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January 22, 2016

Public Utility Commission of Oregon
Attn: Filing Center
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RE: Docket No. UG 288 – Final Brief of Avista Corporation

Attached for filing with the Commission is the Final Brief of Avista Corporation in Docket No. UG-288.

Please direct any questions regarding this filing to Patrick Ehrbar at (509) 495-8620.

Sincerely,

David J. Meyer
Vice President and Chief Counsel for Regulatory
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Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

In the Matter of
AVISTA CORPORATION, dba AVISTA UTILITIES

Request for a General Rate Revision

DOCKET NO. UG-288

FINAL BRIEF OF AVISTA CORPORATION

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TABLE OF CONTENTS

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UG 288

In the Matter of AVISTA CORPORATION, dba AVISTA UTILITIES Request for a General Rate Revision	)	FINAL BRIEF OF AVISTA CORPORATION

COMES NOW, Avista Corporation ("Avista" or the "Company") and respectfully submits its Final Brief in the above-captioned matter, responding to the Reply Briefs of Staff, NWIGU, and CUB. At the outset, the Company observes that its Post-Hearing Brief systematically laid out the issues and marshalled the evidence of record in support of the Company's position. This Final Brief will not exhaustively reiterate this evidence; rather, it provides an opportunity to step back and address the bigger questions at stake: concerning safety, reliability, the investment in needed infrastructure in Oregon, prudent management of pension assets, and whether the positions of the other parties will produce an "end result" that is reasonable.

Avista appreciates the opportunity to present these issues directly to the Commission, having not had the opportunity to do so by virtue of prior settlements; in this way, it can receive guidance as it seeks to meet its obligation to provide safe, reliable and cost-effective service for its customers in Oregon. As in the past, the Company is operating in good faith to meet its public service obligations. At its core, this case is about the level of capital necessary to provide safe and reliable service in Oregon, and the cost of that capital (i.e., ROE/Capital Structure).

I. STAFF'S RECOMMENDATIONS CONCERNING THE RECOVERY OF PLANT INVESTMENT ARE WOEFULLY INADEQUATE

But for issues surrounding the timing of two capital projects (East Medford/Ladd Canyon), this is not a case where the need for capital investment has been challenged in any meaningful way by any party. That is to say, the only two projects, whose prudency was directly challenged (East Medford/Ladd Canyon) were not challenged based on need, but only with respect to whether they were implemented a year or two early.[1]

In its Reply Brief, Staff argues that it is "not persuaded by the evidence and testimony submitted by Avista in support of its capital additions request of $47.6 million."[2] This $47.6 million reflects $45.6 million of capital for 2015 plus an additional $2 million for customer hookups for the first quarter of 2016, as noted by Staff.[3] Contrary to the assertions of Staff, and as will be discussed below, Avista has provided substantial support for the level of expenditures for plant that will be in service well before the new rates go into effect. Indeed, even as of September 30, 2015, the Company had already transferred to service approximately $27.3 million of the $47 million of rate base that it proposed, and is on track to transfer the remaining amount before new rates go into effect.[4]

In its Reply Brief, Staff argues that its recommended use of a 7.75% growth rate (based only on average capital additions for the period 2002-2013) should be used as a benchmark to reduce recognized capital by approximately $30 million.[5] Staff employed a growth rate of 7.75%, based on a prior time period (2002-2013) that is arbitrary and simply not representative of the Company's current capital investment.

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1 Staff withdrew its objections to capital investment in Project Compass. (See Staff Reply Brief at page 12).
2 Staff Reply Brief at page 12, lines 22-24.
3 Id. at Note 6, page 12.
4 Avista/1400, Schuh/4.
5 Staff Reply Brief at pages 12-13.

Staff's approach is arbitrary and capricious on its face. Without any demonstration whatsoever of imprudence, Staff arbitrarily removed or otherwise reduced plant additions through the use of a cap or "target" of 7.75% for 2015 capital investment.[6] In so doing, Staff has removed $30 million of net plant that will be providing service to Avista's customers, without any demonstration that this plant is not needed to provide safe and reliable service to the Company's customers.

A. Staff Does Not Support Its Positions With Credible Evidence.

How did Staff get to its position? By its own admission, it begins by using the cap of 7.75%, and then apparently works backwards to arrive at reductions to various plant accounts. In the words of Staff Witness Moore, "Staff arrives at this adjustment of $30 million by setting a target for growth of net utility plant of 7.75 percent, which equates to a rate base addition of approximately $16.4 million." (Emphasis added)[7] The entirety of Staff's testimony explaining the calculation of this adjustment is confined to a single page (Staff/600, Moore/15), wherein Staff Witness Moore mechanically applies the 7.75% "target," in order to justify a net $30,024,722 downward adjustment. That page is included as page 1 of Appendix A to this Final Brief. Then, in a single sentence, Mr. Moore instructs the reader to "[p]lease refer to Exhibit Staff/606 Excel workpapers for the details of my recommended adjustment."[8] When one, then, turns to that referenced workpaper (also attached as page 2 of Appendix A), one sees a single page with arbitrary reductions to a dozen different plant categories, but with no meaningful explanation of either why there was any reduction or how he arrived at such a reduction. That, in a nutshell, is the full extent of the Staff's case and that is not enough to justify

[6] It arrived at this by examining historical net plant between 2002 and 2013 and computing an average net plant increase during that time period of 7.75%. It then applied this to the Company's 2014 AMA balance of $210.76 and determined that a limit or a cap of $16.33 million should be placed on net plant investment for 2015. (Staff/600, Moore/15, line 12).

[7] Staff/600, Moore/15, lines 6-8).

[8] Id. at lines 14-15.

the removal of over $30 million of plant that is already in service in Oregon.[9] If the Commission chooses to adopt Staff's proposal, it will be doing so based on the lack of credible evidence that would support findings of fact with respect to each of the disallowed capital projects.

To begin with, in Staff testimony addressing capital projects, concerns were expressed with respect to only the following projects:

- Project Compass: (Staff/600, Moore/2, 5-6) (Staff/1300, Johnson) [$1.2M]
- Technology Refresh to Sustain Business Process (#5005): (Staff/600, Moore/10-11) [$1.860M]
- COF HVAC Improvement (#7101): (Staff/600, Moore/11-12) [$955K]
- East Medford Reinforcement (#3203): (Staff/600, Moore/12-14) [$5M]

Project Compass is no longer an issue with Staff, as noted in their Reply Brief. The remaining projects represent $7.8 million of the $47.6 million of capital projects included in the Company's case.

Staff then concludes its testimony with a simple reference to a one-page workpaper for additional explanation: "Please refer to Exhibit Staff/606 Excel workpapers for the details of my [Moore] recommended adjustment."[10] That workpaper is attached as page 2 of Appendix A.

Only a very cursory explanation is provided in the preamble to this workpaper. Let's examine that more carefully. The first sentence reads: Staff adjustments for programmatic capital projects reflect an allowance for the yearly average of spending in 2010-2014."[11] But does it? Page 3 of Appendix A highlights all the "programmatic capital projects" and demonstrates that in 13 cases (e.g., Transp. Equipment (#7000); Gas Distribution non-revenue (#3005); Overbuilt

[9] For example, when one examines his one-page workpaper, there is no explanation whatsoever for why Staff Witness Moore removed $1,860,000 associated with 5005-Tech Refresh, or, for that matter, why he included $157,000 but removed $313,000 for Enterprise Security System investment. The same question could be asked of virtually every adjustment made by Staff in this regard.

[10] Staff/600, Moore/15, lines 14-15.

[11] Staff Exhibit/606, Moore.

Pipe Replacement (#3006); Jackson Prairie Storage), Staff recommended no capital recovery whatsoever.[12] (It did not even capture the yearly averages for 2010-2014 as represented.) In the remaining 6 cases, Staff Witness Moore included only a portion of the capital with no apparent rationale: For example, of the $3.477 million of capital associated with "Gas Replacement – Streets and Highways" (#3003) he only allowed $1.5 million; for replacement of "Isolated Steel" (#3007), he only allowed $200,000 out of $850,000 of investment. Staff provides nothing in the record to support this.[13]

Turning to the second sentence of the preamble: "Adjustments for certain discrete projects such as website redevelopment and campus restructuring reflect Staff questions regarding the prudence of the cost, as well as benefit to customers."[14] (emphasis added) Those projects are highlighted on page 4 of Appendix A. There was no Staff testimony whatsoever that even addressed Website Development (#5143) discussing "questions regarding the prudence of the cost."[15] The same holds true for Campus Re-Structuring (#7126 and #7131). And yet, Staff removes all capital without any supporting testimony.

Finally, turning to page 5 of Appendix A, this page highlights what is presumably referenced as "growth distribution projects" in the preamble to Staff/606, Moore:

> "Growth distribution projects were disallowed absent a showing of need. The IRP indicates relatively flat demand for the next few years, and forecast data in the

[12] For example, Staff has arbitrarily removed $600,000 for the Bonanza Gate Station Move. (Ibid) As explained in the testimony of Company Witness Schuh (Avista/600, Schuh/19), Gas Transmission Northwest ("GTN") had requested that Avista relocate the metering and odorizing equipment at the Bonanza Meter Station to a nearby location. As explained by the Company, working with GTN to move this equipment will allow the Companies to share the cost of this move equitably between the parties. (Avista/600, Schuh/19, lines 12-16) And yet, this $600,000 adjustment was removed entirely by Staff Witness Moore, again without a word of explanation. Similarly, he removed all of the capital maintenance associated with the Jackson Prairie Storage Facility, without a word of explanation. (Staff Exhibit 606, Moore/4)

[13] Mr. Moore's Exhibit 602 containing budget transfers to plant for 2010-2014 doesn't mathematically support it either. For example, a five-year average of "budget" investment for "Isolated Steel – Replacement" shown in Mr. Moore's Exhibit 602 is mathematically derived as $633,265 – and yet he only allows $200,000. Staff's Exhibit 602/Moore is the only place in the record where transfers to plant are found – and even they are "budget" not "actual".

[14] Staff Exhibit/606, Moore.

[15] Ibid.

response to DR 193 shows a decrease in the number of customers from 2013-2015."

To begin with, Staff allows no distribution capital for 2016 (even though 2016 revenues from new customer hookups are included in the 2016 test period. Equally as problematic is that there is no explanation of how he arrived at his numbers for 2015 growth capital. For example, of the Gas Revenue Growth (#1001) capital of $3.846 million, Staff Witness Moore only allowed $500,000; of the Gas Meters Growth (#1050) capital of $658,000, he only allowed $85,000. He provides no further explanation. Nor can those numbers be derived from any other numbers in the record. (They are not based on a five year average of budgeted spending – 2010-2014, as is obvious from even a cursory examination of his Staff Exhibit 602.)[16]

At the end of the day, Staff's numbers are not supported by the record. It should be readily apparent that they simply worked backward from a $16.3 million allowance arrived at by multiplying 7.75% times 2014 net plant.[17] This resulted in the disallowance of $30 million of capital, which they then arbitrarily spread across various capital projects in their one-page workpaper.[18] The Company – and indeed, this Commission – are left with no evidence to examine in support of Staff's arbitrary position. If Staff has a legitimate concern over prudence, it should express its concerns in a way that the Company can respond to and that this Commission can address. The Commission has not been provided with evidence sufficient to allow it to understand how Staff Witness Moore cherry-picked among the adjustments and why he chose to remove 27 projects entirely.

Remarkably, Staff asserts that the 7.75% "target for growth" is a "generous allowance" as it represents a "historical average that is higher than the Company's system-wide average

[16] The only other explanation in the preamble of Staff Exhibit 606 is a reference to East Medford, and that is discussed elsewhere in this Brief.
[17] Staff/600, Moore/15, line 12.
[18] Staff/606, Moore/4.

growth."[19] That curious statement warrants further examination. First of all, this Commission has never established a prudency standard based on "system-wide average growth" for a multi-jurisdictional utility. Nor does it use "system-wide average growth" across various jurisdictions for determining reasonable operating expenses or revenues.

Moreover, its characterization of 7.75% as a "generous allowance" is equally remarkable. As mentioned, this would allow the Company to only recover $16.33 million out of $47 million of rate base that is in service; this effectively removes 55%, (or 27) of the projects that are needed to run the day-to-day operations of the Company, as explained by Company Witness Schuh.[20] As she explained, these projects include those needed to replace pipe, improve public safety, relocate pipe that is experiencing encroachment issues and capital maintenance to the Jackson Prairie Storage Facility, to name just a few. These were not even considered for recovery.[21]

In its Brief, Staff argues, on the one hand, that there is "no 'lumpiness' to Avista's capital spending pattern, only a steady and dramatic increase in rate base over the last 10 years."[22] In the same paragraph, however, it acknowledges that "growth rates range from a level of 1.8% in 2004 to a high of 18.9% in 2008."[23] In point of fact, as Staff apparently recognizes, there is "lumpiness" in capital spending, and that is to be expected; indeed, Staff even says it "agrees with the 'lumpiness of investment' principle in theory."[24] But then, Staff takes issue with the

[19] Staff Reply Brief at page 13.
[20] Avista/1400, Schuh/4, lines 2-6.
[21] Ibid.
[22] Staff Reply Brief at page 14, lines 11-12.
[23] Id. at lines 5-6.
[24] Id. at lines 4-5.

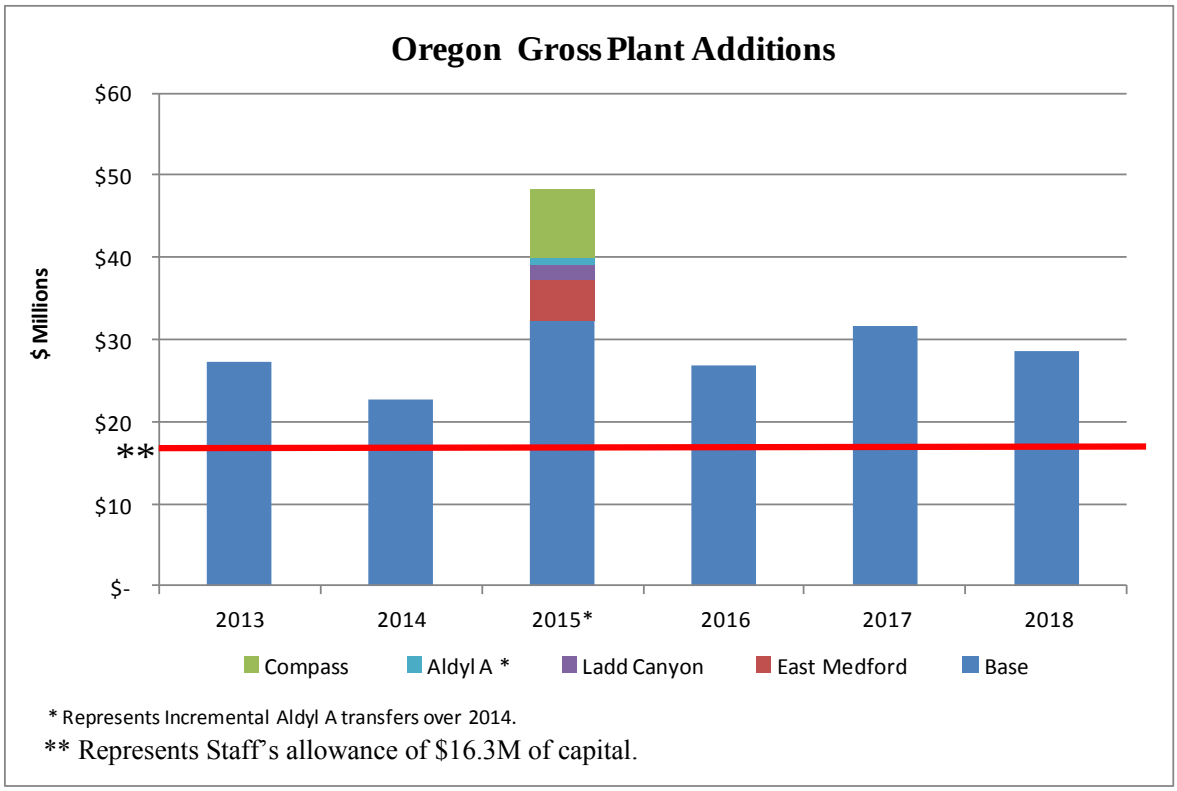
22% increase in 2015, believing it to be a dramatic departure from prior history[25] Even though it is not altogether different than the nearly 19% increase noted by Staff in 2008.[26]

Staff even acknowledges in its Brief that Project Compass, the Aldyl-A Pipe Placement Program, the East Medford Project, and the Ladd Canyon Project alone comprise $21.2 million[27] – which is well above even the $16.3 million of capital allowed by Staff. Staff does not take issue with Project Compass or Aldyl-A Pipe Replacement or Ladd Canyon; its concerns over the timing of East Medford are otherwise addressed below. Therefore, even taking into account these four projects alone, the level of recoverable capital investment exceeds Staff's recommendation, leaving nothing left for 29 other capital projects that were placed in service in 2015.[28]

To compound the problem, in removing other capital projects, it removed growth capital projects for 2015, even though Staff has otherwise imputed revenues derived from that customer growth for purposes of arriving at the 2016 revenue requirement.

Indeed, the "lumpiness" of 2015 capital expenditures is understandable, given the combined effect of Project Compass, Aldyl-A and the completion of the Medford Reinforcement and Ladd Canyon Projects. This was shown in Illustration No. 2 set forth in Avista's Post-Hearing Brief at page 14, which is reproduced yet again, below.

[25] Id. at page 14, lines 25-26.
[26] Ibid.
[27] Staff Reply Brief at page 14, lines 16-21.
[28] Staff Reply Brief at page 14, lines 16-18.



Superimposed on the above bar chart is Staff's recommended allowance of only $16.3M of capital.

Next, in its Reply Brief, Staff makes the following curious assertion: "While Staff agrees that Avista needs to invest in plant to ensure it provides safe and reliable service, Staff remains very concerned with the Company's dramatic increase in capital investment in the context of flat customer growth and declining sales in gas volumes." (Emphasis in original)[29] The true import of that statement is troubling: Should the Company stop or scale back its investment in capital projects designed to provide "safe and reliable service," in the face of "flat customer growth?" Of course not. And, to suggest such a thing, ignores the very foundation of the Company's obligation to provide safe and reliable service.

Staff then asserts that Avista "seems to think that it is enough to meet this burden [of showing that investments are necessary and prudent] by merely asserting that the overall

[29] Staff Reply Brief at page 16, lines 19-21.

spending is prudent."[30] That is not true; it has done much more. Avista has gone well beyond a discussion of its overall level of spending. Nor is it true, as suggested by Staff, that the Company's documentation in support of its capital budget is "inadequate" or that these projects were "not adequately supported."[31] The Company is faulted for not performing a "rigorous evaluation of the projects" to assure that they will benefit customers.[32] We have already seen the level of support provided by Staff to justify the disallowance of more than $30 million of capital projects in service in 2015 – virtually none. (It consists of a single workpaper reproduced as page 2 of Appendix A to this Brief.) The Company understands that it is incumbent upon it to provide the documentation necessary to support the need for capital projects (and this it did provide, as discussed below). But it is also incumbent upon Staff and Intervenors to examine the evidence that was presented and specifically identify the imprudence of particular expenditures and explain why. This was not done.[33]

B. Evidence Provided By the Company Was Substantial and Credible.

So let's begin by examining what was provided in the record by the Company: The Company began by specifically providing a description of each of the nearly 40 capital projects included in the filing. (For ease of reference, these descriptions are contained within the excerpted pages of Company Witness Schuh at pages 8-19 of Exhibit Avista/600; these pages are included in Section 1 of Appendix B.)

Next, the Company provided, for the record, the Capital Program Business Case template for each of these projects (also reproduced as Section 2 of Appendix B). Each of these Business Cases provide a financial, strategic, business and program risk assessment. After describing each

[30] Id. at page 16, lines 23-24.
[31] Id. at page 17, lines 7-20.
[32] Staff Reply Brief at page 17, lines 18-20.
[33] The only possible exception would be with respect to arguments by Staff and CUB over the timing of two projects: East Medford and Ladd Canyon, neither of which were otherwise deemed imprudent per se.

capital project, they identify the need, as well as the capital and O&M costs associated with the project over time, all of which culminates in a "business risk score" which is used for purposes of ranking and prioritizing these projects. Also, alternatives to moving ahead with the project are addressed. It should be understood that these templates are designed to bring discipline and consistency across the capital budgeting process, to allow for comparisons in the prioritization of expenditures. It should be apparent, however, that behind each of these business cases is supporting documentation, ranging from diagrams, spreadsheets, memoranda, discussion points – all of which would be far too voluminous to burden the record with – unless necessary to address specific concern raised by Staff or Intervenors. The Company, for its part, simply cannot anticipate which of the nearly 40 capital projects the Staff or Intervenors may take issue with. It serves no purpose to place every scrap of paper into the record until an issue has been raised with respect to a particular project. The sensible approach taken by the Company is to provide a very concrete description of each project in its filing, along with the Business Cases and then more particularly respond to any questions that may arise in discovery. That, in the Company's view, represents a sensible approach.

In fact, this process has worked as intended. The two projects at issue (East Medford and Ladd Canyon) make that very point. Both projects were described in the Company's filing and supported by Business Cases. Staff and Intervenors elected to conduct additional discovery (as they should) to inquire further. This, they did do, through multiple data requests,[34] in response to which Avista furnished voluminous information. In fact, the Company is always willing, on a formal or informal basis, to respond to any questions Staff or Intervenors may have in a rate case; it has always been more than willing to share information in that regard. Staff and

[34] See, e.g., CUB DR 33 (CUB/200, McGovern-Jenks); CUB OR's 44-46 (CUB/205-207, McGovern-Jenks); Staff OR's 330-344 (Staff/1400, Gardner, pages 20-51).

Intervenors have demonstrated that they know how to inquire further when necessary, as they did so with East Medford and Ladd Canyon.

The easy response to all of this, of course, is to suggest that Staff and Intervenors should not have to "drill down"; rather, it is the Company's responsibility to come forward with evidence. That is true, as far as it goes. However, the Company has brought forward evidence and made a prima facie case with detailed descriptions of these projects and associated Business Cases; the burden then shifts to those who would challenge them to raise issues of concern in such a way that the Company will have a reasonable opportunity to respond. The application of an arbitrary 7.75% "target" on allowable capital expenditures does not provide that reasonable opportunity.

Moreover, one wonders if Staff would recommend the use of the same historical average of 7.75% increase in spending to set rates if, in Avista's next filing, the rate of expenditure growth from year to year was less than that 7.75% historical average? Would Staff then recommend recovery of a level of capital expenditure that exceeded the Company's actual increase in spending? The point being, Staff cannot have it both ways.

Staff also challenges the budget approval process used by the Company's Capital Planning Group ("CPG").[35] It argues that there "does not appear to be much scrutiny beyond the Department level as to the necessity for the projects. If a Department asks for money for a project that sounds reasonable, then, if the money is available, the project is approved."[36] Again, Staff ignores the evidence. Company Witness Schuh described, in detail, Avista's capital budgeting process. As she explains:[37]

> The budget process starts with project sponsors submitting new and updated business cases to the Financial Planning and Analysis ("FP&A") group for the

[35] Staff Reply Brief at page 18, lines 1-21.
[36] Id. at lines 8-10.
[37] Avista/600, Schuh/7-8.

> upcoming five-year period. The business cases are reviewed by FP&A and then included in the list of projects and programs to be considered for funding by the Capital Planning Group (CPG). The CPG is a group of directors that represent all capital intensive areas of the Company. The CPG meets to review the submitted Business Cases and prioritize funding to conform to the capital budget limits set by senior management. After approval from senior management, the capital budget is sent to the Board of Directors for its approval of the capital budget amount for the five-year period. The CPG meets monthly to review the status of the capital projects and programs, and to approve or decline new business cases as well as monitor the overall capital budget.

In this process, however, it is erroneous to suggest that all capital projects are approved. Quite the contrary. As explained by Company Witness Schuh, in recent years there have been several projects that have not been funded due to limited capital budget dollars, demonstrating that the Company exercises discipline in the budgeting process. Below is a table excerpted from Ms. Schuh's testimony showing the funded and unfunded requests each year: [38]

Table No. 1 – Capital Investment and Capital Requests (in Millions)

Year	Total Requests	Funded Requests	Unfunded Requests
2011	$291	$230	$61
2012	$269	$250	$19
2013	$320	$266	$54
2014	$386	$331	$55

Accordingly, this is a robust process in which capital projects are prioritized and many are delayed so that higher priority projects can be completed, based on competing Business Cases.

Elsewhere, Staff argues that Oregon ratepayers "have been paying for more than their share of total rate base growth."[39] On its face, that is a troubling assertion for what it seems to suggest. Staff appears to be inferring that, if a disproportionate share of investment occurs in Oregon, Oregon ratepayers are somehow paying more than what they should. Such a statement

[38] Avista/1400, Schuh/13.
[39] Staff's Reply Brief at page 19, line 8.

doesn't even begin to ask the question of why the investment is being made in Oregon vis-à-vis other jurisdictions, or whether it is needed for safety and reliability. Simply put, the Company doesn't divvy up its capital budget based on a pro rata share for each jurisdiction; to do so would ignore the specific needs of each jurisdiction. As it happens, in 2015, plant additions were required in the State of Oregon that were needed that exceeded the average historical spending – but for good reason.

The Commission should expect the Company to individually assess the needs of each jurisdiction and allocate capital accordingly. To do otherwise would be imprudent. The Capital Planning Group does just that, and prioritizes projects based on where needs are greatest. And it does not simply approve each project. As shown in the excerpted table above, in both 2013 and 2015, approximately $55 million of project requests were not "funded" as part of the prioritization undertaken by the Capital Planning Group. Simply put, the demand for capital spending outstrips the funding.

Finally, Staff and Intervenors have consistently invoked the "used and useful" principle in order to prevent, in this case, the recovery of capital going into service after the effective date of rates in 2016, even though that is the rate year and even though the Company is otherwise required to proform in the revenues derived for that period, thus creating a mismatch. But that is not what this case is about; rather, the implications of Staff's position are even more troubling: Staff would not allow the Company to recover even the capital investment for projects that will be in service in 2015 (only allowing $16 million out of $45 million). It does so without any demonstration on its part that the expenditures were imprudent.[40] This only serves to compound Avista's under-recovery problem. And yet, Staff and CUB criticize the Company for constantly

[40] That is with the possible exception of the East Medford Reinforcement, but that only goes to timing and not need.

filing for rate relief; meanwhile, the Company is yet to catch up on the recovery of capital already deployed.

II. STAFF'S SUGGESTION TO DISALLOW THE EAST MEDFORD REINFORCEMENT PROJECT IGNORES RELIABILITY CONCERNS

Staff, for its part, does not disagree with the prudence of the East Medford Reinforcement Project – only its timing. It believes it is not cost-beneficial to ratepayers "at this point in time."[41] In its Brief, it goes on to question the "urgency to place the project into service by March, 2016."[42] And, in doing so, it rests its argument almost entirely upon whether the acceleration of the project is consistent with Avista's 2014 Integrated Resource Plan ("IRP").[43] In the process, however, Staff would have this Commission ignore real and substantial reliability concerns affecting approximately 9,500 customers in East Medford.

Again, by way of context, the East Medford Project is a multi-year project to install a 12 inch steel gas main in order to complete a supply main loop around the City of Medford, to improve both capacity and reliability. This Commission has previously approved, in rates, costs associated with earlier phases, first addressing this issue in Avista's 2007 general rate case (UG-181). The last phase represents the portion of the project that is currently under construction and is contested by Staff.

As mentioned, Staff primarily takes issue with the apparent inconsistency of the timing with the Company's previous IRP. The 2014 IRP, itself, however, recognizes that changed circumstances will need to be addressed. Its language, not surprisingly, notes that:

> . . . other factors [that] may drive completion of the project including reliability needs, flexibility of natural gas supply management and optimizing synergies of other construction projects to reduce project costs. Avista will continue to

[41] Staff's Reply Brief at pages 20-21.
[42] Ibid.
[43] Ibid.

> evaluate forecasts and assess the most appropriate timing for completion of this [East Medford] project.[44]

The IRP goes on to note that the projects contain "preliminary estimates of timing and costs of major reinforcement solutions," and that "the scope and needs of these projects generally evolves with new information requiring ongoing reassessment." [45] In fact, the IRP stresses that "actual solutions may differ due to differences in actual growth patterns and/or construction conditions from the initial assessment." [46] This is what any IRP should recognize: that circumstances may change and that it is not designed as a "straightjacket" for future planning purposes. Staff appears to be holding the Company to its previous IRP, even though circumstances have changed, putting customers at risk if not addressed. That was never the intent of the IRP process. Indeed, it is almost as if Staff has created a "per se" rule against the prudency of a project if it is not otherwise included in an IRP. (Certainly, the converse has never been true, where the Commission had deemed prudent per se anything that is included in the IRP.)

Staff, however, questions, in its Reply Brief, the "urgency to place the project into service by March, 2016."[47] It does so even at the risk of placing 9,500 customers at risk for an outage on a design heating degree day in East Medford. Here again, the position of Staff is quite remarkable, given the first and foremost obligation of a utility to provide safe and reliable service. It is more often the case that a utility is questioned for not doing enough to "assure reliable service." Here, the Company has brought forth documented concerns, based on sound engineering, questioning whether firm service can be provided to 9,500 residential customers under design-day weather conditions at this time (not in 2018). The sworn testimony of Company Witness Webb, as Avista's chief Gas Engineer, emphasizes these concerns. He

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[44] Avista/1500, Webb/8, lines 5-9.
[45] Id. at page 8, lines 16-20.
[46] Ibid.
[47] Staff Reply Brief at page 20, line 15.

explained that the Medford Distribution System was incorrectly modeled for delivery of gas from Northwest Pipeline, and that correcting for this resulted in the reprioritization of East Medford as a "priority one" project given revised modeling conditions. This revealed "many more customers to be at risk of loss of service on a design degree day."[48]

As noted, this became a "priority one" project, superseding other requests for capital elsewhere in the Company's system. It is to be remembered that, as explained above, the Company has "unfunded requests" for capital that are not being met and there is no reason for the Company to prematurely spend on projects that are not needed at this time. East Medford, however, is needed at this time.

Staff apparently has no difficulty in arguing that the "Cold Weather Action Plan" ("CWAP") is good enough for the time being.[49] Staff does so, even though it acknowledges in its Brief that it is a "back-up plan and should not be relied upon as an ongoing way of serving customers."[50] Staff is almost cavalier in suggesting that design Heating Degree Days ("HDD") are "rarely reached" and that the Company can use its CWAP in that event.[51] In planning for reliability, that does not represent prudent practice. The Company questions whether the Commission would want us to operate our system on that basis, even though Staff and Intervenors seem unconcerned. Stated differently, if the Company had to curtail 9,500 residential customers, the Commission would – and certainly should – question why this happened and what actions could have been taken earlier to avoid this. The Company does not want to be placed in that position.

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[48] Avista/1500, Webb/11-12.
[49] Staff Reply Brief at page 21, lines 19 –22.
[50] Id. at lines 19-22.
[51] Id. at page 22, lines 6-10.

Finally, Staff suggests that this project may not be completed until after new rates go into effect in this case and perhaps not until the "end of the 2015-2016 heating season."[52] Avista explained in Exhibit Avista/2004, that it still plans to complete the project prior to March 1, 2016, and still believes this to be true, given recent progress.[53] Avista, however, before the Commission issues its decision, will advise the Commission of the actual completion date of the project and will provide an Officer's Certificate attesting to that date.

III. CUB/NWIGU RECOMMENDATION TO REMOVE THE LADD CANYON PROJECT FROM RATES IGNORES RELIABILITY CONCERNS

While CUB and NWIGU join with Commission Staff in making the same arguments with respect to East Medford on Brief, only CUB and NWIGU proffered testimony specifically addressing the Ladd Canyon project. In their Brief, CUB and NWIGU continued to question the timing of the project and its impact on "reliability and customer rates."[54] They assert that the Company failed to provide evidence on the "likelihood or impact of disruptions based on its historical experience, nor does it evaluate any reliability concerns, in light of the range of options available under its Cold Weather Action Plan."[55] Although conceding that the project might be needed in the future, they take issue with the timing of this project.[56] Nowhere, however, do CUB and NWIGU point to evidence of record controverting the testimony of Company Witness Webb who testified that the current capacity of the Company's Gate Station today is a limiting factor on the Company's ability to serve customers in the Ladd Canyon/Union area on a design heating degree day.[57]/[58] Reliability concerns were directly addressed by the Company in this

[52] Id. at page 22, lines 11-18.
[53] Avista's most recent estimate for completion is February 22, 2016.
[54] CUB/NWIGU Reply Brief at page 17, lines 16-19.
[55] Id. at page 17, lines 18-21.
[56] CUB/100, McGovern-Jenks/16, lines 7-11.
[57] Avista/1500, Webb/19, lines 3-9.

case. The evidence demonstrates that the peak load requirements on this Gate Station on a design heating degree day are 40.9 mcf, while the capacity of the Gate Station is only 37.2 mcf, translating into a "clear capacity deficit, as the peak load requirement on a design heating degree day exceeds the capacity of the legacy station."[59] Accordingly, the fact remains that the majority of the 750 customers in the town of Union are at risk of loss of service in the event of an extended cold period approaching a design heating degree day because of the physical capacity shortfall of the old Gate Station, as explained by Company Witness Webb.[60]

Here again, the argument for simply using the Cold Weather Action Plan is made, this time in reference to Ladd Canyon.[61] For the same reasons explained in connection with East Medford, the Cold Weather Action Plan is not the way to do business on a sustained basis. The Company asks more of its Gas Engineering Department than that.

Lastly, CUB/NWIGU argue that the Company failed to consider the "use of interruptibility or increased demand-side measures to improve reliability and system resiliency," as an alternative to this project.[62] Interruptibility will simply not work to solve this problem. Company Witness Webb explained that the load studies performed to model the Company's gas distribution system on a design day only consider firm load; it therefore assumes that all interruptible customers have already been interrupted.[63]

Avista takes seriously its public service obligation to provide safe and reliable service, whether it is to the 9,500 customers in East Medford or the 750 customers in Union (Ladd Canyon).

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[58] As previously noted, a design heating degree day has occurred as recently as 2013 in the Company's Oregon service territories. (Avista/1500, Webb/19, lines 3-9)
[59] Avista/1500, Webb/19, lines 11-14.
[60] Avista/1500, Webb/19, lines 18-21.
[61] NWIGU/CUB Reply Brief at pages 17-18.
[62] NWIGU/CUB Reply Brief at page 18, lines 1-5.
[63] Avista/1500, Webb/20, lines 3-9.

IV. STAFF IS NO LONGER CHALLENGING THE INVESTMENT IN PROJECT COMPASS

On Brief, Staff appropriately acknowledged the January 6, 2016, Order of the Washington Utilities & Transportation Commission ("WUTC") resolving Avista's current rate filing in Washington, in which the Commission rejected its Staff's recommendation to disallow a portion of capital costs relating to the Company's Project Compass, as well as rejecting Staff's recommendation to disallow Company bonuses relating to the Project. (See WUTC v. Avista Corp., Order 05, Dockets UE-150204 and UG-150205 (issued January 6, 2016).)[64] Because Oregon Staff's recommendations were based on the same matters that concerned the WUTC Staff, and in light of the Washington Commission's analysis of the issue, Staff withdrew its recommendation concerning a partial disallowance of capital costs associated with the Project.

Staff, however, while it withdraws its recommendation to disallow 100% of Project Compass bonuses, still recommends that the Commission disallow 50% of these bonuses "per its usual standard."[65] It is not appropriate for Staff to reflexively invoke a "50% rule" relating to bonuses without understanding or addressing the reason such bonuses were paid. Those reasons were specifically addressed and discussed by the Washington Commission, when it approved 100% recovery of the bonuses. According to the Commission:

> Finally, we do not agree with Staff's assertion that the bonuses paid to the Avista staff actively involved in managing Project Compass were imprudent, and should therefore be disallowed. Instead, we agreed with the Company that such bonuses were properly determined and reviewed internally, were based on objective and measureable benchmarks, and were appropriately given to ensure continuity for key employees to ensure efficient final completion for an IT project of this magnitude.

[64] Staff Reply Brief at pages 11-12.
[65] Staff Reply Brief at page 12, lines 15-17.

(Order, supra, at page 62, ¶173) Other than relying on the discredited testimony of Washington Staff Witness Gomez, Staff in this case presented no independent testimony concerning bonuses.

V. STAFF HAS NOT DEMONSTRATED THAT THE "DE-RISKING" OF AVISTA'S PENSION INVESTMENT PORTFOLIO IS IMPRUDENT

Staff proposes to reduce the Company's pension expense by $199,000, in order to reflect the difference between using a 7.31% Expected Return On Assets ("EROA") and the 5.3% EROA utilized by the Company.[66]/[67] In its Reply Brief, Staff begins by announcing that it is "not generally opposed to a company employing a 'derisking' or LBI strategy . . .."[68] Instead, "Staff questions Avista's specific investment decisions made under it in this case." Staff then simply examines the expected rate of return on assets for Oregon jurisdictional utilities in 2013 and 2014 and arrives at an average of 7.31% as the appropriate benchmark.[69]

Staff's Reply Brief makes it clear that its analysis was predicated on an examination of just two factors: (1) a comparison of "past returns [Avista] has earned on its pension assets, and (2) a comparison of the "EROA achieved by other regulated utilities in Oregon."[70] That is the extent of the analysis. And it pales in comparison to the disciplined analysis performed by Avista's independent expert advisors over the past several years.

