BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of Avista Corporation, d/b/a Avista Utilities For an Order Authorizing the Company to Revise its Electric s Book Depreciation Rates and Authorizing Deferred Accounting Treatment for the Difference in Depreciation Expense.	)	Docket No. UE-23_____ PETITION OF AVISTA CORPORATION

I. INTRODUCTION

1 In accordance with WAC 480-07-370, Avista Corporation, doing business as Avista Utilities ("Avista" or "Company"), at 1411 East Mission Avenue, Spokane, Washington, hereby applies to the Commission for approval of a proposed change to electric book depreciation rates.

2 Avista is a utility that provides service to approximately 406,000 electric customers and 267,000 natural gas customers in a 26,000 square-mile area in eastern Washington and northern Idaho. Avista Utilities also serves approximately 106,000 natural gas customers in Oregon. The largest community served by Avista is Spokane, Washington, which is the location of its main office.

3 Please direct all correspondence related to this Petition as follows:

David J. Meyer, Esq.
Vice President and Chief Counsel for
Regulatory & Governmental Affairs
P. O. Box 3727
1411 E. Mission Avenue, MSC 27
Spokane, Washington 99220-3727
Telephone: (509) 495-4316
E-mail: david.meyer@avistacorp.com

Patrick Ehrbar
Director of Regulatory Affairs
Avista Corp.
P. O. Box 3727
1411 E. Mission Avenue, MSC 27
Spokane, Washington 99220-3727
Telephone: (509) 495-8620
E-mail: patrick.ehrbar@avistacorp.com
AvistaDockets@avistacorp.com

4 Rules and statutes that may be brought at issue in this Application include RCW 80.01.040, RCW 80.28.020, RCW 80.04.350, and WAC 480-100-203(3).

5 A table of contents for this Petition follows:

II. BACKGROUND

6 The Commission is empowered to ascertain and determine the proper and adequate rates of depreciation of the Company's property used in the rendering of retail electric service under the provisions of RCW 80.04.350. Each utility under the Commission's jurisdiction is required to conform its depreciation accounts to the rates so ascertained and determined by the Commission. The Commission may make changes in such rates of depreciation from time to time as the Commission may find necessary.

7 The Company periodically completes a depreciation study and requests modifications to its depreciation rates. The Company last changed its electric depreciation rates in Washington effective April 1, 2019, in accordance with Order No. 04 (Modified) dated April 3, 2019, issued in Docket Nos. UE-180167 and UG-180168 (consolidated).

III. OBJECTIVE OF THE DEPRECIATION STUDY

8 Avista hired Gannett Fleming, Inc. to undertake a depreciation study of its depreciable electric, gas, and common plant in service as of December 31, 2021.[1] The Company typically conducts such depreciation studies at approximately five-year intervals. Summaries and detailed information of the study are included in Attachments A and B for all studied plant. The detailed Depreciation Study prepared by Gannett Fleming, Inc. is included with the Company's filing as Attachment C.

9 The objective of this study was to recommend depreciation rates to be utilized by Avista for accounting and ratemaking purposes. Further, sound accounting practice dictates periodic updates to depreciation rates to recognize additions to investment in plant assets and to reflect changes in asset characteristics, technology, salvage, removal costs, life span estimates and other factors that impact depreciation rate calculations. The depreciation rates approved by the Commission in 2019 were developed from a study based on depreciable plant balances as of December 31, 2016. Similar to these preceding studies, the annual accrual rates proposed in this filing were primarily calculated in accordance with the straight-line method of depreciation, using the average service life procedures and the remaining life basis, based on estimates which reflect considerations of historical evidence and expected future conditions.

[1] Gannett Fleming, Inc. is an independent subject matter expert in utility depreciation. Additionally, Gannett Fleming, Inc. is an expert in this geographical region, doing work for regional utilities (e.g., Puget Sound Energy, Idaho Power, and Northwest Natural Gas) and Avista for a number of years.

IV. STUDY RESULTS AND DETAILS

10 Table No. 1 below outlines the existing and proposed weighted depreciation rates, by functional group, for Washington electric plant.

Table No. 1 Weighted Group Depreciation Rates – Existing versus Proposed

	Weighted Group Depreciation Rates	
Functional Group	**Existing**	**Proposed**
Steam Production Plant[2]	4.31%	4.17%
Hydraulic Production Plant	2.19%	2.27%
Other Production Plant	3.59%	3.09%
Transmission Plant	2.07%	2.32%
Distribution Plant	2.63%	2.59%
General Plant	6.55%	6.41%

11 The depreciation Study consisted of the following phases and methods:

12 Phase One estimates the service life and net salvage characteristics for each depreciable group. This was done by compiling historical plant data and analyzing it to determine historical trends of survivor and net salvage characteristics. This phase also involves obtaining additional information from the Company's personnel relating to operations of the plant and making judgments of average service life and net salvage characteristics.

