



February 27, 2014

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

Attention: Mr. Steve King, Executive Director & Secretary

RE: **Compliance Filing**- Avista Corporation – Dockets UE-120436 & UG-120437/UE-110876 & UG 110877 (consolidated)

In Order No. 9/14 in the above referenced dockets, at Paragraph 114 and Paragraph 115, the Commission stated:

With regard to its planned capital expenditures for calendar year 2013, Avista must file: (1) a progress report on its 2013 capital expenditures on or before September 30, 2013; and (2) a comprehensive report on the final totals for 2013 capital expenditures on or before March 1, 2014.

As to the capital expenditures Avista plans to make in calendar year 2014, the Company must file: (1) its capital expenditure plan for 2014 on or before September 30, 2013; and (2) updates on changes in meeting its capital expenditure plan for 2014 and reports on progress in making such capital improvements on June 1, September 1, and December 1, 2014, respectively, for the previous quarters.

Please find enclosed for filing with the Commission the original and twenty copies of Avista's "2013 Capital Expenditure Final Report and 2014 Capital Expenditure Plan Update" report. Attachment 1 to the report provides a comprehensive listing showing what Avista spent on capital projects during 2013. Also included in the report is an update on Avista's 2014 capital expenditure plan, as well as copies of the business cases for each of the 2014 capital projects.

Please direct any questions on this matter to Liz Andrews at 509.495.8601.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kelly Norwood", is positioned above the typed name.

Kelly Norwood  
Vice President, State & Federal Regulation

Enclosures  
cc: Service list

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have served the Compliance Filing in the Washington Electric and Gas General Rate Case Filing (UE-120436 et al), by mailing a copy thereof, postage prepaid to the following:

<p>David Danner Executive Director &amp; Secretary Washington Utilities and Trans. Comm. 1300 S. Evergreen Park Dr. SW Olympia, WA 98504-7250 ddanner@utc.wa.gov</p>	<p>Simon J. ffitc Lisa Gafken Senior Assistant Attorney General Public Counsel Section 800 Fifth Avenue, Suite 2000 Seattle, WA 98104-3188 simonf@atg.wa.gov</p>
<p>Mark Vasconi Washington Utilities and Trans. Comm. 1300 S. Evergreen Park Dr. SW Olympia, WA 98504-7250 mvasconi@utc.wa.gov</p>	<p>Ronald L. Roseman Attorney At Law 2011 14<sup>th</sup> Avenue East Seattle, WA 98112 ronaldroseman@comcast.net</p>
<p>Chuck Eberdt The Energy Project 3406 Redwood Ave. Bellingham, WA 98225 Chuck_Eberdt@opportunitycouncil.org</p>	<p>Donald T. Trotter Washington Utilities &amp; Trans. Comm. 1400 S. Evergreen Park Dr. SW Olympia, WA 98504-0128 dtrotter@utc.wa.gov</p>
<p>Chad Stokes Tommy Brooks Cable Huston Benedict Haagensen &amp; Lloyd LLP 1001 SW Fifth Avenue, Ste 2000 Portland, OR 97204-1136 cstokes@cablehuston.com tbrooks@cablehuston.com</p>	<p>S. Bradley Van Cleve Melinda J. Davison Davison Van Cleve, P.C. 333 S.W. Taylor, Suite 400 Portland, OR 97204 bvc@dvclaw.com mjd@dvclaw.com mail@dvclaw.com</p>
<p>Edward A. Finklea Executive Director Northwest Industrial Gas Users 326 Fifth Street Lake Oswego, OR 97034 efinklea@nwigu.org</p>	<p>Donald Schoenbeck Regulatory &amp; Cogeneration Services, Inc. 900 Washington St., Suite 780 Vancouver, WA 98660 dws@r-c-s-inc.com</p>
<p>Tom Schooley Washington Utilities and Trans. Comm. 1300 S. Evergreen Park Dr. SW Olympia, WA 98504-7250 tschooley@utc.wa.gov</p>	<p>Nancy Hirsh NW Energy Coalition 811 – 1<sup>st</sup> Avenue, Suite 305 Seattle, WA 98104 nancy@nwenergy.org</p>
<p>Todd D. True Kristen Boyles Amanda Goodin NW Energy Coalition 705 Second Avenue STE 203 Seattle, WA 98104 ttrue@earthjustice.org</p>	

I declare under penalty of perjury that the foregoing is true and correct.  
Dated at Spokane, Washington this 27th day of February 2014.

