

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

JURISDICTION:	WASHINGTON	DATE PREPARED:	06/18/2021
CASE NO.:	UE-200900 & UG-200901	WITNESS:	DiLuciano/La Bolle
REQUESTER:	Public Counsel	RESPONDER:	Larry La Bolle
TYPE:	Data Request	DEPT:	Transm Ops/System Planning
REQUEST NO.:	PC – 369	TELEPHONE:	(509) 495-4710
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SUBJECT: Avista’s Grid Modernization Investments

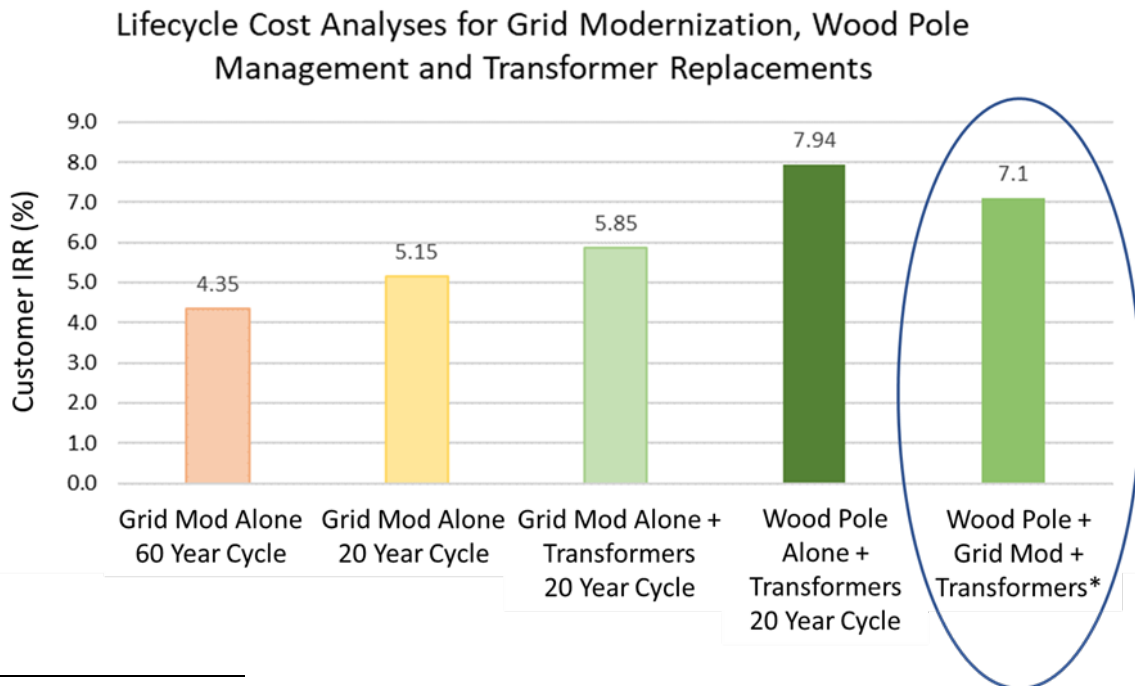
REQUEST:

Please refer to Heather L. Rosentrater, Exh. HLR-11, at 8, which indicates that Avista’s Distribution Grid Modernization program is designed to review every feeder once every 60 years for equipment replacement and installation opportunities. Identify any U.S. utility of which Avista is aware which reviews every feeder once every 60 years for equipment replacement and installation opportunities.

RESPONSE:

While Avista’s Grid Modernization was originally intended to address our feeders on a 60-year cycle, the Company’s practice has been to fund it at a lower level, as optimized with our Wood Pole Management program and Transformer Replacements, which favorable financial results are summarized in Exh. JD/LL-1T, pages 40 and 41, as excerpted below.

Illustration No. 8 – Lifecycle Cost Analysis of Avista’s Grid Modernization Program as Optimized with Wood Pole Management and Transformer Replacements¹



¹ *The optimized alternative is based on the current cycle interval of 20 years for Wood Poles and Transformers, and the current level of spending by the Company for feeders rebuilt under Grid Modernization, which rebuilds also include Transformer Replacements.

While Grid Modernization with Transformer Replacements on a 20-year cycle interval does produce a respectable internal rate of return (5.85%), it would not, as I have stated, be a cost-effective substitute by itself for the feeder maintenance performed under the Wood Pole Management program (Grid Mod + Transformers = 5.85% IRR vs. Wood Pole + Transformers = 7.94%). Accordingly, Grid Modernization is not just another feeder maintenance program, as erroneously claimed by Public Counsel. The optimization of Grid Modernization with Wood Pole Management and Transformer Replacements, as currently practiced by the Company, achieves the following objectives: 1) manage most of our infrastructure inspection, repair and replacements through the cost-effective maintenance achieved in the Wood Pole Management Program; 2) include Transformer Replacements as a cost-effective way to help reduce our customers' long-term costs, and 3) continue to make progress on our feeder rebuilds under Grid Modernization, in an optimized manner that meets our objectives at the lowest reasonable cost, while achieving an optimized favorable return on our customers' overall investment. As noted in the report, any Customer Internal Rate of Return exceeding 7% means that over the life of the asset, customers rates will be lower overall as a result of adopting this strategy.²

² Compared with the run to fail alternative, as noted in Exh. JD/LL-2, page 46.