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March 8, 2019

VIA – Commission Web-Portal

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

Dear Mr. Johnson,

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:

3^{rd} Revision Sheet 51	Canceling	Sub. 2^{nd} Revision Sheet 51
5^{th} Revision Sheet 51A	Canceling	4^{th} Revision Sheet 51A
3^{rd} Revision Sheet 51B	Canceling	Sub. 2^{nd} Revision Sheet 51B
6^{th} Revision Sheet 51C	Canceling	5^{th} Revision Sheet 51C
6^{th} Revision Sheet 51D	Canceling	5^{th} Revision Sheet 51D
6^{th} Revision Sheet 51E	Canceling	5^{th} Revision Sheet 51E
4^{th} Revision Sheet 51F	Canceling	3^{rd} Revision Sheet 51F
3^{rd} Revision Sheet 51G	Canceling	Sub. 2^{nd} Revision Sheet 51G
6^{th} Revision Sheet 51H	Canceling	5^{th} Revision Sheet 51H
6^{th} Revision Sheet 51I	Canceling	5^{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, 2019.

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. In an on-going effort to make Schedule 51 easy to understand from both a Company and customer perspective, the Company is proposing to make administrative changes to the tariff as described below in the section labeled "Administrative Changes". These proposed changes will provide greater clarity, which in turn will provide greater consistency when administering line extensions.

Detailed below are the Company's proposed changes to Schedule 51 and included with this filing are workpapers which provide support for the proposed changes.

Allowances – In this filing, the Company has updated the allowances applicable to new residential, commercial and industrial customer's services. For purposes of calculating the revised allowances, the Company is continuing to utilize an embedded cost methodology approach that is designed to ensure that investment in distribution/terminal facilities for each new customer will be similar to the embedded costs of the same facilities reflected in base rates. Any costs in excess of the allowance would be paid by the new customer as a Contribution in Aid of Construction. The Company utilized its Cost of Service study from its most recently concluded general rate case filing (Docket No. UE-170485), updated for the approved Commission ordered revenue requirement, to spread the distribution costs. 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). Below is a summary of the proposed allowance changes:

Service Schedule	Existing	Proposed
Schedule 1 Individual Customer	$ 1,695	$ 1,860
Schedule 1 Duplex	$ 1,355	$ 1,485
Schedule 1 Multiplex	$ 1,015	$ 1,115
Schedule 11/12 (per kWh)	$ 0.12831	$ 0.15007
Schedule 21/22 (per kWh)	$ 0.10433	$ 0.12628
Schedule 31/32 (per kWh)	$ 0.12446	$ 0.15951

The Company has provided workpapers that provide the inputs and calculation of the allowances.

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 2018 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 which have remained relatively consistent between years. Below is a summary of the cost changes:

	Present	Proposed
Overhead Primary Circuit:		
Fixed Cost	$ 4,323	$ 4,253
Variable Cost	$ 8.43	$ 8.38
Underground Primary Circuit		
Fixed Costs	$ 1,889	$ 1,854
Variable Costs	$ 11.24	$ 11.23
Underground Secondary Circuit		
Fixed Costs	$ 430	$ 418
Variable Costs	$ 9.93	$ 10.42
Overhead Secondary Circuit		
Fixed Costs	$ 1,785	$ 1,774
Overhead Service Circuit	$ 3.98	$ 3.91
Underground Service Circuit	$ 9.39	$ 9.41
Overhead Transformer	$ 2,381	$ 2,310
Padmount Transformer	$ 3,516	$ 3,507

Residential development costs, updated for the most current Construction & Material Standards and average 2018 construction costs are detailed below.

