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VIA – Commission Web-Portal

Jeff Killip
 Executive Director and Secretary
 Washington Utilities and Transportation Commission
 621 Woodland Square Loop SE
 Lacey, Washington 98503

Dear Mr. Killip,

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:

11 th Revision Sheet 51C	Canceling	10 th Revision Sheet 51C
11 th Revision Sheet 51D	Canceling	10 th Revision Sheet 51D
11 th Revision Sheet 51E	Canceling	10 th Revision Sheet 51E
7 th Revision Sheet 51F	Canceling	Sub. 6 th Revision Sheet 51F
11 th Revision Sheet 51H	Canceling	10 th Revision Sheet 51H
11 th Revision Sheet 51I	Canceling	10 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 15, 2024.

Background

The Company’s present Schedule 51 electric line extension tariff incorporates the principle of average costing for electrical facilities commonly used in extending service. The tariff sets forth “Basic and Exceptional 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 and Exceptional 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.

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 – The Company is not proposing to update the allowances in this filing. Typically, the Company updates the allowances after each general rate case based on a completed cost of service study. Because the Company’s most recent general rate case (Docket UE-220053) was approved based on a “results oriented” revenue requirement it is not possible to complete an updated cost of service study whereby the individual adjustments are detailed by FERC account. Therefore, the Company is not proposing to update the allowances in this filing. The Company will update the allowances after its next general rate case filing.

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 are reflective of the NESC’s most recent code revisions. The standard designs in this filing have not changed and are consistent with those reflected in this filing.

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

	<u>Present</u>	<u>Proposed</u>
<u>Overhead Primary Circuit:</u>		
Fixed Cost	\$ 4,875	\$ 5,379
Variable Cost	\$ 9.63	\$ 10.69
<u>Underground Primary Circuit</u>		
Fixed Costs	\$ 2,232	\$ 2,516
Variable Costs	\$ 13.07	\$ 13.48
<u>Underground Secondary Circuit</u>		
Fixed Costs	\$ 600	\$ 666
Variable Costs	\$ 14.38	\$ 14.17
<u>Overhead Secondary Circuit</u>		
Fixed Costs	\$ 1,976	\$ 2,212
Overhead Service Circuit	\$ 4.04	\$ 5.02
Underground Service Circuit	\$ 11.41	\$ 10.46
Overhead Transformer	\$ 3,615	\$ 4,436
Padmount Transformer	\$ 7,598	\$ 7,470

The primary drivers of the increase in costs above are related to increases in labor cost, and a significant increase in transformer costs. The primary driver of reduced cost on some underground work listed above is due to a reduction in the cost of conduit. There continues to be heavy demand across the board in the utility sector outpacing supply, that is resulting in price increases due to limited product for several of the materials purchased for utility service. In particular, transformers continue to see high-cost pressure due to high demand across the nation and low availability. This is a common problem across all utilities. Some transformers have a lead time of several years. Avista has been working with different vendors, both domestic and international, to source transformers both on availability and cost savings efforts. Additionally, the distribution system is not flexible, and transformers must meet Avista’s specifications, which limits the vendors from which Avista is able to purchase material. A recent article titled *[A look at the great transformer shortage affecting U.S. utilities](https://pv-magazine-usa.com/2024/03/07/a-look-at-the-great-transformer-shortage-affecting-u-s-utilities/)*¹, discusses the challenge of shortages and price increases in the global transformer market and the importance of distribution transformers to energy infrastructure. It sites increased raw material demand, pandemic-related shortages and backlogs, labor constraints, shipping issues, and geopolitical tensions as drivers of transformer acquisition difficulties.

The cost of electric steel, a major component of the electric core of transformers continues to remain high due to high demand. This component is also used in the production of electric vehicles, causing continued pressure on the demand for this component and the higher-price point. The transformer industry has seen significant cost increases over the past few years and the industry is finding it to be commonplace for higher costs to be normal.

The table below shows an example of the increase in transformer costs over the last few years. These figures compare actual invoice costs of individual transformers from December 2021 to December 2023 to illustrate the large increases.

	Dec-21	Dec-22	Dec-23	22 - 23 % Change
Transformer – 25KVA	\$1,700	\$4,820	\$7,095	47.2%
Transformer – 50KVA	\$2,255	\$5,660	\$8,021	41.7%

¹ <https://pv-magazine-usa.com/2024/03/07/a-look-at-the-great-transformer-shortage-affecting-u-s-utilities/>

Residential development costs, updated for the most current Construction & Material Standards and average 2023 construction costs are detailed below.

<u>Residential Developments</u>	<u>Present</u>	<u>Proposed</u>
Total Cost per Lot	\$ 2,947	\$ 3,358
Less: Service Cost	\$ 572	\$ 525
Developer Responsibility	<u>\$ 2,375</u>	<u>\$ 2,833</u>
Developer Refundable Payment	\$ 2,375	\$ 2,833
Builder Non-Refundable Payment	\$ -	\$ -
Allowance	\$ 4,840	\$ 4,840

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 8, 2024, 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 Tia Benjamin at (509) 495-2225.

Sincerely,

/s/ Joe Miller

Joe Miller
Sr. Manager of Rates and Tariffs
Enclosures