The question is: How much risk exposure to market fluctuations in its pension portfolio should the Company run, given its fixed obligations in the future to meet its pension requirements? The answer to that question is not perfectly known or easily arrived at.[71] To arrive

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66 Staff/800, Bahr/11-12.

67 In its Reply Brief, Staff adjusts downward its proposed disallowance of pension expense from $348,000 to $199,000. (See Staff Reply Brief at page 23, lines 24-26)

68 Staff Reply Brief at page 24, lines 5-7.

69 Staff/800, Bahr/6.

70 Staff Reply Brief at page 24, lines 16-17.

71 Whether in the context of "de-risking" the Company's delivery of firm gas service to its residential customers through the East Medford/Ladd Canyon Projects, or "de-risking" the Company's exposure to market

at the right mixture of investments in its pension portfolio, the Board of Directors of Avista has a fiduciary obligation to give the matter careful consideration and, in the process, seek out expert, independent advice. This they have done, proceeding in a careful, methodical and disciplined manner over time. Indeed, as early as 2010, the Finance Committee of the Board of Directors determined to implement Liability-Driven Investing ("LDI") "conservatively at first," given the funded status was still at a relatively low level.[72] The Board continued to monitor the investment portfolio with the advice of outside experts including Verus (then Wurts & Associates), the actuary TowersWatson and the asset manager PIMCO, in order to assess the impact of alternative asset allocation policies on funded status volatility, pension expense and contributions over time. Again, in May of 2014, the Finance Committee evaluated the sensitivity of the plans funded status to both interest rate movements and equity market volatility. This analysis conducted by Verus contained a recommendation that included a movement to a 58% proportion of fixed income investments; this was deemed to be the "optimal portfolio, as it achieved the greatest minimization of funded status volatility and the resulting contributions and pension expense remained consistent with near-term expectations," as explained by Ms. Heier, the President, Chief Operating Officer and Senior Consultant of Verus Advisory, Inc.[73]

This careful analysis should be contrasted with Staff's position, which as noted above, is based almost exclusively on a rough comparison with EROAs of other jurisdictional utilities. It is backed by no other independent analysis. And that is fine – as far as it goes. It is sufficient to raise the question of whether Avista's "de-risking" strategy is appropriate. But it is <u>not</u> sufficient

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fluctuations in its pension investments, it is somewhat unusual for Staff to be arguing for a more aggressive position than the Company – one that is designed to safeguard the interests of its customers and employees.

[72] Liability-Driven Investing ("LDI"), is an asset management approach in which the assets are invested in a manner such that the investment return patterns – cash flow yield and/or capital gains - are similar to the <u>patterns of the liabilities. To the extent that these investment return and liability patterns are closely aligned, when external events such as interest rate fluctuations or equity market swings occur, the assets and liabilities would move in a similar direction and magnitude</u>. [Emphasis added] (Avista/1300, Heier/6, lines 2-7)

[73] Avista/1300, Heier/15, lines 4-6.

to answer that question. Through the testimony of Company Witnesses Thies and Heier, the record contains substantial evidence in support of the Company's position.[74] The question then becomes: Did the Company give careful consideration to its investment strategy and employ expert guidance in the process to meet its fiduciary obligations? This it did, and it has easily satisfied its "prima facie" case.

Nor will it do to suggest that one should look to "past returns" as a benchmark.[75] In this regard, Staff Witness Bahr looked to prior double-digit earned returns on the Company's pension assets for the period 2012 through 2014.[76] It is unrealistic, however, to expect double-digit returns to continue into the future. The Company's expected return looks forward over a 10 year horizon, and its expected 5.3% return on assets for 2015 is supported by independent market outlook analysis and methodologies and the specific circumstances directly related to Avista's pension plan regarding factors such as the funded status, and the fact that the plan is now closed to new, non-union employees.

In its Reply Brief, the Staff minimizes the importance of a "de-risking strategy," citing, among other reasons, "precedent of the federal government stepping in to assist companies during recent market crises."[77] Avista's Board of Directors does not satisfy its fiduciary obligation by simply assuming the government will step in to assist if things go wrong. And the risk is real. Avista's pension expense tripled from 2000 to 2001 as a result of the equity market decline experienced in that single year. Similar results were experienced in 2009 with pension expense doubling year over year as the result of the 2008 mortgage crisis.[78] As pointed out by Ms. Heier, "this impact on expense was a detriment to shareholders and customers of Avista, and

[74] Avista/1300, Heier; Avista/1100, Thies.
[75] Staff's Reply Brief at page 24, line 16.
[76] Staff/800, Bahr/11, lines 10-12.
[77] Staff Reply Brief at page 24, lines 24-26.
[78] Avista/1300, Heier/10, lines 11-17.

such low-funded levels increase this risk to beneficiaries.[79] Experiences such as these prompted the Finance Committee to seek additional strategies to mitigate such wild swings in funded status and pension expense.[80]

In conclusion, even though "Staff questions Avista's specific investment decisions made under it in this case",[81] it is the prerogative of the Company's management to devise a careful, prudent investment strategy to protect its pension obligations. Judgment is, of course, required – and it must be informed judgment, relying, as necessary, on expert advice. That has been demonstrated in this case. Likewise, it is the prerogative of Staff, Intervenors and the Commission to ask whether the Company has exercised reasonable judgment in that regard. That has also been demonstrated.

The tougher question for the Company to have to answer would be, "Why did it ignore the advice of its expert advisors and fail to 'de-risk' its investment strategy?" In this case, that is not a question the Company need answer.

VI. STAFF ARBITRARILY REDUCES MEDICAL BENEFITS

In its Reply Brief, while acknowledging that "medical benefits are only one portion of a compensation package," Staff nevertheless argues for the use of an 82/18 sharing ratio (i.e., employees pay 18% of premium costs) instead of Avista's 90/10 proposed sharing, and continues to argue for the approach it used to escalate health care costs to forecast the 2016 costs.[82]

First of all, the basis for Staff's recommendation for an 82/18 sharing ratio is from a Kaiser Family Foundation "Employer Health Benefits 2014 Summary of Findings," which is not specific to any geographic location and lacks pertinent information for the utility industry, and

[79] Ibid.
[80] Ibid.
[81] Staff Reply Brief at page 24, lines 6-7.
[82] Staff's Reply Brief at page 23, lines 18-21.

more specifically for those companies with which the Company competes.[83] The report, itself, acknowledges considerable variations among firms with respect to the share of premiums contributed by workers.[84] What Staff ignores, even if one were to rely upon this report, is that, if the Company were to change the premium-sharing component as proposed by Staff, other elements of compensation would likewise need to be adjusted (e.g., co-pays, out-of-pocket minimums, etc.) in order to maintain the overall salary and benefit package that is competitive with that offered by other utilities.[85] One cannot simply extract one element of the medical benefit package and view it in isolation, as does Staff.[86]

The second portion of Staff's adjustment relies purely on historical information using a 2011-2014 trend analysis. This, however, does not capture information on known changes occurring within the healthcare industry, including healthcare reform. Far better information is derived from the Company's independent compensation consultant, Mercer, which takes into consideration factors such as claims experience, the medical trend, member demographics, geographical location and the impact of healthcare reform.[87]/[88]

VII. STAFF IGNORES THE CUSTOMER BENEFITS OF BONUS INCENTIVES

In its Brief, Staff characterizes the "key question" to be whether the Commission considers metrics like Operation and Maintenance ("O&M") costs per customer to be benefits

[83] Avista/1000, Smith/page 14, line 12 – page 15, line 12.
[84] Ibid.
[85] Ibid.
[86] The various components within the Company's medical plan (co-pays, deductibles, premium sharing, etc.) are carefully weighed in order to maintain an appropriate level of medical benefits relative to the overall benefit package and ultimately the overall compensation package, as testified to by Company Witness Smith. (Avista/1000, Smith/15, lines 21-23) Medical benefits, in turn, are combined with other benefits and benchmarked against the peer group with similar revenues and industry characteristics. This study, the BENVAL Study, is performed by an independent consultant, TowersWatson, on a bi-annual basis. (Ibid.)
[87] Avista/1000, Smith/17, lines 6-15.
[88] Ironically, Staff Witness Bahr supported the use of a 90/10 premium sharing for union employees, while otherwise suggesting an 82/18 sharing for non-union employees, offering no reasonable basis for that distinction.

derived by ratepayers or shareholders.[89] Then Staff goes on to assert that the O&M cost per customer metric is a "financial" metric because it somehow affects Company earnings. Based on such an expanded view of a "financial" metric, virtually any activity of employees will directly or indirectly affect the financial performance of the Company – either through increasing revenues or decreasing costs.

The Company's incentive plan costs that are included in this case are based entirely on metrics relating to ratepayers (O&M cost-per-customer, satisfaction, reliability and response time).[90]/[91] The O&M cost-per-customer metric relates directly to customers (not shareholders); it emphasizes cost containment or reduction of O&M costs which serves to reduce the upward pressure on rates. An employee should be properly incentivized to control those costs. That is something that all parties should want to encourage. This pay-at-risk is part of overall compensation. If you reduce incentive pay, then one needs to increase base pay.[92]

VIII. NWIGU/CUB'S PROPOSED ADJUSTMENT TO REFLECT BONUS DEPRECIATION

NWIGU/CUB propose an adjustment to reduce rate base and revenue requirement related to bonus depreciation and the associated Accumulated Deferred Federal Income Tax ("ADFIT"). Accordingly, NWIGU/CUB proposed to remove $7.541 million of rate base, thereby reducing the Company's filed revenue requirement by approximately $805,000.[93] On January 19, 2016, all parties to this Docket entered into and filed a "Second Partial Settlement Stipulation" that resolves this issue among themselves. As provided in Section 4 of this Stipulation:

[89] Staff Reply Brief at page 22, lines 22-23.
[90] Avista/1000, Smith/13, lines 12-16.
[91] To be clear, the Company has already removed officer incentives based on Officer Short-Term Incentive Plan, which are premised on earnings-per-share targets. Likewise, the costs associated with long-term officer incentives are based on financial metrics (performance shares), have also been removed from this case and are borne by shareholders. (Avista/1000, Smith/13, lines 12-16)
[92] Avista/500, Smith/24, lines 12-13.
[93] NWIGU-CUB/100, Gorman/66-67.

> The Parties agree to reduce the revenue requirement by $675,000, instead of $294,000, to factor in the benefits of 2015 bonus depreciation and its impact on accumulated deferred federal income taxes (ADFIT). As a result, the Company's proposed revenue requirement is now $6,066,000. This adjustment results from an additional reduction to rate base related to ADFIT. This adjustment is based on the level of capital additions for 2015 that were pro formed in the Company's original filing of approximately $43 million. If the Commission approves 2015 capital additions less than the amount pro formed by the Company, $675,000 reduction to revenue requirement should be reduced by a pro rata amount.

As noted above, the Company's proposed revenue requirement has been revised to $6,066,000 to reflect this agreement.

IX. CUB'S CRITICISMS OF THE LRIC STUDIES OF THE COMPANY, STAFF AND NWIGU ARE MISPLACED

CUB begins its Reply Brief with the assertion that the Company's LRIC Study is "fundamentally flawed, and is unsupported by sound analysis and policy."[94] It lodges the same criticisms against the recommendations of Staff and NWIGU.[95] By way of context, the Company has prepared its study in the same general manner as it did in its last three general rate cases (UG-246, UG-284 and UG-288).[96] As shown in the illustration appearing in Avista's Post-Hearing Brief (page 66), each of those prior margin-to-cost ratios have shown the same consistent relationship over Avista's last three general rate cases. For its part, Staff Witness Compton acknowledged that "over the years Avista Utilities ("Avista" or "Company") practices relating to my areas of responsibility [cost of service] have evolved in a mutually acceptable manner – being influenced by various parties, including Staff. In that regard, Staff has no issue with the general costing and rate spread approaches taken by the Company in this case."[97]

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94 CUB Reply Brief at page 2, lines 11-15.
95 Ibid.
96 Avista/1800, Miller/3, line 4 – 4, line 3.
97 Staff/1300, Compton/2, lines 7-11.

CUB argues, however, that there is really "only one LRIC on record in this case," arguing that neither Staff nor NWIGU presented such an analysis. Again, that is not true. Staff, through Mr. Compton, has provided a study that appears in Exhibit Staff/1302, and Mr. Collins, on behalf of NWIGU, has prepared a similar study that appears in Exhibit NWIGU/102. Both Staff and NWIGU, of course, rely out of necessity on the same raw data used by Avista (indeed, where else would they find it?), but perform their own LRIC analysis. CUB has not prepared an LRIC analysis similar to that performed by Staff or NWIGU – or any analysis for that matter. If they have, where are the results in the record? In the end, the LRIC results of studies performed by Avista, Staff and NWIGU all produce similar results and justify their use as a "guide" in spreading the revenue requirement.

CUB persists in arguing, on Brief, that the capital spending driving this rate case is largely driven by "large customer load growth, rather than residential customers."[98] It simply refers to the "relatively flat" growth for small-usage customers, arguing that the "number of industrial customers and usage has been trending up."[99] While that may be true to some extent, it presents no evidence to counter the fact that only 14% of rate base growth is due to gas distribution growth plant, while the remaining 86% of new capital investment is related to reinforcements, safety, pipe replacement, mandated work, storage, general plant, and Project Compass.[100] The fact remains that the primary drivers of customer growth from 2014 to 2016 are new residential (Schedule 410) and small commercial (Schedule 420) customer hookups.[101] Accordingly, CUB's assertion that "the Company's focus on the growth in the number of customers, rather than the usage of those customers, is problematic," misses the point. It is the

[98] CUB Reply Brief at page 3, lines 16-18.
[99] Id. at page 4, lines 1-3.
[100] Avista/1800, Miller/9, lines 13-16.
[101] Id. at page 10, lines 1-12.

growth in the number of residential and small commercial customers that is driving the 14% of rate base growth related to gas distribution plant.[102]

On Brief, CUB reiterated its position that the Company's LRIC Study "exaggerates the useful life of investments made for industrial customers when compared to other customer classes."[103] As previously noted, the Company tested this assertion and arbitrarily reduced the useful life of its assets by 50% for the Company's large rate schedules, in order to determine what the effect would be on its LRIC Study results; even then, the LRIC would support the Company's rate spread proposal.[104]

CUB tries to make its point by citing to the single example of Ladd Canyon Project, arguing that it was constructed for the purpose of satisfying the interruptible requirements of Mainline Paving.[105] It then asserts that "residential customers are being asked to pay, for a period of 36 years, a large portion of a capital project driven by the temporary demand of one non-residential customer that was otherwise unnecessary in the test year."[106] As discussed in the previous section of this Final Brief, the Company has already explained why the Ladd Canyon Project is necessary to avoid the service interruption to 750 customers in Union under present circumstances – and customers should pay for those costs as part of this rate case.[107]

Next, CUB argues that the Company's LRIC Study does not reflect an accurately-sized system.[108] Even though CUB acknowledges that the LRIC is "simply a tool used to inform rate spread and rate design" (something with which the Company agrees), CUB continues to assert

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[102] CUB Reply Brief at page 4.
[103] CUB Reply Brief at page 5, lines 2-4.
[104] Avista/1800, Miller/15, lines 10-12.
[105] CUB Reply Brief at pages 5-6.
[106] CUB Reply Brief at page 6, lines 8-10.
[107] CUB also erroneously asserts that the Company's LRIC gives all equipment a useful life of 36 years, regardless of the customer class it serves. (CUB Reply Brief at page 6) This is not true. As shown in Mr. Miller's exhibit (AVISTA/800, Miller/2), the different equipment is given different useful lives, in accordance with its costing study.
[108] CUB Reply Brief at pages 6-7.

that it should examine cost causality on a "theoretical marginal system," so that proper price signals can be set.[109] CUB, itself, in its own testimony acknowledges that "this line of inquiry [use of hypothetical system] may be dismissed as irrelevant because the Company cannot feasibly scratch the entire system and start anew."[110] CUB is correct in that regard.

CUB asserts that a "proper LRIC or marginal cost study is more than simply an examination of the cost of replacing the exact embedded system in today's dollars."[111] In fact, Avista's LRIC is "forward-looking," as is Staff and NWIGU's, in that it updates costing information to re-price facilities based on current costs. It does, in fact, reflect the kind of pipe the Company would install today.

While CUB describes what it characterizes as a Commission "policy" that precludes any customer class from receiving a rate reduction in the face of an overall increase in revenue requirement, this Commission has most recently indicated that it would entertain evidence – if it is compelling – that would warrant more immediate action to address the issue.[112] That "compelling evidence" does exist in this case, and is in the form of three LRIC studies pointing to the same misalignment among the classes. And that misalignment of the margin-to-cost ratios has continued to worsen over the last three rate cases. CUB does not address, in its Reply Brief (because it is so dismissive of all the LRIC studies) the fact that the margin-to-cost ratios for all of the service schedules have continued to move further away from unity over the Company's last three general rate cases.[113]

Interestingly enough, CUB attempts to defend the 98% margin-to-cost ratio for the residential customer class by suggesting it is within a reasonable bandwidth of unity: "The

[109] CUB Reply Brief at page 7.
[110] CUB/100, McGovern-Jenks/23, lines 3-4.
[111] CUB Reply Brief at page 8.
[112] Order No. 15-054, page 5.
[113] Avista/1900, Ehrbar/4, lines 14-19.

purpose of the LRIC Study is not to be precise – if a customer class is at 98%, 99% or 102% of marginal cost, that customer class is within a reasonable range of covering its cost of service."[114] The fact remains that the margin-to-cost ratios for four of the six rate schedules (including the Transportation Service Schedule 456) range from 147% to 178% – well above the 102% top end of this presumed bandwidth.

Because the proposed increase in revenue requirement of $6.4 million is relatively modest compared to more recent requests, this presents an opportunity to begin to make some movement toward realignment with cost-of-service, without unduly prejudicing any class. The Company fully appreciates that cost-of-service is not an exact science, and is only to be used as a "guide" in designing rates. Clearly, however, the studies presented in this case tell the same story: the classes are substantially out of alignment with cost-of-service and are becoming more so over time.

Finally, CUB's proposal that no customer should receive more than three times the increase of any other class (i.e., a 3-to-1 ratio) will lead to perverse results.[115] The effect of such a proposal would actually move Schedule 456 (Transportation) from 1.66 to 1.74 on a relative margin-to-cost ratio – even further away from unity, and the overall margin increase for Schedule 456 (Transportation) would be an increase of $739,000 or 21.8%, versus a margin reduction of $231,000, or 7% as proposed by Avista. That is moving in precisely the opposite direction and is inconsistent with the three independent LRIC studies filed in this case.[116] Moreover, CUB suggests that "for transportation customers, this should be done after imputing

[114] CUB Reply Brief at page 10, lines 3-5.
[115] CUB Reply Brief at pages 13-14.
[116] Avista/1900, Ehrbar/13, lines 1-7.

Avista's commodity costs."[117] That makes little sense, inasmuch as all LRIC studies are done on a margin basis – and do not include gas costs.

In closing, one of the benefits derived from litigating this case and presenting it to the Commission, is to have the Commission finally decide on the appropriate rate spread, rather than perpetuate what is the continuing misalignment of rates with cost-of-service. There is sufficient and compelling evidence in this record for a decision at this time.

X. THE PROPOSED COST OF CAPITAL RECOMMENDATIONS OF THE PARTIES DO NOT PRODUCE A REASONABLE END RESULT

A. Staff's Position Ignores Regulatory Standards In Favor of Technical Argument.

The task of the Commission in this proceeding is to fix an ROE that conforms to the economic and legal standards embodied in the Hope[118] and Bluefield[119] decisions of the U.S. Supreme Court. As these decisions instruct, it is the result reached, not the method used, that determines whether an ROE is just and reasonable. This determination requires the Commission to consider the available evidence and identify an ROE that is just, reasonable, and sufficient to support Avista's ability to attract capital and earn a return that is commensurate with other enterprises of comparable risk. Avista recognizes that highly technical arguments concerning the implementation of various models used to estimate the cost of equity are the province of expert witnesses, but as the Supreme Court cautioned, "It is not theory, but the impact of the rate order,

[117] CUB Reply Brief at page 16, lines 4-6.

[118] FPC v. Hope Natural Gas Co., 320 U.S. 591 (1944) ("Hope"). Under Hope, an ROE should be "commensurate with returns on investments in other enterprises having corresponding risks . . . [and] sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital." Id. at 603.

[119] Bluefield Water Works & Improvement Co. v. Pub. Serv. Comm'n of W. Va., 262 U.S. 679 (1923) ("Bluefield"). The Supreme Court explained in Bluefield that an approved return for a utility must, among other things, be adequate "to maintain and support its credit, and enable it to raise the money necessary for the proper discharge of its public duties." Id. at 693.

which counts."[120] Similarly, Bluefield offered no guidance as to the method that must be followed in order to obtain a result that satisfies judicial standards; instead, it references guidelines dependent on the end-result of the rates charged, including a return "equal to that generally being made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties," and the ability "to maintain and support its credit and enable it to raise the money necessary for the proper discharge of its public duties."[121]

Avista submits that, through the testimony of Company Witness McKenzie, it has demonstrated the reasonableness of its recommended 9.9% ROE and highlighted the shortcomings and downward-bias inherent in Staff's approach. These debates notwithstanding, Staff's narrow focus on modeling disputes ignores the bigger picture highlighted by the Supreme Court, which is that the ROE recommended by Mr. Muldoon is manifestly insufficient. In short, Staff has missed the forest for the trees.

1. Avista's Risks are Greater Than Staff's Peer Group and Other Oregon Utilities and its ROE Must be Higher.

The relationship between risk and return is fundamental to the capital markets, with investors demanding a higher rate of return to compensate for assuming more risk.[122] As Avista demonstrated, the Company's risks clearly exceed those of Staff's peer group and other Oregon-jurisdictional utilities,[123] which on average maintain a single-A credit rating, versus a triple-B rating assigned to Avista. ROEs recently established or proposed for other Oregon-jurisdictional utilities range from 9.55% to 9.80%, and Avista's higher risks imply a higher required return.

[120] Hope at 602.
[121] Bluefield at 693.
[122] Avista/300, McKenzie/26-27.
[123] Avista Post-Hearing Brief at 52, citing Avista Exhibit/1201, Schedule AMM-19.

Staff makes no attempt to address the disparity between its recommendation and the implications of this risk-return tradeoff, which is a central tenet of the Supreme Court standards.

Rather than referencing objective measures of investment risk that are indicative of investors' views, Staff instead continues to take the position that more frequent rate cases imply lower uncertainties.[124] Avista has not "misunderstood" Staff's misguided position on this issue.[125] Mr. Muldoon makes repeated reference to the frequency of Avista's rate case filings as a basis for his contention that the Company's risks are lower than other peer utilities,[126] and he concludes that "Avista's very frequent rate cases and tracking mechanisms . . . merit a further drop [in ROE] of up to about 20 basis points."[127] Mr. Muldoon reflected this decrease in arriving at the range of ROEs used to "check" his 9.18% recommendation.[128] But for this adjustment, Mr. Muldoon's recommended ROE would have failed his own test. Staff continues to point to a decision of the Maryland Public Service Commission ("MPSC") in support of its position,[129] but as Company Witness McKenzie testified, "The MPSC decision referenced by Mr. Muldoon did not specifically address the risk implications of frequent rate case filings, nor did the MPSC impose a downward adjustment to its allowed ROE based on . . . regulatory activity."[130]

Staff's failure to grasp how a utility's inability to recover its cost of service on a timely basis[131] could translate into risk for investors marks another departure from sound ratemaking standards. In evaluating competing alternatives, investors are focused on the extent to which Avista has the opportunity to actually earn a return that will maintain its financial integrity, facilitate capital attraction, and compensate for risk. The fact that Avista has been compelled to

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124 Staff Reply Brief at 8-9.
125 Id. at page 8.
126 Staff/200, Muldoon/7-8, 15, 40, 42.
127 Staff/200, Muldoon/42, lines 4-6.
128 Staff/200, Muldoon/42, Table 6.
129 Staff Reply Brief at page 9.
130 Avista/1200, McKenzie/41-42.
131 Staff Reply Brief at page 9.

file serial rate proceedings in order to address a chronic deterioration of actual returns below the allowed ROE is not an advantage; rather, it is a challenge that adds to investors' uncertainties and warrants a higher ROE.[132] Indeed, for 2014, Avista's normalized ROE in Oregon was 7.2% as compared to the authorized ROE of 9.65%.[133]

2. Staff's ROE Contradicts Capital Market Evidence.

Apart from ignoring the implications of Avista's relative risk and the ROEs granted for other Oregon-jurisdictional utilities, Staff's recommended ROE cannot be reconciled with observable capital market evidence. Staff points to ad hoc articles from the "financial news" in support of its supposition that a reduction to Avista's allowed ROE is warranted,[134] while simultaneously ignoring concrete evidence to the contrary. Yields on long-term utility bonds provide a direct guide as to trends in capital costs that do not require the Commission to "read between the lines." As Company witness McKenzie noted, "since the time that Mr. Muldoon filed testimony in support of the 9.5% ROE under the settlement in Docket No. UG 284, yields on utility bonds corresponding to Avista's Baa rating have increased approximately 103 basis points."[135] This upward trend in capital costs supports a higher, not a lower ROE for Avista. Similarly, Staff's general reference to unspecified "market trends" ignores return expectations for the companies in Mr. Muldoon's own proxy group, which are projected to far outstrip Staff's recommended ROE.[136] The Company also demonstrated that Mr. Muldoon's 9.18% ROE recommendation for Avista falls far short of the 9.96% average authorized ROE for the utilities

[132] Avista/1200, McKenzie/38-39.
[133] Avista/100, Morris/6, line 17.
[134] Staff Reply Brief at page 5.
[135] Avista/1200, McKenzie/13, lines 14-16.
[136] Avista/1200, McKenzie/7-8.

in Staff's own proxy group.[137] Once again, Staff's ROE is shown to be insufficient based on the comparable earnings standards underlying the Supreme Court's Hope and Bluefield decisions.

Meanwhile, Staff erroneously focuses on short-term changes in GDP growth as a basis to support a decline in Avista's ROE.[138] Whatever the Commission's determination with respect to the use of GDP as a proxy for long-term growth in the DCF model, it should clearly reject Staff's position that revised forecasts of near-term economic activity are somehow linked to changes in investors' ROE for Avista over the short run. In fact, a decline in expected GDP growth would be more likely to evidence higher risk and higher required returns. For example, consider the events experienced during the 2009 financial crisis. While expectations for GDP growth turned negative, capital costs were increasing dramatically due to unprecedented risks in the economy and capital markets, as evidenced by plunging stock prices and rising corporate bond yields. Staff's claim here that a decline in GDP growth translates to a drop in Avista's ROE of 31 basis points is equally erroneous,[139] and is contradicted by the rising bond yields noted earlier. As Company Witness McKenzie demonstrated, performing a proper "check" on Staff's results suggests a cost of equity of 10.0%.[140]

B. Staff's Criticisms of Avista's ROE Evidence Are Unfounded and Should Be Rejected.

Staff takes issue with the methods and applications used by Company witness McKenzie, but their criticism boils down to the opinion that there is only one meaningful approach that can be used to estimate investors' required return. In fact, however, no single method or model should be relied upon to determine a utility's cost of equity because no single approach can be

[137] Exhibit Avista/1201, Schedule AMM-15.
[138] Staff Reply Brief at pages 4, 6.
[139] Staff Reply Brief at pages 8-9.
[140] Avista/1200, McKenzie/13, lines 16-18.

regarded as wholly reliable.[141] In this regard, while Staff grants that "markets are dysfunctional" due to the unprecedented monetary policies of the Federal Reserve,[142] they ignore the implications for their own analysis and conclusions. FERC has recently recognized the fallacy of just such an approach, concluding that the unrepresentative capital market conditions noted by Staff have led to a downward bias in DCF results based on GDP growth, which merits the consideration of alternative methods.[143] As explained in *New Regulatory Finance,* "[r]eliance on any single method or preset formula is inappropriate when dealing with investor expectations because of possible measurement difficulties and vagaries in individual companies' market data."[144]

1. Avista's DCF Analyses are Probative.

Staff's complaints regarding Mr. McKenzie's DCF results center on three primary issues: (1) the DCF model applied by Mr. McKenzie is "useful only as a 'rule of thumb'," [145] (2) the growth rates used by Mr. McKenzie do not reflect investor expectations,[146] and (3) Mr. McKenzie's exclusion of illogical DCF results is unreasonable.[147] With respect to the first of these contentions, Staff presented no evidence whatsoever. As Company witness Mr. McKenzie testified, the constant growth DCF model that he applied "is the form of the model most commonly relied on to establish the cost of common equity for traditional regulated utilities and the method most often referenced by regulators."[148]

[141] Avista/300, McKenzie/29, lines 2-4.
[142] Staff Reply Brief at page 4.
[143] Avista/1200, McKenzie/4-5.
[144] Avista/1200, McKenzie/37, lines 1-3, quoting, Morin, Roger A., "New Regulatory Finance," *Public Utilities Reports, Inc.* at 428 (2006).
[145] Staff Reply Brief at page 3.
[146] Staff Reply Brief at page 4.
[147] Staff Reply Brief at page 3.
[148] Avista/300, McKenzie/31, lines 3-5.

As for the second of Staff's contentions, Mr. McKenzie's testimony documents the support underlying the growth rates used his DCF analysis.[149] In addition, Mr. McKenzie forcefully rebuts Staff's contention that long-term forecasts of GDP provide a reasonable guide to the growth rates that investors actually reference when they are evaluating utility common stocks,[150] noting that: (1) long-term GDP growth rates are not commonly referenced in the investment community when evaluating individual stocks, (2) the difficulties in making long-term forecasts make them of questionable value to investors, (3) actual growth rates for gas utilities violate the assumptions of Mr. Muldoon's DCF model, (4) significant capital investment does not support an assumption that growth expectations for utilities will collapse to GDP, (5) the founder of the DCF model rejected reference to a generic long-term growth rate, (6) recent financial research disputes any link between GDP growth and stock market returns or earnings growth, and (7) other regulators have concluded that applying the DCF model using GDP growth results in a cost of equity "that does not satisfy the requirements of Hope and Bluefield."[151]

With respect to the evaluation of outliers, Staff provides no reason to fault Mr. McKenzie's elimination of implausible estimates, other than to speculate that "investors and fund managers would more likely screen carefully for a closer peer group."[152] As Avista has demonstrated, the flaws associated with Staff's peer group evaluation are many and great.[153] But more importantly, the issues of an appropriate peer group and the evaluation of DCF results are distinct. Mr. McKenzie's evaluation of DCF estimates was based on the fundamental premise

[149] Avista/300, McKenzie/32-35.
[150] Avista/1200, McKenzie/19-26.
[151] Avista/1200, McKenzie/26, quoting Coakley v. Bangor Hydro-Electric Co., Opinion No. 531, 147 FERC ¶ 61,234 at P 142 (2014).
[152] Staff Reply Brief at page 3.
[153] Avista/1200, McKenzie/14-18, Avista Post-Hearing Brief at pages 40-41. As Company witness McKenzie noted, "Considered together, Mr. Muldoon's criteria reduce his proxy group to just two companies (Staff/202, Muldoon/2), one of which (Piedmont Natural Gas Company) is now the subject of a merger transaction. Mr. Muldoon conducts "sensitivities" by adding back gas and water utilities to his analysis." Avista/1200, McKenzie/n. 40.

that common stock investors require a higher return than debt holders because they assume greater risk, and this premise and the resulting test that he applied has been accepted by other regulators.[154] Contrary to Staff's position, reference to observable utility bond yields provides a concrete measure as to both the direction and magnitude of capital costs, and DCF estimates that are not sufficiently above this benchmark do not provide a reliable guide to investors' required return and should be given no consideration.[155] Indeed, while Staff criticized Mr. McKenzie's elimination of illogical low end DCF estimates as one-sided, Mr. Muldoon also argued for "removal of the lower end of the modeling results" in performing his own analyses.[156] In fact, there is only a tenuous relationship between the results of Mr. Muldoon's DCF analyses and Staff's ultimate recommendation. As Company witness Mr. McKenzie testified, Mr. Muldoon's original ROE recommendation was above all of the results produced by his "Model X" application and exceeded all but five of the 30 DCF results summarized on Exhibit Staff/203, Muldoon/1. The fact that Mr. Muldoon was compelled to ignore the vast majority of his own modeling results contradicts his conclusion that "Staff's results are unbiased and reasonable."[157]

Finally, recognizing that the Commission has recently favored the multi-stage DCF model over the constant growth form, Company witness McKenzie offered an analysis patterned after the methodology accepted by the Commission in its Order No. 01-777,[158] which Mr. Muldoon cited in his testimony.[159] After eliminating a single result of 5.0%, which fell below the 5.42% yield that investors could earn on bonds, this multi-stage approach resulted in an implied

[154] Avista/300, McKenzie/36-37.
[155] Id.
[156] Staff/200, Muldoon/24, line 1.
[157] Staff/200, Muldoon/24, lines 16-17.
[158] Public Utility Commission of Oregon, Order No. 01-777 at 25-26, 35-36 (2001).
[159] Staff/200, Muldoon/15, note 17.

cost of equity for a group of gas utilities with lower investment risks than Avista of approximately 9.8%.[160]

2. Criticisms of Avista's Alternative Methods are Baseless.

Staff's raises two flawed assertions regarding the Company's reliance on the risk premium approach; (1) an entirely unsupported assertion that the risk premium is "not a terribly reliable methodology," and (2) that Federal Reserve monetary policies have somehow distorted risk premium results.[161] But as Company witness McKenzie testified, contrary to Staff's views, the risk premium approach is routinely referenced by the investment community and in academia and regulatory proceedings.[162] Mr. McKenzie also refuted Staff's claims regarding the impact of Federal Reserve Polices on Treasury yields, noting that his application of the risk premium approach was based on utility bond yields, not on the Treasury yields, and specifically accounted for the impact of changing bond yields on equity risk premiums.[163] Indeed, Mr. McKenzie pointed out that Staff's position deviates from that of recognized industry reference sources, which concluded that DCF results such as those relied on by Mr. Muldoon may be more vulnerable to peculiarities in capital market conditions than those produced by the risk premium approach,[164] with other regulators relying on the risk premium method as a "check" on DCF results.[165]

Staff's only observation with respect to the ECAPM approach presented by Mr. McKenzie was their contention that this approach is not generally referenced.[166] The testimony of Company witness McKenzie rebuts this assertion, providing citations to the financial literature

[160] Exhibit Avista/1201, Schedule AMM-17.
[161] Staff Reply Brief at page 4.
[162] Avista/300, McKenzie/47, lines 8-10.
[163] Avista/1200, McKenzie/35-36.
[164] Avista/1200, McKenzie/36, lines 11-19.
[165] Avista/1200, McKenzie/36, lines 20-21.
[166] Staff Reply Brief at page 4.

that supports the pedigree of this method.[167] In contrast to Staff's dismissal of this approach, the results of the ECAPM were endorsed as a superior method by the Staff of the MPSC and considered in the MPSC decision referenced in Mr. Muldoon's own testimony.[168]

Finally, Staff faults Avista's application of the CAPM based on their contention that the Company's approach should have referenced 10-year Treasury bond yields as a risk-free rate and alleging that it employed an "overly-high" market risk premium.[169] Company witness McKenzie refuted both of these criticisms. With respect to the use of 10-year Treasury notes as the basis for the risk-free rate, Mr. McKenzie established that the 30-year Treasury bond yield is a more appropriate benchmark because it provides closer alignment with the long-term expectations considered by common stock investors.[170] This is consistent with Mr. Muldoon's presumption that "a 30-year horizon is relevant for investors," [171] as well as Staff's own reference sources, which note that that, "The traditional thinking regarding the time horizon of the chosen Treasury security should match the horizon of whatever is being valued."[172]

Meanwhile, Staff's complaints with respect to the market risk premium employed in Avista's CAPM study are unfounded and unsupported, resting entirely on Mr. Muldoon's interpretation of selected snippets from the "financial news," and lacking theoretical or authoritative support.[173] As Company witness McKenzie documented, Avista's forward-looking methodology is consistent with the requirements of the CAPM model and the findings of other regulatory agencies.[174] Moreover, the risk premium adopted in Staff's application of the CAPM falls far below what is actually indicated by the historical record and Mr. Muldoon's own

[167] Exhibit Avista/300, McKenzie/42-43.
[168] Avista/1200, McKenzie/35, lines 2-9.
[169] Staff Reply Brief at page 5, lines 2-5.
[170] Avista/1200, McKenzie/33-34.
[171] Staff/200, Muldoon/17.
[172] Avista/1200, McKenzie/33, lines 18-22.
[173] Staff Reply Brief at page 5.
[174] Avista/1200, McKenzie/31-32.

sources, and implies a market rate of return that falls below Staff's ROE recommendation in this case.[175] Considering that utilities are widely perceived to be less risky than the stock market as a whole, this end-result amply demonstrates the failings of Staff's CAPM analysis, which should be given no weight.

