AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	07/10/2015
CASE NO.:	UE-150204 & UG-150205	WITNESS:	Don Kopczynski
REQUESTER:	UTC Staff - Gomez	RESPONDER:	Larry La Bolle
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	Staff - 183	TELEPHONE:	(509) 495-4710
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REQUEST:

Referring to the direct testimony of Avista witness Kopczynski, Exhibit No. __ (DFK-1T), Pages 20 and 21, and Schuh Exhibit No. __ (KKS-1T), Page19:17-24; and Kopczynski, Exhibit No. DFK-1T in UE-140188 et al, Pages 11, 12 and 13:1-14, please respond to the following data request.

a. Please provide all workpapers, data, and analysis relied on by Avista to arrive at the costs for its 2015-2016 Aldyl-A Pipeline Replacement projects. Describe how Avista used said workpapers, data and analysis to arrive at its 2015 and 2016 pro forma estimates of capital additions for both this case and the amount referenced in the paragraph below taken from Page 8 of the 2015-2017 Two-Year Plan filed with the Commission in Docket PG-131837.

> "**Current-Year Replacement Activities** – The Company is currently engaged in the replacement of main pipe in the Woodridge and Fairwood neighborhoods of the City of Spokane, where it expects to complete 9.3 miles in 2015. Remediation of tees in 2015 is focused in the City of Spokane Valley and adjacent areas. The expected number of tees to be completed for the year is 1,854. The Company's expected capital investment for 2015 is $ $8,072,366."

b. Provide an Excel workbook detailing each replacement project's cost, schedule information and in-service date for the actual and forecasted amounts shown in the table below. Specify and list each replacement project by year.[1] For each replacement project, show completed, in-process, and planned miles by project, by year, along with completed, in-process, and planned number of tees by project, by year. Break out cost and schedule information for pipe replacement separate from replacement of tees. Separate costs for each project by the technology employed for individual segments of the project; e.g., open-trench, trenchless or other. Finally, show amounts paid to Northern Pipeline Construction Company (NPL) for each project along with amounts incurred by Avista directly.

[1] Staff is referring to the specific projects referenced in the 2013-2015 Two-Year Plan as Illustration 1 (Docket PG-120715), and in Tables 2-5 in the 2015-2017 Two-Year Plan (Docket PG-131837).

	PG-131837 dated 5/29/2015			
	Year	**Miles of Main Pipe**	**Number of Tees**	**WA Allocated Investment**
Actual	2011	7.4	0	$2,710,248
	2012	8.6	0	$2,980,449
	2013	12.4	1,219	$8,854,998
	2014	10.7	1,854	$8,295,520
Fcst	2015	9.3	1,854	$8,072,366
	2016	10.54	1,785	$8,344,931
	2017	14.06	356	$8,766,229
	Total Completed through 2014	39	3073	$48,024,741
	Total Identified	721	16,000	
	Percent	5.4%	19.2%	

c. Provide a copy of the contract between Avista and NPL. Include any amendments, addendums or changes to the contract that have occurred since NPL was selected through a competitive procurement in March of 2013.

d. In Kopczynski's testimony in Exhibit No. DFK-1T in UE-140188, Page 12:13-20, he states:

> "The Company is focused on assessing trends in unit replacement costs since they have such a direct impact on the overall cost of the program. Key to this effort is understanding and managing, to the extent possible, the factors driving costs. As described in the Two-Year Plan, our primary approach is focused on the use of innovative construction techniques that allow us to replace the pipe while reducing or avoiding expensive pavement cutting and street repair. Additionally, the Company is working with local authorities to explore less-costly options for street repair than current requirements, and in the meantime, targeting replacement activities in priority areas where the pipe replacement does not require pavement cutting."

1. Besides "pipe splitting" and "keyhole cut" construction techniques what other technologies has Avista explored to reduce or avoid expensive pavement cutting and street repair?

2. List the local authorities and describe meetings, timelines and efforts Avista explored or is exploring to arrive at less-costly options for street repair than the current requirements?

