Avista Utilities

2021 Annual Software Short-Lived Software Asset Report

For the Year Ended December 31, 2021

UE-200857 & UG-200858

A. Overview

As of May 2021, Avista has adjusted its amortization period for short term license purchases and capitalized implementation costs for software as a service contract, based on the underlying life of each contract, per Commission orders in all jurisdictions in which Avista operates.[1] This is an adjustment from the previous policy of utilizing a standard five year amortization period, which was prompted by the Federal Accounting Standards Board (FASB) issuance of Accounting Standards Update (ASU) 2018-15 "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract".

The Commissions' Orders allowed Avista amortizable periods for these short-lived software assets for rate making purposes to align with Generally Accepted Accounting Principles (GAAP) required lives prospectively. It did not create any adjustments to allowable capitalized costs. In addition, per Order 01 in Docket Nos. UE-200857 and UG-200858, the Commission ordered the Company to file annually until the Company's next depreciation study is approved by the Commission. The report must include the following:

- 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.

B. Software Assets Capitalized Costs

Costs that can be capitalized as software include limited term license purchase and direct costs incurred to implement the software into the production environment. When upgrades are released that provide additional functionality and enhancements, implementation costs are capitalized within the intangible software asset, however none of the original license cost nor any continuing usage fees for software as a service are eligible for capitalization. Additional costs include sales tax on the contract, direct labor associated with implementation, and general labor overhead applied.

The following tables detail all software packages that transferred to plant from May 2021 through December 2021. Project names were used to identify the specific software intangible asset, as

---

[1] Oregon Public Utility Commission Order 21-093 in Docket No. UM 2121, Washington Utility and Transportation Commission Order 01 in Docket Nos. UE-200857 and UG-200858, and Idaho Public Utility Commission Order No. 24891 in Case Nos. AVU-E-20-09 and AVU-G-20-06.

this is how the company tracks and capitalizes assets. Descriptions of each software project are provided below within 'C. Software Details'. Table No. 1 identifies the software assets, Table No. 2 presents the allocation to each of Washington's services.

Table No. 1

Software Package Project	Placed in Service	Serv/Jur	Total Asset Cost	Amort. Life (yrs)	Annual Amortization Expense
Software Assets - Other than 5 year life			**System Total**		
ABB Sendout Replacement	2021.07	CD.AA	215,474	3	71,825
811 Risk Tool	2021.10	CD.AA	16,812	3	5,604
App Dynamics Enhancements 20	2021.12	CD.AA	24,957	3	8,319
Articulate 360 Upgrade 2021	2021.08	CD.AA	9,783	3	3,261
CFT: Outage Resiliency 2021	2021.12	CD.AA	352,841	3	117,614
DDoS Protection	2021.12	CD.AA	52,622	3	17,541
Digital Channel Pkg 1 2021	2021.06	CD.AA	1,396,878	3	465,626
Digital Channel Pkg 2 2021	2021.12	CD.AA	1,582,469	3	527,490
Endpoint Protection	2021.08	CD.AA	321,950	2	160,975
FERC Reporting & SSO Imp.	2021.11	CD.AA	3,601	3	1,200
GIS Enhancements 2021 Pkg 1	2021.05	CD.AA	272,175	3	90,725
GIS Enhancements 2021 Pkg 2	2021.09	CD.AA	296,695	3	98,898
GIS Enhancements 2021 Pkg 3	2021.12	CD.AA	273,086	3	91,029
Intelex Ph. 3 - Inspections	2021.11	CD.AA	105,653	3	35,218
Intelex Phase 4 - OSHA	2021.12	CD.AA	10,799	3	3,600
Microsft Prod. Updts-ECPS Pk1	2021.08	CD.AA	313,819	3	104,606
MobilityintheField-2021 Pkg 1	2021.06	CD.AA	518,715	3	172,905
MobilityintheField-2021 Pkg 2	2021.09	CD.AA	356,191	3	118,730
MobilityintheField-2021 Pkg 3	2021.12	CD.AA	209,719	3	69,906
Nipper Licenses	2021.11	CD.AA	11,703	3	3,901
Or. Primavera Cloud Imp. Ph. 1	2021.09	ED.AN	97,036	3	32,345
Password Filtering	2021.05	CD.AA	67,096	2	33,548
Rate Tool - Load Study	2021.08	CD.AA	25,970	3	8,657
Tableau Creator/Upgrade 2021	2021.05	CD.AA	17,031	3	5,677
Virtual Hold System Refresh	2021.08	CD.AA	422,910	3	140,970
			6,975,984		2,390,169

