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IDAHO PUBLIC
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David J. Meyer, Esq.
Vice President and Chief Counsel of
Regulatory and Governmental Affairs
Avista Corporation
1411 E. Mission Avenue
P.O. Box 3727
Spokane, Washington 99220
Phone: (509) 495-4316

Chris Burdin
Deputy Attorney General
Idaho Public Utilities Commission Staff
P.O. Box 83720
Boise, ID 83720-0074
Phone: (208) 334-0357, Fax: (208) 334-3762

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION	)	
OF AVISTA CORPORATION DBA	)	CASE NO. AVU-E-23-02
AVISTA UTILITIES REQUESTING	)	CASE NO. AVU-G-23-02
AUTHORITY TO REVISE ITS ELECTRIC	)	
AND NATURAL GAS BOOK	)	
DEPRECIATION RATES	)	**STIPULATION AND SETTLEMENT**

This Stipulation is entered into by and among Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), and the Staff of the Idaho Public Utilities Commission ("Staff'), collectively referred to as the "Parties," representing all of the parties in the above-referenced cases. The Parties understand this Stipulation is subject to approval by the Idaho Public Utilities Commission ("IPUC" or the "Commission").

I. INTRODUCTION

1. The terms and conditions of this Stipulation are set forth herein. The Parties agree that this Stipulation represents a fair, just and reasonable compromise of all the issues raised in the proceeding, is in the public interest and its acceptance by the Commission represents a reasonable resolution of the issues identified in this case. The Parties, therefore, recommend that the

Commission, in accordance with RP 274, approve the Stipulation and all of its terms and conditions without material change or condition. *See* IDAPA 31.01.01.274

II. BACKGROUND

2. On February 22, 2023, Avista filed an Application requesting authority to revise its book depreciation rates. The Company requested authorization to revise its book depreciation rates consistent with the results of the depreciation study undertaken by the Company.[1] The Company also requested that the Commission approve deferred accounting treatment if allocated depreciation rates are not approved by all jurisdictions prior to September 1, 2023, resulting in a difference between allocated depreciation expense included in Case Nos. AVU-E-23-01 and AVU-G-23-01, and allocated depreciation expense ultimately approved in these dockets. The Company further requested that the Application be processed by Modified Procedure through the use of written comments. The study showed that the Idaho share of annual depreciation expense recorded to O&M and A&G expense on the Company's books should decrease by $1,248,960 for electric plant and $329,186 for natural gas plant, based on the average service life rates of plant-in-service as of December 31, 2021.

3. Because Avista is a utility that also provides service to electric and natural gas customers in eastern Washington and natural gas in Oregon, it also filed depreciation studies in its other jurisdictions under Docket Nos. UE-230123 and UG-230130 in Washington, and Docket No. UM 2277 in Oregon. The Washington depreciation study is still being reviewed, whereas a settlement of new depreciation rates was filed requesting approval with the Oregon Public Utility Commission on June 21, 2023.

[1] Avista hired Gannett Fleming, Inc. to undertake a depreciation study of its depreciable electric, gas and common plant in service. The study was completed in 2022. The objective of this assignment was to recommend depreciation rates to be utilized by Avista for accounting and ratemaking purposes.

4. On July 13, 2023 a settlement conference was held and attended by the Parties, during which the Parties reached agreement on revisions to the Company's book depreciation rates. If ultimately approved by the Commission, in accordance with this Stipulation, such rates would constitute revised depreciation rates, which would become effective for accounting purposes on January 1, 2024, for both Idaho direct and common plant. Customer rates, however, will reflect the revised depreciation rates per the Settlement in full in the Company's next general rate case, as discussed below.

5. Approval of this Stipulation prior to January 1, 2024, provides for the opportunity to simultaneously implement new depreciation rates for accounting purposes for <u>common</u> plant in all three jurisdictions in which Avista serves: Idaho, Washington, and Oregon.[2] Allowing Idaho common depreciation rate changes to be effective for accounting purposes at the same time as the other two jurisdictions will synchronize the timing of the Company's common depreciation accounting changes for the three States, simplifying future accounting and audits of depreciation expense, if the same rates and methodology are in effect for all jurisdictions.

<u>III. TERMS OF THE STIPULATION AND SETTLEMENT</u>

6. This Stipulation resolves all issues regarding proposed changes to the Company's depreciation rates as set forth in the filed depreciation study.

7. The Parties have agreed to book depreciation rates on directly assigned and common plant effective <u>January 1, 2024</u>. The agreed-upon depreciation rates and summary detail are shown in Attachments A through C. Attachment A provides a detail of all accounts for comparison of Avista's as-filed study results versus that agreed-to by the Parties, including plant

[2] In Oregon, the Commission approved a Stipulation that will adjust common and direct plant depreciation items on January 1, 2024. The Company's request is still pending before the Washington Commission, with a proposed January 1, 2024, effective date.

accounts, specified depreciation rates, survivor curves, net salvage and composite remaining lives. Attachment B includes a summary of the specific accounts revised by the Parties for electric (page 1) and natural gas (page 2), providing the survivor curves, salvage values, depreciation rates, composite remaining lives and impact on Idaho electric and natural gas depreciation expense as agreed-to by the Parties versus that as-filed by the Company. Attachment C provides a summary of the change in Idaho depreciation expense by component, and by direct and allocated plant for Idaho electric and Idaho natural gas plant versus existing Idaho electric and natural gas depreciation expense on plant as of December 31, 2021.

