

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER RAPER
COMMISSIONER ANDERSON
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: BRANDON KARPEN
DEPUTY ATTORNEY GENERAL

DATE: JULY 17, 2017

SUBJECT: AVISTA'S APPLICATION FOR APPROVAL OF ELECTRIC AND
NATURAL GAS DEPRECIATION RATES, CASE NOS. AVU-E-17-03
AND AVU-G-17-02

On May 19, 2017, Avista Corporation dba Avista Utilities filed an Application requesting that the Commission approve changes to the Company's depreciation rates for electric and natural gas property (software). Avista serves customers in Washington, Idaho and a small portion of Oregon. While the Company does not seek a specific effective date for the proposed changes, it has requested that the Commission make a determination on the matter before the end of August, and requests that the Commission process the Application under Modified Procedure.

BACKGROUND

Avista implemented its current customer software information system in February 2015 for both electric and natural gas service. The system supports several functions including billing, payment processing, collections, and customer service orders. The Company plans to implement a Meter Data Management (MDM) system in the second half of 2017. The Company has proposed to depreciate the software investment associated with the MDM system over a 12.5 year time frame to align with the remaining useful life of its current customer software information system. *See* Order No. 33130. For the MDM implementation, current estimates indicate that the Idaho share of the MDM system represents approximately \$1.5 million of hardware and approximately \$5.9 million of software.

Idaho Code § 61-525 gives the Commission authority to determine the proper and adequate rates of depreciation of property used by a public service company. In furtherance of

this authority, the Commission may ascertain and by order fix the proper and adequate rates of depreciation of utility property. *Id.* Likewise, each utility must conform its depreciation accounts to the rates ordered by the Commission. *Id.*

PROPOSED DEPRECIATION RATES

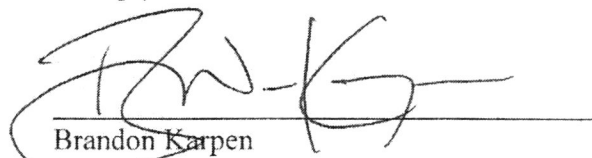
In this case, the Company has estimated that the remaining useful life of its customer information system is approximately 12.5 years. *See* Order No. 33130. Because the customer information system and the MDM system are interrelated, the Company has proposed an 8% depreciation rate¹ for the MDM system that will correspond to that of the customer information system's depreciation rate.

STAFF RECOMMENDATION

Staff concurs that Modified Procedure is an appropriate means to process Avista's depreciation Application. Staff further recommends that the Commission establish an August 22, 2017.

COMMISSION DECISION

Does the Commission wish to process Avista's Applications through Modified Procedure and order a comment deadline of August 22, 2017?


Brandon Karpen
Deputy Attorney General

M:AVU-E-17-03_AVU-G-17-02_bk

¹ 8% is a rate of 12.5 years.