$ 700,000 |
| 2014 | \$ 2,000,000 | \$ - | \$ - | \$ 2,000,000 |
| 2015 | \$ 500,000 | \$ - | \$ - | \$ 500,000 |
| 2016 | \$ 500,000 | \$ - | \$ - | \$ 500,000 |
| 2017+ | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 3,700,000 | \$ - | \$ - | \$ 3,700,000 |

Associated Ers (list all applicable):

| | | | |
|------|--|--|--|
| 2571 | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|-------|------------|--------------|------------|------------|-------|--------------|---|
| 2571 | \$ 700,000 | \$ 2,000,000 | \$ 500,000 | \$ 500,000 | \$ - | \$ 3,700,000 | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 700,000 | \$ 2,000,000 | \$ 500,000 | \$ 500,000 | \$ - | \$ 3,700,000 | Additional Justifications: In order to meet the aggressive milestones, business case approval is needed immediately so project funding can be secured to begin design and procurement. Schedule commitments with Clearwater Paper are challenging. |

Milestones (high level targets)

| | | | | | | |
|--------------|--------------------------------|-----------|------------------------------|------------|------------------------|--|
| March-13 | Sub Design Begins | Spring-14 | T-line Shoofly Const. | Spring-16 | Upgrade Transformer re | Milestones should be general. Use your judgement on project progress so that progress can be measured. |
| June-13 | UT2 - 34 kV Bkr Design xmitted | Summer-14 | 115 kV Bus Sect. Bkr. Const. | January-00 | open | |
| July-13 | T-Line Design Begins | Fall-14 | Commission Tie Breaker | January-00 | open | |
| September-13 | UT2 - 34 kV Bkr Replaced | Winter-14 | Upgrade SCADA | January-00 | open | |
| Winter-13 | 115 kV Sub Design | Spring-15 | Upgrade Lolo 2 Relays | January-00 | open | |
| Spring-14 | 115 kV Bay Const. A-448 | Fall-15 | Upgrade N Lewiston Relays | January-00 | open | |
| | | | | | | |

Resources Requirements: (request forms and approvals attached)

| | | | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|----------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |



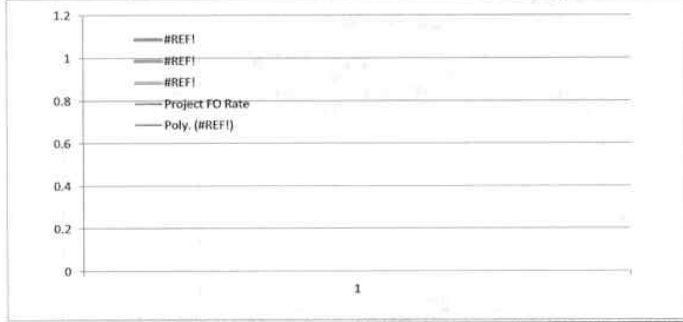
Capital Project Business Case

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: Fill in the name of the KPI here

Fill in the name of the KPI here

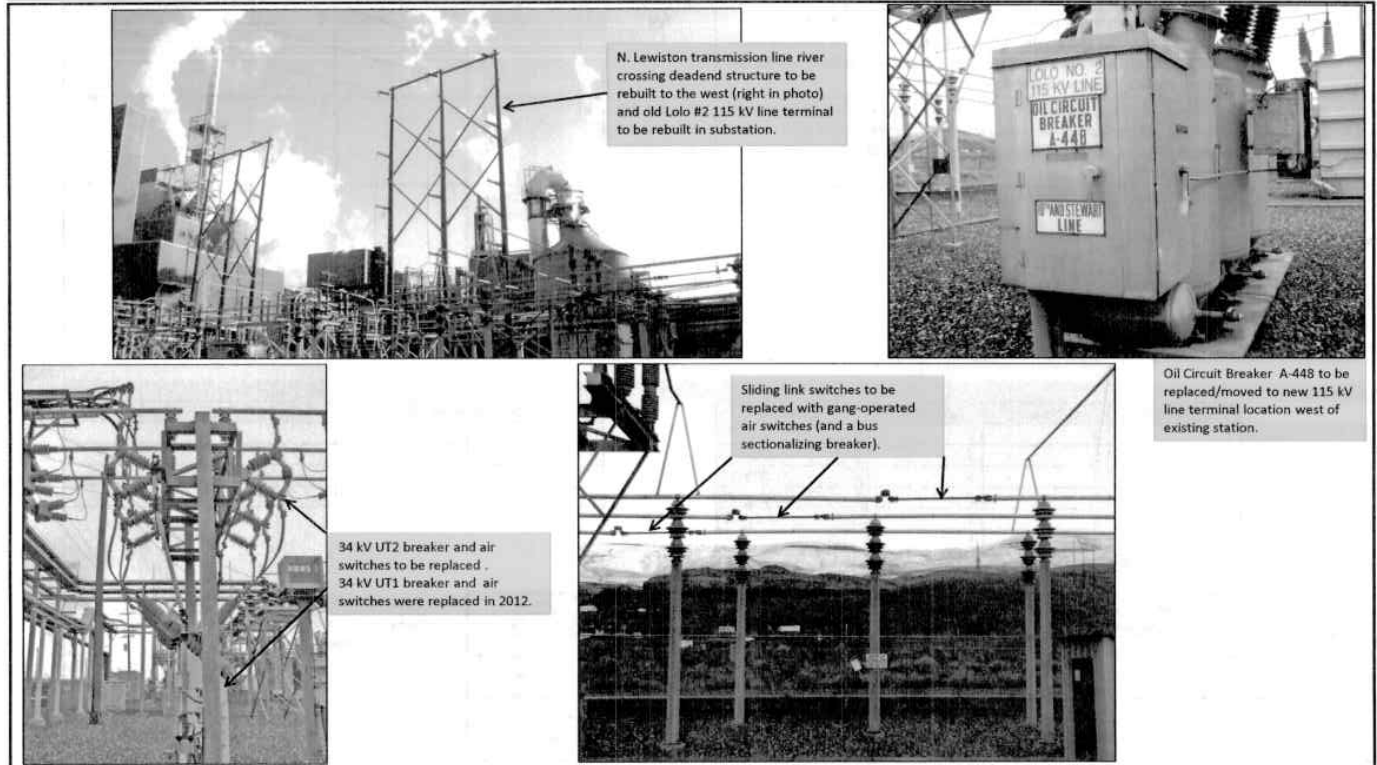


Prepared Mike Magruder/Ken Sweigart
Mike Magruder/Ken Sweigart, T&D Substations/Transmission

Reviewed Heather Rosentrater
Heather Rosentrater, Director - ENSO

Reviewed Andy Vickers
Andy Vickers, Director - GPSS

Reviewed _____
(if necessary) Director



| To be completed by Capital Planning Group | | Review Cycles | |
|---|-----------|---------------|--|
| Rationale for decision | 2012-2016 | | |
| | Date | Template | |
| | | | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Franchising for Washington State Department of Transportation (“WSDOT”)

ER No: 7108
ER Name: WSDOT Highway Franchise Consolidation

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$710¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 42 | | | | | | | | | | | 21 | 21 |
| 2014 | 265 | | | 66 | | | 66 | | | 66 | | | 66 |
| 2015 | 195 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| 2016 | 125 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 |

Business Case Description:

Obtain franchise renewals for existing facilities on WSDOT rights of way. We have hundreds of miles of Transmission and Distribution facilities within WSDOT rights of ways. Maintaining our right to be there allows for the continued operation of those facilities without additional negative impact to our ratepayers or the Company.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | | | |
|--|--|---|--|--|----------------------------|
| Investment Name: | Franchising for WSDOT | Assessments: | | | |
| Requested Amount | \$265,000 | Financial: | Medium - >= 5% & <9% CIRR | | |
| Duration/Timeframe | 20 Year Program | Strategic: | Life Cycle Programs | | |
| Dept., Area: | Environmental | Operational: | Operations somewhat impacted by execution | | |
| Owner: | Rod Price (Mgr) Bruce Howard (Dir) | Business Risk: | ERM Reduction >5 and <= 10 | | |
| Sponsor: | Marian Durkin | Program Risk: | High certainty around cost, schedule and resources | | |
| Category: | Program | Assessment Score: | 81 | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | | | Capital Cost | Business Risk Score |
| Recommend Program Description: | | Performance | | O&M Cost | |
| Obtain franchise renewals for existing facilities on WSDOT rights of way. We have hundreds of miles of Transmission and Distribution facilities within WSDOT rights of ways. Maintaining our right to be there allows for the continued operation of those facilities without additional negative impact to our ratepayers or the Company. | | Present operation performance will remain | \$ 265,000 | \$ - | 1 |
| | | | | Annual Cost Summary - Increase/(Decrease) | |
| Alternatives: | | Performance | Capital Cost | O&M Cost | Business Risk Score |
| Unfunded Program: | Without WSDOT Franchises, we may be evicted from WSDOT property, thus requiring that we relocate our facilities. In addition, we will not be able to add new facilities to WSDOT properties if needed to serve our load or operate our system as required. | n/a | \$ - | \$ - | 9 |
| <i>move facilities to private property</i> | This would involve obtaining easements on, or buying, private property and moving all of the existing facilities. | interrupt services to move facilities | \$ - | \$ - | 1 |
| | | | \$ - | \$ - | 0 |
| | | | \$ - | \$ - | 0 |

| Program Cash Flows | | | | | Associated Ers (list all applicable): | | | | |
|--------------------|-------------------|-------------|-------------|---------------------|---------------------------------------|--|--|--|--|
| 5 years of costs | | | | | 7108 | | | | |
| | Capital Cost | O&M Cost | Other Costs | Approved | | | | | |
| 2012 | | \$ - | \$ - | \$ 250,000 | | | | | |
| 2013 | | \$ - | \$ - | \$ 125,000 | | | | | |
| 2014 | \$ 265,000 | \$ - | \$ - | \$ 265,000 | | | | | |
| 2015 | \$ 195,000 | \$ - | \$ - | \$ 195,000 | | | | | |
| 2016 | \$ 125,000 | \$ - | \$ - | \$ 125,000 | | | | | |
| 2017 | \$ 125,000 | | | \$ 125,000 | | | | | |
| 2018 | \$ 125,000 | | | \$ 125,000 | | | | | |
| Total | \$ 585,000 | \$ - | \$ - | \$ 1,210,000 | | | | | |

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
WSDOT will not allow new facilities to be built on franchises that have expired.

Resources Requirements: (request forms and approvals attached)

| | |
|---|--|
| Internal Labor Availability: <input type="checkbox"/> Low Probability <input type="checkbox"/> Medium Probability <input type="checkbox"/> High Probability | Enterprise Tech: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: <input type="checkbox"/> YES <input type="checkbox"/> NO | Facilities: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |
| | Capital Tools: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |
| | Fleet: <input type="checkbox"/> YES - attach form <input checked="" type="checkbox"/> NO or Not Required |

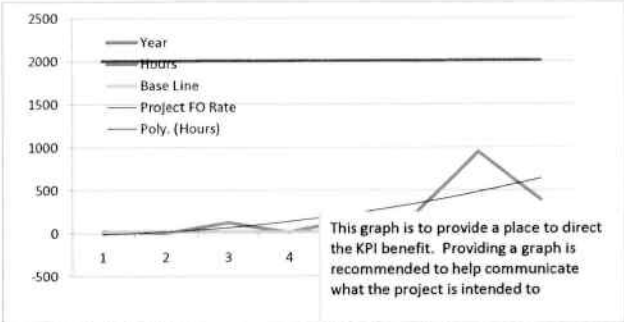
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Capital Program Business Case



Key Performance Indicator(s)
Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | obtain franchises |
| | Fill in the name of the KPI here |



Prepared signature 

Reviewed signature  Director/Manager

Other Party Review signature  Director/Manager
(if necessary)

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

| To be completed by Capital Planning Group | |
|---|----------------------------|
| Rationale for decision | Review Cycles 2012-2016 |
| | Date |
| | Template |
| | |
| | |
| | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution
Business Case Name: Harrington Voltage Conversion from 4 kV to 13 kV
ER No: 2289 **ER Name:** Harrington Conversion to 13 kV

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,000¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | | | | | | | | | | | | | |
| 2014 | 1,000 | | | | | | | | | | | | 1,000 |
| 2015 | 2,000 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

