



Avista Corp.

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March 29, 2021

VIA – Commission Web-Portal

Mark L. Johnson
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Dear Mr. Johnson,

Attached for filing with the Commission is an electronic copy of the proposed revisions to Avista's Line Extension, Conversion and Relocation Schedule 51 of Tariff WN U-28:

7 th Revision Sheet 51A	Canceling	6 th Revision Sheet 51A
8 th Revision Sheet 51C	Canceling	7 th Revision Sheet 51C
8 th Revision Sheet 51D	Canceling	7 th Revision Sheet 51D
8 th Revision Sheet 51E	Canceling	7 th Revision Sheet 51E
6 th Revision Sheet 51F	Canceling	5 th Revision Sheet 51F
8 th Revision Sheet 51H	Canceling	7 th Revision Sheet 51H
8 th Revision Sheet 51I	Canceling	7 th Revision Sheet 51I

The revisions to the tariff sheets listed above update the Company's Electric Line Extension Schedule 51 and are proposed to become effective May 15, 2021.

Background

The Company's present tariff incorporates the principle of average costing for electrical facilities commonly used in extending service. The tariff sets forth "Basic Costs", which are costs based on recent average actual costs for facilities such as transformers and conduit which are used consistently for electric line extensions. The Basic Costs have a fixed and variable component, with the variable component stated on a cost-per-foot basis.

The average costing principle incorporated in the Company's tariff has worked well and the Company is not proposing to change the conceptual structure of the tariff.

Detailed below are the Company's proposed changes to Schedule 51 and included with this filing are workpapers which provide support for the proposed changes.

Allowances – In this filing, the Company has proposed to use a Perpetual Net Present Value (PNPV) method for updating the margin allowances applicable to new residential, commercial and industrial customer’s services. This methodology for electric service was first developed and supported by Commission Staff, and approved by the Commission, in Docket UE-180091 for Puget Sound Energy. In conversations with Commission Staff prior to making this filing, they reiterated that this methodology is still preferred. The Company concurs with the explanation of this allowance methodology as described by Commission Staff in its memo in Docket UE-180091:

A Margin Allowance is an offset to the costs of a new line extension in recognition of the incremental revenue that a new customer provides. While margin allowances help new customers overcome a financial barrier to connecting to the system, the incremental revenue the new customer brings to the system can be expected to make the whole ratepayer population indifferent to the cost of the margin allowance. For that reason, the margin allowance is typically set to match the net benefit to the system of each new customer.

This calculation simply divides the estimated incremental revenue from an average customer by the company’s after-tax rate of return. The resulting ratio is the net present value of the customer’s presence on the system. This metric is a good proxy for the financial break-even point of adding new customers to the system by estimating the maximum line extension allowance that is economically viable for the company.

The margin allowance amount for each of the rate schedules is the result of the estimated incremental revenue from an average customer. The margin allowance continues to be calculated on a per customer basis for new residential service and on a per kWh basis for the other rate schedules. The distribution incremental margin is derived from the Company’s Cost of Service study from its current general rate case filing (Docket No. UE-20900) priced at currently approved rates to determine the proper allocation of distribution delivery revenue. The Company proposes to use the current Cost of Service study so that the allocation of costs will be based on the updated allocation methodologies recently approved in the new Cost of Service rulemaking, therefore providing greater consistency in the allocation of costs for determining margin allowances in future filings. Any costs in excess of the allowance would be paid by the new customer as a Contribution in Aid of Construction. The Company’s allowances were last updated in 2019 based on the Cost of Service study from the Company’s 2017 general rate case filing (Docket No. UE-170485). Below is a summary of the proposed allowance changes:

<u>Service Schedule</u>	<u>Existing</u>	<u>Proposed</u>
Schedule 1 Individual Customer	\$ 1,860	\$ 4,840
Schedule 1 Duplex	\$ 1,485	\$ 3,865
Schedule 1 Multiplex	\$ 1,115	\$ 2,900
Schedule 11/12 (per kWh)	\$ 0.15007	\$ 0.61037
Schedule 21/22 (per kWh)	\$ 0.12628	\$ 0.32516
Schedule 31/32 (per kWh)	\$ 0.15951	\$ 0.38952

The Company has provided workpapers that provide the inputs and calculation of the allowances.

