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Via Electronic Filing

December 2, 2015

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

RE: UG 288 – Reply Testimony Replacement Pages

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

Sincerely,

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

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

Enclosure

1 approximately \$8.3 million for Oregon operations.

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

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

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

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

1 Phase 5 represents the portion of the East Medford reinforcement that is currently
 2 under construction, and which is contested by Mr. Moore. ~~This phase is expected to be~~
 3 ~~completed and in service by the end of 2015 mid-January,~~ [The final portion of this phase
 4 requires the completion of 3,900’ of horizontal directional drilling. This drilling has
 5 encountered difficult, rocky conditions, which has slowed project progress. If these current
 6 conditions continue through the duration of the drilling, the project could be completed as
 7 late as mid-March].

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

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

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

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

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