

**Exh. ANH-4
Dockets UE-200900, UG-200901,
UE-200894
Witness: Aimee N. Higby**

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,**

Complainant,

v.

**AVISTA CORPORATION, d/b/a
AVISTA UTILITIES,**

Respondent.

**DOCKETS UE-200900, UG-200901,
UE-200894 (*Consolidated*)**

**EXHIBIT TO
TESTIMONY OF**

Aimee N. Higby

**STAFF OF
WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION**

Avista Response to UTC Staff Data Request No. 90, No. 145, and No. 152

April 21, 2021

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	02/05/2021
CASE NO.:	UE-200900 & UG-200901	WITNESS:	Kaylene Schultz
REQUESTER:	UTC Staff	RESPONDER:	Tia Benjamin
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	Staff – 090	TELEPHONE:	(509) 495-2225
		EMAIL:	tia.benjamin@avistacorp.com

SUBJECT: Capital Additions – Pro Forma

REQUEST:

Please refer to the testimony of Kaylene Schultz, Exh. KJS-1T, at page 21, lines 13 through 16. Ms. Schultz explains that projects may have offsets that result in redeployment of costs or efficiency gains that do not reduce operations and maintenance costs. Please confirm that Avista did not quantify and include offsetting factors unless they reduce operations and maintenance costs.

RESPONSE:

With regards to operations and maintenance costs, Avista did not quantify and include offsetting factors that did not actually reduce O&M expenses. However, as Ms. Schultz describes in her testimony, there are non-quantifiable benefits of the investments being made that allow for re-deployment of costs or efficiency gains to benefit customers, but do not change the overall total level of O&M expense that the Company will incur during the rate year.

Additionally, as stated in Ms. Schultz’s testimony, the Company has included as offsets in each of the 2020 pro forma capital adjustments the impact of 2020 retirements on plant-in-service at December 31, 2019. The overall effect of reflecting the 2020 retirements on plant-in-service at December 31, 2019 reduces the incremental depreciation expense pro formed in each of 2020 pro forma capital adjustments by approximately \$1.5 million (or a reduction of 19%) for electric and \$0.4 million (or a reduction of 16%) for natural gas.

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	03/10/2021
CASE NO.:	UE-200900 & UG-200901	WITNESS:	K. Schultz / H. Rosentrater
REQUESTER:	UTC Staff	RESPONDER:	L. Andrews/ K. Schultz
TYPE:	Data Request	DEPT:	Regulatory Affairs/FP&A
REQUEST NO.:	Staff-DR-145	TELEPHONE:	(509) 495-2482
		EMAIL:	kaylene.schultz@avistacorp.com

RE: Capital Additions – Pro Forma

REQUEST:

For each program or project in adjustment 3.13:

- a. Indicate whether each project or program has an ongoing or defined timeline. If a project or program has a defined timeline, please identify the end date of the project. If an individual project within a program has a different defined timeline relative to the entire program, please also identify the individual timeline;
- b. Please explain how Avista defines and quantifies “success” for a program or project and identify the metrics used to measure program or project progress and success or otherwise identify how the Company knows that the program objective is being achieved. If the Company has existing documentation regarding program or project progress or success monitoring, please provide that documentation;
- c. Please explain how Avista reviews program or project objectives or purpose throughout the life of the project or program. Please provide documentation concerning how often this review occurs and explain how Avista continues to consider and evaluate program or project alternatives throughout the program’s or project’s life;
- d. Provide the work plan for each program or project, including identification of the discrete projects or components to be completed and the program’s or project’s timeline. If there is no work plan for a particular program or project, please explain why;
- e. If a program has multiple projects, please indicate what projects Avista placed in service by Dec. 31, 2020, and provide a description of how they are individually used and useful; and
- f. Explain the process that Avista uses to determine whether to pursue and implement a program or project. If this process is governed by or pursuant to an agreement, please provide the agreement. Please provide all monthly meeting notes from the Steering Committee (or other relevant decisionmaker) related to each program or project.

RESPONSE:

In response to Staff-DR-143 – 147, the requested information relates to 60 specific business cases as shown in the table below, which have been segregated into their respective Pro Forma Adjustments: PF 3.11 – Customer at the Center, PF 3.12 - Large and Distinct, PF 3.13 – Programmatic, PF 3.14 - Mandatory & Compliance, and PF 3.15 - Short-Lived. With respect to the specific requests above for parts a. – f., this information, as further described below, can be found in the specific business cases listed in the tables below, and/or other documents previously provided with the Company’s direct filed case. The location of the business case, by Company witness, exhibit and page number is provided. Please note, within the 60 Business cases included below, there are approximately 200 specific BI (Budgeted Items) that allow the Company to track and record the various projects for each business case. Budget Items are further broken

down by specific projects allowing a more granular level by project information.