Table No. 2

Software Package Project	Washington Electric Allocation *		Washington Gas Allocation *	
	Allocated Asset Cost	Annual Amortization Expense	Allocated Asset Cost	Annual Amortization Expense
ABB Sendout Replacement	102,964	34,321	49,201	16,400
811 Risk Tool	8,033	2,678	3,839	1,280
App Dynamics Enhancements 20	11,926	3,975	5,699	1,900
Articulate 360 Upgrade 2021	4,675	1,558	2,234	745
CFT: Outage Resiliency 2021	168,605	56,202	80,568	26,856
DDoS Protection	25,145	8,382	12,016	4,005
Digital Channel Pkg 1 2021	667,498	222,499	318,964	106,321
Digital Channel Pkg 2 2021	756,183	252,061	361,342	120,447
Endpoint Protection	153,844	76,922	73,514	36,757
FERC Reporting & SSO Imp.	1,721	574	822	274
GIS Enhancements 2021 Pkg 1	130,059	43,353	62,149	20,716
GIS Enhancements 2021 Pkg 2	141,776	47,259	67,748	22,583
GIS Enhancements 2021 Pkg 3	130,494	43,498	62,357	20,786
Intelex Ph. 3 - Inspections	50,487	16,829	24,125	8,042
Intelex Phase 4 - OSHA	5,160	1,720	2,466	822
Microsft Prod. Updts-ECPS Pk1	149,958	49,986	71,658	23,886
MobilityintheField-2021 Pkg 1	247,868	82,623	118,444	39,481
MobilityintheField-2021 Pkg 2	170,206	56,735	81,333	27,111
MobilityintheField-2021 Pkg 3	100,214	33,405	47,887	15,962
Nipper Licenses	5,592	1,864	2,672	891
Or. Primavera Cloud Imp. Ph. 1	46,368	15,456	22,157	7,386
Password Filtering	32,062	16,031	15,321	7,660
Rate Tool - Load Study	12,410	4,137	5,930	1,977
Tableau Creator/Upgrade 2021	8,138	2,713	3,889	1,296
Virtual Hold System Refresh	202,088	67,363	96,568	32,189
	3,333,474	1,142,142	1,592,900	545,773

* Allocation factor is from the calculated 4 factor allocation on plant assets for the 2021 calendar year, 47.785% for Washington Electric, 15.090% Washington Gas. PT Ratio for ED.AN allocates 65.54% to Washignton Electric.

C. Software Details

New Licenses – The following software projects were for licenses purchased and implemented on the project.

ABB Sendout Replacement – This software project replaced the ABB Sendout system (antiquated, requiring "band aid" fixes, reached end-of-life) used by Energy Supply, with Plexos. A new license for Energy Exemplar software was purchased on a three-year contract signed in May 2021. Payment for the license and maintenance amounted to $205,046, with $164,037 being capitalized.   The remaining $41,009 was held as prepaid O&M expense, amortized over the life of the contract.

New Software as a Service Contracts – The following software projects were for new SAAS contracts implemented.

DDoS Protection - This project will provide Distributed Denial of Service (DDoS) protection for Avista's corporate networks. Avista has seen an increase in both targeting and sophistication additional support can help ensure no issues. As a new contract was signed for the services provided, fees expensed during the implementation period were capitalized to the software asset. A three-year contract was signed in August of 2021, with a remaining life of the contract rounding to three years when the software went live. The total paid for the contract was for $122,000, with $5,785 being capitalized. The remaining $116,215 is considered a prepaid expense, and amortized as expense over the life of the contract.

Endpoint Protection - This project updated the workstation Endpoint Protection systems intending to provide a consistent user experience both on the corporate network and off. As a new contract was signed for the services provided, fees expensed during the implementation period were capitalized to the software asset. A three-year contract was signed in October of 2020, with a remaining life of the contract rounding to two years when the software went live. The total paid for the contract was for $886,590, with $26,819 being capitalized. The remaining $859,771 is considered a prepaid expense and amortized as expense over the life of the contract.