The Harrington, WA area is the last area Avista serves at the legacy 4 kV voltage. This voltage is obsolete for serving utility distribution systems and we have very limited spare equipment to continue service at this voltage. The substation is very old and the transformer will be difficult and time consuming to replace if it fails. We do not have 4 kV on our mobile substations, so all the customers served by Harrington feeders will be out of service until the transformer is replaced. This could easily be up to 48 hours. There is no reason to delay this needed upgrade to our standard distribution class voltage and equipment. Minor system efficiencies also result.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Project Business Case



| | | | |
|--------------------------------|--------------------------------|--|--|
| Investment Name: | Harrington Upgrades | Assessments: | |
| Requested Amount | \$3,000,000 | Financial: | 7.00% |
| Duration/Timeframe | 1 Year Project | Strategic: | Reliability & Capacity |
| Dept., Area: | T&D - Substations/Distribution | Business Risk: | Business Risk Reduction >5 and <= 10 |
| Owner: | Heather Rosentrater | Project Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | Assessment Score: | 87 |
| Category: | Project | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | | |

| Recommend Project Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|---|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Harrington Voltage Conversion. Harrington is the last area Avista serves at the legacy 4 kV voltage. This voltage is obsolete for serving utility distribution systems and we have very limited spare equipment to continue service at this voltage. The substation is very old and the transformer will be difficult and time consuming to replace if it fails. We do not have 4 kV on our mobile substations, so all the customers served by Harrington feeders will be out of service until the transformer is replaced. This could easily be up to 48 hours. There is no reason to delay this needed upgrade to our standard distribution class voltage and equipment. Minor system efficiencies also result. | Removes long term outage risk for sub failures; reduces losses; standardizes system | \$ 3,000,000 | \$ - | \$ - | 1 |

| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score | |
|--|--|--|------------|-------------|---------------------|---|
| | | Capital Cost | O&M Cost | Other Costs | | |
| Unfunded Project: | Do nothing. This option poses increased risk for the Company and exposes Harrington customers to potentially long outages. The substation has reached end of life and its equipment is obsolete. Unplanned restoration costs will be more expensive as a result. | n/a | \$ 300,000 | \$ 100,000 | \$ 1,000,000 | 6 |
| Unfunded Project: Cont'd | The existing station also has high voltage fuses protecting the transformer that are over-dutied, meaning they may not function as needed for a fault. This is one of five remaining stations with this type of fusing. | describe any incremental changes in operations | \$ - | \$ - | \$ - | 1 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|---------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 3,000,000 | \$ - | \$ - | \$ 1,000,000 |
| 2015 | \$ - | \$ - | \$ - | \$ 2,000,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017+ | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 3,000,000 | \$ - | \$ - | \$ 3,000,000 |

| Associated Ers (list all applicable): | | | |
|---------------------------------------|--|--|--|
| 2289 | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|--------------|-------------|---------------------|-------------|-------------|-------------|---------------------|---|
| 2289 | \$ - | \$ 3,000,000 | \$ - | \$ - | \$ - | \$ 3,000,000 | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ 3,000,000 | \$ - | \$ - | \$ - | \$ 3,000,000 | Additional Justifications: If the substation transformer fails, our spare units are at Ritzville and they are very old. We have tested them and so far, they are good. We have another option to install a 115/13 kV transformer and then a 13/4 kV transformer to serve the load. Doing nothing is simply not in the best interest of our customers or shareholders. This is the only 4 kV distribution system we own and operate and it needs to be upgraded to a standard utility voltage class. |

Milestones (high level targets)

| Start Date | Activity | End Date | Activity | Start Date | Status |
|------------|------------------------------------|-------------|----------------------------------|------------|--------|
| January-14 | Begin Design | July-14 | Remove & Salvage Old Substation | January-00 | open |
| March-14 | Start Distribution Line Work | August-14 | Start Substation Construction | January-00 | open |
| May-14 | Transmit Substation Rebuild | October-14 | Complete Substation Construction | January-00 | open |
| June-14 | Install Mobile Substation | October-14 | Transfer Load from Mobile to Sub | January-00 | open |
| June-14 | Start Distribution Cutover Process | November-14 | Return Mobile to Spokane | January-00 | open |
| July-14 | Complete Cutover Process | January-00 | open | January-00 | open |

Resources Requirements: (request forms and approvals attached)

| | | | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|----------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Capital Project Business Case

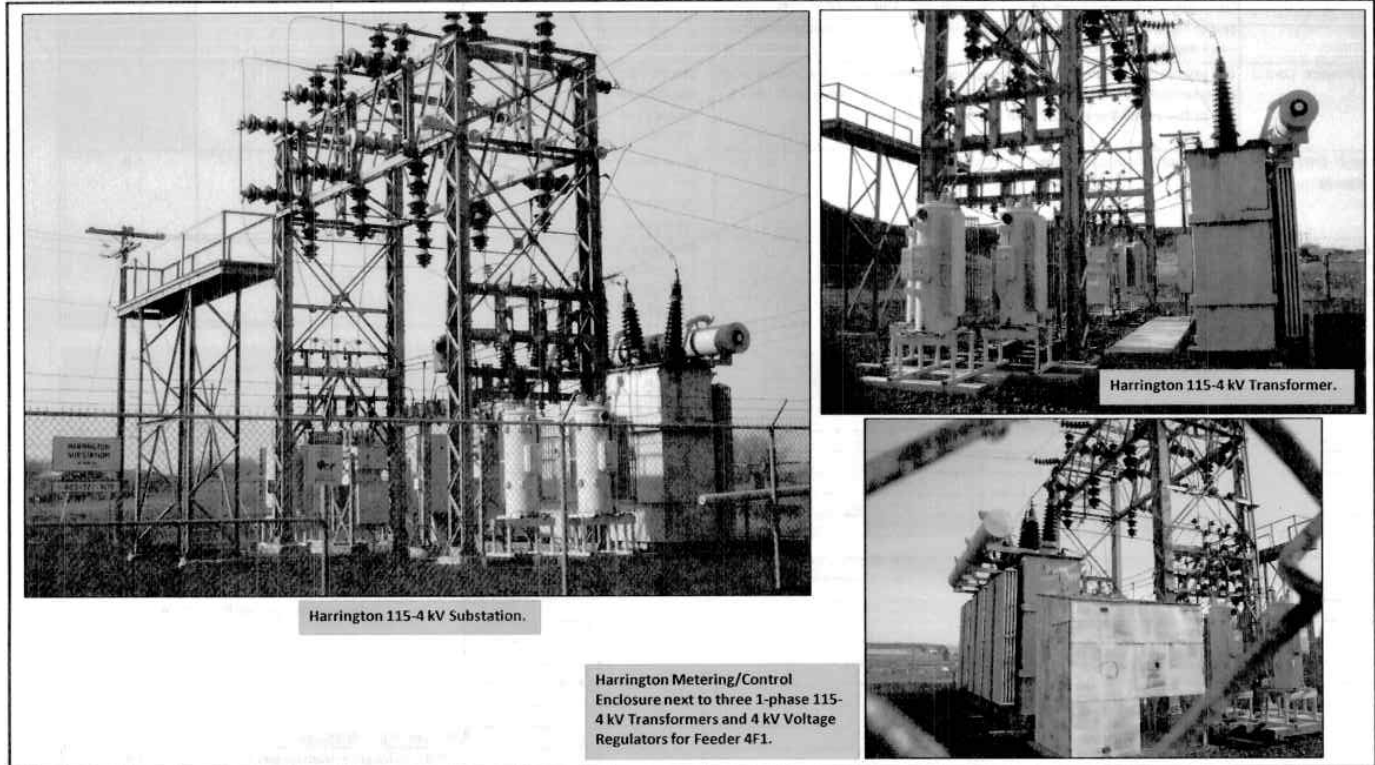


Key Performance Indicator(s)
Expected Performance Improvements

KPI Measure: _____
Fill in the name of the KPI here

Fill in the name of the KPI here

Prepared Mike Magruder/Dave James, T&D-Substations/Distribution
 Reviewed Heather Rosentrater, Director - ENSO
 Reviewed Andy Vickers, Director - GPSS
 Reviewed Bryan Cox, Director - West Operations



| To be completed by Capital Planning Group | | Review Cycles | |
|---|-----------|---------------|--|
| Rationale for decision | 2012-2016 | | |
| | Date | Template | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Moscow 230 Substation Rebuild

ER No: 2484
ER Name: Moscow 230 kV Sub-Rebuild 230 kV Yard

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$6,400¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-------|-----|-------|-----|-----|-----|
| 2013 | 6,686 | | | | | | | | | 6,317 | 369 | | |
| 2014 | 5,853 | | | | | | | 5,700 | | | | | 153 |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This project, which is presently under construction, completely rebuilds the entire Moscow 230 kV Substation. The new station will include gas circuit breakers for both the 230 kV and 115 kV yards, a new 250 MVA Autotransformer, two 115 kV Capacitor Banks or an additional Autotransformer, a new panel house, and a station configuration that allows for future additions. The primary driver for this project is the capacity of the existing 125 MVA Autotransformer. System planning studies show an imminent thermal overload of the 56 year old unit in the event we have a failure of the Shawnee Autotransformer. Considering these two units serve the entire Pullman-Moscow area, this project is critically important to Avista's ability to serve our customers.

Offsets:

After revenue requirement was finalized, it was determined that offsets do exist for this business case. The new transformer results in loss savings of 720 MWH annually based on average loading. Assuming an avoided energy cost of \$44/MWH, the total 2013 savings is $[(720 \text{ MWH} \times \$44/\text{MWH}) / (12 \text{ months})] \times 6 \text{ months} = \$15,840$ system and Washington's allocation is \$10,298. For 2014 and 2015, the calculation includes savings based on twelve months resulting in an offset of \$31,680 system and \$20,575 Washington in each of those two years. These additional offset amounts should have been included in revenue requirements.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Investment Business Case

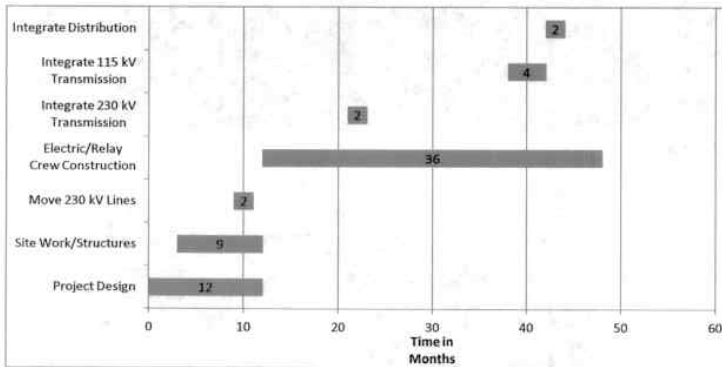
| | | | |
|--------------------------------|--------------------------------------|---|---|
| Investment Name: | Moscow 230 Substation Rebuild | Assessments: | |
| Requested Amount | \$14,612,411 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 5 Year Project | Strategic: | Life Cycle Programs |
| Dept., Area: | T&D - Substation & Transmission Engr | Operational: | Operations require execution to perform at current levels |
| Owner: | Heather Rosentrater | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 89 |
| Mandate/Reg. Reference: | n/a | Cost Summary - Increase/(Decrease) | |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| This project, which is presently under construction, completely rebuilds the entire Moscow 230 kV Substation. The new station will include gas circuit breakers for both the 230 kV and 115 kV yards, a new 250 MVA Autotransformer, two 115 kV Capacitor Banks or an additional Autotransformer, a new panelhouse, and a station configuration that allows for future additions. The primary driver for this project is the capacity of the existing 125 MVA Autotransformer. System planning studies show an imminent thermal overload of the 56 year old unit in the event we have a failure of the Shawnee Autotransformer. Considering these two units serve the entire Pullman-Moscow area, this project is critically important to Avista's ability to serve our customers. | Capacity will be sufficient for demand; sys. reliability and station safety will be improved. | \$ 14,612,411 | \$ - | \$ - | 1 |

| | | | | | |
|---|---|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo : | Our ability to serve our load under N-1 conditions is extremely limited during winter peak. System operations has few alternatives to source the load with the existing capacity at Moscow 230 if there is a failure of the Shawnee unit. Load growth exacerbates this problem | \$ 250,000 | \$ 100,000 | \$ 100,000 | 8 |
| Alternative 1: Rebuild with two-125 MVA units (vs. one-250 MVA unit) | An option was studied with two-125 MVA units instead of one-250 MVA unit. All other aspects of the rebuild were the same as the recommended option. There are definite benefits to this option but the cost increase, which still includes the capacitor bank installations, was the deciding factor. | \$ 16,000,000 | \$ - | \$ - | 1 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|-------------|-------------|----------------------|
| Previous | \$ 5,312,410 | \$ - | \$ - | \$ 5,312,410 |
| 2012 | \$ 2,900,000 | \$ - | \$ - | \$ 2,900,000 |
| 2013 | \$ 3,750,001 | \$ - | \$ - | \$ 3,750,001 |
| 2014 | \$ 2,650,000 | \$ - | \$ - | \$ 2,650,000 |
| 2015 | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 14,612,411 | \$ - | \$ - | \$ 14,612,411 |

| | | | | |
|--|--|-------------|-----------------------------------|--|
| Milestones (high level targets) | | | | |
| May-11 | Design Started | July-14 | All 115 kV Plant In Service | |
| October-11 | Structures Complete; Autotransformer delivered | July-14 | Distribution Station in Service | |
| January-12 | Electric Crew on Project Full Time | December-14 | 115 kV Capacitor Banks in Service | |
| May-12 | Entire Design Complete | December-14 | Old Station Removed & Salvaged | |
| September-13 | 230 kV Plant in Service | | | |

