**BEFORE THE**

**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| In the Matter of the Petition ofAvista 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 No. UE-160100AVISTA’S REPLY TO PUBLIC COUNSEL AND THEENERGY PROJECT |

1. Comes Now, Avista Corporation (hereafter “Avista” or “Company”) and respectfully responds to the comments of the Public Counsel Section of the Washington Office of the Attorney General (“Public Counsel”), and the comments of The Energy Project, both of which were filed on February 10, 2016.
2. Public Counsel, in its Response to Avista’s Petition, argues that, “Avista continues to seek a decision from the Commission regarding whether it should invest in AMI.” (See Response at para. 5) It then continues by arguing, among other things, that, “[p]lacing the investment on hold pending a Commission decision removes the decision-making responsibility from the Company and places it with the Commission.” (Id., at para. 7)
3. The Energy Project also objects to the request for deferred accounting, arguing that the “Avista petition asked the Commission once again to make the managerial decision for them.” (See letter dated February 10, 2016 from The Energy Project to the Commission)
4. Both Public Counsel and The Energy Project apparently misunderstand Avista’s request in this Docket, and as a result are mischaracterizing what the Company is requesting of this Commission. In response to Public Counsel and The Energy Project, Avista wants to be clear on what we are and what we are not requesting of the Commission.
5. What Avista is not requesting:

1. Avista is not requesting a “managerial” decision from the Commission of any kind. The Company plans to move forward with the Advanced Metering Infrastructure (AMI) project.

 2. Avista is not requesting pre-approval or a determination of prudence of any kind related to AMI in this Docket. We are not requesting a decision by this Commission related to recovery of costs of the existing meters, nor the costs associated with the new AMI investment. On page 5 of our Petition we stated:

 We also agree the obligation to demonstrate that both the decision to move forward was prudent, and the costs of installation are prudent, rest solely with the Company, and we will proceed on that basis.

 And on page 6:

 The recovery of the costs associated with both the AMI Project and the costs of the existing meters would be addressed in a separate, future regulatory proceeding. (emphasis in original)

 What Avista is requesting:

 1. Avista is requesting authorization from the Commission to move dollars currently recorded in FERC plant accounts to a FERC regulatory asset account at the time the Company signs an agreement with a vendor to replace the existing electric meters.

1. The effect of the Commission’s approval of Avista’s request changes nothing from the perspective of the Commission, as well as other stakeholders that may participate in future regulatory proceedings related to the determination of the prudence and the ultimate recovery of the costs associated with AMI and the existing electric meters – there is no determination of prudence in this Docket associated with AMI or the removal of the existing meters. As explained in the Company’s Accounting Petition, approval of Avista’s request simply allows the Company to comply with its understanding of the relevant accounting requirements related to “abandoned plant,” as presented by the Generally Accepted Accounting Principles (GAAP), the FERC Uniform System of Accounts, and accounting guidance published by the nationally recognized independent accounting firms of Deloitte and PricewaterhouseCoopers (PWC).
2. The accounting guidance makes it clear that once the Company makes a commitment to replace the existing electric meters, the meters become abandoned plant and must be removed from the FERC “plant accounts.” If there is no expectation by the Company of recovery of the costs, then the dollar amounts must be written off. If there is an expectation by the Company (but not a guarantee) of recovery of the costs, then it should be recorded in a regulatory asset account. PWC in particular states as follows: “The amount, if any, the regulated utility expects to recover should be recorded as a new regulatory asset.”[[1]](#footnote-2)
3. The accounting guidance, and Avista’s Accounting Petition in this Docket, is consistent with the direction provided to Avista by the Commission in its Order 05, where the Commission stated:

 Avista’s discussion ignores the Commission’s longstanding regulatory practice of reviewing and approving accounting petitions in a timely manner and deciding on the recovery of costs in a future proceeding. [[2]](#footnote-3) (emphasis added)

 The Commission further stated that:

 If the Company chooses to acquire new meters, it may file an accounting petition that requests the Commission issue an order determining whether the Company is allowed to defer the undepreciated amounts related to the replaced meters in a regulatory asset account. Our normal practice is to approve such a petition without undue delay, then decide on the recovery of costs in a future proceeding at which the Company must demonstrate that its acquisition was prudent and is used and useful.[[3]](#footnote-4) (emphasis added)

1. Avista has conducted a Request for Proposals (RFP) process and has selected a vendor to provide new AMI meters. Upon signing an agreement with the vendor, the investment in the existing meters will need to be immediately removed from FERC plant accounts, and recorded in a regulatory asset account.
2. Again, as stated earlier, the effect of the Commission’s approval of Avista’s request preserves the status quo related to the future obligation of Avista to demonstrate the prudence of all of its decisions related to AMI. The recovery of costs related to AMI, including the recovery of costs associated with the existing meters, will be determined in a future proceeding, following a demonstration by the Company that its AMI-related acquisition was prudent.
3. In conclusion, Avista respectfully requests that the Commission issue an Order authorizing the deferred accounting treatment detailed in its Petition related to the undepreciated net book value of the Company’s existing electric meters. The deferral would commence coincident with the signing of the new contract for AMI meters. The prudence and ultimate recovery of dollars recorded in the regulatory asset Account 182.3 would be addressed in a future regulatory proceeding.

 DATED this \_\_\_\_\_\_\_day of February 2016

 By: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 David J. Meyer

 Vice President and Chief Counsel for Regulatory

 and Governmental Affairs

1. Page 8, para. 18 of Avista’s Accounting Petition. [↑](#footnote-ref-2)
2. Order 05, page 69, para. 194 [↑](#footnote-ref-3)
3. Order 05, page 69-70, para. 197 [↑](#footnote-ref-4)