

MICHAEL DUVAL  
DEPUTY ATTORNEY GENERAL  
IDAHO PUBLIC UTILITIES COMMISSION  
PO BOX 83720  
BOISE, IDAHO 83720-0074  
(208) 334-0320  
IDAHO BAR NO. 11714

RECEIVED  
2023 APR 12 PM 3:51  
IDAHO PUBLIC  
UTILITIES COMMISSION

Street Address for Express Mail:  
11331 W CHINDEN BLVD, BLDG 8, SUITE 201-A  
BOISE, ID 83714

Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER AVISTA’S ANNUAL RATE )**  
**ADJUSTMENT FILING FOR ELECTRIC ) CASE NO. AVU-E-23-03**  
**LINE EXTENSION SCHEDULE 51 )**  
**) COMMENTS OF THE**  
**) COMMISSION STAFF**  
**)**

---

**STAFF OF** the Idaho Public Utilities Commission, by and through its Attorney of record, Michael Duval, Deputy Attorney General, submits the following comments.

**BACKGROUND**

On March 1, 2023, Avista Corporation dba Avista Utilities (“Company”) applied for Commission approval to update costs and make administrative changes to the Company’s Electric Line Extension Schedule 51 (“Schedule 51”) (“Application”). The Company requested a May 1, 2023, effective date.

Schedule 51 incorporates average costing for electrical facilities commonly used to extend service. The Company stated 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. Application at 2. The Company represents average costing has worked well and is not proposing to change the conceptual structure of the tariff in the Application. *Id.*

## STAFF REVIEW

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

### Update Calculation

#### *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 are reflected in base rates. The following table summarizes the proposed allowance changes.

**Table No. 1: Proposed Allowance Changes**

| <b><u>Service Schedule</u></b>            | <b><u>Existing</u></b> | <b><u>Proposed</u></b> |
|---|------------------------|------------------------|
| Schedule 1 Individual Customer (per unit) | \$ 2,065               | \$ 2,095               |
| Schedule 1 Duplex (per unit)              | \$ 1,650               | \$ 1,675               |
| Schedule 1 Multiplex (per unit)           | \$ 1,240               | \$ 1,260               |
| Schedule 11/12 (per kWh)                  | \$ 0.16674             | \$ 0.16986             |
| Schedule 21/22 (per kWh)                  | \$ 0.15360             | \$ 0.15731             |
| Schedule 31/32 (per kWh)                  | \$ 0.26623             | \$ 0.27217             |

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

### *Average Costs*

In its Application, the Company proposed updates to primary, secondary, service and transformer average costs. These costs are calculated using recent average actual costs for components including transformers and PVC Sweeps which are commonly used for line extensions. The Company has used this method to update its line extension costs previously for Schedule 51. 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. Subsequently, residential development costs were updated to reflect these revised costs.

The Company indicates that increased costs in materials, labor, and transportation are the primary drivers of the update. Demand from competing markets, supply chain disruptions, and the conflict in Ukraine have increased the costs of materials such as electric steel and aluminum. Additionally, supply shortages in resin and thermo-plastics have increased the prices of PVC products. These increases are demonstrated by large increases in individual component costs such as transformers, meters, pipe, conduit, and sweeps. A comparison of the largest individual component cost increases is shown in Table No. 2 below.

**Table No. 2: Summary of Individual Component Cost Increases**

|                     | <b><u>December 2021</u></b> | <b><u>December 2022</u></b> | <b><u>% Change</u></b> |
|---------------------|-----------------------------|-----------------------------|------------------------|
| Transformer – 25KVA | \$1,700                     | \$4,820                     | 183.5%                 |
| Transformer – 50KVA | \$2,255                     | \$5,660                     | 151.0%                 |
| Sweep PVC 3inch     | \$10.32                     | \$26.72                     | 158.9%                 |

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. 3 below.