Business Case	Witness	Business Case Exhibit & Page Number
PF Capital Additions Adjustment 3.11 - Customer at the Center		
Customer Facing Technology Program	Mr. Magalsky	Exh. KEM-2, page 7
Customer Transactional Systems	Mr. Magalsky	Exh. KEM-2, page 19
Strategic Initiatives* (Customer Experience Program)	Mr. Magalsky	Exh. KEM-2, page 30
PF Capital Additions Adjustment 3.12 - Large and Distinct		
Cabinet Gorge 15 kV Bus Replacement	Mr. Thackston	Exh. JRT-6, page 14
Cabinet Gorge Automation	Mr. Thackston	Exh. JRT-6, page 18
Campus Repurposing Phase 2	Ms. Rosentrater	Exh. HLR-11, page 71
CS2 Single Phase Transformer	Mr. Thackston	Exh. JRT-6, page 25
Digital Grid Network	Mr. Kensok	Exh. JMK-3, page 24
Electric Storm* (2020 Labor Day Storm Costs & Chelan-Stratford Tx Line)	Ms. Rosentrater	Exh. HLR-11, page 141
Natural Gas Cheney HP Reinforcement	Ms. Rosentrater	Exh. HLR-11, page 113
Jackson Prairie Joint Project	Ms. Rosentrater	Exh. HLR-11, page 148
Land Mobile Radio & Real Time Communication Systems	Mr. Kensok	Exh. JMK-3, page 14
Rattlesnake Flat Wind Farm Project 115kV Integration Project	Ms. Rosentrater	Exh. HLR-11, page 23
PF Capital Additions Adjustment 3.13 - Programmatic		
Base Load Thermal Program	Mr. Thackston	Exh. JRT-6, page 48
Capital Tools & Stores	Ms. Rosentrater	Exh. HLR-11, page 190
Distribution Grid Modernization	Ms. Rosentrater	Exh. HLR-11, page 2
Distribution Minor Rebuild	Ms. Rosentrater	Exh. HLR-11, page 14
Downtown Network - Asset Condition	Ms. Rosentrater	Exh. HLR-11, page 201
Downtown Network - Performance & Capacity	Ms. Rosentrater	Exh. HLR-11, page 217
Electric Storm	Ms. Rosentrater	Exh. HLR-11, page 141
Enterprise & Control Network Infrastructure	Mr. Kensok	Exh. JMK-3, page 34
Environmental Control & Monitoring Systems	Mr. Kensok	Exh. JMK-3, page 61
Fiber Network Lease Service Replacement	Mr. Kensok	Exh. JMK-3, page 43
Fleet Services Capital Plan	Ms. Rosentrater	Exh. HLR-11, page 228
Natural Gas Non-Revenue Program	Ms. Rosentrater	Exh. HLR-11, page 130
Natural Gas Regulator Station Replacement Program	Ms. Rosentrater	Exh. HLR-11, page 243
Natural Gas Reinforcement Program	Ms. Rosentrater	Exh. HLR-11, page 251
Regulating Hydro	Mr. Thackston	Exh. JRT-6, page 56
SCADA - SOO and BuCC	Ms. Rosentrater	Exh. HLR-11, page 258
Segment Reconductor and FDR Tie	Ms. Rosentrater	Exh. HLR-11, page 265
Structures and Improvements/Furniture	Ms. Rosentrater	Exh. HLR-11, page 277
Substation - New Distribution Station Capacity Program	Ms. Rosentrater	Exh. HLR-11, page 293
Substation - Station Rebuilds Program	Ms. Rosentrater	Exh. HLR-11, page 32
Technology Failed Assets	Mr. Kensok	Exh. JMK-3, page 52
Transmission - Minor Rebuild	Ms. Rosentrater	Exh. HLR-11, page 300
Wood Pole Management	Ms. Rosentrater	Exh. HLR-11, page 59

Business Case	Witness	Business Case Exhibit & Page Number
PF Capital Additions Adjustment 3.14 - Mandatory & Compliance		
Clark Fork Settlement Agreement	Mr. Thackston	Exh. JRT-6, page 35
Elec Relocation and Replacement Program	Ms. Rosentrater	Exh. HLR-11, page 151
Natural Gas Cathodic Protection Program	Ms. Rosentrater	Exh. HLR-11, page 158
Natural Gas Facility Replacement Program (GFRP) Aldyl A Pipe Replacement	Ms. Rosentrater	Exh. HLR-11, page 118
Natural Gas Isolated Steel Replacement Program	Ms. Rosentrater	Exh. HLR-11, page 161
Natural Gas PMC Program	Ms. Rosentrater	Exh. HLR-11, page 164
Natural Gas Replacement Street and Highway Program	Ms. Rosentrater	Exh. HLR-11, page 137
Joint Use* (previously embedded in Distribution Minor Rebuild)	Ms. Rosentrater	Exh. HLR-11, page 171
Protection System Upgrade for PRC-002	Ms. Rosentrater	Exh. HLR-11, page 178
Saddle Mountain 230/115kV Station (New) Integration Project Phase 1	Ms. Rosentrater	Exh. HLR-11, page 29
Spokane River License Implementation	Mr. Thackston	Exh. JRT-6, page 41
Transmission Construction - Compliance	Ms. Rosentrater	Exh. HLR-11, page 39
Transmission NERC Low-Risk Priority Lines Mitigation	Ms. Rosentrater	Exh. HLR-11, page 184
Westside 230/115kV Station Brownfield Rebuild Project	Ms. Rosentrater	Exh. HLR-11, page 52
PF Capital Additions Adjustment 3.15 - Short-Lived		
Atlas	Mr. Kensok	Exh. JMK-3, page 121
Data Center Compute and Storage Systems	Mr. Kensok	Exh. JMK-3, page 92
Endpoint Compute and Productivity Systems	Mr. Kensok	Exh. JMK-3, page 2
Energy Delivery Operational Efficiency & Shared Services	Mr. Kensok	Exh. JMK-3, page 110
Energy Resources Modernization & Operational Efficiency	Mr. Kensok	Exh. JMK-3, page 130
Enterprise Communication Systems	Mr. Kensok	Exh. JMK-3, page 71
Enterprise Data Science	Mr. Kensok	Exh. JMK-3, page 102
Enterprise Security	Mr. Kensok	Exh. JMK-3, page 148
ET Modernization & Operational Efficiency - Technology	Mr. Kensok	Exh. JMK-3, page 81
Financial & Accounting Technology	Mr. Kensok	Exh. JMK-3, page 140

Specific to Staff-DR-145, for Pro Forma 3.13 “Programmatic,” which contains 23 separate Business Cases as noted in the table above, the Company provides the response for each section a. – f. As noted above, most of the requested information, has already been provided within the Specific Business Cases and other exhibits, or as noted below, with regards to transfer-to-plant/in-service data, can be found in response to Staff-DR-107 Supplementals 1 and 2.

