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Attorney for the Commission Staff

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

<b>IN THE MATTER OF AVISTA</b>	)	
<b>CORPORATION'S APPLICATION FOR AN</b>	)	<b>CASE NO. AVU-E-24-04</b>
<b>ACCOUNTING ORDER FOR APPROVAL OF</b>	)	
<b>DEPRECIATION AND AMORTIZATION</b>	)	<b>COMMENTS OF THE</b>
<b>RATES FOR OUTAGE MANAGEMENT</b>	)	<b>COMMISSION STAFF</b>
<b>SYSTEM &amp; ADVANCED DISTRIBUTION</b>	)	
<b>MANAGEMENT SYSTEM SOFTWARE</b>	)	
<b>INVESTMENT</b>	)	

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**STAFF OF** the Idaho Public Utilities Commission (“Staff”), by and through its Attorney of record, Chris Burdin, Deputy Attorney General, submits the following comments.

**BACKGROUND**

On March 5, 2024, Avista Corporation dba Avista Utilities (“Company”) applied to the Commission seeking an order authorizing the approval of depreciation and amortization rates for its Outage Management System & Advanced Distribution Management System (“OMS & ADMS”) Software Investment.

The purpose of depreciation and amortization expense is to provide for recovery of the original cost of plant (less estimated net salvage) over the used and useful life of the property by means of an equitable plan of charges to operating expense. Tangible assets, usually referred to as plant, property, and equipment, are depreciated. Intangible assets, such as software, land

rights and rights-of-way, are amortized. The Company's depreciation rates were updated in 2023 by Commission Order No. 36020.

In that depreciation study, certain capitalized software recorded in FERC Account No. 303.1 – Intangibles Software, requires a five-year life. The Company is requesting approval to use a 15-year depreciable life for certain software assets transferring to plant in 2025 within the OMS & ADMS projects, or 12-years (remaining useful life of project) for assets transferring in 2028, due to a longer expected life of those software assets.

The Company is not requesting a change to customers' rates at this time and will only begin to utilize the new amortization period for projects that become used and useful upon Commission approval.

## **STAFF ANALYSIS**

Staff recommends the Commission approve the Company's Application allowing the Company to use a 15-year depreciable life for OMS & ADMS software transferring to plant in 2025 and 12-years for software transferring in 2028. Staff believes that matching the depreciation life of OMS & ADMS software projects with the useful life of the assets provides the proper matching of revenues with the benefits received from the assets and would not require the Company to maintain multiple depreciation accounts for each regulated jurisdiction.

### OMS & ADMS Software

The Company plans to replace its current Outage Management Tracker ("OMT") and Distribution Management Software ("DMS") with a single ADMS. ADMS has the capability to integrate multiple software domains and includes benefits such as: 1) improved operational awareness; 2) grid management capabilities; and 3) real-time automated outage restoration. The installation of the new ADMS will occur in three phases which the Company refers to in its Application as Phase 0, Phase 1A and Phase 1B.

The Company is not requesting any changes to depreciation or amortization rates investments in Phase 0, which occurred in 2023. Both Phase 1A and 1B will deliver OMS and DMS products in 2025. The Company is requesting a 15-year depreciation life for software investments occurring in Phase 1A and 1B, an investment of approximately \$21.3 million. The Company is not requesting any changes to depreciation rates for hardware costs of OMS product

delivery in Phase 1A. In addition, the Company will incur ongoing software licensing costs of approximately \$2.3 million to be paid in 2028 for which the Company is requesting a 12-year depreciation rate.

#### Accounting Treatment

The Company requested the Commission approve a 15-year useful life for OMS & ADMS software transferring in 2025 and 12-years for software transferring in 2028. In Order No. 36020, the Commission approved a 5-year amortization rate for software transferring into FERC Account No. 202.1 – Intangible Software. The Company’s previous OMT software was useful beyond its amortization life and the Company anticipates the new ADMS software will have a useful life greater than the amortization life currently approved by the Commission. Without Commission approval of a 15-year and 12-year amortization life, the Company would be required to amortize the project costs over 5 years. This would increase costs to customers and not reflect the useful life of the software, which the Company estimates will last beyond 15 years. The Company anticipates approximately \$21.3 million of OMS & ADMS software investments in 2025, and the remaining \$2.3 million in 2028.

#### **STAFF RECOMMENDATIONS**

Staff recommend the Commission approve the Company’s request to amortize specific OMS & ADMS software investments using a 15-year depreciation life for assets transferring in 2025 and 12-year life for assets transferring in 2028.

Respectfully submitted this 22<sup>nd</sup> day of May 2024.



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Chris Burdin  
Deputy Attorney General

Technical Staff: Ty Johnson

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## CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22<sup>nd</sup> DAY OF MAY 2024,  
SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE  
NO. AVU-E-24-04, BY E-MAILING A COPY THEREOF TO THE FOLLOWING:

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PATRICIA JORDAN, SECRETARY