

Avista Corp.  
1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-0500  
Telephone 509-489-0500  
Toll Free 800-727-9170



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IDAHO PUBLIC  
UTILITIES COMMISSION

VIA OVERNIGHT MAIL

October 31, 2007

Ms. Jean D. Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83702-5983

Re: Case Nos. AVU-E-07-11 & AVU-G-07-03  
Application of Avista Corporation for an Order Authorizing Change in Depreciation Rates

Dear Ms. Jewell:

Enclosed is Avista's Application for an Order Authorizing Change in Depreciation Rates. The filing consists of an original and seven copies of Avista's Application and nine copies of pre-filed testimony and exhibits. Also enclosed are three copies of supporting work papers.

Please direct any questions regarding this filing to Liz Andrews at (509) 495-8601.

Sincerely,

A handwritten signature in cursive script that reads "Kelly Norwood".

Kelly Norwood  
Vice President, State and Federal Regulation

Enclosure

c: See attached service list

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**CERTIFICATE OF SERVICE**

I **HEREBY CERTIFY** that I have served Avista Corporation's Application for an Order Authorizing a Change in Depreciation Rates by mailing a copy thereof, postage prepaid to the following:

Ms. Jean D. Jewell  
Commission Secretary  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83720-5983

Scott Woodbury  
Deputy Attorney  
Idaho Public Utilities Commission  
472 W. Washington  
Boise, ID 83702-0074

Pamela Mull  
Vice President & General Counsel  
Potlatch Corporation  
601 Riverside Ave., Suite 1100  
Spokane, WA 99201

Dated at Spokane, Washington this 31<sup>st</sup> day of October 2007.



\_\_\_\_\_  
Patty Olsness  
Rates Coordinator

1 David J. Meyer  
2 Vice President and Chief Counsel of  
3 Regulatory and Governmental Affairs  
4 Avista Corporation  
5 1411 E. Mission Avenue  
6 P. O. Box 3727  
7 Spokane, Washington 99220  
8 Phone: (509) 495-4316, Fax: (509) 495-8851

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9 BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

10 IN THE MATTER OF THE APPLICATION ) CASE NO. AVU-E-07-11  
11 OF AVISTA CORPORATION, dba AVISTA ) CASE NO. AVU-G-07-03  
12 UTILITIES, FOR AN ORDER )  
13 AUTHORIZING A CHANGE IN ) APPLICATION OF  
14 DEPRECIATION RATES ) AVISTA CORPORATION

15 **I. INTRODUCTION**

16 Avista Corporation, doing business as Avista Utilities (hereinafter Avista or  
17 Company), at 1411 East Mission Avenue, Spokane, Washington, pursuant to Section 61-525  
18 Idaho Code and Rule 52 of the Idaho Public Utilities Commission ("Commission Rules of  
19 Procedure") hereby applies to the Commission for approval of proposed changes to  
20 depreciation rates applicable to the Company's depreciable property. The Company requests  
21 the Commission issue an order approving the proposed changes to depreciation rates to  
22 coincide with the effective date of the depreciation rate changes in Washington, currently  
23 expected on January 1, 2008. Pursuant to Commission Rule of Procedure 201, the Company  
24 requests that this filing be processed under the Commission's modified procedure rules.

25 Avista is a utility that provides service to approximately 346,000 electric customers  
26 and 211,000 natural gas customers in a 26,000-square-mile area in eastern Washington and  
27 northern Idaho. Avista Utilities also serves 94,000 natural gas customers in Oregon. The

1 largest community served in the area is Spokane, Washington, which is the location of the  
2 corporate headquarters.

3 Communications in reference to this Application should be addressed to:

4 Kelly O. Norwood	David J. Meyer, Esq.
5 Vice President	Vice President and Chief Counsel of
6 State and Federal Regulation	Regulatory and Governmental Affairs
7 Avista Corporation	Avista Corporation
8 1411 E. Mission Avenue	1411 E. Mission Avenue
9 Spokane, Washington 99220	Spokane, Washington 99220
10 Phone: (509) 495-4267	Phone: (509) 495-4316
11 Fax: (509) 495-8851	Fax: (509) 495-8851
12 E-mail: <a href="mailto:kelly.norwood@avistacorp.com">kelly.norwood@avistacorp.com</a>	E-mail: <a href="mailto:david.meyer@avistacorp.com">david.meyer@avistacorp.com</a>

## 13 II. BACKGROUND

14 The Commission is empowered to ascertain and determine the proper and adequate  
15 rates of depreciation of the Company's property used in the rendering of retail electric and  
16 natural gas service under the provisions of Section 61-525 Idaho Code. Each utility under the  
17 Commission's jurisdiction is required to conform its depreciation accounts to the rates so  
18 ascertained and determined by the Commission. The Commission may make changes in such  
19 rates of depreciation from time to time as the Commission may find necessary.

20 The Company last changed its depreciation rates in Idaho effective September 9, 2004  
21 in accordance with Order No. 29602, issued in Case Nos. AVU-E-04-1 and AVU-G-04-1. In  
22 those cases, the Company agreed on rebuttal to adopt Staff's proposal to synchronize  
23 depreciation rates between states, so that Idaho rates would be changed to agree with rates  
24 approved by the Washington Utilities and Transportation Commission in Docket No. UE-  
25 991606. Those depreciation rates were based on a depreciation study from 1997.

