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IDAHO PUBLIC
UTILITIES COMMISSION

Avista Corp.
1411 East Mission P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

October 18 2023

Jan Noriyuki, Secretary
Idaho Public Utilities Commission
11331 W. Chinden Blvd.
Bldg. 8, Suite 201-A
Boise, Idaho 83714

Re: Case No. AVU-E-23-02 and AVU-G-23-02 – Comments of Avista

Dear Ms. Noriyuki:

Avista Corporation, dba Avista Utilities (Avista or Company), respectfully submits the following comments, pursuant to Order No. 35924, "Notice of Modified Procedure," in support of the Stipulation and Settlement filed on August 29, 2023 with regards to the Application of Avista Requesting Authority to Revise Its Electric and Natural Gas Book Depreciation Rates. Avista appreciates Staff's time and thorough review of the Company's Depreciation Application and resulting Settlement and Stipulation in these Dockets.

Please direct any questions regarding this filing to me at (509) 495-8601.

Sincerely,

/s/ Elizabeth Andrews

Elizabeth Andrews
Senior Manager, Revenue Requirements

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

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	)	**COMMENTS OF AVISTA IN**
DEPRECIATION RATES	)	**SUPPORT OF STIPULATION**

COMES NOW Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), by and through its attorney of record, David J. Meyer, and responsive to the Idaho Public Utilities Commission ("IPUC" or the "Commission") Order No. 35924, “Notice of Modified Procedure,” related to the Company’s Motion for Approval of Stipulation and Settlement filed on August 29, 2023 with the Commission in the above referenced cases, submits the following comments.

I. BACKGROUND

On February 22, 2023, Avista filed an Application requesting authority 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.

[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.

AVU-E-23-01 and AVU-G-23-01, and allocated depreciation expense ultimately approved in these dockets. 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.

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.

Approval of this Stipulation prior to January 1, 2024, provides for the opportunity to simultaneously implement new depreciation rates for accounting purposes for common 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.

II. SUMMARY TERMS OF SETTLEMENT

Under the terms of the Stipulation, depreciation rates will change effective January 1, 2024

[2] 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 Dockets UE-230123 and UG-230130 in Washington, and Docket No. UM 2277 in Oregon. In Oregon, the Oregon Public Utility 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 Utilities and Transportation Commission, with a proposed January 1, 2024, effective date.

within the Company's books of record. The agreed-upon depreciation rates and summary detail are shown in Attachments A through C to the Stipulation.[3] 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.

Reflecting the agreed-upon depreciation and reserve 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 Stipulation Attachments B and C. Reflecting the agreed-upon depreciation and reserve 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 Stipulation Attachments B and C. Summary Table No. 1 below captures the agreed-upon results:

Table No. 1 – 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)**

[3] Stipulation 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 accounts, specified depreciation rates, survivor curves, net salvage and composite remaining lives. Stipulation 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. Stipulation 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.

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.

The Parties agree to meet and confer prior to the filing of the next required adjustment in depreciation rates in early 2028[4], in order to reexamine curves and other supporting information regarding any proposed changes for the following list of accounts:

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

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

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

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

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.

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 depreciation rates and the effective date 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.[5]

Thus far, 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 allocated plant 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),

[5] 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 owed from 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 owed to 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 refunded to customers in the next GRC or other proceeding.

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

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.

III. SETTLEMENT STIPULATION IS IN THE PUBLIC INTEREST

Avista believes that the Stipulation is in the public interest for a number of reasons. The Settlement strikes a reasonable balance between the interests of Avista and its customers on depreciation rates and depreciation expense. The Settlement Stipulation was a compromise among differing interests and represents give-and-take. The Settlement Stipulation was entered into following formal and informal discovery, audit and review of the Company's filing and books and records. Furthermore, it is necessary to periodically review and update the depreciation rates, to capture the most current estimates of remaining useful lives and salvage value for assets reflected in rates, to assure that the Company does not over- or under-recover its costs of service.

Under the terms of the Settlement, the Parties agree that Avista will implement new electric and natural gas depreciation rates beginning January 1, 2024. Customers rates, however, will not reflect the full effect of the change until the conclusion of the Company's next general rate case.

Finally, the overall decrease to depreciation and reserve amortization expense of approximately $2,809,000 for Idaho Electric and approximately $749,000 for Natural Gas, to the extent not included in base rates per the Company's GRC, Case Nos. AVU-E-23-01 and AVU-G-23-01, effective September 1, 2023, will be deferred for future return to customers, and fully reflected in the Company's next rate case proceedings, and is in the public interest.

DATED this 18th day of October 2023.

Avista Corporation

By: /s/ David J. Meyer
David J. Meyer
Attorney for Avista Corporation