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| Associated Ers (list all applicable): | 2484 | | | | | | |
| Mandate Excerpt (if applicable): | Obligation to serve: The present Moscow 230 kV Substation is not sufficient for future load service under contingency for the greater Pullman-Moscow area. | | | | | | |

| |
|--|
| Additional Justifications: |
| This project is already in construction. Additional documentation is available upon request including System Planning studies, Project Diagrams, Internal Substation Memos, meeting notes, etc. |



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

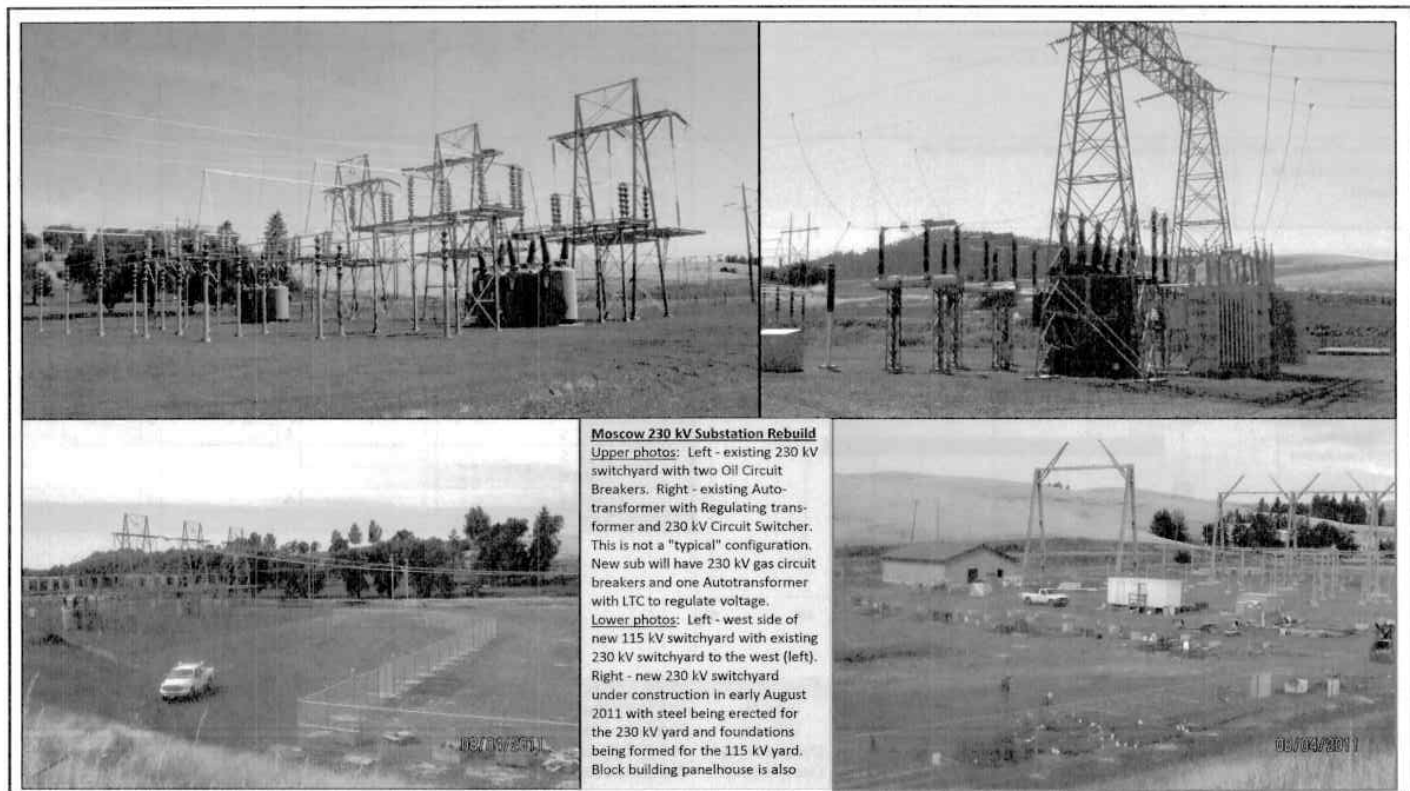
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

| Key Performance Indicator(s) | |
|-----------------------------------|----------------|
| Expected Performance Improvements | |
| KPI Measure: | See Milestones |

Prepared W Magruder Ken Sweigart
Mike Magruder/Ken Sweigart T&D Substations/Transmission

Reviewed Heather Rosentrater
Heather Rosentrater, Director - ENSO

Other Party Review (if necessary) Andy Vickers
Andy Vickers, Director - GPSS



Moscow 230 kV Substation Rebuild
Upper photos: Left - existing 230 kV switchyard with two Oil Circuit Breakers. Right - existing Autotransformer with Regulating transformer and 230 kV Circuit Switcher. This is not a "typical" configuration. New sub will have 230 kV gas circuit breakers and one Autotransformer with LTC to regulate voltage.
Lower photos: Left - west side of new 115 kV switchyard with existing 230 kV switchyard to the west (left). Right - new 230 kV switchyard under construction in early August 2011 with steel being erected for the 230 kV yard and foundations being formed for the 115 kV yard. Block building panelhouse is also

| To be completed by Capital Planning Group | | Review Cycles | |
|---|-----------|---------------|--|
| Rationale for decision | 2012-2016 | | |
| | Date | Template | |
| | | | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Smart Grid Demonstration Project

ER No: ER Name:

2530 SGDP-Pullman Smart Grid Demonstration Project

3291 Install Gas AMI for Pullman Smart Grid

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$1,476¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 360 | | | | | | | 5 | 7 | 1 | 39 | | 309 |
| 2014 | 525 | 19 | 19 | 94 | 19 | 19 | 94 | 19 | 19 | 94 | 19 | 19 | 94 |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This Smart grid proposal will bring smart grid technology to electric distribution facilities that serve nearly 14,000 customers in the City of Pullman. Avista expects to realize benefits from smart grid technologies in reduced system losses and lower operating costs. Customers should realize benefits from improved service reliability, improved energy data enabling efficient energy usage, and energy savings from conservation voltage reduction (CVR).

Offsets:

O&M offsets associated with this business case may occur in the future, however, they are not quantifiable at this time.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



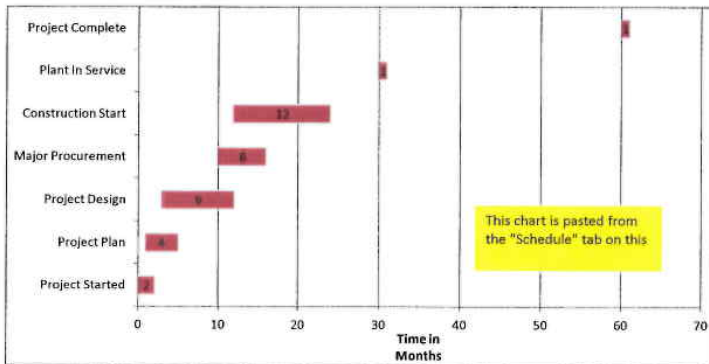
Capital Investment Business Case

| | | | | | | |
|---|---|---|--|---|----------------------------|---|
| Investment Name: | Smart Grid Demonstration Project | Assessments: | | | | |
| Requested Amount | \$10,937,500 | Financial: | Medium - >= 5% & <9% CIRR | | | |
| Duration/Timeframe | 5 Year Project | Strategic: | Customer Experience | | | |
| Dept., Area: | Business Process Improvement | Operational: | Operations improved beyond current levels | | | |
| Owner: | Heather Rosentrater | Business Risk: | ERM Reduction >10 and <= 15 | | | |
| Sponsor: | Don Kopczynski | Project/Program Risk: | High certainty around cost, schedule and resources | | | |
| Category: | Project | Assessment Score: | 105 | Cost Summary - Increase/(Decrease) | | |
| Mandate/Reg. Reference: | n/a | | | Capital Cost | O&M Cost | |
| Recommend Project Description: | | Performance | | Other Costs | Business Risk Score | |
| This Smart grid proposal will bring smart grid technology to electric and gas distribution facilities that serve nearly 14,000 customers in the City of Pullman. Avista expects to realize benefits from smart grid technologies in reduced system losses and lower operating costs. Customers should realize benefits from improved service reliability, improved energy data enabling efficient energy usage, and energy savings from conservation voltage reduction (CVR). | | This program will bring automated metering and outage restoration to 13,000 | \$ 10,937,500 | \$ 5,254,378 | \$ - | 4 |

| Alternatives: | | Performance | Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|--|---|---|---------------------|--------------------|----------------------------|
| | | | Capital Cost | O&M Cost | Other Costs | |
| Status Quo : | Continue to have no automation for operations and metering. | n/a | \$ - | \$ - | \$ - | 16 |
| Alternative 1: Brief name of alternative (if applicable) | Install automation devices on 13 feeders fed from 3 substations and install AMI meters on 13,000 Electric customers and 5,000 gas customers. | reduced system losses & offset operational cost | \$ 10,102,500 | \$ 5,254,378 | \$ - | 4 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|---------------------|--------------------|---------------------|
| Previous | \$ 2,177,250 | \$ 85,000 | \$ - | \$ 2,177,250 |
| 2012 | \$ 7,957,750 | \$ 792,000 | \$ - | \$ 3,286,567 |
| 2013 | \$ 800,000 | \$ 2,276,814 | \$ - | \$ 951,831 |
| 2014 | \$ 2,500 | \$ 1,083,732 | \$ - | \$ 525,000 |
| 2015 | \$ - | \$ 1,016,832 | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 10,937,500 | \$ 5,254,378 | \$ - | \$ 6,940,648 |

Milestones (high level targets)

| | | | | | |
|-------------|--------------------|-------------|------------------|----------|------|
| January-10 | Project Started | October-12 | Plant In Service | mm/dd/yy | open |
| March-10 | Project Plan | December-14 | Project Complete | mm/dd/yy | open |
| November-10 | Project Design | mm/dd/yy | open | mm/dd/yy | open |
| January-11 | Major Procurement | mm/dd/yy | open | | |
| February-11 | Construction Start | mm/dd/yy | open | | |

Milestones should be general. In some cases it may be as simple as project start, project complete. Use your judgement on project progress so that progress can be measured.

Associated Ers (list all applicable):

| | | | | | |
|-------------------|--|--|--|--|--|
| Current ER | | | | | |
| 2530 | | | | | |

Mandate Excerpt (if applicable):

provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:

Avista entered into a 5 year contract commitment with the Department of Energy in September 2010, Avista committed to a Demonstration Project of \$39,558,000 and its project partners. Penalties of voiding this contract would include partial cost reimbursement to Battelle, Itron, WSU, and other partners for abandoning the project prior to completion.



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:

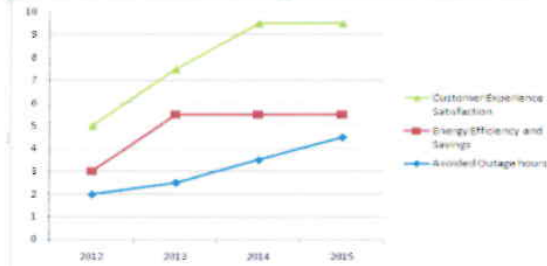


Figure 1 - Key Performance Indicators

Prepared signature *Daniel C. Johnson*

Reviewed signature *[Signature]*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the project



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Transmission - Asset Management

ER No: ER Name:

2057 Transmission Minor Rebuild

2254 System 115kV Air Switch Upgrade

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$5,129¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|-------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 2013 | 546 | | | | | | | 35 | 22 | 42 | 86 | 150 | 210 |
| 2014 | 1,315 | 93 | 93 | 100 | 100 | 122 | 122 | 122 | 126 | 126 | 126 | 96 | 92 |
| 2015 | 1,370 | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 | 114 |
| 2016 | 1,425 | 119 | 119 | 119 | 119 | 119 | 119 | 119 | 119 | 119 | 119 | 119 | 119 |

Business Case Description:

The Transmission Asset Management Business Case covers the follow-up work to the Wood Pole Inspection in ER 2057, and Air Switch Replacements in ER 2254.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|--------------------------------|------------------------------|--------------------------|--|
| Investment Name: | Trans Asset Man | Assessments: | |
| Requested Amount | \$1,400,000 | Financial: | 10.00% |
| Duration/Timeframe | Indefinite Year Program | Strategic: | Life-cycle asset management |
| Dept., Area: | T&D - TLD Engineering | Business Risk: | Business Risk Reduction >0 and <= 5 |
| Owner: | Heather Rosentrater | Program Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | | |
| Category: | Program | | |
| Mandate/Reg. Reference: | WECC Standard FAC-501-WECC-1 | Assessment Score: | #NAME? |

| | | | | | |
|---|----------------------|---------------------|---------------------|--------------------|----------------------------|
| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| The Transmission Asset Management Business Case covers the follow-up work to the Wood Pole Inspection in ER 2057, and Air Switch Replacements in ER 2254. | Customer IRR of 8.9% | \$ 1,400,000 | \$ 331,000 | \$ - | 12 |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Program: | Without replacing old and worn-out poles and cross-arms, our system will be increasing at risk for more failures and more risk of a major fire. As time moves forward, the number of failures and risk of a major fire will increase and increase the difference in costs between the two alternatives. | \$ 3,464,530 | \$ - | \$ 1,576,000 | 15 |
| Alternative 1: Brief name of alternative (if applicable) | Replace wood poles and cross-arms identified by inspection and when a significant portion of the transmission line has reached the end of life for the majority of the poles, replace the transmission structures under a larger project. This also covers replacing Transmission Air Switches located outside of the substations that have reached their end of life. For major rebuilds, new conductors would increase the capacity of the system and help reduce transmission losses | \$ 4,205,000 | \$ 331,000 | \$ - | 12 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

| | | | | |
|---------------------------|---------------------|---------------------|--------------------|---------------------|
| Program Cash Flows | Capital Cost | O&M Cost | Other Costs | Approved |
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 1,315,000 | \$ 331,823 | \$ - | \$ 1,646,823 |
| 2015 | \$ 1,370,000 | \$ 339,455 | \$ - | \$ 1,709,455 |
| 2016 | \$ 1,425,000 | \$ 347,262 | \$ - | \$ 1,772,262 |
| 2017 | \$ 1,425,000 | \$ 355,249 | \$ - | \$ 1,780,249 |
| 2018 | \$ 1,480,000 | \$ 363,420 | \$ - | \$ 1,843,420 |
| Total | \$ 7,015,000 | \$ 1,737,209 | \$ - | \$ 8,752,209 |

| |
|--|
| Associated Ers (list all applicable): |
| 2057 2254 |

| | | | | | | | |
|--------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---|
| ER | 2014 | 2015 | 2016 | 2017 | 2018 | Total | Mandate Excerpt (if applicable): |
| 2057 | \$ 1,431,823 | \$ 1,489,455 | \$ 1,547,262 | \$ 1,555,249 | \$ 1,613,420 | \$ 7,637,209 | The majority of this Program is mandated under NERC Standards FAC-501-WECC-1. Failure to comply with standard could result in large financial penalties. |
| 2254 | \$ 215,000 | \$ 220,000 | \$ 225,000 | \$ 225,000 | \$ 230,000 | \$ 1,115,000 | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 1,646,823 | \$ 1,709,455 | \$ 1,772,262 | \$ 1,780,249 | \$ 1,843,420 | \$ 8,752,209 | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|-------------------------------------|--|--|---|-------------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input checked="" type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

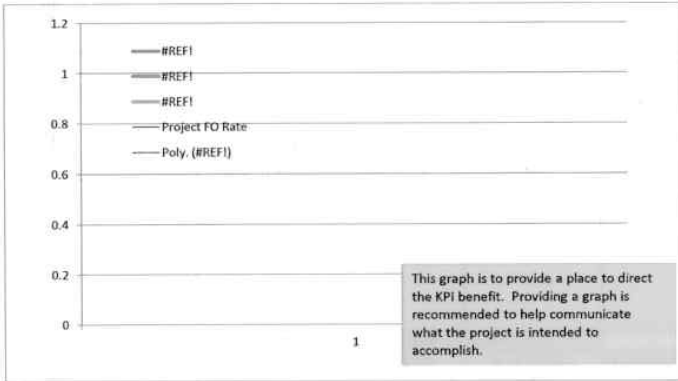
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

| |
|---|
| Expected Performance Improvements |
| KPI Measure: Fill in the name of the KPI here |
| Fill in the name of the KPI here |



Capital Program Business Case



Prepared signature *[Handwritten Signature]* 11/22/2013

Reviewed signature *[Handwritten Signature]*
Director/Manager

Other Party Review signature
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Transmission - NERC High Priority Mitigation

ER No: 2560
ER Name: Line Ratings Mitigation Project

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,070¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | 1,350 | | | | | | | | | | | | 1,350 |
| 2014 | 1,900 | | | | | | | | | | | | 1,900 |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This program reconfigures insulator attachments, and/or rebuilds existing transmission line structures, or removes earth beneath transmission lines in order to mitigate ratings/sag discrepancies found between "design" and "field" conditions as determined by LiDAR survey data. This program was undertaken in response to the October 7, 2012 North American Electric Reliability Corporations (NERC) "NERC Alert" - Recommendation to Industry, "Consideration of Actual Field Conditions in Determination of Facility Ratings". This Capital Program (ER2560) covers mitigation work on Avista's "High Priority" 230kV transmission lines, including: Benewah-Pine Creek (BI CT203), Cabinet-Noxon (BI AT203), Cabinet-Rathdrum (BI CT202), Hatwai-North Lewiston (BI LT205), Lolo-Oxbow (BI LT202), and Noxon-Pine Creek (BI AT202). Mitigation brings lines in compliance with the National Electric Safety Code (NESC) minimum clearances values. These code minimums have been adopted into the State of Washington's Administrative Code (WAC).

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|-------------------------|---|---|--|
| Investment Name: | Transmission - NERC High Priority Mitigation | Assessments: | |
| Requested Amount | \$2,835,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 3 Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | TLD Engineering | Operational: | Operations improved beyond current levels |
| Owner: | Heather Rosentrater | Business Risk: | ERM Reduction >10 and <= 15 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 102 |
| Mandate/Reg. Reference: | October 7, 2010 "NERC Alert" w/r Facility Ratings | Annual Cost Summary - Increase/(Decrease) | |

| Recommend Program Description: | Performance | Annual Cost Summary - Increase/(Decrease) | | | ERM Risk Score |
|--|---|---|----------|-------------|----------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This program reconfigures insulator attachments, and/or rebuilds existing transmission line structures, or removes earth beneath transmission lines in order to mitigate ratings/sag discrepancies found between "design" and "field" conditions as determined by LiDAR survey data. This program was undertaken in response to the October 7, 2012 North American Electric Reliability Corporations (NERC) "NERC Alert" - Recommendation to Industry, "Consideration of Actual Field Conditions in Determination of Facility Ratings". This Capital Program (ER2560) covers mitigation work on Avista's "High Priority" 230kV transmission lines, including: Benewah-Pine Creek (BI CT203), Cabinet-Noxon (BI AT203), Cabinet-Rathdrum (BI CT202), Hatwai-North Lewiston (BI LT205), Lolo-Oxbow (BI LT202), and Noxon-Pine Creek (BI AT202). Mitigation brings lines in compliance with the National Electric Safety Code (NESC) minimum clearances values. These code minimums have been adopted into the State of Washington's Administrative Code (WAC). | Regulatory compliance, upgraded facilities, greater clearance, and (in some cases) greater load capabilities. | \$ 1,337,500 | \$ - | \$ - | 1 |

| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | ERM Risk Score |
|---|---|---|----------|-------------|----------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Unfunded Program: The unfunded ("do nothing") approach would place Avista at odds with NERC recommendations, and increase the potential for large fines for any outage and/or incident connected with line clearance. Additionally, failure to mitigate would place Avista in violation of NESC code standards and the WAC. | Relatively high probability of fines and legal action against Avista. | \$ - | \$ - | \$ - | 16 |
| Alternative 1: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | | Associated Ers (list all applicable): | | | | |
|--------------------|--------------|---------------------------------------|----------|-------------|--------------|------|
| 5 years of costs | | Capital Cost | O&M Cost | Other Costs | Approved | 2560 |
| Previous | | | | | | |
| 2012 | \$ 265,000 | \$ - | \$ - | \$ - | \$ - | |
| 2013 | \$ 1,337,500 | \$ - | \$ - | \$ - | \$ 1,170,000 | |
| 2014 | \$ 1,900,000 | \$ - | \$ - | \$ - | \$ 1,900,000 | |
| 2015 | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 2016 | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ 3,502,500 | \$ - | \$ - | \$ - | \$ 3,070,000 | |

Mandate Excerpt (if applicable):
Regulatory: Specific transmission lines require rebuild for increased line clearance. Risk Management: Specific transmission lines require rebuild to reduce potential public injury risks.

Additional Justifications:

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|--|---|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input checked="" type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).



Capital Program Business Case

| |
|-------------------------------------|
| Key Performance Indicator(s) |
| Expected Performance Improvements |
| KPI Measure: |

Prepared signature [Signature] 11/22/2013

Reviewed signature [Signature]
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
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**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution
Business Case Name: Transmission - NERC Low Priority Mitigation

ER No: 2579
ER Name: Low Priority Ratings Mitigation

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$3,250¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | | | | | | | | | | | | | |
| 2014 | 250 | | | | | | | | | | | | 250 |
| 2015 | 500 | | | | | | | | | | | | 500 |
| 2016 | 2,500 | | | | | | | | | | | | 2,500 |

Business Case Description:

This program reconfigures insulator attachments, and/or rebuilds existing transmission line structures, or removes earth beneath transmission lines in order to mitigate ratings/sag discrepancies found between "design" and "field" conditions as determined by LiDAR survey data. This program was undertaken in response to the October 7, 2012 North American Electric Reliability Corporations (NERC) "NERC Alert" - Recommendation to Industry, "Consideration of Actual Field Conditions in Determination of Facility Ratings". This Capital Program (ER25xx) covers mitigation work on Avista's "Low Priority" 230kV and 115kV transmission lines. Mitigation brings lines in compliance with the National Electric Safety Code (NESC) minimum clearances values. These code minimums have been adopted into the State of Washington's Administrative Code (WAC).

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|--------------------------------|---|--------------------------|--|
| Investment Name: | NERC Low Priority Mit | Assessments: | |
| Requested Amount | \$1,500,000 | Financial: | 9.00% |
| Duration/Timeframe | 4 Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | TLD Engineering | Business Risk: | Business Risk Reduction >10 and <= 15 |
| Owner: | Heather Rosentrater | Program Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | | |
| Category: | Program | | |
| Mandate/Reg. Reference: | October 7, 2010 "NERC Alert" w/r Facility Ratings | Assessment Score: | #NAME? |

| Recommend Program Description: | #NAME? | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|--|--|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This program reconfigures insulator attachments, and/or rebuilds existing transmission line structures, or removes earth beneath transmission lines in order to mitigate ratings/sag discrepancies found between "design" and "field" conditions as determined by LIDAR survey data. This program was undertaken in response to the October 7, 2012 North American Electric Reliability Corporations (NERC) "NERC Alert" - Recommendation to Industry, "Consideration of Actual Field Conditions in Determination of Facility Ratings". This Capital Program (ER25xx) covers mitigation work on Avista's "Low Priority" 230kV and 115kV transmission lines. Mitigation brings lines in compliance with the National Electric Safety Code (NESC) minimum clearances values. These code minimums have been adopted into the State of Washington's Administrative Code (WAC). | Performance Regulatory compliance, upgraded facilities, greater clearance, and (in some cases) greater load capabilities. | \$ 1,500,000 | \$ - | \$ - | 1 |

| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|---|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Unfunded Program: The unfunded ("do nothing") approach would place Avista at odds with NERC recommendations, and increase the potential for large fines for any outage and/or incident connected with line clearance. Additionally, failure to mitigate would place Avista in violation of NESC code standards and the WAC. | Relatively high probability of fines and legal action against Avista. | \$ - | \$ - | \$ - | 16 |
| Alternative 1: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 1 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------|-------------|---------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 250,000 | \$ - | \$ - | \$ 250,000 |
| 2015 | \$ 500,000 | \$ - | \$ - | \$ 500,000 |
| 2016 | \$ 2,500,000 | \$ - | \$ - | \$ 2,500,000 |
| 2017 | \$ 2,500,000 | \$ - | \$ - | \$ 2,500,000 |
| Total | \$ 5,750,000 | \$ - | \$ - | \$ 5,750,000 |

| | | | |
|------|--|--|--|
| 2579 | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|--------------|-------------|-------------------|-------------------|---------------------|---------------------|---------------------|---|
| 2579 | \$ - | \$ 250,000 | \$ 500,000 | \$ 2,500,000 | \$ 2,500,000 | \$ 5,750,000 | Regulatory: Specific transmission lines require modification/rebuild for increased line clearance. Risk Management: Specific transmission lines require rebuild to reduce potential public injury risks. |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ 250,000 | \$ 500,000 | \$ 2,500,000 | \$ 2,500,000 | \$ 5,750,000 | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
 Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
 Facilities: YES - attach form NO or Not Required
 Capital Tools: YES - attach form NO or Not Required
 Fleet: YES - attach form NO or Not Required

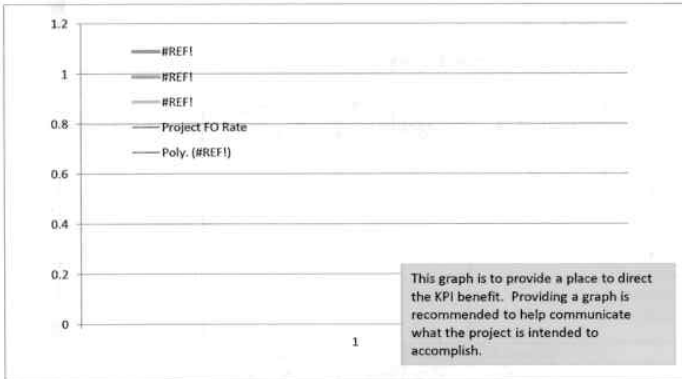
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
Expected Performance Improvements