In addition, the Company provides as an example of the 23 Programmatic Business Cases, responses for items a. – f. for certain specific Business Cases, which provide the requested information that would be similar to Business Cases in this subset of projects included in Pro Forma 3.13 “Programmatic.”

Specific examples for Pro Forma Adjustment 3.13 “Programmatic” Assets:

Specifically, the examples below provide, as an example of the materials available, specific information related to the following “Programmatic” assets: “Substation Rebuilds,” “Failed Electric Distribution Plant-Storm,” and “Wood Pole Management.” Requested information is provided in the specific Business Cases provided with the Company’s filing at Exh. HLR-11, pages 32 - 38 (Substation Rebuild), pages 141 - 147 (Electric Storm), and pages 59 - 70 (Wood Pole Management).

Example 1: ER 2204 - Substation Rebuilds: Replacing and upgrading major substation apparatus and equipment as it approaches end of life or becomes obsolete is necessary to maintain safe and reliable operation of Avista’s transmission and distribution systems. Rebuilding significant portions of stations may be necessary to accommodate the replacement of failing or obsolete equipment since new standard-use apparatus and equipment is often of higher capacity and newer technology and may need to meet updated equipment spacing and operating standards. The Engineering Roundtable (ERT), a cross-departmental team with representatives from Asset Management, Compliance, System Planning, System Operations, Telecommunications, Transmission Contracts, Protection Engineering, Substation Engineering, Transmission Engineering, and Substation Support, manages the prioritization of projects within this business case as supported by System Planning analysis, Asset Management studies and input from subject matter experts. Please see Staff-DR-145 Attachment A for an example of a System Planning Analysis, that demonstrate the types of analysis used to determine Substation Rebuild projects. Please also note this business case can be found with witness Ms. Rosentrater exhibits starting at page 32 of Exh. HLR-11. See also Rosentrater testimony at Exh. HLR-1T, pages 26, line 4 - page 27, line 18, and page 52, line 26 - page 53 line 3.

Example 2: ER 2059 - Failed Electric Distribution Plant-Storm: This type of work, per reliability standards, failed facility must be restored to operating condition immediately. This work is considered mandatory by nature. The Electric Storm Business Case provides funding for rapid response to unplanned damages and outages so customer outages are minimized. When storm events occur, the business provides funds for replacing poles, cross arms, conductor, transformers, and all other defined retirement units damaged during storm events. The damage can be due to high winds, heavy ice and snow loads, lightning strikes, flooding, or wildfires. The importance of quickly replacing damaged facility is vital to providing reliable service to our customers. The annual budget amount is determined based on historical normal average experience rate of Capital restoration work. Please also note this business case can be found with witness Ms. Rosentrater exhibits starting at page 141 of Exh. HLR-11. See also Rosentrater testimony at Exh. HLR-1T, page 78, line 3 – page 80, line 12.

Example 3: ER 2060 – Wood Pole Management: The Company’s Wood Pole Management (WPM) Program was designed with a reliability focus. Wood poles naturally fail as they age. Across Avista’s service territory, we have poles that are nearing 100 years old. The Wood Pole Management Program proactively identifies the poles most likely to fail before they do so, potentially causing customer outages. In fact, according to Avista’s failure data, 29% of pole failures result in customer outages. Replacing poles prior to failure in a prescriptive, preventive fashion helps the Company keep costs lower, as replacing a pole on an emergency basis increases costs. Thus, this program provides lower costs and a higher level of reliability for our customers over the long term.

Based on a 2017 analysis, provided in Staff-DR-145 Attachment B, the Company's "2017 Wood Pole Management Program Review and Recommendations", the current twenty-year WPM cycle delivers the best life cycle value for the funding level. Asset Management and Distribution Engineering monitor system reliability to determine if adjustments are needed in the future. For perspective the industry average for inspecting and maintaining distribution assets is ten years.

WPM is an ongoing cyclical program that proactively replaces aging assets. By replacing assets before they fail, outage risks are reduced, and replacement costs are reduced through planned work. Investing in the infrastructure increases life-cycle performance and is cost effective using unit-based pricing. There is significant improvement in "events per mile of feeder" resulting from this program. Please also note this business case can be found with witness Ms. Rosentrater exhibits starting at page 59 of Exh. HLR-11. See also Rosentrater testimony at Exh. HLR-1T, page 32, line 1 – page 33, line 11; and page 52, line 26 – page 53, line 7.

Sections a. – f.:

a. See the direct testimony and exhibits of Company witnesses Mr. Thackston (Exhs. JRT), Ms. Rosentrater (Exhs. HLR), Mr. Kensok (Exhs. JMK) and Mr. Magalsky (Exhs. KEM). The detailed testimony provides the rationale for the investments that we have made, and will continue to make, to provide safe and reliable service to our customers. In addition, each witness provides a capital business case for each of the historical major projects in 2018 and 2019, as well as the 2020 pro forma projects, as applicable. These summary-level business cases provide some level of information regarding timelines, on-going nature of the project or program if applicable, objectives for the projects which would include success factors, if applicable, how the program or project will be managed including, if applicable, reporting and consultation of the various steering committees, project timelines, and other pertinent details. As one can imagine, given the varied nature, requirements, scope, rules, etc. of the industries Avista operates in, no two projects will necessarily have the same level of information.