C. NWIGU/CUB Recommendations on ROE are Substantially Inadequate.

While NWIGU/CUB correctly cite the standards for a just and reasonable ROE that govern the Commission's decision in this case,[176] they subsequently turn them on their head, arguing that Avista has failed to demonstrate that NWIGU/CUB's ROE recommendation would "damage its credit ratings or substantially reduce investor confidence."[177] The Commission's mandate under the Supreme Court's guidance is not to determine an ROE that marks the fulcrum between a utility's ability to sustain its current financial standing and a collapse in its credit ratings, and Avista has no burden to show that NWIGU/CUB's recommendations would lead to such an outcome. In any event, contrary to their contention,[178] and as discussed in response to Staff, Avista has provided detailed and thorough support for its requested ROE. Meanwhile, just like Staff, NWIGU/CUB has ignored conclusive evidence that their recommended 9.35% ROE is below what is required to meet the Supreme Court standards. As detailed above, Avista's risks exceed those of the proxy utilities and other Oregon-jurisdictional utilities, which demands a higher ROE. NWIGU/CUB's recommendation are inconsistent with this fundamental premise, as well as the capital market data cited earlier.

NWIGU/CUB also grossly mischaracterize the magnitude of Avista's requested 9.9% ROE, erroneously claiming that it represents a 400 basis point increase over the current

[175] Avista/1200, McKenzie/32-33.
[176] NWIGU/CUB Reply Brief at pages 2-3.
[177] NWIGU/CUB Reply Brief at page 4.
[178] Id.

authorized ROE.[179] In fact, the requested increase is 40 basis points, not 400.[180] As noted earlier, Avista has documented that yields on utility bonds corresponding to Avista's Baa rating have increased over 100 basis points since the Commission last approved an ROE for the Company,[181] making Avista's 9.9% requested ROE in this case completely in line with changes in capital market conditions and the Hope and Bluefield standards cited by NWIGU/CUB.

NWIGU/CUB's criticisms of Avista's evidence on technical grounds are equally misguided and inaccurate. First, contrary to NWIGU/CUB, Avista has fully supported consideration of the constant growth DCF model and the potential shortcomings of the multi-stage DCF approach relied on by NWIGU/CUB through the testimony of Company witness Mr. McKenzie. Second, NWIGU/CUB are incorrect in stating that Avista "has not provided its own multi-stage DCF analysis."[182] In fact, as indicated above in response to Staff, Company witness Mr. McKenzie provided a multi-stage DCF model based on the same approach previously adopted by this Commission, which indicated a cost of equity of 9.8%.[183] This result reflects investors' requirements for a group of gas utilities with lower investment risks than Avista, which again supports the reasonableness of the 9.9% ROE requested by the Company is this case, and further indicates that NWIGU/CUB's recommendation are simply too low. Similarly, NWIGU/CUB's allegation that the Company's analysis "cherry picks outlier results in its DCF model" is contrary to the evidence.[184] Mr. McKenzie's evaluation of DCF estimates was based on the fundamental premise that common stock investors require a higher return than debt holders, and testing DCF values against observable utility bond yields provides an objective

[179] NWIGU/CUB Reply Brief at page 4 and note 10.
[180] NWIGU/CUB's repeated reference to a 400 basis point increase in both the body and footnotes to their Reply Brief suggest that this erroneous reference was not the result of a simple typographical error.
[181] Avista/1200, McKenzie/13, lines 14-16.
[182] NWIGU/CUB Reply Brief at page 4.
[183] Exhibit Avista/1201, Schedule AMM-17.
[184] NWIGU/CUB Reply Brief at page 5.

evaluation of their reasonableness. NWIGU/CUB provide no support for a finding that common equity investors would be willing to accept returns below what they could earn with relative certainty from long-term bonds, and such a finding would be contrary to economic logic.

NWIGU/CUB's criticism of Avista's risk premium, ECAPM, and CAPM analyses were also fully rebutted by Company witness McKenzie.[185] Specifically, the Company explained the distinction between Mr. Gorman's flawed, backward-looking outlook and the forward-looking approach that is necessary to apply the ECAPM and CAPM methods in a manner that is consistent with their underlying assumptions.[186] Mr. McKenzie highlighted NWIGU/CUB's mischaracterization of the size adjustment applied in the context of the ECAPM and CAPM methods, and documented the necessity of the adjustment on practical and theoretical grounds.[187] Similarly, Avista has responded to the failings of Mr. Gorman's risk premium study, which subjectively ignored available data and failed to account for the established interrelationship between changes in bond yields and equity risk premiums.[188] While NWIGU/CUB reject any reference to data concerning required returns on non-utility companies,[189] such information forms the bedrock of the Supreme Court standards, and is a valid consideration in evaluating the end result of the regulatory process.[190] Finally, while NWIGU/CUB urge the Commission to ignore the impact of flotation costs in determining a just and reasonable ROE, their position is inconsistent with the findings of the financial literature and the economic requirements underlying a fair ROE;[191] a position on which Mr. Muldoon agrees.[192]

D. NWIGU/CUB's Recommended Capital Structure is Inconsistent With the Facts and

[185] Avista/1200, McKenzie/50-57.
[186] Avista/1200, McKenzie/50-52.
[187] Avista/1200, McKenzie/52-55.
[188] Avista/1200, McKenzie/55-57.
[189] NWIGU/CUB Reply Brief at page 5.
[190] Avista/1200, McKenzie/8-11.
[191] Avista/1200, McKenzie/59, lines 7-18; Avista/300, McKenzie/51-53.
[192] Staff/200, Muldoon/29-30.

Should be Rejected.

Company Witness McKenzie employed a common equity ratio of 50% as a reasonable level of capitalization for Avista. Staff Witness Muldoon proposes a 49.86% equity capital structure (which, when rounded, is largely consistent with the Company's 50% equity component).[193] Witness Gorman, on behalf of CUB and NWIGU, however, proposes a much lower 48.5% equity component.[194]

While NWIGU/CUB imply that their capital structure accurately reflects the basis upon which Avista finances its investment in utility plant,[195] this contention is inaccurate for several reasons. First, in contrast to Mr. Gorman's flawed calculations, as documented in the testimony of Company witness Mr. Thies, Avista's actual capital structure at September 30, 2015 was composed of 49.25% debt and 50.75% common equity.[196] Second, NWIGU/CUB's disingenuously claim that Mr. Gorman's removal of goodwill should be countenanced because his figure "is clearly from the Company's Securities and Exchange Commission ("SEC") consolidated balance sheet."[197] NWIGU/CUB misses the point. Avista does not take issue with the source or amount of goodwill referenced by Mr. Gorman. Rather, as the Company documents, there is no basis to "adjust out" this goodwill balance because it was never included in computing Avista's common equity balance for purposes of this rate proceeding.[198] Third, NWIGU/CUB's claim that the equity cushion provided by non-utility investments has not been shown to provide benefits should be rejected.[199] Ironically, NWIGU/CUB's own witness Mr. Gorman cites the positive attributes of Avista's current credit ratings,[200] while encouraging the

[193] (STAFF/200, Muldoon/1, lines 13-15)
[194] (CUB-NWIGU/100, Gorman/2, lines 6-7 and /3, lines 6-9)
[195] NWIGU/CUB Reply Brief at pages 6-7.
[196] Avista/1100, Thies/3, lines 10-17.
[197] NWIGU/CUB Reply Brief at page 7, lines 5-7.
[198] Avista/1100, Thies/6, lines 14-17.
[199] NWIGU/CUB Reply Brief at pages 6-7.
[200] NWIGU/CUB/100, Gorman/13, lines 17-24.

Commission to disavow this very same factor in its evaluation of the Company's capital structure in this case. As Company witness Mr. Thies testified,[201] the equity that Mr. Gorman would inappropriately exclude from consideration is considered by the rating agencies in their evaluation of the Company's credit standing, and supports the very same credit ratings touted by Mr. Gorman as evidence of Avista's healthy financial position.

NWIGU/CUB also inaccurately characterize the testimony of their own witness, implying that Mr. Gorman did not rely on capital structure ratios approved in Avista's Washington jurisdiction as support for his recommendation here.[202] In fact, Mr. Gorman specifically referenced the 48.5% common equity ratio approved in a partial settlement of the Company's most recent rate proceeding in Washington as a key factor supporting his recommendation.[203] But as both Avista and Staff have recognized, this is inconsistent with Commission policy.[204] After backing out the 3.22% short-term debt balance referenced in the Company's Washington proceeding,[205] the resulting common equity ratio comparable to this Commission's practice on this issue is 50.1%.[206] This fully supports the recommendations of the Company and Staff in this proceeding, and further undermines NWIGU/CUB's arguments.

Apart from this mischaracterization, NWIGU/CUB's attempt to portray its 48.5% common equity ratio as being consistent with other ratemaking capital structures entirely ignores industry standards established by other gas utilities that Avista must compete with for capital investment. As Company witness Mr. McKenzie documents, his group of gas distribution utilities maintained an average common equity ratio at year-end 2014 of 51.4%, which is

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201 Avista/1100, Thies/5-6.
202 NWIGU/CUB Reply Brief at page 6, lines 5-9, 14-17.
203 NWIGU/CUB/100, Gorman/11, lines 14-15, n. 8. NWIGU-CUB Reply Brief at page 6, lines 4-6.
204 Avista Post-Hearing Brief at 37; Staff/200, Muldoon/3, lines 6-9; Avista/1100, Thies/5, lines 3-19.
205 Staff/200, Muldoon/3, n.1; WUTC Docket Nos. UE-150204/150205, Exhibit No.MTT-1T.
206 48.5 / (51.5-3.22+48.5) = 50.1%.

projected to increase to 55.9% over the next three to five years.[207] Thus, contrary to NWIGU/CUB's allegations, Avista's requested capital structure is consistent with the actual capitalization used to finance its investment in utility plant and the capital structure ratios approved for the Company by other regulatory agencies, while providing a lower common equity cushion than what is indicated by industry benchmarks for other gas utilities.

XI. CONCLUSION

Avista appreciates the opportunity to thoroughly vet the issues with the Commission, and believes the costs for which it seeks recovery are necessary to maintain a safe and reliable system in furtherance of its public service obligation.

RESPECTFULLY SUBMITTED this 22 day of January, 2016.

AVISTA CORPORATION

By: _____

David J. Meyer
VP, Chief Counsel for Regulatory and
Governmental Affairs

[207] Avista/300, McKenzie/24, lines 9-12.

APPENDIX A

TO FINAL BRIEF

OF AVISTA CORPORATION

(Docket UG-288)

Q. What is Staff's adjustment and how did you arrive at it?

A. Staff recommends removing approximately $30 million from the Company's capital additions. This adjustment is in addition to the specific adjustment for Project Compass recommended by Ms. Johnson, who recommends a $1.3 million reduction.

Staff arrives at this adjustment of $30 million by setting a target for growth of net utility plant of 7.75 percent, which equates to a rate base addition of approximately $16.4 million. This results in a $31.3 million overall reduction in capital projects. From this amount, I subtract the $1.3 million adjustment to Project Compass made by Ms. Johnson in Staff/300. This leaves a $30 million adjustment to the overall capital budget.

Capital addition adjustment		
7.75%		Historical RB growth
$210,751,974		2014 Net Utility Plant
$47,658,000		UG 288 Avista Capital forecast
($16,333,278)		2014 net plant * 7.75%
($31,324,722)		Total Staff Adjustment
($1,300,000)		Project Compass Adjustment - J. Johnson
($30,024,722)		Net Staff Adjustment - M. Moore

Please refer to Exhibit Staff/606 Excel workpapers for the details of my recommended adjustment.

Q. Does this conclude your testimony?

A. Yes.

Avista UG 288
Test Year Ending December 31, 2016
000's of Dollars

Staff adjustments for programmatic capital projects reflect an allowance for the yearly averages of spending in 2010-2014. Adjustments for certain discrete projects such as website redevelopment, and campus restructuring reflect staff questions regarding the prudence of the cost, as well as the extent of benefit to customers. In the Company's 2014 IRP, approved in February of 2015, indicates the East Medford Reinforcement project is not immediately needed, and is slated to come on line in 2018.

Growth distribution projects were disallowed absent a showing of need. The IRP indicates relatively flat demand for the next few years, and forecast data in the response to DR 193 shows a decrease in the number of customers from 2013-2015.

	Company Filing		Staff		Adjustment		
Description/ Account No.	Total Company	OR-Allocated	Total Company	OR-Allocated	Total Company	OR-Allocated	
Utility Plant - 101							
2277 SCADA Upgrade	$1,020	89		0		$ (89)	
5005- Tech Refresh	$ 21,379	$ 1,860		$ -		$ (1,860)	
5006- Tech Expansion	$ 7,431	$ 647		$ -		$ (647)	
5010-Enterprise Bus. Continuity	$ 649	$ 56		$ -		$ (56)	
5014-Enterprise Security Sys	$ 5,400	$ 470		$ 157		$ (313)	
5106- Next Gen Radio	$ 4,200	$ 365		$ -		$ (365)	
5121- Microwave 2 Fiber Repl	$ 2,755	$ 240		$ -		$ (240)	
5138- Project Compass	$ 95,386	$ 8,300				$ -	[a]
5143-Website redev	$ 7,038	$ 612		$ -		$ (612)	
5144 - Mobility in Field	$ 420	$ 37		$ -		$ (37)	
7000-Transport Equip	$ 7,834	$ 959		$ -		$ (959)	
7001-Structures & Imp	$ 3,400	$ 296		$ -		$ (296)	
7003-Office Furniture	$ 1,200	$ 104		$ -		$ (104)	
7005-Stores Equip	$ 648	$ 56		$ -		$ (56)	
7101-COF HVAC	$ 10,979	$ 955		$ -		$ (955)	
7126-LT Campus Re-struc	$ 5,000	$ 435		$ -		$ (435)	
7131-LT Campus Re-struc PHII	$ 2,000	$ 174		$ -		$ (174)	
7200-Craft training	$ 121	$ 11		$ 3		$ (8)	
Total						**$ (7,117)**	
1001-Gas Revenue Growth	$ 13,545	$ 3,846		$ 500		$ (3,346)	
1050-Gas meters Growth	$ 1,880	$ 658		$ 85		$ (573)	
1051-Gas regulators growth	$ 330	$ 52		$ 7		$ (45)	
1053-Gas ERT growth	$678	$ 237		$ 31		$ (206)	
3000-Gas Reinforce-minor	$ 1,481	$ 761		$ -		$ (761)	
3001-Repl deteriorated system	$ 1,000	$ 1,000		$ 701		$ (299)	
3002-Regulator reliability	$ 947	$ 387		$ 260		$ (127)	
3003-Gas Repl-Street&Hwy	$ 4,827	$ 3,477		$ 1,500		$ (1,977)	
3005-Gas distr. Non-revenue	$ 6,002	$ 3,602		$ -		$ (3,602)	
3006--Overbuilt pipe repl	$ 900	$ 828		$ -		$ (828)	
3007-Isolated steel	$ 3,450	$ 850		$ 200		$ (650)	
3008-Aldyl-A pipe repl.	$ 18,317	$ 6,298		$ 5,164		$ (1,134)	
3203-E Medford reinforcemnt	$ 5,000	$ 5,000		0		$ (5,000)	
3303-Ladd Canyon Gate upg	$ 1,650	$ 1,650		$ 93		$ (1,557)	
3307-Bonanza Gate move	$ 600	$ 600		$ -		$ (600)	
Jackson Prairie storage	$ 1,356	$ 131		$ -		$ (131)	
Total						**$ (20,836)**	
Distribution Capital - 2016							
1001-Gas Revenue Growth		$ 1,720		$ -		$ (1,720)	
1050-Gas meters Growth		$ 154		$ -		$ (154)	
1051-Gas regulators growth		$ 11		$ -		$ (11)	
1053-Gas ERT growth		$ 165		$ -		$ (165)	
Total						**$ (2,050)**	
TOTAL Adjustment						$ (30,003)	

Avista UG 288
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Description/ Account No.	Total Company	OR-Allocated	Total Company	OR-Allocated	Total Company	OR-Allocated	
Utility Plant - 101							
2277 SCADA Upgrade	$1,020	89		0		$ (89)	
5005- Tech Refresh	$ 21,379	$ 1,860		$ -		$ (1,860)	
5006- Tech Expansion	$ 7,431	$ 647		$ -		$ (647)	
5010-Enterprise Bus. Continuity	$ 649	$ 56		$ -		$ (56)	
5014-Enterprise Security Sys	$ 5,400	$ 470		$ 157		$ (313)	
5106- Next Gen Radio	$ 4,200	$ 365		$ -		$ (365)	
5121- Microwave 2 Fiber Repl	$ 2,755	$ 240		$ -		$ (240)	
5138- Project Compass	$ 95,386	$ 8,300				$ -	[a]
5143-Website redev	$ 7,038	$ 612		$ -		$ (612)	
5144 - Mobility in Field	$ 420	$ 37		$ -		$ (37)	
7000-Transport Equip	$ 7,834	$ 959		$ -		$ (959)	
7001-Structures & Imp	$ 3,400	$ 296		$ -		$ (296)	
7003-Office Furniture	$ 1,200	$ 104		$ -		$ (104)	
7005-Stores Equip	$ 648	$ 56		$ -		$ (56)	
7101-COF HVAC	$ 10,979	$ 955		$ -		$ (955)	
7126-LT Campus Re-struc	$ 5,000	$ 435		$ -		$ (435)	
7131-LT Campus Re-struc PHII	$ 2,000	$ 174		$ -		$ (174)	
7200-Craft training	$ 121	$ 11		$ 3		$ (8)	
Total						**$ (7,117)**	
1001-Gas Revenue Growth	$ 13,545	$ 3,846		$ 500		$ (3,346)	
1050-Gas meters Growth	$ 1,880	$ 658		$ 85		$ (573)	
1051-Gas regulators growth	$ 330	$ 52		$ 7		$ (45)	
1053-Gas ERT growth	$678	$ 237		$ 31		$ (206)	
3000-Gas Reinforce-minor	$ 1,481	$ 761		$ -		$ (761)	
3001-Repl deteriorated system	$ 1,000	$ 1,000		$ 701		$ (299)	
3002-Regulator reliability	$ 947	$ 387		$ 260		$ (127)	
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Total						**$ (2,050)**	
TOTAL Adjustment						$ (30,003)	

[a] J. Johnson doing adjustment

APPENDIX B

TO FINAL BRIEF

OF AVISTA CORPORATION

(Docket UG-288)

SECTION 1

OF APPENDIX B

TO FINAL BRIEF

OF AVISTA CORPORATION

(Docket UG-288)

[Excerpt From Exhibit Avista/600 Schuh/ 8-19]

projects and programs, and to approve or decline new business cases as well as monitor the overall capital budget.

Q. Is the Company confident that the level of capital additions that are presented in this case will be completed?

A. Yes. Many of the 2015 projects are already underway, either through actual construction, signed contracts, and/or ordered materials, and in some cases are already completed. Additionally, the capital additions required to serve incremental customers in 2016 are matched with the revenue growth associated with new customers in 2016.

IV. DESCRIPTION OF CAPITAL PROJECTS

Q. What is Avista's capital investment that will transfer to plant in service in 2015 and 2016 in this case?

A. The following Table No. 1 shows Avista's planned system-wide general plant capital transfers to plant of $180.64 million in 2015. Oregon's share of this general plant totals $16.01 million.

Table No. 1
General Plant Capital Projects - 2015 Transfers to Plant

Project	ER	2015 System (000's)	2015 Oregon Allocated (000's)
SCADA Upgrade	2277	$ 1,020	$ 89
Technology Refresh to Sustain Business Process	5005	21,379	1,860
Technology Expansion to Enable Business Process	5006	7,431	647
Enterprise Business Continuity	5010	649	56
Enterprise Security Systems	5014	5,400	470
Next Generation Radio System	5106	4,200	365
Microwave Replacement with Fiber	5121	2,755	240
Customer Information and Asset System Replacement	5138	95,386	8,300
AvistaUtilities.com Redevelopment	5143	7,038	612
Mobility in the Field	5144	420	37
Subtotal - Technology Projects		145,678	12,676
Transportation Equipment	7000	7,834	959
Structures and Improvements	7001	3,400	296
Office Furniture	7003	1,200	104
Stores Equipment	7005	648	56
Tools Lab & Shop Equipment	7006	1,719	167
Battery Storage Strategic Initiative[3]	7060	2,062	179
COF HVAC Improvement	7101	10,979	955
Long Term Campus Re-Structuring Plan	7126	5,000	435
Long Term Campus Re-Structuring Plan - Phase 2	7131	2,000	174
Apprentice Craft Training	7200	121	11
Subtotal - General Plant Projects		34,963	3,336
TOTAL		$ 180,641	$ 16,012

Table No. 2 and Table No. 3, below, show Avista's planned Oregon natural gas distribution capital expenditures of $30.25 million in 2015, and $2.05 million for 2016.

[4] Following the completion of Avista's revenue requirement for this case, it was identified that this project was inadvertently included within the revenue requirement and should have been excluded. We will correct this in our subsequent capital update for this case.

Capital Projects

Table No. 2
Oregon Gas Distribution Capital Projects - 2015 Transfers to Plant

Project	ER	2015 System (000's)	2015 Oregon Allocated (000's)
Gas Revenue Growth Projects	1001	$ 13,545	$ 3,846
Gas Meters Growth Projects	1050	1,880	658
Gas Regulators Growth Projects	1051	330	52
Gas ERT Growth Projects	1053	678	237
Gas Reinforce - Minor Blanket	3000	1,481	761
Replace Deteriorating Gas System	3001	1,000	1,000
Regulator Reliable - Blanket	3002	947	387
Gas Replace - Street & Highway	3003	4,827	3,477
Cathodic Protection - Minor Blanket	3004	950	50
	3005		
Gas Distribution Non-Revenue Projects		6,002	3,602
Overbuilt Pipe Replacement Projects	3006	900	828
Isolated Steel	3007	3,450	850
Aldyl-A Pipe Replacement	3008	18,317	6,298
Gas ERT Replacement Program	3054	402	402
Gas Meter Replacement	3055	1,030	296
Gas Telemetry	3117	400	120
East Medford Reinforcement	3203	5,000	5,000
Ladd Canyon Gate Station Upgrade	3303	1,650	1,650
Bonanza Gate Station Move	3307	600	600
Jackson Prairie Storage	7201	1,356	131
TOTAL		$ 64,745	$ 30,245

Table No. 3
Oregon Gas New Customer Hookups- 2016 AMA Transfers to Plant

Project	ER	2016 Oregon (000's)
Gas Revenue Growth Projects	1001	$ 1,720
Gas Meters Growth Projects	1050	154
Gas Regulators Growth Projects	1051	11
Gas ERT Growth Projects	1053	165
TOTAL		$ 2,050

Q. For the capital projects included in this filing that will transfer to plant in service in 2015 and 2016, please provide a description of the projects.

A. A description of each of the capital projects included in Tables No. 1, 2, and 3 above is provided below. Written business cases supporting each of the capital projects are included in the workpapers submitted with this filing.

Technology (Oregon):

ER 2277: SCADA Upgrade – 2015: $89,000
This program replaces and/or upgrades existing electric and gas control center telecommunications and computing systems as they reach the end of their useful lives, require increased capacity, or cannot accommodate necessary equipment upgrades due to existing constraints. This program includes hardware, software, and operating system upgrades, as well as deployment of capabilities to meet new operational standards and requirements. Some system upgrades may be initiated by other requirements, including NERC reliability standards, growth, and external projects (e.g. Smart Grid). Examples of upgrades to be completed under this program are Critical Infrastructure Protection version 5 (NERC requirement), Gas Control Room Management (PHMSA requirement), WECC RC Advanced Applications, and Technology Refresh (network and storage).

ER 5005: Technology Refresh to Sustain Business Process – 2015: $1,860,000
The Company manages an ongoing program to replace, on a systematic basis, aging and obsolete technology under "refresh cycles" that are timed to optimize hardware/software system changes or industry trends. An example of technology managed under this program is the fleet of personal computers and other computing devices used by field operations, power plant operators, call centers, and our general office employees.

ER 5006: Technology Expansion to Enable Business Process – 2015: $647,000
This program facilitates technology growth throughout the Company, including technology expansion for the entire workforce, business process automation and increased technology to support efficient business processes. For example; when the Company adds trucks to the fleet, communication equipment needs to be added to the truck; as the Company hosts more customer data, disk storage needs to be expanded, as customers expand their use of the website, additional computing capacity is needed to support that functionality.

ER 5010: Enterprise Business Continuity – 2015: $56,000
Avista has developed an Enterprise Business Continuity Plan (EBCP) to facilitate emergency response and business continuity activities in fulfillment of our mission to deliver safe and reliable energy to our customers. The program supports the

EBCP objectives by providing an all-hazards framework for emergency response, technology recovery, alternate facilities and business continuity activities. The program provides communications and operational procedures necessary for efficient response to events.

ER 5014: Enterprise Security – 2015: $470,000

There are three primary drivers of the increasing costs for Enterprise Security: cyber security, physical security and regulatory requirements. Each plays a critical role in supporting our delivery of safe and reliable energy to our customers.

Cyber Security

The security of our electric and natural gas infrastructure is a significant priority at a national and state level, and is of critical importance to Avista. Threats from cyber space, including viruses, phishing, and spyware, continue to test our industry's capabilities. While the sources of these malicious intentions are often unknown, it is clear the methods are becoming more advanced and the attacks more persistent. In addition to these threats, the vulnerabilities of hardware and software systems continue to increase, especially with industrial control systems such as those supporting the delivery of energy. For these reasons, Avista must continue to advance its cyber security strategy and invest in security controls to prevent, detect, and respond to these increasingly frequent and sophisticated attacks.

Physical Security

While considerable attention is focused on cyber security, physical security also remains a concern for our industry. Physical security encompasses the aspects of employee safety and the protective security of our facilities. Acts of theft, vandalism, and sabotage of infrastructure not only result in property losses, but can also directly impact our ability to serve customers. Securing remote unmanned or unmonitored critical infrastructure is difficult, especially when traditional tools such as perimeter fencing are not adequate. In response to these challenges, the Company has focused its resources on remote detection and response, which is creating the need for additional expertise and technology.

Regulatory Requirements

Advancing cyber threats continue to drive change in the regulatory landscape faced by the Company. Early in 2013, President Obama issued the Executive Order "Improving Critical Infrastructure Cybersecurity." The Order directed the National Institute of Standards and Technology to work with stakeholders in developing a voluntary framework for reducing cyber risks to critical infrastructure. The Framework consists of standards, guidelines, and best practices to promote the protection of critical infrastructure. The Federal Energy Regulatory Commission also issued Order 791 on November 22, 2013, approving the North American Electric Reliability Corporation Critical Infrastructure Protection Standards, Version 5. Both of these activities will increase our security-related operating costs because they require the Company's security controls and processes to conform to new standards, guidelines, and best practices.

ER 5106: Next Generation Radio – 2015: $365,000
This project refreshes Avista's 20-year-old Land Mobile Radio system. The Company maintains this private system because no public provider is capable of supporting communications throughout our rural service territory. And, since our systems comprise a portion of our nation's critical infrastructure, Avista is required to have a communication system that will operate in the event of a disaster. This project fulfills a mandate from the Federal Communications Commission that all licensees in the Industrial/Business Radio Pool migrate to spectrum efficient narrowband technology.

ER 5121: Microwave Replacement with Fiber – 2015: $240,000
The company manages an ongoing program to systematically-replace aging and obsolete technology under "refresh cycles" that are timed to optimize hardware/software system changes. This project will replace aging microwave communications technology with current technology to provide for high speed data communications. These communication systems support relay and protection schemes of the electrical transmission system. Reducing Avista's risk of failure of these critical communication systems will have a significant impact on Avista's transmission capacity and ability to serve our customers electrical needs.

ER 5138: Customer Information and Work and Asset Management System Replacement – 2015: $8,300,000
The Company's legacy Customer Information and Work and Asset Management System has been in service for twenty years and was replaced in a multi-year effort named "Project Compass." The major applications replaced include the Company's Customer Service System, Work Management System, and the Electric and Gas Meter Application. The primary replacement systems were Oracle's Customer Care & Billing application and International Business Machine's ("IBM") Maximo work and asset management application. A portion of the Maximo system was enabled in the fall of 2013, and the full System was placed in service in February 2015.

ER 5143: AvistaUtilities.com Redevelopment – 2015: $612,000
Like many businesses today, the Company is experiencing continued growth in the use of its customer website, Avistautilities.com. The website was built in 2006-2007, but because the technology landscape has advanced so quickly, the site does not meet current web best practices for customer usability. This project will update and improve the technology, overall web usability, and customer satisfaction. The website is part of the Company's strategy to provide customers a more effective channel to meet their expectations for self-service options, including mobile access, energy efficiency education, and to drive self-service as a means to lower transaction costs.

ER 5144: Mobility in the Field – 2015: $37,000
The Mobility in the Field program is designed to increase the Company's use of field mobile dispatch for service employees equipped with mobile devices. This cost

supports the software maintenance agreements that will need to be in place in order to maintain the new system.

Transportation (Oregon):

ER 7000: Transportation Equipment – 2015: $959,000
Expenditures are for the scheduled replacement of trucks, off-road construction equipment and trailers that meet the Company's guidelines for replacement, including age, mileage, hours of use and overall condition. This ER also, includes additions to the fleet for new positions or crews working to support the maintenance and construction of our natural gas operations.

General (Oregon):

ER 7001/7003: Structures and Improvements / Office Furniture - 2015: $296,000/$104,000
This program is for the Capital Maintenance, Improvements, and Furniture budgets at over 50 Avista offices and service centers (over 700,000 square feet in total). Many of the service centers were built in the 1950's and 1960's and are starting to show signs of severe aging. The program includes capital projects in all construction disciplines (roofing, asphalt, electrical, plumbing, HVAC, energy efficiency projects etc.).

ER 7005/7006: Capital Tools & Stores Equipment – 2015: $56,000/$167,000
This program is for equipment utilized in warehouses throughout the service territory. This includes equipment such as forklifts, man-lifts, shelving, cutting/binding machines, etc. Expenditures in this category include all large tools and instruments used throughout the company for natural gas and/or electric construction and maintenance work, distribution, transmission, or generation operations, telecommunications, and some fleet equipment (hoists, winch, etc.) not permanently attached to the vehicle.

ER 7101: HVAC Renovation Project – 2015: $955,000
The HVAC Renovation Project began in 2007. The HVAC Project is a systematic replacement of the original 1956 Heating, Ventilation and Air Conditioning System for the Service Building, Cafeteria/Auditorium and General Office Building. The original HVAC equipment has been operating 24/7 since original construction in 1956. The Project entails a floor by floor evacuation and relocation of employees and a complete demolition of each floor; including a massive Asbestos Abatement component, and removing the original fire proofing on the basic steel structure. The Project requires exhaustive demolition and reconstruction of each floor. Sustainable energy savings and conservation are built into the Project as we apply for LEED certification for each floor. The 5th, 4th, and 3rd floors have obtained LEED-CI Gold status recognizing all of the renewable strategies we employed during the design and construction phases. The goal of this project is to re-purpose and recycle the entire Facility for the next generation of Avista employees. Life cycle costs

weighed heavily on our Construction Specifications and equipment choices during the design phase. The design team chose energy efficient equipment that was designed for 30 to 50 year life cycles.

ER 7126: Central Office Facility (COF) Long Term Campus Restructuring Plan – 2015: $435,000

The central operating facility (COF) campus restructuring plan, phase one, is a two-year, multiple project plan to address material storage, field recovery operations, and office space needs. Over the past few years, our warehouse material inventory has increased and presently the materials are scattered in multiple locations on the COF, due to them outgrowing their allocated space. The campus restructuring will increase and consolidate their storage area, resulting in greater efficiencies for the warehouse and field crews. In addition, two new structures will be built to consolidate transformer recovery (both PCB and non-PCB), hazardous waste & material, and investment recovery (recycling) operations. This will improve the safety and efficiencies for collection of all field recovery materials, as well as provide a one-stop drop location for field crews (instead of the three different locations on the COF right now). Avista is also remodeling two existing areas in our service building that will provide approximately 30 new cubicles, meeting rooms, and offices. This will help accommodate our growth and may allow employees in leased spaces to return to the COF, resulting in a reduction of leased space. In addition, savings are gained as a result of line trucks and employees not having to travel and off-load waste matter that is recyclable or hazardous.

ER 7131: Central Office Facility (COF) Long-Term Restructure Phase 2 – 2015: $174,000

Avista's Central Office Facility (COF) Long Term Restructuring Plan, Phase 2 involves the construction of a new Fleet Vehicle Garage and four story parking structure. By the end of 2015, facilities projects will add approximately 183 new cubicles. Our parking lots will be beyond maximum capacity. The Company currently leases space from Burlington Northern for employee parking. This lease space could be at risk in the future, if Burlington needs the space. The Fleet Garage is over 50 yrs old and is constrained. The new garage will allow for maintenance of Compressed Natural Gas vehicles as the current building does not allow for this. Once Fleet is relocated, there will be a distinct separation between operational/service vehicles and employee vehicles. This separation will increase safety by eliminating intermingling of pedestrians in work areas. The office building & parking garage is projected to allow the Call Center and any leased facilities to come back to Mission campus. The Ross Park conversion to office space will cover any future employee expansion that will occur.

ER 7200: Apprentice Craft Training – 2015: $11,000

This program is for on-going capital improvements to support the essential skills needed for journeyman workers, apprentices and pre-apprentices now and for the future. It is important to provide the types of training scenarios that employees face in the field. Capital expenditures under this program include items such as building

new facilities or expanding existing facilities, purchase of equipment needed, or build out of realistic utility field infrastructure used to train employees. Examples include: new or expanded shops, truck canopies, classrooms, backhoes and other equipment, build out of "Safe City" located at the Company's Jack Stewart training facility in Spokane, which could include commercial and residential building replicas, and distribution, transmission, smart grid, metering, gas and substation infrastructure.

Natural Gas Distribution (Oregon):

ER 1001: Gas Revenue Growth Projects – 2015: $3,846,000; 2016: $1,720,000
This annual program addresses costs to serve new loads for natural gas service. This portion of the program includes the cost to construct new gas piping in order to provide service to new customers.

ER 1050: Gas Meters Growth Projects – 2015: $658,000; 2016: $154,000
This annual program addresses costs to serve new loads for natural gas service. This portion of the program includes the cost of new meters and the associated installation of the aforementioned meters in order to provide service to new customers.

ER 1051: Gas Regulators Growth Projects – 2015: $52,000; 2016: $11,000
This annual program addresses costs to serve new loads for natural gas service. This portion of the program includes the cost of new regulators and the associated installation of the aforementioned regulators in order to provide service to new customers.

ER 1053: Gas ERT Growth Projects – 2015: $237,000; 2016: $165,000
This annual program addresses costs to serve new loads for natural gas service. This portion of the program includes the cost of new ERTs and the associated installation of the aforementioned ERTs in order to provide service to new customers.

ER 3000: Gas Reinforcement – Minor Blanket - 2015: $761,000
Avista has an obligation to provide reliable gas service that is of adequate pressure and capacity. Periodic reinforcement of the system is required to serve increased demand reliably at existing service locations and new customers. This annual program will identify and install new sections of gas main to improve the operating reliability and performance of the gas distribution system. Execution of this program on an annual basis will ensure the continuation of reliable gas service that is of adequate pressure and capacity.

ER 3001: Replace Deteriorated Pipe – 2015: $1,000,000
This annual project will replace sections of existing gas piping that are at-risk for failure or have deteriorated within the gas system. This project will address the replacement of sections of gas main that no longer operate reliably and/or safely. Sections of the gas system require replacement due to many factors including material failures, environmental impact, increased leak frequency, or coating

problems. This project will identify and replace sections of main to improve public safety and system reliability.

ER 3002: Regulator Station Reliability Projects – 2015: $387,000
This annual program will replace or upgrade existing regulator stations and meter stations to current Avista standards. This program will address enhancements that will improve system operating performance, enhance safety, replace inadequate or antiquated equipment that is no longer supported, and ensure the reliable operation of metering and regulating equipment.

ER 3003: Gas Replacement Street and Highways – 2015: $3,477,000
This annual project will replace sections of existing gas piping that require replacement due to relocation or improvement of streets or highways in areas where gas piping is installed. Avista installs many of its facilities in public right-of-way under established franchise agreements. Avista is required under the franchise agreements, in most cases, to relocate its facilities when they are in conflict with road or highway improvements.

ER 3004: Cathodic Protection Projects – 2015: $50,000
This annual project upgrades, replaces, or installs cathodic protection systems required to ensure compliance with PHMSA regulations regarding proper cathodic protection of steel mains. This program will ensure appropriate cathodic protection levels are maintained, reduce corrosion related failures, help prevent leaks within steel pipeline systems, and enhance public safety.

ER 3005: Gas Distribution Non-Revenue Projects – 2015: $3,602,000
This annual project will replace sections of existing gas piping that require replacement to improve the operation of the gas system, but are not directly linked to new revenue. It includes replacement of pipe and facilities that are at the end of their useful life or have failed. It also includes improvement in equipment and/or technology to enhance system operation and/or maintenance, replacement of obsolete facilities, replacement of main to improve cathodic performance, and projects to improve public safety and/or improve system reliability.