Capital Program Business Case

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature *[Handwritten Signature]* 11/22/2013

Reviewed signature *[Handwritten Signature]*
Director/Manager

Other Party Review signature (if necessary) _____
Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution
Business Case Name: Transmission - NERC Medium Priority Mitigation

ER No: 2581
ER Name: Medium Priority Ratings Mitigation

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$4,987¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | | | | | | | | | | | | | |
| 2014 | 1,693 | | | | | | | | | | | | 1,693 |
| 2015 | 3,294 | | | | | | | | | | | | 3,294 |
| 2016 | 2,251 | | | | | | | | | | | | 2,251 |

Business Case Description:

This program reconfigures insulator attachments, and/or rebuilds existing transmission line structures, or removes earth beneath transmission lines in order to mitigate ratings/sag discrepancies found between "design" and "field" conditions as determined by LiDAR survey data. This program was undertaken in response to the October 7, 2012 North American Electric Reliability Corporations (NERC) "NERC Alert" - Recommendation to Industry, "Consideration of Actual Field Conditions in Determination of Facility Ratings". This Capital Program (ER2581) covers mitigation work on Avista's "Medium Priority" 230kV and 115kV transmission lines, including North Lewiston-Shawnee 230kV, Beacon-Bell #4 230kV, Beacon-Bell #5 230kV, Noxon-Hot Springs #2 230kV, Beacon-Boulder #2 115kV, Beacon-Francis & Cedar 115kV, 9th & Central-Otis 115kV, Northwest-Westside 115kV, Dry Creek-Talbot 230kV, Walla Walla-Wanapum 230kV, Benewah-Moscow 230kV, Devils Gap-Stratford 115kV. Mitigation brings lines in compliance with the National Electric Safety Code (NESC) minimum clearances values. These code minimums have been adopted into the State of Washington's Administrative Code (WAC).

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|-------------------------|---|-------------------|--|
| Investment Name: | NERC Med Priority Mit | Assessments: | |
| Requested Amount | \$2,500,000 | Financial: | 9.00% |
| Duration/Timeframe | 2 Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | TLD Engineering | Business Risk: | Business Risk Reduction >10 and <= 15 |
| Owner: | Heather Rosenrater | Program Risk: | High certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | | |
| Category: | Program | | |
| Mandate/Reg. Reference: | October 7, 2010 "NERC Alert" w/r Facility Ratings | Assessment Score: | |

| Recommend Program Description: | #NAME? | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|--|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This program reconfigures insulator attachments, and/or rebuilds existing transmission line structures, or removes earth beneath transmission lines in order to mitigate ratings/sag discrepancies found between "design" and "field" conditions as determined by LIDAR survey data. This program was undertaken in response to the October 7, 2012 North American Electric Reliability Corporations (NERC) "NERC Alert" - Recommendation to Industry, "Consideration of Actual Field Conditions in Determination of Facility Ratings". This Capital Program (ER25xx) covers mitigation work on Avista's "Medium Priority" 230kV and 115kV transmission lines, including North Lewiston-Shawnee 230kV, Beacon-Bell #4 230kV, Beacon-Bell #5 230kV, Noxon-Hot Springs #2 230kV, Beacon-Boulder #2 115kV, Beacon-Francis & Cedar 115kV, 9th & Central-Otis 115kV, Northwest-Westside 115kV, Dry Creek-Talbot 230kV, Walla Walla-Wanapum 230kV, Benevah-Moscow 230kV, Devils Gap-Stratford 115kV. Mitigation brings lines in compliance with the National Electric Safety Code (NESC) minimum clearances values. These code minimums have been adopted into the State of Washington's Administrative Code (WAC). | Performance Regulatory compliance, upgraded facilities, greater clearance, and (in some cases) greater load capabilities. | \$ 2,500,000 | \$ - | \$ - | 1 |

| Alternatives: | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|---|---|----------|-------------|---------------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Unfunded Program: The unfunded ("do nothing") approach would place Avista at odds with NERC recommendations, and increase the potential for large fines for any outage and/or incident connected with line clearance. Additionally, failure to mitigate would place Avista in violation of NESC code standards and the WAC. | Relatively high probability of fines and legal action against Avista. | \$ - | \$ - | \$ - | 16 |
| Alternative 1: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 1 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| | Capital Cost | O&M Cost | Other Costs | Approved |
|----------|--------------|----------|-------------|--------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ 1,693,000 | \$ - | \$ - | \$ 1,693,000 |
| 2015 | \$ 3,294,000 | \$ - | \$ - | \$ 3,294,000 |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 4,987,000 | \$ - | \$ - | \$ 4,987,000 |

| |
|------|
| 2581 |
|------|

| ER | 2013 | 2014 | 2015 | 2016 | 2017 | Total | Mandate Excerpt (if applicable): |
|-------|------|--------------|--------------|------|------|--------------|---|
| 2581 | \$ - | \$ 1,693,000 | \$ 3,294,000 | \$ - | \$ - | \$ 4,987,000 | Regulatory: Specific transmission lines require modification/rebuild for increased line clearance. Risk Management: Specific transmission lines require rebuild to reduce potential public injury risks. |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ 1,693,000 | \$ 3,294,000 | \$ - | \$ - | \$ 4,987,000 | |

Resources Requirements: (request forms and approvals attached)

| | | | | | | |
|------------------------------|--|--|---|------------------|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input checked="" type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| Contract Labor: | <input checked="" type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required |

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

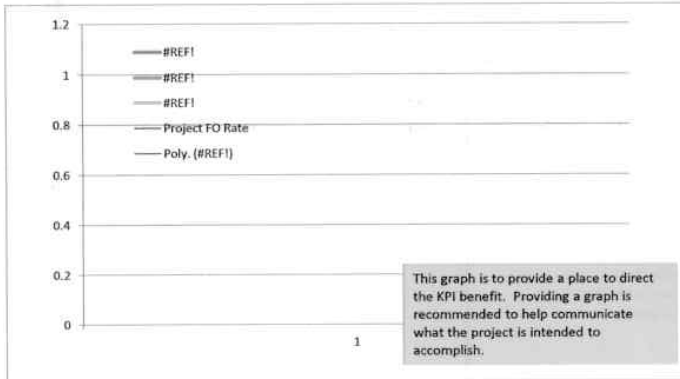
Key Performance Indicator(s)

Expected Performance Improvements



Capital Program Business Case

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature  11/22/2013

Reviewed signature  Director/Manager

Other Party Review signature (if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution
Business Case Name: SCADA - System Operations & Backup Control Center
ER No: 2277 **ER Name:** SCADA Upgrade

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$2,240¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | 133 | | | | | | | | | | 100 | 17 | 17 |
| 2014 | 1,090 | | | | | | | | | | | | 1,090 |
| 2015 | 515 | | | | | | | | | | | | 515 |
| 2016 | 435 | | | | | | | | | | | | 435 |

Business Case Description:

This program replaces and/or upgrades existing electric and gas control center telecommunications and computing systems as they reach the end of their useful lives, require increased capacity, or cannot accommodate necessary equipment upgrades due to existing constraints. Included are hardware, software, and operating system upgrades, as well as deployment of capabilities to meet new operational standards and requirements. Some system upgrades may be initiated by other requirements, including NERC reliability standards, growth, and external projects (e.g. Smart Grid). Examples of upgrades to be completed under this program are Critical Infrastructure Protection version 5 (NERC requirement), Gas Control Room Management (PHMSA requirement), WECC RC Advanced Applications, and Technology Refresh (network and storage).

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Program Business Case



| | | | |
|-------------------------|----------------------------------|---|--|
| Investment Name: | SCADA - SOO and BUCC | Assessments: | |
| Requested Amount | Average amt 2013-18 is \$518,417 | Financial: | Low - >0% and < 5% CIRR |
| Duration/Timeframe | 20 Year Program | Strategic: | Reliability & Capacity |
| Dept., Area: | T&D - SCADA - System Operations | Operational: | Operations somewhat impacted by execution |
| Owner: | Brad Calbick/Heather Rosentrater | Business Risk: | ERM Reduction >5 and <= 10 |
| Sponsor: | Don Kopczynski | Program Risk: | High certainty around cost, schedule and resources |
| Category: | Program | Assessment Score: | 64 |
| Mandate/Reg. Reference: | WECC/NERC/FERC | Annual Cost Summary - Increase/(Decrease) | |

| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|--|--------------|----------|-------------|---------------------|
| This program replaces and/or upgrades existing electric and gas control center telecommunications and computing systems as they reach the end of their useful lives, require increased capacity, or cannot accommodate necessary equipment upgrades due to existing constraints. Included are hardware, software, and operating system upgrades, as well as deployment of capabilities to meet new operational standards and requirements. Some system upgrades may be initiated by other requirements, including NERC reliability standards, growth, and external projects (e.g. Smart Grid). Examples of upgrades to be completed under this program are Critical Infrastructure Protection version 5 (NERC requirement), Gas Control Room Management (PHMSA requirement), WECC RC Advanced Applications, and Technology Refresh (network and storage). | Improved performance, upgraded equipment, better status & control, new life cycle. | \$ 200,000 | \$ - | \$ - | 1 |

| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|--|---|--------------|------------|-------------|---------------------|
| Unfunded Program: Non-compliant operational capabilities and practices would result in negative audit findings, financial penalties, and litigation expenses. Obsolete equipment would remain in service until failure. Additional capacity for growth may or may not be suitable for required expansions to meet other (e.g. Regulatory, SGIG) needs. | Severe negative system reliability and compliance impacts | \$ 500,000 | \$ 500,000 | \$ 500,000 | 8 |
| Alternative 1: Brief name of alternative (if applicable) Describe other options that were considered | Performance remains at current levels; min. improve | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

| Program Cash Flows | Associated ERs (list all applicable): | | | |
|--------------------|---------------------------------------|----------|-------------|--------------|
| 5 years of costs | Capital Cost | O&M Cost | Other Costs | Approved |
| | | | | 2277 |
| 2013 | \$ 200,000 | \$ - | \$ - | \$ 200,001 |
| 2014 | \$ 1,090,500 | \$ - | \$ - | \$ 1,090,500 |
| 2015 | \$ 515,000 | \$ - | \$ - | \$ 515,000 |
| 2016 | \$ 435,000 | \$ - | \$ - | \$ 435,000 |
| 2017 | \$ 435,000 | \$ - | \$ - | \$ 435,000 |
| 2018 | \$ 435,000 | \$ - | \$ - | \$ 435,000 |
| Total | \$ 3,110,500 | \$ - | \$ - | \$ 3,110,501 |

Mandate Excerpt (if applicable):
NERC reliability standards are being continually changed. New and changed standards are expected which will address emergency operations, transmission operations, critical infrastructure protection, communications, and balancing authority operations. Gas Control Room Management requirements which address alarm management, and display standards are being implemented and audited. (See http://www.nerc.com/filez/standards/Reliability_Standards_Under_Development.html and <http://primis.phmsa.dot.gov/crm/>)

Additional Justifications:
This program replaces and/or upgrades existing control center telecommunications and computing systems for a number of reasons including, end of useful life, increased capacity requirements, and new operational and regulatory requirements. Cuts to this program need to be closely evaluated to assure that reliable and compliant operations are not impacted.

Resources Requirements: (request forms and approvals attached)

| | | | | | | | |
|------------------------------|--|---|--|------------------|--|--|--|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input checked="" type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment). |
| Contract Labor: | <input type="checkbox"/> YES | <input checked="" type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Capital Tools: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |
| | | | | Fleet: | <input type="checkbox"/> YES - attach form | <input checked="" type="checkbox"/> NO or Not Required | |



Capital Program Business Case

Key Performance Indicator(s)

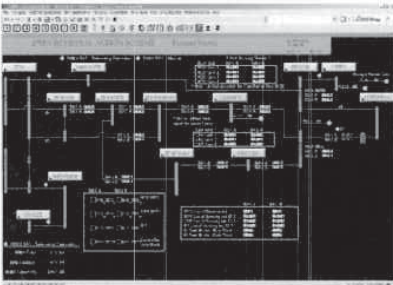
Expected Performance Improvements

KPI Measure: Complete projects ahead of need and compliance targets.


