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VIA: UTC Web Portal

February 28, 2019

Mark L. Johnson
Executive Director and Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Park Drive S.W.
Olympia, Washington 98504-7250

Re: Docket No. U-190027 – Comments of Avista Utilities

Dear Mr. Johnson,

Avista Corporation, dba Avista Utilities (Avista or Company), submits the following comments in accordance with the Washington Utilities and Transportation Commission's ("Commission") Notice of Opportunity to Submit Written Comments ("Notice") issued in Docket U-190027 on January 22, 2019, regarding the "Commission Staff's Electric Service Reliability Reporting Inquiry."

In its Notice, the Commission provided the following guidance:

> In particular, the Commission wants to foster conversations between interested stakeholders to address reliability reporting, discuss the findings of the staff inquiry, comment on Commission staff's recommendations to improve electric service reliability reporting, and consider the relationship between aggregate benchmarking and investment planning.

Avista appreciates the opportunity to comment on Staff's reliability report, findings and recommendations. Our Company has been engaged with Staff in a series of processes since 2015 focused on better understanding how to assess and interpret a utility's electric system reliability

performance. Over this period, we have collaboratively moved from a place of often substantial disagreement on reliability topics to one of being in general agreement as articulated in the findings and recommendations of Staff's report, "Reliability Reporting Inquiry" (Report). The past benchmarking docket provided the opportunity for us to make progress on some fundamental topics, and Staff's 'deep dive' reliability review conducted in 2018 was, in our view, instrumental in strengthening that shared understanding and agreement. We applaud Mr. Ball and his team for making the significant investment required to prepare for and conduct the multi-day reliability reviews and to process, analyze, interpret and report on their findings.

Recommendation for a Stakeholder Workgroup

The Company agrees with Staff's recommendation that a workgroup composed of utilities, Staff and stakeholders be formed to continue this reliability discussion in general, and to discuss and propose ways to manage a number of issues identified in the Report. Avista would look forward to actively participating as a member in this "stakeholder workgroup."

Need for a Reliability Objective Framework

In its discussion of Benchmarking Methods,[1] Staff uses the phrase "objective framework" to define an approach to help solve the economics problem of providing customers the right level of service reliability at the right cost. While leaving flexibility in the ways utilities might get there, Staff properly points to the need for more sophisticated means to establish quantitative reliability objectives that are achieved through a specified portfolio of reliability-related investments. These recommendations align with Avista's own need to develop: 1) more granular service reliability goals and objectives; 2) a strategic plan that includes decision tools, processes and analyses of reliability investment alternatives, and 3) annual reliability work plans that guide implementation of programmatic investments. The Company is in the early stages of creating such an objective framework and would welcome the discussion and input of Staff, our sister utilities, and other parties on how to define and work toward a common approach that would best serve the needs of all stakeholders.

Improving the Function and Value of the Annual Reliability Report

Staff notes its interest throughout the Report in improving the usefulness and value of the

[1] Beginning on page 9 of Staff's Report.

annual electric system reliability report each utility files with the Commission. Avista agrees the scope of the report could be narrowed to topics Staff has initially suggested as relevant and useful in evaluating the utility's reliability performance.[2] In keeping with the initial recommendations, Avista will report on its Customer Service Quality & Reliability program[3] in a new report format separate from its annual Electric System Reliability report. We also agree with the recommendation to separate the reporting on cyber and physical security.

Regarding the possible structure of the annual electric system reliability report, Avista suggests the report could be styled as a forward-looking "strategic reliability plan" building on the planning elements discussed in the Objective Framework section above, including: 1) statement of the utility's reliability goals and objectives; 2) reference to the information supporting these objectives; 3) synopsis of the investment alternatives evaluated and recommended in the strategic plan; 4) summary of the annual investments planned to achieve to reliability objectives over time; 5) report on the progress made in achieving the objectives and any changes to the plan based on these results, and 6) changes to the plan to capture further improvements or new opportunities.