FERC Reporting & SSO Imp. – This project will implement the Systrends solution for FERC Compliance Reporting with Single Sign On (SSO) as part of Avista's cyber security policy and standards. This is a month-to-month software as a service agreement with Systrends, going through October 2024. This software project amounted to $3,601 through December 2021 specific to implementation costs, with none of the contract costs being capitalized.

Oracle Primavera Cloud Imp. Ph. 1. – Implementation of Oracle Primavera Cloud (OPC) for GPSS and Substation to provide visibility into the initiation and planning of projects, corresponding impact on resources, accomplish long range project planning, as well as other benefits. This contract was for $189,540, of which $21,060 was capitalized with the $75,976 of implementation costs amounting to a total of $97,036.

Upgrades and Enhancements to existing Software – The following software projects for both licensed and SAAS software solutions and were capitalized as enhancements to existing software assets.

811 Risk Tool – The 811-risk tool is a software risk analysis tool that is designed to evaluate the potential consequences and likelihood of excavation damage for every 811-ticket. Development began in 2020 in response to a NPV from the OPUC, which the company received earlier. The program is built on the ESRI, which was a license purchased on a $2,000,000 contract signed and paid in full in 2019.   There was a total of $16,812 specific to implementation costs to these enhancements, having no capitalized portion of the initial contract.

App Dynamics Enhancements 2021– AppDynamics is an Application Performance Monitoring tool that is used to monitor our critical business applications. The need to provide continuous enhancements is required to meet business needs that service our customers. The original contract was signed in 2020 and paid in full in the amount of $672,942. This installment amounted to $24,957 specific to implementation costs, having none of the original contract capitalized within this software asset.

Articulate 360 Upgrade 2021 – The Articulate 360 software application is used to create polished interactive training content. This application requires regular packaging of the desktop client due to multiple significant vendor released upgrades throughout the year.   This is an update and enhancement to a software license purchased from Articulate in 2019, in which Avista paid in full $41,737. This software project amounted to $7,777 specific to implementation costs.

CFT: Outage Resiliency 2021 – Effective electric power outage communication channels are imperative for customer safety and customer satisfaction. These channels enable customers to report an outage, check outage status or view an outage map. The primary outage communication channels at Avista are the myAvista.com website, the Avista mobile application, as well as email and text communication tools. These tools are intended to be effective, user friendly channels which will continually improve customer satisfaction and experience. This is an update and enhancement to a software license purchased from Sitecore in 2019, in which Avista paid in full $333,000.   This software project amounted to $352,841 specific to implementation costs.

Digital Channel Pkg 1 2021 – This program is to provide additional energy insights to customers. Avista's primary digital communication channels are comprised of the myAvista.com website, the mobile application, as well as email and text communication tools. This is an update and enhancement to a software license purchased from Sitecore in 2019, in which Avista paid in full $333,000.   This software project amounted to $1,396,878 specific to implementation costs.

Digital Channel Pkg 2 2021 – This program is to provide additional energy insights to customers. Avista's primary digital communication channels are comprised of the myAvista.com website, the

mobile application, as well as email and text communication tools. This is an update and enhancement to a software license purchased from Tableau in 2018, in which Avista paid in full $148,294. This software project amounted to $1,582,469 specific to implementation costs.

GIS Enhancements 2021 Pkg 1 – This software additions were for enhancements to non-AFM Geographic Information Systems (GIS) Apps, and was the first of three in 2021. This is a specific enhancement adding additional functionality to our Esri software, which was a license purchased on a $2,000,000 contract signed and paid in full in 2019. This installment amounted to $268,447 specific to implementation costs, having a capitalized portion of the initial contract of $3,627 that was for technical advisory from the vendor.

GIS Enhancements 2021 Pkg 2 – This software additions were for enhancements to non-AFM Geographic Information Systems (GIS) Apps, and was the second of three in 2021. This is a specific enhancement adding additional functionality to our Esri software, which was a license purchased on a $2,000,000 contract signed and paid in full in 2019. This installment amounted to $296,695 specific to implementation costs, having none of the original contract costs capitalized.

GIS Enhancements 2021 Pkg 3 – This software additions were for enhancements to non-AFM Geographic Information Systems (GIS) Apps, and was the third of three in 2021. This is a specific enhancement adding additional functionality to our Esri software, which was a license purchased on a $2,000,000 contract signed and paid in full in 2019. This installment amounted to $273,086 specific to implementation costs, having none of the original contract costs capitalized.

