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July 26, 2017

SENT VIA WEB PORTAL
Steven V. King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Dr. SW
P. O. Box 47250
Olympia, Washington 98504-7250

Re: *Avista Corporation, d/b/a Avista Utilities for an Order Authorizing Deferred Accounting Treatment related to the Company's Investment in Advanced Metering Infrastructure and Approval of Depreciation Rate,* Dockets UE-170327/UG-170328

Dear Mr. King:

Public Counsel files these comments on Docket UE-170327 concerning Avista Corporation's ("Avista" or "Company") accounting petition. The Company seeks: 1) Deferred accounting treatment for future deployment of its Advanced Metering Infrastructure ("AMI") system, 2) Deferred accounting treatment for the undepreciated net book value of existing gas meter modules, and 3) An adjusted depreciation rate for electric meter management software.

We appreciate the opportunity to offer comments on this issue for the Commissioners' consideration. Public Counsel concurs with Utilities and Transportation Commission Staff ("Staff"), and urges the Commission to reject Avista's petition.

Public Counsel's Recommendation

Reject Avista's accounting petition and requests for the following:

- Deferred Accounting of Investment in AMI,
- Deferred Accounting of Undepreciated Net Book Value of Existing Natural Gas Meter Communication Modules, and
- Approval of a Revised Depreciation Rate for AMI Meter Data Management Software.

It is inappropriate to take action on for these investments, as the Commission must first make a prudence determination. This regulatory principle should be upheld in order to prevent the risk of this investment from being shifted away from the Company and onto ratepayers.

Avista's request for deferred accounting treatment on AMI investments and gas-meter communication modules fails to follow basic regulatory principles and effectively seeks pre-approval for capital investments. The Company's petition goes beyond the scope of recovering operating expenses related to AMI deployment and instead seeks deferral for the full investment. Under Commission precedent, accounting deferrals are typically approved only when the investment is likely to receive Commission approval. Despite Avista's insistence that this is not a request for pre-approval, approval of this request would allow the company to take action on AMI-related costs without formal proceeding to determine prudence.

If the Commission approves Avista's petition but later deems the investment imprudent, the Company will still recover carrying costs. According to Avista's current projections, the Washington AMI project will cost at least $165.4 million. As a result, the carrying costs alone represent a significant financial burden passed on to ratepayers.

In addition to the concerns Staff addressed, it is inappropriate to approve Avista's proposed depreciation rate for the meter data management ("MDM") system software. The Company's benefit-cost analysis of AMI assesses the impact of a fully deployed system. In this petition, the Company requests the ability to depreciate the software's cost and, thus, collect from ratepayers beginning in the "latter half of 2017." However, the Company's internal estimates project the AMI system will not be fully deployed until 2021. Accordingly, it is currently impossible to evaluate and weigh the benefits of AMI and related software until deployment is complete, in 2021. As a result, this issue is not ripe for the Commission's consideration.

Public Counsel, as we have previously stated, is not prima facie opposed to AMI investments. However, the issue – as it applies to Washington – must be weighed after the system is fully deployed. Until that time, it is not used and useful, nor are the benefits to ratepayers adequately measurable. The Company wants ratepayers to bear the risk of an investment the Commission has not yet determined to be prudent.

Cost recovery for Avista's AMI investment should follow well-established regulatory principles. Once the project is complete and the investment is used and useful, the Commission can then weigh in and determine if cost recovery is appropriate. Ratepayers should not bear the risk of an investment that has not been fully evaluated for cost-effectiveness.

Sincerely,

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ARB:sl
Enclosures
cc: Service List (Via E-mail)