

**BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| In the Matter of the Petition of |) | |
| Avista Corporation, d/b/a Avista Utilities |) | Docket No. UE-15_____ |
| Concerning the Accounting and Ratemaking |) | PETITION OF AVISTA |
| Treatment for Extraordinary Storm Costs |) | CORPORATION |
| _____ |) | |

I. INTRODUCTION

1 In accordance with WAC 480-07-370(1)(b), Avista Corporation, doing business as Avista Utilities (Avista or Company), at 1411 East Mission Avenue, Spokane, Washington, hereby petitions the Washington Utilities and Transportation Commission (Commission or UTC) to open a docket addressing the treatment of costs the Company has incurred related to restoring electric service to customers following the severe wind storm, which occurred on November 17, 2015.

2 Avista is a utility that provides service to approximately 372,000 electric customers and 234,000 natural gas customers in a 26,000 square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves approximately 98,000 natural gas customers in Oregon. The largest community served by Avista is Spokane, Washington, which is the location of its main office.

Please direct all correspondence related to this Petition as follows:

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3 Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040,
RCW 80.28.020, and WAC 480-07-370(1)(b).

II. PETITION

4 On December 16, 2015, Avista filed a Notice of Intent to File Petition for Accounting and
Ratemaking Treatment for Extraordinary Storm Costs. Through this Petition Avista requests
that the Commission open a docket, and as explained in more detail below, Avista will provide
supplemental information in this docket within 90 days of the November 17, 2015 wind storm
event.

5 The severe wind storm that struck Avista's Eastern Washington service area caused more
customer outages than at any time in the Company's 126 year history. The November 17,
2015 wind storm set a wind record for a cold front storm at 71 mph at the Spokane airport.
The previous record wind was 67 mph on Jan. 1, 1972. The winds were so powerful they
knocked out wind sensors at several locations, including the Spokane airport, which is the
official measuring station for Spokane. The Storm remained in the area from approximately
2:00 PM, Tuesday, November 17, 2015 tapering down around 9:00 PM. At the peak of the
outage Avista had approximately 180,000 of its total 372,000 electric customers out of service.

The storm impacted 111 of the approximately 300 feeders in the Avista electric distribution system, 58 substations, twenty-five 115 kV lines and four 230 kV lines. The most extensive damage and customer outages were in Spokane County, and especially Spokane's South Hill area, and Northwest Spokane. Restoration of the last customer was accomplished at 3:45 AM on November 27, 2015.

6 With weather forecasters indicating high confidence in the wind storm, prior to the storm hitting the Spokane area, Avista initiated its Emergency Operating Plan (EOP) at 9:00 AM on November 17th. Avista immediately called in all available line crews and contract crews from less-affected areas, and contacted other utilities in the Western Electricity Coordinating Council (WECC) requesting assistance through the Mutual Assistance Program. Avista normally has approximately 35 line crews throughout its entire Eastern Washington and North Idaho service area. At the height of the restoration effort, Avista had approximately 132 crews on 16-hour shifts working around the clock on a rotating basis. Avista contracted for several large generators and installed wiring to temporarily connect customers with the greatest need.¹ Restoration of service to all customers was accomplished without a single injury to personnel.

7 Avista customers, with few exceptions, were supportive and understanding of the extended outage, recognizing the severity of the wind storm and the apparent, extensive damage to the distribution system. Avista employees partnered with members of the community to canvas certain neighborhoods with the most vulnerable customers, to ensure that basic needs were being met. Avista and the Spokane community witnessed hundreds of stories of family, friends and neighbors helping one another, which Governor Inslee recognized during his visit to the hardest hit areas of Spokane, and his reference to "Inland

¹ Nursing homes and assisted living facilities (oxygen, temperature issues).

Strong.” During the ten-day outage, there were five service-related complaints to the Washington Commission from Avista customers.