**Table No. 3: Summary of Proposed Cost Changes**

|   | <u>Present</u> | <u>Proposed</u> | <u>% Change</u> |
|---|----------------|-----------------|-----------------|
| <b><u>Overhead Primary Circuit</u></b>      |                |                 |                 |
| Fixed Cost                                  | \$ 4,521       | \$ 4,875        | 7.8%            |
| Variable Cost                               | \$ 8.75        | \$ 9.63         | 10.1%           |
| <b><u>Underground Primary Circuit</u></b>   |                |                 |                 |
| Fixed Cost                                  | \$ 1,958       | \$ 2,232        | 14.0%           |
| Variable Cost                               | \$ 11.15       | \$ 13.07        | 17.2%           |
| <b><u>Underground Secondary Circuit</u></b> |                |                 |                 |
| Fixed Cost                                  | \$ 39          | \$ 600          | 53.0%           |
| Variable Cost                               | \$ 11.55       | \$ 14.38        | 24.5%           |
| <b><u>Overhead Secondary Circuit</u></b>    |                |                 |                 |
| Fixed Cost                                  | \$ 1,843       | \$ 1,976        | 7.2%            |
| <b><u>Overhead Service Circuit</u></b>      |                |                 |                 |
|   | \$ 3.96        | \$ 4.04         | 2.0%            |
| <b><u>Underground Service Circuit</u></b>   |                |                 |                 |
|   | \$ 9.14        | \$ 11.41        | 24.8%           |
| <b><u>Overhead Transformer</u></b>          |                |                 |                 |
|   | \$ 2,508       | \$ 3,615        | 44.1%           |
| <b><u>Pad mount Transformer</u></b>         |                |                 |                 |
|   | \$ 3,597       | \$ 7,598        | 111.2%          |

The Company asserts that because of these increases, residential development costs are also higher as shown in Table No. 4 below. Staff believes that the proposed updates reflect the increases in cost inputs.

**Table No. 4: Residential Development Cost Changes**

| <u>Residential Developments</u> | <u>Present</u> | <u>Proposed</u> |
|---------------------------------|----------------|-----------------|
| Total Cost per Lot              | \$ 2,070       | \$ 2,947        |
| Less: Service Cost              | \$ 458         | \$ 572          |
| <b>Developer Responsibility</b> | \$ 1,612       | \$ 2,375        |
| Developer Refundable Payment    | \$ 1,612       | \$ 2,095        |
| Builder Non-Refundable Payment  | \$ 5           | \$ 852          |
| Allowance                       | \$ 2,065       | \$ 2,095        |

Each year, standard labor hours, materials, and vehicle support are combined with the work management system's latest cost averages and overhead to produce the various line extension cost estimates. Through discovery, the Company states that the inputs for development work orders are based on informed judgement of employees with recent construction experience. *See* Response to Production Request No. 2 (c). From this response, Staff assumes that the labor hours, materials, and vehicle support for each type of line extension work were estimated based on employee experience. After a review of the information, Staff believes that the estimates are reasonable; however, the quality of evidence for these estimates could be improved by providing actual data, and/or third-party reputable benchmarks to support the estimates. For future updates, Staff recommends that the Company clearly identify the hours, materials, and vehicle support it assumed for each type of line extension work, it identify any changes from the previous year, and it provide evidence and justification for the changes. Specifically, Staff recommends that the Company provide actual work order examples for each type of line extension work to provide confirmation of the standard estimates.

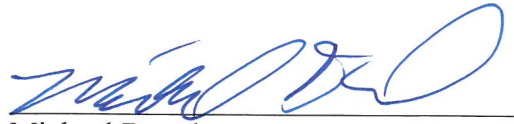
### **Customer Notice**

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 8, 2023, providing a reasonable opportunity to file timely comments with the Commission by the April 12, 2023, comment deadline. As of April 11, 2023, 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 and allowances be approved. Additionally, for future updates, Staff recommends that the Company clearly identify the hours, materials, and vehicle support it assumed for each type of line extension work, identify any changes from the previous year, provide evidence and justification for the changes, and provide actual work order examples for line extension work.

Respectfully submitted this 12<sup>th</sup> day of April 2023.



Michael Duval  
Deputy Attorney General

Technical Staff: Jason Talford  
Matt Suess  
Joseph Terry  
Ty Johnson  
Curtis Thaden  
Kevin Keyt

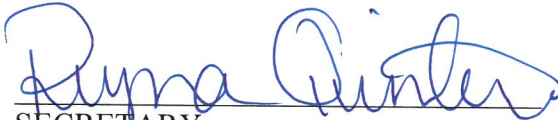
i:umisc/comments/avue23.03mdijt comments

## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 12<sup>th</sup> DAY OF APRIL 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NO. AVU-E-23-03, BY E-MAILING A COPY THEREOF TO THE FOLLOWING:

PATRICK EHRBAR  
DIR OF REGULATORY AFFAIRS  
AVISTA CORPORATION  
PO BOX 3727  
SPOKANE WA 99220-3727  
E-mail: [patrick.ehrbar@avistacorp.com](mailto:patrick.ehrbar@avistacorp.com)  
[avistadockets@avistacorp.com](mailto:avistadockets@avistacorp.com)

DAVID J MEYER  
VP & CHIEF COUNSEL  
AVISTA CORPORATION  
PO BOX 3727  
SPOKANE WA 99220-3727  
E-mail: [david.meyer@avistacorp.com](mailto:david.meyer@avistacorp.com)

  
SECRETARY