13 Phase Two calculates the composite remaining lives and annual depreciation accrual rates. This phase was done by using the straight-line remaining life method, using remaining lives weighted consistently with the average service life procedure.

[2] These totals omit the depreciation associated with production assets at Colstrip. As noted below, although Colstrip was reviewed for expected changes in salvage value and cost of removal, the depreciation expense and other accounting treatment was addressed in UE-220053 and the collective settlement approved in Final Order 10/04. This included accelerated depreciation of the production assets to an end of economic life of December 31, 2025.

14 The Company applied the revised depreciation rates to plant-in-service balances as of December 31, 2021. The results of the Study, as illustrated in Attachment A, show that the Company's current annual depreciation expense for its Washington electric service, would be decreased by approximately $44,700 as a result of setting the depreciation accrual rates at the recommended level.[3] This recommended change is necessary to update asset lives and existing depreciation accrual rates, which are currently based upon a depreciation study completed in 2018.

15 In addition to the changes in depreciation, the Study evaluated specific recovery amounts established for the reserve amortization for certain general plant accounts for electric, gas and common assets. In order to achieve a more stable accrual for certain general plant accounts in the future, the Study recommends a five-year amortization to adjust unrecovered or over-recovered reserves based on the amortization period by account. This approach will achieve consistent amortization rates for existing assets as well as future assets. The reserve for each of these accounts is segregated into two components. The first component is the amount required to achieve the proper rate for the amortization period. The remaining amount, which could be negative, is amortized over 5 years separately from the assets.

16 With regards to the 5-year recovery period, this is the most commonly established period and reflects the shortest amortization period for the related assets in amortization accounts. Therefore, the alignment of the reserve to the existing assets will be adjusted consistent with the time the assets are in service. In addition, five (5) years is a typical period of time that depreciation studies or rate cases are performed, so this filing is an appropriate opportunity to review the depreciation rates for

[3] The Company will review the impact of these updated depreciation rates on the electric pro forma capital additions approved in Docket No. UE-220053 and UG-220054, *consolidated*, and the amortization of the reserve, for calendar 2024, to determine if the expected net incremental impact to depreciation/amortization expense during the time the deferral will be in place would be materially different than shown in Table No. 2 above, and provide that to all parties during this proceeding.

all accounts. As shown in Table No. 2 below, the amortization of the electric reserve adjustment reduces amortization expense by $473,509.[4]

17 Table No. 2 below shows a summary of the change in expense between existing rates and the recommended rates, at an aggregate level by functional group. Attachment A shows the summary tables; Attachment B-1 shows the underlying detail, by FERC account;[5] and Attachment B-2 includes the supporting information for a general plant reserve adjustment.[6]

Table No. 2: Washington Electric - Adjustment for Proposed Study Rates

Functional Group		Total
Production Plant:		
Steam Production Plant	$	(424,030)
Hydraulic Production Plant	$	340,722
Other Production Plant	$	(565,345)
Total Production Plant	$	(648,653)
Transmission Plant	$	1,565,596
Distribution Plant	$	(577,854)
Total General Plant	$	229,968
Transportation	$	(613,763)
Subtotal Depreciation Expense	$	(44,706)
Reserve Amortization	$	(473,509)
Total Electric Plant	$	(518,215)

18 The overall net decrease in Washington electric depreciation is mainly driven by changes in net salvage values and average useful lives of production plant and distribution assets, offset by changes in salvage costs for transmission assets.

[4] *Ibid.*

[5] The Company accounts for transportation depreciation expense by allocating the overall costs to capital and to expense through a pooling process based on the actual usage of vehicles on specific projects.

[6] This adjustment is proposed to align the actual accumulated depreciation with the theoretical reserve associated with certain of the Company's general plant FERC accounts, and is proposed to be amortized over a five-year period.