ER 3006: Overbuild Pipe Replacement Projects – 2015: $828,000
This annual project will replace sections of existing gas piping that have experienced encroachment or have been overbuilt [customer constructed improvements (i.e., decks, driveways, etc.)], which restricts the Company's access to pipe. It will address the replacement of sections of gas main that are no longer able to be operated safely and will identify and replace sections of main to enhance public safety. All types of overbuilds will be addressed with the primary focus of the project being overbuilds in manufactured home developments.

ER 3007: Isolated Steel Replacement – 2015: $850,000
The Company has implemented a special cathodic protection program for the purpose of finding and addressing isolated steel in its natural gas piping systems.

ER 3008: Aldyl-A Replacement Project – 2015: $6,298,000
The Company is currently undergoing a 20 year program to systematically remove and replace select portions of the DuPont Aldyl A medium density polyethylene pipe in its natural gas distribution system in the States of Washington, Oregon and Idaho. None of the subject pipe is "high pressure main pipe," but rather, consists of distribution mains at maximum operating pressures of 60 psi and pipe diameters ranging from 1¼ to 4 inches.

ER 3054: Gas ERT Replacement Program – 2015: $402,000
This program covers labor required for the replacement of 19,500 natural gas Encoder Receiver Transmitters (ERTs) annually for a 12-year cycle, beginning in the year 2015. Analyses has identified that a levelized replacement strategy will minimize the effect of unit failures as well as introduce new, levelized populations of ERTs into the system for future predictive maintenance.

ER 3055: Natural Gas Meter Replacement Projects – 2015: $296,000
This annual program provides for replacement of natural gas meters and associated measurement equipment, which are completed in association with the Gas Planned Meter Change-out (PMC) program. Avista is required by commission rules and an approved tariff in WA, ID, and OR to test meters for accuracy and ensure proper metering performance. Execution of this program on an annual basis will ensure the continuation of reliable gas measurement. This program includes the labor and minor materials associated with the PMC program.

ER 3117: Gas Telemetry – 2015: $120,000
The projects will include the installation of six flow computers to replace existing aging infrastructure. Additionally this project includes all new telemetry installations, to include both wireless and hard-wired.

ER 3203: East Medford Reinforcement – 2015: $5,000,000
This project will complete the 12" high-pressure steel pipeline loop across the east side of Medford, Oregon. The length of the remaining segment will be about 3.2 miles. Avista's Gas Integrated Resource Plan requires increased gas deliveries from the TransCanada Pipeline source at Phoenix Road Gate Station in SE Medford. Existing distribution piping exiting the station will be unable to receive the increased gas volumes. A new high-pressure gas line encircling Medford to the east and tying into an existing high pressure line in White City will improve delivery capacity and provide a much needed reinforcement in the East Medford area, which is forecasting higher growth.

ER 3303: Ladd Canyon Gate Station Upgrade – 2015: $1,650,000
The existing gate station has reached its physical capacity due to the growth in the area and needs to be upgraded to support the gas load increases. The new Gate Station will include separate regulation facilities to modify the existing system and maintain service for the Union supply main and the Airport main extension along Pierce Rd. The new facility will require heater, odorizer, regulation, and relief facilities for the Avista site. New telemetry facilities will be installed at this location as well. This project will accommodate the long term benefit of adding capacity to the Elgin area once the 3 miles of HP is extended from Union to the Elgin HP line out of La Grande.

ER 3307: Bonanza Gate Station Move – 2015: $600,000
Gas Transmission Northwest (GTN) has requested that we relocate the metering and odorizing equipment at the Bonanza Meter Station to a nearby location. Working with GTN to move this equipment will allow us to share the costs of this move between parties.

ER 7201: Jackson Prairie Storage Projects – 2015: $131,000
These projects include capital maintenance to the Jackson Prairie Storage facility.

V. SUMMARY OF ADJUSTMENTS

Q. What is the change in natural gas rate base for the capital adjustments included in this testimony?

A. Natural gas net rate base for capital investment increases $39,659,000 from December 31, 2014 AMA results of operations balance of $164,239,000 to a December 31, 2015 EOP balance of $203,898,000. In addition, rate base increases $2,004,000 during 2016, related to new customer hookups, to the 2016 AMA balance of $205,902,000. The total increase in net rate base from the 2014 base year is $41,663,000. Table No. 4 below summarizes the adjustments for capital additions included in this case.

SECTION 2

OF APPENDIX B

TO FINAL BRIEF

OF AVISTA CORPORATION

(Docket UG-288)

[Business Cases For Capital Projects]

(Avista/1401, Schuh)

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

DOCKET NO. UG-288

KAREN K. SCHUH
Exhibit No. 1401

Capital Business Cases

Table No. 1
General Plant Capital Projects - 2015 Transfers to Plant

Project	ER	2015 System	2015 Oregon Allocated
		(000's)	(000's)
SCADA Upgrade	2277	$ 1,020	$ 89
Technology Refresh to Sustain Business Process	5005	21,379	1,860
Technology Expansion to Enable Business Process	5006	7,431	647
Enterprise Business Continuity	5010	649	56
Enterprise Security Systems	5014	5,400	470
Next Generation Radio System	5106	4,200	365
Microwave Replacement with Fiber	5121	2,755	240
Customer Information and Asset System Replacement	5138	95,386	8,300
AvistaUtilities.com Redevelopment	5143	7,038	612
Mobility in the Field	5144	420	37
Subtotal - Technology Projects		145,678	12,676
Transportation Equipment	7000	7,834	959
Structures and Improvements	7001	3,400	296
Office Furniture	7003	1,200	104
Stores Equipment	7005	648	56
Tools Lab & Shop Equipment	7006	1,719	167
Battery Storage Strategic Initiative[3]	7060	2,062	179
COF HVAC Improvement	7101	10,979	955
Long Term Campus Re-Structuring Plan	7126	5,000	435
Long Term Campus Re-Structuring Plan - Phase 2	7131	2,000	174
Apprentice Craft Training	7200	121	11
Subtotal - General Plant Projects		34,963	3,336
TOTAL		$ 180,641	$ 16,012

Business Case Ref.	ER	2015 System	OR Share	Page #
ET-1	2277	1,019,999	88,760	4
ET-2	5005	21,378,623	1,860,368	8
ET-3	5006	7,431,367	646,678	10
ET-4	5010	648,814	56,460	12
ET-5	5014	5,399,818	469,892	14
ET-6	5106	4,200,000	365,484	16
ET-7	5121	2,755,148	239,753	18
*	5138	95,385,719	8,300,465	
ET-8	5143	7,038,197	612,464	21
ET-9	5144	420,000	36,548	23
T-1	7000	7,834,114	959,402	25
G-1	7001	3,400,000	295,868	29
G-1	7003	1,200,000	104,424	29
G-2	7005	648,325	56,417	31
G-2	7006	1,719,060	166,994	31
**	7060	2,062,484	179,477	
G-3	7101	10,978,826	955,377	33
G-4	7126	5,000,000	435,100	35
G-5	7131	2,000,000	174,040	37
G-6	7200	121,407	10,565	39
		180,641,901	16,014,537	

* - ER 5138 - Customer Information and Asset System Replacement - was approved in Avista's previously filed general rate case, UG 284. For additional information about the project, please see testimony at Avista/500-Avista/502 therein.

** - Following the completion of Avista's revenue requirement for this case, it was identified that this project was inadvertently included within the revenue requirement and should have been excluded. We will correct this in our subsequent capital update for this case. Therefore, no business case has been included.

Table No. 2
Oregon Gas Distribution Capital Projects - 2015 Transfers to Plant

Project	ER	2015 System (000's)	2015 Oregon Allocated (000's)
Gas Revenue Growth Projects	1001	$ 13,545	$ 3,846
Gas Meters Growth Projects	1050	1,880	658
Gas Regulators Growth Projects	1051	330	52
Gas ERT Growth Projects	1053	678	237
Gas Reinforce - Minor Blanket	3000	1,481	761
Replace Deteriorating Gas System	3001	1,000	1,000
Regulator Reliable - Blanket	3002	947	387
Gas Replace - Street & Highway	3003	4,827	3,477
Cathodic Protection - Minor Blanket	3004	950	50
Gas Distribution Non-Revenue Projects	3005	6,002	3,602
Overbuilt Pipe Replacement Projects	3006	900	828
Isolated Steel	3007	3,450	850
Aldyl-A Pipe Replacement	3008	18,317	6,298
Gas ERT Replacement Program	3054	402	402
Gas Meter Replacement	3055	1,030	296
Gas Telemetry	3117	400	120
East Medford Reinforcement	3203	5,000	5,000
Ladd Canyon Gate Station Upgrade	3303	1,650	1,650
Bonanza Gate Station Move	3307	600	600
Jackson Prairie Storage	7201	1,356	131
TOTAL		$ 64,745	$ 30,245

Business Case Ref.	ER	2015 System	2015 Oregon Allocated	Page #
NGD-1	1001	13,545,067	3,845,749	41
NGD-1	1050	1,880,298	658,104	41
NGD-1	1051	329,584	51,844	41
NGD-1	1053	678,333	237,417	41
NGD-2	3000	1,480,886	760,886	43
NGD-3	3001	1,000,000	1,000,000	45
NGD-4	3002	947,300	387,299	47
NGD-5	3003	4,827,444	3,477,444	49
NGD-6	3004	950,003	49,999	51
NGD-7	3005	6,001,954	3,601,954	53
NGD-8	3006	900,000	828,000	55
NGD-9	3007	3,450,000	850,011	57
NGD-10	3008	18,317,429	6,298,198	59
NGD-11	3054	401,891	401,891	62
NGD-12	3055	1,030,000	295,559	64
NGD-13	3117	400,000	120,000	66
NGD-14	3203	4,999,907	4,999,907	68
NGD-15	3303	1,650,000	1,650,000	70
NGD-16	3307	600,485	600,485	73
NGD-17	7201	1,356,300	130,883	75
		64,746,881	30,245,629	

Table No. 3
Oregon Gas New Customer Hookups- 2016 AMA Transfers to Plant

Project	ER	2016 Oregon (000's)
Gas Revenue Growth Projects	1001	$ 1,720
Gas Meters Growth Projects	1050	154
Gas Regulators Growth Projects	1051	11
Gas ERT Growth Projects	1053	165
TOTAL		$ 2,050

Business Case Ref.	ER	Oregon Allocated	Page #
NGD-1	1001	1,719,609	41
NGD-1	1050	153,771	41
NGD-1	1051	11,372	41
NGD-1	1053	164,672	41
		2,049,424	

Capital Program Business Case

AVISTA

Investment Name:	**SCADA - SOO and BUCC**
Requested Amount	**Average capital amt 2013-18 is $986,500**
Duration/Timeframe	20 Year Program
Dept.., Area:	T&D - SCADA - System Operations
Owner:	Craig Figart/Brad Calbick/Heather Rosentrater
Sponsor:	Don Kopczynski
Category:	Program
Mandate/Reg. Reference:	WECC/NERC/FERC

Assessments:	
Financial:	7.00%
Strategic:	Reliability & capacity
Business Risk:	Business Risk Reduction >5 and <= 10
Program Risk:	High certainty around cost, schedule and resources
Assessment Score:	#NAME?

Recommend Program Description:	**Performance**	**Annual Cost Summary - Increase/(Decrease) Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
This program replaces and/or upgrades existing electric and gas control center telecommunications and computing systems as they reach the end of their useful lives, require increased capacity, or cannot accommodate necessary equipment upgrades due to existing constraints. Included are hardware, software, and operating system upgrades, as well as deployment of capabilities to meet new operational standards and requirements. Some system upgrades may be initiated by other requirements, including NERC reliability standards, growth, and external projects (e.g. Smart Grid). Examples of upgrades to be completed under this program are Critical Infrastructure Protection version 5 (NERC requirement), Gas Control Room Management (PHMSA requirement), WECC RC Advanced Applications, and Technology Refresh (network and storage).	Improved performance, upgraded equipment, better status & control, new life cycle.	$ 1,036,000	$ 473,926	$ -	2

Alternatives:		**Performance**	**Annual Cost Summary - Increase/(Decrease) Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
Unfunded Program:	Non-compliant operational capabilities and practices would result in negative audit findings, financial penalties, and litigation expenses. Obsolete equipment would remain in service until failure. Additional capacity for growth may or may not be suitable for required expansions to meet other (e.g. Regulatory, SGIG) needs.	Severe negative system reliability and compliance impacts	$ -	$ 100,000	$ 500,000	12
Alternative 1: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	2
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2014	$ 1,090,500	$ -	$ -	$ 1,028,500
2015	$ 1,020,000	$ 473,926	$ -	$ 1,020,000
2016	$ 1,002,000	$ 487,158	$ -	$ 1,002,000

Associated Ers (list all applicable):			
2277			

Avista/1401 Schuh/Page 4

ET

Printed: 11/6/2014
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Capital Program Business Case

AVISTA

2017	$ 1,044,000	$ 503,915	$ -	$ 1,044,000
2018	$ 920,000	$ 518,323	$ -	$ 920,000
2019	$ 1,013,000	$ 533,317	$ -	$ 1,013,000
2020+	$ 920,000	$ 548,312	$ -	$ -
Total	$ 7,009,500	$ 3,064,951	$ -	$ 6,027,500

ER	2015	2016	2017	2018	2019	Total
2277	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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Total	$ -	$ -	$ -	$ -	$ -	$ -

Mandate Excerpt (if applicable):

NERC reliability standards are being continually changed. New and changed standards are expected which will address emergency operations, transmission operations, critical infrastructure protection, communications, and balancing authority operations. Gas Control Room Management

Additional Justifications:

This program replaces and/or upgrades existing control center telecommunications and computing systems for a number of reasons including, end of useful life, increased capacity requirements, and new operational and regulatory requirements. Cuts to this program need to be closely evaluated to assure that reliable and compliant operations are not impacted.

Resources Requirements: ***(request forms and approvals attached)***

Internal Labor Availability: ☐ Low Probability ☐ Medium Probability ☑ High Probability
Contract Labor: ☐ YES ☑ NO

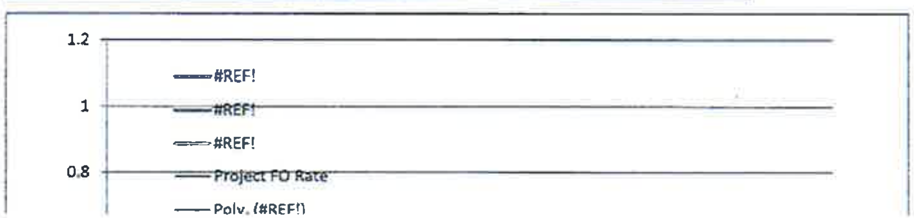
Enterprise Tech: ☐ YES - attach form ☑ NO or Not Required
Facilities: ☐ YES - attach form ☑ NO or Not Required
Capital Tools: ☐ YES - attach form ☑ NO or Not Required
Fleet: ☐ YES - attach form ☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here



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Reviewed signature
Director/Manager

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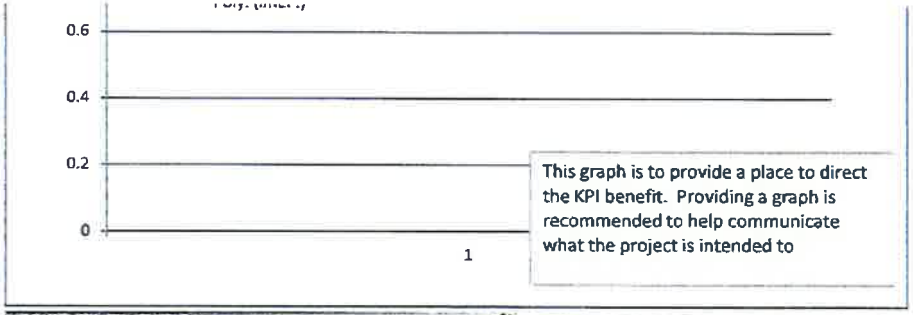
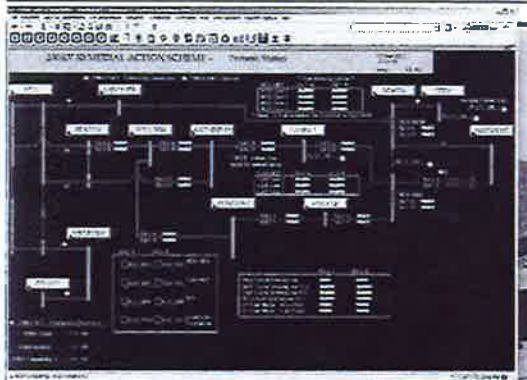
AVISTA

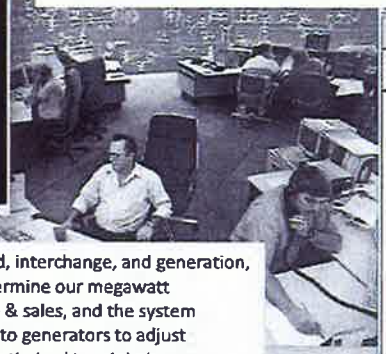


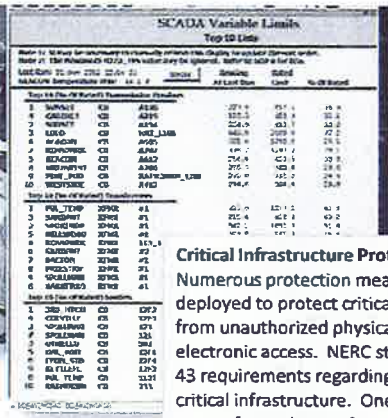
This graph is to provide a place to direct the KPI benefit. Providing a graph is recommended to help communicate what the project is intended to

Other Party Review (if necessary) signature Margi Stevens Director/Manager

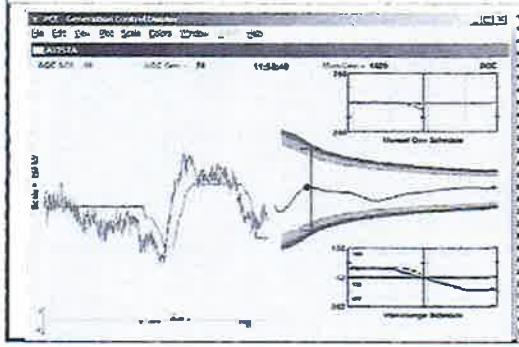


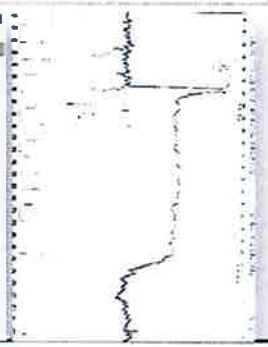
Transmission Operations – Certified System Operators monitor system conditions round-the-clock. They perform switching operations, maintain system voltage, and respond to abnormal conditions. Constant communication occurs with neighboring systems and regional authorities to assure system reliability. Operators are trained to respond to emergency situations such as black start restoration, load shedding, disturbance response, and activation of the Backup Control Center.



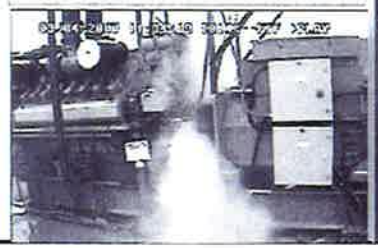


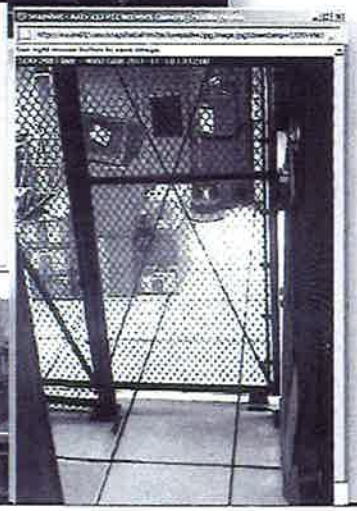
Balancing Authority – To maintain the balance between load, interchange, and generation, automated calculations occur every four seconds which determine our megawatt obligation based on our customer load, contracted purchase & sales, and the system frequency at that instant. Controls are automatically issued to generators to adjust generation to meet our obligation. Control algorithms are optimized to minimize





Critical Infrastructure Protection – Numerous protection measures are deployed to protect critical systems from unauthorized physical and electronic access. NERC standards have 43 requirements regarding protection of critical infrastructure. Onerous audits are performed every 3 years. Potentially significant financial penalties result from any instances of non-





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AVISTA

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

Printed: 11-05-2014
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AVISTA

Capital Program Business Case

Investment Name:	Technology Refresh to Sustain Business Proce	Assessments:	
Requested Amount	$ 15,362,243	Financial:	Medium - >= 5% & <9% CIRR
Duration/Timeframe	10 Year Program	Strategic:	Life Cycle Programs
Dept., Area:	IS/IT	Operational:	Operations require execution to perform at current levels
Owner:	Jacob Reidt/Jim Corder	Business Risk:	ERM Reduction >5 and <= 10
Sponsor:	Jim Kensok	Program Risk:	High certainty around cost, schedule and resources
Category:	Program	Assessment Score:	89
Mandate/Reg. Reference:	n/a		

Recommend Program Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
This program is in place to provide for technology refresh in allignment with the roadmaps for application and technology lifecycles. The continuation of technology refresh programs provides benefit to Avista by providing a stable and reliable application and computing platform to allow for the safe and reliable operation of our electric and gas infrastructures.	This program provides for current technologies for the normal operation of the business	$ 15,362,243		$ -	15

Annual Cost Summary - Increase/(Decrease)

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Program:	Not doing this program will result in four major impacts: 1) Reduction of 62 staff members with key institutional knowledge 2) Decrease in business process efficiency 3) Increase in O&M labor to support the technology 4) Increase technology outages impacting the operations of the business.	The performance of the computing technology at	$ -		$ 1,895,751	20
Technology Refresh Programs	This program is in place to provide for technology refresh in alignment with the roadmaps for application and technology lifecycles. The continuation of technology refresh programs provides benefit to Avista by providing a stable and reliable application and computing platform to allow for the safe and reliable operation of our electric and gas infrastructures.	This program provides for current technologies for the normal	$ 15,362,243	$ -	$ -	15
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
5 years of costs

	Capital Cost	O&M Cost	Other Costs	Approved
	$ 9,973,758	$ -		$ 9,973,758
2013	$ 10,019,774	$ -	$ -	$ 11,110,491
2014	$ 12,129,043	$ -	$ -	$ 15,362,243
2015	$ 13,949,536	$ -	$ -	$ 16,094,833
2016	$ 17,183,753	$ -	$ -	$ 16,094,833
2017	$ 19,031,035	$ -	$ -	$ 16,094,833
2018	$ -	$ -	$ -	$ 18,094,833
2019	$ -	$ -	$ -	$ 20,094,833
Total	$ 72,313,141	$ -	$ -	$ 102,825,824

Associated Ers (list all applicable):

5005				

Mandate Excerpt (if applicable):

provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:

Technology refresh program costs increase year over year to two main reasons. The first is because of the continuous technological evolution which causes oblolecence. Manufactures continue to upgrade and improve their systems to provide improved performance and function. This in turn requires companies to replace system on a periodic basis to maintain reliability and functionality. The second main reason is due to the addition of new hardware and software to support new business requirements and growth. New equipment purchased under Technology Expansion Program will have to be refreshed in 3-5 years adding to the refresh budget. For example, infrastructure refresh costs the increase from year to year due to prior years spend in Technology Expansion, roughly $800k in Distributed Systems and $500k in Network Systems per year. Business Application Expansion is up between 2011 & 2012 because of the inclusion of some small to medium projects into the expansion program.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability: ☐ Low Probability ☐ Medium Probability ☑ High Probability
Contract Labor: ☑ YES ☐ NO

Enterprise Tech: ☑ YES - attach form ☐ NO or Not Required
Facilities: ☑ YES - attach form ☐ NO or Not Required
Capital Tools: ☐ YES - attach form ☑ NO or Not Required
Fleet: ☐ YES - attach form ☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

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AVISTA

Capital Program Business Case

Key Performance Indicator(s)	
Expected Performance Improvements	
KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here

Prepared signature

Reviewed signature
Director/Manager

Other Party Review (if necessary) signature Margie Stevens
Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaulating the Program

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Program Business Case

Investment Name:	Technology Expansion to Enable Business Pro		
Requested Amount	$ 4,635,572	**Assessments:**	
Duration/Timeframe	10 Year Program	Financial:	7.00%
Dept.., Area:	Enterprise Techonogy	Strategic:	Agile Technology Platforms
Owner:	Jacob Reidt/Jim Corder	Business Risk:	Business Risk Reduction >5 and <= 10
Sponsor:	Jim Kensok	Program Risk:	High certainty around cost, schedule and resources
Category:	Program		
Mandate/Reg. Reference:	n/a	Assessment Score:	#NAME?

Recommend Program Description:	Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
This program facilities the technology growth throughout the company. This includes technology expansion for the entire workforce, business process automation and increases in technology to support efficient business processes.		$ 4,635,572	$ -	$ -	5

Alternatives:		Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Program:	Without funding this program will not be able to deliver technology assets and application enhancement to provide for growth of the technology base or improvements to in-house developed applications. A consequence of not funding this program will be the loss of 20+ application FTE's who posess business knowledge that is not quickly or easily replaced.	n/a	$ -	$ -	$ -	15
Alternative 1: Brief name of alternative (if applicable)	This program facilities the technology growth throughout the company. This includes technology expansion for the entire workforce, business process automation and increases in technology to support efficient business processes.		$ 4,635,572	$ -	$ -	5
Alternative 2: Brief name of alternative (if applicable)			$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)			$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ 7,792,700	$ -	$ -	$ 7,792,700
2013	$ 7,675,945	$ -	$ -	$ 5,648,113
2014	$ 7,835,572	$ -	$ -	$ 4,635,572
2015	$ 8,083,991	$ -	$ -	$ 5,799,088
2016	$ 7,559,940	$ -	$ -	$ 5,535,539
2017	$ 8,330,445	$ -	$ -	$ 5,799,088
2018	$ -	$ -	$ -	$ 5,799,088
2019	$ -	$ -	$ -	$ 7,496,234
Total	$ 39,485,893	$ -	$ -	$ 40,712,722

Associated Ers (list all applicable):

5006			

amounts same as 2012 less 820k moved to new Enterprise Security

business case

ER	2013	2014	2015	2016	2017	Total
5006	$ 7,675,945	$ 7,835,572	$ 8,083,991	$ 7,559,940	$ 8,330,445	$ 39,485,893
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 7,675,945	$ 7,835,572	$ 8,083,991	$ 7,559,940	$ 8,330,445	$ 39,485,893

Mandate Excerpt (if applicable):

na

Additional Justifications:

Technology Expansion is being reduced in 2012 because the security specific items are being moved to an Enterprise Security business case. The CIRR for this business case is an approximation because the items in this business case are so interconnected with other department's initiatives it is very difficult to calculate.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability: ☑ Low Probability ☐ Medium Probability ☑ High Probability
Contract Labor: ☐ YES ☐ NO

Enterprise Tech: ☑ YES - attach form ☐ NO or Not Required
Facilities: ☐ YES - attach form ☑ NO or Not Required
Capital Tools: ☐ YES - attach form ☑ NO or Not Required
Fleet: ☐ YES - attach form ☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

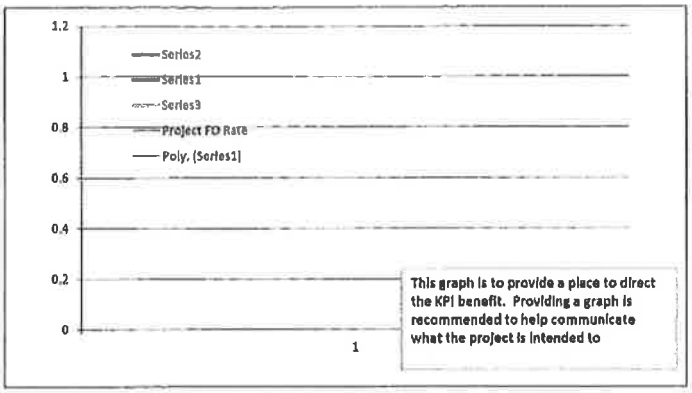
Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here

AVISTA

Capital Program Business Case



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Reviewed signature _____
Director/Manager

Other Party Review signature Marei Stevens
(if necessary) Director/Manager

Please see attachment for descriptions of the work completed under this program.

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	**Template**

AVISTA

Capital Program Business Case

Investment Name:	Enterprise Business Continuity Plan	Assessments:	
Requested Amount	$482,000	Financial:	High - Exceeds 12% CIRR
Duration/Timeframe	5 Year Program	Strategic:	Other
Dept.., Area:	Enterprise Technology	Operational:	Operations improved beyond current levels
Owner:	Clay Storey/Jim Corder	Business Risk:	ERM Reduction >10 and <= 15
Sponsor:	Jim Kensok	Program Risk:	High certainty around cost, schedule and resources
Category:	Program	Assessment Score:	106
Mandate/Reg. Reference:	n/a		

Recommend Program Description:	Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Avista has developed an Enterprise Business Continuity Plan (EBCP) to facilitate emergency response and business continuity activities in fulfillment of our mission. The program supports the Enterprise Business Continuity objectives by providing an all-hazards framework for emergency response, technology recovery, alternate facilities and business continuity activities. The program provides communications, escalation and operational procedures necessary for efficient response to events. See "Additional Justifications:" for more information.	This is a risk mitigation program	$ 482,000	$ 498,755		4

Alternatives:		Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Program:	Without this program the company's ability to prepare for and respond to emergency event will be diminished. This will have the effect of creating longer delays in the restoration of business services for our customer and shareholders, potentially even action by the utility commission against Avista.	n/a	$ -	$ -	$ -	25
Alternative 1: Brief name of alternative (if applicable)	Avista has developed an Enterprise Business Continuity Plan (EBCP) to facilitate emergency response and business continuity activities in fulfillment of our mission. The program supports the Enterprise Business Continuity objectives by	This is a risk mitigation program	$ 482,000	$ 498,755	$ -	4
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
5 years of costs

	Capital Cost	O&M Cost	Other Costs	Approved
	$ 482,000			$ 482,000
2012	$ 482,000	$ 488,838	$ -	$ 482,000
2013	$ 600,000	$ 549,558	$ -	$ 482,000
2014	$ 600,000	$ 610,278	$ -	$ 482,000
2015	$ 450,000	$ 655,818	$ -	$ 450,000
2016	$ 450,000	$ 701,358	$ -	$ 450,000
2017	$ 450,000	$ 746,898	$ -	$ 450,000
2018	$ 450,000	$ 792,438	$ -	$ 450,000
2019	$ -	$ -	$ -	$ 450,000
Total	$ 3,482,000	$ 4,545,186	$ -	$ 3,696,000

Associated Ers (list all applicable):

5010				

Mandate Excerpt (if applicable):

n/a

Additional Justifications:

Support of the Enterprise Business Continuity Plan mitigates risk and minimizes the impact on the shareholders, customers, employees, and the community during and following an incident requiring activation of the EBCP. Through the development and maintenance of standardized mission critical plans and comprehensive alternate facilities planning, exercises and testing, the response, recovery and restoration efforts are synchronized, which in turn, lowers the risk of direct, indirect, tangible or intangible losses. Through on-going development, maintenance, review, and testing of the critical alternate operating procedures in support of critical business processes, process and procedure gaps are identified. This process will ensure the readiness of systems, procedures, processes, and people during emergency operations and provide an environment of constant improvement.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability	Enterprise Tech:	☑ YES - attach form	☐ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☑ YES - attach form	☐ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

Printed 11/05/2014
U:\Users\P945\Desktop\Business Cases\Enterprise Business Continuity Plan

AVISTA

Capital Program Business Case

Key Performance Indicator(s)	
Expected Performance Improvements	
KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here

Prepared signature

Reviewed signature
Director/Manager

Other Party Review (if necessary) signature Maggie Stevens
Director/Manager

The Program is planned to include the following Projects in the next 5 years:

1. Enterprise Business Continuity management software
2. Alternate facilities infrastructure
3. Includes AFM/OMT in Disaster Recovery
4. Includes Mobile Dispatch in Disaster Recovery
5. Includes AMR systems(Fixed network, AutoSOI, MV90, others) in Disaster Recovery
6. Filesystem expansion in Disaster Recovery

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Program Business Case

Investment Name:	**Enterprise Security**	**Assessments:**	
Requested Amount	**$1,836,932**	**Financial:**	12%
Duration/Timeframe	10 Year Program	**Strategic:**	Agile Technology Platforms
Dept.., Area:	Enterprise Technology	**Business Risk:**	Business Risk Reduction >5 and <= 10
Owner:	Clay Storey/Jim Corder	**Program Risk:**	High certainty around cost, schedule and resources
Sponsor:	Jim Kensok		
Category:	Program		
Mandate/Reg. Reference:	n/a	**Assessment Score:**	#NAME?

Recommend Program Description:	**Performance**	**Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
		Annual Cost Summary - Increase/(Decrease)			
This program is to maintain and improve all security aspects to protect people, assets, information & operations through projects, activities and polices. It will also manage the number of security incidents at level that aligns with our corporate risk expectations. Additionally it will increase the culture of security through education and training.		$ 1,836,932	$ -	$ -	9

Alternatives:		**Performance**	**Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
			Annual Cost Summary - Increase/(Decrease)			
Unfunded Program:	Address issues related to violations of the security and compliance as they arise and pay fines as there are assessed.	The risk of security incidents increases		$ -	$ 5,000,000	15
Alternative 1: Brief name of alternative (if applicable)	This program is to maintain and improve all security aspects to protect people, assets, information & operations through projects, activities and polices. It will also manage the number of security incidents at level that aligns with our corporate risk expectations. Additionally it will increase the culture of security through education and training.	Decreases the likelihood or severity of security incidents	$ 1,836,932	$ -	$ -	9
Alternative 2: Brief name of alternative (if applicable)			$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)			$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	**O&M Cost**	**Other Costs**	**Approved**
Previous	$ 1,885,000	$ -	$ -	$ 1,885,000
2013	$ 1,885,000	$ -	$ -	$ 1,510,000
2014	$ 1,885,000	$ -	$ -	$ 1,935,000
2015	$ 1,885,000	$ -	$ -	$ 3,200,000
2016	$ 1,885,000	$ -	$ -	$ 3,200,000
2017	$ 1,885,000	$ -	$ -	$ 3,200,000
2018	$ -			$ 3,200,000
2019	$ -	$ -	$ -	$ 3,200,000
Total	$ 9,425,000	$ -	$ -	$ 19,445,000

Associated Ers (list all applicable):			
From 5014			

ER	**2013**	**2014**	**2015**	**2016**	**2017**	**Total**
						$ -
						$ -
						$ -
5014	$ 1,885,000	$ 1,885,000	$ 1,885,000	$ 1,885,000	$ 1,885,000	$ 9,425,000
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 1,885,000	$ 1,885,000	$ 1,885,000	$ 1,885,000	$ 1,885,000	$ 9,425,000

Mandate Excerpt (if applicable):

The program is not mandatory however project under the scope of this business case may be mandatory base on their specific requirements.

Additional Justifications:

2012 Budget Note: This program is being fund by a reduction in the Technology Refresh and Technology Expansion business cases, for $565k and $820k respectively. And $500,000 from Security Initiative Business Case (ER5002).

