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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:

5th Revision Sheet 51	Canceling	4th Revision Sheet 51
8th Revision Sheet 51A	Canceling	Substitute 7th Revision Sheet 51A
12th Revision Sheet 51C	Canceling	11th Revision Sheet 51C
12th Revision Sheet 51D	Canceling	11th Revision Sheet 51D
12th Revision Sheet 51E	Canceling	11th Revision Sheet 51E
8th Revision Sheet 51F	Canceling	7th Revision Sheet 51F
12th Revision Sheet 51H	Canceling	11th Revision Sheet 51H
12th Revision Sheet 51I	Canceling	Supplemental 11th 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, 2025.

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 calculation of Margin Allowance is based upon the Perpetual Net Present Value ("PNPV") method that was first approved for Avista during its 2021 Schedule 51 filing in Docket No. 210205.[1] Per the PNPV method, the proposed Margin Allowance amounts are derived by dividing the distribution revenue per customer for each rate schedule by Avista's after-tax rate of return as approved by the Commission in Avista's 2025 general rate case under Dockets UE-240006 and UG-240007 (consolidated). The margin allowance amount for each of the rate schedules is the result of the estimated incremental revenue from an average customer. The margin allowance continues to be calculated on a per customer basis for new residential service and on a per kWh basis for the other rate schedules. The distribution incremental margin is derived from the Company's Cost of Service study from its most recent general rate case filing (Docket No. UE-240006) priced at currently approved rates to determine the proper allocation of distribution delivery revenue.

The table below summarizes the current and proposed Margin Allowance amounts.

Sheet 51 Margin Allowance Amounts for New Services				
Schedule	Current	Proposed	$ Change	% Change
1, 7 & 8	$ 4,840	$ 7,210	$ 2,370	49%
11, 12, 13, 17 & 18	$0.61037	$0.77176	$0.16139	26%
21, 22 & 23	$0.32516	$0.47353	$0.14838	46%
31 & 32	$0.38952	$0.53407	$0.14455	37%

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:

[1] The PNPV method was first developed and supported by Commission Staff and approved by the Commission in Docket UE-1800091 for Puget Sound Energy and most recently in Docket UE-250114.

	Present	Proposed	% Change
Overhead Primary Circuit:			
Fixed Cost	$ 5,379	$ 5,536	2.9%
Variable Cost	$ 10.69	$ 11.20	4.8%
Underground Primary Circuit			
Fixed Costs	$ 2,516	$ 2,583	2.7%
Variable Costs	$ 13.48	$ 13.55	0.5%
Underground Secondary Circuit			
Fixed Costs	$ 666	$ 647	-2.9%
Variable Costs	$ 14.17	$ 12.75	-10.0%
Overhead Secondary Circuit			
Fixed Costs	$ 2,212	$ 2,279	3.0%
Overhead Service Circuit	$ 5.02	$ 5.06	0.8%
Underground Service Circuit	$ 10.46	$ 10.29	-1.6%
Overhead Transformer	$ 5,025	$ 5,308	5.6%
Padmount Transformer	$ 8,413	$ 10,003	18.9%

The primary drivers of the increase in costs above are related to increases in labor cost and transformer costs. The primary driver of reduced cost on some underground work listed above is due to a reduction in the cost of conduit and resin products. Avista continues to see a reduction in the cost of conduit as it normalizes after a disruption in resin manufacturing a few years ago.[2] 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, as some transformer types 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. 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 other significant cost driver is related to labor. In 2024, Avista's Distribution Standard Group undertook a review of labor hours and codes applied to the compatible units within Avista's work management system (Maximo). The Distribution Standard Group regularly reviews processes to ensure Avista is meeting current Standards. In so doing, it was found that certain compatible units needed updated to modify the crew hours applied to certain compatible units to more accurately reflect actual labor costs. In particular, the labor hour update affected the underground

[2] In this filing three years ago Avista reported a shortage in the supply of resin due to a manufacturing plant being shut down and disrupting the conduit industry, creating a shortage of conduit driving the cost up. This disruption has now subsided and we are now able to source conduit at better lead times and pricing.

transformer compatible unit. For a 25kVA padmount transformer installation, the system uses the assigned labor value based on the installation crew. A 25kVA padmount transformer takes about three hours by one installation crew, the system applied three-man hours to this compatible unit of work. The system ignored the fact that a crew has four workers, and therefore 12 hours should have been applied. The result was an understatement of the hours applied to the job. The Company has corrected this understatement of labor hours in its compatible units during 2024 and is reflected in the values in this filing in the underground transformer compatible unit cost.

Residential development costs, updated for the most current Construction & Material Standards and average 2024 construction costs are detailed below.

Residential Developments

	Present	**Proposed**
Total Cost per Lot	$ 3,358	$ 3,849
Less: Service Cost	$ 525	$ 516
Developer Responsibility	**$ 2,833**	**$ 3,333**
Developer Refundable Payment	$ 2,833	$ 3,333
Builder Non-Refundable Payment	$ -	$ -
Allowance	$ 4,840	$ 7,210

Administrative – Presently Schedule 51 states that every customer who wants the Company to design a line extension must first submit a written application. In an effort to reflect the considerable amount of time, effort, and complexity to evaluate large load requests the Company is proposing to add an Application Fee of $1,000 for load requests of 3,000 kVA (3 MVA) or greater. 3,000 kVA is the threshold for those customers who would typically take service under the Schedule 25 (Extra Large General Service) rate schedule and requires significantly more time to process those requests. The Application Fee is intended to cover a portion of the costs related to the initial application review and customer scoping meeting that is required in order to evaluate and analyze loads of this size. The Company has also added language to clarify that any additional capacity impact studies beyond standard design (distribution/transmission capacity, interconnection, etc.) will be paid in full by the customer requesting service. Both changes align with industry practice among other utilities and ensure that only qualified new customers move through the interconnection process.

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 14, 2025, 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