

BRANDON KARPEN
DEPUTY ATTORNEY GENERAL
IDAHO PUBLIC UTILITIES COMMISSION
PO BOX 83720
BOISE, IDAHO 83720-0074
(208) 334-0357
IDAHO BAR NO. 7956

RECEIVED
2017 AUG 22 AM 11:15
IDAHO PUBLIC
UTILITIES COMMISSION

Street Address for Express Mail:
472 W. WASHINGTON
BOISE, IDAHO 83702-5918

Attorney for the Commission Staff

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

**IN THE MATTER OF THE APPLICATION OF)
AVISTA CORPORATION DBA AVISTA) CASE NO. AVU-E-17-03
UTILITIES FOR AN ORDER AUTHORIZING A) AVU-G-17-02
CHANGE IN ELECTRIC AND NATURAL GAS)
DEPRECIATION RATES) COMMENTS OF THE
) COMMISSION STAFF**

The Staff of the Idaho Public Utilities Commission comments as follows on Avista Corporation dba Avista Utilities.

BACKGROUND

On June 19, 2017, Avista Utilities filed an Application requesting that the Commission approve changes to the Company's depreciation rates for electric and natural gas software property. Avista serves customers in Washington, Idaho and a small portion of Oregon. The Company requests that the Commission make a determination on the matter before the end of August.

Avista implemented its current customer software information system in February 2015 for both electric and natural gas service. The system supports several functions including billing, payment processing, collections, and customer service orders. The Company plans to implement a Meter Data Management (MDM) system in the second half of 2017. The Company proposes to depreciate the software investment associated with the MDM system over 12.5 years.

STAFF REVIEW AND ANALYSIS

The Meter Data Management system is a platform including both computer hardware and software applications for data management and integration with business systems such as billing and the Customer Service Information System (CIS). For the MDM implementation, current estimates indicate that the Idaho share of the MDM system will cost approximately \$1.5 million for hardware and approximately \$5.9 million for software. Prudence of the meter data management system will be evaluated in the general rate case. These comments will focus solely on the appropriate depreciation rates for the project.

The Company currently uses five-year group depreciation lives for both software and hardware related to computer equipment. Staff evaluated the current life and the proposed lives for both the hardware and software components. The MDM system is estimated to be completed in the latter half of 2017 and will probably be replaced in February 2030 at the same time as the CIS and billing systems are scheduled for replacement. Because the customer information system and the MDM system are inter-related, it is reasonable to use the same remaining 12.5-year life or 8% depreciation rate¹ for software components.

Staff also evaluated the five-year life used for hardware components. Although the Company and its depreciation consultant represent a five-year depreciation life for the hardware is still reasonable, Staff is aware that many servers are lasting for a longer period of time. To properly address the ongoing remaining life of various hardware components each hardware account needs to be fully studied in the next Depreciation Study. Preliminary work on the next Depreciation Study has begun with targeted completion in 2017. The full study data and results should be presented in the next depreciation case.

STAFF RECOMMENDATIONS

Staff recommends the MDM software remaining depreciation life be initially set at 12.5 years with a corresponding depreciation rate of 8 percent.

Staff recommends the MDM hardware life currently remain at five years.

¹ 8% is the rate for a 12.5 year life.

Staff recommends the Company be required to fully study all computer hardware and software computer components in the current depreciation study and present the data in its next depreciation case.

Respectfully submitted this 20th day of August 2017.



Brandon Karpen
Deputy Attorney General

Technical Staff: Terri Carlock
Bentley Erdwurm
Molly Tripp

i:umisc/comments/avue17.3_avug17.2bkbememt comments

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 22ND DAY OF AUGUST 2017, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF**, IN CASE NOS. AVU-E-17-03/AVU-G-17-02, BY E-MAILING AND MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

KELLY O NORWOOD
VP STATE & FED REG
AVISTA CORPORATION
PO BOX 3727
SPOKANE WA 99220-3727
E-MAIL: kelly.norwood@avistacorp.com

DAVID J MEYER
VP & CHIEF COUNSEL
AVISTA CORPORATION
PO BOX 3727
SPOKANE WA 99220-3727
E-MAIL: david.meyer@avistacorp.com



SECRETARY