8. The Stipulating Parties agree to the reserve adjustments that the Company proposed in the filed case. To achieve a more stable accrual for certain general plant accounts in the future, the Study recommended a five-year amortization to adjust unrecovered or over-recovered reserves based on the amortization period by account. For Idaho, the reserve adjustment is a reduction to expenses of $193,898 for electric and $59,170 for natural gas annually for five years.

9. Reflecting the agreed-upon depreciation/amortization rates for electric operations, based upon plant balances at December 31, 2021, results in an annual overall decrease in depreciation expense of approximately $2,808,875. See Table 1 (Electric) below and Attachments B and C.

10. Reflecting the agreed-upon depreciation/amortization rates for natural gas operations, based upon plant balances at December 31, 2021, results in an annual overall decrease in depreciation expense of approximately $748,718. See Table 1 (Natural Gas) below and Attachments B and C.

11. Summary Table No. 1 below captures the agreed-upon results:

Table I – Summary of Impact of Settlement on Depreciation Expense

Line		Electric	Gas
1	Depreciation study net impact per filings	$ (1,442,858)	$ (388,356)
2	Agreed upon changes		
3	ID Electric Distribution	(1,366,017)	
4	ID Natural Gas Distribution		(360,362)
5	Net Impact **Depreciation and Amortization**	**(2,808,875)**	**(748,718)**

Line 3, "Idaho Electric Distribution" reflects the Parties' agreement to change Idaho direct electric distribution accounts: 362, 364-366, 368, 369.20 - 369.30, and 373.10 - 373.50 as detailed in Attachment B, page 1. The overall impact of these agreed-to adjustments reduces Idaho electric depreciation expense from that originally filed by the Company by $1,366,017.

Line 4, "Idaho Natural Gas Distribution" reflects the Parties' agreement to change Idaho direct natural gas distribution accounts: 376, 378-380, and 385 as detailed in Attachment B, page 2. The overall impact of these agreed-to adjustments reduces Idaho natural gas depreciation expense from that originally filed by the Company by $360,362.

12. The Parties agree to meet and confer prior to the filing of the next required adjustment in depreciation rates in early 2028[3], in order to reexamine curves and other supporting information regarding any proposed changes for the following list of accounts:

[3] Every five (5) years the Company is required to reexamine depreciation rates in all jurisdictions in which it serves any make any necessary adjustments.

<u>Table No. 2 – Accounts Subject to Further Examination Before Filing of Next Depreciation Study</u>

Transmission	
354.00	Towers and Fixtures
356.00	Overhead Conductors and Devices
Electric Distribution	
365.00	Overhead Conductors and Devices
366.00	Underground Conduit
369.10	Overhead
369.20	Underground - Spokane Network
369.30	Underground - Other
Transportation	
396.30	Medium Trucks
396.40	Heavy Trucks
396.50	Other
Natural Gas Distribution	
376.00	Mains
385.00	Industrial Measuring and Regulating Station Equipment

13. **Effective Date** – Under this Stipulation, depreciation rates will change effective January 1, 2024, within the Company's books of record. Customer rates, however, will not fully reflect this change until the Company's next general rate case. On an annual basis, the net change in electric and natural gas depreciation expense, versus that included in existing base rates beginning September 1, 2023, will be deferred for recovery or return to customers, until a change in rates occurs as a result of the Company's next general rate case.

14. The Parties agree, consistent with Avista's General Rate Case ("GRC") in Case Nos. AVU-E-23-01 and AVU-G-23-01, to the extent <u>depreciation rates</u> and the <u>effective date</u> of the change in depreciation rates approved in these dockets (Case Nos. AVU-E-23-02 and AVU-G-23-02), vary from the depreciation rates or effective date utilized to determine depreciation expense included in GRC Case Nos. AVU-E-23-02 and AVU-G-23-02, the Company will defer the difference in depreciation expense included and approved in the GRC, versus the actual depreciation expense recorded on the Company's books of record, as a result of the approved

depreciation rates and effective date per this case (Case Nos. AVU-E-23-02 and AVU-G-23-02). Amounts deferred will be the subject of review and recovery or return to customers in a future GRC or other proceeding.[4]

15. Thusfar, the Company has reached an agreement with the Parties in these dockets and in the pending Oregon depreciation docket (UM 2277), as reflected in settlement Stipulations awaiting approval by the respective Commissions. These Stipulations reflect consistent treatment of depreciation on <u>allocated plant</u> items in service in Idaho and Oregon. Treatment of those same allocated plant items (as well as additional Washington and Idaho only allocated plant items), however, awaits final resolution in the State of Washington, which is expected before January 1, 2024. Consistent resolution of all common and other allocated plant depreciation across <u>all</u> affected jurisdictions is necessary in order for the Company to fully recover its allocated plant depreciation. Accordingly, Staff and the Company agree to re-open the terms of this Stipulation, if necessary, as it relates to common and other allocated plant only, to reflect any further adjustments to common and other allocated plant, that can be agreed to, in order to achieve consistency with treatment in other jurisdictions. Nothing herein, however, shall require that Idaho must conform to the treatment of common or other allocated plant in other jurisdictions, only that

