

## DECISION MEMORANDUM

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

**FROM:** BRANDON KARPEN  
DEPUTY ATTORNEY GENERAL

**DATE:** MARCH 12, 2018

**SUBJECT:** AVISTA'S APPLICATION FOR A CHANGE IN ITS ELECTRIC AND  
NATURAL GAS DEPRECIATION RATES, CASE NOS. AVU-E-18-03  
AND AVU-G-18-02

On February 23, 2018, Avista Corporation dba Avista Utilities filed an Application requesting that the Commission approve changes to the Company's book depreciation rates for electric and natural gas property. Avista serves customers in Washington, Idaho, and Oregon. The Company seeks a January 1, 2019, effective date. Avista last changed its book depreciation rates in Idaho in January and April 2013. Order No. 32769.

### BACKGROUND

The Company hired Gannett Fleming to undertake a depreciation study of its depreciable electric, gas, and common plant as of December 2016. The objective of this study was to attain depreciation rates to be utilized by Avista going forward. As a result of this study, the Company filed the above-captioned matter. According to the Company, the annual accrual rates proposed in this filing were calculated using "straight-line method of depreciation, using the average service life procedures and the remaining life basis, based on estimates which reflect considerations of historical evidence and expected future conditions." Application at 3.

### PROPOSED CHANGES IN DEPRECIATION RATES

The Company's request, if approved, will increase the depreciation rate for electric service by approximately \$1 million, and decrease the depreciation rate for natural gas by approximately \$500,000. *Id.* at 5. According to the Company, the change is necessary to update asset lives and existing depreciation accrual rates from the 2012 levels. *Id.*

The following table shows a summary of the change in depreciation expense for Idaho electric service:

<b>Production Plant:</b>	<b>Total</b>
Steam Production Plant	\$1,111,689
Hydraulic Production Plant	\$593,852
Other Production Plant	\$319,151
Transmission Plant	\$700,017
Distribution Plant	\$(1,273,916)
General Plant	\$(222,558)
Transportation	\$(249,301)
<b>Total Electric Plant</b>	<b>\$978,934</b>

*Id.* at 6. The following table shows a summary of the change in depreciation expense for Idaho natural gas service:

<b>Production Plant:</b>	<b>Total</b>
General Plant	\$(150,536)
Underground Storage Plant	\$(53,962)
Distribution Plant	\$(247,315)
Transportation	\$(91,025)
<b>Total Gas Plant</b>	<b>\$(542,802)</b>

*Id.* at 7. In addition to electric and natural gas depreciation rates, the Company also provided an updated estimate for the remaining useful life of Colstrip Units 3 and 4, of which Avista is a 15 percent owner. *Id.* at 7-8. In sum, the Company proposed *no change* to its previous useful life estimates, and proposed to continue to operate the coal facilities under 2034, 2036 end-of-life estimates. *Id.* The Company also proposed an additional component in its Colstrip depreciation: asset retirement obligations, an expense relating to coal waste. *Id.*

Approval of the new depreciation rates would be for accounting purposes only and the Company does not seek a change in customer service rates at this time. If approved, the new depreciation rates would become effective January 1, 2019, and will be concurrently updated in Washington and Oregon.

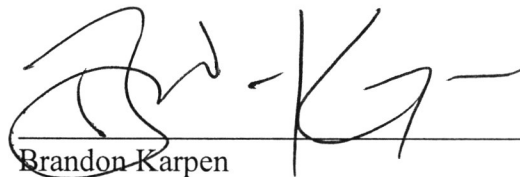
The Company requested that the Commission process its depreciation application under Modified Procedure.

**STAFF RECOMMENDATION**

Staff concurs that Modified Procedure is an appropriate means to process Avista's depreciation application. Staff recommends that the Commission issue a Notice of Application and establish a 21-day deadline for intervention. Once intervention has passed, the parties may informally meet to review the Company's proposed changes in depreciation rates.

**COMMISSION DECISION**

Does the Commission find that Modified Procedure with a 21-day deadline for intervention is an appropriate means to process this case?



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Brandon Karpen  
Deputy Attorney General