Costs – The Distribution Engineering Department at Avista is primarily tasked with the development and maintenance of the Company’s Construction & Material Standards. Periodically, Distribution Engineering will update the Construction & Material Standards in order to comply with the National Electric Safety Code (“NESC”). These Construction & Material Standards were last updated in 2017 to reflect the NESC’s code revisions. The standard designs in this filing have not changed and are consistent with those reflected in this filing.

As detailed on proposed tariff sheets 51H and 51I, the Company is proposing to update the primary, secondary, service and transformer average costs which have remained relatively consistent between years. Below is a summary of the cost changes:

	<u>Present</u>	<u>Proposed</u>	<u>% Change</u>
<u>Overhead Primary Circuit:</u>			
Fixed Cost	\$ 4,205	\$ 4,677	11.2%
Variable Cost	\$ 8.22	\$ 9.17	11.6%
<u>Underground Primary Circuit</u>			
Fixed Costs	\$ 1,934	\$ 1,920	-0.7%
Variable Costs	\$ 11.34	\$ 10.01	-11.7%
<u>Underground Secondary Circuit</u>			
Fixed Costs	\$ 428	\$ 394	-8.0%
Variable Costs	\$ 10.47	\$ 8.60	-17.9%
<u>Overhead Secondary Circuit</u>			
Fixed Costs	\$ 1,732	\$ 1,936	11.7%
Overhead Service Circuit	\$ 3.74	\$ 4.27	14.2%
Underground Service Circuit	\$ 9.54	\$ 8.43	-11.6%
Overhead Transformer	\$ 2,242	\$ 2,345	4.6%
Padmount Transformer	\$ 3,546	\$ 3,477	-1.9%

The primary driver of the increase in overhead rates as shown above, is due to a decrease in vehicle usage during 2020. As an example, the Company uses a tandem digger in most overhead electrical work. The cost of using this piece of equipment is estimated as part of an overhead crew’s cost to perform such work (this is done in what’s called a transportation pool¹). The tandem digger had a decrease of 3,457 miles used over the prior year, a 17.5% reduction. Given that there are both fixed and variable costs associated with vehicle maintenance, the overall costs for maintaining this type of equipment also went down. However, the fixed costs held the balance in the pool high enough that the rate had to be changed in order to spread the costs across fewer miles, resulting in an increase in the amount of overhead vehicle costs assigned to these jobs.

¹ The transportation pool contains costs for Fleet Services to maintain and operate Avista’s equipment, including labor, parts, licensing, fuel, etc.

The primary driver of the decrease in underground rates is due to a business process improvement in the way vehicle rates are applied in the Company's workorder system. Historically, the Company has assigned vehicle costs based on their defined rate and assigned it to a job. For example, a Ditch Witch with trailer would have been charged to a job at a rate of \$225. The Company redefined how costs are allocated such that we more accurately define the time and effort that the equipment would be used for on the job and therefore are able to allocate a lower cost to underground work. In the Company's view, this methodology more closely aligns with how vehicles are actually being utilized in the field.

Residential development costs, updated for the most current Construction & Material Standards and average 2020 construction costs are detailed below.

<u>Residential Developments</u>		
	<u>Present</u>	<u>Proposed</u>
Total Cost per Lot	\$ 1,938	\$ 1,772
Less: Service Cost	\$ 478	\$ 422
Developer Responsibility	<u>\$ 1,460</u>	<u>\$ 1,350</u>
Developer Refundable Payment	\$ 1,460	\$ 1,350
Builder Non-Refundable Payment	\$ 78	\$ -
Allowance	\$ 1,860	\$ 4,840

Enclosed is a copy of the workpapers supporting the line extension cost revisions contained in the proposed tariff sheets. In addition, during the week of April 5, 2021, the Company will send a letter to those developers and builders that may be affected by the proposed changes to inform them of the Company's request.

Please direct any questions on this matter to Tia Benjamin at (509) 495-2225 or Joe Miller at (509) 495-4546.

Sincerely,

/s/ Joe Miller

Joe Miller
Sr. Manager of Rates and Tariffs
Enclosures

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 51 - continued

	Basic Cost
-	Allowance
+	Customer-Requested Costs
-	Cost Reductions
-	(one) Design Fee of \$150 (if paid)
+	Share of Previous Extension
<hr/>	
=	Extension cost

- 1) "Basic Cost" is the cost of the Service Circuit, Secondary Circuit, Transformer and Primary Circuit computed from the rates listed in this Schedule, along with the cost of labor and/or materials which are necessary to construct the Line Extension. The meters and metering facilities used by the Company for billing purposes are provided at no cost to the Customer.
- 2) "Cost Reduction" is a decrease allowed when the Company uses lower-cost construction methods or allows the Customer to do some of the work. All facilities provided by the Customer must meet or exceed the Company's specifications. The Cost Reduction may only reduce the Customer's total cost of construction to \$0.00; no payment shall be given to the customer.
- 3) "Allowance" is a credit to each Customer who has at least 4800 kWh per year of new load. The Allowance will be applied first to the Basic Cost of the Service Circuit, second to the Basic Cost of the Secondary Circuit, third to the Basic Cost of the Transformer and fourth to the Basic Cost of the Primary Circuit.

