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 UTIL. AND TRANSP.  
 COMMISSION

March 1, 2023

**VIA – Commission Web-Portal**

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

Dear Ms. Maxwell,

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:

10 <sup>th</sup> Revision Sheet 51C	Canceling	Sub. 9 <sup>th</sup> Revision Sheet 51C
10 <sup>th</sup> Revision Sheet 51D	Canceling	Sub. 9 <sup>th</sup> Revision Sheet 51D
10 <sup>th</sup> Revision Sheet 51E	Canceling	Sub. 9 <sup>th</sup> Revision Sheet 51E
5 <sup>th</sup> Revision Sheet 51G	Canceling	Sub. 4 <sup>th</sup> Revision Sheet 51G
10 <sup>th</sup> Revision Sheet 51H	Canceling	Sub. 9 <sup>th</sup> Revision Sheet 51H
10 <sup>th</sup> Revision Sheet 51I	Canceling	Sub. 9 <sup>th</sup> 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, 2023.

**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 which have increased over the last year due to rising costs. Below is a summary of the cost changes:

	<u>Present</u>	<u>Proposed</u>	<u>% Change</u>
<u>Overhead Primary Circuit:</u>			
Fixed Cost	\$ 4,521	\$ 4,875	7.8%
Variable Cost	\$ 8.75	\$ 9.63	10.1%
<u>Underground Primary Circuit</u>			
Fixed Costs	\$ 1,958	\$ 2,232	14.0%
Variable Costs	\$ 11.15	\$ 13.07	17.2%
<u>Underground Secondary Circuit</u>			
Fixed Costs	\$ 392	\$ 600	53.0%
Variable Costs	\$ 11.55	\$ 14.38	24.5%
<u>Overhead Secondary Circuit</u>			
Fixed Costs	\$ 1,843	\$ 1,976	7.2%
Overhead Service Circuit	\$ 3.96	\$ 4.04	2.0%
Underground Service Circuit	\$ 9.14	\$ 11.41	24.8%
Overhead Transformer	\$ 2,508	\$ 3,615	44.1%
Padmount Transformer	\$ 3,597	\$ 7,598	111.2%

The primary drivers of the increase in costs above are related to a significant increase in materials costs, increased labor costs and an increase in transportation cost driven by higher diesel fuel prices.

There were significant commodity price increases in 2022. These were due to material disruptions from the conflict in Ukraine, labor cost increases, and transportation cost increases. In addition, there was heavy supply chain demand across the board in the utility sector outpacing supply, resulting in price increases due to limited product. Transformers continue to see high-cost pressure primarily for electric steel, used in making the electric core. This is being caused by global increases for electric vehicles that compete for the same electric steel, driving a higher price point. Aluminum supply was disrupted by the conflict in Ukraine, a significantly reduced supply caused the commodity price to increase nearly 50% in the first half of the year. Aluminum is used in many utility products that realized sharp price increases like conductor, meters and transformers. Another supply issue was shortages of resin and thermos-plastics that drove up commodity prices nearly 40% and are used in items like pipe, handhole, transformer pads, sweeps, conduit, and PVC products. In addition, the manufacturing sector continues to struggle with labor and has increased wages trying to attract talent, which contributes to higher pricing. Lastly, transportation costs have continued to have price pressure resulting from labor shortages thus adding to the product cost.

The table below details examples of some of the larger individual cost components driving the increase in costs in the table above. These figures compare actual invoice costs of the individual components from December 2021 to December 2022 to illustrate the large increases.

	<u>December 2021</u>	<u>December 2022</u>	<u>% Change</u>
Transformer – 25KVA	\$1,700	\$4,820	183.5%
Transformer – 50KVA	\$2,255	\$5,660	151.0%
Sweep PVC 3inch	\$10.32	\$26.72	158.9%

Residential development costs, updated for the most current Construction & Material Standards and average 2022 construction costs are detailed below.

**Residential Developments**

	<u>Present</u>	<u>Proposed</u>
Total Cost per Lot	\$ 2,070	\$ 2,947
Less: Service Cost	\$ 458	\$ 572
<b>Developer Responsibility</b>	<b>\$ 1,612</b>	<b>\$ 2,375</b>
Developer Refundable Payment	\$ 2,070	\$ 2,375
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 March 6, 2023, 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 or Joe Miller at (509) 495-4546.

Sincerely,

*/s/ Joe Miller*

Joe Miller  
Sr. Manager of Rates and Tariffs  
Enclosures