  
\_\_\_\_\_  
Patrick Ehrbar  
Manager, Rates & Tariffs

# **2013 Capital Expenditure Final Report and 2014 Capital Expenditure Plan Update**

**February 27, 2014**

**Provided Pursuant to Order 09/14  
Dockets UE-120436 & UG-120437/UE-110876 & UG-110877 (Consolidated)**



## **Background**

This report is being provided pursuant to the Washington Utilities and Transportation Commission Order No. 9/14 in Dockets UE-120436 & UG-120437 and UE-110876 & UG-110877 (Consolidated). Paragraph 114 and 115 of that Order states:

With regard to its planned capital expenditures for calendar year 2013, Avista must file: (1) a progress report on its 2013 capital expenditures on or before September 30, 2013; and (2) a comprehensive report on the final totals for 2013 capital expenditures on or before March 1, 2014.

As to the capital expenditures Avista plans to make in calendar year 2014, the Company must file: (1) its capital expenditure plan for 2014 on or before September 30, 2013; and (2) updates on changes in meeting its capital expenditure plan for 2014 and reports on progress in making such capital improvements on June 1, September 1, and December 1, 2014, respectively, for the previous quarters.

The capital budget for 2013 and 2014 that was approved by Avista's Board of Directors in 2011 reflected a total Company budget for 2013 of \$252 million, and for 2014 of \$258 million. These capital investment dollar amounts for 2013 and 2014 were reflected in Avista's last general rate case<sup>1</sup>, and were part of the foundation for the settlement agreement approved by the Commission in December 2012. As discussed in this report, Avista spent approximately \$286 million in 2013, and currently plans to spend \$331 million in 2014.

### **1. Final report on 2013 Capital Expenditures**

Avista spent approximately \$286 million in 2013. As compared to the \$252 million reflected in our last rate case for 2013, the Company spent approximately \$33.9 million, or 13.5% more than that reflected in our last general rate case. Please see Attachment 1 for a detailed listing of projects that comprise the approximate \$286 million.

### **2. 2014 Capital Expenditure Plan**

In the previous general rate case<sup>2</sup> the Company included \$258 million of capital investment for 2014. This was the same level of spend that the Company reported in its first Capital Expenditure Plan filed with the Commission in September 2013.

In the last quarter of 2013, the Company finalized the 2014 Capital budget and increased the level of capital spend to \$331 million. The Company is providing as Attachment 2 a detailed

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<sup>1</sup> Included in Exhibit No. \_\_\_ (DBD-2) in Dockets UE-120436 & UG-120437.

<sup>2</sup> Id.

listing and supporting documentation for all of the 2014 capital projects<sup>3</sup>. As explained by Company witness Mr. Thies<sup>4</sup>, the Company is making significant capital investments in electric generation, transmission and distribution facilities, and in our natural gas distribution system to better serve the needs of our customers. These investments target the preservation and enhancement of safety, service reliability, and the replacement of aging infrastructure. As further explained by Mr. Thies, there are three primary drivers of the need to increase Avista's level of capital investment, including: 1) the business need to fund a greater portion of the departmental requests for new capital investments that in the past have not been funded; 2) the need to capture investment opportunities and benefits identified by our asset management capabilities, and 3) a continued focus on controlling the increase in operation and maintenance (O&M) spending through prudent capital investment.

The current planned 2014 capital investment of \$331 million is higher than the \$258 million included in the prior general rate case for 2014.

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<sup>3</sup> This information was also provided in the Company's 2014 general rate case, Dockets UE-140188 & UG-140189, Exhibit Nos.\_\_(DBD-4) and (DBD-5). The projects included in Attachment 2 relate to transfers to plant in 2014, whereas, the capital budget amounts discussed above relate to actual spend in 2014.

