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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ELECTRIC LINE EXTENSION SCHEDULE 51 RATE ADJUSTMENT FILING OF AVISTA CORPORATION	**CASE NO. AVU-E-19-03** **COMMENTS OF THE COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission comments as follows on Avista Corporation's Application.

BACKGROUND

On March 11, 2019, Avista Corporation (the "Company") applied to the Commission for an order allowing it to revise Electric Line Extension Schedule 51. In Order No. 28562, issued November 27, 2000, the Commission directed the Company to update its Schedule 51 charges by April 1 of each year. The purpose of this filing is to update line extension costs and allowances that apply to new residential, commercial, and industrial customers. Besides updating its costs and allowances, the Company proposes five administrative changes to make Schedule 51 easier for customers to understand. The Company requested an effective date of May 1, 2019.

STAFF REVIEW

Staff reviewed the Company's application and concludes:

1. The Company's methodology for calculating allowances is appropriate and recommends approving the proposed allowances.
2. The Company's methodology for calculating average costs is consistent with past Schedule 51 filings and Staff agrees with the proposed basic costs.
3. The administrative changes the Company is proposing are reasonable and recommends approval.

Each conclusion will be discussed in more detail in the sections below along with Staff's recommendations.

Allowances

Staff reviewed the Company's methodology, and agrees with the proposed allowances. The Company determines allowances using an embedded cost methodology designed to ensure that the Company's investment in each new customer's distribution and terminal facilities does not increase rates paid by the general body of ratepayers.

The Company continues to use the same embedded cost methodology it has used in past filings. The embedded costs are based on the Cost of Service study completed in the last General Rate Case (AVU-E-17-01), but have been updated to the 2019 base rates approved in that case. The Company proposes average increases of 1.7% in the allowances offered to all service schedules. These increases are consistent with the 2019 increases approved for each service schedule's embedded cost as part of the last General Rate Case (AVU-E-17-01). The Company's proposed changes to the allowance amounts by service schedule are shown in Table 1:

Table 1: Changes in Allowance by Customer Class

Service Schedule	Current Allowance	Proposed Allowance	Percent Change
Sched. 1 Individual Customer (per unit)	$1,810	$1,840	1.7%
Sched. 1 Duplex (per unit)	$1,445	$1,470	1.7%
Sched. 1 Multiplex (per unit)	$1,085	$1,105	1.8%
Sched. 11/12 (per kWh)	$0.14788	$0.15022	1.6%
Sched. 21/22 (per kWh)	$0.13603	$0.13853	1.8%
Sched. 31/32 (per kWh)	$0.24227	$0.24653	1.8%

Basic Costs

Basic costs have fixed and variable components, with variable components specified on a cost-per-foot basis. The Company is proposing slight changes in basic costs ranging from a 3.0% or $71 decrease for the fixed cost of an overhead transformer to a 4.9% or $0.49-per foot increase for the cost of an underground secondary circuit.

The basic costs are calculated using recent average actual costs for facilities such as transformers and conduit. The Company has consistently used this methodology to determine line extension tariffs, including prior versions of Schedule 51.

The Company is proposing to update the primary, secondary, service, and transformer average costs. Residential developments costs are also updated for the most current Construction Standards and average 2018 construction costs.

Staff has reviewed the filing, including the workpapers provided with the filing, and agrees with the changes. Staff notes that the average costs for this year are comparable with last year's costs. The present and proposed basic costs are shown in Table 2 below:

Table 2: Present and Proposed Cost of Facilities

Basic Costs

Single Phase	**Current**	**Proposed**	**Difference**
Overhead Primary Circuit			
Fixed Cost	$ 4,323	$ 4,253	($70.00)
Variable Cost	$ 8.43	$ 8.38	($0.05)
Underground Primary Circuit			
Fixed Cost	$ 1,889	$ 1,854	($35.00)
Variable Cost	$ 11.24	$ 11.23	($0.01)
Underground Secondary Circuit			
Fixed Cost	$ 430	$ 418	($12.00)
Variable Cost	$ 9.93	$ 10.42	$0.49
Overhead Secondary Circuit			
Fixed Cost	$ 1,785	$ 1,774	($11.00)
Overhead Service Circuit			
Variable Cost Only	$ 3.98	$ 3.91	($0.07)
Underground Service Circuit			
Variable Cost Only	$ 9.39	$ 9.41	$0.02
Overhead Transformer			
Fixed Cost Only	$ 2,381	$ 2,310	($71.00)
Padmount Transformer			
Fixed Cost Only	$ 3,516	$ 3,507	($9.00)

Residential Developments

Developers are responsible for the basic cost of a development which can be refunded as new customers receive service within five years from the date that the extension was completed. The basic cost represents the cost of a development line extension minus the cost of service line extensions within the development. It is computed by subtracting the average service cost from the average total cost per lot. The builder must pay the difference between the average total cost per lot and the allowance.