3. Referring to Avista's response to #2 and 4b above, what amounts were (or will be) saved as a result of work with NPL, local authorities and others to "drive efficiency into its replacement program."[2]

4. The City of Spokane's Administrative Policy and Procedure, LGL 05-16, titled Regional Pavement Cuts, outlines Spokane County, City of Spokane Valley and City of Spokane's joint regional policy regarding pavement cuts.[3] The policy was approved in March of 2005. Given that these requirements were likely known to Avista since the start of its Aldyl-A Replacement program, please explain the Company's failure to account for them

[2] 2015-2017 Two-Year Plan, Page 5, Paragraph continuing from Page 4.
[3] https://static.spokanecity.org/documents/business/resources/engineeringpolicies/regional-pavement-cut-policy-0370-05-02.pdf.

when it provided the Commission with its initial budget and rate impact in its 2013-2015 Two-Year Plan.

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

RESPONSE:

a. The Company's budgeting and project estimating processes for its Aldyl A pipeline replacement program, generally proceeds as follows. The business case owner prepares the business case and budget for the project and submits the business case to the Capital Planning Group. The Company's capital planning group prioritizes capital dollars for each of Avista's capital projects, as approved for the upcoming year and as forecast for the four-year period following the upcoming year for a total of five years. The capital prioritization process is also discussed in further detail in the Company's response to ICNU_DR_005. This process is also discussed in further detail in Company witness Ms. Schuh's Testimony, starting at page 4. The Aldyl A pipe replacement project (Gas Facilities Replacement Program or GFRP) uses its forecast (years beyond the current year of operation) approved capital to develop project cost estimates in the following manner:

   From the Ground Up Budget - During the course of the current year, detailed budgets are developed for individual major projects that are planned for the following construction year. The project design and budgeting process begins with discussions between local agencies and Avista construction staff to gather important project information, including "design utility locates" that identify all other utilities in the right-of-way. With this information, general knowledge of subsurface conditions, and awareness of all visible physical features available, the project is broken into phases and the pipe routing is designed specifically to optimize cost efficiencies. This detailed routing information provides the base for building the ground up budget, which includes the expected amounts of material (miles of main pipe and number of tees) to be replaced or remediated, approximations of techniques that will be employed and their respective unit costs, the need for traffic control and right of way support, likely pavement repair costs, as well as other technical considerations, such as the number of service tie-overs in the segments to be replaced. These detailed project budgets, as developed for each of the major projects currently underway in 2015, are provided as Staff_DR_183 Attachment A (electronic only). In addition to the major projects planned for each year, the Company expects that some amount of Aldyl A replacement work will be accomplished by Avista's crews in each division, as local construction conditions allow.

   The forecasts of program costs for the years 2015 and 2016, referenced in the request above, are as follows, for the referenced citations:

   - Kopczynski, Exhibit No. DFK-1T in UE-140188 et al, Pages 11, 12 and 13:1-14 – The estimated program costs, as presented in that case for the year 2015, was a programmatic estimate, as described above.
   - Kopczynski, Exhibit No. __ (DFK-1T), Pages 20 and 21 – The estimated program costs for the year 2015 were developed from detailed "from the ground up budgets", as provided in Staff_DR_183 Attachment A. For the year 2016, the forecast cost estimate represents a programmatic estimate.
   - Schuh Exhibit No. __ (KKS-1T), Page19:17 – The estimated program costs for the year 2015 are 16,817,000 on a system basis. The estimated program costs for the year 2016 are

17,385,000 on a system basis. Both of these estimates of program cost represent programmatic estimates.

- Two-Year Plan filed with the Commission in Docket PG-13183 – The estimated program costs for the year 2015 reflect detailed from the ground up budgets, as provided in Staff_DR_183 Attachment A. For the year 2016, the forecast cost estimates represent a programmatic estimate. In this instance, the estimated program costs for the year 2017 are also based on a programmatic estimate.

b. For the subject request, Avista has prepared a summary table containing information for each of the Aldyl A major projects completed in Washington for the period 2011 through 2014, currently underway in 2015, and forecast for 2016 and 2017. This project summary table is provided as Staff_DR_183 Attachment B. For the portion of the request asking for a summary of project costs broken down by the type of construction technique employed on each project, Avista does not have such summaries available to provide. Northern Pipeline provides the Company weekly invoice detail for each replacement project, which includes the amount of work performed that week (and the associated billed charges) by construction technique. Because the Company does not report project costs by construction technique, we have not performed the work required to prepare such a summary.

c. Copies of the subject contract documents between Northern Pipeline and Avista are provided as Staff_DR_183 Attachment C (electronic only).

d.