<sup>4</sup> Dockets UE-140188 & UG-140189, Exhibit Nos.\_\_(MTT-1T)

# ATTACHMENT 1

## 2013 Capital Expenditure Detail



## Capital Expenditures by Business Case 2013

Business Case	YTD Actual
Clark Fork Settlement Agreement	4,690,531
Environmental Compliance	252,344
Hydro Safety Minor Blanket	3,490
Spokane River License Implementation	2,853,736
<b>Total Environmental</b>	<b>7,800,100</b>
Aldyl A Replacement	13,205,373
Cathodic Protection	619,209
Chase Rd. Gate Station Installation	1,190,095
East Medford Reinforcement	400,407
Gas Non-Revenue Program	8,380,639
Gas PMC Program - Capital Replacements	421,360
Gas Reinforcement	1,182,502
Gas Replacement Street & Highway	4,731,933
Hwy 95 Relocation and Replacement	164,043
Isolated Steel Replacement	2,288,335
Klamath Falls Lateral	40,822
Oakland Bridge 2 inch HP gas main	16,776
Old Hwy 95 Relocation	5,988
Overbuilt Pipe Replacement	634,286
Regulator Station Reliability Replacement	626,711
Reinforcement, Hwy 2 Kaiser	4,880
Repl Deteriorating Steel Gas Systems	689,758
Spokane St Bridge Gas	86,187
Tri City HP Gas Relocate	1,806
<b>Total Gas</b>	<b>34,691,111</b>
Base Load Hydro	905,557
Base Load Thermal Plant	6,847,040
Cabinet Gorge Unit 1 Refurbishment	1,380,860
Colstrip Rotor Replacement	950,470
Coyote Springs LTSA	996,162
Generation Battery Replacement	55,071
Kettle Falls Water Supply	500,146
Little Falls Plant Upgrade	5,354,564
Noxon Rapids Turbine Replacement	(1,731)
Nine Mile Units 1&2 Replacement	10,794,355
Peaking Generation	592,861
Post Falls Intake Gate Replacement	900,661
Post Falls South Channel Replacement	1,133,149
Rathdrum Capital Spares	220,911
Rathdrum CT Replace Mark V Controller	459,494
Regulating Hydro	2,517,815

## Capital Expenditures by Business Case 2013

Business Case	YTD Actual
Shop Cranes	9,933
<b>Total Generation</b>	<b>33,617,318</b>
New Revenue - Growth	41,041,078
Lewiston Mill Road Sub	61,654
<b>Total Growth</b>	<b>41,102,732</b>
AvistaUtilities.com and AvaNet Redesign	402,202
CSS Replacement	34,404,582
Enterprise Business Continuity Plan	469,041
Enterprise Security	1,496,792
Technology Refresh to Sustain Business Process	10,562,090
High Voltage Protection Upgrade	696,307
Microwave Refresh	1,488,315
Mobility in the Field	50,656
Next Generation Radio Refresh	2,665,089
RTCCS Refresh	150,275
Technology Expansion to Enable Business Process	5,616,386
<b>Total ET</b>	<b>58,001,734</b>
Apprentice Training	39,459
Capital Tools & Stores Equipment	761,241
Clinic Expansion Project	136,374
COF Long-Term Restructuring Plan	7,732,623
Dollar Rd Service Center Addition & Remodel	1,397,715
Fleet Budget	5,647,972
Franchising for WSDOT	128,108
HVAC Renovation Project	7,960,327
Jackson Prairie Storage	446,639
Smart Grid Workforce Training Grant - DOE	163,436
Structures and Improvements/Furniture	3,652,061
<b>Total Other</b>	<b>28,065,956</b>
Beacon Substation Rebuild	(16,815)
Clearwater Sub Upgrade	929,346
Colstrip Transmission/PNACI	418,080
Dist Grid Modernization	7,312,362
Distribution Line Protection	250,438
Distribution Minor Rebuild	10,213,967
Distribution Transformer Change-Out Program	2,846,360
Distribution Wood Pole Management	9,258,713
Elec Replacement/Relocation	2,192,878
Harrington 4 kV Cutover	5,332
LiDar Mitigation Work	1,447,903
Meter Minor Blanket	14,750