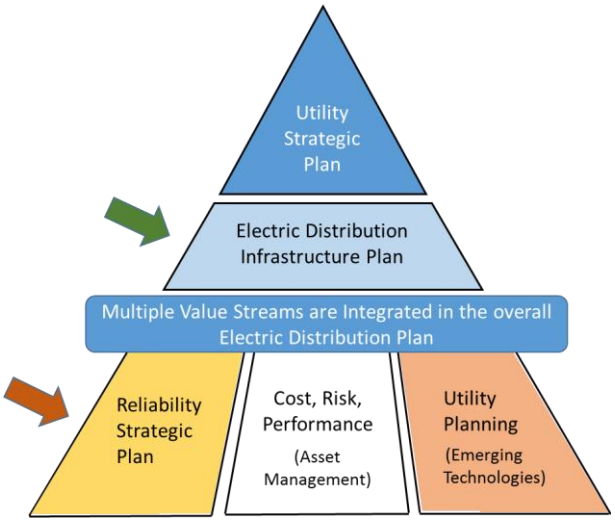
For this strategic reliability plan, Avista suggests an approach based on ISO 55002,[4] which we believe provides the consistency and framework necessary to accomplish Staff's objectives. Specifically, the standard provides for alignment of reliability objectives with the utility's overall strategic plan, and uses a risk-based, life-cycle approach to address all aspects of assets and reliability. It further provides a framework used in decision-making, along with criteria to support meeting reliability objectives in the context of all other objectives. The standard addresses future uncertainty through scenario planning, including that associated with new or emerging technologies, while incorporating the expectations and requirements of all stakeholders, internal and external to the Company. Finally, the standard is based on the requirement for continual improvement, which drives frequent and periodic review of the strategies as the plan progresses. Avista believes this standard provides a comprehensive foundation for a robust strategic reliability plan and annual report that will address the needs of Staff, stakeholders and the Company. The

[2] Including any recommendation for the function and structure of the annual reliability report that could be developed by the stakeholder workgroup.
[3] Avista currently reports on its Customer Service Quality and Reliability Program, and its Annual Electric System Reliability Report as one reporting document (Docket UE-180376).
[4] ISO 55002, and its associated materials, is one of the ISO55000 series of international asset management standards. Avista's suggestion to rely on these standards is to avoid the effort necessary to duplicate an already comprehensive and consistent template.

Company looks forward to discussions with the stakeholder workgroup on these and other ideas for improving the function and value of the annual reliability report.

Reliability as part of the Overall Business Case or Overarching Distribution Plan

We agree with Staff that service reliability, while of great importance to our customers, is not a foundational planning activity. Rather, as Staff notes, it's one of several important "value streams" that make up a total business case[5] supporting capital investments in the system. Importantly, this view is not in conflict with the need stated above to analyze, plan and report-out on electric system reliability unto itself. It simply recognizes that it's the total business case or overarching electric distribution investment plan that provides context for reliability-related investment decisions, as represented in the diagram on the right. As Staff notes, utilities make very few investments solely for the purpose of achieving some reliability objective. Consequently, reliability investments most-often represent "adjustments" to planned investments that are circumscribed by all of the value streams integrated in the overall distribution investment plan.[6] This overall infrastructure plan approach can also be used to rationalize other activities and value streams highlighted in Staff's report, such as the need to pilot and evaluate emerging technologies (and non-wires solutions), the application of asset management practices, and vegetation management strategies. Electric system reliability is highly integrated with all of these value streams, and these values are best unified and understood in the context of an overall distribution investment plan. Avista believes it may be possible for Staff to achieve its interest in comprehensive investment planning, including the context for electric



[5] Avista uses the term "infrastructure plan" synonymously with Staff's references to "total business case" and "company's aggregate distribution system investment choices."

[6] As an example, most utilities have programs to periodically inspect wood poles in their systems and to conduct follow-up repair and replacement work based on survey results. This program is a foundational infrastructure need to properly manage the system for the long term. The consideration of reliability comes in when deciding on the time interval of the inspection program (e.g. a 10, 15 or 20-year cycle interval). Typically, a shorter inspection cycle will result in better system reliability performance, to be considered *as one alternative* for achieving overall reliability objectives.

system reliability, as part of its continuing discussion of integrated electric distribution plans, as derived in the pending Electric IRP process.

Visibility into Utility Capital Planning and Decision Processes

Staff notes in several instances its desire for the utilities to provide greater transparency and visibility into capital and operations and maintenance (O&M) planning, budgeting, and allocation processes. Further, that utilities have tools to enable them to monetize the different value streams impacted by investment decisions, allowing them to create a financially-optimized portfolio, for reliability purposes, infrastructure investment plans, and enterprise-wide capital allocation more generally. Staff describes some of the prioritization and allocation tools and processes used by the three electric utilities to make investment decisions, and provides a high-level critique of each approach. In addition to discussing these tools and processes, Staff further references steps of the overall process of developing the utility-wide final budget allocation that are either not visible or are difficult to document. While Avista agrees with Staff that these are important topics, we see them as likely too complex to be fully-vetted and resolved in the upcoming workshop. The Company suggests these topics be further discussed and defined by the stakeholder working group, potentially leading to a longer-term effort for developing processes and reporting approaches that meet the needs of all stakeholders in a more uniform manner.

Again, Avista appreciates the opportunity to provide these comments and looks forward to participating at the workshop scheduled for March 21, 2019. Please direct any questions regarding these comments to Larry La Bolle at (509) 495-4710 or myself at 509-495-4975.

Sincerely,

/S/Linda Gervais

Linda Gervais
Sr. Manager, Regulatory Policy & Strategy