1. Avista uses 'open trench' replacement in non-paved and un-landscaped areas, and when no import/export of soils is required, because this method is the most cost effective in these conditions. Open trench replacement is also required in some paved and developed areas because the close proximity of other facilities doesn't permit the use of other methods. Additional methods that can be used in paved and developed areas include 'split and pull,' and 'horizontal directional drilling (HDD).' Keyhole technology is utilized extensively for the tee remediation program, in areas with improved paved surfaces, and is also used in combination with HDD to expose utility crossings.

2. Prior to each construction season the GFRP staff coordinates and meets with each applicable agency that establishes and / or enforces local requirements for street cutting, repair and restoration, etc. To date, Company staff has worked with officials representing the following local jurisdictions in the development of pavement cutting and repair / restoration requirements for its major replacement projects:
    - Spokane County
    - City of Spokane
    - City of Spokane Valley
    - City of Davenport
    - City of Millwood
    - City of Liberty Lake

    Since Aldyl A projects are very large in scale and typically impact many miles of public rights-of-way, the process of reaching agreement on specific project requirements typically involves several steps. Initially, Avista conducts pre-construction planning meeting(s) with each local agency associated with each project. The Company requests that each agency provide broad internal participation (internal to the agency), including departments such as road planning and construction, road maintenance, public works, potable water, sanitary

sewer, storm water, and engineering departments. Avista plans and conducts these meetings to ensure there is a shared understanding of the project, and to accomplish the following objectives:

- Identify roadways currently under pavement-cut moratoria along with the end dates for those moratoria.
- Identify possible road construction / maintenance projects currently planned by the local jurisdiction where construction can be coordinated to reduce cost for both Avista and the local agency.
- Discuss and reach a mutually-agreeable permitting strategy and permit fee structure that results in reduced costs for the Company.
- Clearly articulate Avista's objective to minimize construction impacts and the road restoration footprint, while recognizing each agency's pavement-cut policies, design standards, and road restoration requirements.
- Tap local knowledge and expertise to obtain information about sub-surface conditions along the project route.
- Describe the purpose of, and need for the project, and identify the to-be-affected public rights-of-way (roadways). Avista provides project base maps for the purpose of understanding and coordinating the construction phases of each project.
- Introduce Northern Pipeline as Avista's contractor responsible for the project.
- Communicate the anticipated demands and expectations around utility locating.
- To ensure that any segments of the project that might fall within another jurisdiction (such as the state department of transportation), are noted and also coordinated accordingly.

When agreements with the local jurisdiction have been reached, and as required in Avista's contracts, staff of Northern Pipeline is responsible to secure all required construction permits. During project construction, Avista's field design and inspection staff regularly communicate with local agency staff and inspectors on a range of issues, including soil compaction standards and the delineation of road restoration boundaries.

3. Avista has not performed an analysis of the efficiencies gained.

4. Avista does not agree with UTC Staff's assessments.

Since 2006, Avista has been closely coordinating with local agencies, as described above, to effectively reach agreement on, and implement the pavement cut policies and standards required in each jurisdiction. While the policies of local jurisdictions, such as that cited by Staff, establish general uniform guidelines regarding pavement cuts and repairs within the public right of way, they provide for broad discretion to the local agency staff regarding their interpretation and application to each type and size project governed by the policies. As an example of this discretion, most of the Company's Aldyl A replacement work in Spokane County occurs in residential, local access streets. By agreement with the Company, the pavement requirements for these streets are governed under a "Modified Policy," which affords Avista far greater flexibility than the requirements established in the "Full Policy." Since local jurisdictions have the discretion to review each road segment and to determine the final design standards and patch requirements, Avista field staff works closely with them to minimize the need for expensive requirements relating to soil compaction, soil import and export, and delineation of road restoration boundaries.

In addition to the discretion provided under the policies, the stated requirements under the base policies, such as that cited by Staff, are frequently replaced by newer versions over the years. Since 2006, stakeholders in the Spokane region have been working in accordance with the Inland Northwest Regional Pavement Cut Policy. Avista has been involved with annual policy improvements since 2006 with jurisdictional participants that include the following:

- Spokane County
- City of Spokane
- City of Spokane Valley
- City of Airway Heights
- City of Cheney
- City of Medical Lake
- City of Deer Park

Through the work of the regional stakeholder forum, regional policies have been updated every year from 2006 through 2015. Through the Company's work with each jurisdiction, as described in part "d. 2." above, and through participation in the forum, Avista is able to better understand the local policies and requirements, introduce new cost saving methodologies such as keyhole technologies, and to negotiate the best-possible set of requirements that effectively balance the needs of the jurisdiction and the ultimate construction cost paid by our customers.