Prepared signature Bruce T. Cuda


Reviewed signature [Signature]
Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

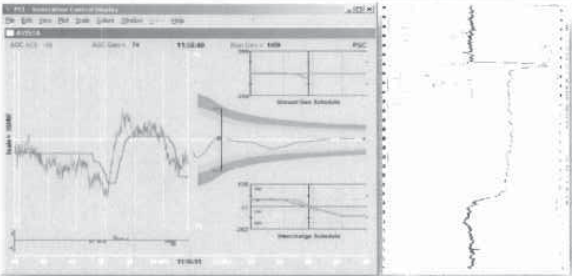


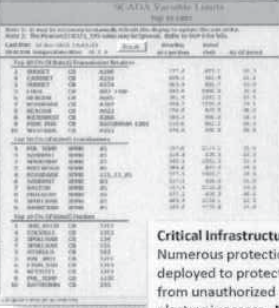
Transmission Operations – Certified System Operators monitor system conditions round-the-clock. They perform switching operations, maintain system voltage, and respond to abnormal conditions. Constant communication occurs with neighboring systems and regional authorities to assure system reliability. Operators are trained to respond to emergency situations such as black start restoration, load shedding, disturbance response, and activation of the Backup Control Center.






Balancing Authority – To maintain the balance between load, interchange, and generation, automated calculations occur every four seconds which determine our megawatt obligation based on our customer load, contracted purchase & sales, and the system frequency at that instant. Controls are automatically issued to generators to adjust generation to meet our obligation. Control algorithms are optimized to minimize





Critical Infrastructure Protection – Numerous protection measures are deployed to protect critical systems from unauthorized physical and electronic access. NERC standards have 43 requirements regarding protection of critical infrastructure. Onerous audits are performed every 3 years. Potentially significant financial penalties result from any instances of non-



To be completed by Capital Planning Group

| Rationale for decision | Review Cycles 2012-2016 | | |
|--|----------------------------|----------|--|
| <div style="background-color: #e0e0e0; height: 100px; width: 100%;"></div> | Date | Template | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Smart Grid Workforce Training Grant - DOE

ER No: 7205
ER Name: Smart Grid Workforce Training

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$155¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 360 | | | | | | | | | -11 | 344 | 13 | 13 |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

Avista is partnering with several utilities and colleges in the region to develop a smart grid workforce training program for a three year period. As a result of this partnership Avista will be upgrading the Jack Stewart Training Center with a substation and distribution training facility for smart grid technology, updating Avista training programs for apprentices, journeymen and pre-line school students to incorporate smart grid technology; and developing several online curriculum offerings to be shared by utilities and colleges in Washington, Oregon, Idaho, Montana and Utah.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution
Business Case Name: Spokane Smart Circuit – Distribution Management System
ER No: 2529 **ER Name:** Spokane Smart Circuit

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$814¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 1,104 | | | | | | | 3 | -1 | 944 | 158 | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

At this time, the utility's distribution system has little real time information and is unable to respond to dynamic loading and faulted conditions very quickly. This project will install a Distribution Management System that will allow real time system information to be used to control the distribution system. Intelligent end devices such as capacitor banks, air switches and reclosers will be installed and will provide sensing and control of the distribution circuits. Substations control and communication equipment will be upgraded to allow for the control and aggregation of field data. A wireless mesh network will be installed to provide backhaul from end devices to the substations. The project will automate distribution equipment on 58 feeders and in 14 substations.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

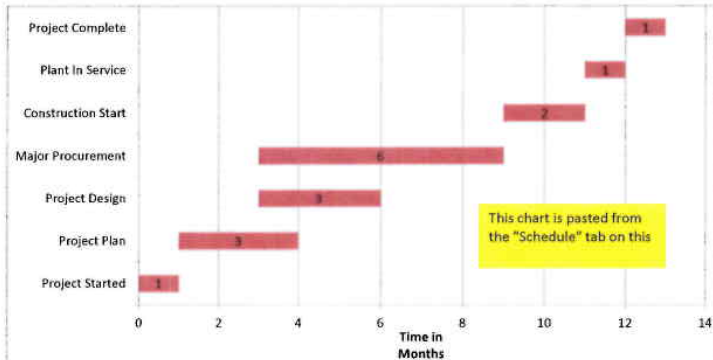


Capital Investment Business Case

| | | | | | | |
|--|--|---|--|---------------------|--------------------|----------------------------|
| Investment Name: | Spokane Smart Circuit | Assessments: | | | | |
| Requested Amount | \$22M | Financial: | High - Exceeds 12% CIRR | | | |
| Duration/Timeframe | 5 Year Project | Strategic: | Reliability & Capacity | | | |
| Dept., Area: | Business Process Improvement | Operational: | Operations improved beyond current levels | | | |
| Owner: | Heather Rosentrater | Business Risk: | ERM Reduction >10 and <= 15 | | | |
| Sponsor: | Don Kopczynski | Project/Program Risk: | High certainty around cost, schedule and resources | | | |
| Category: | Project | Assessment Score: | 116.166667 | | | |
| Mandate/Reg. Reference: | n/a | Cost Summary - Increase/(Decrease) | | | | |
| Recommend Project Description: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| At this time the utility's distribution system has little real time information and is unable to respond to dynamic loading and faulted conditions very quickly. This project will install a Distribution Management System that will allow real time system information to be used to control the distribution system. Intelligent end devices such as capacitor banks, air switches and reclosers will be installed and will provide sensing and control of the distribution circuits. Substations control and communication equipment will be upgraded to allow for the control and aggregation of field data. A wireless mesh network will be installed to provide backhaul from end devices to the substations. The project will automate distribution equipment on 58 feeders and in 14 substations. | | Distribution Automation reducing system losses and outage impacts | \$ 22,000,000 | \$ - | \$ - | 8 |
| | | Cost Summary - Increase/(Decrease) | | | | |
| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo : | System continues to operate as today. | n/a | \$ - | \$ - | \$ - | 20 |
| Alternative 1: Brief name of alternative (if applicable) | A distribution automation system is implemented on 14 substations and 59 of the distribution circuits. | Distribution Automation reducing system losses | \$ 22,000,000 | \$ - | \$ - | 8 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) | Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|-------------|-------------|----------------------|
| Previous | \$ 18,781,582 | \$ - | \$ - | \$ 18,781,582 |
| 2012 | \$ 2,146,190 | \$ - | \$ - | \$ 2,146,190 |
| 2013 | \$ 1,072,228 | \$ - | \$ - | \$ 814,228 |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - | \$ - |
| Total | \$ 22,000,000 | \$ - | \$ - | \$ 21,742,000 |

Milestones (high level targets)

| | | | | | |
|------------|--------------------|----------|------------------|----------|------|
| October-09 | Project Started | June-12 | Plant In Service | mm/dd/yy | open |
| October-09 | Project Plan | March-13 | Project Complete | mm/dd/yy | open |
| June-10 | Project Design | | open | mm/dd/yy | open |
| October-09 | Major Procurement | | open | mm/dd/yy | open |
| October-09 | Construction Start | | open | mm/dd/yy | open |

Milestones should be general. In some cases it may be as simple as project start, project complete. Use your judgement on project progress so that progress can be measured.

Associated Ers (list all applicable):

| | | | | | |
|------------|--|--|--|--|--|
| Current ER | | | | | |
| 2529 | | | | | |

Mandate Excerpt (if applicable):

1937 renewable portfolio standard

Additional Justifications:

This project is in conjunction with a federal smart grid grant. Avista is contractually obligated to complete the scope of work and could risk up to \$20M in lost grant moneys.



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|--------------------------------|
| KPI Measure: | Avoided Outage Hours |
| | Reduced system losses (MWh/Yr) |



Prepared signature John Gibson

Reviewed signature Director/Manager

Other Party Review signature (if necessary) _____ Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the project

To be completed by Capital Planning Group

| | | |
|------------------------|----------------------------|----------|
| Rationale for decision | Review Cycles 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Thornton 230 kV Switching Station

ER No: 2545 **ER Name:** Thornton 230kv Switching Station-Construction WIND

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$0¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 14 | | | | | | | | 14 | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This project will design and construct the Thornton 230kV Switching Station in accordance with the LGIA with Palouse Wind, LLC. Per the Agreement, Avista will own, operate, and maintain this switching station and will be responsible for 2/3 of the overall cost while Palouse Wind will be responsible for 1/3 of the overall cost.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case



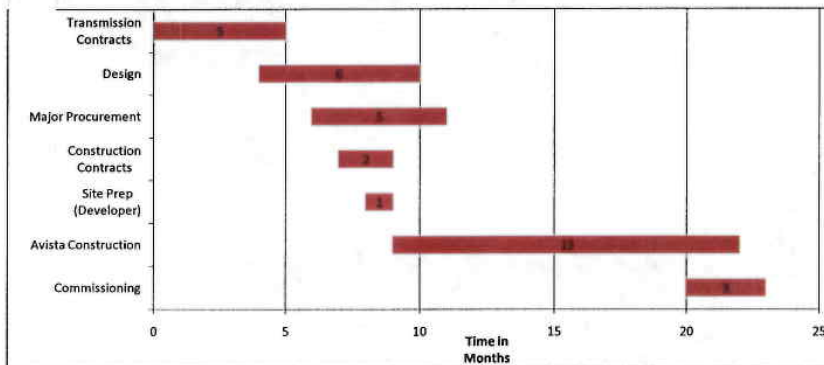
| | | | |
|--------------------------------|--|------------------------------|--|
| Investment Name: | Thornton 230 kV Switching Station | Assessments: | |
| Requested Amount | \$5,000,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 2 Year Project | Strategic: | Renewables |
| Area: | T&D - Substation Engineering | Operational: | Operations improved beyond current levels |
| Sponsor: | Rick Vermeers | Business Risk: | ERM Reduction >10 and <= 15 |
| Category: | Project | Project/Program Risk: | High certainty around cost, schedule and resources |
| Mandate/Reg. Reference: | n/a | Assessment Score: | 100 |

| Recommend Project Description: | Performance | Cost Summary - Increase/(Decrease) | | | ERM Risk Score |
|--|---|------------------------------------|----------|-------------|----------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| This project will design and construct the Thornton 230 kV Switching Station in accordance with the LGIA with Palouse Wind, LLC. Per the Agreement, Avista will own, operate, and maintain this switching station and will be responsible for 2/3 of the overall cost while Palouse Wind will be responsible for 1/3 of the overall cost. Billing information can be found within the LGIA. Design, procurement, and construction activities are presently underway up to the \$2.4M committed by First Wind under the July 1st, 2011 Limited Authorization to Proceed. There is a lot of liability around this project with the potential for lawsuit if we cannot meet our commitment. | required to adequately isolate the wind farm without impacting our system and customers | \$ 5,000,000 | \$ - | \$ - | 1 |

| Alternatives: | Performance | Cost Summary - Increase/(Decrease) | | | ERM Risk Score |
|---|--|------------------------------------|----------|--------------|----------------|
| | | Capital Cost | O&M Cost | Other Costs | |
| Status Quo: Avista has required this switching station to interconnect the Palouse Wind farm on to our system. Interconnection is not an option without this station so there is no "status quo." We will see litigation if we do not meet our deadline as outlined in the LGIA with Palouse Wind, LLC. | n/a | \$ - | \$ - | \$ 7,000,000 | 12 |
| Alternative 1: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 2: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name: Brief name of alternative (if applicable) Describe other options that were considered | describe any incremental changes in operations | \$ - | \$ - | \$ - | 0 |

Timeline

Construction Cash Flows (CWIP)



| | Capital Cost | O&M Cost | Other Costs |
|--------------|---------------------|-------------|-------------|
| Previous | \$ 1,750,000 | \$ - | \$ - |
| 2012 | \$ 3,250,000 | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - |
| 2014 | \$ - | \$ - | \$ - |
| 2015 | \$ - | \$ - | \$ - |
| 2016 | \$ - | \$ - | \$ - |
| 2017 | \$ - | \$ - | \$ - |
| 2018 | \$ - | \$ - | \$ - |
| Future | \$ - | \$ - | \$ - |
| Total | \$ 5,000,000 | \$ - | \$ - |

Milestones (high level targets)

| | | | |
|------------|------------------------------------|--------------|---|
| January-11 | Project Started | September-11 | Avista Crew On Site for Structural Work |
| March-11 | Preliminary Design Begins | October-11 | Avista Electrical Design Transmitted |
| June-11 | Spend Approval | September-12 | Construction Completed |
| July-11 | Avista Physical Design Transmitted | November-12 | Commissioning |
| August-11 | Developer Begins Site Work | December-12 | Energize all Facilities |

| | | | | | | | |
|--|------|--|--|--|--|--|--|
| Associated Ers (list all applicable): | 2545 | | | | | | |
|--|------|--|--|--|--|--|--|

| | | | | | | | |
|---|---|--|--|--|--|--|--|
| Mandate Excerpt (if applicable): | This does help Avista meet the requirements of Washington state initiative I-937. | | | | | | |
|---|---|--|--|--|--|--|--|

| | |
|-----------------------------------|--|
| Additional Justifications: | LGIA_PPA, Planning Studies (Feasibility, System Impact, Facilities), and all other documentation can be provided upon request. |
|-----------------------------------|--|



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)

Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

| |
|---|
| Expected Performance Improvements |
| KPI Measure: Switching Station Energized by 12/17/12. |

Prepared signature Michael A. Magruder

Reviewed signature Bill W...
Director/Manager

Other Party Review signature Tom ...
(if necessary) Director/Manager

Thornton 230 kV Switching Station - Before (Right) & After (Below) Site Prep

The photo to the right was taken on July 26, 2011, just before the wind developer's contractor moved on site.

