

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION FOR APPROVAL OF) **CASE NO. AVU-E-00-1**
REVISED ELECTRIC LINE EXTENSION)
SCHEDULE 51.) **NOTICE OF APPLICATION**
)
) **NOTICE OF MODIFIED**
) **PROCEDURE**
)
) **NOTICE OF COMMENT/**
) **PROTEST DEADLINE**
)
) **ORDER NO. 28325**

YOU ARE HEREBY NOTIFIED that on February 28, 2000, Avista Corporation dba Avista Utilities—Washington Water Power Division (Avista) filed an Application with the Idaho Public Utilities Commission (Commission) requesting approval of proposed revisions to its electric Schedule 51 Line Extension, Conversion and Relocation tariff. The Company’s filing is in response to Commission Order No. 28097 issued July 29, 1999, in Case No. WWP-E-98-11.

As reflected in the Company’s Application, the present Schedule 51 tariff incorporates the principle of average costing for the installation of facilities commonly used in extending electric service. The tariff sets forth “Basic Costs”, which are based on the average material and labor costs for the installation of these facilities, such as transformers and conduit, which are used consistently in the installation of electric line extensions. The Basic Costs have a fixed and variable component, with a variable component stated on a cost-per-foot basis. The present tariff also provides a list “Exceptional Costs”, which are items not included in the Basic Costs and that can materially increase the cost of a line extension project, such as trenching in rock-soil conditions. Under the present tariff, Exceptional Costs must be paid by the customer or developer.

The Company is not proposing to change the conceptual structure of the Schedule 51 tariff. The present tariff, it states, is relatively easy to apply, is fair and understandable to customers, and has resulted in relatively few customer complaints. The Basic Costs set forth in

the tariff, however, have not been updated since 1990. As part of the proposed tariff, the Company has updated all Basic Costs based on 1998 materials and labor costs.

Residential Developments

For residential developments the total Basic Cost is proposed to increase from \$1,120 to \$1,400 per lot. Of the total \$280 increase, \$130 represents an increase in Primary, Secondary and Transformer costs and \$150 represents an increase in service line costs. As the developer is responsible for Primary, Secondary and Transformer costs, a cash deposit or credit instrument is required from developers for these costs until such time as the residents begin taking service. As Primary, Secondary and Transformer costs increase by \$130 per lot under the proposed tariff, the developer deposit or credit instrument is also being increased \$130 per lot, from \$910 to \$1,040. However, if the developer provides the ditching within the development, the deposit or credit instrument required will be only \$760 per lot, reflecting Avista's average ditching cost savings of \$280 per lot ($\$1,040 - \$280 = \760). Additionally, as the Company is proposing a revised residential allowance of \$1,300, as discussed below, the developer would receive a refund of \$940 if a cash deposit was made (\$1,300 allowance less \$360 service cost).

Residential Allowance

As part of its review of its Schedule 51 tariff, the Company states that it examined the present level of the line extension allowances. An allowance is the amount of credit the customer receives against the estimated cost of the line extension based on future energy consumption and resulting margin to the Company. If the estimated line extension cost exceeds the allowance, the customer is required to pay the excess cost in the form of a cash contribution (Contribution In Aid of Construction). The present level of the residential single family allowance is \$1,000. The Company is proposing to increase that level to \$1,300. The increase in the allowance of \$300 approximates the increase in the Basic Costs of \$280 per lot for residential developments, therefore the majority of new residential customers will be unaffected by the proposed changes.

The Company's present allowance level of \$1,000 was based on the average energy consumption of all residential electric customers, a net margin that recovers the incremental cost of the line extension, and a first year rate of return equal to the Commission-authorized level in 1990. The derivation of the present allowance also assumes that all of the Company's costs are

variable and will increase proportionately with the addition of a new customer, i.e., a fully-distributed cost of service approach.

