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March 31, 2015

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

Attention: Mr. Steven King, Executive Director & Secretary

Attached for filing with the Commission is an electronic copy of the proposed revisions to Avista's Line Extension, Conversion and Relocation Schedule 51 of Tariff WN U-28:

2 nd Revision Sheet 51	Canceling	1 st Revision Sheet 51
2 nd Revision Sheet 51A	Canceling	1 st Revision Sheet 51A
2 nd Revision Sheet 51B	Canceling	1 st Revision Sheet 51B
2 nd Revision Sheet 51C	Canceling	1 st Revision Sheet 51C
2 nd Revision Sheet 51D	Canceling	1 st Revision Sheet 51D
2 nd Revision Sheet 51E	Canceling	1 st Revision Sheet 51E
2 nd Revision Sheet 51F	Canceling	1 st Revision Sheet 51F
2 nd Revision Sheet 51G	Canceling	1 st Revision Sheet 51G
2 nd Revision Sheet 51H	Canceling	1 st Revision Sheet 51H
2 nd Revision Sheet 51I	Canceling	1 st Revision Sheet 51I

The revisions to the tariff sheets listed above update the Company's Electric Line Extension Schedule 51 and are proposed to become effective May 18, 2015. The Company has updated line extension costs based on the Company's Construction & Material Standards as well as updated actual average costs of all material and labor used in line extensions during 2014. Further, as explained below, the Company has updated its line extension allowances.

Background

The Company's present tariff incorporates the principle of average costing for electrical facilities commonly used in extending service. The tariff sets forth "Basic Costs", which are costs based on recent average actual costs for facilities such as transformers and conduit which are used consistently for electric line extensions. The Basic Costs have a fixed and variable component, with the variable component stated on a cost per foot basis.

The average costing principle incorporated in the Company's tariff has worked well and the Company is not proposing to change the conceptual structure of the tariff. The Company believes that the tariff is fair and understandable to customers, and is relatively easy to apply to an individual line extension. Detailed below are the Company's proposed changes to Schedule

51's allowances and costs, and included with this filing are workpapers which provide support for the proposed changes.

Allowances – In this filing, the Company is proposing updated allowances applicable to new residential, commercial and industrial customers services. For purposes of calculating the revised allowances, the Company utilized the results from the Company's cost of service study from its 2012 general rate case (Docket UE-120436), which established retail rates for 2013 and 2014. The results of this cost of service study the Company believes are reasonable for purposes of setting the level of allowance. Consistent with current practice, any costs in excess of the allowance would be paid by the new customer as a Contribution in Aid of Construction. Below is a summary of the proposed individual residential allowance changes:

	<u>Existing</u>	<u>Proposed</u>
Schedule 1 Individual Customer	\$ 1,000	\$ 1,500
Schedule 1 duplex	\$ 800	\$ 1,200
Schedule 1 multiplex	\$ 600	\$ 900

In addition, the Company has included a per kWh rate allowance for commercial and industrial customers (Schedules 11/12, 21/22 & 31/32). These rates would be applied to the customers estimated energy usage for purposes of calculating an allowance.

Costs – The Distribution Engineering Department at Avista is primarily tasked with the development and maintenance of the Company's Construction & Material Standards. Periodically, Distribution Engineering will update the Construction & Material Standards in order to comply with the National Electric Safety Code ("NESC"). These Construction & Material Standards were recently updated to reflect the NESC's code revision which included 377 individual changes, with the vast majority of these changes impacting the overhead distribution system. Significant changes include higher strength requirements for guy supported wood poles, and guy wire insulation upgrades to prevent transmission of voltage from the utility supply space to the communication worker space. Changes to the codes require that the Company review our standard designs and adapt them as necessary. Those standard design changes are reflected in the proposed Schedule 51 costs in this filing.