The Company has also provided in this case Investment Plans that provide additional information as to why the Company is making investments in generation, transmission, substations, electric and natural gas distribution, among others. Those reports were provided as follows:

- Exh. JRT-5, Avista's Generation Infrastructure Plan for 2020
- Exh. HLR-2, Avista's Electric Distribution Infrastructure Plan for 2020
- Exh. HLR-3, Avista's Natural Gas Infrastructure Plan for 2020
- Exh. HLR-4, Avista's Priority Aldyl-A Protocol Report
- Exh. HLR-5, Study of Aldyl-A Mainline Pipe Leaks - 2018 Update
- Exh. HLR-6, Avista's Electric Transmission Infrastructure Plan for 2020
- Exh. HLR-7, Avista's Substation Infrastructure Plan for 2020
- Exh. HLR-8, Avista's Fleet Infrastructure Plan for 2020
- Exh. HLR-9, Avista's Facilities Infrastructure Plan for 2020

The business cases for the projects outlined in this specific Pro Forma Adjustment 3.13 - Programmatic can be found in the witness exhibits listed below:

PF Capital Additions Adjustment 3.13 - Programmatic		
Business Case	Witness	Business Case Exhibit & Page Number
Base Load Thermal Program	Mr. Thackston	Exh. JRT-6, page 48
Capital Tools & Stores	Ms. Rosentrater	Exh. HLR-11, page 190
Distribution Grid Modernization	Ms. Rosentrater	Exh. HLR-11, page 2
Distribution Minor Rebuild	Ms. Rosentrater	Exh. HLR-11, page 14
Downtown Network - Asset Condition	Ms. Rosentrater	Exh. HLR-11, page 201
Downtown Network - Performance & Capacity	Ms. Rosentrater	Exh. HLR-11, page 217
(2) Electric Storm	Ms. Rosentrater	Exh. HLR-11, page 141
Enterprise & Control Network Infrastructure	Mr. Kensok	Exh. JMK-3, page 34
Environmental Control & Monitoring Systems	Mr. Kensok	Exh. JMK-3, page 61
Fiber Network Lease Service Replacement	Mr. Kensok	Exh. JMK-3, page 43
Fleet Services Capital Plan	Ms. Rosentrater	Exh. HLR-11, page 228
Natural Gas Non-Revenue Program	Ms. Rosentrater	Exh. HLR-11, page 130
Natural Gas Regulator Station Replacement Program	Ms. Rosentrater	Exh. HLR-11, page 243
Natural Gas Reinforcement Program	Ms. Rosentrater	Exh. HLR-11, page 251
Regulating Hydro	Mr. Thackston	Exh. JRT-6, page 56
SCADA - SOO and BuCC	Ms. Rosentrater	Exh. HLR-11, page 258
Segment Reconductor and FDR Tie	Ms. Rosentrater	Exh. HLR-11, page 265
Structures and Improvements/Furniture	Ms. Rosentrater	Exh. HLR-11, page 277
Substation - New Distribution Station Capacity Program	Ms. Rosentrater	Exh. HLR-11, page 293
(1) Substation - Station Rebuilds Program	Ms. Rosentrater	Exh. HLR-11, page 32
Technology Failed Assets	Mr. Kensok	Exh. JMK-3, page 52
Transmission - Minor Rebuild	Ms. Rosentrater	Exh. HLR-11, page 300
(3) Wood Pole Management	Ms. Rosentrater	Exh. HLR-11, page 59

(1) – (3) See example information for “Substation – Station Rebuilds Program,” “Electric Storm,” and “Wood Pole Management” throughout parts a. - e.

For specific actual in-service dates for each project included in the 2020 Capital Additions Adjustments 3.13 for the Programmatic assets shown in the table above, see Avista’s response to Staff-DR-107 Supplemental 1 – 3.13 Attachment A.

Examples 1: Substation Rebuild: See Substation Rebuild Business Case. This is a “Program” which therefore has an “on-going” start and completion timeline. See Staff-DR-107 Supplemental 1 – 3.13 Attachment A for Substation Rebuild transfers to plant completed in 2020 (monthly data provided).

Example 2: Electric Storm: See Electric Storm Business Case. Weather storm events or natural disasters are a continuous risk. Work will occur as needed as a result of damaged facilities related to these events. Many times, multiple events may occur within one year in different office areas. Past data shows there has not been a year where a storm has not happened. Since this is often emergency work, assets become used and useful and transferred to plant immediately. See Staff-DR-107 Supplemental 1 – 3.13 Attachment A for Electric Storm transfers to plant completed in 2020 (monthly data provided).

Example 3: Wood Pole Management: See Wood Pole Management Business Case. Per the Wood Pole Management Business Case, Wood Pole Management is an ongoing program. The work is a continuous process of inspecting Avista’s poles on a feeder basis. Each feeder represents a project within the program. There are several phases to complete each feeder including inspecting, designing, and capital follow-up. As soon as any capital follow-up work is completed, the asset can

become used and useful. The transfers to plant occur on a monthly basis. In addition, our Finance Department preps the AVA_Plan system periodically for a spend and transfer to plant forecast update for the remainder of the year. See Staff-DR-107 Supplemental 1 – 3.13 Attachment A for Wood Pole transfers to plant completed in 2020 (monthly data provided).

b. As discussed in greater detail in Exh. MTT-4, Avista’s 2020 “Infrastructure Investment Plan”, our process to identify and prioritize capital investment is designed to meet the overall need for investment, in the appropriate time frame, in a manner that best meets the future needs and expectations of our customers, in both the short-term and long-term. When Avista makes any capital investment there is an obligation to demonstrate that the overall need, evaluations of alternatives, and the planned timing of implementation is prudent and, in the customer’s best interests. Whether the investment touches the customer directly, such as customer service or metering systems, or indirectly, such as improving the capability and efficiency of employees and internal work processes, each dollar invested ultimately supports one purpose: to provide customers with safe, reliable, and cost-effective energy services that meet their expectations for quality of service and value. This process determines the projects we choose in any given year. Avista, therefore, in part defines "success" for a program or project to the extent it is on-time, on budget, and accomplishes the intended purpose or goal of said project – including justified/required changes necessary during a project/program process. As further explained in the “Infrastructure Investment Plan,” completed projects or programs are undertaken as result of Company established “Investment Drivers”, as discussed in section g. below, which consolidate projects into various groups each project or program are trying to address, such as 1) Customer Requested, 2) Mandatory and Compliance, 3) Failed Plant and Operations, 4) Asset Condition, 5) Customer Service Quality and Reliability, and 6) Performance and Capacity. These drivers, and the related projects or programs, are established and completed to meet the needs of the Company, which successfully allow the Company to meet its customers’ needs, by providing safe, reliable and cost-effective energy services.