The photo below shows that same site exactly one month later, August 26, 2011. Avista crews moved on site on Monday, August 29 to begin forming foundations for the structures. Panelhouse is expected to arrive just before Thanksgiving and the Electric/Relay crews will complete the project in 2012.

This project is well into construction.



To be completed by Capital Planning Group

| | | |
|------------------------|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Purchase Westside Property

ER No: 2531
ER Name: Purchase Westside Property

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$0¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | 70 | | | | | | | | 70 | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | | | | | | | | | | | | | |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

This business case is for the purchase of property at Westside. The purchase was made for the anticipated reconstruction of the existing 115 kV and 230/115 kV Autotransformer bus arrangement anticipated to being in 2017 or 2018.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Project Business Case

Contract Labor:

Low Frequency
 YES

Medium Frequency
 NO

High Frequency

Facilities:

YES - attach form
 YES - attach form

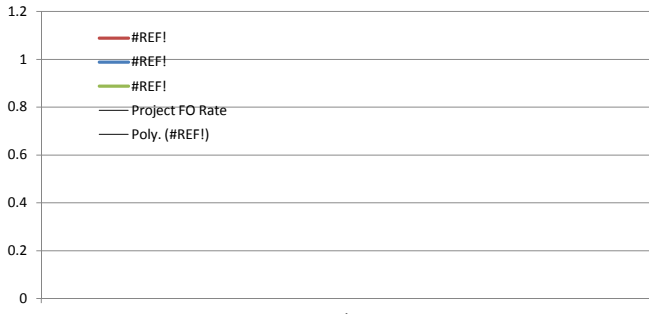
NO or Not Required
 NO or Not Required

Fleet:

YES - attach form
 YES - attach form

NO or Not Required
 NO or Not Required

| Key Performance Indicator(s) | |
|-----------------------------------|----------------------------------|
| Expected Performance Improvements | |
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |

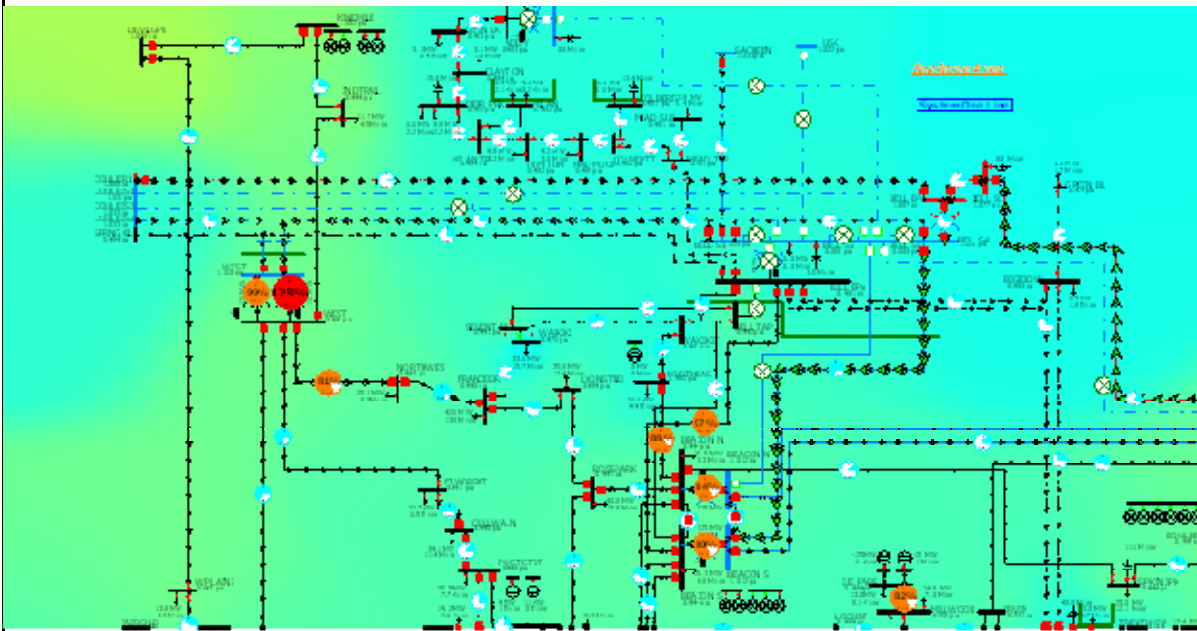


Prepared signature

Reviewed signature Director/Manager

Other Party Review signature Director/Manager
(if necessary)

Below is a visual of the Westside autotransformer overload for a Bell 230 kV bus tie failure.



To be completed by Capital Planning Group

| | | |
|------------------------|----------------------------|----------|
| Rationale for decision | Review Cycles 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Customer Prepay

ER No: 2585
ER Name: Customer Prepay

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$2,000¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 1,997 | | | | | | | | | | | | 1,997 |
| 2016 | | | | | | | | | | | | | |

Business Case Description:

Customer Pre Pay- This project would update customer systems and the AMR interfaces to enable prepay programs. These systems need to be set up so that customer's balance can trigger a disconnect when the customer's balance hits zero. The system also need to alert customers to the low balance prior to disconnect. O&M reductions could occur based on the reduction of collection(s) activities.

Offsets:

There are no anticipated offsets with this business case.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Project Business Case



| | | | |
|--------------------------------|-------------------------|--|---|
| Investment Name: | Customer Pre Pay | Assessments: | |
| Requested Amount | \$2,000,000 | Financial: | 0.00% |
| Duration/Timeframe | no. years 1 | Strategic: | Customer Experience |
| Dept., Area: | Energy Delivery | Business Risk: | Business Risk Reduction >0 and <= 5 |
| Owner: | Heather Rosentrater | Project Risk: | Low certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | Assessment Score: | 14 |
| Category: | Productivity | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | Capital Cost | O&M Cost |

| | | | | | |
|--|---|---------------------|---------------------|--------------------|----------------------------|
| Recommend Project Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Customer Pre Pay- This project would update customer systems and the AMR interfaces to enable prepay programs. These systems need to be set up so that customer's balance can trigger a disconnect when the customer's balance hits zero. The system also need to alert customers to the low balance prior to disconnect. O&M reductions could occur based on the reduction of collection(s) activities. | describe any incremental changes that this Project would benefit present operations | \$ 2,000,000 | \$ 300,000 | \$ - | 4 |

| | | | | | |
|---|---|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Unfunded Project: | Utility will still follow the existing model where customers are billed monthly for consumption. | \$ - | \$ - | \$ - | 12 |
| Alternative 1: Brief name of alternative (if applicable) | The utility will provide a rate schedule for customers that have eligible advanced meters to opt into a pre pay program. Requires integration to CSS and MDM and will require a remote disconnect switch on residences. | \$ 2,000,000 | \$ 200,000 | \$ - | 4 |
| Alternative 2: Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |
| Alternative 3 Name : Brief name of alternative (if applicable) | Describe other options that were considered | \$ - | \$ - | \$ - | 0 |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|---------------------|-------------------|-------------|---------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ 2,000,000 | \$ 100,000 | \$ - | \$ 2,000,000 |
| 2016 | \$ - | \$ 100,000 | \$ - | \$ - |
| 2017+ | \$ - | \$ 100,000 | \$ - | \$ - |
| Total | \$ 2,000,000 | \$ 300,000 | \$ - | \$ 2,000,000 |

| | | | |
|--|--|--|--|
| Associated Ers (list all applicable): | | | |
| | | | |
| | | | |
| | | | |

| ER | 2013 | 2014 | 2015 | 2016 | 2017+ | Total | Mandate Excerpt (if applicable): |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|---|
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | provide brief citation of the law or regulation and a reference number if possible |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| 0 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | |
| Total | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | Additional Justifications: Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc. |

Milestones (high level targets)

| | | | | | |
|------------|------|------------|------|------------|------|
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |
| January-00 | open | January-00 | open | January-00 | open |

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: (request forms and approvals attached)

| | | | | | | | | | |
|-------------------------------------|--|---|---|-------------------------|--|---|-----------------------|--|---|
| Internal Labor Availability: | <input type="checkbox"/> Low Probability | <input type="checkbox"/> Medium Probability | <input type="checkbox"/> High Probability | Enterprise Tech: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required | Capital Tools: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |
| Contract Labor: | <input type="checkbox"/> YES | <input type="checkbox"/> NO | | Facilities: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required | Fleet: | <input type="checkbox"/> YES - attach form | <input type="checkbox"/> NO or Not Required |

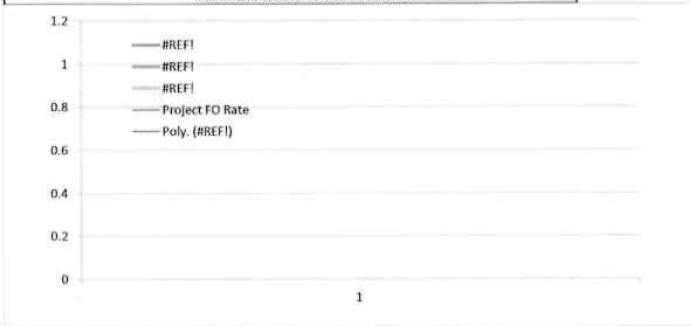
Capital Project Business Case



Key Performance Indicator(s)

Expected Performance Improvements

| | |
|--------------|----------------------------------|
| KPI Measure: | Fill in the name of the KPI here |
| | Fill in the name of the KPI here |



Prepared signature [Signature]
 Reviewed signature [Signature]
 Director/Manager
 Other Party Review signature _____
 (if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Project

To be completed by Capital Planning Group

| | | |
|------------------------|---------------|----------|
| Rationale for decision | Review Cycles | |
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Noxon Switchyard Rebuild

ER No: 2532
ER Name: Noxon 230 kV Substation - Rebuild

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$11,400¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-------|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 8,425 | | | | | | | | | 7,900 | | | 525 |
| 2016 | 500 | | | | | | | | | | | | 500 |

Business Case Description:

The existing Noxon Rapids 230 kV Switchyard requires reconstruction due to the present age and condition of the equipment in the station. The existing bus is constructed as strain bus (which has suffered a number of recent failures) and is configured as a single bus with a tiebreaker separating the East and West buses. The station is the interconnection point of the Noxon Rapids Hydroelectric development as well as a principal interconnection point between Avista and BPA, and as such is a significant asset in the reliable operation of the Western Montana Hydro Complex. Equipment outages within the Station (planned or unplanned) can cause significant curtailments of the local generation output. Due to the significance of the station, a complete rebuild will require coordination with Avista’s Energy Resources Department and neighboring utilities, primarily BPA. The Noxon Switchyard Rebuild Project is proposed to be a Greenfield Double Bus Double Breaker 230 kV switching station to replace the existing Noxon Switchyard.

Offsets:

There are no anticipated offsets with this business case.

¹The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.

Capital Investment Business Case

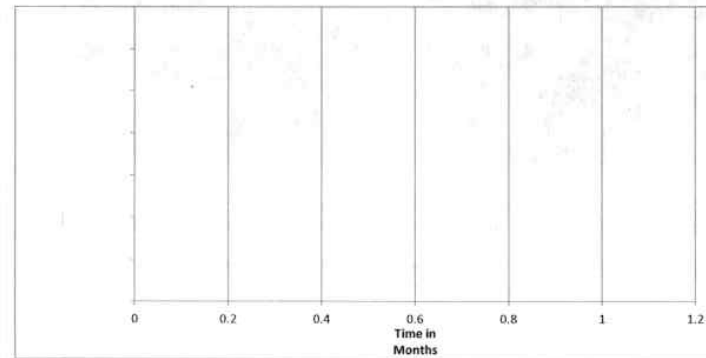


| | | | |
|--------------------------------|---|---|---|
| Investment Name: | Noxon Switchyard Rebuild | Assessments: | |
| Requested Amount | \$24,950,000 | Financial: | Medium - >= 5% & <9% CIRR |
| Duration/Timeframe | 8 Year Project | Strategic: | Reliability & Capacity |
| Dept., Area: | T&D - Substation & Transmission Engineering | Operational: | Operations require execution to perform at current levels |
| Owner: | Heather Rosenrater | Business Risk: | ERM Reduction >0 and <= 5 |
| Sponsor: | Don Kopczynski | Project/Program Risk: | High certainty around cost, schedule and resources |
| Category: | Project | Assessment Score: | 79 |
| Mandate/Reg. Reference: | n/a | Cost Summary - Increase/(Decrease) | |

| | | | | | | |
|--|--|--|---------------------|---------------------|--------------------|----------------------------|
| Recommend Project Description: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| The existing Noxon Rapids 230 kV Switchyard requires reconstruction due to the present age and condition of the equipment in the station. The existing bus is constructed as strain bus (which has suffered a number of recent failures) and is configured as a single bus with a tie breaker separating the East and West buses. The station is the interconnection point of the Noxon Rapids Hydro Electric Dam as well as a principal interconnection point between Avista and BPA, and as such is a significant asset in the reliable operation of the Western Montana Hydro Complex. Equipment outages within the Station (planned or unplanned) can cause significant curtailments of the local generation output. Due to the significance of the station, a complete rebuild will require coordination with Avista's Energy Resources Department and neighboring utilities, primarily BPA. The Noxon Switchyard Rebuild Project is proposed to be a greenfield Double Bus Double Breaker 230 kV switching station to replace the existing Noxon Switchyard. | | Improve station reliability by replacing end of life equipment. Improve equipment capacity ratings where possible. | \$ 24,950,000 | \$ - | \$ - | 1 |
| | | Cost Summary - Increase/(Decrease) | | | | |

| | | | | | | |
|-----------------------|--|--------------------|---------------------|---------------------|--------------------|----------------------------|
| Alternatives: | | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
| Status Quo: | The existing Noxon Switchyard will continue to present reliability concerns. Outages caused by equipment failure could cause curtailment of generation and reduced interconnection capacity with neighboring utilities. | n/a | \$ - | \$ - | \$ - | 6 |
| Alternative 1: | Replace end of life equipment and strain bus in existing station. This still leaves the station as a single bus, which does not improve single contingency outage possibilities as well as other bus configurations would. Installation of voltage control (reactors) would still be required. | | \$ 8,500,000 | \$ - | \$ - | 0 |
| | | | \$ - | \$ - | \$ - | 0 |
| | | | \$ - | \$ - | \$ - | 0 |