Residential Developments

	Present	**Proposed**
Total Cost per Lot	$ 1,867	$ 1,907
Less: Service Cost	$ 471	$ 471
Developer Responsibility	**$ 1,396**	**$ 1,436**
Developer Refundable Payment	$ 1,396	$ 1,436
Builder Non-Refundable Payment	$ 172	$ 47
Allowance	$ 1,695	$ 1,860

Administrative Changes – Overtime the Company has come to realize that when discussing line extensions, conversions, or relocations of existing service with new and/or existing customers, they often times face difficulty in understanding the provisions outlined in the Company's tariff Schedule 51. In an effort to make Schedule 51 easier for customers to understand and for our construction employees to apply, the Company proposes to make modifications to the Schedule.

A summary of the changes are as follows:

1. As currently written (see Sheets 51 and 51H), the provisions relating to when a Design Fee is charged are not entirely clear. The Company proposes to make the language regarding Design Fees more flexible, such that rather than state it "is required" in certain circumstances, that it "may be required". This aligns better with the Company's operations practices, such that a Design Fee is only charged when absolutely necessary. The Company's primary effort is to provide customers with a positive experience and accommodate changes that come up relating to obtaining and receiving electric service from the Company. Lastly, the Company proposes removing reference to the Design Fee being credited against the cost of the construction. With the modified language, if the Company does require a Design Fee, it will not be refundable.

2. Schedule 51 provides a definition for the multiple components that make up the Extension Cost a customer must pay to receive electric service, including both the Basic Cost and Exceptional Cost portions of a line extension. As shown in the formula on Sheet 51A for calculating the Extension Cost, Basic Costs and Exceptional Costs are added together prior to the customer's Allowance being applied. For customers, Basic Costs and Exceptional Costs are one in the same, meaning that they are simply the costs for receiving a line extension. The Company proposes to remove all references to Exceptional Costs and broaden the definition of Basic Cost, such that Basic Cost now covers all costs necessary to construct the line extension. In practice, this change will have no impact on the costs paid by customers for line extensions. It will simply make the costs of line extensions easier to understand for customers.

3. The Company proposes making two modifications to its definition of Customer-Requested Costs. First, the Company proposes removing reference to its minimum design for determining what constitutes Customer-Requested Costs (see Sheet 51B). The Company instead proposes that Customer-Requested Costs apply to the cost of unusual labor and/or materials requested by the customer that are not necessary to construct a line extension based on the Company construction design standards and operating practices. In some cases the Company's minimum design is not the best option or adequate for customers.

   Second, the Company proposes to remove the example of "underground facilities in overhead areas." Removing this example provides customers with the ability to apply their line extension Allowance to underground service. A scenario where this would apply is a new residential home in an existing development that requests an underground service line. Currently, the customer is required to pay the cost difference between receiving service overhead compared to underground, even though their allotted Allowance would cover the full cost of the underground service. Customers choose to receive underground service for a multitude of reasons including, aesthetics, reliability, or no need to maintain vegetation around service wires.

   With these two changes combined, customers will have a greater ability to apply their line extension Allowance towards the overall cost of their line extension. This is easier to understand and a positive benefit to new customers, while not burdening other customers as the expected revenue from the new customer justifies the full line extension Allowance they may receive.

4. For commercial and industrial customers, the Company proposes to clarify when an Allowance will not be provided immediately, and in such cases, when a customer will receive a refund of their Allowance after service installation (see Sheet 51F). The proposed changes to this section do not impact the Company's current practices for line extensions to new commercial and industrial customers, but rather make the exception to when the Company will not grant an immediate Allowance more clear. The Company has also added clarifying language when referring to "metered energy usage" to include a parenthetical stating "delivered by Avista". The purpose of the clarifying language is to make clear for any distributed generation customers that allowances are based on the net retail energy usage sold by Avista.

5. For conversions and relocations, the Company has proposed a clarification to the definition of Salvage Value to state that not all materials removed will have salvage value and that the Company will determine Salvage Value in its sole discretion (see Sheet 51G). This proposed change will have no material impact on customers.

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, 2019, 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
Manager of Pricing and Tariffs
Enclosures