Avista Utilities

Washington Software Short-Lived Asset Report

For the Year Ended December 31, 2022

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 January 2022 through December 2022.[2] Project names were used to identify the specific software intangible asset, as this is how the company tracks and capitalizes assets. Descriptions of each software

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[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.

[2] Software packages that transferred to plant from May 1, 2021 through December 31, 2021 were reported to the Commission on April 25, 2022 in Docket Nos. UE-200857 and UG-200858.

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.

All software packages transferred to plant in the year ended December 31, 2021 can be referenced in the April 1, 2022 report.

Table No. 1

Software Assets - Other than 5 year life			System Total		
Software Package Project	Placed in Service	Serv/Jur	Total Asset Cost	Amort. Life (yrs)	Annual Amortization Expense
Alation License Renewal	2022.09	CD.AA	67,003	2	33,502
API Management Expansion 2022	2022.12	CD.AA	33,728	3	11,243
Articulate 360 Upgrade	2022.08	CD.AA	6,859	3	2,286
AuditBond License Renewal	2022.05	CD.AA	16,605	3	5,535
CFT: Outage Resiliency 2022	2022.06	CD.AA	170,650	2	85,325
Citrix Intermediate System	2022.03	CD.AA	74,806	3	24,935
Conditional Access Neworking 1	2022.12	CD.AA	129,786	2	64,893
Devolutions License Renewal	2022.10	CD.AA	14,931	3	4,977
Digital Channel Pkg 1 2022	2022.06	CD.AA	2,141,472	2	1,070,736
Drip 7 Training & Prg Launch	2022.12	CD.AA	7,213	3	2,404
DSM Prgrms Phase 3 Residential	2022.09	CD.AA	278,065	3	92,688
ECPU - XPU Pkg 2	2022.11	CD.AA	103,414	3	34,471
Employee Text Msg Sys Imp	2022.06	CD.AA	259,775	3	86,592
ESRI ELA 2021	2022.01	CD.AA	1,845,222	3	615,074
ESRI UN Enhancements 2022	2022.12	CD.AA	535,169	3	178,390
GIS Enhancements 2022 Pkg 1	2022.07	CD.AA	424,652	3	141,551
GIS Enhancements 2022 Pkg 2	2022.11	CD.AA	328,793	3	109,598
Intelex Ph. 5 - Indust.Hygiene	2022.09	CD.AA	133,334	3	44,445
Microsoft Product Updts-ECS 21	2022.06	CD.AA	5,635	3	1,878
MobilityintheField2022 Pkg 1	2022.07	CD.AA	499,211	3	166,404
MobilityintheField2022 Pkg 2	2022.11	CD.AA	396,386	3	132,129
MPU - ECPS Pkg 2	2022.07	CD.AA	503,049	3	167,683
Netmotion License Renewal	2022.05	CD.AA	156,636	3	52,212
O365 License Renewal 2021	2022.02	CD.AA	1,800,610	3	600,203
Privilege Management Refresh	2022.12	CD.AA	92,275	3	30,758
SCCM Implementation for GPSS	2022.01	ED.AN	163,711	3	54,570
Schneider ELA 2022	2022.07	CD.AA	893,880	3	297,960
Security Splunk Renewal	2022.12	CD.AA	391,439	3	130,480
Teams Voice Implementation	2022.07	CD.AA	1,092,267	3	364,089
Telematics 2025 - Software	2022.01	CD.AA	57,951	3	19,317
Visual Studio License Renewal	2022.11	CD.AA	218,710	3	72,903
WF RES: Fire-Weather Dashbrd	2022.06	ED.AN	450,664	3	150,221
			13,293,900		4,849,452