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[4] Depreciation rates and the impact on depreciation expense per the original (as-filed) Depreciation Study were included in the Company's GRC, Case Nos. AVU-E-23-01 and AVU-G-23-01, with an assumed effective date of September 1, 2023. The Settlement Stipulation agreed-to by the GRC Settling Parties in the GRC included a reduction in electric and natural gas depreciation expense on existing plant, effective September 1, 2023, of approximately $1.5 million for electric plant and $325,000 for natural gas plant annually, with a deferral provision in place to reflect any differences as discussed above. For the period September 1, 2023, through December 31, 2023, the Company anticipates recording a deferred balance <u>owed from</u> customers of approximately $424,000 electric and $87,000 natural gas, until depreciation rates change as a result of these dockets on January 1, 2024. Beginning January 1, 2024, the Company anticipates recording an annual deferred liability <u>owed to</u> customers of approximately $1.5 million for electric and $380,000 for natural gas. The deferral values may vary slightly due to agreed-to capital investment included in the GRC. The deferral will cease on or after August 31, 2025, dependent on the rate effective date of the Company's next GRC, with the cumulative net deferred balance <u>refunded</u> to customers in the next GRC or other proceeding.

the terms of this Stipulation will be revisited in an effort to harmonize common and other allocated plant depreciation across all affected jurisdictions.

16. If this Commission has, by Order, already approved this Stipulation, the Company and Staff agree to jointly petition the Commission to subsequently revise its Order to reflect any subsequent agreed-upon changes to common and allocated plant depreciation, in order to achieve consistency across all affected jurisdictions.

IV. GENERAL PROVISIONS

17. The Parties agree that this Stipulation represents a compromise of the positions of the Parties in this case. As provided in RP 272, other than any comments filed in support of the approval of this Stipulation, and except to the extent necessary for a Party to explain before the Commission its own statements and positions with respect to the Stipulation, all statements made and positions taken in negotiations relating to this Stipulation shall be confidential and will not be admissible in evidence in this or any other proceeding. *See* IDAPA 31.01.01.274.

18. The Parties submit this Stipulation to the Commission and recommend approval in its entirety pursuant to RP 274. Parties shall support this Stipulation before the Commission, and no Party shall appeal a Commission Order approving the Stipulation or an issue resolved by the Stipulation. If this Stipulation is challenged by any person not a party to the Stipulation, the Parties to this Stipulation reserve the right to file testimony, cross-examine witnesses and put on such case as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlement terms embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

19. If the Commission rejects any part or all of this Stipulation or imposes any additional material conditions on approval of this Stipulation, each Party reserves the right, upon written notice to the Commission and the other Parties to this proceeding, within 14 days of the date of such action by the Commission, to withdraw from this Stipulation. In such case, no Party shall be bound or prejudiced by the terms of this Stipulation, and each Party shall be entitled to seek reconsideration of the Commission's order, file testimony as it chooses, cross-examine witnesses, and do all other things necessary to put on such case as it deems appropriate. In such case, the Parties immediately will request the prompt reconvening of a prehearing conference for purposes of establishing a procedural schedule for the completion of the case. The Parties agree to cooperate in development of a schedule that concludes the proceeding on the earliest possible date, taking into account the needs of the Parties in participating in hearings and preparing testimony and briefs.

20. The Parties agree that this Stipulation is in the public interest and that all of its terms and conditions are fair, just and reasonable.

21. No Party shall be bound, benefited or prejudiced by any position asserted in the negotiation of this Stipulation, except to the extent expressly stated herein, nor shall this Stipulation be construed as a waiver of the rights of any Party unless such rights are expressly waived herein. Execution of this Stipulation shall not be deemed to constitute an acknowledgment by any Party of the validity or invalidity of any particular method, theory or principle of regulation or cost recovery. No Party shall be deemed to have agreed that any method, theory or principle of regulation or cost recovery employed in arriving at this Stipulation is appropriate for resolving any issues in any other proceeding in the future. No findings of fact or conclusions of law other than those stated herein shall be deemed to be implicit in this Stipulation.

22. The obligations of the Parties under this Stipulation are subject to the Commission's approval of this Stipulation in accordance with its terms and conditions and upon such approval being upheld on appeal, if any, by a court of competent jurisdiction.

23. This Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

DATED this 29th day of August, 2023.

Avista Corporation	Idaho Public Utilities Commission Staff
By: /s/ David J. Meyer	By: ______________________
David J. Meyer Attorney for Avista Corporation	Chris Burdin Deputy Attorney General

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DATED this ____ day of August, 2023.

Avista Corporation	Idaho Public Utilities Commission Staff
By:________________________	By:________________________
David J. Meyer Attorney for Avista Corporation	Chris Burdin Deputy Attorney General