26 Avista hired Gannett Fleming, Inc. to undertake a Depreciation Study (the Study) of  
27 its depreciable electric, gas and common plant in service as of December 31, 2004. The

1 objective of this assignment was to recommend depreciation rates to be utilized by Avista for  
2 accounting and ratemaking purposes. Workpapers, including the detailed Study prepared by  
3 Gannett Fleming, Inc., are included with this filing.

4 On April 26, 2007, Avista filed with the Washington Utilities and Transportation  
5 Commission (WUTC) a request for electric and natural gas rate increases in Docket Nos.  
6 UE-070804 and UG-070805. The proposed depreciation rates from the Study were  
7 incorporated into those filings. A Partial Settlement Stipulation between Avista,  
8 Commission Staff, and the other intervenors (the Parties) was filed on October 15, 2007, in  
9 which the parties agreed to accept the depreciation rates proposed in the Study, including a  
10 WUTC Staff proposed reduction in the negative net salvage values the Company used in  
11 determining new depreciation rates on four electric accounts, which results in lower  
12 depreciation accrual rates on those accounts than were proposed in the Study. These  
13 accounts include Account 311 – Structures & Improvements, Account 312 – Boiler Plant  
14 Equipment, Account 356 – Overhead Conductor & Devices, and Account 369 – Services.  
15 This filing incorporates those changes. On October 29, 2007, the Parties reached a  
16 settlement on all remaining issues in the case, including an agreement for the effective date  
17 of January 1, 2008. Neither the Partial Settlement Stipulation nor the Settlement Agreement  
18 in Washington has yet been approved by the WUTC.

19 In order for the Company to maintain uniform utility accounts, the depreciation rates  
20 for system-allocated plant (i.e. production, transmission, and certain general plant) must be  
21 uniform and consistent among the Company's Idaho and Washington regulatory  
22 jurisdictions. In the event different depreciation rates were ordered in these two states, it  
23 would result in multiple sets of depreciation accounts and records that would need to be

1 adjusted annually for changes in allocation factors, which would impose a costly  
2 administrative burden on the Company and unnecessary expense for the Company's  
3 ratepayers.

4 The Company's fixed assets books and records are maintained in an electronic system  
5 that is integrated with its financial books and records. The system requires that the approved  
6 depreciation rates be entered into the system prior to processing the current month's  
7 depreciation expense. The system does not allow for updating previous month's depreciation  
8 expense. The Company is proposing an effective date that would allow the change in Idaho  
9 depreciation rates to coincide with the effective date of rates approved by the WUTC in the  
10 Company's pending Washington general rate cases, currently expected on January 1, 2008.  
11 Avista has made a similar filing to update its depreciation rates in the Oregon jurisdiction,  
12 however, the timing of the change in depreciation rates does not need to be synchronized  
13 with Idaho and Washington's change since the impact to Oregon's common property  
14 depreciation expense is not material.

### 15 III. SUMMARY OF CHANGES IN DEPRECIATION RATES

16 The Study updates the Company's book depreciation accrual rates based on all plant  
17 in service as of December 31, 2006. The results of the Study show that the Company's  
18 current annual depreciation expense for its Idaho jurisdiction should be increased by  
19 approximately \$128,000 for electric property and decreased by approximately \$132,000 for  
20 natural gas property in order to set the depreciation accrual rates at the most appropriate level  
21 for assets in place as of December 31, 2006. Approval of the Study rates would be for  
22 accounting purposes only and would not impact customer rates at this time. The relatively  
23 small impact of these changes to depreciation rates would be reflected in Avista's next

1 general rate case.

2 Company witness Dave B. DeFelice, Senior Business Analyst, provides testimony  
3 addressing the Company's proposed depreciation rates and provides background information  
4 describing the depreciation study process. Mr. DeFelice is sponsoring Exhibit No. 101  
5 (Depreciation Expense – Electric), No. 102 (Depreciation Expense – Gas), No. 103  
6 (Depreciation Parameters) and No. 104 (Electric Accounts with WUTC Proposed Rates).

7 **IV. REQUEST FOR RELIEF**

8 WHEREFORE, Avista respectfully requests that the Commission issue a final Order  
9 determining:

10 The Depreciation Study recommendations regarding depreciation rates are the proper  
11 and adequate current depreciation rates for the Company; and

12 The Company shall reflect the depreciation rates proposed in the Depreciation Study  
13 in its accounts and records on the date that coincides with the effective date of the  
14 depreciation rate changes in Washington, currently expected on January 1, 2008.

15 The Company requests that the matter be processed under the Commission's  
16 Modified Procedure rules through the use of written comments.

17 Dated at Spokane, Washington this 31<sup>st</sup> day of October 2007.

18  
19 AVISTA CORPORATION

20 BY Kelly O. Norwood  
21 Kelly O. Norwood  
22 Vice President  
23 State and Federal Regulation  
24