Table No. 2

Software Package Project	Washington Electric Allocation *		Washington Gas Allocation *	
	Allocated Asset Cost	Annual Amortization Expense	Allocated Asset Cost	Annual Amortization Expense
Alation License Renewal	31,709	15,855	9,724	4,862
API Management Expansion 2022	15,962	5,321	4,895	1,632
Articulate 360 Upgrade	3,246	1,082	995	332
AuditBond License Renewal	7,858	2,619	2,410	803
CFT: Outage Resiliency 2022	80,760	40,380	24,766	12,383
Citrix Intermediate System	35,402	11,801	10,857	3,619
Conditional Access Neworking 1	61,421	30,711	18,836	9,418
Devolutions License Renewal	7,066	2,355	2,167	722
Digital Channel Pkg 1 2022	1,013,451	506,726	310,792	155,396
Drip 7 Training & Prg Launch	3,414	1,138	1,047	349
DSM Prgrms Phase 3 Residential	131,594	43,865	40,356	13,452
ECPU - XPU Pkg 2	48,941	16,314	15,009	5,003
Employee Text Msg Sys Imp	122,939	40,980	37,701	12,567
ESRI ELA 2021	873,251	291,084	267,797	89,266
ESRI UN Enhancements 2022	253,269	84,423	77,669	25,890
GIS Enhancements 2022 Pkg 1	200,967	66,989	61,630	20,543
GIS Enhancements 2022 Pkg 2	155,601	51,867	47,718	15,906
Intelex Ph. 5 - Indust.Hygiene	63,100	21,033	19,351	6,450
Microsoft Product Updts-ECS 21	2,667	889	818	273
MobilityintheField2022 Pkg 1	236,252	78,751	72,451	24,150
MobilityintheField2022 Pkg 2	187,590	62,530	57,528	19,176
MPU - ECPS Pkg 2	238,068	79,356	73,008	24,336
Netmotion License Renewal	74,128	24,709	22,733	7,578
O365 License Renewal 2021	852,138	284,046	261,322	87,107
Privilege Management Refresh	43,669	14,556	13,392	4,464
SCCM Implementation for GPSS	109,593	36,531	-	-
Schneider ELA 2022	423,029	141,010	129,729	43,243
Security Splunk Renewal	185,249	61,750	56,810	18,937
Teams Voice Implementation	516,916	172,305	158,521	52,840
Telematics 2025 - Software	27,425	9,142	8,410	2,803
Visual Studio License Renewal	103,505	34,502	31,741	10,580
WF RES: Fire-Weather Dashbrd	301,688	100,563	-	-
	6,411,866	2,335,179	1,840,179	674,080

* *Allocation factor is from the calculated 4 factor allocation on plant assets for the 2022 calendar year, 47.325% for Washington Electric, 14.513% Washington Gas. PT Ratio for ED.AN allocates 66.943% to Washignton Electric.*

C. Software Details

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

Alation License Renewal – Alation is an enterprise collaborative data platform within the Avista portfolio that is used to find, understand, and use the right data for more informed, timelier business decisions. It provides a machine-learning data catalog and data analytics, which is necessary for Avista to be able to continuously take on a more active and dynamic role in supporting customer activities. This software license renewal was purchased on a two-year contract signed in October 2022. Payment for the license and maintenance amounted to $113,142, with $66,970 being capitalized. The remaining $46,172 was held as prepaid O&M expense, amortized over the life of the contract.

AuditBond License Renewal – AuditBond Robotics Solution and Toolkit licenses are critical to Avista's daily business functions for automated audit management, workflow, planning, and reporting. This software license renewal was purchased on a three-year contract signed in January 2022. Payment for the license and maintenance amounted to $327,183, with $16,200 being capitalized. The remaining $310,983 was held as prepaid O&M expense, amortized over the life of the contract.

Citrix Intermediate System – This project will develop, test, and deploy upgraded General Electric energy management system for electric and gas system operations. This provides real-time monitoring and control of Avista's electric and gas transmission and distribution systems, Citrix. This software license renewal was purchased on a three-year contract signed in May 2021. Payment for the license and maintenance amounted to $67,708, with $58,423 being capitalized. The remaining $9,285 was held as prepaid O&M expense, amortized over the life of the contract.

Conditional Access Networking 1 – This project will increase the control of trusted devices accessing our various networks. It will implement wireless access capability to ensure availability across the Avista service territory in conjunction with the access management solution already in place and refresh the existing ISE licenses. This software license renewal was purchased on a three-year contract signed in June 2021. Payment for the license amounted to $10,163, with $10,163 being capitalized. There were no costs applied to prepaid O&M expense.

Devolutions License Renewal – Devolutions Remote Desktop Manager is currently used to centralize, manage and secure remote connection technology and access control on a platform that is secure, scalable, and user friendly. It allows Avista's Operations teams to manage and control access to the rising inventory of on-site and off-site servers, computers and devices. This software license renewal was purchased on a three-year contract signed in September 2022. Payment for the license and

maintenance amounted to $18,000, with $14,400 being capitalized. The remaining $3,600 was held as prepaid O&M expense, amortized over the life of the contract.

Digital Channel Pkg 1 2022 – 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 software license renewal was purchased on a two-year contract signed in March 2022. Payment for the license and maintenance amounted to $603,860, with $483,921 being capitalized. The remaining $119,939 was held as prepaid O&M expense, amortized over the life of the contract.

ESRI ELA 2021 – The renewal of ESRI (Environmental Systems Research Institute) licenses are necessary to continue ArcGIS (geospatial platform environment), add functionality and enhancements to existing tools or systems. The agreement is an annual payment model for 3-years and will improve visibility of the ESRI license purchases and better align project funding with prioritized work. This software license renewal was purchased on a three-year contract signed in January 2022. Payment for the license and maintenance amounted to $2,184,000, with $1,799,808 being capitalized. The remaining $384,192 was held as prepaid O&M expense, amortized over the life of the contract.

