



Avista Corp.
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June 16, 2017

Commission Secretary
Idaho Public Utilities Commission
472 W. Washington St.
Boise, Idaho 83702-5983

AVU-E-17-03 // AVU-G-17-02

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IDAHO PUBLIC
UTILITIES COMMISSION

Re: Application of Avista Utilities for Approval of a Depreciation Rate

Dear Commission Secretary:

Enclosed for filing with the Commission is an original and seven copies of Avista's Application for Approval of a Depreciation Rate. The Company is requesting approval on or before August 31, 2017.

Please direct any questions regarding this filing to David Machado at (509) 495-4554.

Sincerely,

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

Enclosures

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IDAHO PUBLIC
UTILITIES COMMISSION

1 David J. Meyer
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3 Regulatory and Governmental Affairs
4 Avista Corporation
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7 Spokane, Washington 99220
8 Phone: (509) 489-0500, Fax: (509) 495-8851

9 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

10 IN THE MATTER OF THE APPLICATION OF) CASE NO. AVU-E-17-03
11 AVISTA CORPORATION, dba AVISTA) CASE NO. AVU-G-17-02
12 UTILITIES, FOR APPROVAL OF) APPLICATION OF AVISTA
13 DEPRECIATION RATE) CORPORATION
14
15

16 **I. INTRODUCTION**

17 Avista Corporation, doing business as Avista Utilities (hereinafter Avista or Company),
18 at 1411 East Mission Avenue, Spokane, Washington, pursuant to Section 61-525 Idaho Code and
19 Rule 52 of the Idaho Public Utilities Commission (“Commission Rules of Procedure”), hereby
20 applies to the Commission for approval of a depreciation rate, on or before August 31, 2017, for
21 the software investment portion of its Meter Data Management System. The Company proposes
22 to use a straight-line depreciation rate over 12.5 years for this software investment. The
23 Company requests that this filing be processed under the Commission’s Modified Procedure
24 Rules.

25 Avista Corporation is a utility that provides service to approximately 378,000 electric
26 customers and 241,000 natural gas customers in a 26,000-square-mile area in eastern
27 Washington and northern Idaho. Avista also serves approximately 101,000 natural gas
28 customers in Oregon. The largest community served in the area is Spokane, Washington, which
29 is the location of the Company’s main office.

1 Communications in reference to this Application should be addressed to:

2
3 Kelly O. Norwood
4 Vice President of
5 State and Federal Regulation
6 Avista Corp.
7 P.O. Box 3727
8 1411 E. Mission Avenue, MSC 27
9 Spokane, Washington 99220-3727
10 Telephone: (509) 495-4267
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12 E-mail: kelly.norwood@avistacorp.com

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13 14 **II. BACKGROUND**

15 The Commission is empowered to ascertain and determine the proper and adequate rates
16 of depreciation of the Company's property used in the rendering of retail electric and natural gas
17 service under the provisions of Idaho Code Section 61-525. Each utility under the Commission's
18 jurisdiction is required to conform its depreciation accounts to the rates so ascertained and
19 determined by the Commission. The Commission may make changes in such rates of
20 depreciation from time to time as the Commission may find necessary.

21 Avista implemented its current customer information system, Oracle CC&B ("CC&B"),
22 in February 2015, replacing the Company's legacy customer information system. CC&B
23 supports functions including customer billing, payment processing, credit, collections, field
24 requests, customer support, and customer service orders, among others.

25 Avista will implement a Meter Data Management ("MDM") system from Oracle in the
26 second half of 2017. Oracle Utilities Meter Data Management ("Oracle MDM") is a platform
27 including both computer hardware and software applications that provides robust data

1 management capabilities. Oracle MDM gathers and processes data from any type, variety, or
2 brand of meter device. The application loads, validates, stores, and formats the data in ways that
3 facilitate business processes. Meter data information from this system will be integrated with
4 other Avista software applications that perform a range of business functions, such as customer
5 billing and the web presentment of customer usage data. The primary integration will be with
6 Oracle CC&B.

