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Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	
AVISTA CORPORATION, D/B/A AVISTA)	CASE NO. AVU-E-23-02
UTILITIES, REQUESTING AUTHORITY TO)	AVU-G-23-02
REVISE ITS ELECTRIC AND NATURAL GAS)	
BOOK DEPRECIATION RATES AND)	COMMENTS OF THE
AUTHORIZE DEFERRED ACCOUNTING)	COMMISSION STAFF IN
TREATMENT FOR THE DIFFERENCE IN)	SUPPORT OF STIPULATION
DEPRECIATION EXPENSE)	AND SETTLEMENT
_____)	

STAFF OF the Idaho Public Utilities Commission (“Staff”), by and through its Attorney of record, Chris Burdin, Deputy Attorney General, submits the following comments.

BACKGROUND

On February 22, 2023, Avista Corporation, doing business as Avista Utilities (“Company”), applied for approval of a proposed change to electric and natural gas book depreciation rates (“Application”). The Company also requests 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.

On March 15, 2023, the Commission issued a Notice of Application and Notice of Intervention Deadline. Order No. 35709. No parties intervened. On April 27, 2023, the Commission issued a Notice of Modified Procedure setting an August 8, 2023, comment deadline, and an August 15, 2023, reply comment deadline. Order No. 35754.

On July 13, 2023, the Commission Staff (“Staff”) and the Company, the only parties in this case, participated in a settlement conference. On August 1, 2023, Staff requested that the Commission vacate the existing comment deadlines until a Proposed Settlement was filed. On August 2, 2023, the Commission issued an Order Vacating Comment Deadlines. Order No. 35874.

On August 29, 2023, the Company and Staff (“the Parties”) filed a Stipulation and Settlement (“Proposed Settlement”) and a Motion for Approval. On September 14, 2023, the Commission issued a Notice of Proposed Settlement and Notice of Modified Procedure setting an October 26, 2023, comment deadline. Order No. 35924.

APPLICATION

The Company represents that it hired Gannett Fleming, Inc. to undertake a depreciation study of its depreciable electric, gas, and common plant in service as of December 31, 2021. The Company submitted the following table with existing and proposed weighted depreciation rates, by functional group, for its Idaho electric and natural gas plants. Application at 3.

Table No. 1: Electric Weighted Group Depreciation Rates - Existing vs Proposed

Weighted Group Depreciation Rates		
Functional Group	Existing	Proposed
Steam Production Plant	4.31%	4.17%
Hydraulic Production Plant	2.19%	2.27%
Other Production Plant	3.59%	3.09%
Transmission Plant	2.07%	2.32%
Distribution Plant	2.69%	2.47%
General Plant	6.55%	6.41%

Table No. 2: Natural Gas Weighted Group Depreciation Rates -Existing vs Proposed

Weighted Group Depreciation Rates		
Functional Group	Existing	Proposed
Underground Storage	1.50%	1.51%
Distribution Plant	2.34%	2.24%
General Plant	6.55%	6.41%

The Company represents that the results show its current annual depreciation expense for its Idaho electric and natural gas service, would be decreased by \$1,248,960 and \$329,186, respectively, by setting the depreciation accrual rates at the recommended levels. The Company states that this recommended change is necessary to update asset lives and existing depreciation accrual rates, which are currently based upon a depreciation study completed in 2018.

The Company represents that the overall net decrease in Idaho electric depreciation is mainly driven by changes in net salvage values and average useful lives of production plant and distribution assets, offset by changes in salvage costs for transmission assets. The Company states that the overall decrease in Idaho natural gas depreciation expense is generally driven by changes in net salvage values for distribution plant assets and increases in service lives for transportation equipment.

The Company represents that it is not proposing any adjustments to the levels currently approved for the production assets at the Colstrip production plant.

STAFF REVIEW OF PROPOSED SETTLEMENT

Staff reviewed the Company's Application and attachments, including the Depreciation Study completed in 2022, formal and informal Production Requests, and audited the Company's records. During the review, Staff analyzed the depreciation rates, service lives, remaining lives, Iowa survivor curves, and net salvage values for all plant asset accounts. Based on the Staff's review, and negotiations with the Company, Staff believes that the Proposed Settlement represents a fair, just, and reasonable compromise of all issues raised in this case, and is in the public interest.

The Parties have agreed to book depreciation rates on directly assigned and common plant effective January 1, 2024. Proposed Settlement at 3. Attachment A lists the depreciation details for all accounts as agreed to in the Proposed Settlement. This attachment provides the basic information required for Staff to verify depreciation expenses in cases. Whenever possible, consistent depreciation rates for common system plant in service in all three jurisdictions will allow Staff to audit depreciation expenses more efficiently and minimizes the Company's expenses to track different rates.

The Parties agree to Company proposed reserve adjustments. These adjustments reduce Idaho expenses annually by \$193,898 for electric and \$59,170 for natural gas over the five-year amortization period. *Id.* at 4.

The agreed upon depreciation/amortization rates result in an annual Idaho overall decrease in depreciation expense of approximately \$2,808,875 for electric and \$748,718 for natural gas. *Id.* These reductions are calculated based on plant balances as of December 31, 2021, and shown on Table No. 1 and Attachments B and C of the Proposed Settlement.

Staff has concerns that for some accounts the Iowa survivor curves and salvage values may not adequately represent available data points and trends. Over time, this can result in less accuracy in depreciation rates and possibly less timely future adjustments. The Parties agree to meet to reexamine curves and supporting data on specific accounts prior to the next five-year depreciation filing in 2028. *Id.* at 5-6. At a minimum, the twelve accounts identified in Table No. 2 will be further explored.

Under the Proposed Settlement the Parties agree that to the extent depreciation rates and the effective date of the change in depreciation rates approved in these cases vary from the depreciation rates or effective date utilized to determine depreciation expense included in the General Rate Cases, Case Nos. AVU-E-23-01 and AVU-G-23-01, the Company will defer beginning September 1, 2023, the difference in depreciation expense included and approved in the General Rate Cases, 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 these cases. *Id.* at 6- 7.

Under the Proposed Settlement the parties agree to re-open the terms of the Proposed Settlement, or jointly petition the Commission to subsequently revise its Order, 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. *Id.* at 7-8.

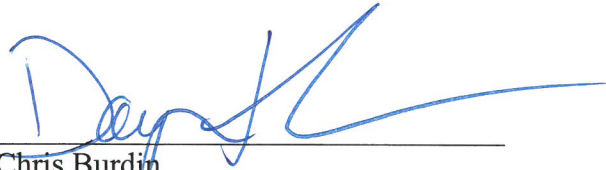
PUBLIC COMMENTS

As of October 25, 2023, the Commission has not received any comments from customers.

STAFF RECOMMENDATION

Staff believes that the Proposed Settlement represents a fair, just, and reasonable compromise for all issues raised in the case. The Proposed settlement results in an overall decrease to depreciation and reserve amortization expenses. Therefore, Staff recommends the Commission approve the Settlement and Attachments with all terms and conditions effective January 1, 2024.

Respectfully submitted this 26th day of October 2023.

For: 
Chris Burdin
Deputy Attorney General

Technical Staff: Terri Carlock
Ty Johnson
Travis Culbertson
Rick Keller
Shubra Deb Paul

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 26th DAY OF OCTOBER 2023, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF TO AVISTA CORPORATION**, IN CASE NOS. AVU-E-23-02/ AVU-G-23-02, BY E-MAILING A COPY THEREOF TO THE FOLLOWING:

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SECRETARY