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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE ELECTRIC LINE)
EXTENSION SCHEDULE 51 ANNUAL RATE) **CASE NO. AVU-E-22-05**
ADJUSTMENT FILING OF AVISTA)
CORPORATION)
)
) **COMMENTS OF THE**
) **COMMISSION STAFF**
)
)
)

COMES NOW, the Staff the Idaho Public Utilities Commission (“Staff”), by and through its Attorney of record, Chris Burdin, Deputy Attorney General, and submits the following comments.

BACKGROUND

On March 11, 2022, Avista Corporation, d/b/a Avista Utilities (“Avista” or “Company”) applied to the Idaho Public Utilities Commission (“Commission”) for approval to update costs and administrative changes to its Electric Line Extension Schedule 51 (“Schedule 51”).

Schedule 51 incorporates average costing for electrical facilities commonly used to extend service. The Company states that Schedule 51 sets forth “Basic and Exceptional Costs” that have a fixed and variable component, with the variable component stated on a cost-per-foot basis and are consistently used for electric line extensions.

STAFF REVIEW

Staff reviewed the Company's Application and recommends approval of the update in average costs and construction allowances to the Company's Electric Line Extension Schedule 51. As a result of its investigation, Staff concludes the Company's method for calculating average costs is consistent with past Schedule 51 filings, and Staff believes that the proposed construction allowances are based on embedded line extension costs from the last general rate case and are reasonable. This recommendation is based on Staff's review of the workpapers provided with the application, meetings and correspondence with the Company, and the Company's responses to Staff's production requests.

Staff proposes a change to the Administrative Changes proposed by the Company. Staff asserts that the Company's proposed change from "Basic Cost" to "Basic and Exceptional Cost" was confusing, and Staff worked with the Company to develop a clearer explanation of Basic and Exceptional costs definitions.

A. Update Calculation

1. Construction Allowances

The Company updated the allowances applicable to new residential, commercial, and industrial customer services. The Company continues to use an embedded cost method for calculating the revised allowances that is designed to ensure similar investment in distribution/terminal facilities as those in current facilities reflected in base rates. The following table summarized the proposed allowance changes:

Table 1. Proposed Allowance Changes

<u>Service Schedule</u>	<u>Existing</u>	<u>Proposed</u>
Schedule 1 Individual Customer (per unit)	\$ 1,900	\$ 2,065
Schedule 1 Duplex (per unit)	\$ 1,520	\$ 1,650
Schedule 1 Multiplex (per unit)	\$ 1,140	\$ 1,240
Schedule 11/12 (per kWh)	\$ 0.15486	\$ 0.16674
Schedule 21/22 (per kWh)	\$ 0.14218	\$ 0.15360
Schedule 31/32 (per kWh)	\$ 0.24688	\$ 0.26623

Staff verified that the Company utilized its Cost of Service study from its most recent general rate case filing,¹ updated for the base rates approved in Order No. 35156 as the basis of the embedded costs calculation. Staff has reviewed the calculations for the proposed allowances and believes the allowances are accurate.

2. Average Costs

Staff reviewed the Company's filing, workpapers, and production responses, and Staff agrees with the Company's change to its average costs. These costs are calculated using recent average actual costs for facilities including transformers and conduit which are commonly used for line extensions. The Company has used this method to update its line extension costs previously for Schedule 51.² The Company proposes to update both overhead and underground circuit line extensions for primary and secondary voltages, as well as service for either underground or overhead installations. Pad-mount and overhead transformer costs were also updated. *See* Table No. 2 *infra*. Subsequently, residential development costs were updated to reflect these revised costs. *See* Table No. 3 *infra*.

The largest percentage increase to the proposed cost changes during 2021 was in the variable cost for underground primary and secondary circuits due to an increase in 2-inch and 3-inch conduit. Chemical suppliers for thermoplastic resins used in the manufacturing of electrical conduit saw significant price increases during the past year. These resin suppliers located primarily along the Texas gulf coast were taken offline due to hurricanes and storms affecting supplies to the market. Per the US Bureau of Labor Statistics, Producer Price Index thermoplastic resins from November 2020 to November 2021 increased by nearly 50%. Staff confirmed this information and believes the Company's basis for the increase in costs are reasonable. Both the present and proposed costs including the percent change are shown in Table No. 2 below.