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability	Enterprise Tech:	☑ YES - attach form	☐ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☑ YES - attach form	☐ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here

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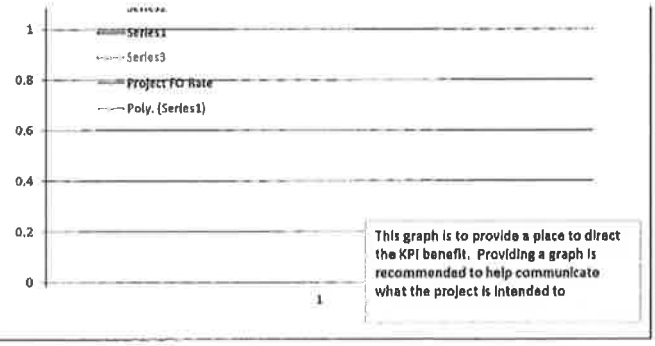
[illegible] Update - Enterprise Security

AVISTA

Capital Program Business Case

ET-5



This graph is to provide a place to direct the KPI benefit. Providing a graph is recommended to help communicate what the project is intended to

Reviewed signature _____ Director/Manager

Other Party Review (if necessary) signature Margie Stevens Director/Manager

2013 Projects

- Certificate Management
- CVA expansion to SCADA and GCN
- Data loss prevention software and Data classification standards
- Email Encryption
- File Integrity Monitoring
- Network Access Control Phase 1
- Network Device Config Analysis Automation
- Network IPS Expansion
- Security monitoring expansion to GCC and SCADA (QRadar)
- Two factor authentication

2014 Projects

- SIEM & Qflow Refresh
- Controlled Access based on need to know
- SSPWR Internet Access
- Iron Security Appliances (SGDP) Refresh
- Asset management - Authorized & Unauthorized SW
- Identity Management Solution
- Controlled Use of Admin Privileges
- Password Vault

2015 Projects

- PKI Refresh
- CVA Hardware Refresh
- Web Services Security (O&M)
- Disk Encryption Refresh
- Network Device Config Analysis Refresh
- McAfee NSM & NIPS Refresh
- Malware Detection Appliance Refresh (FireEye)
- Limitation and Control of Network Ports, Protocols, and Services
- Configuration management tool
- Boundary Defense
- Application SW-Secure config
- Account Monitoring and Control
- HR Systems Integration w/Active Directory

2016 Projects

- Asset mgt/Auth & Unauth Devices Refresh
- Password Vault Refresh
- Network Access Control Refresh
- Identity Management Refresh
- Enterprise Reduced Sign-On
- Controlled Access based on need to know-Refresh

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Investment Business Case

Investment Name:	**Next Generation Radio Refresh**	**Assessments:**	
Requested Amount	$ 21,907,957	Financial:	Medium - >= 5% & <9% CIRR
Duration/Timeframe	5 Year Project	Strategic:	Agile Technology Platforms
Dept., Area:	Enterprise Technology	Operational:	Operations require execution to perform at current levels
Owner:	Jacob Reid/Jim Corder	Business Risk:	ERM Reduction >5 and <= 10
Sponsor:	Jim Kensok	Project/Program Risk:	High certainty around cost, schedule and resources
Category:	Mandatory	Assessment Score:	128
Mandate/Reg. Reference:	FCC Narrow Banding Mandate (See below)		

Recommend Project Description:	Performance	Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	ERM Risk Score
This project is refreshing Avista's 20 year old Land Mobile Radio (LMR) system that is used for critical crew communications during outage restoration and daily operations of maintaining the electric and gas distribution and transmission systems. Avista continues to maintain a private Land Mobile Radio system because the offerings available from public providers cannot provide communication throughout our rural service territory and as a portion of our nation's critical infrastructure it is imperative that Avista have a communication system that will operate in the event of a disaster to help safeguard the general public.	The current radio system will not meet the required mandate and due for refresh.	$ -	$ -	$ -	0

Alternatives:		Performance	Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	ERM Risk Score
Status Quo :	Describe the current condition of the asset(s) and problems that need to be corrected	n/a	$ -	$ -	$ -	0
Alternative 1: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name : Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Timeline

Construction Cash Flows (CWIP)

		Capital Cost	O&M Cost	Other Costs	Approved
Previous	Actual	$ 11,327,464	$ -	$ -	$ 11,327,464
2012	Forecast	$ 8,003,573	$ -	$ -	$ 4,262,000
2013		$ 2,997,260	$ -	$ -	$ 2,585,260
2014		$ 3,946,378	$ -	$ -	$ 3,275,207
2015		$ 27,000	$ -	$ -	$ 458,026
2016		$ -	$ -	$ -	$ -
2017		$ -	$ -	$ -	$ -
2018		$ -	$ -	$ -	$ -
Future		$ -	$ -	$ -	$ -
Total		$ 26,301,675	$ -	$ -	$ 21,907,957

Rebaselined after completion of Design & Planning

Milestones (high level targets)

February-08	Project Started	December-15	year end actual
December-11	year end actual		
December-12	year end actual		
December-13	year end actual		
December-14	year end actual		

Associated Ers (list all applicable):	5106							
Mandate Excerpt (if applicable):	na							

Additional Justifications:

AVISTA

Capital Investment Business Case

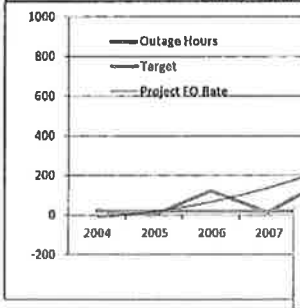
Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☐ High Probability	Enterprise Tech:	☐ YES - attach form	☐ NO or Not Required
Contract Labor:	☐ YES	☐ NO		Facilities:	☐ YES - attach form	☐ NO or Not Required
				Capital Tools:	☐ YES - attach form	☐ NO or Not Required
				Fleet:	☐ YES - attach form	☐ NO or Not Required

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here



This graph is to provide a place to direct the KPI benefit. Providing a graph is recommended to help communicate what the project is intended to

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Reviewed signature
Director/Manager

Other Party Review (if necessary) signature Margie Stevens
Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaulating the project

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

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Avista

Capital Project Business Case

Investment Name:	Microwave Refresh		
Requested Amount	$ 23,204,063	**Assessments:**	
Duration/Timeframe	7 Year Project	Financial:	10.50%
Dept.., Area:	Enterprise Technology	Strategic:	Reliability & capacity
Owner:	Jacob Reidt/Jim Corder	Business Risk:	Business Risk Reduction >5 and <= 10
Sponsor:	Jim Kensok	Project Risk:	Moderate certainty around cost, schedule and resources
Category:	Project		
Mandate/Reg. Reference:	n/a	Assessment Score:	84

Recommend Project Description:	Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
The purpose of this project is to refresh the aging microwave technology with current technology to provide for the high speed data communications. These communication systems support relay and protection schemes of the electrical transmission system.	The current system are out of date and in need of replacement	$ 8,400,000	$ 840,000	$ -	8

Alternatives:		Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Project:	Remaining at the status quo will increase Avista's risk of failure of these critical communication systems, which could have significant impact on Avista's transmission capacity and ability to serve our customers electrical needs.	n/a	$ -	$ -	$ 1,000,000	15
Alternative 1: Brief name of alternative (if applicable)	The purpose of this project is to refresh the aging microwave technology with current technology to provide for the high speed data communications. These communication systems support relay and protection schemes of the electrical transmission system.	The current system are out of date and in need of	$ 8,400,000	$ 840,000	$ -	8
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ 2,910,116	$ -	$ -	$ 2,910,116
2012	$ 1,559,877	$ -	$ -	$ 1,200,000
2013	$ 1,500,000	$ -	$ -	$ 1,500,000
2014	$ 1,657,391	$ -	$ -	$ 917,462
2015	$ 2,276,679	$ -	$ -	$ 2,276,679
2016	$ 4,050,000	$ -	$ -	$ 3,050,000
2017	$ 4,100,000	$ -	$ -	$ 3,050,000
2018	$ 4,100,000	$ -	$ -	$ 4,100,000
2019	$ -	$ -	$ -	$ 5,100,000
2020+	$ 1,050,000	$ -	$ -	$ -
Total	$ 23,204,063	$ -	$ -	$ 24,104,257

Associated Ers (list all applicable):			
5119			

ER	2015	2016	2017	2018	2019	Total
5119	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -	$ -

Mandate Excerpt (if applicable):

provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:

Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc.

Milestones (high level targets)

December-11	NLW-SHN Prior	December-12	M15-NLW 2012	December-15	MW to Fiber
December-12	NLW-SHN 2012	December-13	M15-NLW 2013	December-16	MW to Fiber
December-13	NLW-SHN 2013	December-12	Fiber to Lew Off 2012	December-17	MW to Fiber
December-11	M23-SPU Prior	December-13	Fiber to Lew Off 2013	December-18	MW to Fiber
December-12	M23-SPU 2012	December-14	Missing row in Actual Progress and	December-19	MW to Fiber
December-13	M23-SPU 2013	December-14	MW to Fiber	December-20	MW to Fiber

Capital Project Business Case

Resources Requirements: ***(request forms and approvals attached)***

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☐ High Probability	Enterprise Tech:	☐ YES - attach form	☐ NO or Not Required	Capital Tools:	☐ YES - attach form	☐ NO or Not Required
Contract Labor:	☐ YES	☐ NO		Facilities:	☐ YES - attach form	☐ NO or Not Required	Fleet:	☐ YES - attach form	☐ NO or Not Required

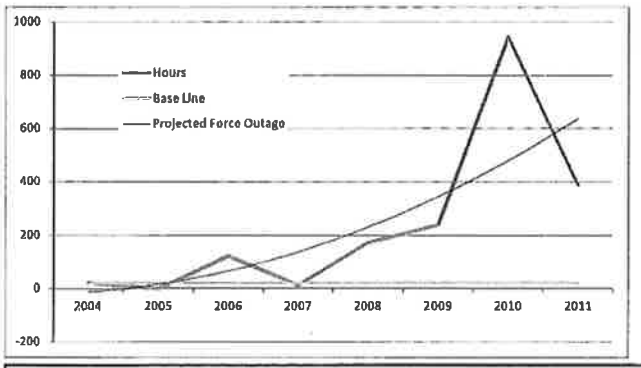
ET-7

Capital Project Business Case

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here



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Director/Manager

Other Party Review (if necessary) signature Maggie Stevens
Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaulating the Project

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Program Business Case

Investment Name:	**AvistaUtilities.com Redesign**			
Requested Amount	**$1,500,000**	**Assessments:**		
Duration/Timeframe	3 Year Project	Financial:	7.00%	
Dept.., Area:	Customer Solutions	Strategic:	Customer Experience	
Owner:	Dana Anderson, Jim Corder	Business Risk:	Business Risk Reduction >5 and <= 10	
Sponsor:	Dana Anderson, Jim Kensok	Project Risk:	Moderate certainty around cost, schedule and resources	
Category:	Project			
Mandate/Reg. Reference:	n/a	Assessment Score:	77	

Recommend Project Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
		Annual Cost Summary - Increase/(Decrease)			
See Attached Project Charters.	Improved usability for customers and improved capability for information sharing and delivery to increase overall employee engagement	$ 1,000,000	$ 500,000	$ -	0

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
			Annual Cost Summary - Increase/(Decrease)			
Unfunded Project:	Not consistent with industry and web best practices. 14% of customers are currently unable to complete transactions on the web and of those that can consistent feedback indicates that transactional tasks are time consuming and sometimes unusable.	n/a	$ -	$ -	$ -	0
Alternative 1: Brief name of alternative (if applicable)	Redesign of AvistaUtilities.com	Improved usability, capability and new technology	$ 1,000,000	$ 500,000	$ -	0
Alternative 2: Brief name of alternative (if applicable)			$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)			$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ 10,452	$ -	$ -	$ 10,452
2013	$ 1,000,000	$ 100,000	$ (50,000)	$ 419,000
2014	$ 500,000	$ 100,000	$ (100,000)	$ 1,037,000
2015	$ -	$ 100,000	$ (100,000)	$ 4,000,000
2016	$ -	$ 100,000	$ (100,000)	$ 2,000,000
2017	$ -	$ 100,000	$ (100,000)	$ -
Total	$ 1,500,000	$ 500,000	$ (450,000)	$ 7,466,452

Associated Ers (list all applicable):			
New			

ER	2013	2014	2015	2016	2017	Total
New	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ -	$ -	$ -	$ -

Mandate Excerpt (if applicable):

provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:

1. The benefits are defined in the attached charter. In general they relate to a redesigned site for improved usability for customers as well as improved tools for employee information.
2. This project supports the Customer Engagement strategy by improving the website to better serve customers.
3. This Project supports the Employee strategy by improving capability for delivering information to employees.

Milestones (high level targets)

September-12	Project Start	January-00	open	January-00	open
January-13	Phase 0 Complete	January-00	open	January-00	open
April-13	Phase 1 Complete	January-00	open	January-00	open
August-13	Phase 2 Complete	January-00	open	January-00	open
February-14	Phase 3 Complete	January-00	open	January-00	open
January-00	open	January-00	open	January-00	open

Milestones should be general. Use your judgement on project progress so that progress can

AVISTA

Capital Program Business Case

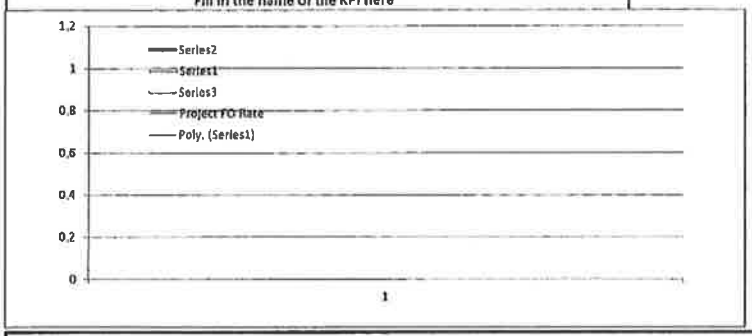
Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability	Enterprise Tech:	☑ YES - attach form	☐ NO or Not Required	Capital Tools:	☐ YES - attach form	☑ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required	Fleet:	☐ YES - attach form	☑ NO or Not Required

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here



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Director/Manager

Other Party Review (if necessary) signature Maggie Stevens
Director/Manager

Attachment 1: Project Charter
Attachment 2: Charter Addendum for AU.com
Attachment 2: Charter Addendum for AVAnet

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

Printed 01-06-2015

AVISTA

Capital Program Business Case

Investment Name:	Mobility in the Field
Requested Amount	$200,000
Duration/Timeframe	5 Year Program
Dept.., Area:	Energy Delivery
Owner:	Heather Rosentrater & Mike Broemeling
Sponsor:	Don Kopczynski & Jim Kensok
Category:	Program
Mandate/Reg. Reference:	n/a

Assessments:	
Financial:	MH - >= 9% & <12% CIRR
Strategic:	Agile Technology Platforms
Operational:	Operations improved beyond current levels
Business Risk:	ERM Reduction >0 and <= 5
Program Risk:	High certainty around cost, schedule and resources
Assessment Score:	83

Recommend Program Description:	Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	ERM Risk Score
This program is to increase our mobility in the field using mobile devices. A Mobile Road Map Team has documented 30 opportunities where mobile technology could be used in the field. The top opportunities, with the highest benefit and savings, are included over the five year program. Additional mobile opportunities will continue to emerge, therefore a Mobility Program is requested. The Customer IRR (CIRR) at 9% per Dave DeFelice. Opportinites will be done in phases over the 5 years. The first phase will be for the project called Visibility in the Field which enables the following: 1. Leak Survey 2. Gas Service Dispatch This would provide spatial maps in the field, using a mobile device resulting in efficiency gained for our field employees. Our customer will benefit with these new capabilities and effecienies. The benefits would include operations improvements to reduce compliance risk, reduce duplicate effort, more timely entry of data along with improved tools and information in the field. The top opportunities are 1. View GIS Layers and Multiple Maps in the Field (in 2013) 2. Gas Exposed Pipe Report (in 2014) 3. Capture Facility Data (in 2015) 4. Provide Gas Blue Leak Survey Form (in 2013) 5. Damage Assessment (OMT) (in 2016).	ArcGIS Online will allow us to share information with web maps. This will increase collaboration with internal employees and external contractors and partners. This supports our strategic goals for agile technology.	$ 200,000			2

Alternatives:		Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	ERM Risk Score
Unfunded Program:	Maps are printed and taken out to the field; Paper process to gather information in the field and then enter the data into electronic format once in the office; If a Serviceman does have a Go-Book then both the electronic entry is done along with the paper process as a backup; information is relayed by	n/a	$ -	$ -	$ -	3
Alternative 1: Add ArcGIS Server with tablet mobile devices	Either establish an ELA with Esri or purchasing licenses individually, installation of servers and ArcGIS Server application, establish governance, hire one FTE for AFM Team, deploy approximately 180 mobile devices, user testing, process changes and training. Mobile devices deployed would	$2,000 per device estimate	$ 150,000			2
Alternative 2: Add ArcGIS Server with Mesa devices	Mobile devices deployed as a Mesa.	$4,000 per device estimate				0
Alternative 3 Name: Add ArcGIS Server with Go-Book devices	Mobile devices deployed as a Go-Book.	$10,000 per device estimate				0

Program Cash Flows
5 years of costs

	Capital Cost	O&M Cost	Other Costs	Approved
2012				$ -
2013	$ 200,000			$ 160,000
2014	$ 320,000	$ 126,000	$ (200,000)	$ 530,000
2015	$ 420,000	$ 300,000	$ (392,000)	$ 420,000
2016	$ 320,000	$ 350,000	$ (425,000)	$ 320,000
2017	$ 400,000	$ 400,000	$ (472,000)	$ -
2018	$ -	$ -	$ -	$ -
Total	$ 1,660,000	$ 1,176,000	$ (1,489,000)	$ 1,430,000

Associated Ers (list all applicable):

Current ER				

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
The hardware and software technology is advancing in such a manner that it will now benefit our field personnel to have a Mobility in the Field Program. We now have less expensive mobile devices to deploy along with a disconnected application for our field workers to be able to work offline and synch information back and forth when connection is successful to wi-fi or cellular. Advances in technology are making mobile capabilities more of a standard in doing business. Our field workers need to have the tools that make them more efficient in their work processes, able to post data quickly and have more information to ultimately benefit our customers.

Resources Requirements: ***(request forms and approvals attached)***

Internal Labor Availability: ☐ Low Probability ☑ Medium Probability ☐ High Probability Enterprise Tech: ☑ YES - attach form ☐ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the

AVISTA

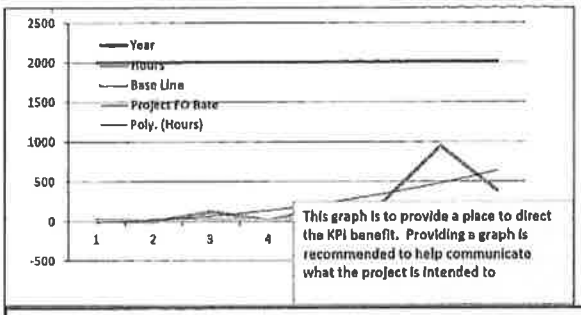
Capital Program Business Case

Contract Labor:	☑ YES	☐ NO	
Facilities:	☑ YES - attach form	☐ NO or Not Required	resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).
Capital Tools:	☐ YES - attach form	☐ NO or Not Required	
Fleet:	☐ YES - attach form	☐ NO or Not Required	

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	To be determined by each project
	Fill in the name of the KPI here



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Director/Manager

Other Party Review (if necessary) signature Margie Stevens
Director/Manager

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To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

Printed 11/05/2014
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Capital Program Business Case

AVISTA

Investment Name:	**Fleet Budget**		
Requested Amount	**$ 7,700,000**	**Assessments:**	
Duration/Timeframe	5 Year Program	Financial:	7.00%
Dept.., Area:	Fleet Services	Strategic:	Life-cycle asset management
Owner:	Chris Schlothauer	Business Risk:	Business Risk Reduction >0 and <= 5
Sponsor:	Don Kopczynski	Program Risk:	High certainty around cost, schedule and resources
Category:	Program		
Mandate/Reg. Reference:	n/a	Assessment Score:	#NAME?

Recommend Program Description:	**Performance**	**Annual Cost Summary - Increase/(Decrease) Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
Fleet utilizes a VRM (Vehicle Replacement Model) analysis program to determine which vehicles get replaced for the next budget cycle. This program utilizes our internal data regarding equipment utilization, repair costs, purchase costs, disposal costs, and business needs across all classes of equipment. This provides a consistent and level spend to cover all departments effectively. This contributes to the operational readiness for all departments and our company as a whole. The 5 year projection includes analysis of 19 classes in total and the replacement of over 600 assets.	describe any incremental changes that this Program would benefit present operations	$ 7,700,000	$ -	$ -	4

Alternatives:		**Performance**	**Annual Cost Summary - Increase/(Decrease) Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
Unfunded Program: Replace only on failure	Continue to maintain and repair equipment, but replace only when repairs are no longer an option. Minimal Capital expenditure with a maximum expenditure on O&M.	Unreliable equipment, failed commitments	$ -	$ 2,135,679	$ -	9
Reduced Spend	Cut Spend by 50% to focus only on equipment that is at the end of it's life cycle, is at the upper end of repair costs, and is difficult to replace with a rental if equipment fails mid-year. This will create less spend on Capital, with an increase in O&M spend.	Less reliable equipment. Risk to operation's	$ 3,850,000	$ 1,914,099	$ -	4
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2014	$ 7,595,175	$ -	$ -	$ 5,700,406
2015	$ 7,700,000	$ -	$ -	$ 7,700,000
2016	$ 8,085,000	$ -	$ -	$ 7,700,000
2017	$ 8,489,250	$ -	$ -	$ 7,700,000
2018	$ 8,913,713	$ -	$ -	$ 7,700,000
2019	$ 9,359,398	$ -	$ -	$ 7,700,000

Associated Ers (list all applicable):			
7000			

Avista/1401
Schuh/Page 25
T-1

Printed: 11-05-2014
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AVISTA

2020+	$ -	$ -	$ -	$ -
Total	$ 50,142,536	$ -	$ -	$ 44,200,406

ER	2015	2016	2017	2018	2019	Total
7000	$ 7,700,000	$ 8,085,000	$ 8,489,250	$ 8,913,713	$ 9,359,398	$ 42,547,361
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 7,700,000	$ 8,085,000	$ 8,489,250	$ 8,913,713	$ 9,359,398	$ 42,547,361

Mandate Excerpt (if applicable):

provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:

Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc.

Resources Requirements: ***(request forms and approvals attached)***

Internal Labor Availability: ☐ Low Probability ☐ Medium Probability ☑ High Probablity
Contract Labor: ☑ YES ☐ NO

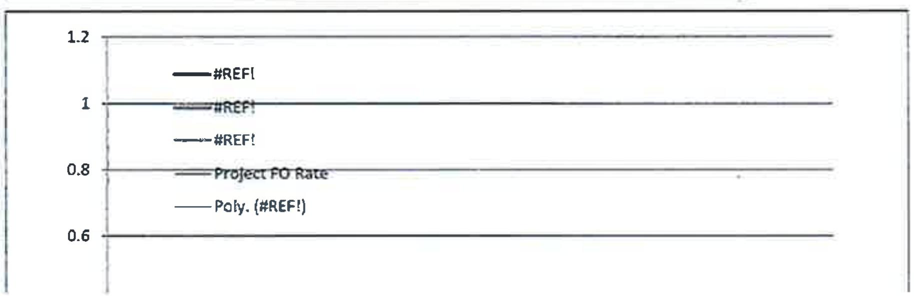
Enterprise Tech: ☐ YES - attach form ☑ NO or Not Required
Facilities: ☐ YES - attach form ☑ NO or Not Required
Capital Tools: ☐ YES - attach form ☑ NO or Not Required
Fleet: ☑ YES - attach form ☐ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here



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T-1

Printed: 11-05-2014
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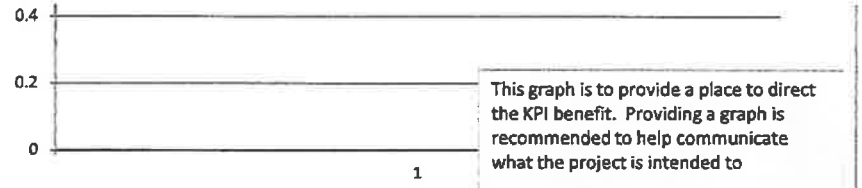

(if necessary) Director/Manager

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To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016

T - 1

Date	Template

AVISTA

Capital Program Business Case

G-1

Investment Name:	Structures and Improvements and Furniture
Requested Amount	$26,773,300
Duration/Timeframe	7 Year Program
Dept.., Area:	Facilities
Owner:	Mike Broemling & Eric Bowles
Sponsor:	Don Kopczynski
Category:	Program
Mandate/Reg. Reference:	n/a

Assessments:

Financial:	MH - >= 9% & <12% CIRR
Strategic:	Life Cycle Programs
Operational:	Operations require execution to perform at current levels
Business Risk:	ERM Reduction >0 and <= 5
Program Risk:	High certainty around cost, schedule and resources
Assessment Score:	84

Recommend Program Description:	Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
This program would be responsible for the Capital Maintenance, Improvements, and Furniture budgets at 50 plus Avista Offices and Service Centers (over 700,000 sf total). Many of the included Service Centers were built in the 50's and 60's and are starting to show signs of severe aging. The program would include Capital projects in all construction disciplines (Roofing, Asphalt, Electrical, Plumbing, HVAC, Energy efficiency projects etc..). This program would be driven mainly from the results of an objective building survey completed at each Service Center. The survey assigns a rating to each building category based on condition. This will help us create capital project lists for each Service Center and make decisions on continued maintenance vs future replacement.	Improve operating functionality, increased safety, increased energy efficiency.	$ 25,773,300		$ -	0

Alternatives:		Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Status Quo :	We are experiencing severe issues with Asphalt Parking, Roof leaking, Energy loss due to inefficient HVAC systems, Low E glass, lack of building insulation, etc... Failure to maintain or replace these system can result in excessive Utility bills, Increased damage to other adjacent systems, (example roof leak), as well as increased safety liability (sidewalk heaving and potholes) etc...	n/a	$ -	$ -	$ -	0
Alternative 1: Brief name of alternative (if applicable)	Reducing Capital repair and replacements would drive up O & M costs respectively. This would also increase the risk for unplanned major failures which could also incur additional productivity costs for other departments affected (example major HVAC shutdown).	lower capital would drive up O&M and risk major failure	$ -	$ -	$ -	0
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name : Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
5 years of costs

	Capital Cost	O&M Cost	Other Costs	Approved
2012	$ 4,820,000	$ -	$ -	$ 4,420,000
2013	$ 4,000,000	$ -	$ -	$ 3,600,000
2014	$ 4,000,000	$ -	$ -	$ 3,433,300
2015	$ 4,000,000	$ -	$ -	$ 4,600,000
2016	$ 4,000,000	$ -	$ -	$ 3,600,000
2017	$ -	$ -	$ -	$ 3,600,000
2018	$ -	$ -	$ -	$ 3,600,000
2019	$ -	$ -	$ -	$ 3,600,000
Total	$ 20,820,000	$ -	$ -	$ 30,453,300

Associated Ers (list all applicable):

Current ER	7001	7003		

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
With the completion of the Facilities Survey in May 2011, we now have the ability to rate the condition of each of our service centers which in turn helps us allocate money to where it is needed most. We are also working on creating a long range lifecycle plan to identify when continued maintenance is no longer prudent and replacement is a more cost effective solution. In addition, the office furniture budget is included in this program and can support various office remodels, chair and furniture replacements, furniture layout remodels, modular wall systems, and new furniture for misc. projects.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability: ☐ Low Probability ☑ Medium Probability ☐ High Probability
Contract Labor: ☑ YES ☐ NO

Enterprise Tech:	☑ YES - attach form	☑ NO or Not Required
Facilities:	☑ YES - attach form	☐ NO or Not Required
Capital Tools:	☐ YES - attach form	☑ NO or Not Required
Fleet:	☐ YES - attach form	☑ NO or Not Required

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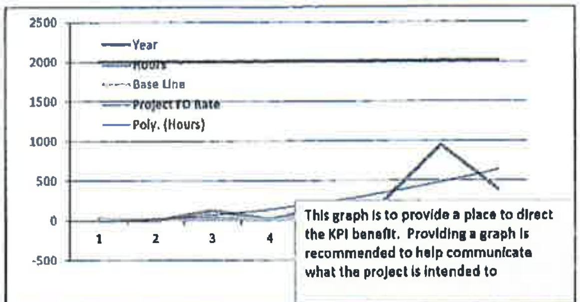
AVISTA

Capital Program Business Case

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here



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Director/Manager

Other Party Review (if necessary) signature *Margie Stevens*
Director/Manager

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Rationale for decision	Review Cycles 2012-2016	
	Date	**Template**

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AVISTA

Capital Program Business Case

Investment Name:	Capital Tools and Stores		
Requested Amount	$ 1,821,500	Assessments:	
Duration/Timeframe	Ongoing Year Program	Financial:	MH - >= 9% & <12% CIRR
Dept.., Area:	Supply Chain	Strategic:	Life Cycle Programs
Owner:	Cody Krogh	Operational:	Operations require execution to perform at current levels
Sponsor:	Don Kopcynski	Business Risk:	ERM Reduction >0 and <= 5
Category:	Program	Program Risk:	High certainty around cost, schedule and resources
Mandate/Reg. Reference:	n/a	Assessment Score:	84

Recommend Program Description:	Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Purchase and repair of tool and facility material handling equipment	Enhances crew efficiency	$ 1,500,000	$ -	$ -	0

Alternatives:		Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Status Quo :	Describe the current condition of the asset(s) and problems that need to be corrected	n/a	$ -	$ -	$ -	0
Alternative 1: Repair all tools	Increased labor to repair failed tools, increased cost to have outside repairs performed (not all tools can be repaired), delayed response by crews, reduced crew efficiency, increased labor to find/rent tools and equipment, safety concerns for not having appropriate equipment to perform craft work (meter	n/a	$ -	$ 1,141,606	$ -	0
	(meter testing, metering equipment, specialized cable splicing, leak detection, utility locating equipment, reduction of safety related equipment, etc.)					
Alternative 1: Rent Forklifts	Increased rental expense & labor to "Other" budget shifting 95% of costs to CAP loading, 5% to O&M		$ 665,000	$ 35,000	$ -	0

Program Cash Flows
5 years of costs

	Capital Cost	O&M Cost	Other Costs	Approved
2013	$ 1,500,000	$ -	$ -	$ 775,000
2014	$ 1,575,000	$ -	$ -	$ 1,821,500
2015	$ 1,653,750	$ -	$ -	$ 2,348,325
2016	$ 1,736,438	$ -	$ -	$ 2,400,000
2017	$ 1,823,259	$ -	$ -	$ 2,400,000
2018	$ -	$ -	$ -	$ 2,400,000
2019	$ -	$ -	$ -	$ 2,400,000
Total	$ 8,288,447	$ -	$ -	$ 14,544,825

Associated Ers (list all applicable):

2013		2014		
7006	1500000	7006	$ 1,307,007	
		7005	514493	

Mandate Excerpt (if applicable):

N/A

Additional Justifications:

Increased budget 2014-2017 amount by 5% to account for inflation

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required	Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).
Contract Labor:	☐ YES	☑ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required	
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required	
				Fleet:	☐ YES - attach form	☑ NO or Not Required	

Capital Program Business Case

AVISTA

G-2

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Tool Repair as a percentage of tool purchases
	Fill in the name of the KPI here

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Director/Manager

Other Party Review (if necessary) signature Margie Stevens
Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaulating the Program

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

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AVISTA

Capital Investment Business Case

G-3

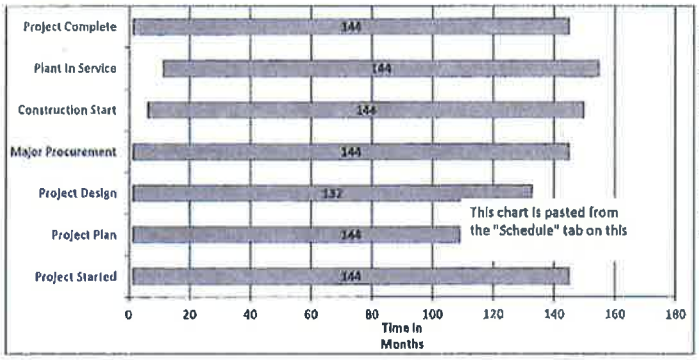
Investment Name:	HVAC Renovation Project
Requested Amount	$39,804,485
Duration/Timeframe	8 Year Project
Dept.., Area:	Facilities Mangement
Owner:	Mike Broemling & Eric Bowles
Sponsor:	Don Kopczynski
Category:	Project
Mandate/Reg. Reference:	n/a

Assessments:	
Financial:	MH - >= 9% & <12% CIRR
Strategic:	Life Cycle Programs
Operational:	Operations improved beyond current levels
Business Risk:	ERM Reduction >0 and <= 5
Project/Program Risk:	High certainty around cost, schedule and resources
Assessment Score:	105

Recommend Project Description:	Performance	Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
The HVAC Renovation Project began in 2007 and 2008. The HVAC Project is a systematic replacement of the original 1956 Heating, Ventilation and Air Conditioning System for the Service Building, Cafeteria/ Auditorium and General Office Building. The original HVAC equipment has been operating 24/7 since original construction in 1956. The Project entails a floor by floor evacuation and relocation of employees and a complete demolition of each floor; including a massive Asbestos Abatement component, and removing the original fire proofing on the basic steel structure. The Project requires exhaustive demolition and reconstruction of each floor. Sustainable energy savings and conservation are built into the Project as we apply for LEED certification for each floor. The 5th, 4th, and 3rd floor has obtained LEED-CI Gold status recognizing all of the renewable strategies we employed during the design and construction phases. The goal of this project is to re-purpose and recycle the entire Facility for the next generation of Avista employees to use for 50 more years. Life cycle costs weighed heavily on our Contruction Specifications and equipment choices during the design phase. The design team chose energy efficient equipment that was designed for 30 to 50 year life cycles.	This Project greatly improves air quality in the Facility and saves tremendous amounts of energy going forward.	$ 39,804,485	$ -	$ -	0

Alternatives:		Performance	Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Status Quo :	The current condition of the HVAC system is very poor. It is 60 years old and our newest equipment was installed in the new addition of the General Office Building in 1978. 75% of our equipment was installed in 1956. Parts are no longer available for our equipment and replacement parts have to be manufactured.	n/a	Varies, but in the hundreds of thousands as equip. breaks down.	$ 25,000	$ -	0
Alternative 1: Brief name of alternative (if applicable)	During the Design Phase which occurred in 2008, several different types of HVAC delivery systems were compared and analyzed for distinct characteristics. Initial cost and life cycle cost were evaluated for the Project. By Value engineering our choices we were able to settle on our current system. Analysis is attached.	Updated municipal codes required us to increase air flow in the	$ -	$ -	$ -	0
Alternative 2: Brief name of alternative (if applicable)	The only option that was discussed was to do "nothing", and maintain our 60 year old equipment. This scenario had been in place for the last 20 years, and time finally expired on the equipment. It is simply impractical to try to keep antiqudated equipment up and running 24 hours a day when the replacement parts are no longer available.	describe any incremental changes in operations	Varies, but in the hundreds of thousands as equip. breaks down.	$ 25,000	$ -	0
Alternative 3 Name : Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in	$ -	$ -	$ -	0

Timeline



Construction Cash Flows (CWIP)

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ 18,121,485	$ -	$ -	$ 18,121,485
2012	$ 4,300,000	$ -	$ -	$ 4,300,000
2013	$ 6,500,000	$ -	$ -	$ 8,053,000
2014	$ 10,000,000	$ -	$ -	$ 6,550,000
2015	$ -	$ -	$ -	$ 5,750,000
2016	$ -	$ -	$ -	$ -
2017	$ -	$ -	$ -	$ -
2018	$ -	$ -	$ -	$ -
Future	$ -	$ -	$ -	$ -
Total	$ 38,921,485	$ -	$ -	$ 42,774,485

Milestones (high level targets)

October-07	5th Flr Start Const.	Jun-11	2nd Flr Start Const.
December-08	5th Flr In Service	Oct-12	2nd Flr In Service
March-09	4th Flr Start Const.	Jan-13	1st Flr/Bsmt Start Const.
February-10	4th Flr In Service	Mar-14	1st Flr/Bsmt In Service
May-10	3rd Flr Start Const.	Apr-14	70's Addition Start Const.
Mar-11	3rd Flr In Service	Jun-15	70's Addition In Service

Associated Ers (list all applicable):	Current ER	7101	7001	7003	7050			

Mandate Excerpt (if applicable): ASHRAE- When upgrading HVAC Systems, all design has to conform to ASHRAE standards, and air flows are regulated by the Washington Administrative code (WACS).

Additional Justifications:

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AVISTA

Capital Investment Business Case

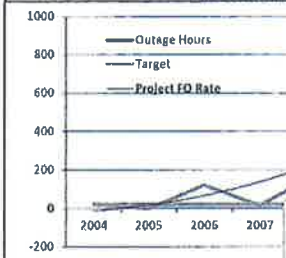
Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability	Enterprise Tech:	☑ YES - attach form	☐ NO or Not Required	Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).
Contract Labor:	☑ YES	☐ NO		Facilities:	☑ YES - attach form	☐ NO or Not Required	
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required	
				Fleet:	☐ YES - attach form	☑ NO or Not Required	

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here



This graph is to provide a place to direct the KPI benefit. Providing a graph is recommended to help communicate what the project is intended to

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Director/Manager

Other Party Review (If necessary) signature Margie Stevens
Director/Manager

AVISTA Corp.

OVERVIEW

Avista Corp. needs to renovate the HVAC system that serves the five story pension office building on their Spokane corporate campus. The need to renovate the system is due to the age of the current mechanical system which is approaching 50 years in the original portion of the office building and in excess of 20 years in the office building addition. While Avista has maintained the system exceptionally over the years, extending the expected life and performance, the current system is prone to failure, does not provide good flexibility, requires excessive energy that today's more efficient systems, and spare parts are difficult to locate.

As a result, Avista Corp. hired McKinstry to provide a design/build approach to the HVAC renovation. The first step in the process entailed determining the most appropriate HVAC system for the project. This was completed by generating various options for consideration, then developing information for each option that would allow McKinstry to recommend a solution to Avista, with Avista ultimately approving the recommended solution. In order to generate a list of potential HVAC system options, McKinstry completed on-site building reviews, met with facility personnel, and reviewed the building mechanical drawings. Based on these tasks, McKinstry developed the following options for review:

RENOVATION OPTIONS

1. **Existing System:** The existing system utilizes a single multizone air handling unit on each floor that serves a dual duct VAV system for the original office building portion. A multizone air handling unit located in a roof top penthouse serves all five floors of the new addition. The new addition also utilizes dual duct technology. Chilled water and heating water are provided to all air handling units via the central plant located in the Service Building. The duct distribution system throughout the building is a high velocity system, which creates noise issues and requires additional energy to distribute the air.
2. **Renovation Option #1:** This option replaces the existing air handling equipment with similar equipment in both size and function. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
3. **Renovation Option #2:** This option replaces the existing air handling equipment with a new heating situ and new cooling situ per floor (original building) and new heating situ and new cooling situ for the office addition. This option was developed as a way to increase energy performance over option #1. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
4. **Renovation Option #2a:** This option is the same as Option #2. However, it utilizes a lower discharge air temperature at the air handling units on each floor. By using a lower discharge air temperature, it is possible for the new air handling units on each floor to also serve the respective portion of the office addition for that floor. This eliminates the need for a penthouse mechanical system that serves the office addition. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
5. **Renovation Option #3:** This option provides alternating heating and cooling air handling units per floor in the original office building and new air handling units in the penthouse that serves the office addition. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.

