

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: FEBRUARY 28, 2012

SUBJECT: AVISTA'S APPLICATION TO CHANGE THE DEPRECIATION METHOD OF ITS TRANSPORTATION EQUIPMENT, CASE NOS. AVU-E-12-03 AND AVU-G-12-02

On February 17, 2012, Avista Corporation (hereinafter "Avista" or "Company") submitted dual Applications seeking a Commission Order authorizing a proposed change in the depreciation method applied to its transportation equipment. The Company proposes an effective date for the proposed change of April 1, 2012.

APPLICATIONS

Avista states that the "Company periodically does a depreciation study and requests modifications to its depreciation rates." Applications at 2. Prior to the submission of these Applications, the last modifications of Avista's depreciation rates in Idaho occurred on January 1, 2008, pursuant to Commission Order No. 30498, dated February 6, 2008, Case Nos. AVU-E-07-11 and AVU-G-07-03. *Id.* "The prior depreciation studies and depreciation rate modifications have not included changes to the mileage-based depreciation rates applicable to transportation equipment." *Id.* Avista states that the "current mileage based rates have been in effect for over 50 years." *Id.*

Avista is proposing to switch the depreciation method applicable to transportation equipment from mileage-based depreciation rates to straight-line depreciation rates because "straight-line depreciation for transportation equipment is the standard method being used by other utilities." *Id.* at 2-3. Avista also contends that the change is necessary because it has contracted for the installation of a new computer software system to calculate depreciation and

that this new system would have to be modified “in order to accommodate mileage-based depreciation rates.” *Id.* at 3. This modification “would increase the cost of the new system and may delay its implementation.” *Id.*

Avista states that it “has determined straight-line depreciation rates . . . will produce approximately the same amount of depreciation expense on an annual basis as the current mileage-based rates currently produce.” *Id.* Avista included Attachment A to its Application which demonstrates “the various categories of transportation equipment and the determination of the proposed straight-line depreciation rates for the various categories.” *Id.*

Avista requests that the implementation of the new proposed straight-line depreciation rate be allowed once the new depreciation software system becomes operational. *Id.* The Company estimates that the new software system may become operational on July 16, 2012. *Id.* The Company proposes an April 1, 2012 effective date “so that the Company knows how to proceed with the design and implementation of the new depreciation software system.” *Id.*

Avista assures the Commission that “any proposed changes in the straight-line rates will be reflected in the Company’s next general rate case filing, or other filing that will request approval of the new rates that result from the depreciation study.” *Id.* at 3-4. The Company has made analogous filings with the Washington Utilities and Transportation Commission (WUTC) and the Oregon Public Utility Commission. *Id.* at 4. Avista states that it is important that the Company be allowed to maintain uniformity in accounting across its service territory and regulatory jurisdictions. *Id.* Finally, the Company requests that the matter be processed under the Commission’s Rules of Modified Procedure. *Id.*

COMMISSION DECISION

Does the Commission wish to process Avista’s Applications through Modified Procedure with a corresponding 21-day comment period?



Neil Price
Deputy Attorney General