Office of the Secretary
Service Date
May 7, 2015

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA CORPORATION'S APPLICATION TO UPDATE ITS ELECTRIC LINE EXTENSION SCHEDULE 51	)	**CASE NO. AVU-E-15-03**
	)	**ORDER NO. 33294**

On March 31, 2015, Avista Corporation filed Tariff Advice No. ADV 15-01-E. The Company's tariff advice proposed to revise Electric Line Extension Schedule 51 with updates to line extension, conversion, and relocation charges based on costs incurred in 2014. Avista initially requested an effective date of May 18, 2015. The Company and Commission Staff later agreed that Avista's filing – which proposes to remove "three-phase"[1] industrial and commercial customers from Schedule 51, among other revisions – should be processed as an application to afford interested persons an opportunity to comment on the proposed changes.

On April 7, 2015, the Commission issued a Notice of Application and Notice of Modified Procedure, setting a 21-day comment period. Commission Staff was the only party to file written comments. Avista filed a reply indicating it agrees with Staff comments, and attached Revised Tariff Sheets 51I and 51J that incorporate the agreed changes. As set forth in more detail below, the Commission approves Avista's Application and its revisions to Schedule 51.

THE APPLICATION

The Company proposes several revisions to Schedule 51 based on costs incurred in 2014. *See* Advice Letter. The revisions include updated line extension costs based on updates to the Company's Construction & Material Standards, and actual average costs of all material and labor used in line extensions during 2014. *Id.* at 1. Many of the cost differences from the Company's 2014 filing are due to implementation of Avista's new work and asset management system, "Maximo." *Id.*

1. <u>Maximo</u>. Avista uses Maximo to create work orders for service and emergency calls, construction jobs for customers, and Company operations. *Id.* at 1-2. Maximo compares

[1] The Notice of Application inadvertently characterized the three-phase industrial and commercial customers (that Avista proposes to remove) as "large." Order No. 33270 at 1-2. The three-phase customers referenced in tariff Schedule 51 are in fact small industrial and commercial customers.

job estimates to actual job costs, and provides data that enables the Company to set Schedule 51 costs that more precisely reflect actual costs. *Id.* at 2.

2. Residential Line Extension Charges. According to the Company, its residential development costs, updated for the most current Construction & Material Standards and average 2014 construction costs, are as follows:

Residential Developments	**Present**	**Proposed**
Total Cost per Lot	$ 1,596	$ 1,705
Less: Service Cost	$ 485	$ 417
Developer Responsibility	**$ 1,111**	**$ 1,288**
Developer Refundable Payment	$ 1,111	$ 1,288
Builder Payment	$ 46	$ 155
Allowance	$ 1,550	$ 1,550

Advice Letter at 2.

3. Exceptional Costs for Overhead Extensions. On Third Revision Sheet 51C, the Company proposes to remove language related to the calculation of the "exceptional" costs for overhead extensions longer than 1,500 feet. Exceptional costs include such costs as boring, removing pavement, surveying, and removal of trees and shrubs. With this change, any exceptional costs estimated for a specific project would be fully assigned to that project. *Id.* at 2. According to the Company, the current method has caused confusion for customers and Avista employees, and that confusion will be remedied by the proposed change.

4. Requests to Re-establish Service after Disconnection of 12 Months or More. On Third Revision Sheet 51, Section 2.e, the Company proposes to add language stating that, when electric facilities have been removed or disconnected from a property for more than 12 months, a request to re-establish service will be treated as a new customer request (which comes with a line extension allowance). Tariff Sheet 51.

5. Lower-limit for Refund from New Customer to Existing Customer. On Eighteenth Revision Sheet 51E, Section 6, the Company proposes to change the language to provide that a new customer need not pay, and an existing customer will not receive from Avista, a share of a previous line extension that is less than $100. Tariff Sheet 51E.

6. Three-Phase Electric Service. Finally, on First Revision Sheet 51M, the Company proposes to remove costs related to three-phase electric service. Advice Letter at 2. The

Company believes that three-phase service for industrial and commercial customers "does not lend itself to be charged out on an average basis" because such projects "are not as homogenous as single phase, residential type jobs." *Id.* According to the Company, estimating three-phase service costs "on a site specific basis is a more reasonable and fair approach for those customers." *Id.*

STAFF COMMENTS AND COMPANY REPLY

Staff thoroughly reviewed the Company's proposed Schedule 51 changes and believes the Company's proposed revisions are reasonable, as described more fully below. Staff also suggested that Avista retain some of the language that the Company proposed to remove. In its reply, Avista stated it agrees with Staff's suggestions to retain some of the language.

1. <u>Maximo</u>. Staff analyzed Avista's new asset management system, Maximo, and believes that its methodology for determining facilities installation costs is reasonable. As with Avista's prior system (which the Commission found reasonable in Order No. 28562), Maximo uses cost-averaging, so that "exceptional and extra-ordinary customer-requested work is excluded" from basic cost calculations. Staff Comments at 4.

2. <u>Residential Line Extension Charges</u>. Staff reviewed Avista's workpapers and proposed adjustments to residential line extension charges. Staff believes that the proposed adjustments are consistent with methodologies prescribed by the Commission in Order Nos. 28562 and 33031. *Id.* at 5.