Netmotion License Renewal – Netmotion licenses are critical to Avista's daily business functions for several departments that use this tool for secure VPN (virtual private network) access to Avista's networks while in the field. This software license renewal was purchased on a three-year term contract signed in May 2022. Payment for the license and maintenance amounted to $193,167, with $152,815 being capitalized. The remaining $40,351 was held as prepaid O&M expense, amortized over the life of the contract.

O365 License Renewal 2021 – Microsoft Office 365 licenses are critical to Avista's daily business functions for communication, such as Microsoft Teams and Exchange Email and other important business functions. This software license renewal was purchased on a three-year term contract signed in January 2022. Payment for the license and maintenance amounted to $4,149,305, with $1,756,692 being capitalized. The remaining $2,392,613 was held as prepaid O&M expense, amortized over the life of the contract.

Schneider ELA 2022 – ELA applications are used by CPC's (Construction Project Coordinator) to design updates to Avista's Gas and Electric Distribution System, by Avista's Gas Controllers to respond to gas EOP (Emergency Operating Plan) events and by Network Engineers to have a digital record of our Networks including Fiber. This software license renewal was purchased on a three-year term contract signed in April 2022. Payment for the license and maintenance amounted to $1,090,000, with $872,000 being capitalized. The remaining $218,000 was held as prepaid O&M expense, amortized over the life of the contract.

Security Splunk Renewal – Splunk provides simplified threat management that facilitates quick threat detection and response to minimize risks to Avista's network. This software license renewal was purchased on a three-year term contract signed in September 2022. Payment for the license and maintenance amounted to $445,800, with $388,738 being capitalized. The remaining $57,062 was held as prepaid O&M expense, amortized over the life of the contract.

Teams Voice Implementation – Avista currently uses two systems, Microsoft Teams and Skype for voice, IM and chat. This project will decommission Skype as it is at its end of life in 2023, and enable Voice, Chat, Teams, SharePoint and OneDrive within Microsoft Teams. This software license renewal was purchased on a three-year term contract signed in January 2022. Payment for the license and maintenance amounted to $215,820, with $176,972 being capitalized. The remaining $38,848 was held as prepaid O&M expense, amortized over the life of the contract.

Visual Studio License Renewal – Microsoft Visual Studio is an integrated development environment that provides comprehensive capabilities for the Avista development teams, such as authoring, modifying, compiling, deploying and debugging software, within a single program. It provides integrated components with similar user interfaces, which maximizes productivity. This software license renewal was purchased on a three-year term contract signed in October 2022. Payment for the license and maintenance amounted to $814,870, with $218,492 being capitalized. The remaining $596,378 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.

Drip 7 Training & Prg Launch - This project will provide new and dynamic security awareness training to our employees and contractors. The current training is only refreshed annually and does not always keep pace with the ever-changing threat landscape. This solution will provide training opportunities in microbursts to users in addition to the annual security awareness training to fill the gaps and strengthen Avista's security posture. A three-year contract was signed in September of 2022, with a remaining life of the contract rounding to three years when the software went live. The total paid for the contract was for $72,352, with $5,158 being capitalized. The remaining $67,194 is considered a prepaid expense and amortized as expense over the life of the contract.

Employee Text Msg Sys Imp - This project will implement a mass notification system to be used in the event of an emergency, the system will allow for a text message to be sent to all employee's cellular phones. A three-year contract was signed in July 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 $68,607, with $1,634 being capitalized. The remaining $66,974 is considered a prepaid expense and amortized as expense over the life of the contract.

Telematics 2025- Software – This is the upgrade of telematics in vehicles. Includes installation of upgraded Zonar 4G inspection devices and new Geotab systems across the fleet. Project includes integration work to use vehicle location data in GIS and Assetworks. This is a three-year software as a service agreement with Ultimarc providing monthly support, maintenance and troubleshooting, going through May of 2024. This software project amounted to $57,951 specific to implementation costs, with none of the contract costs being capitalized.

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.

API Management Expansion 2022 – The API Management Tool requires regular enhancements, features, and optimization to ensure the application can scale to meet increasing business demands, as well as maintain reliability, compatibility, and security standards. The Application Programming Interface interconnects and exchanges data between multiple systems and platforms. The program is licensed through Mulesoft purchased on a $785,612 - three-year contract signed in May 2020 and paid up front. There was a total of $33,728 specific to implementation costs to these enhancements, having no capitalized portion of the initial contract.

Articulate 360 Upgrade – 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 $6,859 specific to implementation costs.

CFT: Outage Resiliency 2022 – 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 2022, in which Avista paid in full $603,860. This software project amounted to $170,650 specific to implementation costs.