8 It’s too early to have a complete accounting of the total costs associated with this storm event. In addition to crews from Avista and contractors and other utilities providing mutual assistance, there were hundreds of additional support staff who worked tirelessly behind the scenes to organize and prioritize work, and keep the crews supplied and focused on the task at hand. At the same time, it was important to communicate with customers as information became available and respond to their questions in a timely manner throughout the storm recovery effort, which required twenty-four hour staffing in Avista’s external communications department and customer contact center.

9 The primary damage to Avista’s system was downed transmission and distribution power lines and poles with some damage at substations. A major portion of the costs to repair or replace these assets will be capitalized.

10 Avista has determined that none of the wind storm costs are covered under its property insurance policies. The insurance policies do not cover losses to transmission or distribution lines. Losses due to damage at Avista’s substations are covered by the property insurance policies, however, early estimates indicate that the aggregate losses incurred at substations do not exceed the policies’ retention limits.

11 Puget Sound Energy (PSE) has the opportunity to recover expenses caused by storms which result in maintenance or repair to its electric system using three methods. First, the costs of “ordinary” storm events are expensed as incurred. For ratemaking purposes, PSE is allowed to recover the normal level of storm damage expense, which is based on the average of the most recent six years. Second, PSE has a Commission-approved Catastrophic Storm

Loss Deferral Mechanism which allows it to defer certain catastrophic storm damage costs and recover the deferred costs over four years.^{2/3} PSE is allowed to defer storm costs without filing separate accounting petitions for storms that meet two requirements. The storms must meet the modified version of the Institute of Electrical and Electronic Engineers (IEEE) standard for catastrophic events and the storms must exceed a cost threshold set by the Commission, which is currently \$8 million. PSE must notify the Commission of an IEEE-qualified storm that may meet the threshold for deferral within 30 days of the storm. Unless the storm is found to not qualify, PSE may defer the costs and recover them over a four year amortization period without the need for further action by the Commission. PSE is also required to file a more detailed report within 90 days of the catastrophic storm event. PSE notified the Commission on November 23, 2015 that the November 17th wind storm qualified for the storm deferral mechanism. Third, PSE also has the opportunity to file a petition with the Commission for deferred accounting to recover extraordinary storm damage costs.

12 Avista does not have a catastrophic storm mechanism like PSE. Rather, Avista recovers its ordinary storm related repairs and maintenance costs using its historical test period level of costs. For catastrophic or extraordinary storm costs, Avista has the opportunity to request recovery of those costs by requesting deferred accounting treatment of those costs. Absent a Commission order allowing for the deferral of these extraordinary costs, the Company would write-off these costs, resulting in a loss to the Company and its shareholders. Although there is no statutory time frame for filing with the Commission related to the accounting and

² This method was approved by the Commission in PSE's 2004 general rate case (Docket No. UE-040641) and modified by a settlement the Commission approved in PSE's 2007/2008 general rate case (Docket No. UE-072300). In PSE's 2011 general rate case (Docket No. UE-111048), the Commission retained PSE's current Commission-approved mechanism for storm damage cost recovery.

³ In extraordinary cases, such as the Hanukkah Eve storm in 2006, PSE may request a longer amortization period.

ratemaking treatment regarding these extraordinary events, Avista previously provided this notice to the Commission by letter dated December 16, 2015, which was within 30 days of the wind storm event, in a similar manner as that required for PSE under their storm damage mechanism. The purpose of this Petition is to establish a docket addressing the accounting treatment of the extraordinary storm damage costs, with the understanding that the Company will provide supplemental information on costs as it becomes available.

13 Similar to the 90-day time frame from the time of the storm event approved by the Commission for PSE, Avista plans to file with the Commission within 90 days of the wind storm event, a more detailed report and proposal for accounting and ratemaking treatment associated with the wind storm costs.

III. REQUEST FOR RELIEF

14 WHEREFORE, Avista respectfully requests that the Commission open a docket, and as explained above, Avista will provide supplemental information in this docket within 90 days of the November 17, 2015 wind storm event, along with any requested accounting treatment.

DATED this 18th day of December 2015

By: Kelly Norwood
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