3. <u>Exceptional Costs for Overhead Extensions</u>. Staff agreed with the Company that language in the current Sheet 51C (about calculation of exceptional costs for overhead extensions longer than 1,500 feet) was unnecessarily complicated. Staff believes Avista's proposal to remove Section 3.b.4.j, such that all overhead extensions would be calculated under the same methodology, is reasonable. *Id.* at 3.

4. <u>Requests to Re-establish Service after Disconnection of 12 Months or More</u>. Staff noted that the Company's proposal to add new Section 2.e on Sheet 51 resulted from a case in Avista's Washington jurisdiction. *Id.* at 3. In that case, a customer purchased property that had received electric service years before, but from which Avista had removed the line. *Id.* The Company was required to re-install a distribution line at the Company's expense. *Id.* Under the proposed change, the customer "would have been treated as a new customer, and would have paid the entire job cost, less the allowance." *Id.* at 3-4.

Staff noted "there are tangible costs associated with maintaining distribution lines, even if those lines are unused and not generating revenue." *Id.* at 4. Thus, Staff believes that removal and re-allocation of unused equipment, as was done in the Washington jurisdiction case, is "a prudent and efficient use of resources." *Id.* Staff therefore believes the proposed language is reasonable. *Id.*

5. Lower-Limit for Refund from New Customer. Under Schedule 51, new customers must pay their proportionate share of a previously installed line extension to Avista, which then refunds the proportionate share to the existing customers who fully paid for the previous line extension. *Id.* at 4. In the current Schedule 51, existing customers are entitled to their share of a previous extension, but only if the refund amount is more than $50. *Id.* The proposed change increases that lower-limit to $100. *Id.* Staff noted that the existing lower-limit of $50 has been in force for at least 15 years. *Id.* Accordingly, Staff believes the increase to $100 is reasonable. *Id.*

6. Three-Phase Electric Service. Staff examined the Company's proposal to remove all language relating to three-phase extensions from Schedule 51. Staff agreed that the cost of a three-phase extension "is likely to be unique to a particular job," and is therefore "less amenable to Schedule 51's cost estimation methodology." *Id.* at 5. Accordingly, Staff does not oppose Avista's proposal to "conduct an independent cost estimate for each three-phase job," rather than prescribing costs through tariff Schedule 51. *Id.* However, Staff was concerned that Schedule 51 should provide some guidance for potential three-phase customers, and thus urged the Company to retain language from prior Sheets 51I and 51J.

7. Avista's Reply and Conforming Tariff Sheets. In its reply, the Company agreed with Staff's comments, including Staff's suggestion to retain Sheets 51I and 51J. Avista attached Revised Sheets 51I and 51J to its reply.

DISCUSSION AND FINDINGS

The Commission has jurisdiction over Avista and the issues in this case under the authority granted by Title 61 of the Idaho Code, specifically *Idaho Code* §§ 61-336, 61-502, and 61-622. The Commission has reviewed the record, including the Application, Staff comments, the Company's reply, and the proposed revised tariff sheets.

We note that Avista's new "Maximo" asset management system continues to use a cost-averaging method for determining facilities installation costs, which we have found reasonable in the past. Order No. 28562. According to Avista, Maximo provides more accurate data than the Company's prior system, thus providing a better basis for setting Schedule 51 costs. Application at 2. We find that the Company's proposed adjustments to line extension costs, as calculated through implementation of Maximo, are reasonable and consistent with methodologies we have previously prescribed. *See* Order Nos. 28562, 33031.

We further find that the Company's proposed revision to its Schedule 51 provision about exceptional costs for overhead extensions clarifies an existing ambiguity, and is reasonable. As to the provision in Schedule 51 about requests to re-establish service after 12 months or more, we find that the Company's proposed revision, to treat such request as a new customer request, is also reasonable and appropriate. In addition, we find reasonable the Company's proposed update to the lower threshold required to refund an existing customer his or her proportionate share of a previously installed line extension from a new customer. We find that Avista's proposed change, increasing the threshold to $100, is appropriate considering administrative costs and the fact that the existing limit of $50 has been in place for at least 15 years.

Finally, we find that the Company's proposed change to remove three-phase customers from Schedule 51 is reasonable. Due to the complexity of three-phase line extensions, they are less amenable to Schedule 51's cost estimation methodology. We find it is appropriate, as proposed by Avista, for the Company to conduct an independent cost estimate for each three-phase job rather than prescribing costs for three-phase line extensions in the Schedule 51 tariff. However, we find it reasonable to provide guidance to potential three-phase customers in the Schedule 51 tariff sheets. Thus, we approve Staff's proposal and Avista's revision of Sheets 51I and 51J as submitted by Avista in its Reply.

In summary, we approve as fair, just, and reasonable the revisions and updates to Avista's Schedule 51, as more fully described herein. We approve the changes with a May 18, 2015 effective date.

ORDER

IT IS HEREBY ORDERED that Avista Corporation's Application to update its Electric Line Extension Schedule 51 is approved. The Commission hereby adopts the revised Schedule 51 Tariff Sheets filed by the Company on March 31 and April 29, 2015. These changes shall take effect May 18, 2015.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. See *Idaho Code* § 61-626.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 7th day of May 2015.

Paul Kjellander

PAUL KJELLANDER, PRESIDENT

Mack A. Redford

MACK A. REDFORD, COMMISSIONER

Kristine Raper

KRISTINE RAPER, COMMISSIONER

ATTEST:

Jean D. Jewell

Jean D. Jewell
Commission Secretary

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