

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

AVISTA CORPORATION,

Petitioner,

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

DOCKET UE-160100

ORDER 01

ORDER GRANTING AMENDED
ACCOUNTING PETITION SUBJECT
TO CONDITIONS

BACKGROUND

- 1 On January 20, 2016, Avista Corporation, (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition requesting an order authorizing deferred accounting treatment of its remaining undepreciated net book value of its existing electric meters (Petition). The Company proposes an investment project that would retire and replace existing electric meters with new Advanced Metering Infrastructure (AMI) meters.¹ Under the Company's proposal, approximately 253,000 electric customers in the state of Washington would receive new meters. The Company also plans to upgrade its existing natural gas meters with digital communication modules.
- 2 On March 4, 2016, Avista filed with the Commission an amended petition seeking an accounting order authorizing deferral of the remaining net book value of its existing electric meters as the meters are removed from service, rather than immediately, to a regulatory asset account, Other Regulatory Assets – 182.3.² (Amended Petition). If the Amended Petition is approved, the Company intends to execute contracts with its selected AMI vendors for the advanced meters and supporting software. In its Amended Petition, Avista states that if the Company's Petition is granted, the installation of advanced meters and related infrastructure to support AMI will begin immediately on a four or five year schedule commencing in early 2017.³

¹ As of December 31, 2015, the remaining net book value of the existing electric meters is approximately \$21 million.

² See Attachment A to Commission Staff's Memo for a complete list of Avista's requests (March 4, 2016).

³ *Id.* at ¶ 11.

- 3 On February 10, 2016, Public Counsel and the Energy Project filed comments in this docket. Both parties expressed concerns that the Petition is not ripe for Commission decision because Avista has not yet executed contracts with its selected AMI vendors. Public Counsel argues that the lack of contracts shows that Avista is not committed to an AMI investment, and that the Commission should deny the Petition.
- 4 Public Counsel filed additional comments on March 7, 2016, in response to the Amended Petition. Public Counsel continues to recommend the Commission deny the Petition, but requests that any approval be conditioned on the Company's execution of contracts with its selected AMI vendors. Public Counsel further recommends the Commission clarify that any approval of the Petition is not intended to provide guidance on the Company's decision to move forward with its AMI investment. Public Counsel notes that while Avista provided cursory information regarding what it believes will be the benefits of AMI deployment, questions about the benefits and costs of the project should be thoroughly vetted in a future general rate case (GRC) proceeding where the Company will bear the burden of proof to substantiate the reasonableness of the proposed investment.
- 5 Commission staff (Staff) reviewed the Company's Amended Petition and recommends the Commission grant the Petition subject to the condition that Avista executes contracts with its AMI vendors and moves forward with its AMI investment.

DISCUSSION

- 6 We grant the Company's Amended Petition subject to several conditions, set forth below. We agree with Staff and Public Counsel that the Petition's approval should be conditioned on the Company executing vendor contracts, such that this Order is not effective until Avista executes the contracts. Accordingly, any proposed transfer of meter-related assets from the plant-in-service account to the regulatory asset account (182.3) would not take place until the date the contracts are executed. Attaching this condition addresses concerns about whether the Petition is ripe for Commission consideration by ensuring that the requested accounting treatment will only be allowed if and when the Company commits to make the proposed investment. This condition is also consistent with our decision in Order 05 in Docket UE-150204, in which we explained that "[i]f 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."⁴

⁴ *Washington Utilities and Transportation Commission v. Avista Corporation d/b/a Avista Utilities*, Dockets UE-150204 and UG-150205 (*Consolidated*), Order 05 ¶ 197 (January 6, 2016).

7 As Avista notes in its Amended Petition, however, the Federal Energy Regulatory Commission’s Uniform System of Accounts guidance on the recording of “regulatory assets” does not provide any guarantee that amounts recorded in a regulatory asset account will be recoverable in a future period.⁵ Accordingly, the Company should not interpret our decision here to imply that undepreciated amounts related to the meters that are changed out will be granted full cost recovery in a future GRC. Moreover, we note that our guidance in this Order should not be construed as precedential or in any way binding on the Commission with respect to accounting petitions generally.

