

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

JURISDICTION: WASHINGTON	DATE PREPARED: 05/20/2015
CASE NO.: UE-150204 & UG-150205	WITNESS: Scott Kinney
REQUESTER: UTC Staff - Gomez	RESPONDER: Brian Vandenburg/K.Schuh
TYPE: Data Request	DEPT: State & Federal Regulation
REQUEST NO.: Staff - 134	TELEPHONE: (509) 495-2293
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REQUEST:

ER	ER Title	Transfer to Plant (Actuals)									Transfer to Plant (Fcast)	
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
4152	Little Falls Powerhouse Redevelopment	\$0	\$57,853	\$1,609	\$385,628	\$10,997	\$298,233	\$3,034,324	\$3,393,138	\$2,252,571	\$14,300,000	\$9,000,000

In the last case, Company Witness Dave DeFelice’s Exhibit No. __ (DBD-4) forecasted the 2014 total transfer to plant amount for this project at \$9,000,000. In Mr. DeFelice’s Exhibit, he shows the entire \$9,000,000 forecasted transfer to plant amount being added to ratebase in December of 2014. Actual transfer to plant amounts for 2014 provided to Staff by the Company in DR-22 show only a quarter of that amount (\$2.3 million) transferring to plant. In addition, \$1.6 million of the \$2.3 million (almost 70 percent) was added to rate base in January of 2014.

DeFelice Exhibit No. __ (DBD-5), Attachment No. __ GP-5.1 & 5.2 in UE-140188 and Schuh Exhibit No. __ (KKS-5), Attachment No. __ GP-5.1 & 52 in this case are identical.

- A. In Attachment 5.2, a 2013 revision to the business case indicates a change to the project schedule not reflected in the milestones contained in Attachment 5.1 (the attachment also cuts off the actual milestone dates for some of the deliverables). In addition, the note indicates that major cost components are estimated and not known. Provide new high level milestones for this project showing updated actual and forecasted expenditures along with actual and forecasted transfers to plant. Match updated milestones to their transfer to plant amounts.
- B. Explain why the Capital Investment Business Case documents in Attachments GP-5.1 & 5.2 are not updated to reflect actual conditions affecting this business case. In particular, describe how this discrepancy squares with Company witness Schuh’s testimony¹ that business cases are used by the Capital Planning Group (CPG) to track project progress and prioritize funding?

Any responsive materials provided in Excel format should be fully functional with all workbooks, worksheets, data and formulae left intact.

RESPONSE:

The above amounts for “Transfers to Plant (Actuals)” for the years 2006- 2007 and 2009 -2012 supplied by staff are incorrect. Please see Staff_DR_134 Attachment A for the correct totals for these years highlighted in yellow.

¹ Schuh Exhibit No. __ (KKS-1T), Page 4:12-14.

The transfer to plant amount of \$9 million listed in UE- 140188 Company Witness Dave DeFelice's Exhibit No. __ (DBD-4), was delayed until 2015. The original plan called for both Unit 3 and the Station Service to go online in December of 2014. During 2014, in the scheduling stages of station service, it was assumed some of the equipment could be reused. After taking the equipment apart, which can only be done during a plant outage, additional problems were discovered and scope expanded. The delay for station service was due to the additional electrical infrastructure work and went into service in March of 2015. Unit 3 was delayed due to generator components in worse condition than anticipated and delays in getting equipment.

- A. The Business case summary documents provided in UE-140188 and in UE-150204 (GP 5.1) are identical because the business case summary documents are created at the beginning or planning phase of the project, are a summary of the projects for project review and approval, and do not reflect updates or changes throughout the life of the project. This original business case summary sheet was created in 2010. The Revision noted at the bottom of GP 5.2 is a notification that the business case dollars were going to be updated. The milestone (high level targets) portion of the business case is used to establish some basic management information at the beginning of the project and therefore, was not updated. Attachment GP-5.1 includes all the milestone dates and deliverables as originally estimated in 2010. If additional funding is requested business case owners provide updates in the form of a business case review document to the Financial Planning and Analysis (FP&A) department as well as any other updates required in their individual departments. Please see Staff_DR_134 Attachment B for details on milestones, spend and in-service dates. The Company will update the transfers to plant amounts included in the original filing workpapers to reflect the changes included in Staff_Dr_134 Attachment B.
- B. As noted in part A above, the Capital Business cases provided in Company witness Schuh's exhibit KKS-5, GP-5.1 and 5.2 represent the business case summary documents created at the beginning or planning phase of the project and do not reflect updates or changes throughout the project life.