DSM Prgrms Phase 3 Residential – This project will implement Demand Side Management residential software programs and rebate incentives. This SAAS solution is hosted by iEnergy, DSM Central and Trade Ally System. Commercial programs were implemented in 2018 and 2019, and this project will implement defined Residential Programs. This is a specific enhancement adding additional functionality, which is a contract requiring annual payments for the $648,900 contract. This upgrade amounted to $278,065 specific to implementation costs, having none of the original contract costs capitalized.

ECPU – XPU Pkg 2 – Endpoint Compute and Productivity Systems (ECPS) allows Avista's computing environment to maintain or exceed industry standard in protecting company and customer information. This program is to update the software products for functional productivity and reliability. This is an update and enhancement to a software license purchased from Absolute Software (formerly NetMotion) in 2022, in which Avista paid in full $172,935. This software project amounted to $103,414 specific to implementation costs.

ESRI UN Enhancements 2022 – This project provides enhancements and upgrades to support ESRI (Environmental Systems Research Institute) Utility Network Management Extension data model. The application is utilized for the Gas Foundation and requires regular upgrades to ensure we are maintaining the recommended version. This is a specific enhancement adding additional functionality to our Esri software, which was a license purchased on a $2,184,000 contract signed in 2022 with annual payments. This software project amounted to $535,169 specific to implementation costs.

GIS Enhancements 2022 Pkg 1 – This software additions were for enhancements to non-AFM Geographic Information Systems (GIS) Apps and was the first of two in 2022. This is a specific enhancement adding additional functionality to our Esri software, which was a license purchased on a $2,184,000 contract signed in 2022 with annual payments. This installment amounted to $424,652 specific to implementation costs, having none of the original contract costs capitalized.

GIS Enhancements 2022 Pkg 2 – This software additions were for enhancements to non-AFM Geographic Information Systems (GIS) Apps and was the second of two in 2022. This is a specific enhancement adding additional functionality to our Esri software, which was a license purchased on a $2,184,000 contract signed in 2022 with annual payments. This installment amounted to $328,793 specific to implementation costs, having none of the original contract costs capitalized.

Intelex Ph. 5-Indust.Hygiene – This project will deliver the Industrial Hygiene module, the UltiPro Interface, and the prioritized enhancements to the Intelex Health and Safety Management system. 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 $133,334 specific to implementation costs, having none of the original contract costs capitalized.

Microsoft Prod. Updts-ECS 21 – This project will allow Avista to upgrade and add functionality to Microsoft Products specific to communications, such as Microsoft Teams. This is an update and enhancement to a three-year agreement with Microsoft for multiple software license amounting to $4,149,305, paid annually. There had been multiple contracts for individual licensers, however all the updates were placed within an umbrella contract for the upgrades. This software project amounted to $5,635 specific to implementation costs.

Mobility in the Field 2022 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 $2,184,000 contract signed in 2022 with annual payments. This installment amounted to $499,211 specific to implementation costs, having none of the original contract costs capitalized.

Mobility in the Field 2022 Pkg-2 – 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 $2,184,000 contract signed in 2022 with annual payments. This installment amounted to $396,386 specific to implementation costs, having none of the original contract costs capitalized.

MPU-ECPS Pkg 2 – This project will allow Avista to upgrade and add functionality to Microsoft Products specific to communications, such as Microsoft Teams. This is an update and enhancement to a three-year agreement with Microsoft for multiple software license amounting to $4,149,305, paid annually. There had been multiple contracts for individual licensers, however all the updates were placed within an umbrella contract for the upgrades. This software project amounted to $503,049 specific to implementation costs.

Privilege Management Refresh – This project will refresh on-premises privilege management security tool - enhanced capabilities via cloud security solution. This provides a more secure system for real-time management of permissions, improved accountability, and controlled system access by people and assets. This is a specific upgrade and enhancement to our Beyond Trust software, which is a three-year contract for $112,378 paid in full. This upgrade amounted to $92,275 specific to implementation costs, having none of the original contract costs capitalized.

SCCM Implementation for GPSS – This project will allow Avista to upgrade and add functionality to Microsoft Products specific to Implement System Center Configuration Manager (SCCM) into the GPSS environment. SCCM will provide patches and upgrades to each computer remotely as well as manage current and future application and computer deployments for GPSS. This is an update and enhancement to a three-year agreement with Microsoft for multiple software licenses amounting to $4,149,305, paid annually. There had been multiple contracts for individual licensers, however all the updates were placed within an umbrella contract for the upgrades. This software project amounted to $163,711 specific to implementation costs.

WF RES: Fire-Weather Dashbrd – This software includes the development of a web-based computer application - electric fire-weather dashboard as part of the Wildfire Resiliency Plan. This work consists of two phases: 1) in-house ESRI based, and 2) TROVE consulting. This is a specific enhancement adding additional functionality to our Esri software, which was a license purchased on a $2,184,000 contract signed in 2022 with annual payments. This installment amounted to $450,664 specific to implementation costs, having none of the original contract costs capitalized.