When two or more Customers apply concurrently for service from the same Line Extension, each will receive an Allowance up to their proportion of the Basic Cost of the line extension. Allowances shall be granted only against the Basic Cost of the current project and not against any part of an earlier or future extension.

The Allowance will be equal to the Basic Cost, or the applicable amount listed below, whichever is less:

MAXIMUM ALLOWANCE

Schedule 1 individual Customer.....	\$4,840 each
Schedule 1 duplex.....	\$3,865 per unit
Schedule 1 multiplex.....	\$2,900 per unit

(I)
(I)
(I)

EXCEPTION: The Company will not grant an immediate Allowance if the Company, in its sole judgment, determines that the load:

- a) is less than 4800 kWh per year, or
- b) will be in service less than five years.

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By

Patrick Ehrbar, Director of Regulatory Affairs



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SCHEDULE 51 - continued

- 6) "Share of Previous Extension" applies only to Primary Circuits less than five years old. If part of a previous line extension is used to serve a new Customer, the new Customer must pay a share of the previous Primary Circuit cost and Transformer cost, if shared, to the Company before the start of construction. The amount paid by the new Customer will be refunded to existing Customers in relation to their share of the Primary Circuit and Transformer, if shared. The Company will refund appropriate shares to the bearers of Extension Certificates when the Certificates are presented for payment and the connection of the subsequent Customer has been verified. The Company will make a reasonable attempt to inform the bearer of the Certificate when a refund is due. Bearers of Extension Certificates must apply for refunds before the original line extension becomes six years old. Unclaimed refunds will be returned to the contributor.

EXAMPLE:

1. First Customer pays \$10,010 for 1,000 feet of primary underground circuit (\$10.01 per foot).
2. Second Customer takes service within five years using 600 feet of the original extension.
3. Both Customers share the first 600 feet equally: $600 \text{ ft} \times \$10.01/\text{ft} \times \frac{1}{2} = \$3,003$.
4. The Second Customer's payment of \$3,003 will be refunded to the First Customer to reduce his investment in the 600 feet to \$3,003. The First Customer's investment in the remaining 400 feet remains at \$4,004 ($\$10,010 - \$3,003 - \$3,003 = \$4,004$).

(R)

(R)

EXCEPTION: If the refund to the existing Customer is less than \$100 each, the new Customer will not be required to pay that share and the existing Customer will not receive a refund.

4. RULES AND CHARGES FOR UNDEVELOPED RESIDENTIAL LOTS

- a. A development is a group of neighboring undeveloped lots separated by no more than streets and under the ownership or legal control of a single party as determined by the Company. Both the General Rules and the following rules apply to line extensions within residential developments.
- b. Before Company facilities will be installed, the developer must submit a written application for service and a copy of the plat as approved by the governing agency depicting dedicated utility easements approved by the serving utilities and must pay an extension cost to the Company which is computed as follows:

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SCHEDULE 51 - continued

	Basic Cost
+	Customer-Requested Costs
-	Cost Reductions
-	(one) Design Fee of \$150 (if paid)
=	extension cost within development
+	cost of extension to development
+	Share of Previous Extension
<hr/>	
=	Extension cost

- 1) "Basic Cost" will be computed from the following rate per lot when the Development serves single phase loads, has at least six lots and the average frontage is no more than 175 feet per lot. The Basic Cost includes the cost of the primary circuit, the transformer and the secondary circuit in the utility easement or public right-of-way, but does not include the service circuit from the point of connection with the secondary circuit to the Point of Delivery.

Developments: \$1,350 per Lot

(R)

The Basic Cost for all other Developments will be computed from the rates listed in this Schedule for Service Circuits, Secondary Circuits, Transformers and Primary Circuits.