As detailed on proposed tariff sheets 51H and 51I, the Company is proposing to update the primary, secondary, service¹ and transformer average costs. Below is a summary of those changes:

¹ The fixed costs associated with overhead and underground service circuits were either incorporated in the transformer or underground secondary circuit fixed costs or otherwise eliminated from the Company's construction and material standards.

	<u>Present</u>	<u>Proposed</u>
Overhead Primary Circuit		
Fixed Costs	\$ 3,774	\$ 3,926
Variable Costs	\$ 4.04	\$ 7.63
Underground Primary Circuit		
Fixed Costs	\$ 1,384	\$ 1,737
Variable Costs	\$ 8.45	\$ 9.91
Underground Secondary Circuit		
Fixed Costs	\$ 199	\$ 376
Variable Costs	\$ 6.80	\$ 9.23
Overhead Service Circuit		
Fixed Costs	\$ 253	\$ -
Variable Costs	\$ 4.23	\$ 3.08
Underground Service Circuit		
Fixed Costs	\$ 199	\$ -
Variable Costs	\$ 6.80	\$ 8.33
Overhead Transformer	\$ 1,173	\$ 2,296
Padmount Transformer	\$ 1,659	\$ 2,983

One of the more significant cost increases included in this filing is related to the cost of distribution transformers. The primary reasons for the increase in transformer costs are twofold. The first relates to the increased cost of the transformer itself. The U.S. Department of Energy publishes standards related to the overall power transfer efficiency of transformers. Over the last several decades, transformer manufacturers have steadily progressed towards lower electrical loss units in order to meet conservation energy targets. In turn, the magnetic core grade steel of transformers has improved, albeit at an increased cost. Secondly, when the Company updated its Construction & Material Standards, some of the materials that were previously included with "Primary" and/or "Service" related costs were shifted to transformer-related costs. In the Company's current Schedule 51 rates, the cost of the transformer does not include other materials that are required for installing the transformer, as those costs were included in the Primary or Service component costs. The updated Construction and Materials Standards now shift transformer-related costs to the transformer, resulting in increased transformer costs and an offsetting reduction to Primary and Service costs.

Residential development costs, updated for the most current Construction & Material Standards and average 2014 construction costs are detailed below.

Residential Developments

	<u>Present</u>	<u>Proposed</u>
Total Cost per Lot	\$ 2,288	\$ 1,705
Less: Service Cost	<u>\$ 587</u>	<u>\$ 417</u>
Developer Responsibility	<u>\$ 1,701</u>	<u>\$ 1,288</u>
Developer Non-Refundable Payment	\$ 522	\$ -
Developer Refundable Payment	\$ 1,179	\$ 1,288
Builder Non-Refundable Payment	\$ 766	\$ 205
Development Cost	\$ 1,701	\$ 1,288
Service Cost	\$ 587	\$ 417
Less: Allowance	\$ (1,000)	\$(1,500)
Ditch Credit	<u>\$ (522)</u>	<u>\$ -</u>
Total Cost Per Lot	\$ 766	\$ 205

The primary difference between the current and proposed tariff relates to the proposed increase in the residential allowance and the cost of ditching. In this filing the Company has removed primary ditching costs, and the associated credit, from the tariff. It is the Company's experience that developers and builders prefer to provide the ditch, per our standards, as they are better able to coordinate that work with their other construction activities, not to mention they have the necessary equipment on site to install other non-Avista related utilities (water, sewer, phone, etc.). As such, developers will now be responsible to provide their own ditching.

Finally, the Company has also proposed other housekeeping changes to the Schedule 51 tariff sheets that we believe provides for better clarification of the tariff's terms and conditions.

Enclosed is a copy of the workpapers supporting the line extension cost revisions contained in the proposed tariff sheets. In addition, during the week of April 1, 2015, the Company will send a letter to those developers and builders that may be affected by the proposed changes to inform them of the Company's request.

Please direct any questions on this matter to me at (509) 495-8620 or Joe Miller at (509) 495-4546.

Sincerely,


Patrick Ehrbar
 Manager Rates & Tariffs
 Enclosures