**Capital Expenditures by Business Case  
2013**

<b>Business Case</b>	<b>YTD Actual</b>
Moscow 230 Sustation Rebuild	4,485,025
Noxon Switchyard Rebuild	231,978
Primary URD Cable Replacement	982,815
SCADA - SOO & BUCC	236,459
Segment Reconductor and FDR Tie Program	3,136,187
Smart Grid Demonstration Project	1,674,070
Spokane Electric Network	2,366,095
Spokane Smart Circuit	790,971
Spokane Valley Transmission Reinforcement	951,987
Storms	4,230,213
Substation - 115 kV Line Relay Upgrades	202,320
Substation - Asset Mgmt. Capital Maintenance	4,869,792
Substation - Capital Spares	5,242,394
Substation - Distribution Station Rebuilds	5,037,175
Substation -New Distribution Stations	603,818
Thornton 230 kV Switching Station	19,166
Transmission - NERC Medium Priority Mitigation	2,968
Transmission - NOX-HOT #2 230kV Reroute	948
Transmission - Reconductors and Rebuilds	8,676,557
Transmission Asset Management	1,235,182
Tribal Permits and Settlements	341,372
Westside Rebuild	88,729
Worst Feeders	2,042,089
Unassigned T&D	303,912
<b>Total T&amp;D</b>	<b>82,625,540</b>
<b>Total Capital Expenditures</b>	<b>285,904,492</b>

## **ATTACHMENT 2**

# **2014 Capital Expenditure Detail**



**Avista 2014 Capital Additions Detail (System)**

Exhibit No. \_\_\_\_ (DBD-4)

<b>Exhibit No. ____ (DBD- 5)</b>		
<b>Attachment No.</b>		<b>\$ (000's)</b>
	<b>Generation / Production:</b>	
GP-1	Hydro - Base Load Hydr	\$ 1,000
GP-2	Hydro - Clark Fork Settlement Agreement	10,830
GP-3	Hydro - Generation Battery Replacement	100
GP-4	Hydro - Hydro Safety Minor Blanke	65
GP-5	Hydro - Little Falls Plant Upgrade	9,000
GP-6	Hydro - Nine Mile Rehab	9,208
GP-7	Hydro - Regulating Hydro	2,500
GP-8	Hydro - Spokane River License Implementation	4,815
GP-9	Other - Base Load Thermal Plant	2,200
GP-10	Other - Peaking Generation	500
GP-14	Hydro - Long Lake Replace Field Windings	800
GP-15	Hydro - Noxon Spare Coils	1,350
GP-16	Other - CS2 Inlet Air Sys	500
GP-17	Thermal - Colstrip Thermal Capital	8,004
GP-18	Thermal - Kettle Falls Water Supply	1,615
		<b>\$ 52,488</b>
	<b>General:</b>	
G-1	Capital Tools & Stores Equipment	\$ 1,937
G-2	COF Long-Term Restructuring Plan	2,000
G-4	Structures and Improvements/Furniture	3,353
G-6	Apprentice Training	60
G-7	HVAC Renovation Project	2,000
G-8	Microwave Refresh	1,625
G-10	Mechanical Shop 3 Ton Crane	154
G-11	Transmission Outage Management	300
		<b>\$ 11,429</b>
	<b>Natural Gas Distribution:</b>	
NGD-1	Aldyl A Replacement	\$ 16,452
NGD-2	Cathodic Protection	800
NGD-3	Gas Non-Revenue Program	7,402
NGD-4	Gas Reinforcement	1,000
NGD-5	Gas Replacement Street & Highway	4,500
NGD-6	Gas Telemetry	400
NGD-7	Isolated Steel Replacement	2,598
NGD-8	Overbuilt Pipe Replacement	900
NGD-9	Regulator Station Reliability Replacement	600
NGD-10	Replace Deteriorating Steel Gas Systems	800
NGD-12	Gas PMC Program - Capital Replacements	1,000
		<b>\$ 36,453</b>
	<b>Gas Underground Storage:</b>	
GUS-01	Jackson Prairie Storage	\$ 500
		<b>\$ 500</b>
	<b>Transportation:</b>	
T-1	CNG Fleet Conversion	\$ 200
T-2	Fleet Budget	5,586
		<b>\$ 5,786</b>