- 2) "Cost Reductions," "Customer-Requested Costs, and "Share of Previous Extension" are described under Rules for Individual Customers.
- 3) "Extension to development" is the line extension between the Company's existing energized electric facilities and the boundary of the development. The Rules for Individual Customers apply to the extension to the development.
- c. In lieu of a cash payment of the Basic Cost in a Development, the Company will accept a letter of credit, a contractor's performance bond, or another credit instrument agreeable to the Company for \$1,350 per lot upon execution of a written agreement with the Developer. The agreement shall prescribe the requirements for such a credit instrument and shall permit the face amount of the instrument to be reduced annually as new customers are connected within the Development. The developer will provide ditching within the Development.
- d. There will be no charge to the builder for the installation of the Service Circuit to serve a duplex or multiplex dwelling.

(R)

(D)

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SCHEDULE 51 – continued

- e. A Developer who pays the extension cost described in 4.b.1) may apply for a refund annually for each permanent Customer connected within the Development during the first five years after the extension is completed. The Company will make a reasonable attempt to inform the bearer of the certificate when a refund is due. The Company will pay the refund to the bearer of the Extension Certificate when it is presented to the Company for payment and the connection of the permanent Customer has been verified.

For Developers who have made a cash payment to the Company for the Basic Cost in the development, the sum of all refunds shall not exceed the total Basic Cost paid by the Developer or \$1,350 per lot multiplied by the number lots, whichever is less. The developer must apply for the refunds before the line extension becomes six years old.

(R)

- f. In a Development where primary taps may be required into some lots to provide adequate service or where the loads are not clearly defined, the Company may elect to install only an initial Primary Circuit through the Development (no Transformers or Secondary Circuits). The Rules for Individual Customers will be used to establish the extension cost of the Primary Circuit and that cost must be paid in advance by the Developer.

The permanent Customer on each lot must meet the Rules for Individual Customers for the extension into the lot, except they will not pay a share of the cost of the Primary Circuit through the Development or a share of previous extensions outside the Development. The applicable Allowance will be credited first to the Basic Cost to serve the permanent Customer. The Developer will be refunded only the portion of the Allowance not granted or applied to the permanent Customer.

5. RULES FOR COMMERCIAL AND INDUSTRIAL CUSTOMERS

- a. Both the General Rules and the following rules apply to Line Extensions to serve individual Commercial and Industrial customers.
- b. Single-Phase Extensions: For Customers who may be served at single phase, as determined by the Company, before the start of construction, the Customer must submit a written application for service and pay an extension cost to the Company which is computed as follows:

	Basic Cost
-	Allowance
+	Customer-Requested Costs
-	Cost Reductions
-	(one) Design Fee of \$150 (if paid)
+	Share of Previous Extension
<hr/>	
=	Extension cost

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SCHEDULE 51 - continued

- 1) All terms are described in Section 3.b. and the Basic Costs are set forth in Section 7. The amount of the Allowance will be determined individually for each Customer based on the Company's estimate of the Customer's annual metered energy usage (delivered by Avista) and an allowance per kWh based on the applicable service schedule.

- c. When two or more Customers apply concurrently for service from the same Line Extension, each will receive an Allowance up to their proportion of the Total Estimated Extension Cost. Allowances shall be granted only against the costs of the current project and not against any part of an earlier or future extension.

The Allowance will be the Total Estimated Extension Cost, or the applicable Allowance by Schedule multiplied by the Customer's estimated metered energy usage (delivered by Avista), whichever is less:

ALLOWANCE BY SERVICE SCHEDULE

Schedule 11 or 12: \$0.61037 per kWh
Schedule 21 or 22: \$0.32516 per kWh
Schedule 31 or 32: \$0.38952 per kWh

(I)
(I)
(I)

Exception: The Company will not grant an immediate Allowance if the Company, in its sole judgement, determines that the load is unknown, or will be in service less than five years. If an Allowance is not provided at the time service is installed, the Customer is eligible to receive a refund of their Allowance when annual metered energy usage (delivered by Avista) is known and measured. Any refund of Customer Allowance must be requested by the Customer within five years of service installation.

Undeveloped Commercial and Industrial Lots: A development is a group of neighboring undeveloped lots separated by no more than streets and under the ownership or legal control of a single party as determined by the Company. The General Rules, the Rules for Commercial and Industrial Customers and the following apply to line extensions within commercial or industrial developments. Before Company facilities will be installed, the developer must submit a written application for service and a copy of the plat as approved by the governing agency depicting dedicated utility easements approved by the serving utilities.