Page 1 of 3

AVISTA Corp.

6. **Renovation Option #4:** This option provides new cooling only air handling units on each floor of the office building and in the penthouse. Heating is provided through hot water coils located at VAV boxes. The replacement of the dual distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
7. **Renovation Option #4a:** This option is the same as Option #4, however, it utilizes a lower discharge air temperature at the air handling units on each floor. By using a lower discharge air temperature, it is possible for the new air handling units on each floor to also serve the respective portion of the office addition for that floor. This eliminates the need for a penthouse mechanical system that serves the office addition. Heating is provided through hot water coils located at VAV boxes. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
8. **Renovation Option #5:** This option provided new roof mounted air handling units to serve all portions of the office space. New shafts provide conditioned air to the office space. The replacement of the dual duct distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
9. **Renovation Option #6:** This option provided new roof mounted cooling only air handling units to serve all portions of the office space. New shafts provide conditioned air to the office space. Heating is provided through hot water coils located at VAV boxes. The replacement of the dual distribution system, VAV boxes, controls, and other miscellaneous work are provided under this option.
10. **Renovation Option #7:** This option replaces the existing system with a new underfloor HVAC distribution system. This option includes new air handling units located on the roof, dual distribution, VAV boxes, controls, and the raised floor system itself, along with any of the other building upgrades needed to accommodate the raised floor system.
11. **Renovation Option #8:** This option replaces the existing system with a ground source heat pump system throughout the building.

EVALUATION

In order to evaluate each option, McKinstry created a mechanical system selection matrix that included key information needed to select the proper system. This matrix is included as Attachment A – Mechanical System Option Evaluation. The primary factors that were evaluated on a quantitative basis included first costs and operational costs. Additional factors were also reviewed on a qualitative basis.

In order to develop the first cost budget, McKinstry created preliminary mechanical schematics that provided equipment information and layout, as well as duct distribution on floors. McKinstry's estimating group then developed mechanical first costs based on the available information. Mechanical first costs make up the majority of the overall first cost, however, there were other miscellaneous costs to consider for each option including electrical work and other miscellaneous work. For these items, McKinstry relied on consultants and past experience to develop the budgets.

In order to develop operational costs, McKinstry developed an energy model for each system to predict energy use and cost. The energy model simulates the energy use of the HVAC system over the course of an entire year. It is a custom model built around the existing building conditions, the weather data specific to Spokane, and the type of HVAC system modeled. Also, McKinstry's service group evaluated the specifics of each option and provided annual service costs (preventive maintenance). Preventive maintenance costs were based on the preliminary equipment list generated for each option. Together, the energy costs and service costs were combined to reach the overall operational cost for each option.

Page 2 of 3

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Investment Business Case

G-4

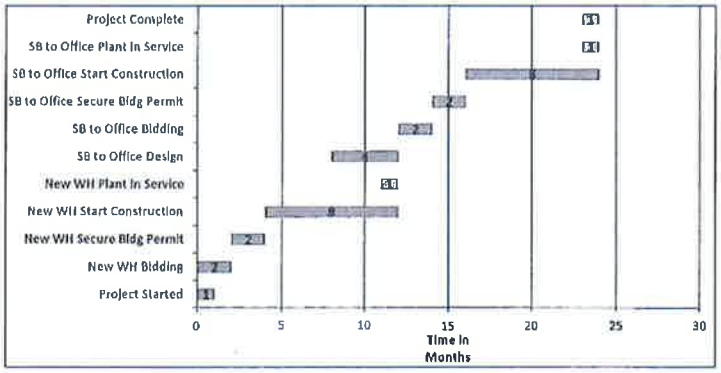
Investment Name:	COF Long-Term Restructuring Plan
Requested Amount	$23,450,000
Duration/Timeframe	5 Year Project
Dept., Area:	Facilities
Owner:	Mike Broemling & Eric Bowles
Sponsor:	Don Kopczynski
Category:	Project
Mandate/Reg. Reference:	n/a

Assessments:	
Financial:	High - Exceeds 12% CIRR
Strategic:	Other
Operational:	Operations improved beyond current levels
Business Risk:	ERM Reduction >0 and <= 5
Project/Program Risk:	High certainty around cost, schedule and resources
Assessment Score:	100.5

Recommend Project Description:	Performance	Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	ERM Risk Score
Construct a new warehouse in 2012 and remodel the old warehouse in the Service Bldg to accommodate 110 work stations in 2013. Also add 125 parking spaces. New warehouse shall utilize current material handling technologies to increase employee efficiencies, and its height will allow for more material to be stored per SF, thus using our limited SF here at the COF more efficiently. Provide IS/IT infrastructure and networking in north half of the COF where it is currently non-existent, in anticipation of future projects. This project will also allow the HVAC rennovation of the north building wing to be accomplished in one year rather than a staged process, which results in a one-time $1.2M reduction in capital costs for that project. PLEASE SEE ADDITIONAL EFFICIENCIES UNDER "ADDITIONAL JUSTIFICATIONS" BELOW. The CIRR is 12.5%-16.0% excluding the HVAC savings and any other facility sales or cessation of rentals.	Alleviates current space issues by creating on-site office space and parking to house employees and contractors	$ 23,450,000	$ -	$ (1,200,000)	3

Alternatives:		Performance	Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	ERM Risk Score
Status Quo:	COF will continue to not have enough office space and parking to accommodate demand. Continue to obtain more leases, buy buildings, or buy land and construct buildings to house our employees.	n/a	$ -	$ -	$ -	6
Alternative 1: Construct a new warehouse (recommended option)	See Project Description above.	Alleviates current space issues & new warehouse	$ 9,500,000	$ -	$ (1,200,000)	3
Alternative 2: General Office Building 'wing' addition and parking garage	Construct a parking garage and an addition to the existing building on the west end (156 workstations and 120 parking spaces). No new warehouse bldg or warehouse efficiency gains.	Alleviates current space issues	$ 30,000,000	$ -	$ -	3
Alternative 3 Name: Ross Court Office Building and Parking Lot	Construct a new office building at the Ross Court location in addition to parking spaces (240 workstations and 151 parking spaces). No new warehouse bldg or warehouse efficiency gains.	Alleviates current space issues	$ 15,000,000	$ -	$ -	3

Timeline



Construction Cash Flows (CWIP)

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2012	$ 3,050,000	$ -	$ -	$ 3,050,000
2013	$ 7,900,000	$ -	$ -	$ 7,900,000
2014	$ 1,000,000	$ -	$ -	$ 1,000,000
2015	$ 7,500,000	$ -	$ -	$ 7,500,000
2016	$ 4,000,000	$ -	$ -	$ 4,000,000
2017	$ -	$ -	$ -	$ -
2018	$ -	$ -	$ -	$ -
Future	$ -	$ -	$ -	$ -
Total	$ 23,450,000	$ -	$ -	$ 23,450,000

Milestones (high level targets)

August-12	New WH Start Construction	February-15	Rotor Bldg and Inv Rec Start	February-16	WH Yard #2 & Wash Bay Start Const
April-13	New WH Plant In Service	June-15	Rotor Bldg In Service	October-16	WH Yard #2 & Wash Bay In Service
May-13	SB to Office Start Construction	June-15	WH Yard #1 Start Const		
October-13	SB to Office Plant In Service	August-15	WH Yard #1 and Inv Rec in service		
October-14	Waste & Asset Rec Bldg Start Con	July-15	GPSS & Spo Const. Remodel: Start Const		
May-15	Waste & Asset Rec Bldg In Service	March-16	GPSS & Spo Const. Remodel: In Service		

Associated Ers (list all applicable):	7126							
Mandate Excerpt (if applicable):	n/a							

Additional Justifications:

Sept 2013 changes: $2.4 M for new IR / Haz Mat area in 2014, $1.5M for WH Yard and Wash Bay in 2015, $1.5M in 2015 and $2M in 2016 for G&P/Spo Construct Remodel. New IR and Hazmat Bldgs will result in time efficiencies for linemen trucks and drop off processes. Increasing the WH storage yard will also result in time efficiencies for WH personnel due to closer material, more level asphalted area (rather than gravel), and controlled (fenced) inventory and stocking. Wash bay will will save time from washing vehicles off site and will prevent frequent freezing/breakdown of current wash bay. Office renovations of Spokane Construction and GPSS will replace a 30 year old HVAC system and increase number of cubicles on campus to accomodate for growth. JULY 2014 CHANGES: (2014 - $1M) (2015 - $7.5M) (2016 - $4M). Hazmat Bldg cost more than expected, and a GPSS storage bldg must be replaced to do the WH storage yard increase.

AVISTA

Capital Investment Business Case

G-4

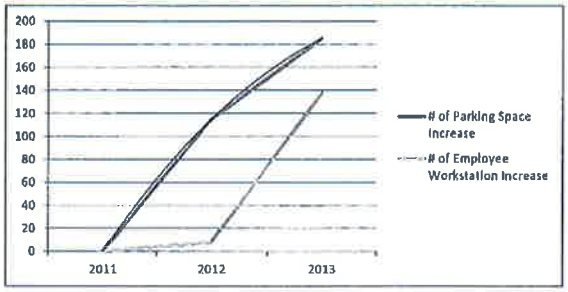
Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability	Enterprise Tech:	☑ YES - attach form	☐ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Total Net Increase of Parking Spaces and Employee Workstations vs. 2011 total



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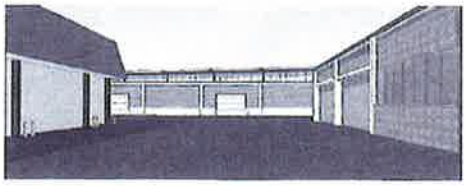
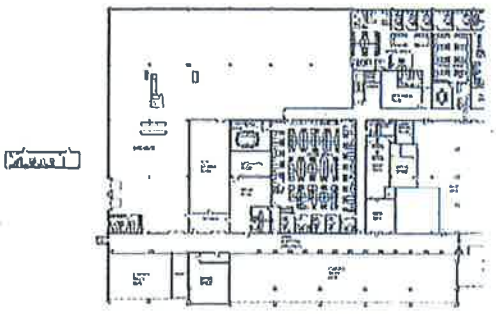
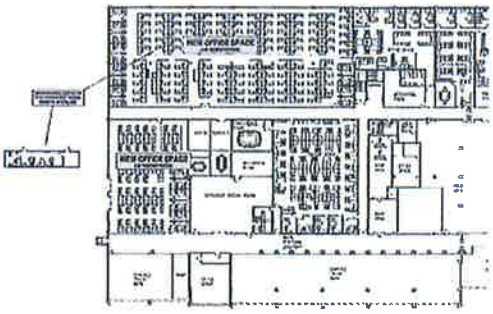
Director/Manager

Other Party Review (if necessary) signature Margie Stivers
Director/Manager







To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Project Business Case

Investment Name:	COF LngTrm Restruct Ph2		
Requested Amount	$43,500,000	**Assessments:**	
Duration/Timeframe	5 Year Project	Financial:	7.00%
Dept., Area:	Facilities	Strategic:	Other
Owner:	Mike Broemling and Eric Bowles	Business Risk:	Business Risk Reduction >10 and <= 15
Sponsor:	Don Kopczynski	Project Risk:	High certainty around cost, schedule and resources
Category:	Project		
Mandate/Reg. Reference:	n/a	Assessment Score:	#NAME?

Recommend Project Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
COF Long Term Restructuring Plan, Phase 2. Increase Mission campus size by purchasing and developing adjacent lots, reroute Crescent Ave. to make one contiguous lot, construct new Fleet / Service Shops Building, convert all of 1950's Service Bldg to Office Space, and increase parking lot size and build 2-story parking structure. By end of 2015 Facilities projects will add approx. 183 new cubicles. Our parking lots will be beyond max capacity. The Fleet Garage is over 50 yrs old and is constrained by its dims from our ever enlarging vehicles and line trucks. New garage will allow for maintenance of CNG vehicles, current bldg does not allow this. Once Fleet is moved, a distinct separation b/n Operations / Service vehicles and Administrative Employees and vehicles. Separation will increase safety by eliminating intermingling of pedestrians in work areas. Office building & parking garage is projected to allow Call Center and any leased facilities to	State of the art fleet building. Service vehicles contained to north campus. Employee vehicles near main GOB.	$ 47,500,000	$ -	$ -	2

Annual Cost Summary - Increase/(Decrease)

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Project:	Employee parking shall overflow into Logan neighborhood. City of Spokane will probably enforce parking regulations if this occurs. Added 5-to-10 minutes walk time from employee cars to desks. All CNG vehicles will have to be maintained at Dollar Road Fleet Bldg, with its extra 15 minute travel time. Continued rental or purchased facilities off site of COF for Avista departments (i.e. call center).	n/a	$ -	$ -	$ -	15
Alternative 1: Brief name of alternative (if applicable)	Build extra parking lot on Ross Court ONLY. Approx. 220 add'l spaces req'd. to offset new employee load. Inconvenient and increased walk times for employees.	describe any incremental changes in operations	$ 2,000,000	$ 20,000	$ -	2
Alternative 2: Brief name of alternative (if applicable)	Build new fleet building off-site. Purchase new lot for construction. Travel times and inefficiencies greatly increased.	describe any incremental changes in operations	$ 7,000,000	$ 20,000	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2013	$ -	$ -	$ -	$ -
2014	$ 500,000	$ -	$ -	$ 590,000
2015	$ 2,000,000	$ -	$ -	$ 1,410,000
2016	$ 3,000,000	$ -	$ -	$ 3,000,000
2017	$ 9,000,000		$ -	$ 9,000,000
2018	$ 14,000,000			$ 14,000,000
2019	$ 15,000,000			$ 15,000,000
Total	$ 43,500,000	$ -	$ -	$ 43,000,000

see note under add'l justification

Associated Ers (list all applicable):			
7126			

ER	2013	2014	2015	2016	2017	Total
7126	$ -	$ 500,000	$ 2,000,000	$ 3,000,000	$ 38,000,000	$ 43,500,000
0	$ -	$ -	$ -	$ -	SEE NOTE	$ -
0	$ -	$ -	$ -	$ -	UNDER ADD'L	$ -
0	$ -	$ -	$ -	$ -	JUSTIFICATIONS	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ 500,000	$ 2,000,000	$ 3,000,000	$ 38,000,000	$ 43,500,000

Mandate Excerpt (if applicable):

provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:

PLEASE NOTE: Request $500K in 2014 (start purchase adjacent lots), $2M in 2015 (finish purchase adjacent lots), $3M in 2016 (start N. Crescent Ave. reroute), $9M in 2017 (finish N. Crescent reroute, start New Service Shops and Fleet Bldg), $14M in 2018 (finish New Service Shops and Fleet Bldg), and $15M in 2019 (Convert Old S. Bldg to Office and new parking garage/lot).

Milestones (high level targets)

April-16	Ross Court parking start construtiion
September-16	Ross Court parking in service
January-16	Fleet Bldg Start Construction
December-16	fleet bldg in service
April-17	Park garage & office start const.
May-18	Park garage & office in service
Aug-18	Ross Park convert to office start construction
May-19	Ross Park convert to office in service

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: ***(request forms and approvals attached)***

Internal Labor Availability:	☑ Low Probability	☐ Medium Probability	☐ High Probability	Enterprise Tech:	☑ YES - attach form	☐ NO or Not Required	Capital Tools:	☐ YES - attach form ☑ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☑ YES - attach form	☐ NO or Not Required	Fleet:	☐ YES - attach form ☑ NO or Not Required

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AVISTA

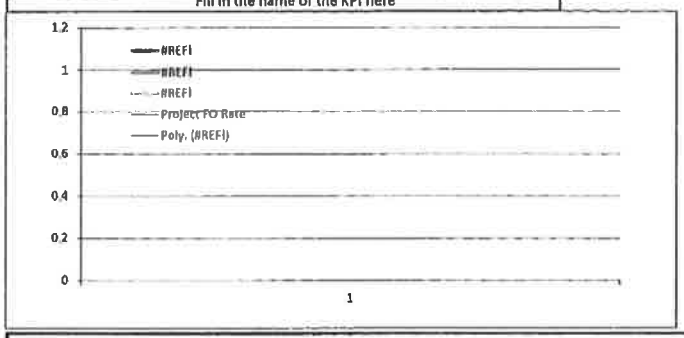
Capital Project Business Case

G-5

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here



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Reviewed Eric Bowles
Director/Manager

Other Party Review signature (If necessary) Margie Stevens
Director/Manager

PLEASE SEE DRAWINGS ATTACHED TO SHAREPOINT SITE FOR MORE INFO

COF LngTrm Restruct Ph2 REV JULY-14.pdf

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

Printed 01-08-2015

AVISTA

Capital Program Business Case

Investment Name:	Apprentice/Craft Trng	Assessments:	
Requested Amount	$60,000	Financial:	7.00%
Duration/Timeframe	10 Year Program	Strategic:	Performance Excellence
Dept.., Area:	Apprentice/Craft Training	Business Risk:	Business Risk Reduction >0 and <= 5
Owner:	Linda Jones	Program Risk:	High certainty around cost, schedule and resources
Sponsor:	Karen Feltes		
Category:	Mandatory		
Mandate/Reg. Reference:	296-05 WAC & Chpt 49 04 RCW	Assessment Score:	#NAME?

Recommend Program Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
"This program is for on-going capital improvements to support the essential skills needed for journey workers, apprentices and pre-apprentices now and for the future. It is important to provide the types of training scenarios that employees face in the field. The program is for capital infrastructure needed to create an effective set-up for training craft employees. Capital expenditures under this program could include items such as building new facilities or expanding existing facilities, purchase of equipment needed, or build out of realistic utility field infrastructure used to train employees. Examples include: new or expanded shops, truck canopy, classrooms, backhoes and other equipment, build out of "Safe City"- commercial and residential building replicas, and distribution, transmission, smart grid, metering, gas and substation infrastructure. "	describe any incremental changes that this Program would benefit present operations	$ 60,000	$ -	$ -	2

(Annual Cost Summary - Increase/(Decrease))

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Program:	Without ability to train in-house, critical craft positions would be difficult to fill. Also, regulating bodies may de-certify our Apprentice program. Inability to train in-house may require extensive travel to fulfill our training obligations to maintain required skillsets.	n/a	$ -	$ 20,000	$ -	6
Alternative 1: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	2
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

(Annual Cost Summary - Increase/(Decrease))

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2013	$ 60,000	$ -	$ -	$ 60,000
2014	$ 60,000	$ -	$ -	$ 60,000
2015	$ 60,000	$ -	$ -	$ 60,000
2016	$ 60,000	$ -	$ -	$ 60,000
2017	$ 60,000	$ -	$ -	$ 60,000
2018				$ 60,000
2019	$ -	$ -	$ -	$ 60,000
Total	$ 300,000	$ -	$ -	$ 420,000

Associated Ers (list all applicable):

ER	2013	2014	2015	2016	2017	Total
7200	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 300,000
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 60,000	$ 300,000

Mandate Excerpt (if applicable):
See Below

Additional Justifications:
The proper training of apprentices is governed by the Washington State Apprenticeship Rules and Act (Chpt 296-05 WAC & Chpt 49 04 RCW) as well as numerous other Washington State Labor and Industries WAC/RCW regulations. And by the Federal Department of Labor under Apprentice Labor Standards 29 CFR Part 29 and the Fitzgerald Act-National Apprenticeship Act and other DOL regulations and rules. Compliance/safety training for journey workers is mandated by multiple rules/regulations at the federal level via OSHA and at the state

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability
Contract Labor:	☐ YES	☑ NO	

Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Facilities:	☐ YES - attach form	☑ NO or Not Required
Capital Tools:	☐ YES - attach form	☑ NO or Not Required
Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here

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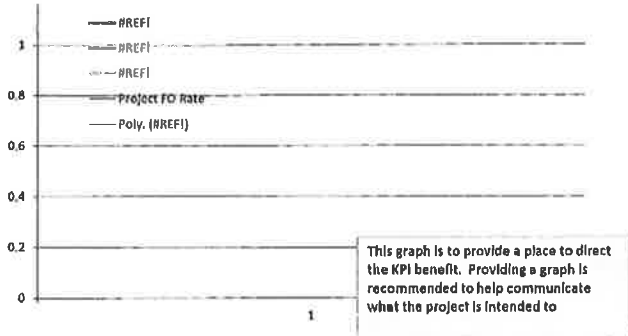
AVISTA

Capital Program Business Case



Reviewed signature
Director/Manager

Other Party Review (If necessary) signature Maggie Stevens
Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

Printed 11-05-2014

AVISTA

Capital Program Business Case

Investment Name:	**New Revenue - Growth**		
Requested Amount	**$ 33,170,486**	**Assessments:**	
Duration/Timeframe	On Going Year Program	Financial:	8.40%
Dept., Area:	Energy Delivery	Strategic:	Other
Owner:	Al Fisher	Business Risk:	Business Risk Reduction >0 and <= 5
Sponsor:	Don Kopczynski	Program Risk:	Moderate certainty around cost, schedule and resources
Category:	Mandatory		
Mandate/Reg. Reference:	Growth	Assessment Score:	97

Recommend Program Description:	**Performance**	**Annual Cost Summary - Increase/(Decrease) Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
This program is for costs to serve new loads for gas and electric. This includes the cost to construct new overhead and underground lines, gas piping, street and area lights. Devices such as transformers, meters, regulators, ERTs, and network transformers and protectors are also included in this business case. 2014 Budget: 23% increase (from 2013's original plan) in hookups is projected.	describe any incremental changes that this Program would benefit present operations	$ 33,170,486	$ -	$ -	4

Alternatives:		**Performance**	**Annual Cost Summary - Increase/(Decrease) Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
Unfunded Program:	We have an obligation to serve. Additionally if not funded, there would be minimal customer load growth	n/a	$ -	$ -	$ -	12
Alternative 1: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	4
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2014	$ 33,170,486	$ -	$ -	$ 33,170,486
2015	$ 38,465,049	$ -	$ -	$ 38,512,116
2016	$ 40,785,194	$ -	$ -	$ 41,434,864
2017	$ 41,389,769	$ -	$ -	$ 40,763,946
2018	$ 42,027,959	$ -	$ -	$ 40,657,672
2019	$ 42,027,959			$ 42,027,959
Total	$ 237,866,416	$ -	$ -	$ 236,567,043

Associated Ers (list all applicable):			
1000	1001	1002	1003
1004	1005	1009	1050
1051	1053		

ER	2014	2015	2016	2017	2018	Total
1000	$ 11,620,718	$ 13,606,838	$ 14,471,120	$ 15,578,871	$ 16,125,357	$ 71,402,904
1001	$ 10,601,275	$ 12,062,433	$ 12,913,301	$ 14,015,398	$ 14,502,519	$ 64,094,926
1002	$ 340,410	$ 340,410	$ 340,410	$ 340,410	$ 340,410	$ 1,702,050
1003	$ 5,766,400	$ 5,874,400	$ 6,150,400	$ 4,179,562	$ 4,179,562	$ 26,150,324
1004	$ 650,000	$ 650,000	$ 650,000	$ 650,000	$ 650,000	$ 3,250,000
1005	$ 600,000	$ 625,000	$ 650,000	$ 675,000	$ 700,000	$ 3,250,000
1009	$ 890,000	$ 920,000	$ 950,000	$ 980,000	$ 980,000	$ 4,720,000
1050	$ 1,768,580	$ 1,875,666	$ 1,994,413	$ 2,126,567	$ 1,894,939	$ 9,660,165
1051	$ 305,825	$ 324,552	$ 345,474	$ 368,929	$ 328,220	$ 1,673,000
1053	$ 627,279	$ 2,185,750	$ 2,320,075	$ 2,475,031	$ 2,326,952	$ 9,935,087
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 33,170,486	$ 38,465,049	$ 40,785,194	$ 41,389,769	$ 42,027,959	$ 195,838,457

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☑ Medium Probability	☐ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

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http://sharepoint/departments/budget/Business Cases/Growth/New Revenue Growth Program Business Case and Review v5.m

AVISTA

Capital Program Business Case

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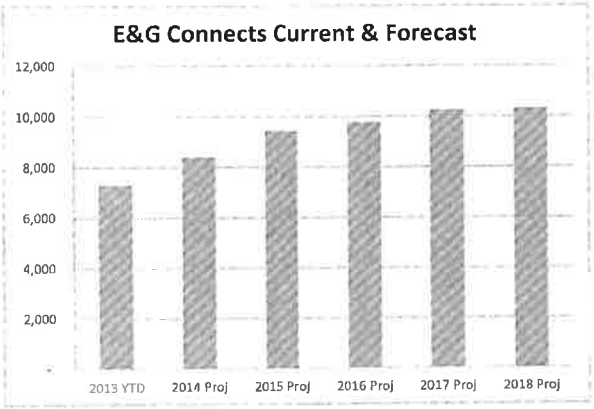
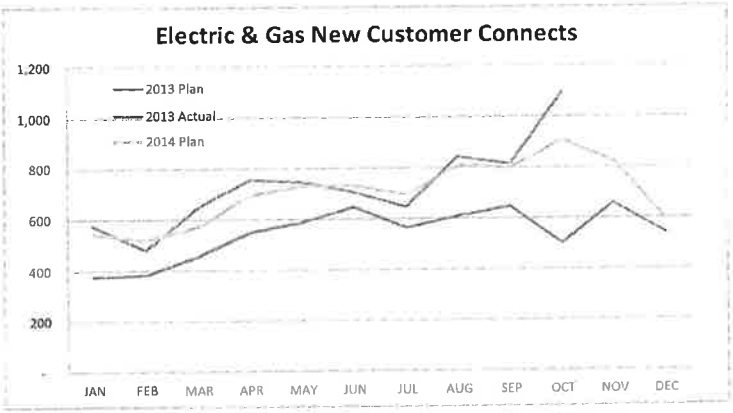
Reviewed signature
Director/Manager

Other Party Review signature Marcie Stevens
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaulating the Program





To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Investment Business Case

Investment Name:	**Gas Reinforcement**						
Requested Amount	**$1,000,000**	**Assessments:**					
Duration/Timeframe	On-Going 2012+	Financial:	MH - >= 9% & <12% CIRR				
Dept.., Area:	Gas Operations	Strategic:	Reliability & Capacity				
Owner:	Mike Faulkenberry	Operational:	Operations not impacted by execution				
Sponsor:	Don Kopczynski	Business Risk:	ERM Reduction >10 and <= 15				
Category:	Mandatory	Program Risk:	Moderate certainty around cost, schedule and resources				
Mandate/Reg. Reference:	WAC 480-90-148(2)(d), IDAPA 31.31.01.151, OR T	Assessment Score:	143	Annual Cost Summary - Increase/(Decrease)			
Recommend Program Description:			**Performance**	**Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
This annual program will provide for necessary reinforcements and reliability looping of the existing gas distribution system in WA, ID, and OR. Avista has an obligation to provide reliable service that is of adequate pressure and capacity. Periodic reinforcement of the system is required to reliably serve due to increased demand at existing service locations and new customers. Execution of this program on an annual basis will ensure the continuation of reliable gas service that is of adequate pressure and capacity. The 2013 budget was cut and needs to be increased for 2014+ (to $1,000,000) to ensure adequate capacity that will meet a design day load. Specific ER's may be added to this Business Case as they are defined as Reinforcement Projects.			describe any incremental changes that this Program would benefit present operations	$ 1,050,000	$ -	$ -	4

Alternatives:		**Performance**	**Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
Status Quo:	Gas distribution reinforcements are identified on an on-going basis and need to be completed when identified to ensure continuation of reliable service.	n/a		$ -	$ -	16
Alternative 1: Pipe Installation	Capital Pipe Installations - Install additional pipe to reinforce and loop existing gas distribution system to increase system reliability.	Reduced system monitoring during cold	$ 1,000,000		$ -	4
Alternative 2: Uprate Alternative	Distribution System Uprates - Increase the operating pressure of existing gas distribution system to a 60 PSIG MAOP. Uprating gas distribution system will increase the delivery capacity in addition to increases operating efficiency by tying existing distribution system together with similar operating pressures.	Reduction in regulator station maintenance.	$ 50,000	$ 100,000	$ -	4
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
2012-2016

	Capital Cost	O&M Cost	Other Costs	Approved Capital
2012	$ 1,050,000	$ -	$ -	$ 800,000
2013	$ 1,050,000	$ -	$ -	$ 1,120,000
2014	$ 1,000,000	$ -	$ -	$ 1,000,000
2015	$ 1,000,000	$ -	$ -	$ 1,000,000
2016	$ 1,000,000	$ -	$ -	$ 1,000,000
2017	$ 800,000	$ -	$ -	$ 800,000
2018	$ 600,000	$ -	$ -	$ 600,000
2019	$ -	$ -	$ -	$ 600,000
Total	$ 6,500,000	$ -	$ -	$ 6,920,000

Associated Ers (list all applicable):

Current ER				
3000				

Mandate Excerpt (if applicable):

WAC 480-90-148(2)(d), "Each gas utility must maintain its gas system in a condition that enables it to furnish safe, adequate, and efficient service." IDAPA 31.31.01.151, "Service to the customer shall assure the customer of adequate pressure, a definite heat content, and the accurate measurement of gas.", OR Tariff - Rule 14(A)(2), "The Company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient quantity of gas to its customers but does not guarantee continuity or sufficiency of quantity."

Additional Justifications:

Program required to reliably serve customers

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AVISTA

Capital Investment Business Case

Resources Requirements: ***(request forms and approvals attached)***

Internal Labor Availability:	☐ Low Probability	☑ Medium Probability	☐ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

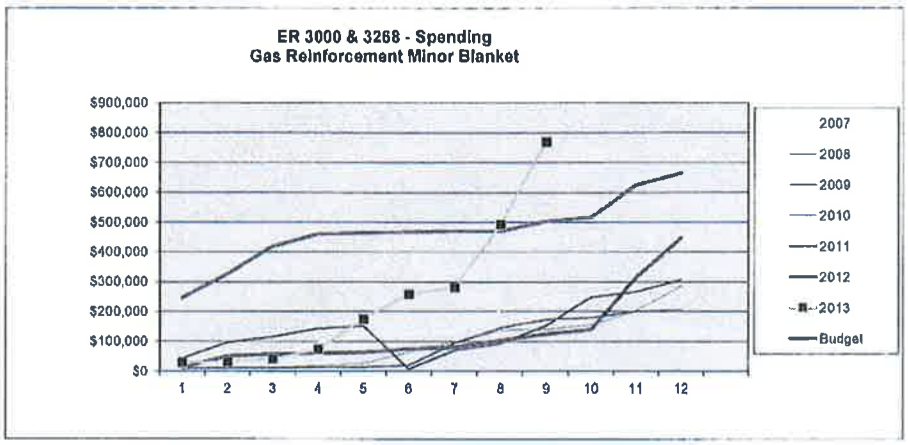
Expected Performance Improvements

KPI Measure:	Cold Weather Related Outages
	Fill in the name of the KPI here

Prepared signature

Reviewed signature
Director/Manager

Other Party Review signature [signature: Margie Stevens]
(if necessary)
Director/Manager



Business Case	ERM Risk Reduction	Status Quo Raw Score	Risk on Completion Raw Score	Status Quo Risk					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
Gas Reinforcement	12	16	4	2 - $200k - $2MM	< Once / year	4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change	< Once / year	5 - > 120,000 Customer-hours	< Once / 5 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
						1 - Potential for injury Public health infrastructure impact up to 8 hours	< Once / 10 years	1 - Potential for injury	< Once / 50 years
				Risk upon Completion					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				1 - < $200k	< Once / 10 years	2 - Could result in a moderate negative impact to local, online, or industrial relationships and /or regional media coverage	< Once / 10 years	1 - < 1,500 Customer-hours	< Once / 10 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
						1 - Potential for injury Public health infrastructure impact up to 8 hours	< Once / 50 years	1 - Potential for injury	< Once / 50 years

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	**Template**

Printed 01 03 2015
[illegible] - Update - Gas Reinforcement Program

AVISTA

Capital Investment Business Case

Investment Name:	Repl. Deteriorating Steel Gas Systems	Assessments:					
Requested Amount	$800,000	Financial:	<= 0% CIRR				
Duration/Timeframe	On-Going	Strategic:	Life Cycle Programs				
Dept.., Area:	Gas Operations	Operational:	Operations improved beyond current levels				
Owner:	Mike Faulkenberry	Business Risk:	ERM Reduction >5 and <= 10				
Sponsor:	Don Kopczynski	Program Risk:	Moderate certainty around cost, schedule and resources				
Category:	Program						
Mandate/Reg. Reference:		Assessment Score:	79				

Recommend Program Description:	Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
This annual program will replace sections of existing steel gas piping that are suspect for failure or are showing signs of deterioration within the gas system. This program will address the replacement of sections of gas main with corrosion related issues that no longer operate reliably and/or safely. Sections of the gas system require replacement due to many factors including material failures, environmental impact, increased leak frequency, or coating problems. This program will identify and replace sections of steel pipe to improve public safety and system reliability; it's primary focus is to address corrosion related pipe issues.	describe any incremental changes that this Program would benefit present operations	$ 800,000	$ -	$ -	1

Alternatives:		Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Status Quo:	A number of locations have been identified in Medford, Klamath Falls, Roseburg, and La Grande OR that have older main at a higher operating risk related to leaks.	n/a	$ -	$ -	$ -	6
Alternative 1: Pipe Installation	Strategically replace sections of at-risk steel piping.	Reduced risk of system leaks	$ 800,000	$ -	$ -	1
Alternative 2:		describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)		describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
2012-2016

	Capital Cost	O&M Cost	Other Costs	Approved
2012	$ 800,000	$ -	$ -	$ 800,000
2013	$ 600,000	$ -	$ -	$ 665,000
2014	$ 800,000	$ -	$ -	$ 1,280,000
2015	$ 1,000,000	$ -	$ -	$ 1,000,000
2016	$ 1,000,000	$ -	$ -	$ 1,000,000
2017	$ 1,000,000	$ -	$ -	$ 1,000,000
2018	$ 1,000,000	$ -	$ -	$ 1,000,000
2019	$ -	$ -	$ -	$ 1,000,000
Total	$ 6,200,000	$ -	$ -	$ 7,745,000

Associated Ers (list all applicable):

Current ER				
3001				

Mandate Excerpt (if applicable):

N/A

Additional Justifications:

This program has been executed historically using a qualitative assessment method at the district level.