See also specific project/program Business Case (see table above for location in Exh. HLR-3) for specific information regarding the purpose and intent of each project/program, why needed now/risks of deferring, identifying measures used to determine whether investments would successfully deliver on the objectives, etc. In addition, many Business Cases discuss how success is defined; please refer to the specific projects/programs business case at the 2020 Business Case Justification Narrative Section 1.4 “Identify any measures that can be used to determine whether the investment would successfully deliver on the objectives and address the need listed above”.¹

Example 1: Substation Rebuild: See description above and the Substation Rebuild Business Case. As noted in the Substation Rebuild Business Case, this business case aligns with the Company's mission to deliver safe and reliable electric service to customers by preventing the degradation of reliability and mitigating the frequency and duration of outages due to equipment failure. Also noted in Section 1.4 of the Business Case, measures that can be used to determine the successful delivery of objectives to address the need for Substation Rebuild is the general age of all major substation equipment and System Planning Assessments (see example provided as Staff-DR-145 Attachment A.

¹ Not all Business Cases include these separate sections – i.e. the Saddle Mountain example included in Staff-DR-144 is a Mandatory and Compliance project, specific justification is unnecessary and therefore not completed.

Example 2: Electric Storm: See description above and the Electric Storm Business Case. Work under this business case occurs when repair is needed to facilities that are damaged during weather storm events or natural disasters. Depending on the severity and the duration of the specific outages, various business functions and processes may be impacted. Impacted areas can affect one office area or multiple Avista service territories. The importance of quickly replacing damaged facilities is vital to providing reliable service to our customers. The Electric Storm Business Case therefore requires a rapid response to unexpected damages so customer outage times are minimized. As noted in the Electric Storm Business Case, the primary measure that will be used to determine success is outage duration including other reliability measures such as Avista's reliability indices like SAIFI and CAIDI. These measures will demonstrate the impact of the work charged to this business case.

Example 3: Wood Pole Management: See the Wood Pole Management Business Case. Ultimately the impact of this Program can be associated with our Electric Systems Reliability metrics. The System Average Interruption Frequency Index (SAIFI) represents the average number of sustained interruptions per customer for the year across Avista's entire system. See the specific detail within the Wood Pole Business Case for more information.

c. As part of the standard business case templates, there is a section for each business case to identify the "Monitor and Control" of the business case, Section 3. This section provides an overview of the governance processes and people that will provide oversight for each business case; including how decision-making, prioritization, and change requests will be documented and monitored. Additionally, the templates also ask business cases to identify what measures can be used to determine whether the investment would successfully deliver.

The specific governance and oversight varies between each unique programs and projects. For example, some business cases may have specific steering committees/governance groups set up for that unique business case and others may rely on oversight from the Business Unit prioritization groups (as described in Thies' testimony and below in f) throughout the organization that have governance oversight of their respective business cases.

As stated in (a.) above, see the direct testimony of Company witnesses Mr. Thackston, Ms. Rosentrater, Mr. Kensok and Mr. Magalsky. This detailed testimony provides the rationale for the investments that we have made, and will continue to make, to provide safe and reliable service to our customers. In addition, as noted, each witness provides a capital business case for each of the historical major projects in 2018 and 2019, as well as the 2020 pro forma projects, as applicable. These summary-level business cases provide some level of information regarding timelines, on-going nature of the project or program if applicable, objectives for the projects which would include success factors, if applicable, how the program or project will be managed including, if applicable, reporting and consultation of the various steering committees, project timelines, and other pertinent details.

As it relates to review objectives and purpose of objectives throughout the life of the project or program, that is highly dependent on the type of investment. As discussed in (f.) below and detailed in Exh MTT-4 (Infrastructure Investment Plan), the Company undertakes capital expenditures to meet a variety of needs. In some cases, once an expenditure is made and transferred to service, there is no further "review". For example, the installation of an underground electric distribution line would simply continue to serve customers until failure or replacement. For other assets there is a substantial amount of O&M that is

conducted on that asset over its life (generation assets, fleet, and facilities, for example). In some instances, there are no reasons after the investment has transferred to service to continue to look back and evaluate why the investment was made in the first place. In other instances, such a look back will occur, such as with the Company's investment in AMI, where we are actively working to implement the benefits outlined in the AMI Report (Exh. JDD-2)

Example 1: Substation Rebuild: See Substation Rebuild discussion above in section b. Per the Substation Rebuild Business Case Section 3, the Engineering Roundtable manages the prioritization of projects within this business case as supported by Asset Management studies and input from Company subject matter experts. The Engineering Roundtable is comprised of representatives from the following departments: Asset Management, Compliance, System Planning, System Operations, Telecommunications, Transmission Contracts, Protection Engineering, Substation Engineering, Transmission Engineering, and Substation Support. The Engineering Roundtable meets several times a year to analyze current and future projects, Staff-DR-Attachment C provides meeting minutes from a recent Engineering Round table as an example of the discussion of many projects underway, including Substation Rebuild projects. Project folders are saved to Engineering shared drives and are available upon request.

