



# ATTORNEY GENERAL OF WASHINGTON

Public Counsel

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May 17, 2021

**SENT VIA WUTC WEB PORTAL**

Mark L. Johnson  
Executive Director and Secretary  
Washington Utilities and Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

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05/17/2021 16:03  
State Of WASH.  
UTIL. AND TRANSP.  
COMMISSION

Re: *Petition for order authorizing the accounting treatment of depreciation and amortization rates for investment in software.*  
Dockets UE-200857 & UG-200858

Dear Mr. Johnson:

The Public Counsel Unit of the Washington State Attorney General's Office ("Public Counsel") respectfully submits these comments in advance of the May 20, 2021 Open Meeting. These comments are in response to Avista's petition for order authorizing the accounting treatment of depreciation and amortization rates for investment in software.

Avista is currently allowed to amortize software costs over a period of five years. Cloud computing technology, however, allows Avista to lease software through cloud hosting arrangements, which can have various contract lengths. The Company is requesting the Commission approve an amortization period for the capitalized costs of software licenses and implementation costs of hosting arrangements that reflect the life of the underlying contract. Avista anticipates using additional lives between 2–10 years at this time that will coincide with the terms of the arrangements and expected contract extensions.

***Public Counsel's Recommendation***

Public Counsel recommends the Commission approve Avista's request for a depreciable life to the license to internal-use software and implementation costs to reflect its useful life, subject to the condition that the Company be required to report annually until the Company's next depreciation study is approved by the Commission, as approved the Oregon Public Utility Commission (PUC).

Public Counsel finds the Company's proposed accounting treatment persuasive because it would more appropriately match the costs borne by and the benefits received by ratepayers. We share concern that has been noted by other state Commissions, however, about the open-ended nature

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of the request and potential wide range of anticipated useful lives.<sup>1</sup> Because of this, Public Counsel requests the Commission require the Company to report the following annually until the Commission approves the Company's next depreciation study:


- A list of software projects placed into service with a useful life other than five years.
- A brief narrative description of each project.
- The capitalized cost components, useful lives assigned, and expected annual amortization expense.
- Contract details including the total cost, payment terms, and amounts to be recorded as operating expense.

These conditions were approved by the Oregon PUC. The Company stated to the Oregon PUC that software historically has not been included in its depreciation studies. Because of this, they approved an additional condition that Avista explicitly discuss software amortization in its next application to revise depreciation rates as a variety of lives other than five years will be in use. We recommend the Washington Commissioners approve the same conditions.

These conditions will allow stakeholders to analyze the implications of the new depreciation treatment, and any potential unintended consequences. We recommend the Washington Commissioners approve the same conditions. As we continue to adapt to new innovations, such as software hosting arrangements, we must be sure to protect ratepayers from unforeseen impacts of these changes. Public Counsel is satisfied the conditions proposed above will provide the Commission and stakeholders adequate information to review the impacts of Avista's requested changes.

Public Counsel appreciates the opportunity to submit these comments. If you have any questions about this filing, please contact Shay Bauman at (206) 389-3040 or via e-mail at [Shay.Bauman@atg.wa.gov](mailto:Shay.Bauman@atg.wa.gov).

Sincerely,

/s/   
Nina Suetake, WSBA No. 53574  
Assistant Attorney General  
Public Counsel Unit  
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<sup>1</sup> *Before the Or. Pub. Util. Com'n*, Docket UM-2121., Order No. 21-093: Avista Accounting Order Depreciation and Amortization Rates Investment Software (March 30, 2021).