7 The MDM implementation will support the collection and storage of data from meters in
8 all of Avista's jurisdictions and will serve as the system of record for customer usage data. This
9 customer usage data will be integrated with CC&B to support the billing and customer support
10 functionality of that system. Additionally, this system will enable appointment scheduling and
11 optimized routing through the integration of the MDM's Service Order Management module
12 with Oracle CC&B. A majority of the investment associated with the implementation of the
13 MDM system is related to software. Because of the tight integration between the MDM system
14 and the Company's Oracle CC&B system, the Company is proposing to depreciate the software
15 investment associated with the MDM system over a 12.5 year time frame to align with the
16 remaining useful life of the Oracle CC&B system.

18 **III. PROPOSAL**

19 Under Section 61-525 Idaho Code, which authorizes the Commission to determine the
20 proper and adequate rates of depreciation of property used by a public service company, the
21 Commission may ascertain and by order fix the proper and adequate rates of depreciation of
22 utility property. Each utility must conform its depreciation accounts to the rates ordered by the
23 Commission.

1 Currently, the Commission has approved a depreciable life of five years for both software
2 and hardware, with a depreciation rate of 20.0 percent. For the MDM implementation, current
3 estimates indicate that the Idaho share of the MDM system represents approximately
4 \$1.5 million of hardware and approximately \$5.9 million of software.

5 As discussed earlier, the Company installed Oracle CC&B in February 2015. Based in
6 large part on the trend of other utilities that installed the same type of system, the Company
7 estimated the useful life of that system as 15 years. Avista proposed a depreciable life of 15 years
8 for the software component of CC&B, with a depreciation rate of 6.6 percent, which the
9 Commissions approved in each of the three states in which Avista operates. (For Idaho, see
10 Order No. 33130).

11 The Company plans to replace Oracle CC&B in February 2030, which would be at the
12 end of its 15 year life. The Company believes the software component of the MDM system
13 should also be replaced at that same time, given how the two systems are interrelated. Since the
14 Company plans to implement the MDM system in the latter half of 2017, the life of the software
15 would be 12.5 years, to ensure it is fully depreciated by February 2030. Therefore, the Company
16 is requesting the Commission approve a depreciable life of 12.5 years for the software
17 component of the MDM system, with an annual depreciation rate of 8.0 percent.¹ Once the
18 MDM system is placed into service, Avista will begin depreciation on the investment.
19 Therefore, an approved depreciation rate is necessary to have in the August 2017 timeframe (the
20 point at which the implementation project is expected to be completed).

21 In discussions with its depreciation consultant, Gannet Fleming, Inc., the consultant

¹ This rate is the reciprocal of 12.5 years (i.e., $1 / 12.5 = 0.08$).

1 indicated support for a 12.5 year life on the MDM software.² Avista will use its currently
2 approved five-year life, or 20.0 percent depreciation rate, on the hardware component of the
3 MDM system.

4 For administrative and economic efficiencies, the Company prefers to maintain uniform
5 utility accounts, including depreciation rates, across its three state service territories. To maintain
6 consistent depreciation rates across all states, the Company has requested to use a depreciable
7 life of 12.5 years in Washington and Oregon. Avista anticipates receiving approval for this rate
8 from these states for the software component of the MDM system, which is system-allocated
9 plant. Maintaining consistent depreciation rates across all states is critical to avoid multiple sets
10 of depreciation accounts and records that would impose a costly administrative burden on the
11 Company and unnecessary expense for the Company's customers.

12 13 **IV. REQUEST FOR RELIEF**


14 WHEREFORE, Avista respectfully requests that the Commission issue an Order
15 authorizing the Company's use of a 12.5 year depreciable life, with a depreciation rate of 8.0
16 percent, for the software component of the MDM system. The Company requests that the
17 Commission make its determination on or before August 31, 2017.

18 The Company requests that the matter be processed under the Commission's Modified
19 Procedure rules through the use of written comments.

² Avista is in the process of completing a depreciation study, which will include discussion of this life for the MDM system. Following the completion of the depreciation study, the Company will file for updated depreciation rates, which will include retail rate adjustments to reflect the overall impact of changes in depreciation rates. The Company's recent general rate case filings (Case Nos. AVU-E-17-01 and AVU-G-17-01) pro forma adjustment for the capital addition associated with this MDM project utilizes a 12.5 year depreciable life. This application only seeks approval of the depreciation rate, and will not affect retail rates.

1 Dated at Spokane, Washington this 16th day of June 2017.
2
3

4 AVISTA CORPORATION

5 BY 
6 Kelly Norwood
7 Vice President of State and Federal
8 Regulation
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