Example 2: Electric Storm: See Electric Storm discussion above in section b. Per the Electric Storm Business Case Section 3, the Electric Storm work is overseen by the local area operations engineers and area construction managers. The work is unplanned and non-specific in nature but occurs regularly. In the event of larger scale storms or natural disasters, like the historical wind storm events in November 2015 and January 2021, (as well as the Labor Day Storm in September 2020 in which the capital investment from this storm is included in the Company's case), a formal Incident Command System (ICS) is created to manage the resources needed to respond. Other large events are managed through an EOP with the Director of Operations. The governance in place over the business case is set by the Operations Roundtable (ORT) group, which sets forecasted budgets, monitors the incurred costs and submits any additional funds requests as needed. Electric Storm work is overseen by the local area operations engineers and area construction managers. Decision making, prioritization and change requests will be documented and monitored through the Operations Roundtable (ORT).

Example 3: Wood Pole Management: See Wood Pole Management Business Case. Asset Management and Distribution Engineering provide ongoing analysis of distribution asset condition. The analysis is used to direct the Wood Pole Management work that includes inspecting and maintaining Avista's poles, hardware, and equipment on a twenty-year cycle. The twenty-year cycle is documented in the 2017 Wood Pole Management Review and Recommendations (Staff-DR-145 Attachment B). The operating guidelines are documented in the Structure Specific Distribution Feeder Management Plan. The governance process is a collaborative process that includes leadership from: Asset Management Asset Maintenance, Distribution Engineering, the Director of Operations, and the WPM Program Manager and WPM inspectors. The operating guidelines are documented in the Structure Specific Distribution Feeder Management Plan. The yearly goals are documented and updated on the annual one pager. Wood Pole Management is a long-standing program that is well established. There are few change orders, but they are documented by the inspectors during the audit process. All significant change requests are reviewed by the Program Manager for approval. In cases where scope is reevaluated, changes are agreed to prior to construction.

d. See the project/program individual Business Case listed in the table above.

Examples 1 - 3: Substation Rebuild, Electric Storm and Wood Pole Management: See descriptions above and the individual Business Cases.

e. For specific actual in-service dates for each project included in the 2020 Capital Additions Adjustments 3.13 for the Programmatic assets shown in the table above, see Avista's response to Staff-DR-107 Supplemental 1 – 3.13 Attachment A.

Examples 1 - 3: Substation Rebuild, Electric Storm and Wood Pole Management: See description above and the individual Business Cases. See Staff-DR-107 Supplemental 1 – 3.13 Attachment A for Substation Rebuild, Electric Storm and Wood Pole Management transfers to plant in 2020 (provides monthly data).

f. Several steps are involved in determining which projects should be considered for funding and how to maximize the value of limited budget dollars. As a start, capital projects are organized into “Investment Drivers,” six categories that are used to help explain the needs the project is trying to address. The Company developed these drivers in an effort to improve the transparency and consistency of decision making and they are a consideration for every project, regardless of where it resides. These drivers are:

1) **Customer Requested.** These projects are triggered by customer requests for new service connections, line extensions, transmission interconnections, transmission capacity, or system reinforcements to serve customers. Responding to customer requests for service is a requirement of providing utility service. Projects in this category also include customer service enhancements, line extensions or interconnections to serve large industrial or commercial customers, integrating customer generating projects such as Lind Solar, or requested interconnections with neighboring utilities.

2) **Mandatory and Compliance.** The investments in this category are driven typically by compliance with laws, rules, and contract requirements that are external to the Company, areas for which the Company has little or no discretion in spending. Avista operates in a complex regulatory and business framework and must adhere to national and state laws, state and federal agency rules and regulations, and county and municipal ordinances. Compliance with these rules, as well as contracts and settlement agreements, represent obligations that are generally external to the company and generally beyond Company control. Projects in this category may include the obligation to relocate facilities based on road construction projects, dam safety upgrades, air and water quality permits, NERC requirements related to the interconnected grid, FERC required transmission upgrades, etc.

3) **Failed Plant and Operations.** Although Avista responds to thousands of forced outage events every year, asset replacement due to equipment failure or an outage event is only one component of the investment required to operate natural gas and electric operations. Operating conditions are driven by seasonal variations in weather, changes in customer demand patterns, economic trends, as well as large scale events such a windstorms, floods, fire, lightning, and snow storms. The replacement and capital repair of equipment failures constitute requirements to replace assets that have failed and which must be replaced in order to provide continuity and adequacy of service to customers (e.g. capital repair of storm-damaged facilities). This also include investments in natural gas and electric infrastructure that is performed by

Avista's operations staff, and which is typically budgeted under capital accounts by major asset or business class (e.g. Electric Distribution).

4) **Asset Condition.** Assets of every type will degrade with age, usage and other factors, and must be replaced or substantially rebuilt at some point in order to ensure the reliable and acceptable continuation of service. Projects or programs in this category of need are defined as: "investments to replace assets based on established asset management principles and systematic programs adopted by the Company, which are designed to optimize the overall lifecycle value of the investment for our customers." The replacement of assets based on condition is essentially the practice of removing them from service and replacing them at the end of their useful life. This funding category replaces assets or portions of assets as needed to maintain function and usefulness, such as repairing or replacing parts that wear out, when safety or environmental concerns are identified, or when assets no longer provide optimized performance or customer value.

5) **Customer Service Quality and Reliability.** Customer Service Quality and Reliability investments are those investments required to maintain or improve the quality of services provided to customers, to introduce new types of services and options based on an analysis of customer needs and expectations, to ensure customer service quality requirements are achieved, and to meet electric system reliability objectives. These investments include such programs as the Company's smart meter installation, replacing aging gas pipeline, changing out underground cables to reduce outages, or installing automation devices to help isolate outages and reduce their impact.

6) **Performance and Capacity.** Avista's projects and programs responsive to this category of need include a range of investments that address the capability of assets to meet defined performance standards, typically developed by the Company, or to maintain or enhance the performance level of assets based on a demonstrated need or analysis. This driver helps ensure that assets satisfy business needs and meet performance and reliability standards. Programs in this category ensure that assets satisfy business needs and meet performance standards. Examples might include adding a redundant feeder to reduce the chance of outages, upgrading systems to improve accuracy, monitoring, or service levels, or increasing capacity due to customer growth or to mitigate potential overloaded equipment.

