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September 2, 2020

Jan Noriyuki, Commission Secretary
Idaho Public Utilities Commission
11331 W Chinden Blvd. Building 8, Suite 201-A
Boise, ID 83714

RE: Avista Utilities Reply Comments to Staff Comments in Case AVU-E-20-05.

Dear Ms. Noriyuki:

Avista Corporation, doing business as Avista Utilities, submits these Reply Comments regarding comments submitted by the Staff of the Idaho Public Utilities Commission regarding Avista's application for an order authorizing accounting and rate making treatment of costs associated with the Company's Wildfire Resiliency Plan.

Please direct questions on this matter to me at (509) 495-8601.

Sincerely,

/s/Elizabeth Andrews

Senior Manager, Revenue Requirements
Regulatory Affairs
liz.andrews@avistacorp.com

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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF AVISTA)	
CORPORATION'S APPLICATION FOR AN)	CASE NO. AVU-E-20-05
ORDER AUTHORIZING ACCOUNTING AND)	
RATE MAKING TREATMENT OF COSTS)	REPLY COMMENTS OF
ASSOCIATED WITH THE COMPANY'S)	AVISTA CORPORATION
WILDFIRE RESILIENCY PLAN)	
_____)	

I. INTRODUCTION

Avista Corporation, doing business as Avista Utilities (hereinafter "Avista" or "Company"), submits these Reply Comments regarding comments submitted by the Staff of the Idaho Public Utilities Commission ("Staff") regarding the above referenced case.

II. BACKGROUND

On May 29, 2020, Avista applied for an order authorizing the accounting and ratemaking treatment for the incremental costs the Company will incur associated with its Wildfire Resiliency Plan ("WF Plan"). In the Company's filing, the Company requested

the Commission's approval to defer, for later rate-making treatment, the return on and of incremental capital and expenses detailed in its Application, until such time the annual costs and capital investment are included in base rates. Furthermore, Avista would seek a prudence determination and recovery method of the deferred costs in a future Commission proceeding. Finally, the Company requested that Pursuant to Commission Rule of Procedure 201, its filing be processed under the Commission's Modified Procedure rules through the use of written comments.

On August 26, 2020, Staff filed comments stating that they believe that the Company's WF Plan is a targeted and reasonable approach to managing its system in relation to wildfire mitigation and it supports the Company's efforts to mitigate the effects of wildfires. Staff recommends that the Commission issue an order authorizing the deferral of Operation and Maintenance ("O&M") costs associated with the WF Plan to a regulatory asset for future prudence review and potential recovery; however, consistent with prior deferral cases, Staff recommends that the capital investments be recorded to the appropriate plant account when the asset becomes used and useful, with depreciation expense being recorded in the usual manner. Staff further discussed its recommendation in greater detail within their comments.

III. AVISTA'S REPLY COMMENTS

Avista appreciates the comments provided by Staff, and generally agrees with their position, but respectfully requests that the Commission at least consider all expenses associated with the WF Plan be considered for deferred accounting treatment.

In their comments at page 8, Staff states the following:

Staff recommends that capital costs be excluded from the deferral mechanism and accounted for as they would be through normal procedures. Capital costs are recorded to Plant-in-Service when the project becomes used and useful, and depreciation begins at that point. The Company will include capital in rate base and will begin recovery of prudent capital costs, and the associated depreciation expense, when new base rates become effective after its next general rate case. In Order No. 33706 (Case No. IPC-E-16-19), the Commission disallowed capital costs for Idaho Power to be included in a regulatory asset, stating that "the deferral treatment applies to the O&M expenses of joining the EIM, and not to capital costs, which should be treated as any other capital expenditure." *Id at 10.* Staff's recommendation in this case to include only O&M expenses, and not capital costs, in the deferral mechanism is consistent with the Commission's prior order."

Although the Company appreciates Staff's support of its WF Plan, and deferral of the associated O&M expenses prior to new rates going into effect in its next general rate case, the removal of all costs associated with capital investment limits the opportunity for Avista to recover at a minimum its WF Plan expenses that will be incurred prior to new rates going into effect. While capital investment, net of accumulated depreciation, may be included in net plant in future general rate case (GRC) proceedings, all expenses associated with that investment, prior to new rates going into effect, are lost to recovery unless deferred at the time the expense is recorded, or included in rate year expenses per the latest GRC. The Company, therefore, requests the Commission, at a minimum, also consider including for deferred accounting the actual depreciation expense, associated with actual Wildfire plant investment costs that are transferred to plant-in-service, be set aside monthly¹ for the opportunity for future recovery.

¹ Similar to O&M expense, the Company would defer actual depreciation expense on its Wildfire plant investment, beginning in the month that the investment transfers to plant, and would continue deferring this expense monthly until such plant is included in retail rates in a future general rate case (GRC) proceeding.

Furthermore, Avista does not believe that the precedent related to treatment of EIM costs (i.e., excluding deferral of and on investment) is completely germane in this proceeding. In Avista's EIM deferral application (Case No. AVU-E-20-01, Order No. 34606), related to deferral of expenses of Avista joining EIM, the Commission stated at page 5:

"We find it proper, where the Company expects a stream of future benefits based on its present investment, to defer recovery of the present investment costs until later. Deferral allows the costs and future benefits to be more aligned and helps minimize the potential impacts to rates before benefits can be realized. While the Company may defer its O&M expenses associated with joining the EIM, this deferral will end on its go-live date. A prudence review of the deferred expenses will occur before the Company is allowed to recover any Idaho jurisdictional incremental O&M costs associated with joining the EIM. (emphasis added)

In Avista's EIM application, the Company had not requested deferred accounting treatment of its investment – return of or on that investment, as the Company expects future benefits associated with those investments, which would need to be aligned in a future GRC. That is not the case here. With the WF Plan, there isn't a stream of future benefits that will start once the capital investment is placed into service. As such, deferral of at least the return of investment (depreciation expense) would help to minimize the cost to the Company prior to a base-level of costs associated with the WF Plan are built into rates at the end of our next general rate case.


IV. CONCLUSION

Avista respectfully requests the Commission not only consider deferral of incremental O&M expenses, but at a minimum, deferral of monthly depreciation expense associated with its Wildfire Plan investment, to preserve the opportunity in a future

proceeding to address the prudence of the investment and recovery of the costs in a future
GRC.

DATED at Spokane, Washington, this 2nd day of September 2020.

AVISTA CORPORATION

By  _____

Patrick Ehrbar
Director of Regulatory Affairs - Avista