of approximately $3.7 million, that will need to be removed and retired and replaced with a new module as part of the AMI project.

31 Consistent with the accounting treatment that Avista obtained on the existing electric meters that will be retired as part of the AMI project, Avista requests approval, as detailed in Attachment B, of the following accounting treatment of the existing natural gas communicating modules:

a. As the natural gas communicating modules are removed from service during calendar years 2018 through 2021, the Company would transfer the undepreciated balance (investment less accumulated depreciation) of those modules to a regulatory asset account, FERC Account No. 182.3.

b. The calculation of the proper amount to record in FERC Account No. 182.3 would involve a continuation of depreciation for those modules that remain in place during the 2018-2021 change-out period.

c. The prudence and ultimate recovery of dollars recorded in the regulatory asset account (FERC Account No. 182.3) would be addressed in a future regulatory proceeding.

32 In addition, to prevent over recovery of depreciation expense in a future proceeding, Avista will track the difference between revenues collected on existing electric meters and natural gas modules through rates, compared to actual depreciation expense on these same existing electric meters and natural gas modules recorded on the Company's books during the deferral period. ~~This difference will be netted (or off-set) against any request for recovery of deferred depreciation related to existing electric meters and gas modules in a future regulatory proceeding.~~