## Avista 2014 Capital Additions Detail (System)

Exhibit No. \_\_\_\_ (DBD-4)

Exhibit No. ____ (DBD- 5)				
Attachment No.		\$ (000's)		
<b>Enterprise Technology:</b>				
ET-1	AvistaUtilities.com and AvaNet Redesign			\$ 1,538
ET-2	Enterprise Business Continuity Plan			482
ET-3	Mobility in the Field			690
ET-4	Technology Refresh to Sustain Business Process			13,862
ET-5	Customer Information System Replacement			67,341
ET-6	Enterprise Security			2,183
ET-7	Technology Expansion to Enable Business Process			3,836
ET-9	High Voltage Protection for Substations			2,014
ET-10	Next Generation Radio Refresh			7,235
ET-11	GridGlo GFX Integration			240
				<u>\$ 99,421</u>
<b>Electric Transmission / Distribution:</b>				
		<b>Transmission</b>	<b>Distribution</b>	<b>Total Transmission &amp; Distribution</b>
ETD-1	Colstrip Transmission/PNACI	\$ 369	\$ -	\$ 369
ETD-2	Distribution Grid Modernization	-	9,450	9,450
ETD-3	Distribution Line Protection	-	250	250
ETD-4	Distribution Minor Rebuild	-	8,300	8,300
ETD-5	Distribution Transformer Change-Out Program	-	4,700	4,700
ETD-6	Distribution Wood Pole Management	-	14,680	14,680
ETD-8	Electric Replacement/Relocation	-	2,300	2,300
ETD-9	Environmental Compliance	100	150	250
ETD-10	Primary URD Cable Replacement	-	1,000	1,000
ETD-11	Reconductors and Rebuilds	9,297	2,500	11,797
ETD-12	Segment Reconductor and FDR Tie Program	-	2,653	2,653
ETD-13	Spokane Electric Network	-	2,300	2,300
ETD-14	Storms	1,100	2,200	3,300
ETD-15	Substation - 115 kV Line Relay Upgrades	950	-	950
ETD-16	Substation - Asset Mgmt. Capital Maintenance	2,600	1,500	4,100
ETD-17	Substation - Capital Spares	750	2,300	3,050
ETD-18	Substation - Distribution Station Rebuilds	500	2,730	3,230
ETD-19	Substation - New Distribution Stations	-	379	379
ETD-20	Tribal Permits and Settlements	495	-	495
ETD-21	Worst Feeders	-	1,500	1,500
ETD-22	Spokane Valley Transmission Reinforcement	1,900	-	1,900
ETD-23	Clearwater Sub Upgrades	2,700	-	2,700
ETD-24	Franchising for WSDOT	-	265	265
ETD-25	Harrington 4 kV Cutover	-	1,000	1,000
ETD-26	Moscow 230 Substation Rebuild	5,853	-	5,853
ETD-27	Smart Grid Demonstration Project	-	525	525
ETD-28	Transmission - Asset Management	1,315	-	1,315
ETD-29	Transmission - NERC High Priority Mitigation	1,900	-	1,900
ETD-30	Transmission - NERC Low Priority Mitigation	250	-	250
ETD-31	Transmission - NERC Medium Priority Mitigation	1,693	-	1,693
ETD-33	SCADA - SOO & BUCC	1,090	-	1,090
		<u>\$ 32,863</u>	<u>\$ 60,682</u>	<u>\$ 93,545</u>
	<b>Total Non-Revenue Capital</b>			<u>\$ 299,621</u>
	Growth/Revenue - Producing			<u>\$ 26,588</u>
	<b>Total Idaho Direct Capital Additions 2014</b>			<u>\$ 13,626</u>
	<b>Total Oregon Direct Capital Additions 2014</b>			<u>\$ 280</u>
	<b>Total Capital Additions in 2014</b>			<u>\$ 340,115</u>