

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

AVISTA CORPORATION, d/b/a
AVISTA UTILITIES,

Petitioner,

For an Accounting Order Approval
of Depreciation and Amortization
Rates for Investment in Software.

DOCKETS UE-200857 and UG-200858

ORDER 01

GRANTING ACCOUNTING
PETITION SUBJECT TO
CONDITIONS

BACKGROUND

- 1 On October 9, 2020, Avista Corporation, d/b/a Avista Utilities, (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a Petition For an Accounting Order for Approval of Depreciation and Amortization Rates for Investment in Software (Petition). In its Petition, the Company seeks an accounting order authorizing the Company to use an amortization period for its capitalized software license costs and its capitalized software implementation costs that aligns with the life of the underlying contract for Information Technology (IT) services. Avista filed similar filings with the Idaho Public Utilities Commission and the Public Utility Commission of Oregon concurrently with this filing.
- 2 The Commission is authorized to determine the proper and adequate rates for depreciation of the Company's property under the provisions of RCW 80.04.350. Each utility is required to conform its depreciation accounts to the rates determined by the Commission. The Commission may make changes in such rates of depreciation from time to time as the Commission finds necessary.
- 3 Avista updated its depreciation rates in Washington in Dockets UE-180167 and UG-180168, which became effective April 1, 2019. In that depreciation study, Avista did not propose to change the amortization period for capitalized software (recorded in FERC Account No. 303100 – Intangibles Software). Therefore, Avista currently amortizes software over a five-year period. Generally Accepted Accounting Principles (GAAP) require Avista to amortize capitalized costs over its useful contract period, which can be different than five years.
- 4 Avista submits that, due to changes in technology over the years, the leasing of IT services, including hardware and software, has become prominent, including at utility

businesses. Avista has recently implemented leasing IT solutions that are term licensing arrangements. These computing services allow Avista to address technological obsolescence because the contracts with these companies allow for renewals that use the latest technology.

- 5 Commission staff (Staff) has reviewed the Company's filing and recommends that the Commission grant the Petition. Staff submits that if the Commission does not authorize this accounting petition, Avista would be required to maintain separate depreciable lives for these assets to comply with GAAP and regulatory reporting purposes. Avista has received approval from the Idaho Public Utilities Commission and the Public Utility Commission of Oregon for similar filings on January 14, 2021, and March 20, 2021, respectively. Therefore, for administrative and economic efficiencies, Staff recommends that the Commission grant the Company's Petition.
- 6 The Public Counsel Unit of the Attorney General's Office (Public Counsel) filed written comments on May 17, 2021, and provided oral comments at the Commission's regularly scheduled open meeting on May 20, 2021. Public Counsel echoed the concerns expressed by the Public Utility Commission of Oregon related to the open-ended nature of the request and the potential wide range of anticipated useful lives.
- 7 To address these concerns, Public Counsel recommends the Commission approve Avista's Petition subject to the following conditions:
- (1) The Company is required to report on the software details annually until the Company's next depreciation study is approved by the Commission. The report must include but is not limited to:
 - a. A list of software projects placed into service with a useful life other than five years.
 - b. A brief narrative description of each project.
 - c. The capitalized cost components, useful lives assigned, and expected annual amortization expense.
 - d. Contract details including the total cost, payment terms, and amounts to be recorded as operating expense.
 - (2) Avista is required to explicitly discuss individual software amortization details in its next application to revise depreciation rates.

8 Neither Staff nor the Company objects to Public Counsel's proposal.

DISCUSSION

9 We agree with Staff and grant the Company's Petition subject to the conditions that Public Counsel recommends. Avista's request to approve different depreciable lives for internal-use software and implementation costs of hosting arrangements is in the public interest. This change more appropriately matches the timing of depreciation costs with the benefits of these technologies. The additional reporting requirements will ensure the deferred costs are accurately recorded and tracked. Given the administrative and economic efficiencies, including the desire to avoid multiple sets of depreciation accounts and records, we find that the proposed accounting treatment is in the public interest and conclude that the Company's Petition should be granted subject to the conditions set out in paragraph 7, above. We also understand that GAAP provides for different accounting for depreciation lives. But we also understand that GAAP can be informed by regulatory accounting and the accounting decisions made by this Commission.

FINDINGS AND CONCLUSIONS

- 10 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property, and affiliated interests of public service companies, including electric and natural gas companies.
- 11 (2) Avista is an electric and natural gas company and a public service company subject to Commission jurisdiction.
- 12 (3) WAC 480-07-370(3) allows companies to file accounting petitions.
- 13 (4) The Commission has reviewed the Company's petition and related workpapers filed in Dockets UE-200857 and UG-200858.
- 14 (5) This matter came before the Commission at its regularly scheduled meeting on May 20, 2021.
- 15 (6) After reviewing the Company's Petition filed in Dockets UE-200857 and UG-200858 on October 9, 2020, and giving due consideration to all relevant matters

and for good cause shown, the Commission finds that the Company's Petition is consistent with the public interest and should be granted subject to the conditions set out in paragraph 7, above.

ORDER

THE COMMISSION ORDERS:

- 16 (1) Avista Corporation's, d/b/a Avista Utilities, Petition to change the depreciation and amortization rates for investment in software is granted subject to the conditions set out in paragraph 7, above.
- 17 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. This Order shall not be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 18 (3) The Commission retains jurisdiction over the subject matter and Avista Corporation, d/b/a Avista Utilities, to effectuate the provisions of this Order.

DATED at Lacey, Washington, and effective May 20, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

JAY M. BALASBAS, Commissioner