8 While we appreciate Public Counsel’s concerns about whether the Company seeks premature guidance from the Commission about the prudence of replacing existing meters or the proposed investment in AMI, we believe the Company has adequately addressed those concerns. In its Amended Petition, Avista unequivocally states that: “[t]he decision to move forward with the AMI Project rests solely with the Company.”⁶ We concur. The decision to move forward with an investment rests solely with the Company’s management. That decision was not made by virtue of the Company filing its Petition, nor is it made by virtue of the Commission issuing this Order. When the Company decides to execute contracts with vendors, this Order simply provides the accounting treatment the Company may use to defer undepreciated costs associated with the removed meters.

9 Further, our decision in no way constitutes a preapproval of the Company’s AMI investment, and the Commission makes no finding regarding the prudence of the investment. Avista recognizes that a determination of prudence and the eligibility for recovery of any costs associated with the Company’s AMI investment will be addressed in a future regulatory proceeding. As the Company noted in its Amended Petition, “[w]e also agree the obligation to demonstrate both that 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.”⁷

10 Accordingly, we grant Avista’s Petition subject to the following conditions: 1) this Order is not effective until the Company executes contracts with vendors and moves forward with its AMI investment as outlined in its Amended Petition, and 2) for the duration of the project, the Company must file with the Commission an annual report by January 31 of each year, beginning January 31, 2017, documenting the actual number of meters

⁵ See 18 C.F.R. Part 101 – Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act.

⁶ Amended *Petition* of Avista Corporation, Docket UE 160100, ¶ 13.

⁷ *Id.*

retired in the previous calendar year and the net book value of those meters at the time of retirement.

FINDINGS AND CONCLUSIONS

- 11 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 12 (2) Avista is an electric company and a public service company subject to Commission jurisdiction.
- 13 (3) WAC 480-07-370(1)(b), allows companies to file petitions, including the Petition and Amended Petition Avista filed in this docket.
- 14 (4) Staff has reviewed the Petition and the Amended Petition in Docket UE-160100, including related work papers.
- 15 (5) Staff finds that Avista's Amended Petition is reasonable and should be granted, subject to the condition that Avista execute contracts with its selected AMI vendors and move forward with its AMI investment as outlined in its Amended Petition.
- 16 (6) This matter came before the Commission at its regularly scheduled meeting on March 10, 2016.
- 17 (7) After reviewing Avista's Amended Petition filed in Docket UE-160100 on March 4, 2016, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Amended Petition should be granted subject to the following conditions: 1) this Order is not effective until Avista executes contracts with vendors and moves forward with its AMI investment as outlined in its Amended Petition, and 2) for the duration of the project, Avista must file with the Commission an annual report by January 31 of each year, beginning January 31, 2017, documenting the actual number of meters retired in the previous calendar year and the net book value of those meters at the time of retirement.

ORDER

THE COMMISSION ORDERS:

- 18 (1) Avista Corporation's Amended Petition to defer accounting the remaining net book value of its existing electric meters as the meters are removed from service to a regulatory asset account, Other Regulatory Assets – 182.3 is granted, subject to the condition that this Order is effective on the date Avista Corporation executes contracts with vendors and moves forward with its AMI investment as outlined in its Amended Petition.
- 19 (2) Avista Corporation must file with the Commission an annual report by January 31 of each year, beginning January 31, 2017, documenting the actual number of meters retired in the previous calendar year and the net book value of those meters at the time of retirement.
- 20 (3) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate, determination of costs, valuation of property claimed or asserted or to the possible recovery of, or return on, the amounts deferred to the regulatory asset.
- 21 (4) The Commission retains jurisdiction over the subject matter and Avista Corporation to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective March 15, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chairman

PHILIP B. JONES, Commissioner

ANN E. RENDAHL, Commissioner