Service Date: December 21, 2023

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of AVISTA CORPORATION, d/b/a AVISTA UTILITIES, Petitioner, For an Accounting Order Authorizing a Revision to Depreciation Rates and Authorizing Deferred Accounting Treatment for the Difference in Depreciation Expense	DOCKETS UE-230123 and UG-230130 ORDER 01 GRANTING AMENDED ACCOUNTING PETITIONS

BACKGROUND

1 On February 22, 2023, Avista Corporation, d/b/a Avista Utilities (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) petitions seeking to revise its Electric and Gas Book Depreciation Rates and Authorizing Deferred Accounting Treatment for the differences in depreciation expense under WAC 480-07-370(3) (Petitions). The depreciation rates filed by the Company would result in an overall decrease in annual depreciation expense for both electric and natural gas services in Washington. The Company requested an effective date of November 1, 2023, for its depreciation rates.

2 Avista filed a Depreciation Study (Study) with its Petitions based on plant balances as of December 31, 2021. Avista last performed a comparable study in 2018, Dockets UE-180167 and UG-180168, based on plant balances as of December 31, 2016.

3 Avista filed similar petitions in Oregon and Idaho. Since filing the Petitions, settlements were reached in Oregon and Idaho regarding direct plant depreciation rates. There were no changes to any of the common or allocated plant from the Company's "as-filed" study. Avista believes it is critical that the Company maintain uniform utility accounts and depreciation rates for common plant that are consistent among its regulatory jurisdictions.

4 The Study also evaluated specific recovery amounts established for the reserve amortization for certain general plant accounts for electric, gas, and common assets. 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 a more stable accrual for certain general plant accounts and consistent amortization rates for existing and future assets. Five years is a typical period of time that depreciation studies are performed and reflects the shortest amortization period for the related assets in amortization accounts.

5 Avista applied the revised depreciation rates to plant-in-service balances as of December 31, 2021. The Company projects an annual reduction in depreciation expense on the electric side of approximately $44,700. With the reserve amortization of ($473,509), the overall annual decrease in electric depreciation expense would be approximately $518,215 on a Washington allocated basis. Avista projects an annual reduction in depreciation expense on the natural gas side of approximately $562,589. With the reserve amortization of ($238,576), the overall annual decrease in natural gas depreciation expense would be approximately $801,165 on a Washington allocated basis.

6 The overall net decrease in 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. Accounting for Colstrip assets was determined in Dockets UE-220053, UG-220054, and UE-210854 (*Consolidated)*; therefore, Avista is not proposing any adjustments to the levels approved in the Commission's Final Order 10/04.[1]

7 The overall net decrease in natural gas depreciation is driven by changes in net salvage values for distribution plant assets (in particular natural gas mains) and increases in service lives for transportation equipment and useful lives of distribution plant assets.

8 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. The difference in depreciation expense would be set aside on a monthly basis and will accrue a carrying charge at the Company's actual cost of debt while being deferred and during the amortization period, calculated semi-annually.

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[1] In Final Order 10/04, although Colstrip was reviewed for expected changes in salvage value and costs of removal, the depreciation expense and other accounting treatment were addressed. The collective settlement was approved including accelerated depreciation of production assets to the end of its economic life of December 31, 2025. *WUTC v. Avista Corporation, d/b/a Avista Utilities*, Dockets UE-220053, UG-220054, UE-210854 (*Consolidated),* Final Order 10/04 ¶ 121 *see also* ¶¶ 126–127 (Dec. 12, 2022).

9 Because the proposed changes in depreciation rates result in a benefit to customers, the Company proposes to record the deferral in Federal Energy Regulatory Commission (FERC) Account 254, *Other regulatory liabilities.*

10 On August 14, 2023, the Company amended its Petitions (Amended Petitions) proposing to change the effective date from September 1, 2023, to January 1, 2024.

DISCUSSION

11 We grant Avista's Amended Petitions. The Company seeks approval of consistent depreciation rates for plant in each jurisdiction in which it operates because plant categories are allocated system-wide for ratemaking purposes. We agree with Staff that Avista applied the appropriate rate to each plant account to determine the depreciation expenses proposed in the Petitions. The Company appropriately proposes to record the deferral as a regulatory liability in FERC Account 254. Accordingly, we conclude that the depreciation plant rates are reasonable.

FINDINGS AND CONCLUSIONS

12 (1) The Commission is an agency of the state of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including natural gas companies.

13 (2) Avista is a public service company regulated by the Commission, providing service as an electric and natural gas company.

14 (3) The Commission has jurisdiction over the subject matter of this proceeding and over Avista.

15 (4) WAC 480-07-370(3) allows regulated companies to file petitions, including the Petitions Avista filed in these Dockets.

16 (5) Staff has reviewed the Petitions in Dockets UE-230123 and UG-230130, and the Company's Amended Petitions, including related workpapers.

17 (6) Staff submits that Avista's Amended Petitions should be approved, and the depreciation rates set forth in Attachment A to this Order should be adopted.

18 (7) This matter came before the Commission at its regularly scheduled meeting on December 21, 2023.

19 (8) After reviewing Avista's Amended Petitions filed in Dockets UE-230123 and UG-230130 and giving due consideration to all relevant matters and for good cause shown, the Commission finds that Avista's Amended Petitions should be granted because the depreciation rates set forth in Attachment A to this Order are reasonable and supported by the Depreciation Study.

ORDER

THE COMMISSION ORDERS:

20 (1) Avista Corporation, d/b/a Avista Utilities' Amended Petitions to revise its depreciation rates as set forth in Attachment A to this Order is granted. The rates will become effective on January 1, 2024.

21 (2) 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 Petitions be construed as an agreement to any estimate, determination of costs, valuation of property claimed or asserted.

22 (3) The Commission retains jurisdiction over the subject matter to effectuate the provisions of this Order.

23 The Commissioners, having determined this Order to be consistent with the public interest, directed the Acting Executive Director and Secretary to enter this Order.

DATED at Lacey, Washington, and effective December 21, 2023.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

KATHY HUNTER
Acting Executive Director and Secretary