Timeline



Construction Cash Flows (CWIP)

| | Capital Cost | O&M Cost | Other Costs | Approved |
|--------------|----------------------|-------------|-------------|----------------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2012 | \$ - | \$ - | \$ - | \$ 150,000 |
| 2013 | \$ 400,000 | \$ - | \$ - | \$ 400,018 |
| 2014 | \$ 2,525,000 | \$ - | \$ - | \$ 2,525,000 |
| 2015 | \$ 5,475,000 | \$ - | \$ - | \$ 5,475,000 |
| 2016 | \$ 3,000,000 | \$ - | \$ - | \$ 3,000,000 |
| 2017 | \$ 4,200,000 | \$ - | \$ - | \$ 4,200,000 |
| 2018 | \$ 4,200,000 | \$ - | \$ - | \$ 4,200,000 |
| Future | \$ 5,000,000 | \$ - | \$ - | \$ - |
| Total | \$ 24,800,000 | \$ - | \$ - | \$ 19,950,018 |

Milestones (high level targets)

| | | | |
|-------------------|--|-------------------|---|
| Jan-Dec 2012 | Plan/Scope Project; Initiate Permitting | April-16 - Oct-16 | Construction of new station; Line Construction |
| Jan-Dec 2013 | Finalize Scope Options; Process Permitting | April-17 - Oct-17 | Construction of new station; Line Construction/Termination |
| April-14 | Receive Permit | April-18 - Oct-18 | Construction of new station; Line Construction/Termination/BPA Construction |
| April-14 - Dec-15 | Construct Reactor Station & 230 kV Connection | April-19 - Oct-19 | Construction of new station; Line Construction/Termination/BPA Construction |
| April-14 - Dec-15 | Upgrade Strain bus and bus switches in old sub | April-20 - Oct-20 | Construction of new station; Line Construction/Termination/BPA Construction |
| Jan-15 - Dec-15 | Design rest of new station; replace old breakers | April-20 - Oct-20 | Remove & Salvage old station |
| April-15 - Oct-15 | Construction of new station | | |

| | | | | | | |
|--|------|--|--|--|--|--|
| Associated Ers (list all applicable): | 2532 | | | | | |
| Mandate Excerpt (if applicable): | | | | | | |

Additional Justifications:

The existing station has not had equipment upgrades since 2007 due to projected plans for a station rebuild. With the decision to pursue a full station upgrade in a new location, the time it will take to construct this new station will require the old station to remain in operation until at least 2020 by current estimates. It has been decided to replace some of the existing equipment to afford safe and reliable operation of the existing station while the new station is constructed.



Capital Investment Business Case

Resources Requirements: (request forms and approvals attached)


Internal Labor Availability: Low Probability Medium Probability High Probability
Contract Labor: YES NO

Enterprise Tech: YES - attach form NO or Not Required
Facilities: YES - attach form NO or Not Required
Capital Tools: YES - attach form NO or Not Required
Fleet: YES - attach form NO or Not Required

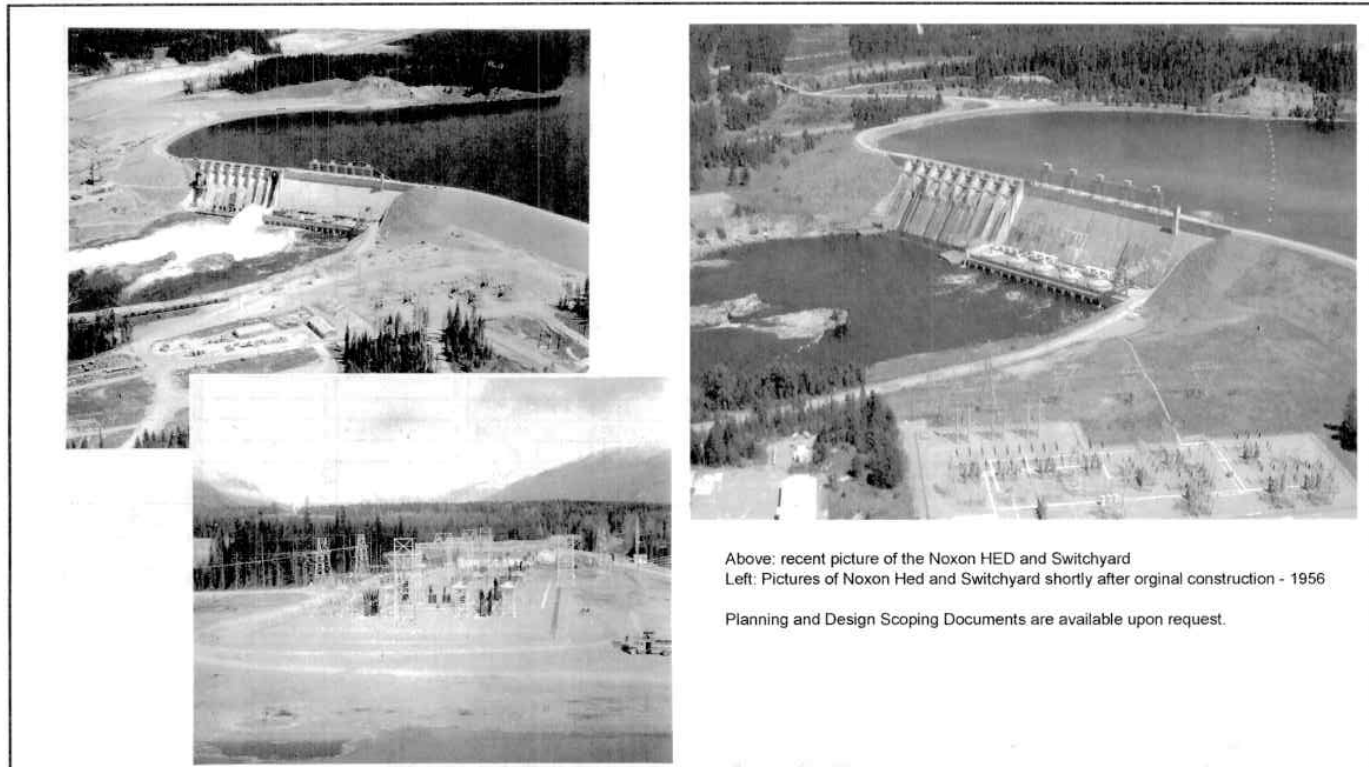
Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

| Key Performance Indicator(s) | |
|-----------------------------------|---|
| Expected Performance Improvements | |
| KPI Measure: | Complete Reactor Yard/minor station upgrades in 2015. |
| | Complete remainder of station as time/budget allows. |

Prepared 
Mike Magruder/Ken Sweigart, T&D Substations/Transmission

Reviewed 
Heather Rosentrater, Director - ENSO

Reviewed 
Andy Vickers, Director - GPSS



Above: recent picture of the Noxon HED and Switchyard
Left: Pictures of Noxon Hed and Switchyard shortly after original construction - 1956
Planning and Design Scoping Documents are available upon request.

To be completed by Capital Planning Group

| Rationale for decision | Review Cycles | |
|------------------------|---------------|----------|
| | 2012-2016 | |
| | Date | Template |
| | | |
| | | |
| | | |
| | | |

**AVISTA UTILITIES
2013-2016 CAPITAL PROJECTS**

Functional Group: Electric Transmission / Distribution

Business Case Name: Street Light Management

ER No: 2584
ER Name: Street Light Conversion to LED Fixtures

Approved Business Case Spend Amount 2013-2016 (\$000s - System): \$4,640¹

Transfer to Plant Amounts (\$000s - System):

| Year | Total | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 2013 | | | | | | | | | | | | | |
| 2014 | | | | | | | | | | | | | |
| 2015 | 2,320 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 |
| 2016 | 2,320 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 | 193 |

Business Case Description:

Street Light Maintenance Program. This program is a 5 year planned replacement of bulbs and 10 year planned replacement of photocells. This alternative has the starter boards running to failure.

Offsets:

The attached business case does not show O&M Offsets, however after further discussion, we anticipate there will be O&M savings in 2015 in the amount of \$488,000 (\$317,249 WA). The offsets occur due to converting 100 Watt street lights from High Pressure Sodium. The savings comes from eliminating the labor, equipment, material, and overhead costs associated with repairing older lights.

¹ The business case amount reflects approved capital expenditures for the years indicated and not transfers to plant.



Capital Program Business Case

| | | | |
|-------------------------|-------------------------|---|--|
| Investment Name: | Street Light Management | Assessments: | |
| Requested Amount | \$11,600,000 | Financial: | 8.46% |
| Duration/Timeframe | 5 Years 2015 | Strategic: | Life-cycle asset management |
| Dept., Area: | Operations | Business Risk: | Business Risk Reduction >10 and <= 15 |
| Owner: | Al Fisher | Program Risk: | Moderate certainty around cost, schedule and resources |
| Sponsor: | Don Kopczynski | Assessment Score: | 108 |
| Category: | Program | Annual Cost Summary - Increase/(Decrease) | |
| Mandate/Reg. Reference: | n/a | | |

| Recommend Program Description: | Performance | Capital Cost | O&M Cost | Other Costs | Business Risk Score |
|---|-------------|--------------|----------|-------------|---------------------|
| Street Light Maintenance Program. This program is a 5 year planned replacement of bulbs and 10 year planned replacement of photocells. This alternative has the starterboards running to failure. | 8.46% | | | | 4 |

| Alternatives: | | Performance | Annual Cost Summary - Increase/(Decrease) | | | Business Risk Score |
|---|---|-------------|---|--------------|--------------|---------------------|
| | | | Capital Cost | O&M Cost | Other Costs | |
| Unfunded Program: Continue maintaining the street lights as failures occur | The lights are currently maintained based on customer feedback and/or due to being noticed by an Avista employee. Many street lights are out for long periods of time which can put us at risk. We also spend a large amount of time driving from issue to issue. | 5.62% | \$ - | \$ 732,012 | \$ 729,141 | 16 |
| Alternative 1: | Street Light Maintenance Program. This program is a 5 year planned replacement of 100 Watt Street Light with LED Fixtures. This will save an estimated 8,500 MWH per year of energy and reduce O&M spending by \$540,000 per year. | 8.46% | \$ 2,320,000 | \$ 193,824 | \$ (729,141) | 4 |
| Alternative 2: | Street Light Maintenance Program. This program is a 5 year planned replacement of bulbs and starterboards and a 10 year planned replacement of photocells. This program retains the current HPS fixtures. | 12.12% | \$ - | \$ 1,030,000 | \$ (713,793) | 8 |
| Alternative 3: | | | | | | |

Program Cash Flows

| | Capital Cost | O&M Cost | Other Costs | Approved |
|----------|--------------|------------|----------------|--------------|
| Previous | \$ - | \$ - | \$ - | \$ - |
| 2013 | \$ - | \$ - | \$ - | \$ - |
| 2014 | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ 2,320,000 | \$ 193,824 | \$ (729,141) | \$ 2,320,000 |
| 2016 | \$ 2,320,000 | \$ 198,241 | \$ (829,395) | \$ 2,320,000 |
| 2017 | \$ 2,320,000 | \$ 203,970 | \$ (926,982) | \$ 2,320,000 |
| Total | \$ 6,960,000 | \$ 596,035 | \$ (2,485,517) | \$ 6,960,000 |

Associated Ers (list all applicable):

| | | |
|------|--|--|
| 2584 | | |
| | | |
| | | |
| | | |



This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

To be completed by Capital Planning Group

| | |
|------------------------|---------------|
| Rationale for decision | Review Cycles |
| | 2012-2016 |

Capital Program Business Case



| | Date | Template |
|--|------|----------|
| | | |
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