¹ *See* Case No. AVU-E-21-01.

² *See* Case No. AVU-E-00-1; Order No. 28562.

Table 2. Summary of Proposed Cost Changes

	<u>Present</u>	<u>Proposed</u>	<u>% Change</u>
<u>Overhead Primary Circuit</u>			
Fixed Cost	\$ 4,677	\$ 4,521	-3.3%
Variable Cost	\$ 9.17	\$ 8.75	-4.6%
<u>Underground Primary Circuit</u>			
Fixed Costs	\$ 1,920	\$ 1,958	2.0%
Variable Costs	\$ 10.01	\$ 11.15	11.4%
<u>Underground Secondary Circuit</u>			
Fixed Costs	\$ 394	\$ 392	-0.3%
Variable Costs	\$ 8.60	\$ 11.55	34.3%
<u>Overhead Secondary Circuit</u>			
Fixed Costs	\$ 1,936	\$ 1,843	-4.8%
Overhead Service Circuit	\$ 4.27	\$ 3.96	-7.3%
Underground Service Circuit	\$ 8.43	\$ 9.14	8.4%
Overhead Transformer	\$ 2,345	\$ 2,508	7.0%
Padmount Transformer	\$ 3,477	\$ 3,597	3.5%

The Company asserts that because of these increases, residential development costs are also higher as shown in Table 3 below. Staff believes that the proposed updates reflect the increases in cost inputs.

Table 3. Residential Development Cost Changes

<u>Residential Developments</u>	<u>Present</u>	<u>Proposed</u>
Total Cost per Lot	\$ 1,772	\$ 2,070
Less: Service Cost	\$ 422	\$ 458
Developer Responsibility	\$ 1,350	\$ 1,612
Developer Refundable Payment	\$ 1,350	\$ 1,612
Builder Non-Refundable Payment	\$ -	\$ 5
Allowance	\$ 1,900	\$ 2,065

B. Administrative Changes

The Company proposes to update its terminology to change the term “Basic Cost” to “Basic and Exceptional Cost.” The Basic and Exceptional Cost will continue to cover all costs necessary to construct the line extension and will not impact the price customers pay for line extensions. The

Company realized that there is difficulty in understanding the provision outlined in the Company's tariff Schedule regarding Basic Cost, and in order to make Schedule 51 easier for customers to understand, the Company proposes to update its terminology to avoid confusion.

In Staff's review of the proposed change from "Basic Cost" to "Basic and Exceptional Cost," Staff determined that the terminology was still subject to confusion. Staff worked with the Company to develop separate definitions for "Basic Cost" and "Exceptional Cost" that provide greater clarity and will reduce confusion for customers. Staff recommends the Company submit a compliance filing updating Schedule 51 with the separate definitions following a Commission order.

C. Customer Notice

The Company's customer notice was included with its Application. Staff reviewed the document and determined that it meets the requirements of Rule 125 of the Commission's Rules of Procedure (IDAPA 31.01.01). The notice was mailed to the relevant customers on March 23, 2022, providing a reasonable opportunity to file timely comments with the Commission by the May 18, 2022, comment deadline. As of May 17, 2022, the Commission has received no comments from customers.

STAFF RECOMMENDATIONS

Staff believes the Company's proposals are reasonable and conform with Commission Order No. 28562. Staff recommends the Company's proposed costs be approved. Staff recommends that the new definitions of "Basic Cost" and "Exceptional Cost" be included in the Company's new Schedule 51 Tariff as a compliance filing.

Respectfully submitted this 18th day of May 2022.



Chris Burdin
Deputy Attorney General

Technical Staff: Kathy Stockton
Rick Keller
Robin Maupin
Curtis Thaden

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 18TH DAY OF MAY 2022, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-22-05, BY E-MAILING A COPY THEREOF, TO THE FOLLOWING:

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SECRETARY

CERTIFICATE OF SERVICE