The Company states that it no longer believes that a fully distributed cost of service approach is reasonable. It does not believe that all of the Company's costs will increase proportionately with the addition of new customers. Rather than estimating the variability of each cost account, the Company employed an overall reasonableness test regarding the "contribution to system costs" resulting from the proposed allowance of \$1,300. The Company performed a revenue requirement analysis assuming a line extension investment of \$1,300 (equal to the proposed allowance), a required (levelized) rate of return based on the level authorized by the Commission in Case No. WWP-E-98-11, and an estimated annual gross margin received from the customer of \$261. The gross margin estimate is based on the estimated electric revenue from a typical customer using gas heat and water-heat less the customers average production cost from the Company's cost-of-service study filed in its general rate case. Based on these assumptions, a new customer would provide a contribution to approximately 47% of system costs. The result based on the proposed allowance level of \$1,300 is that a new customer will contribute approximately 1.3¢ per kilowatt hour to system transmission and distribution costs, compared to an embedded average of approximately 2.7¢ per kilowatt hour.

Other Proposed Schedule 51 Changes

Commercial/Industrial Extensions

Presently, the Company performs a customer-specific analysis to determine the cost and allowance associated with extending service to a commercial or industrial customer who uses over 72,000 kilowatt hours (kWh) per year. All commercial customers who use less than 72,000 kWh hours per year presently receive a fixed allowance of \$1,300. The present allowance of \$1,300 was based on the average energy usage for all Commercial Schedule 11 customers and the 72,000 kWh hour level was based on the maximum annual usage for a customer taking service under Schedule 11. Based on an analysis similar to that performed for residential customers, an appropriate allowance level for a commercial customer using 72,000 kWh hours would be several times the present level of \$1,300. Therefore, the Company is proposing that a customer specific analysis be performed on all commercial and industrial customers, using their estimated energy usage and the appropriate allowance per kilowatt hour

depending on the rate schedule, in order to determine the allowance. The allowances for all rate schedules other than Residential Schedules 1 and 12 are stated on a per kilowatt basis and are being increased based on the present rates of those schedules and a financial analysis similar to that per Residential Schedule 1.

The line extension costs for commercial and industrial customers will be analyzed differently depending on if they require a single-phase or three-phase service. Basic Costs set forth in the tariff are based on single-phase service. For customers requiring three-phase service, the line extension cost will be based on the total estimated costs derived from internally published average costs.

Exceptional Costs/Customer Requested Costs

Under the present tariff, a residential or small commercial customer is required to pay “Exceptional Costs”, which are the costs associated with unusual materials or labor. Exceptional Costs presently include the cost associated with items which may be necessary to install the extension, as well as items which may be requested by the customer but are not necessary to install the extension. Under the proposed tariff the Company has created a new cost category called “Customer-Requested Costs”, which is the “cost of unusual labor and/or materials requested by the customer but which are not necessary to construct the line extension based on the company’s minimum design, construction and operating practices.” The customer will be required to pay for all Customer-Requested Costs.

Exceptional Costs still exist under the proposed tariff, however, they are limited to those costs which are necessary to construct the line extension but which are not reflected in the Basic Costs set forth under the tariff. This proposed change, the Company states, will not have a significant effect on the amount of customer contributions required from single-party residential customers and developers. For residential developments, the Basic Cost (\$1,400) exceeds the allowance (\$1,300), therefore, any Exceptional Costs will be paid by the developer, as well as any Customer-Requested Costs. With regard to single-party residential extensions, in nearly all instances the Basic Costs will exceed the allowance. However, because of the significant increases in the allowance per kilowatt-hour for non-residential rate schedules, the allowance could cover all or part of any Exceptional Costs for commercial line extensions.

Miscellaneous Proposed Changes

Under the present tariff, customers who are estimated to use less than 4800 kilowatt hours per year do not receive an allowance and must pay the entire cost of the line extension. The rationale used to establish the present minimum use level of \$4,800 is that the margin per kilowatt hour provided under Residential Schedule 1 must at least recover the cost of providing service from the primary or secondary line to the residents. Using the proposed average service cost of \$360 and the margin from Schedule 1, a minimum annual usage amount of 2500 kilowatt hours would provide recovery of the service cost.