The attestation referred to above, in Ms. Schuh's testimony reads as follows:

“Avista has revised the capital budgeting process over the last few years. The revised process allows for further and more detailed review of capital projects and the progress on those projects, by using “business cases”.”

As part of the ongoing monthly prioritization process, the Capital Planning Group reviews any new business cases generated, as well as any additional funding requests to existing business cases every month. If the project requires additional funding, the Capital Planning Group (CPG) will review the status of the project and any business case review sheets provided to the CPG. The CPG may also request additional information, if needed from the project sponsor to approve or decline additional funding. As noted above, business case owners are required to provide updates in the form of a business case review document to the Financial Planning and Analysis (FP&A) department as well as any other updates required in their individual departments.

ER4152 - Little Falls Plant Modernization

Description	Total Spent 2011	Total Spent 2012	Total Spent 2013	Total Spent 2014	Total Spent 2015	Total Spent 2016	Total Spent 2017	Total Spent 2018	Total Spend	Cost of Removal	Net Transfer to Plant	Status	In Service Date / Milestone Date
LF 4kV Switchgear Upgrade	\$ 29,271	\$ 1,384,376	\$ 351,637	\$ (13,820)					\$ 1,751,464	\$ 10,903	\$ 1,740,561	Closed	May-13
LF Exciter Upgrade	\$ 6,655	\$ 1,310,876	\$ 367,357						\$ 1,684,888	\$ 46,130	\$ 1,638,758	Closed	May-13
LF Crane Upgrade	\$ 50,720	\$ 282,038	\$ 437,089	\$ 106,047					\$ 875,894	\$ 5,114	\$ 870,780	Closed	Jan-14
LL Warehouse	\$ 58,907	\$ 8,822	\$ 1,383,658	\$ (49,398)					\$ 1,401,989	\$ 6,379	\$ 1,395,610	Closed	Jan-14
LF Station Service Upgrade	\$ 72,088	\$ 35,330	\$ 920,663	\$ 2,344,959	\$ 291,938				\$ 3,664,978	\$ 67,117	\$ 3,597,861	Closed	Mar-15
LF Station Air Replacement	\$ -	\$ -	\$ 24,153	\$ 72,221	\$ 5,203				\$ 101,577		\$ 101,577	Open	Aug-15
LF U3 Modernization	\$ 80,592	\$ 12,881	\$ 1,870,009	\$ 7,085,197	\$ 3,000,000				\$ 12,048,679	\$ 48,679	\$ 12,000,000	Open	Aug-15
LF Powerhouse Lighting				\$ 3,457	\$ 750,000				\$ 753,457		\$ 753,457	Open	Nov-15
LF Backup Generator					\$ 1,000,000				\$ 1,000,000		\$ 1,000,000	Open	Dec-15
LF Control Room					\$ 800,000				\$ 800,000		\$ 800,000	Open	Dec-15
LF Unit 1 Modernization					\$ 4,500,000	\$ 3,000,000			\$ 7,500,000		\$ 7,500,000	Open	Apr-16
LF HVAC						\$ 1,000,000			\$ 1,000,000		\$ 1,000,000		
LF Headgate Refurbishment						\$ 1,500,000	\$ 4,000,000		\$ 5,500,000		\$ 5,500,000		Dec-17
LF Unit 4 Modernization						\$ 5,000,000	\$ 2,500,000		\$ 7,500,000		\$ 7,500,000		Apr-17
LF Unit 2 Modernization							\$ 5,000,000	\$ 2,500,000	\$ 7,500,000		\$ 7,500,000		Apr-18
Yearly Totals		\$ 3,034,323	\$ 5,354,566	\$ 9,548,663	\$ 10,347,141	\$ 10,500,000	\$ 11,500,000	\$ 2,500,000					
Per CPG Reports			\$ 5,354,564	\$ 9,548,799	\$ 8,800,000	\$ 9,400,000	\$ 8,800,000	\$ 6,200,000					
Difference			\$ 2	\$ (136)	\$ 1,547,141	\$ 1,100,000	\$ 2,700,000	\$ (3,700,000)					

Note:

The Company will update the transfers to plant amounts included in the original filing workpapers to reflect the above changes. The updated spend amounts for 2015 -2018 are not reflected in the business case or in the Capital Progress Reports provided by the Company, as this is a departmental budgeting sheet. As the project progresses the appropriate updates will be made to the CPG reports as well as the Company Capital Progress Reports Provided to the Commission.