Projects are developed through various means including planning studies, engineering and asset management analyses, as scheduled upgrades or need for replacements are identified, or with observations made by expert personnel. These projects undergo internal review by multiple stakeholders within the business units themselves and through a formal review process at the appropriate business area level.

The capital projects are identified in the lower-left portion of Illustration No. 1 below labeled "Business Unit Needs," and are then prioritized within each department. This prioritization occurs with the knowledge of the continuing constraint on the capital spend level for the Company, while at the same time the leadership of each department informs Senior Management of both the near-term and longer-term needs that are being delayed. For the prioritized projects, Business Cases² are developed for each of the Capital Requests that go to the Capital Planning Group (CPG) (as illustrated in the diagram). The CPG prioritizes the Capital Requests across departments, such that the overall planned capital spend stays within the constrained spend level established by Senior Management. The highest priority Capital Requests are

² A Business Case is a summary document that defines the business problem addressed by a project or program, along with a proposal and recommended solution. The Business Case explains why the work is necessary, and the risks associated with not making the investment, as well as the alternatives considered, the selected alternative and the timeline associated with the project.

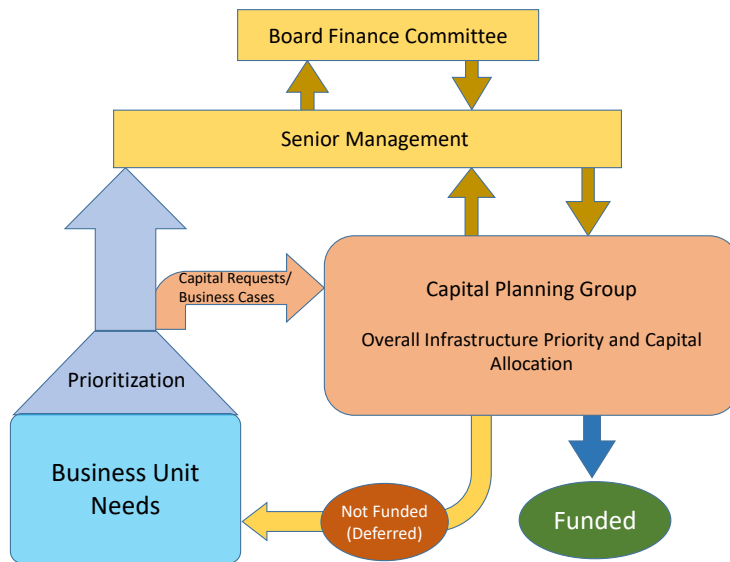
“Funded”, and a portion of the Capital Requests are “Not Funded” (Deferred), as shown on the diagram below. Each year, the Board Finance Committee reviews and approves the first year of the rolling five-year capital investment plan. Under this Identification and Prioritization Process, the capital projects are screened and prioritized twice; once within the departments, and then a second time across departments within the CPG. This Identification and Prioritization Process is explained in more detail in the Infrastructure Investment Plan in Exh. MTT-4.

The status of the planned versus actual investment spending is reviewed with the Finance Committee at least twice each year. The final result demonstrates a reasonable balance among competing needs required to maintain the performance of Avista’s systems, as well as prudent management of the overall enterprise in the best interest of customers.

External factors such as new regulatory or legislative requirements may drive changes in the plan. The projects in the Company’s portfolio are regularly reviewed for changes in assumptions, constraints, project delays, accelerations, weather impacts, outage coordination, system operations, performance, permitting/licensing/agency approvals, safety, and customer-driven needs that arise. The portfolio is continually updated throughout the year to remain as accurate as possible.

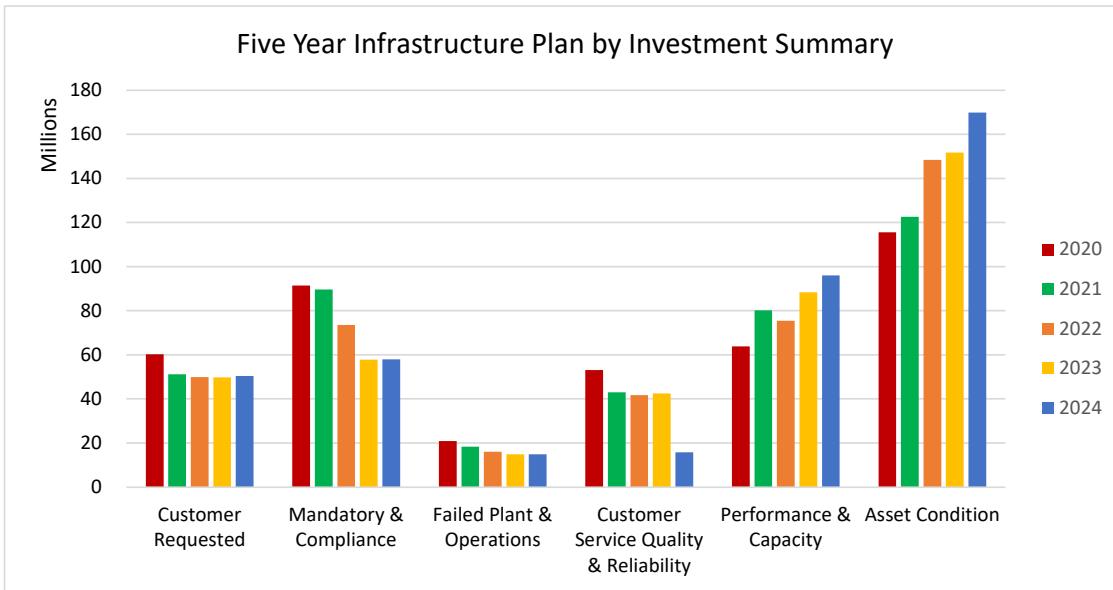
The process under which Avista’s planned capital expenditures are identified and prioritized is illustrated below (from Exh. MTT-1T, p. 10).