The residential allowance for dwellings which have more than four units (apartments) is proposed to increase from \$600 to \$780 per unit. The proposed increase in the allowance for these dwellings is proportional to the increase in the allowance for residential dwellings with less than four units (\$1,000 to \$1,300).

Lastly, the Company is proposing a revision under the “Conversions and Relocations” section of the tariff. The present tariff requires a customer requesting a Conversion or Relocation of facilities to pay both the cost of the new facilities plus the remaining value of the existing facilities. As the revenue received from the customer will continue to pay for the cost of existing facilities over time, they should only be charged for the cost of the new facilities. Therefore, the provision for charging the customer for the remaining value of the existing facilities has been deleted.

Avista states that it provided an informational letter in late December to approximately twenty residential developers that the Company works with which outlined the proposed changes to the Company’s line extension tariff. The Company requests that the Commission approve the proposed revisions to its line extension tariff Schedule 51 for an effective date of April 15, 2000. The Company by letter dated March 9, 2000, requests that the Commission process its Application pursuant to Modified Procedure, i.e., by written submission rather than by hearing.

YOU ARE FURTHER NOTIFIED that the Commission has preliminarily found that a public interest in this matter may not require a hearing to consider the issues presented and that the issues raised by the Company’s filing may be processed under **Modified Procedure**, i.e., by

written submission rather than by hearing. Reference Commission Rules of Procedure, IDAPA 31.01.01.201-204.

YOU ARE FURTHER NOTIFIED that the Commission on the recommendation of Commission Staff finds it reasonable to suspend the Company's proposed April 15, 2000, implementation date so as to provide sufficient time for public comment. In doing so the Commission expresses its concern regarding a mid-season change in rules for new construction and development and commits to consider and process the matter expeditiously. Reference *Idaho Code* §§ 61-307 and 61-623.

YOU ARE FURTHER NOTIFIED that the **deadline for filing written comments or protests** with respect to Avista's Application and the use of Modified Procedure in Case No. AVU-E-00-1 is **Friday, May 5, 2000**.

YOU ARE FURTHER NOTIFIED that if no written protests or comments are received within the deadline, the Commission may consider the matter on its merits and enter its Order without a formal hearing. If comments or protests are filed within the deadline, the Commission will consider them and in its discretion may set the matter for hearing or may decide the matter and issue its Order on the basis of the written positions before it. Reference IDAPA 31.01.01.204.

YOU ARE FURTHER NOTIFIED that written comments concerning Case No. AVU-E-00-1 should be mailed to the Commission and the addresses reflected below:

COMMISSION SECRETARY
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074

Street Address for Express Mail:

472 W WASHINGTON ST
BOISE, ID 83702-5983

THOMAS D DUKICH, MANAGER
RATES & TARIFF ADMINISTRATION
AVISTA CORPORATION
1411 E MISSION AVE.
PO BOX 3727
SPOKANE, WA 99220

All comments should contain the case caption and case number shown on the first page of this document.

YOU ARE FURTHER NOTIFIED that the Company's Application in Case No. AVU-E-00-1 may be viewed during regular business offices at the Idaho Public Utilities

Commission, 472 West Washington Street, Boise, Idaho and at the Idaho offices of Avista Corporation dba Avista Utilities—Washington Water Power Division.

ORDER

In consideration of the foregoing and as more particularly described above, IT IS HEREBY ORDERED and the Commission in Case No. AVU-E-00-1 does hereby approve the Modified Procedure schedule set out above.

IT IS FURTHER ORDERED that the Company proposed April 15, 2000 effective date for implementation of the proposed Schedule 51 revisions in Case No. AVU-E-00-1, be suspended until such time as the Commission may issue an Order accepting, rejecting or modifying the Application.

DATED at Boise, Idaho this day of December 2002.

DENNIS HANSEN, PRESIDENT

MARSHA H. SMITH, COMMISSIONER

PAUL KJELLANDER, COMMISSIONER

ATTEST:

Myrna J. Walters
Commission Secretary

Vld/N:AVU-E-00-01_sw