The largest increase for residential developments is the Developer Non-Refundable Payment. This increases $10, or 17.5%; however, the overall allowance increases $30 or 1.7%.

In last year's filing (TA-18-04), the builder's payment was $57. This year, the Company is proposing a $67 builder's payment. Staff analyzed the Company's methodology, and determined that it is consistent with the methodology prescribed by Commission Order No. 28562.

Table 3: Present and Proposed Non-Refundable Payment

Residential Developments	Current	Proposed	Difference
Average Total Cost per Lot	$1,867	$1, 907	$40.00
Less: Average Service Cost	$ 471	$ 471	$0
Developer Responsibility (basic cost)	$1,396	$1,436	$40.00
Developer Refundable Payment	$1,396	$1,436	$40.00
Average Total Cost per Lot	$1,867	$1,907	$40.00
Less: Allowance	$1,810	$1,840	$30.00
Builder Non-Refundable Payment	$ 57	$ 67	$10.00

Administrative Changes

The Company proposes five administrative changes to Schedule 51 to add operational flexibility, better align tariff language to operation practices, and make the language easier to understand and apply. Staff reviewed the proposed changes and believes they clarify the current tariff. Where the tariff revision would change a procedure or outcome, those changes are reasonable and would more equitably assign costs to customers. Staff thus recommends the Commission approve the Company's proposed administrative changes.

The Company currently assesses developers and customers line extension costs that may be partially or wholly offset by an allowance. The Company calculates the line extension cost as follows:

Table 4: Calculation of Extension Cost

	Basic Cost
Plus	Exceptional Costs
Minus	Allowance
Plus	Customer-Requested Costs
Minus	Cost Reductions
Minus	(one) Design Fee of $150 (if paid)
Plus	Share of Previous Extension
EQUALS	Extension Cost

The first proposed administrative change involves the Design Fee. The tariff currently says a Design Fee "is required." The Company proposes to change the tariff to say a Design Fee "may be required." The Company believes, and Staff agrees, that the Design Fee should only be charged when necessary. The Company also proposes removing a reference to the Design Fee being credited against the cost of construction. Additionally, the revised tariff would clarify the Design Fee is non-refundable. This change would promote the proper assignment of cost to the party that caused the cost to be incurred.

The second proposed administrative change involves broadening the definition of "Basic" cost to include what is now considered an "Exceptional" cost. The calculation of "Extension Cost" involves adding both Basic and Exceptional Costs. The calculated Extension Cost will be unaffected by the proposed revision. Staff supports this simplification.

The third proposed administrative change involves two changes to the definition of Customer-Requested costs. Customer-Requested costs are the costs of unusual labor or materials requested by the customer that are unnecessary to construct an extension. The Company's first proposed change eliminates "minimum design" as a basis for necessary costs, and instead references costs based on "the Company's construction design standards and operating practices." The second proposed change eliminates the reference to "underground facilities in overhead areas" as an example of Customer-Requested cost. These proposed changes provide an opportunity for customers to apply a larger portion of their line extension allowance toward the extension cost. Assuming that the customer's usage will meet threshold levels, the line extension allowance is cost-justified because expected revenue paid by the new customer through future energy purchases will, on average, cover the remaining Extension Cost not covered by Contributions in Aid of Construction paid upfront by the customer. Although these changes could shift a little cost to existing customers, Staff believes this small cost shift is equitable because the allowance has an upper limit and would enable new customers to recoup benefits for which they will pay through base rates. Staff believes that the proposed change offers needed flexibility and recommends its approval.

The fourth proposed administrative change clarifies when customers will receive a refund of their allowance if the allowance is not provided immediately to commercial and industrial customers. This change does not affect current operating practices and Staff recommends approval.

The fifth proposed administrative change applies to the definition of Salvage Value (Sheet 51L). The Company proposes clarifying that not all materials removed have salvage value, and that the Company will determine salvage value in its sole discretion. Staff recommends approval of this proposed change.

STAFF RECOMMENDATION

Staff believes the Company's proposals are reasonable and conform to Commission Order No. 28562. Staff recommends the Company's proposed costs, allowances, and administrative changes be approved.

Respectfully submitted this 16th day of April 2019.

Karl Klein
Deputy Attorney General

Technical Staff: Michael Eldred
Bentley Erdwurm
Kathy Stockton

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 16TH DAY OF APRIL 2019, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. AVU-E-19-03, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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