



Avista Corp.

1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

Via Electronic Filing

November 25, 2015

Public Utility Commission of Oregon
Attn: Filing Center
PO Box 2148
Salem, OR 97308-2148

RE: UG 288 – Reply Testimony Replacement Pages

Enclosed for filing with the Commission are replacement pages 9 and 10 of Exhibit No. Avista/1500 (Webb) and page 10 of Exhibit No. Avista/1400 (Schuh) in Docket No. UG-288. Please direct any questions regarding this filing to Patrick Ehrbar at (509) 495-8620.

Sincerely,

A handwritten signature in black ink, appearing to read "David J. Meyer", is written over a horizontal line.

David J. Meyer
Vice President and Chief Counsel for Regulatory
and Governmental Affairs

Enclosure

1 approximately \$8.3 million for Oregon operations.

2 The Aldyl-A pipe replacement project is a 20-year program to systematically replace
3 select portions of the DuPont Aldyl A pipe found in the Company's natural gas distribution
4 system in Oregon, Idaho and Washington. The Company started this program in Oregon in
5 2012 and included Aldyl A capital additions starting in Docket No. UG-246, where on
6 November 1, 2014, approximately \$261,000 of revenue requirement was included in rates.
7 As described in that Docket, the Company is taking a systematic approach over time to
8 replace this natural gas pipe. In this current docket, the Company is proposing to recover
9 approximately \$6.3 million in plant additions related to Aldyl A in 2015. This project
10 transfers to plant on a monthly basis, and through September 30, 2015, approximately \$5.4
11 million of capital additions have transferred to service. Of the \$6.3 million transferring to
12 plant this year, approximately \$1.04 million is an increase over 2014 levels of Aldyl A. The
13 increased level of spending for 2015 is a part of the overall systematic program to address
14 risks.

15 The Ladd Canyon and East Medford projects are also projects that are necessary in
16 order to provide safe and reliable service to Oregon customers now and in the future. The
17 Ladd Canyon project is approximately \$1.65 million and will be in service in December of
18 2015. The East Medford Reinforcement project will cost approximately \$5 million, and will
19 also be in service by the end of 2015 [mid-January of 2016, before rates go into effect]. Mr.
20 Webb in his Reply testimony, discusses why these projects are necessary at this time.

21 **Q. Apart from these four "lumpy" capital additions for 2015, how does the**
22 **level of capital investment for 2015 compare to other years?**

23 A. The illustration below shows the capital additions for Oregon operations in
24 2015, as compared to other years, after isolating these four "lumpy" projects.

1 **Q. Would you please provide an overview of the East Medford**
2 **Reinforcement project?**

3 A. Yes. The East Medford High Pressure Reinforcement project has been a
4 multi-year project to install a 12” steel gas main in order to complete a supply main loop
5 around the city of Medford. Completion of this loop will improve both capacity and
6 reliability to the customers of the Medford area and will help meet current capacity demands
7 as well as support future residential, commercial, and industrial load growth. The
8 Commission may be familiar with this project, as the majority of the project (approximately
9 ~~\$15~~[10] million of the expected total of approximately \$20[15] million) has already been
10 approved by the Commission for inclusion in rates. This project was first included in
11 Avista’s 2007 general rate case (Docket No. UG-181). In Docket No. UG-181, Avista’s
12 initial project plan was to complete this reinforcement as a three-phase project, with the first
13 phase to be completed in July 2008, the second phase in October 2008, and the third phase
14 in October 2009. Subsequent to Docket No. UG-181, the project plan was updated,
15 consistent with the regular evaluation of project prioritization that was discussed earlier in
16 my testimony. As a result, the project timeline (including the feet of pipe completed in each
17 phase) is currently as follows (see Exhibit No. 1501 for a map showing the various phases):

18 **Table No. 1: East Medford Reinforcement Project Phases**

<u>Phase</u>	<u>Year</u>	<u>Feet of Pipe</u>
Phase 1a	2008	7,500'
Phase 2	2008	18,500'
Phase 1b	2009	7,300'
Phase 3	2009	12,800'
Phase 4	2013	1,000'
Phase 5	2015	16,400'

Phase 5 represents the portion of the East Medford reinforcement that is currently under construction, and which is contested by Mr. Moore. This phase is expected to be completed and in service by the end of 2015 [mid-January, before rates go into effect].

The following Table No. 2 illustrates the East Medford Reinforcement project gross rate base additions approved for inclusion in revenue requirements in Avista’s general rate case filings, since the beginning of the project.

Table No. 2: East Medford Reinforcement Project in Regulatory Proceedings

Year	Case	Gross Rate Base Addition	Order #	Excerpt from Order
2007	UG-181	Pro forma investment: \$5.0 million	08-185	<i>In the second stage, effective on or after November 1, 2008, Avista may increase its revenue requirement to include the capital costs of the East Medford Reinforcement Project. (at p. 3)</i>
2009	UG-186	2008 investment (in base year): \$4.7 million Pro forma investment: \$4.5 million	09-422	<i>Avista itemizes its forecasted system-wide general plant improvements and its Oregon gas distribution expenditures for 2009 and 2010. The Company states that it is adding significant new distribution facilities in Oregon, due to customer growth, reliability requirements, and capacity upgrades. Other issues driving the need for capital investment include an aging infrastructure, physical degradation, and municipal compliance issues. Avista also reports sharply higher costs for much of its materials. (at p. 4)</i>
2013	UG-246	\$0.7 million	14-015	
Total		\$14.9 million [\$10.2 million]		

Q. Why was the final phase delayed from 2009, as originally presented to the Commission in Docket No. UG-181?

A. As I have previously mentioned, with the limited availability of capital investment dollars, natural gas distribution projects must be prioritized in order to ensure that necessary system investments are completed to maintain and improve system reliability. Subsequent to Docket No. UG-181, the natural gas distribution project prioritization process identified other capacity projects that rose to even higher priority levels than the completion