- d. A developer requesting a Line Extension to one or more undeveloped commercial or industrial lots, where the future occupant and estimated metered energy usage (delivered by Avista) are unknown, will be required to pay to the Company in advance all costs associated with such Line Extension. Such Line Extension will be referred to as the Developer portion of the Line Extension and may include only a Primary Circuit. The subsequent Customer requesting completion of the Line Extension to the facility will be granted an Allowance based upon the estimated metered energy usage (delivered by Avista) of the facility. The Allowance will be applied first to the Customer portion of the Line Extension and any remaining Allowance may be applied to the Developer portion of the Line Extension.

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SCHEDULE 51 - continued

7. DEFINITIONS AND CHARGES (listed alphabetically)

- a. "Customer" is any individual, partnership, corporation, association, governmental agency, political subdivision, municipality or other entity.
- b. "Dedicated Utility Easements" are designated strips or locations within the platted development which have been approved by the serving utility companies and the local government planning department and are dedicated to the serving utility companies for the purpose of construction, reconstruction, maintenance and operation of utilities, including the inspection of those utilities at reasonable times and the trimming or removal of brush and trees that may interfere with the construction, maintenance or operation of those utilities.
- c. "Design Fee" is a \$150.00 payment to the Company by the Customer requesting a Line Extension, Conversion, or Relocation, in advance of the Company preparing the design. A Design Fee may be collected for any Line Extension, Conversion of Primary Circuit, or Relocation of Primary Circuit that is unusually large, complex, or of a questionable nature. Design Fees may be collected for additional designs if the Customer requests more than one design.
- d. "Extension Certificate" is a transferable certificate which entitles the bearer to receive certain refunds. Certificates will be issued to all Customers paying for a Primary Circuit, including Developers. The conditions under which refunds will be paid are described in this Schedule and on the Certificate.
- e. "Point of Delivery" is the location on the Customer's premises where the Company's Service conductors and the Customer's service entrance conductors are connected at a common point to permit a single meter installation. The Point of Delivery will be designated by the Company.
- f. "Primary Circuit" is the electrical facility between the Company's existing energized primary facilities and the proposed Transformer. The Primary Circuit is single phase operated at 2,400 to 20,000 volts to ground and may include conductors, connectors, supporting structures, conduit and trench. The Basic Cost of the Primary Circuit shall be computed using the following rates.

Single-Phase

Overhead Primary Circuit:

Fixed Costs:	\$4,677 per Customer	(I)
Variable Costs:	\$9.17 per foot	(I)

Underground Primary Circuit:

Fixed Costs:	\$1,920 per Customer	(R)
Variable Costs:	\$10.01 per foot	(R)

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SCHEDULE 51 - continued

- g. "Secondary Circuit" is the electrical facility from the Company's Transformer to a handhole or connectors from which one or more Service Circuits originate. The Secondary Circuit is single phase, is operated at less than 600 volts to ground and may include conductors, connectors, conduit, handholes and ditch. The Basic Cost of the Secondary Circuit shall be computed using the following rates.

Single-Phase Underground Secondary Circuit:

Fixed Costs: \$394 per customer

(R)

Variable Costs: \$8.60 per foot

(R)

Single-Phase Overhead Secondary Circuit:

Fixed Costs: \$1,936 per customer

(I)

- h. "Service Circuit" is the electrical facility between the Company's Transformer, connectors, or handhole and the Point of Delivery for a single Customer or building. The Service Circuit is single phase, is operated at less than 600 volts to ground and may include conductors, connectors, conduit, and ditch. The Basic Cost of the Service Circuit shall be computed using the following rates. These rates do not include meters and metering facilities which are used by the Company for billing purposes.

Single Phase Overhead Service Circuit:

Variable Costs: \$4.27 per foot

(I)

Single Phase Underground Service Circuit:

Variable Costs: \$8.43 per foot

(R)

- i. "Transformer" Basic Cost shall be computed using the following rates for single phase transformers.

Single Phase Overhead Transformer Costs: \$2,345 per Customer

(I)

Single Phase Padmount Transformer Costs: \$3,477 per Customer

(R)

- j. "Underground Facilities" may include primary cable, secondary and service cable, secondary and service connections, surface-type (pad-mount) Transformers, concrete pads, enclosures, switch gear, terminations, equipment protective barriers and conduit or duct where necessary. These facilities will be owned, operated and maintained by the Company unless otherwise provided for by agreement.

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