AVISTA

Capital Investment Business Case

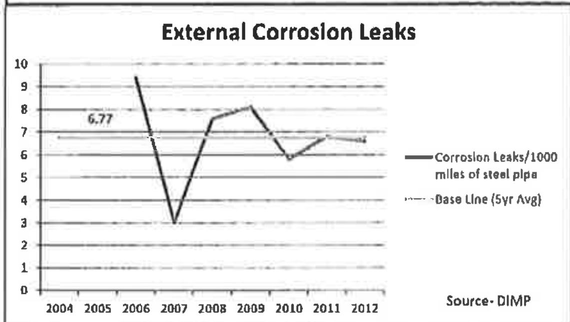
Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Contract Labor:	☑ YES	☑ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)
Expected Performance Improvements

KPI Measure:	Leak Rate/ 1000 miles of steel pipe



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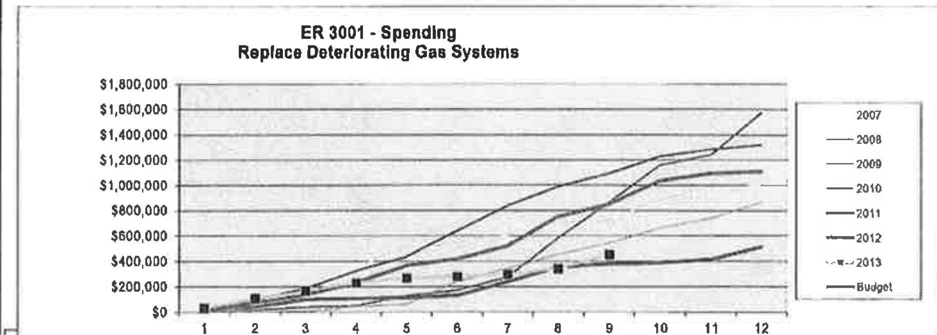
Director/Manager

Other Party Review signature *(signature)*
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program



	Reduction	Score	Raw Score	Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
Repl. Deteriorating Steel Gas Systems	7	8	1	3 - $1MM - $4MM	< Once / 10 years	4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change	< Once / 10 years	1 - < 1,500 Customer hours	< Once / 10 years
				Environmental	Likelihood	Safety and Health Public	Likelihood	Safety and Health Employee	Likelihood
				1 - Isolated spill with 0 to low level PCBs, no migration, air emission minor exceedence, standard clean-up	< Once / year	3 - Potential for serious injury Significant damage to equipment, property or business Public health infrastructure impact up to 48 hours	< Once / 10 years	1 - Potential for injury	< Once / 10 years
				Risk upon Completion					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				1 - < $200k	< Once / 50 years	1 - No likely impact on media or regulatory relationship	< Once / 50 years	1 - < 1,500 Customer hours	< Once / 50 years
				Environmental	Likelihood	Safety and Health Public	Likelihood	Safety and Health Employee	Likelihood
				1 - Isolated spill with 0 to low level PCBs, no migration, air emission minor exceedence, standard clean-up	< Once / 50 years	1 - Potential for injury Public health infrastructure impact up to 8 hours	< Once / 50 years	1 - Potential for injury	< Once / 50 years

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	**Template**

Printed 01-09-2015
C:\Users\...\Business Cases For RKS-5\...Update - Gas Deteriorated Steel Pipe Replacement Program

AVISTA

Capital Program Business Case

Investment Name:	Regulator Station Reliability Replacement		
Requested Amount	$800,000	Assessments:	
Duration/Timeframe	On-Going Year Program	Financial:	7.00%
Dept., Area:	Gas Operations	Strategic:	Life-cycle asset management
Owner:	Typically Director	Business Risk:	Business Risk Reduction >0 and <= 5
Sponsor:	Typically Executive Officer	Program Risk:	High certainty around cost, schedule and resources
Category:	Program		
Mandate/Reg. Reference:	PHMSA CFR 192.739	Assessment Score:	75

Recommend Program Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
		Annual Cost Summary - Increase/(Decrease)			
This annual program will replace or upgrade existing regulator stations and meter stations to current Avista standards. This program will address enhancements that will improve system operating performance, safety, replacement of inadequate or antiquated equipment that is no longer supported, and ensure the reliable operation of metering and regulating equipment.	describe any incremental changes that this Program would benefit present operations	$ 600,000	$ -	$ -	1

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
			Annual Cost Summary - Increase/(Decrease)			
Unfunded Program:	Maintenance may not be able to be completed properly due to antiquated equipment. This could result in fines from PUC, leaks on stations, and higher rates of equipment failure.	n/a	$ -	$ -	$ -	4
Alternative 1: Complete as described above.	Stations that require upgrade or replacement are identified on an on-going basis to ensure continued reliable operations. Stations that are not upgraded may pose a greater risk to leaks or affect system reliability.	Reduction in Reg Stn maintenance.	$ 600,000	$ -	$ -	1
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name : Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2014	$ 600,000	$ -	$ -	$ 725,000
2015	$ 800,000	$ -	$ -	$ 800,000
2016	$ 800,000	$ -	$ -	$ 800,000
2017	$ 800,000	$ -	$ -	$ 800,000
2018	$ 800,000	$ -	$ -	$ 800,000
2019	$ 800,000	$ -	$ -	$ 800,000
2020+	$ 800,000	$ -	$ -	$ -
Total	$ 5,400,000	$ -	$ -	$ 4,725,000

Associated Ers (list all applicable):			
3002			

ER	2014	2015	2016	2017	2019	Total
3002	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 4,000,000
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 800,000	$ 4,000,000

Mandate Excerpt (if applicable):
CFR § 192.739 - Pressure limiting and regulating stations: Inspection and testing. Mandates that Regulating Stations must be inspected annually. If older components are not repairable, then maintenance might not be completed appropriately.

Additional Justifications:
Approximately 50% of the spending is required to satisfy the replacement of antiquated equipment or have an elevated safety risk. Approximately 50% of the spending is strategic and provides enhancements that facilitate operation and maintenance.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Contract Labor:	☐ YES	☑ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

Key Performance Indicator(s)

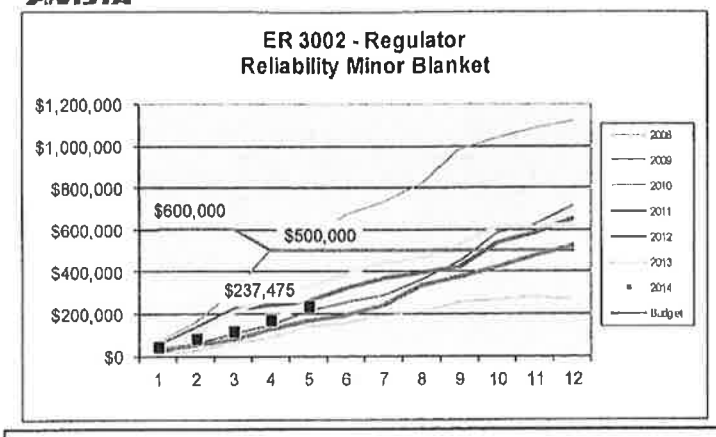
Expected Performance Improvements

KPI Measure:

Prepared signature

AVISTA

Capital Program Business Case



Reviewed signature _____ Director/Manager

Other Party Review (if necessary) signature Maryn Stevens Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaluating the Program

Business Case	ERM Risk Reduction	Status Quo Raw Score	Risk on Completion Raw Score	Status Quo Risk					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				1 - < $200k	< Once / 10 years	2 - Could result in a moderate negative impact to local, online, or industrial relationships and /or regional media coverage	< Once / 10 years	1 - < 1,500 Customer-hours	< Once / 10 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
				1 - Isolated spill with 0 to low level PCBs, no migration, air emission minor exceedence, standard clean-up	< Once / 10 years	1 - Potential for injury Public health infrastructure impact up to 8 hours	< Once / 10 years	1 - Potential for injury	< Once / 10 years
Regulator Station Reliability Replacement	2	4	2	Risk upon Completion					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				1 - < $200k	< Once / 10 years	1 - No likely impact on media or regulatory relationships	< Once / 50 years	1 - < 1,500 Customer-hours	< Once / 50 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
				1 - Isolated spill with 0 to low level PCBs, no migration, air emission minor exceedence, standard clean-up	< Once / 50 years	1 - Potential for injury Public health infrastructure impact up to 8 hours	< Once / 50 years	1 - Potential for injury	< Once / 50 years

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Investment Business Case

Investment Name:	Gas Replacement Street and Highway		
Requested Amount	$4,500,000	Assessments:	
Duration/Timeframe	On-Going	Financial:	Medium - >= 5% & <9% CIRR
Dept.., Area:	Gas Operations	Strategic:	Other
Owner:	Mike Faulkenberry	Operational:	Operations require execution to perform at current levels
Sponsor:	Don Kopczynski	Business Risk:	ERM Reduction >10 and <= 15
Category:	Mandatory	Program Risk:	Moderate certainty around cost, schedule and resources
Mandate/Reg. Reference:	Franchise Agreements and Permits	Assessment Score:	140

Recommend Program Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
		Annual Cost Summary - Increase/(Decrease)			
This annual program will replace sections of existing gas piping that require replacement due to relocation or improvement of streets or highways in areas where gas piping is installed. Avista installs many of its facilities in public right-of-way under established franchise agreements. Avista is required under the franchise agreements, in most cases, to relocate its facilities when they are in conflict with road or highway improvements.	describe any incremental changes that this Program would benefit present operations	$ 4,500,000	$ -	$ -	2

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
			Annual Cost Summary - Increase/(Decrease)			
Status Quo :	Avista would be out of compliance with established franchise agreements and/or permits if work is not completed.	n/a	$ -	$ -	$ -	16
Alternative 1:	Relocate facilities in conflict with street and highway projects where established franchise agreements and/or permits exist.	n/a	$ 4,500,000	$ -	$ -	2
Alternative 2:		n/a	$ -	$ -	$ -	0
Alternative 3 Name : Brief name of alternative (if applicable)		describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
2012-2016

	Capital Cost	O&M Cost	Other Costs	Approved
2012	$ 2,200,000	$ -	$ -	$ 2,200,000
2013	$ 4,500,000	$ -	$ -	$ 4,550,000
2014	$ 4,500,000	$ -	$ -	$ 4,300,000
2015	$ 4,500,000	$ -	$ -	$ 4,500,000
2016	$ 4,500,000	$ -	$ -	$ 4,500,000
2017	$ 4,500,000	$ -	$ -	$ 4,500,000
2018	$ 4,500,000	$ -	$ -	$ 4,500,000
2019	$ -	$ -	$ -	$ 4,500,000
Total	$ 29,200,000	$ -	$ -	$ 33,550,000

Associated Ers (list all applicable):

Current ER				
3003				
3302				
3297				

Mandate Excerpt (if applicable):

Franchise agreements and typical state highway and R/R permits prescribe that the utility will relocate at their expense when in conflict with entity activities.

Additional Justifications:

Mandatory work to maintain compliance with existing franchise and operating permits with state highway districts and rail roads.

AVISTA

Capital Investment Business Case

Resources Requirements: ***(request forms and approvals attached)***

Internal Labor Availability:	☐ Low Probability	☑ Medium Probability	☐ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

Key Performance Indicator(s)

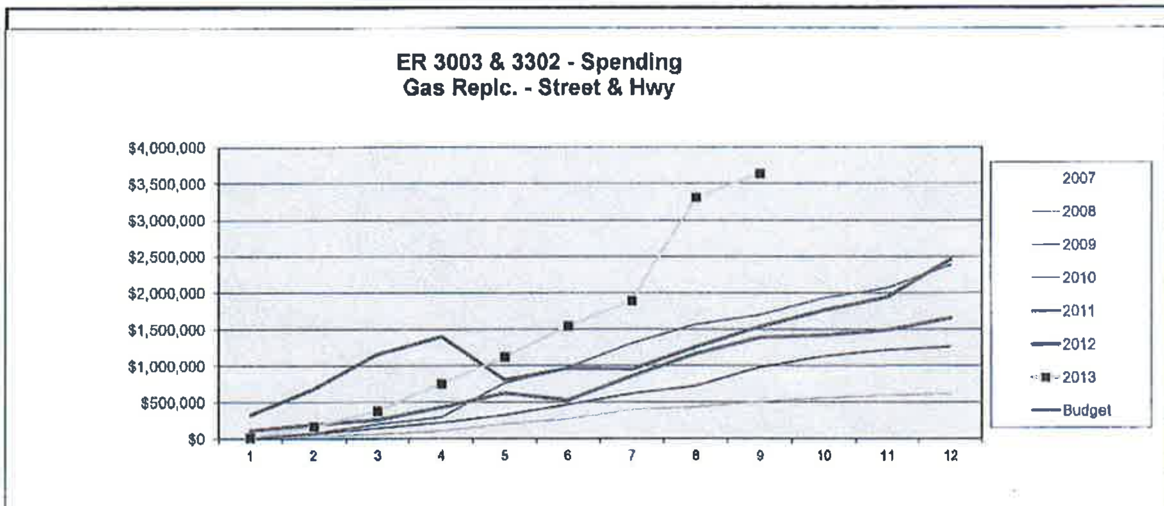
Expected Performance Improvements

KPI Measure:

Prepared signature

Reviewed signature
Director/Manager

Other Party Review (if necessary) signature Margie Stevens
Director/Manager



								Reliability (… of an outage)	Likelihood
Gas Replacement Street and Highway	14	16	2	2 - $200k - $2MM	< Once / year	4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change	< Once / year	1 - < 1,500 Customer-hours	< Once / 10 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
				Risk upon Completion					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				1 - < $200k	< Once / 10 years	1 - No likely impact on media or regulatory relationship.	< Once / 10 years	1 - < 1,500 Customer-hours	< Once / 50 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Program Business Case

Investment Name:	Cathodic Protection, Natural Gas		
Requested Amount	$950,000	Assessments:	
Duration/Timeframe	on-going Year Program	Financial:	9.00%
Dept., Area:	Gas Operations	Strategic:	Reliability & capacity
Owner:	Mike Faulkenberry	Business Risk:	Business Risk Reduction >5 and <= 10
Sponsor:	Don Kopczynski	Program Risk:	Moderate certainty around cost, schedule and resources
Category:	Mandatory		
Mandate/Reg. Reference:	49 CFR 192, Subpart I - "Requirements for Corrosi	Assessment Score:	138

Recommend Program Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
This annual program will replace existing and install new cathodic protection systems to ensure compliance with 49 CFR 192, Subpart I - "Requirements for Corrosion Control" that requires pipelines be protected against external corrosion by means of a cathodic protection system. This program will ensure appropriate cathodic protection levels are maintained, reduce corrosion related failures, help prevent leaks within steel pipeline systems and enhance public safety.	describe any incremental changes that this Program would benefit present operations	$ 950,000	$ -	$ -	4

Annual Cost Summary - Increase/(Decrease)

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Program:	Avista would be out of compliance in portions of its gas distribution system.	n/a	$ -	$ -	$ -	12
Alternative 1: Project as described above.	Install new and replace existing cathodic protection system.	describe any incremental changes in operations	$ 800,000	$ -	$ -	4
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ 500,000	$ -	$ -	$ 500,000
2014	$ 800,000	$ -	$ -	$ 700,000
2015	$ 950,000	$ -	$ -	$ 950,000
2016	$ 1,000,000	$ -	$ -	$ 1,000,000
2017	$ 1,250,000	$ -	$ -	$ 1,250,000
2018	$ 1,250,000	$ -	$ -	$ 1,250,000
2019	$ 1,250,000	$ -	$ -	$ 1,250,000
2020+	$ 1,250,000	$ -	$ -	$ -
Total	$ 8,250,000	$ -	$ -	$ 6,900,000

Associated Ers (list all applicable):			
3004			

ER	2014	2015	2016	2017	2019	Total
3004	$ 950,000	$ 1,000,000	$ 1,250,000	$ 1,250,000	$ 1,250,000	$ 5,700,000
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 950,000	$ 1,000,000	$ 1,250,000	$ 1,250,000	$ 1,250,000	$ 5,700,000

Mandate Excerpt (if applicable):

49 CFR 192.455(a) "Except as provided in paragraphs (b), (c), and (f) of this section, each buried or submerged pipeline installed after July 31, 1971, must be protected against external corrosion, including the following: (2) It must have (cont. below)

Additional Justifications:

a cathodic protection system designed to protect the pipeline in accordance with this subpart, installed and placed in operation within 1 year after completion of construction.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☑ Medium Probability	☐ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here

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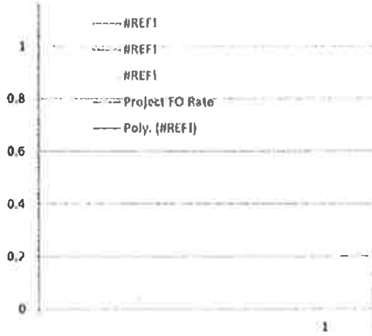
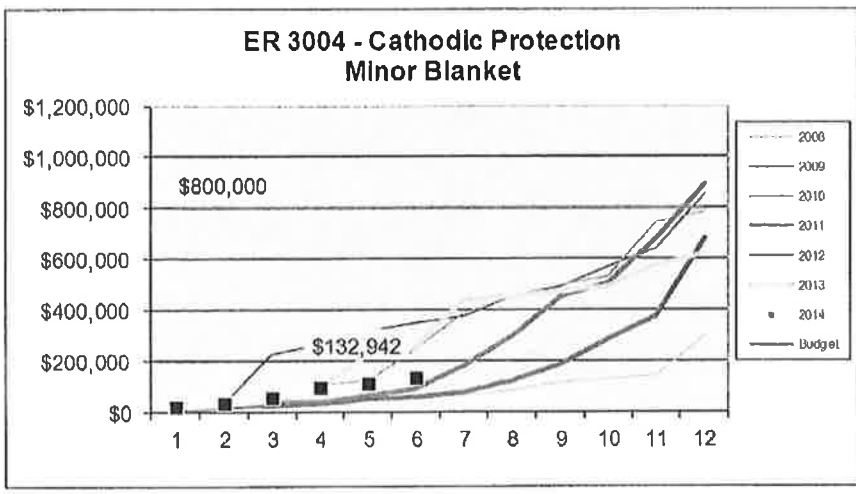


This graph is to provide a place to direct the KPI benefit. Providing a graph is recommended to help communicate what the project is intended to

Reviewed	signature	Director/Manager
Other Party Review (if necessary)	signature Margie Stevens	Director/Manager



lating the Program

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Program Business Case

Investment Name:	Gas Non-Revenue Program	Assessments:	
Requested Amount	$5,600,000	Financial:	Medium - >= 5% & <9% CIRR
Duration/Timeframe	On-Going Year Program	Strategic:	Reliability & Capacity
Dept., Area:	Gas Operations	Operational:	Operations require execution to perform at current levels
Owner:	Mike Faulkenberry	Business Risk:	ERM Reduction >10 and <= 15
Sponsor:	Don Kopczynski	Program Risk:	Moderate certainty around cost, schedule and resources
Category:	Program	Assessment Score:	89
Mandate/Reg. Reference:			

Recommend Program Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
This annual program will replace sections of existing gas piping that require replacement to improve the operation of the gas system but are not directly linked to new revenue. The program includes replacement of pipe and facilities that are at the end of their useful life or have failed. It includes improvements in equipment and/or technology to enhance system operation and/or maintenance, replacement of obsolete facilities, replacement of main to improve cathodic performance, and projects to improve public safety and/or improve system reliability. Starting in 2014, costs associated with the labor and minor materials to complete the PMC program will no longer be captured in this Business Case, they will be on the "Gas PMC Program". This results in a $1M reduction in the 2014 budget request; however the historical spend has been high in this category, so the resultant 2014 request is $6,00,000 (total).	describe any incremental changes that this Program would benefit present operations	$ 5,600,000	$ -	$ -	8

Annual Cost Summary - Increase/(Decrease)

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Program:	Avista will be unable to complete capital non-revenue system enhancements	n/a	$ -	$ -	$ -	8
Alternative 1: Brief name of alternative (if applicable)	Complete installation and/or upgrade of non-revenue assets.	n/a	$ 5,600,000	$ -	$ -	2
Alternative 2: Brief name of alternative (if applicable)		n/a	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)		describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
5 years of costs

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2012	$ 4,223,000	$ -	$ -	$ 3,823,000
2013	$ 4,349,690	$ -	$ -	$ 7,949,690
2014	$ 5,600,000	$ -	$ -	$ 6,600,000
2015	$ 6,000,000	$ -	$ -	$ 6,000,000
2016	$ 6,000,000	$ -	$ -	$ 6,000,000
2017	$ -	$ -	$ -	$ 6,000,000
2018	$ -	$ -	$ -	$ 6,000,000
2019	$ -	$ -	$ -	$ 6,000,000
Total	$ 26,172,690	$ -	$ -	$ 48,372,690

Associated Ers (list all applicable):

Current ER				
3005				

Mandate Excerpt (if applicable):

Additional Justifications:

The program addresses a number of mandatory projects, at the direction of the commission and/or projects that enhance public safety and system reliability. (Example: Incremental pipe enhancements, replacement of odorization equipment, installation of steel pipe to enhance system cathodic protection, etc.)

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability
Contract Labor:	☑ YES	☐ NO	

Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Facilities:	☐ YES - attach form	☑ NO or Not Required
Capital Tools:	☐ YES - attach form	☑ NO or Not Required
Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

AVISTA

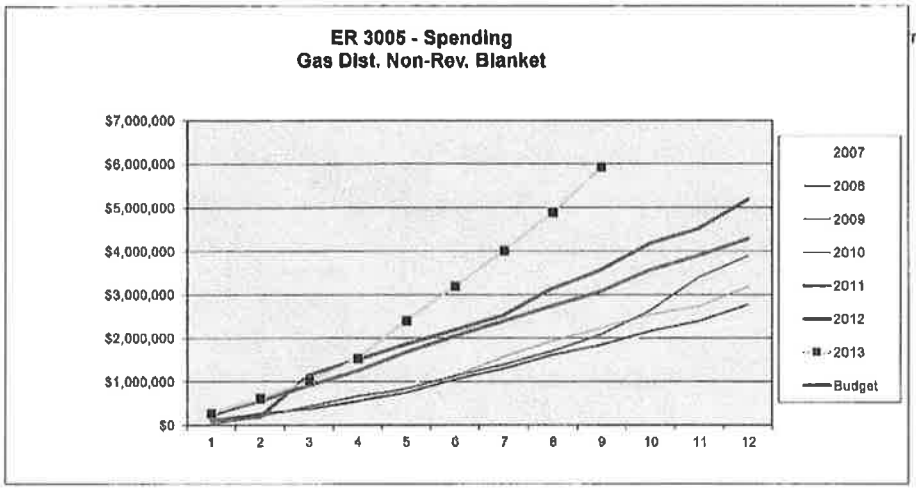
Capital Program Business Case

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure:

Prepared signature

Reviewed signature
Director/Manager

Other Party Review (If necessary) signature Margie Stevens
Director/Manager



rogram

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

Printed 01-09-2015

AVISTA

Capital Program Business Case

Investment Name:	**Overbuilt Pipe Replacement**	**Assessments:**		
Requested Amount	**$900,000**	Financial:	7.00%	
Duration/Timeframe	On Going Year Program	Strategic:	Reliability & Capacity	
Dept.., Area:	Gas Operations	Business Risk:	Business Risk Reduction >5 and <= 10	
Owner:	Mike Faulkenberry	Program Risk:	High certainty around cost, schedule and resources	
Sponsor:	Don Kopczynski			
Category:	Mandatory			
Mandate/Reg. Reference:	49 CFR 192.361(f)	Assessment Score:	#NAME?	

Recommend Program Description:	**Performance**	**Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
This program will replace sections of existing gas piping that have experienced encroachment or have been overbuilt by customer constructed improvements (i.e. decks, driveways, etc.) that restricts the Company's access to pipe. It will address the replacement of sections of gas main and services that no longer can be operated safely. The replacements will be completed to enhance public safety. All types of overbuilds will be addressed with the primary focus of the project being overbuilds in manufactured/mobile home developments.	describe any incremental changes that this Program would benefit present operations	$ 900,000	$ -	$ -	4

(Annual Cost Summary - Increase/(Decrease))

Alternatives:		**Performance**	**Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
Unfunded Program:	Avista will continue operating with increased risk due to overbuilds	n/a	$ -	$ -	$ -	12
Alternative 1: Brief name of alternative (if applicable)	Complete programmatic replacement of overbuilt pipe.	describe any incremental changes in operations	$ 900,000	$ -	$ -	4
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

(Annual Cost Summary - Increase/(Decrease))

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ 500,000	$ -	$ -	$ 500,000
2013	$ 900,000	$ -	$ -	$ 470,000
2014	$ 900,000	$ -	$ -	$ 700,000
2015	$ 900,000	$ -	$ -	$ 900,000
2016	$ 900,000	$ -	$ -	$ 900,000
2017	$ 900,000	$ -	$ -	$ 900,000
2018	$ 900,000	$ -	$ -	$ 900,000
2019	$ -	$ -	$ -	$ 900,000
Total	$ 5,400,000	$ -	$ -	$ 5,670,000

Associated Ers (list all applicable):			
3006			

ER	2013	2014	2015	2016	2017	Total
3006	$ 900,000	$ 900,000	$ 900,000	$ 900,000	$ 900,000	$ 4,500,000
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 900,000	$ 900,000	$ 900,000	$ 900,000	$ 900,000	$ 4,500,000

Mandate Excerpt (if applicable):
49 CFR 192.361(f) "Installation of service lines under buildings. Where an underground service line is installed under a building:" (Not allowed w/o conduit)

Additional Justifications:
Avista operates with an increase risk to its customers and the general public when operating pipeline facilities that exist under structures.

Resources Requirements: ***(request forms and approvals attached)***

Internal Labor Availability: ☐ Low Probability ☐ Medium Probability ☑ High Probability
Contract Labor: ☑ YES ☐ NO

Enterprise Tech: ☐ YES - attach form ☑ NO or Not Required
Facilities: ☐ YES - attach form ☑ NO or Not Required
Capital Tools: ☐ YES - attach form ☑ NO or Not Required
Fleet: ☐ YES - attach form ☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Printed 01-09-2015
... Update - Gas Overbuilt Pipe Replacement Program

AVISTA

Capital Program Business Case

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure:

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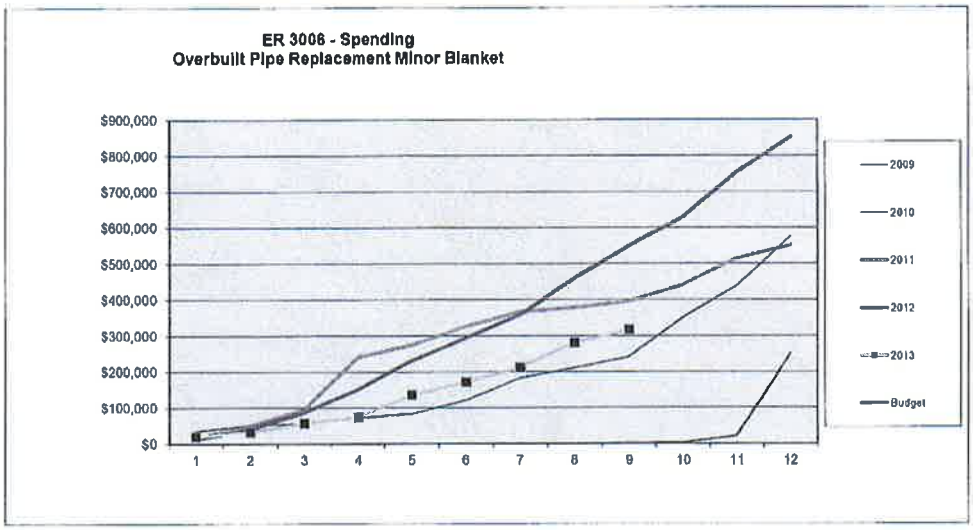
Reviewed signature
Director/Manager

Other Party Review (if necessary) signature Margie Stevens
Director/Manager



To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

Printed: 01-09-2015
C:\Users\YP9457\Desktop\Indexed Business Cases for IKS-5\GasWGO-06 - Update - Gas Overbuilt Pipe Replacement Program

AVISTA

Capital Investment Business Case

Investment Name:	**Isolated Steel Replacement**
Requested Amount	**$2,598,333**
Duration/Timeframe	On-Going
Dept.., Area:	Gas Operations
Owner:	Mike Faulkenberry
Sponsor:	Don Kopczynski
Category:	Mandatory
Mandate/Reg. Reference:	WAC Docket PG-100049, 49CFR192.455&157

Assessments:

Financial:	High - Exceeds 12% CIRR
Strategic:	Reliability & Capacity
Operational:	Operations somewhat impacted by execution
Business Risk:	ERM Reduction >0 and <= 5
Program Risk:	Moderate certainly around cost, schedule and resources
Assessment Score:	117

Recommend Program Description:	**Performance**	**Annual Cost Summary - Increase/(Decrease) Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
This annual program will replace sections of cathodically isolated steel pipe. Isolated portions of pipe including risers, service pipe and main will be replaced as required to meet the requirements of 49 CFR 192.455 & 157 and in accordance with WAC Docket PG-100049. This program will be conducted in ID and OR also to assure cathodically isolated steel is identified and replaced as needed.	describe any incremental changes that this Program would benefit present operations	$ 2,598,333	$ -	$ -	12

Alternatives:		**Performance**	**Annual Cost Summary - Increase/(Decrease) Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
Status Quo :	Avista would be out of compliance with Docket PG-100049 and 49 CFR 192.455 & 457.	n/a	$ -	$ -	$ -	12
Alternative 1:	Complete programmatic replacement of isolated steel pipe	n/a	$ 2,598,333	$ -	$ -	9
Alternative 2:		n/a	$ -	$ -	$ -	0
Alternative 3 Name : Brief name of alternative (if applicable)		describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
2012-2016

	Capital Cost	O&M Cost	Other Costs	Approved Capital
2012	$ 2,321,433	$ -	$ -	$ 1,095,000
2013	$ 2,348,337	$ -	$ -	$ 2,248,333
2014	$ 2,598,333	$ -	$ -	$ 1,758,333
2015	$ 3,450,000	$ -	$ -	$ 3,450,000
2016	$ 3,550,000	$ -	$ -	$ 3,550,000
2017	$ 3,320,000	$ -	$ -	$ 3,320,000
2018	$ 2,750,000	$ -	$ -	$ 2,750,000
2019	$ 2,750,000	$ -	$ -	$ 2,750,000
Total	$ 23,088,103	$ -	$ -	$ 20,921,666

Associated Ers (list all applicable):

Current ER
3007

Mandate Excerpt (if applicable):

Docket PG-100049 (III) - "Agreement"(2) - Avista agrees to survey its entire Washington State pipeline system to find isolated steel and complete all remedial action set forth in this Agreement wihin five years of the effective date of this Agreement.

Additional Justifications:

AVISTA

Capital Investment Business Case

NGD-9

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☑ Medium Probability	☑ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Contract Labor:	☑ YES	☐ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:

	B	U	Z	AA
1	*Department*	*YTD October 2013*	*Minimum to Complete 2013*	*Percent Complete*
2	*Spokane Gas Construction*	*586*	*650*	*90%*
3	*Roseburg*	*113*	*107*	*106%*
4	*Medford Construction*	*5*	*222*	*2%*
6	*Clarkston Electric & Gas*	*6*	*34*	*18%*
7	*La Grande*	*25*	*28*	*89%*
8	*Sandpoint / Bonners Ferry*	*4*	*7*	*57%*
9	*CDA Gas*	*38*	*31*	*123%*
10	*Klamath Falls*	*24*	*43*	*56%*
11	*Pullman Electric & Gas*	*14*	*98*	*14%*
12	***Total YTD 2013***	***815***	***1220***	*67%*

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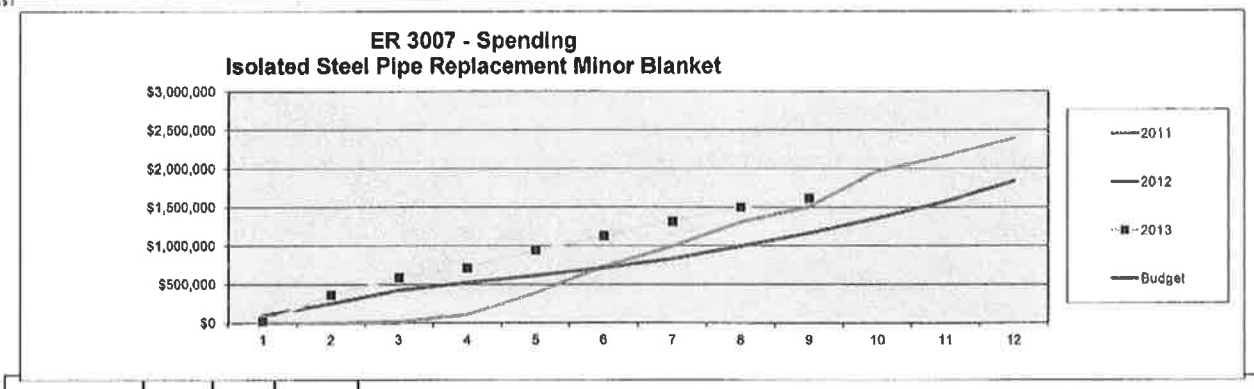
Director/Manager

Other Party Review (If necessary) signature Margi Stevens
Director/Manager



Business Case	ERM Risk Reduction	Status Quo Raw Score	Risk on Completion Raw Score	Status Quo Risk					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
Isolated Steel Replacement	9	12	9	3 - $2MM - $4MM	< Once / 5 years	4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change	< Once / 5 years	1 - < 1,500 Customer-hours	< Once / 10 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
				Risk upon Completion					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				3 - $2MM - $4MM	< Once / 5 years	2 - Could result in a moderate negative impact to local, online, or industrial relationships and /or regional media coverage	< Once / 10 years	1 - < 1,500 Customer-hours	< Once / 50 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Program Business Case

Investment Name:	Aldyl A Replacement_mains and bending stres
Requested Amount	$16.5MM
Duration/Timeframe	20 Year Program
Dept.., Area:	Gas Delivery
Owner:	Mike Faulkenberry
Sponsor:	Don Kopcyzynski
Category:	Program
Mandate/Reg. Reference:	n/a

Assessments:	
Financial:	Medium - >= 5% & <9% CIRR
Strategic:	Life Cycle Programs
Operational:	Operations require execution to perform at current levels
Business Risk:	ERM Reduction >5 and <= 10
Program Risk:	High certainty around cost, schedule and resources
Assessment Score:	89

Recommend Program Description:

This program covers the replacement of 730 miles of pre-1987 Aldyl A mains and the remediation of 16,000 bending stress sites on services tapped from steel main. Due to the tendency for this material to suffer brittle-like cracking leak failures, Aldyl A will eventually reach a level of unreliability that is not acceptable. There is a potential harm to the public through damage to life and property and there is a high likelihood of increasing regulatory scrutiny from increasing failures.

	Annual Cost Summary - Increase/(Decrease)			
Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
As Aldyl A is removed, O&M expense associated with repairing the increasing leaks will be eliminated in proportion	$ 10,250,000	$ -	$ -	5

Alternatives:		Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Program:	If unfunded, the increasing failures of mains and services is modeled to result in more than 13 catastrophic events in Washington alone. Extended to Idaho and Oregon, the cost of the effects (at a 10% escalation) and increasing expenses for O&M leak repair could total more than $60MM over a 20 year period, an average of $3MM annually.	n/a			$ 3,000,000	15
Alternative 1: Brief name of alternative (if applicable)	20 year replacement program: Replace 37 miles of main and remediate 800 service taps each year, prioritized by DIMP risk modeling. Modeling suggests that if pipe is removed on a first in-first out basis up to 3 catastrophic events could occur over 20 years, however, using a DIMP based approach to remove highest risk facilities first without regard to age only it may be possible to avoid any incidents.	As Aldyl A is removed, O&M expense associated with repairing the increasing leaks will be eliminated in proportion	$ 17,552,196	$ (60,000)	$ -	5
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
5 years of costs

	Capital Cost	O&M Cost	Other Costs	Approved
2012	$ 5,000,000	$ -	$ -	$ 5,000,000
2013	$ 10,250,000	$ -	$ -	$ 12,710,904
2014	$ 17,552,196	$ -	$ -	$ 16,702,196
2015	$ 17,817,429	$ -	$ -	$ 16,817,429
2016	$ 18,885,272	$ -	$ -	$ 17,385,272
2017	$ -	$ -	$ -	$ 18,262,977
2018	$ -	$ -	$ -	$ 18,648,237
2019	$ -	$ -	$ -	$ 19,062,221
Total	$ 69,504,897	$ -	$ -	$ 124,589,236

2% inflation included in above numbers

Associated ERs (list all applicable):

Current ER				

Mandate Excerpt (if applicable):

provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:

Avista has experienced 2 injury and property damage events due to failing Aldyl A since 2005 and is currently bound by a settlement agreement with the Washinging Utility and Transportation Commission. Further events of this nature will most likely result in some sort of mandatory pipe replacement program with a timeline we cannot control. Taking a proactive and priority-justified approach is critical at this time to protect life and property for the public as well as reduce Avista's exposure to the risks of liability and regulatory scrutiny.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☑ Low Probability	☐ Medium Probability	☐ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required	Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided
Contract Labor:	☑ YES	☐ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required	
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required	

AVISTA

Capital Program Business Case

	☐ YES - attach form		
Fleet:	☐ YES - attach form	☑ NO or Not Required	(this does not require a firm commitment).

AVISTA

Capital Program Business Case

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Prevention of leaks and their consequences
	Fill in the name of the KPI here

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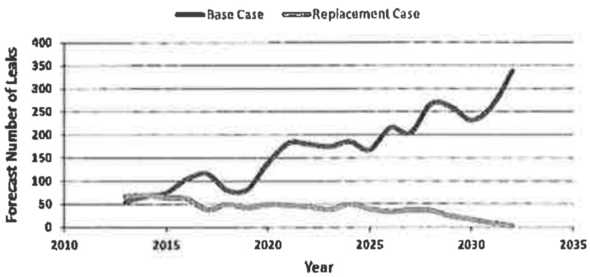
Director/Manager

r Party Review (if necessary) signature
Director/Manager



Business Case	ERM Risk Reduction	Unfunded Raw Score	Revised Risk Raw Score	Unfunded Project/Program Risk (no funding if a project, cease funding if an existing program)					
Aldyl A Replacement (mains & bending stress tees)	15	20	5	Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				3 - $2MM - $4MM	< Once / year	4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change	< Once / year		
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
						5 - Potential for multiple loss of lives Wide spread damage on property or business Public health infrastructure impact up to 72 hours	< Once / year	2 - Potential for minimal or minor injury Lost Time Incident and Severity Rate Increases year over year	< Once / 5 years
				Revised Risk if funded/completed					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				3 - $2MM - $4MM	< Once / 50 years	3 - Could result in a sustained negative impact to local, online, or industrial relationships and / or national / global media coverage	< Once / 50 years		
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
						5 - Potential for multiple loss of lives Wide spread damage on property or business Public health infrastructure impact up to 72 hours	< Once / 50 years	2 - Potential for minimal or minor injury Lost Time Incident and Severity Rate Increases year over year	< Once / 50 years

Budget request for 2014, 2015, and 2016 were revised with updated budget projections based on new models and information.

WA UTC Docket UG-120715 Commission Policy on Accelerated Replacement of Pipeline with Elevated Risk was issued on December 31, 2012. The new policy will include a Cost Recovery Mechanism (CRM) based generally on the mechanism used in Oregon with NWNG.

