

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

Avista Corporation d/b/a Avista  
Utilities

For an Order Authorizing Deferred  
Accounting Treatment Related to the  
Undepreciated Net Book Value of the  
Company's Existing Electric Meters

DOCKET UE-160100

PUBLIC COUNSEL'S RESPONSE  
TO AVISTA'S PETITION FOR  
ACCOUNTING TREATMENT

1. Avista Corporation d/b/a Avista Utilities (Avista) filed its Petition for Order Authorizing Deferred Accounting Treatment Related to the Undepreciated Net Book Value of the Company's Existing Meters (Accounting Petition) on January 20, 2016. Pursuant to WAC 480-07-370, Public Counsel files this Response to Avista's Accounting Petition.

**I. AVISTA CONTINUES TO SEEK A "PARTNERSHIP" WITH THE  
COMMISSION WITH RESPECT TO ITS DECISION TO MOVE FORWARD  
WITH ADVANCE METER INFRASTRUCTURE.**

2. During Avista's 2015 General Rate Case, Avista testified that its board of directors had not made a decision regarding investing in Advance Meter Infrastructure (AMI). Further, Avista's management suggested that the Company was "in partnership" with the Commission regarding the decision to move forward.<sup>1</sup> However, in Order 05, the Commission declined to make the Company's managerial decisions regarding whether to move forward with investment in AMI.<sup>2</sup>

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<sup>1</sup> Dockets UE-150204 and UG-150205, Order 05 at ¶ 192 (January 6, 2015).

<sup>2</sup> *Id.*

3. Avista's Accounting Petition presents a similar request as was presented in the General Rate Case. Just as it had not committed to the AMI investment during the General Rate Case, Avista has not committed to the AMI investment now. Indeed, Avista states that the AMI project is "on hold" pending decision in the current docket, and only if the Commission approves the Accounting Petition, will Avista move forward with the investment.<sup>3</sup>
4. Additionally, although Avista states that it has identified vendors through an RFP process, it has not yet executed agreements with the vendors.<sup>4</sup> Only if the Commission approves the Accounting Petition, Avista will execute agreement with vendors.<sup>5</sup> Once it executes contracts with vendors, Avista will be committed to removing and replacing its existing meters with new meters.<sup>6</sup> Currently, Avista is not committed to replacing the existing meters.
5. By making Avista's execution of contracts – i.e., commitment to the investment – contingent on the Commission's approval of its Accounting Petition, Avista continues to seek a decision from the Commission regarding whether it should invest in AMI. As the Commission noted in Order 05, "The responsibility for a decision to move forward with an investment rests with the Company."
6. Accordingly, Avista's Accounting Petition is not ripe for Commission decision. In Order 05, the Commission stated that Avista may file a "well-supported accounting petition" if the Company decides to procure new meters.<sup>7</sup> If Avista moves forward with replacing its existing meters, the Company may seek a decision from the Commission regarding whether it will be

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<sup>3</sup> Accounting Petition at ¶ 10.

<sup>4</sup> *Id.* at ¶¶ 9, 25, and n.7.

<sup>5</sup> *Id.* at ¶ 25.

<sup>6</sup> *Id.* at ¶ 15.

<sup>7</sup> Order 05 at ¶¶ 197 and 199.

allowed to defer the undepreciated amounts of the replaced meters in a regulatory asset account.<sup>8</sup> Cost recovery will be decided in a future proceeding, and Avista must demonstrate that its decision to move forward with the AMI investment is prudent at that time.<sup>9</sup>

7. Placing the investment on hold pending a Commission decision removes the decision-making responsibility from the Company and places it with the Commission. The Commission should again decline to make investment decisions for Avista. Once Avista enters into contracts with its chosen vendors, it may seek an accounting order from the Commission.<sup>10</sup>

## II. CONSIDERATIONS REGARDING THE AMOUNT TO BE TRANSFERRED INTO A REGULATORY ASSET AND THE AMORTIZATION PERIOD

8. Avista proposed to transfer the entire undepreciated amount of all of the existing electric meters into a regulatory asset.<sup>11</sup> Public Counsel is concerned that this may not be the most appropriate way to deal with meters that will be replaced over a number of years, as shown in Attachment E to the Accounting Petition. It may be more appropriate to transfer net plant amounts associated with the meters as they are replaced, recording the undepreciated amounts as a regulatory asset annually. Meters that remain in service will remain in rates until they are removed from service and added to the regulatory asset.

9. Additionally, as Avista correctly notes in its Accounting Petition, the amortization period should be determined in a future rate case.<sup>12</sup> While Avista states that it will propose an amortization period in its next rate case, it is important to note that consideration of the

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<sup>8</sup> *Id.* at ¶ 197.

<sup>9</sup> *Id.*

<sup>10</sup> Avista may execute the contracts contingent on Commission approval, making the effective date of the contract the date of a Commission order approving its accounting petition. But, Avista must take the step of committing to the investment before the Commission decides whether Avista should defer the undepreciated amounts of its existing meters.

<sup>11</sup> Accounting Petition at ¶ 25(3).

amortization period is most appropriate in the rate case in which the Commission evaluates the overall prudence of the AMI project. While Attachment F to the petition contemplates a ten year amortization period, we recommend the Commission clarify that the amortization period shall be determined in a future general rate case, when the prudence of the new meters is considered.

### III. CONCLUSION

10. Public Counsel understands that this matter may come before the Commission during an open meeting scheduled in March 2016. Public Counsel will continue to work with Avista, Staff, and any other interested stakeholder regarding this filing and may have additional comments to offer at the open meeting at which Avista's Accounting Petition is considered.

11. DATED this 10<sup>th</sup> day of February, 2016.

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