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March 2, 2018

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:

4 th Revision Sheet 51A	Canceling	3 rd Revision Sheet 51A
5 th Revision Sheet 51C	Canceling	4 th Revision Sheet 51C
5 th Revision Sheet 51D	Canceling	4 th Revision Sheet 51D
5 th Revision Sheet 51E	Canceling	4 th Revision Sheet 51E
5 th Revision Sheet 51H	Canceling	4 th Revision Sheet 51H
5 th Revision Sheet 51I	Canceling	4 th 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 1, 2018.

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

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Allowances – The Company is not proposing any updates to the allowances in this filing. It is the Company’s practice to update the allowances after the conclusion of a general rate case. The allowances were last updated in 2016 based on the Cost of Service study from the Company’s 2015 general rate case filing (Docket No. UE-150204).

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 last updated in 2015 to reflect the NESC’s code revisions. The standard designs in this filing have not changed and are consistent with those reflected in the Company’s 2017 Schedule 51 filing.

As detailed on proposed tariff sheets 51H and 51I, the Company is proposing to update the primary, secondary, service and transformer average costs. In addition, the Company is adding clarifying language to tariff sheet 51A related to Cost Reductions to ensure that customers understand that any cost offsets for work provided directly by the customer cannot exceed the total cost of construction. Below is a summary of the cost changes:

	<u>Present</u>	<u>Proposed</u>
<u>Overhead Primary Circuit:</u>		
Fixed Cost	\$ 4,207	\$ 4,323
Variable Cost	\$ 8.18	\$ 8.43
<u>Underground Primary Circuit</u>		
Fixed Costs	\$ 1,813	\$ 1,889
Variable Costs	\$ 10.45	\$ 11.24
<u>Underground Secondary Circuit</u>		
Fixed Costs	\$ 406	\$ 430
Variable Costs	\$ 9.38	\$ 9.93
<u>Overhead Secondary Circuit</u>		
Fixed Costs	\$ 1,732	\$ 1,785
Overhead Service Circuit	\$ 3.85	\$ 3.98
Underground Service Circuit	\$ 8.83	\$ 9.39
Overhead Transformer	\$ 2,202	\$ 2,381
Padmount Transformer	\$ 2,946	\$ 3,516

The major driver of the Transformer cost increases are twofold. First, the Company experienced issues with its main Transformer supplier related to on-time delivery and quality of product. In

mid-2017, that vendor was disqualified as a supplier to Avista. To mitigate these issues, the Company moved to a different supplier who provides a higher quality product, delivered on-time, although at a higher cost. Second, Transformer costs are directly tied to commodity indices (Aluminum, Copper, Oil, Silicon Steel and Carbon Steel), so as commodity prices have increased, so have the costs of Transformers to the Company.

The largest driver of the increase in Vehicle costs, which was a primary driver of increases in all of the costs shown above, is diesel fuel and maintenance. The 2017 diesel fuel costs have risen by approximately 24% in comparison to 2016. Also, the Company has experienced increased vehicle maintenance costs in 2017 primarily related to the cyclical nature of its maintenance cycles. As a primary example, small trailers were in a major maintenance cycle in 2017, with a significant increase in service, repair and parts relative to prior years. Small trailers are the primary towing option for the Company's ditching equipment, which is a major component of underground service installations.

Residential development costs, updated for the most current Construction & Material Standards and average 2017 construction costs are detailed below.

Residential Developments

	<u>Present</u>	<u>Proposed</u>
Total Cost per Lot	\$ 1,714	\$ 1,867
Less: Service Cost	\$ 442	\$ 471
Developer Responsibility	<u>\$ 1,272</u>	<u>\$ 1,396</u>
Developer Refundable Payment	\$ 1,272	\$ 1,396
Builder Non-Refundable Payment	\$ 19	\$ 172
Allowance	\$ 1,695	\$ 1,695

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 March 19, 2018, 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 Joe Miller at (509) 495-4546.

Sincerely,



Joe Miller
Senior Regulatory Analyst
Enclosures