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Program Business Case

Investment Name:	ERT Replacement Program	**Assessments:**					
Requested Amount	$0	Financial:	7.00%				
Duration/Timeframe	12 Year Program	Strategic:	Life-cycle asset management				
Dept.., Area:	Gas Engineering	Business Risk:	Business Risk Reduction >5 and <= 10				
Owner:	Mike Faulkenberry	Program Risk:	High certainty around cost, schedule and resources				
Sponsor:	Don Kopczynski						
Category:	Program						
Mandate/Reg. Reference:	n/a	Assessment Score:	#NAME?	Annual Cost Summary - Increase/(Decrease)			

Recommend Program Description:	**Performance**	**Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
This program covers the consistent replacement of 19,500 gas ERTs annually for a 12 year cycle, beginning in the year 2015. Analysis has identified that a levelized replacement strategy will minimize the effect of unit failures as well as introduce new, levelized populations of ERTs into the system for future predictive maintenance. Large populations of ERTs are predicted to fall in quantities of over 20,000 units per year at the peak, causing an operations burden of personnel and equipment as well as an unreasonable number of estimated bills (currently Avista experiences just a couple hundred failures annually due to small ERT populations). Cost of the ERT will go against ER1053, not this business case.	As ERTs are replaced in a planned way, the impact to operations resources and customer billing	$ 901,890	$ 8,000	$ -	1

Alternatives:		**Performance**	**Capital Cost**	**O&M Cost**	**Other Costs**	**Business Risk Score**
			Annual Cost Summary - Increase/(Decrease)			
Unfunded Program:	If unfunded, the number of field ERT failures will increase to an unsustainable level. At its peak, more than 20,000 ERTs are predicted to fail annually, each requiring a maintenance call and estimated bill for customers. Avista experiences only a couple hundred failures currently due to small populations	n/a	$ 1,058,000	$ 117,000	$ -	2
Alternative 1: Brief name of alternative (if applicable)	12 year program: Replace approx 19,500 ERTs annually until all ERTs are refreshed. Replacements beyond this 12 year cycle then occur at 14 years of age, so there will be a lag & re-set of this program at that time, however, new populations will have been levelized so there are no more than 19,500 units	As ERTs are refreshed, trouble calls for field failures	$ 901,890	$ 8,000	$ -	1
Alternative 2: Brief name of alternative (if applicable)	Prior to the recent analysis, the belief was that replacing units older than 10 years of age was the best advantage. This modern study has shown that doing a 'birthday' replacement at 10 years will pull units with too much life still available, and does not introduce level populations back into the system	Aggressive, early replacement is not desired	$ 1,950,000	$ 690	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2014	$ -	$ -	$ -	$ -
2015	$ 901,890	$ -	$ -	$ 401,890
2016	$ 943,960	$ -	$ -	$ 443,960
2017	$ 994,140	$ -	$ -	$ 494,140
2018	$ 1,044,320	$ -	$ -	$ 544,320
2019	$ 1,096,536	$ -	$ -	$ 596,536
Total	$ 4,980,846	$ -	$ -	$ 2,480,846

Associated Ers (list all applicable):			
3054			

ER	2014	2015	2016	2017	2018	Total
3054	$ -	$ 901,890	$ 943,960	$ 994,140	$ 1,044,320	$ 3,884,310
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ 901,890	$ 943,960	$ 994,140	$ 1,044,320	$ 3,884,310

Mandate Excerpt (if applicable):

Additional Justifications:

see below

Resources Requirements: ***(request forms and approvals attached)***

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☐ High Probability	Enterprise Tech:	☐ YES - attach form	☐ NO or Not Required
Contract Labor:	☐ YES	☐ NO		Facilities:	☐ YES - attach form	☐ NO or Not Required
				Capital Tools:	☐ YES - attach form	☐ NO or Not Required
				Fleet:	☐ YES - attach form	☐ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Printed 11.06.2014
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AVISTA

Capital Program Business Case

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	# of ERTs replaced vs. planned

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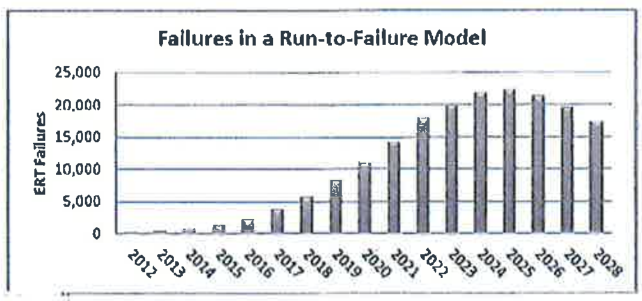
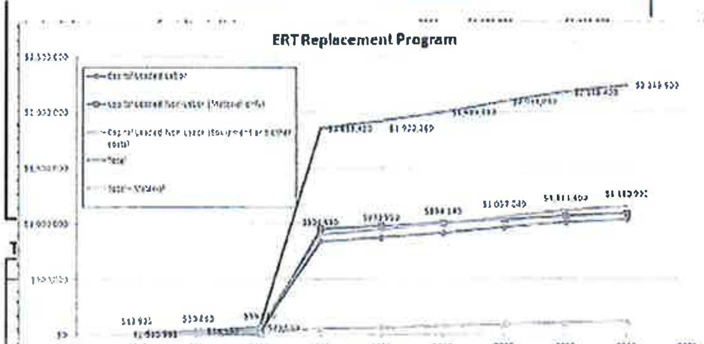
Reviewed signature
Director/Manager

Other Party Review signature (If necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaulating the Program

Avista has over 230,000 gas ERTs in service since the year 2000. There have been large population years, such as 2004 and 2005, which represent over 100,000 units alone. These ERTs run on batteries that will eventually discharge and need replacement, and are predicted to happen in large quantities over short periods of time, peaking at over 20,000 field failures a year unless organized replacements begin. A levelized replacement rate of approximately 19,500 units annually, starting in 2015, balances the maximum life of the battery while reducing the effects of field failures to a manageable level. The levelized replacement process also introduces smaller populations of ERTs back into the system so the next time batteries need replacing there will only be about 19,500 unit families in place for any given future year. (Refer to Asset Management Report Titled "ERT Replacement Strategy Development, 6/14/12)





Review Cycles 2012-2016	
Date	**Template**

AVISTA

Capital Program Business Case

Investment Name:	Gas PMC Program	**Assessments:**	
Requested Amount	$1,000,000	Financial:	High - Exceeds 12% CIRR
Duration/Timeframe	On-Going Year Program	Strategic:	Reliability & Capacity
Dept.., Area:	Gas Engineering	Business Risk:	Business Risk Reduction >10 and <= 15
Owner:	Mike Faulkenberry	Program Risk:	Moderate certainty around cost, schedule and resources
Sponsor:	Don Kopczynski		
Category:	Mandatory		
Mandate/Reg. Reference:	WAC 480-90-348, IDAPA 31.31.01.151-200, OAR,	Assessment Score:	185

Recommend Program Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
		Annual Cost Summary - Increase/(Decrease)			
This annual program will provide for replacement of gas meters and associated measurement equipment that are completed in association with the Gas Planned Meter Change out (PMC) program. Avista is required by commission rules and an approved Tariff in WA, ID, and OR to test meters for accuracy and ensure proper metering performance. Execution of this program on an annual basis will ensure the continuation of reliable gas measurement. This program will include the labor and minor materials associated with the PMC program. Major materials (meters, regulators, and ERTs) will be charged to the appropriate growth ERs.		$ 1,000,000	$ -	$ -	0

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
			Annual Cost Summary - Increase/(Decrease)			
Status Quo :	Avista would be out of compliance with state administrative requirements in WA, ID, and OR related to gas measurement and could face fines if not completed.	n/a	$ -	$ -	$ -	0
Alternative 1:	Replacement gas meters, ERTS, and regulators as part of the gas meter PMC program and complete strategic enhancement of the telemetry and measurement technology systems.		$ 1,000,000	$ -	$ -	0
Alternative 2:				$ -	$ -	0
			$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2013	$ -	$ -	$ -	$ -
2014	$ 1,000,000	$ -	$ -	$ 1,175,000
2015	$ 1,030,000	$ -	$ -	$ 1,030,000
2016	$ 1,060,900	$ -	$ -	$ 1,060,900
2017	$ 1,092,727	$ -	$ -	$ 1,092,727
2018	$ 1,125,509	$ -	$ -	$ 1,125,509
2019	$ -	$ -	$ -	$ 1,159,274
Total	$ 5,309,136	$ -	$ -	$ 6,643,410

Associated Ers (list all applicable):			
3055			

ER	2013	2014	2015	2016	2017	Total
3055	$ -	$ 1,000,000	$ 1,030,000	$ 1,060,900	$ 1,092,727	$ 4,183,627
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ 1,000,000	$ 1,030,000	$ 1,060,900	$ 1,092,727	$ 4,183,627

Mandate Excerpt (if applicable):

see below

Additional Justifications:

see below

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability
Contract Labor:	☑ YES	☐ NO	

Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Facilities:	☐ YES - attach form	☑ NO or Not Required
Capital Tools:	☐ YES - attach form	☑ NO or Not Required
Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm commitment).

Printed 01-09-2015
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AVISTA

Capital Program Business Case

NGD-12

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure: # of meter changed out vs. # required (this changes annually)

Prepared signature

Reviewed signature
Director/Manager

Other Party Review (if necessary) signature Maryn Stevens
Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaulating the Program

MANDATE EXCERPT: OAR 860-023-0015(3) - "Each energy utility shall adopt schedules for periodic tests and repairs of meters. The length of time meters shall be allowed to remain in service before receiving periodic tests and repairs is to be determined from periodic analysis of the accuracy of meters tested. The schedules adopted shall be subject to the Commission's approval."

ADDITIONAL COMMENTS: Program required to reliably serve customers, ensure accurate measurement, and properly bill gas revenue.
These charges had historically gone into ER3005, the Business Case for ER3005 will be adjusted to show the change starting in 2014.
Historically ER3117 had been combined with this program, as of 1-1-14, it will be on its own Business Case.

Previous Scoring:

Business Case	Business Risk Reduction	Unfunded Risk Score	Revised Risk Score	Unfunded Project/Program Risk (no funding if a project, assess funding if an existing program)					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				2 - $200k - $2MM	< Once / year	4 - Potential for regulators to impose onerous restrictions or Board or management to make leadership change	< Once / year	1 - < 1000 Customer-hours	< Once / 10 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
						1 - Potential for injury Public health infrastructure impact up to 8 hours	< Once / 10 years	1 - Potential for injury	< Once / 50 years
Gas PMC Program_Capital Replacements	12	16	4	Revised Risk if funded/completed					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				1 - < $200k	< Once / year	1 - No likely impact on media or regulatory relationship	< Once / 50 years	1 - < 1000 Customer-hours	< Once / 50 years
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
						1 - Potential for injury Public health infrastructure impact up to 8 hours	< Once / 50 years	1 - Potential for injury	< Once / 50 years

To be completed by Capital Planning Group

Rationale for decision

Review Cycles
2012-2016

Date	Template

Printed 01-09-2015
C:\Users\P0457\Desktop\Revised Business Cases for AMS 9.0\NGD-12 - Upgrade - Gas PMC Programs

AVISTA

Capital Program Business Case

Investment Name:	Gas Telemetry		
Requested Amount	$400,000	Assessments:	
Duration/Timeframe	Year Program	Financial:	7.00%
Dept., Area:	Gas Engineering	Strategic:	Reliability & Capacity
Owner:	Mike Faulkenberry	Business Risk:	Business Risk Reduction >5 and <= 10
Sponsor:	Don Kopczynski	Program Risk:	High certainty around cost, schedule and resources
Category:	Program		
Mandate/Reg. Reference:	CFR 192.741 192.631	Assessment Score:	#NAME?

Recommend Program Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
		Annual Cost Summary - Increase/(Decrease)			
This program will continue the installations of gas telemetry throughout Avista's gas service territory. Further enhancing the telemetry sites will increase the visibility of the gas system to help analyze operational concerns and cold weather performance. This progam will also replace the current mechanical pressure recording charts with electronic pressure recording devices. These types of projects also enhance our Disaster Recovery efforts by updating existing telemetry and adding new sites. Gas Scheduling benefits from this data also by having independent measurement points to check the pipelines values and to receive more timely information from the field.	describe any incremental changes that this Program would benefit present operations	$ 400,000	$ -	$ -	1

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
			Annual Cost Summary - Increase/(Decrease)			
Unfunded Program:	No further enhancements or maintenance of the existing telemetry system. Existing mechanical pressure recorders are expensive to fix and replace.	n/a	$ -	$ 50,000	$ -	8
Alternative 1: Brief name of alternative (if applicable)	Increase the number of gas telemetry sites and maintain or upgrade existing facilities. This funding level was previously approved as part of the Gas PMC Business Case. We are now requesting to separate it out as it does not align well with the PMC program.	describe any incremental changes in operations	$ 400,000	$ -	$ -	1
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2014	$ 370,000	$ -	$ -	$ 315,000
2015	$ 370,000	$ -	$ -	$ 400,000
2016	$ 370,000	$ -	$ -	$ 400,000
2017	$ 370,000	$ -	$ -	$ 400,000
2018	$ 370,000	$ -	$ -	$ 400,000
2019	$ -	$ -	$ -	$ 400,000
Total	$ 1,850,000	$ -	$ -	$ 2,315,000

Associated Ers (list all applicable):			
3117			

ER	2014	2015	2016	2017	2018	Total
3117	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 2,000,000
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000	$ 2,000,000

Mandate Excerpt (if applicable):
CFR 192.741 - Each distribution system supplied by more than one source must be equipped with telemetering or recording pressure gauges to indicate the gas pressure in the district.
CFR 192.631 - Control Room Mgmt

Additional Justifications:
Increased gas telemetry sites will also aide in the installation and monitoring of Automatic Shut Off or Remote Control Valves (ASO/RCV).
Disaster Recovery - new telemetry sites are IP addressable to help in the event the primary dispatch center (Mission) is not available.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability
Contract Labor:	☑ YES	☐ NO	

Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Facilities:	☐ YES - attach form	☑ NO or Not Required
Capital Tools:	☐ YES - attach form	☑ NO or Not Required
Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

AVISTA

Capital Program Business Case

Key Performance Indicator(s)
Expected Performance Improvements
KPI Measure:

Prepared signature _____

Reviewed signature _____
Director/Manager

Other Party Review signature Maggie Stevens
(if necessary) Director/Manager

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To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Investment Business Case

Investment Name:	**East Medford Reinforcement**	**Assessments:**	
Requested Amount			
Duration/Timeframe	1 2015	Financial:	MH - >= 9% & <12% CIRR
Dept., Area:	Gas Engineering	Strategic:	Reliability & Capacity
Owner:	Mike Faulkenberry	Operational:	Operations improved beyond current levels
Sponsor:	Don Kopczynski	Business Risk:	ERM Reduction >10 and <= 15
Category:	Project	Project/Program Risk:	Moderate certainty around cost, schedule and resources
Mandate/Reg. Reference:	OR Tariff - Rule 14(A)(2)	Assessment Score:	97

Recommend Project Description:	Performance	Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
This project will complete the 12" high-pressure steel pipeline loop across the east side of Medford, OR. The length of the remaining segment will be about 3.2 miles. Avista's Gas Integrated Resource Plan requires increased gas deliveries from the TransCanada Pipeline source at Phoenix Road Gate Station in SE Medford. Existing distribution piping exiting the station will be unable to receive the increased gas volumes. A new high-pressure gas line encircling Medford to the east and tying into an existing high pressure line in White City will improve delivery capacity and provide a much needed reinforcement in the East Medford area which is forecasting higher growth.	describe any incremental changes that this project would benefit present operations	$ 18,650,000	$ -	$ -	2

Alternatives:		Performance	Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Status Quo :	Inability to received gas supply quantities into the greater Medford system as detailed within the Integrated Resource Plan (IRP).	n/a	$ -	$ -	$ -	16
Alternative 1: Brief name of alternative (if applicable)	Capital Pipe Installations (3.2 Miles) - Install additional pipe to reinforce and loop existing gas distribution system to increase system capacity and reliability. This will be the last Phase, scheduled for 2018.	describe any incremental changes in operations	$ 5,000,000	$ -	$ -	2
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name : Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Timeline

Construction Cash Flows (CWIP)

	Capital Cost	O&M Cost	Other Costs	Approved Capital
Previous	$ 14,000,000	$ -	$ -	$ 14,000,000
2012	$ 550,000	$ -	$ -	$ 550,000
2013	$ 340,000	$ -	$ -	$ 400,000
2014	$ -	$ -	$ -	$ 615,000
2015	$ 5,000,000	$ -	$ -	$ 4,385,000
2016	$ -	$ -	$ -	$ -
2017	$ -	$ -	$ -	$ -
2018	$ -	$ -	$ -	$ 5,000,000
Future	$ -	$ -	$ -	$ -
Total	$ 19,890,000	$ -	$ -	$ 24,950,000

Milestones should be general. In some cases it may be as simple as project start, project complete. Use your judgement on project progress so that progress can be measured.

Milestones (high level targets)

	Previous 9.1 miles complete
July-12	Design pipe installation for 2012
November-12	Install pipe, 2012
July-18	Design pipe installation for 2018
November-18	Install pipe, 2018

Associated Ers (list all applicable):

Current ER	3203						

Mandate Excerpt (if applicable): OR Tariff - Rule 14(A)(2), "The Company will exercise reasonable diligence and care to furnish and deliver a continuous and sufficient quantity of gas to its customers but does not guarantee continuity or sufficiency of quantity."

Additional Justifications:

The first phase was completed in 2008 and installed 26,500'. Approximately 21,400' was installed in 2009 and 2000' in 2013. The remainder to be installed in 2018.

AVISTA

Capital Investment Business Case

NGD-14

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☐ Low Probability	☐ Medium Probability	☑ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required	Check the appropriate box. The Internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).
Contract Labor:	☑ YES	☐ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required	
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required	
				Fleet:	☐ YES - attach form	☑ NO or Not Required	

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:

Prepared signature

Reviewed signature
Director/Manager

Other Party Review signature Margie Stevens
(if necessary) Director/Manager

This space is to be used for photographs, charts, or other data that may be useful in evaulating the project

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	Template

AVISTA

Capital Project Business Case

Investment Name:	Ladd Canyon Stn Upgrd		
Requested Amount	$ 1,453,000	Assessments:	
Duration/Timeframe	1 Year Project	Financial:	7.00%
Dept.., Area:	NGAS	Strategic:	Reliability & Capacity
Owner:	Mike Faulkenberry	Business Risk:	Business Risk Reduction >5 and <= 10
Sponsor:	Don Kopczynski	Project Risk:	High certainty around cost, schedule and resources
Category:	Mandatory		
Mandate/Reg. Reference:	Service Agreement With Williams Pipeline	Assessment Score:	131

Recommend Project Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
It is proposed to upgrade the existing Ladd Canyon/Union Gate Stn #0817 (not #817) near LaGrande, OR. The existing gate station has reached it's physical capacity due to the growth in the area and needs to be upgraded to support the gas load increases. The new Gate Station #7080 will include separate regulation facilities to modify the existing system and maintain a 150 PSIG MAOP (STA #7081) for the Union supply main and a 400 PSIG MAOP (STA #7082) for the Airport main extension along Pierce Rd. The new facility will require heater, odorizer, regulation and relief facilties for the Avista site. New telemetry facilities will be installed at this location as well. This project will accomodate the long term benefit of adding capacity to the Elgin area once the 3 miles of HP is extended from Union to the Elgin HP line out of La Grande.This CPR has been updated to reflect complete construction cost estimates and includes fees required for the Williams Northwest Pipe portion of the facility that Avista will be required to reimburse. The Facilities Agreement with Williams states that an agreement to complete the permanent upgrades needs to be in place within 90 days. 90 days was up on Nov. 9th, 2013. Williams graciously extended the timeline to allow Avista to conduct a thorough system analysis to ensure the metering and regulating facilities will be sized appropriately.	Completion of this project eliminate the short term temporary facilities at this site.	$ 1,453,000	$ -	$ -	1

Annual Cost Summary - Increase/(Decrease)

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Project:	Short Term Temporary facilities would remain in service. This would be a violation of our agreement with Williams Pipeline NW. This would degrade a positive working relationship Avista currently has with Williams.	n/a	$ -	$ -	$ -	8
Alternative 1: Rebuild Gate Stn	As described above	describe any incremental changes in operations	$ 1,453,000	$ -	$ -	1
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2013	$ -	$ -	$ -	$ -
2014	$ 1,453,000	$ -	$ -	$ 838,000
2015	$ -	$ -	$ -	$ 615,000
2016	$ -	$ -	$ -	$ -
2017+	$ -	$ -	$ -	$ -
Total	$ 1,453,000	$ -	$ -	$ 1,453,000

Associated Ers (list all applicable):			
3303			

ER	2013	2014	2015	2016	2017+	Total
3303	$ -	$ 1,453,000	$ -	$ -	$ -	$ 1,453,000
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ 1,453,000	$ -	$ -	$ -	$ 1,453,000

Mandate Excerpt (if applicable):

Obligation to serve and the existing Facilities Agreement with Williams Pipeline states a permanent fix needs be

Additional Justifications:

Avista has known of this project since the Fall of 2013. Capital funds have not been officially requested because the cost of the project was unknown until just recently. Williams Pipeline has only recently provided Avista with a construction estimate.

AVISTA

Capital Project Business Case

NGD-15

Milestones (high level targets)

June-14	Start Construction	January-00	open	January-00	open	Milestones should be general. Use your judgement on project progress so that progress can
December-14	In Service	January-00	open	January-00	open	
January-00	open	January-00	open	January-00	open	
January-00	open	January-00	open	January-00	open	
January-00	open	January-00	open	January-00	open	
January-00	open	January-00	open	January-00	open	

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability: ☐ Low Probability ☐ Medium Probability ☑ High Probability
Contract Labor: ☑ YES ☐ NO

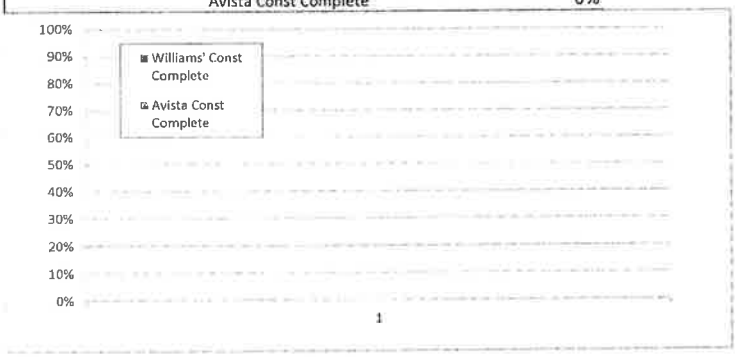
Enterprise Tech: ☐ YES - attach form ☑ NO or Not Required
Facilities: ☐ YES - attach form ☑ NO or Not Required

Capital Tools: ☐ YES - attach form ☑ NO or Not Required
Fleet: ☐ YES - attach form ☑ NO or Not Required

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:		
	Williams' Const Complete	0%
	Avista Const Complete	0%

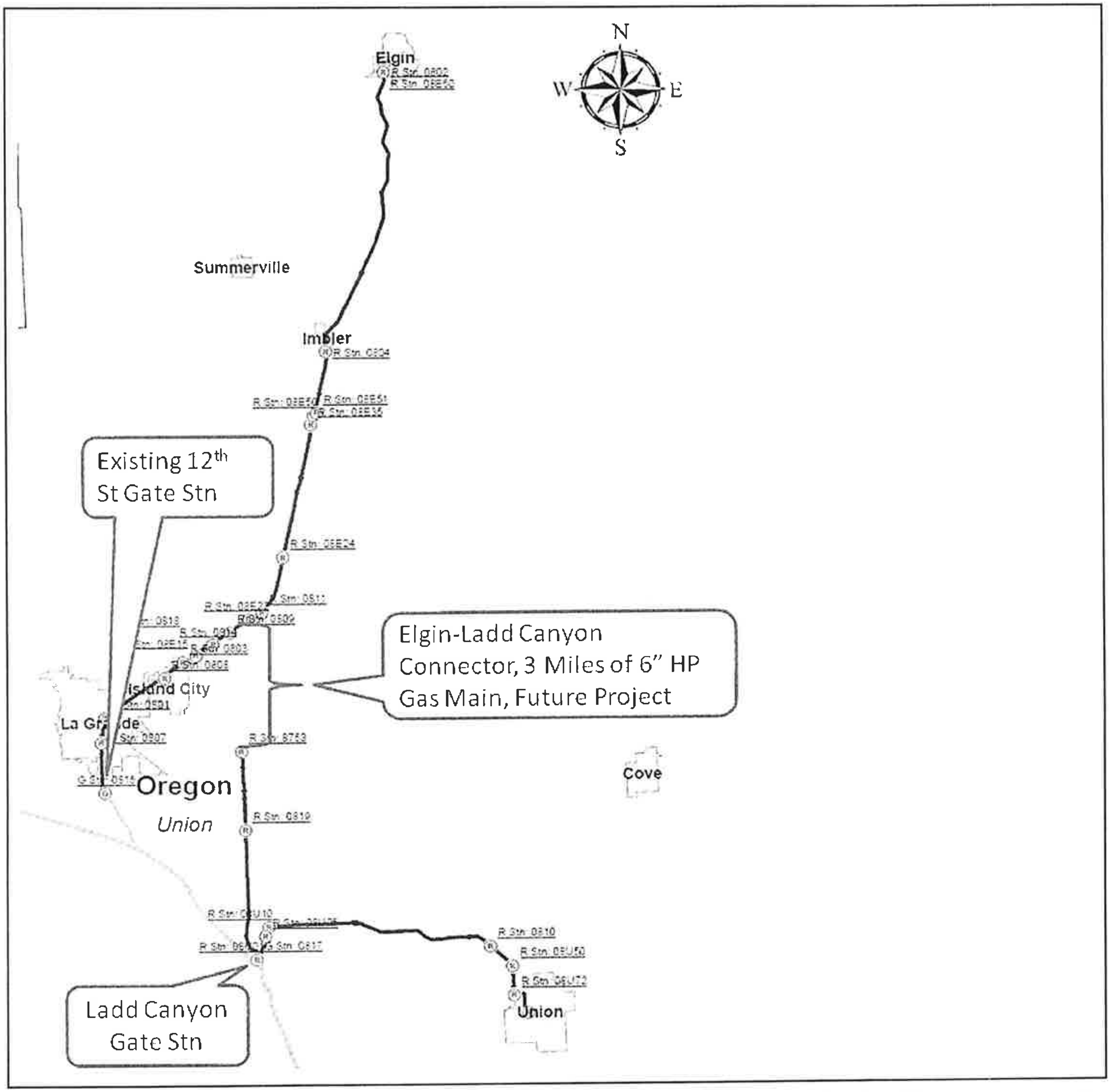


Prepared _____

Reviewed Maryji Stevens
Director/Manager

Other Party Review _____
(if necessary) Director/Manager

Printed 04-14-2015
http://sharepoint/departments/budget/Business Cases/Gas/Gas Todd Canyon Stn Upgrd.xlsm



To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	**Template**

Capital Project Business Case

AVISTA

Investment Name:	Bonanza Meter Stn Move	**Assessments:**	
Requested Amount	$600,000	Financial:	7.00%
Duration/Timeframe	1 Year Project	Strategic:	Reliability & Capacity
Dept.., Area:	Gas Engineering	Business Risk:	Business Risk Reduction >5 and <= 10
Owner:	Mike Faulkenberry	Project Risk:	Moderate certainty around cost, schedule and resources
Sponsor:	Don Kopczynski		
Category:	Project		
Mandate/Reg. Reference:	n/a	Assessment Score:	70

Recommend Project Description:	Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
It is proposed to work with GTN to relocate the metering and odorizing equipment at the Bonanza Meter Stn. This project provides Avista the flexibility to lower the operating pressure of the Klamath Falls Lateral to lower than 20% if it were deemed advantageous. This pressure reduction would transition this line out of Transmission. It will cost Avista capacity on the lateral to do so, but that benefit may be offset if forced to do extraneous inspections due to Transimssion Integrity Management Plan (TIMP).	Adds service to AVA's system; eliminates reliability issues; adds operational flexibility	$ 600,000	$ -	$ -	1

Annual Cost Summary - Increase/(Decrease)

Alternatives:		Performance	Capital Cost	O&M Cost	Other Costs	Business Risk Score
Unfunded Project:	By doing nothing, Avista and GTN have high visibiltiy and exposure due to an odorizer that Avista owns and GTN operates.		$ -	$ 50,000	$ -	8
Relocate Meter Stn	Relocate odorizer and meter as described above.		$ 600,000	$ -	$ -	1
Alternative 2: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0
Alternative 3 Name: Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows

	Capital Cost	O&M Cost	Other Costs	Approved
Previous	$ -	$ -	$ -	$ -
2013	$ -	$ -	$ -	$ -
2014	$ -	$ -	$ -	$ -
2015	$ 600,000	$ -	$ -	$ 600,000
2016	$ -	$ -	$ -	$ -
2017+	$ -	$ -	$ -	$ -
Total	$ 600,000	$ -	$ -	$ 600,000

Associated Ers (list all applicable):			
	3307		

ER	2013	2014	2015	2016	2017+	Total
3xxx	$ -	$ -	$ -	$ -	$ -	$ -
3307	$ -	$ -	$ 600,000	$ -	$ -	$ 600,000
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
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0	$ -	$ -	$ -	$ -	$ -	$ -
0	$ -	$ -	$ -	$ -	$ -	$ -
Total	$ -	$ -	$ 600,000	$ -	$ -	$ 600,000

Mandate Excerpt (if applicable):

provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:

Any supplementary information that may be useful in describing in more detail the nature of the Project, the urgency, etc.

Milestones (high level targets)

January-00	open	January-00	open	January-00	open
January-00	open	January-00	open	January-00	open
January-00	open	January-00	open	January-00	open
January-00	open	January-00	open	January-00	open
January-00	open	January-00	open	January-00	open
January-00	open	January-00	open	January-00	open

Milestones should be general. Use your judgement on project progress so that progress can

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability: ☐ Low Probability ☐ Medium Probability ☑ High Probability
Contract Labor: ☑ YES ☐ NO

Enterprise Tech: ☐ YES - attach form ☑ NO or Not Required
Facilities: ☐ YES - attach form ☑ NO or Not Required

Capital Tools: ☐ YES - attach form ☑ NO or Not Required
Fleet: ☐ YES - attach form ☑ NO or Not Required

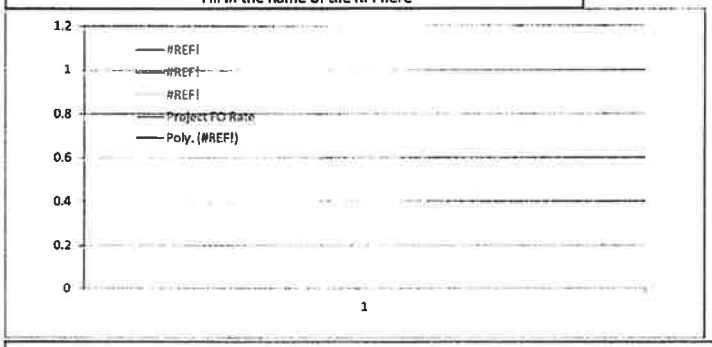
AVISTA

Capital Project Business Case

Key Performance Indicator(s)

Expected Performance Improvements

KPI Measure:	Fill in the name of the KPI here
	Fill in the name of the KPI here



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Reviewed signature _____ Director/Manager

Other Party Review signature _____
(if necessary) Director/Manager

name here

To be completed by Capital Planning Group

Rationale for decision	Review Cycles 2012-2016	
	Date	**Template**

Printed 04-14-2015

AVISTA

Capital Investment Business Case

NGD-17

Investment Name:	Jackson Prairie Storage
Requested Amount	$1,000,000
Duration/Timeframe	20+ Year Program
Dept., Area:	Natural Gas Resources
Owner:	Steve Harper
Sponsor:	Jason Thackston
Category:	Program
Mandate/Reg. Reference:	n/a

Assessments:	
Financial:	High - Exceeds 12% CIRR
Strategic:	Reliability & Capacity
Operational:	Operations require execution to perform at current levels
Business Risk:	ERM Reduction >15
Program Risk:	High certainty around cost, schedule and resources
Assessment Score:	116

Recommend Program Description:	Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Jackson Prairie (JP) Underground Storage Facility stores natural gas. Avista owns this facility as a 1/3 partner with Puget Sound Energy and Williams' Northwest Pipeline. Puget Sound Energy is the managing partner for the facility which is located in Chehalis, WA. The requested capital represents Avista's 1/3 share of the capital needed to maintain the existing facility and maintain equal ownership status. The purpose of the facility is to allow Avista to serve customers on a peak day, and to purchase natural gas at potentially lower costs during off-peak periods and store that gas for use during high cost periods.	describe any incremental changes that this Program would benefit present operations	$ 1,000,000	$ -	$ -	2

Alternatives:		Performance	Annual Cost Summary - Increase/(Decrease) Capital Cost	O&M Cost	Other Costs	Business Risk Score
Status Quo :	Not recommended-- Not to fund Avista's 1/3 capital obligation. Failure by Avista to fund its 1/3 capital obligation would dilute Avista's ownership percentage. Voting rights would be deminished and therefore decisions made by other partners would not be in the best interest of Avista or its customers.	n/a		$ -	$ -	20
Alternative 1: Brief name of alternative (if applicable)	Recommended -- Support Avista's 1/3 capital obligation. Estimated to be approximately $1,000,000 per year looking forward. Cost is estimated to be $539,000 in 2014. Capital needs vary year-to-year, but relate to well, compression, pipe, separator/dehydration, metering and control facilities.	describe any incremental changes in operations	$ 1,000,000	$ -	$ -	2
Alternative 2: Brief name of alternative (if applicable)	Not recommended-- Fund a lesser amount than Avista's 1/3 capital obligation. Voting rights would be deminished and therefore decisions made by other partners would not be in the best interest of Avista or its customers.	describe any incremental changes in operations	$ -	$ -	$ -	2
Alternative 3 Name : Brief name of alternative (if applicable)	Describe other options that were considered	describe any incremental changes in operations	$ -	$ -	$ -	0

Program Cash Flows
2012-2016

	Capital Cost	O&M Cost	Other Costs	Approved
Previous		$ -	$ -	$ -
2012	$ 630,000	$ -	$ -	$ 630,000
2013	$ 550,000	$ -	$ -	$ 550,000
2014	$ 539,000	$ -	$ -	$ 539,000
2015	$ 1,000,000	$ -	$ -	$ 1,356,300
2016	$ 1,000,000	$ -	$ -	$ 1,175,000
2017	$ 1,000,000	$ -	$ -	$ 1,117,000
2018	$ 1,000,000	$ -	$ -	$ 1,210,000
2019	$ -	$ -	$ -	$ 1,085,000
Future	$1,000,000/year	$ -	$ -	$ -
Total	$ 5,719,000	$ -	$ -	$ 7,662,300

Associated Ers (list all applicable):

ER 7201

Mandate Excerpt (if applicable):
provide brief citation of the law or regulation and a reference number if possible

Additional Justifications:
While not a mandated project by definition, this Program is not one that can easily be terminated. The use of JP is documented and acknowledged as part of Avista's Integrated Resource Plan.

Resources Requirements: *(request forms and approvals attached)*

Internal Labor Availability:	☑ Low Probability	☐ Medium Probability	☐ High Probability	Enterprise Tech:	☐ YES - attach form	☑ NO or Not Required
Contract Labor:	☐ YES	☑ NO		Facilities:	☐ YES - attach form	☑ NO or Not Required
				Capital Tools:	☐ YES - attach form	☑ NO or Not Required
				Fleet:	☐ YES - attach form	☑ NO or Not Required

Check the appropriate box. The internal and contract labor boxes should be checked to indicate if the resource owners have been contacted and to provide a general sense of how likely staff will be provided (this does not require a firm committment).

Key Performance Indicator(s)
Expected Performance Improvements

KPI Measure:	Avoided gas costs through use of JP storage
	Fill in the name of the KPI here
	JP WA/ID Avoided Winter Cost

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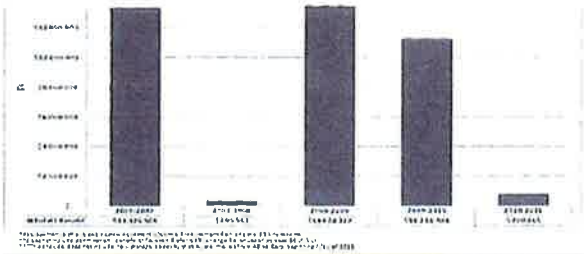
AVISTA

Capital Investment Business Case



Reviewed signature _____ Director/Manager

Other Party Review (if necessary) signature Margie Stevens Director/Manager

Business Case	ERM Risk Reduction	Status Quo Raw Score	Risk on Completion Raw Score	Status Quo Risk					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
Jackson Prairie Storage	18	20	2	5 - > $10MM	< Once / year	3 - Could result in a sustained negative impact to local, online, or industrial relationships and / or national / global media coverage	< Once / year		
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
						1 - Potential for injury Public health infrastructure impact up to 8 hours	< Once / year		
				Risk upon Completion					
				Financial Impact (Consequential Costs/Revenues)	Likelihood	Legal, Regulatory, External Business Affairs	Likelihood	Customer Service and Reliability (# customers * duration of an outage)	Likelihood
				1 - < $200k	< Once / 10 years	1 - No likely impact on media or regulatory relationship.	< Once / 50 years		
				Environmental	Likelihood	Safety and Health: Public	Likelihood	Safety and Health: Employee	Likelihood
						1 - Potential for injury Public health infrastructure impact up to 8 hours	< Once / 50 years	1 - Potential for injury	< Once / 50 years

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Rationale for decision	Review Cycles 2012-2016	
	Date	Template