Illustration No. 1 - Identification and Prioritization Process



An explanation of each of these drivers, as well as examples of specific capital projects under these drivers, is provided in the Infrastructure Investment Plan, attached as Exh. MTT-4. In addition, Company witnesses Mr. Thackston, Ms. Rosentrater, and Mr. Kensok provide details on the specific capital projects planned and in progress, why the projects need to be done in the time frame they will be completed, as well as what the risks and consequences are of not completing the projects. A breakdown of planned investments for each driver for 2020-2024 is shown in below.

Planned Investments by Capital Investment Driver (2020-2024)



Finally, as for what Avista considers in setting the overall level of capital investment each year, we consider a range of factors that influences the level of capital investment made each year, including: 1) the level of investment needed to meet safety, service and reliability objectives and to further optimize our facilities; 2) the degree of overall rate pressure faced by our customers; 3) the variability of investments required for major projects; 4) unanticipated capital requirements, such as an unplanned outage on a large generating unit; 5) the cost of debt; and 6) the opportunity to issue equity on reasonable terms.

With respect to the request for the monthly meeting or Steering Committee notes or materials for all projects within the 23 Business Cases in this subset for Pro Forma Adjustments 3.13 “Programmatic”, to the extent they exist, would be unduly burdensome to produce. However, if Staff would provide Avista a smaller subset of specific Business Cases within the “Programmatic” table above that are of particular interest to Staff, Avista will undertake that search.

As an example of the similar types of material available for projects within the Mandatory and Compliance subset, Avista has provided the following meeting or Steering Committee notes or materials as an example:

Example 1: Substation Rebuild: See Files included in “Zipped” folder provided as Staff-DR-145 – Attachment C.

**AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	03/08/2021
CASE NO.:	UE-200900 & UG-200901	WITNESS:	Kaylene Schultz
REQUESTER:	UTC Staff	RESPONDER:	Kaylene Schultz
TYPE:	Data Request	DEPT:	Regulatory Affairs
REQUEST NO.:	Staff-DR-152	TELEPHONE:	(509) 495-2482
		EMAIL:	kaylene.schultz@avistacorp.com

RE: Capital Additions – Pro Forma

REQUEST:

In response to DR 90, the Company stated:

With regards to operations and maintenance costs, Avista did not quantify and include offsetting factors that did not actually reduce O&M expenses. However, as Ms. Schultz describes in her testimony, there are non-quantifiable benefits of the investments being made that allow for re-deployment of costs or efficiency gains to benefit customers, but do not change the overall total level of O&M expense that the Company will incur during the rate year.

Please identify any and all redeployed costs or efficiency gains associated with each individual project. Please also provide documentation showing the Company's tracking of each project's redeployed costs or efficiency gains, as well as where or to which project or program any redeployed costs or efficiency gains were reallocated to. If redeployed costs or efficiency gains were reallocated to a program with multiple projects, please provide a project specific breakdown of the reallocation. If the Company cannot identify project specific redeployment costs or efficiency gains or does not track the same, please explain why.

RESPONSE:

The subject statement speaks to the many instances where we can see benefits that result from the investments we make on behalf of our customers, which are incidental to primary benefits evaluated in the business case. Because these benefits are not material to the justification of the need for the investment, and often are not even realized until after deployment, the Company typically does not expend the resources that would be required to quantify or track such incidental benefits. That is, the investments are already justified based on the primary benefits evaluated and/or quantified in the business case, and to the degree they provide additional benefits for our customers, so much the better. Beyond this, it is not necessary to expend resources to track down these incidental benefits, because to the degree that they help lower our costs of operation through efficiency gains or redeployed costs, those benefits will ultimately be reflected in a lower costs to customers over time than would otherwise have been.

Focusing on the projects (business cases) contained in the Company's 2020 Pro Forma Capital Additions Adjustments 3.11 through 3.15, the Company has not compiled redeployed costs or efficiency gains, other than in explanations within the Company's business cases which have already been provided. Where there

are assumed benefits that cannot be quantified, specific documentation regarding redeployed costs or efficiency gains has not been consolidated or tracked and therefore is not readily available.

As stated in Ms. Schultz's testimony, the Company has included as offsets in each of the 2020 pro forma capital adjustments the impact of 2020 retirements on plant-in-service at December 31, 2019. The overall effect of reflecting the 2020 retirements on plant-in-service at December 31, 2019 reduces the incremental depreciation expense pro formed in each of 2020 pro forma capital adjustments by approximately \$1.5 million (or a reduction of 21%) for electric and \$0.4 million (or a reduction of 19%) for natural gas based on 2020 actual transfers to plant as provided in Staff-DR-107.

Please note, specific to the Company's Advanced Metering Infrastructure (AMI) - enabled benefits that Avista listed as "Benefits Not Currently Quantified," in Exh. JDD-2 (Revised) pages 86-94, are those features of the system that will help us in very real ways to improve the quality, efficiency and safety of service we provide our customers. The preponderance of these benefits are focused on improving the value, quality, experience and satisfaction with the service they receive from the Company. While some of these features will certainly help to reduce our costs of providing service, through reduced field service calls, reduced call time for customer issues or more efficient infrastructure planning, as examples, Avista did not have enough information or experience to quantify any potential savings that might be delivered in the long term (whether efficiency gains, redeployment, etc.). If the Company had enough information to quantify any potential operational savings for these areas of benefit, they would have been included among the financially quantified benefits listed in the AMI business case. See also Avista's response to PC-DR-193