Intelex Ph. 3 – Inspections – This project implemented the Inspection module within Intelex, as well as UltiPro interface for required information, and prioritized enhancements to inventory pages, role-based workflow, and a specific Assessment form. This is a specific enhancement adding additional functionality to our Intelex software, which is a contract requiring annual payments for the $385,398 contract. This upgrade amounted to $105,653 specific to implementation costs, having none of the original contract costs capitalized.

Intelex Phase 4 - OSHA– This project will implement the Vaccine Tracker module within the Intelex Health and Safety system that will help track vaccine status, as well as exemptions and testing for employees. This is a specific enhancement adding additional functionality to our Intelex software, which is a contract requiring annual payments for the $385,398 contract. This upgrade amounted to $10,799 specific to implementation costs, having none of the original contract costs capitalized.

Microsft Prod. Updts-ECPS Pk1 – This project will allow Avista to upgrade and add functionality to Microsoft Products specific to Endpoint programs, such as Microsoft Teams. This is an update and enhancement to many Microsoft software licenses purchased from Microsoft. There had been multiple contracts for individual licensers, however all the updates were placed within an umbrella contract for the upgrades on a three-year agreement. This software project amounted to $45,023 specific to implementation costs.

Mobility in the Field 2021 Pkg-1 – This program enhances and increases mobility in the field functionality for our Gas and Electric Engineering/Operations Service Teams. This is another specific enhancement adding functionality to our Esri software, which was a license purchased on a $2,000,000 contract signed and paid in full in 2019. This software project amounted to $515,089 specific to implementation costs, having a capitalized portion of the initial contract of $3,627 that was for technical advisory from the vendor.

Mobility in the Field 2021 Pkg-2 – This program enhances and increases mobility in the field functionality for our Gas and Electric Engineering/Operations Service Teams, being the second of three in 2021. This is another specific enhancement adding functionality to our Esri software, which was a license purchased on a $2,000,000 contract signed and paid in full in 2019. This software project amounted to $356,191 specific to implementation costs, having none of the original contract capitalized to this software.

Mobility in the Field 2021 Pkg-3 – This program enhances and increases mobility in the field functionality for our Gas and Electric Engineering/Operations Service Teams, being the second of three in 2021. This is another specific enhancement adding functionality to our Esri software, which was a license purchased on a $2,000,000 contract signed and paid in full in 2019. This software project amounted to $209,719 specific to implementation costs, having none of the original contract capitalized to this software.

Nipper Licenses – 3-year renewal purchase of licenses for the existing security tool, Nipper, to test and validate the configuration settings on our firewalls, switches and routers. This installment came with updates and enhancement on the three-year license, which was paid in full for a total of $13,407. Of this amount, $10,726 was capitalized with the $977 of implementation costs, totaling $11,703.

Password Filtering – The purpose of this project is to increase password security and effectiveness in the Avista environment. Strong passwords increase security and compliance across the entire Avista network. This is an update and enhancement to a Microsoft software license purchased from Microsoft in 2019, in which Avista paid in full $481,896. This software project amounted to $59,003 specific to implementation costs.

Rate Tool - Load Study – Will be used to satisfy the requirements of WAC 480-85-050 and Class cost of service studies that are required components of general rate proceedings in Oregon, Washington, and Idaho. This is an update and enhancement to the Tableau software license purchased from Tableau in 2018, in which Avista paid in full $148,294. This software project amounted to $24,484 in implementation costs.

Tableau Creator/Upgrade 2021 – Tableau is used by various departments, including ET, for reporting. This software application requires regular packaging of the desktop as well as server clients due to multiple significant vendor released upgrades throughout the year. This is an update and enhancement to a software license purchased from Tableau in 2018, in which Avista paid in full $148,294. This software project amounted to $16,559 specific to implementation costs.

Virtual Hold System Refresh – Upgrading the current Virtual Hold/Call Back Assist System. This system is designed to mitigate the risk of lengthy customer hold times during peak call volumes. This is an update and enhancement to a software as a service contract renewed annually with Virtual Hold Technologies. The cost of the annual service was $43,250, however the enhancements that were implemented during this refresh amounted to $378,674.