AVISTA CORP.
RESPONSE TO REQUEST FOR INFORMATION

JURISDICTION:	WASHINGTON	DATE PREPARED:	06/09/2015
CASE NO.:	UE-150204 & UG-150205	WITNESS:	Don Kopczynski/Jen Smith
REQUESTER:	UTC Staff - Hancock	RESPONDER:	K.Schuh/L.La Bolle
TYPE:	Data Request	DEPT:	State & Federal Regulation
REQUEST NO.:	Staff - 149	TELEPHONE:	(509) 495-4710
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REQUEST:

With respect to Electric Pro Forma Adjustment 4.03, Meter Retirement:

1. Please provide the Excel document used to create the document on electronic page 363 of 371 in Jennifer Smith's electric workpapers, with the formula values intact.

2. Please describe the rationale for using a 10-year amortization period for the proposed regulatory asset in this adjustment.

3. Please describe Avista's deployment schedule for AMI meter installation. When will meter installation begin, and how many meters do you plan to install in each month of 2016, and successive years?

4. As electromechanical meters are removed and replaced with AMI meters, how will these meters be accounted for, for tax purposes? Will each meter be fully written off as it is removed from service?

5. The proposed treatment of the meters currently in place is to remove the book value as of January 1, 2016 (estimated to be $20.27 million) from net plant and to convert this balance to a regulatory asset. The net effect to rate base of this treatment is therefore $0. However, virtually all of these meters will still be used and useful to customers until they are individually replaced by newer AMI meters. Please address why it is appropriate to treat tangible, used and useful assets as an intangible, regulatory asset in this manner.

6. Are there any so-called "smart grid" grants that will be used to fund the Advanced Metering Infrastructure program that have not been deducted from rate base? This includes grants for equipment as well as grants for training.

RESPONSE:

1. Per conversation with Staff, see attachment Staff_DR_149 Attachment A for Pro Forma 09.2014 WA Electric Model, column AR on tab ADJ DETAIL-INPUT, for page 363 (excel document of input page of Adjustment 4.03). Included as Staff_DR_149 Attachment B is the excel version of Adjustment 4.03 (page 364). Please note, the Company has also provided the excel documents for all Pro Forma Adjustments in its direct filed case.
2. The current remaining book life of the meters is approximately 29 years, while the time to replace the meters is over a 6 year time period. The life expectancy of the new replacement meters is 15 years or less. The Company chose a 10 year amortization period for the retired meters, as it represents a conservative timeline to amortize the remaining life of the old meters, given the

remaining life, the replacement time frame of the new meters and the life expectancy of the new meters. A 10 year amortization period also helps minimize the impact to customers on an annual basis rather than a shorter life.

3. Avista is currently in the planning phase of its AMI project including the deployment plan. At this time, Avista plans to begin the initial production deployment of Advanced Meters in a small test area (approximately 1,000 meters) in July of 2016. The analysis in the test area should be complete by November of 2016, at which time additional advanced meter deployments will begin. At this point in time, Avista expects to install approximately 12,000 to 15,000 meters per month for the years 2017 and 2018.
4. For tax purposes, the retirements will be recorded to match the physical removal of the meters from service. As Company witness Ms. Schuh noted in her testimony (Exhibit No. ___(KSS-1)) at page 27 in footnote 7, "As these meters are retired (upon installation of the new meters), appropriate ADFIT will be recorded". Therefore, each meter will be fully written off as it is removed from service.
5. Under the provisions of FASB ASC (Accounting Standards Codification) Subtopic 980-360, Regulated Operations – Property, Plant and Equipment, when it becomes probable (likely to occur) that an operating asset will be abandoned, the public utility shall remove the cost of the asset from plant-in-service and the cost of the abandoned plant shall be reported as a separate asset, subject to the approval of the regulator. On January 1, 2016, Avista will have committed to the AMI project and at that time the electric meters will be abandoned, so even though it will take several years to physically remove the assets, GAAP requires the proposed accounting treatment.
6. Avista is not aware of any grants or other sources of project funding that would be available to support its Washington advanced metering project, and no such sources of funding are included in the financial analysis developed for the project.

Adj 4.03 Meter Retirement Deferral

Avista Corp

Amortize retirement of meters over 10 years

	201411 Electric Meters	201512 Electric Meters	
Asset	26,574,074	26,574,074	
Reserve	(5,322,178)	(6,298,153)	
Net Book Value	**21,251,896**	**20,275,921**	**(1)**
Depreciation 201412	(75,114)		
Net Book Value 201412	**21,176,782**		
Depreciation	(75,114)		
Calculated Annual Depreciation	(900,861)		
Current Depreciation Rate	3.39%		
Amortize Meters over 10 years		**2,027,592**	**(1)**

(1) See Adjustment 4.02 "Planned Capital Add 2016 AMA" - worksheet tab "E-Cap Summary," column "2016 AMI Retirements".

Summary:

Plant (Meters)		201412	201512	Net Assets 1/1/2016	Net Expense 1/1/2016
	Current Net Book Valuer (NBV)	21,177	20,276	20,276	
	Annual Depr Exp	901			901
Remove Meter and Depreciation Expense:					
Adj 4.02 AMA 2016 Capital	**Remove Plant**		(20,276)	(20,276)	
	Remove Depr Exp		(901)		(901)
Regulatory Deferral And Amortization:					
Adj 4.03 Meter Retirement Deferral	**Add Regulatory Asset**		20,276	20,276	
	10-Year Regulatory Amortization		2,028		2,028
	Net Impact to Net Rate Base and Net Expense:			$ -	$ 1,127