V. COLSTRIP GENERATING UNITS 3 AND 4 DEPRECIABLE LIVES AND ASSET RETIREMENT OBLIGATIONS

19 Although the production assets at the Colstrip production plant were incorporated into the Company's depreciation study, per requirements of the Clean Energy Transformation Act (CETA) the determined end of economic life is December 31, 2025. Accounting for these assets was most recently determined in Docket UE-220053, and Avista is not proposing any adjustments to the levels approved within the Commissions' Final Order 10/04 for the General Rate Case. As illustrated in this table, the proposed depreciation rates reflect no changes in the assumed useful lives.[7]

	Current Economic Life - Terminal Year	Proposed Assumed Useful Life - Terminal Year
Colstrip Unit 3	**2025**	**2025**
Colstrip Unit 4	**2025**	**2025**

VI. IMPLEMENTATION AND DEFERRED ACCOUNTING FOR THE CHANGE IN DEPRECIATION EXPENSE

20 Avista has made similar filings with the Idaho Public Utilities Commission (IPUC) and the Public Utility Commission of Oregon (OPUC) concurrently with this filing. It is critical that the Company maintain uniform utility accounts and depreciation rates for common plant that are consistent among the Company's regulatory jurisdictions. In the event different depreciation rates or methods were to be ordered for allocated plant (a category which is primarily composed of production, transmission, intangible, and general plant assets serving multiple jurisdictions),

[7] The determination of an economic life of Colstrip Units 3 and 4 (2025) for depreciation purposes, says nothing about actual closure dates- therefore, no inferences should be drawn.

the result would require multiple sets of depreciation accounts and records that would need to be adjusted annually for changes in allocation factors, which would impose a costly administrative burden on the Company and unnecessary expense for the Company's ratepayers, as well as possible unrecovered or stranded costs. Of Washington's $3.5 billion in electric service plant at December 31, 2021, approximately $1.8 billion is allocated plant (of which $1.3 billion is production/transmission assets) and approximately $1.7 billion is Washington direct plant. Therefore, allocated plant represents approximately 51% of Washington's total electric plant balance. Of the overall net incremental decrease of $518,215, including the reserve adjustment, Washington direct plant depreciation expense represents a decrease of $711,196, offset by an increase of $192,981 in depreciation expense for Washington-allocated depreciation expense. Attachments A and B provide supporting information for these balances.

21 The Company requests that the Commission make its determination on depreciation rates by August 31, 2023, to commence Washington direct plant and allocated plant depreciation effective September 1, 2023, coincident with the implementation of depreciation rate updates in the Company's Idaho and Oregon jurisdictions. The Company anticipates the depreciation rates will be approved in Idaho and Oregon during 2023.

22 The Company requests that the difference between depreciation expense under current book depreciation rates and depreciation expense under the updated depreciation rates be deferred for later return or recovery from customers in a subsequent rate proceeding. With deferred accounting, the annual decrease in depreciation expense is estimated to be approximately $518,000 based on December 31, 2021 balances, as shown in the preceding table. The difference in depreciation expense would be set aside, on a monthly basis, for the

opportunity for future recovery or return to customers. The deferred depreciation expense will accrue a carrying charge at the Company's actual cost of debt while being deferred and during the amortization period, calculated semi-annually. The deferral of the difference in depreciation expense would begin in the month book depreciation rates are updated and continue until such time as new rates are included in base rates in the Company's next general rate case.

23 The monthly accounting entries for the electric deferral would be as follows:

Account Description	FERC Account	Debit	Credit
Regulatory Debit - Deferred Cost	407.3XX ED.WA	XXX	
Regulatory Liability - Deferred Costs	254.XXX ED.WA		XXX

24 The monthly accounting entries for the electric amortization would be as follows:

Account Description	FERC Account	Debit	Credit
Regulatory Liability - Deferred Costs	254.XXX ED.WA	XXX	
Regulatory Credit - Amortization of Costs	407.4XX ED.WA		XXX

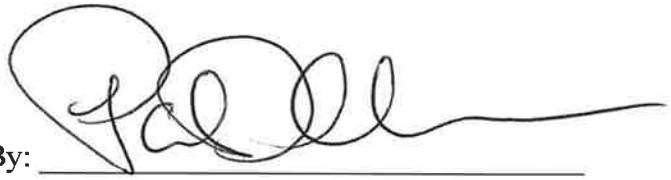
VII. REQUEST FOR RELIEF

25 WHEREFORE, Avista respectfully requests that the Commission issue an Order for the following:

a. Authorize the Company to update electric book depreciation rates to reflect the proposed depreciation rates, as described in this Petition.

b. Authorize the deferred accounting treatment detailed in this Petition related to the decrease in expense that will result from the change in electric depreciation rates. Avista will address the prudence and recovery of these costs in its next general rate case filing or other future proceeding, as appropriate.

DATED this 22nd day of February 2023



By: _____
Patrick D. Ehrbar
Director of Regulatory Affairs