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IDAHO PUBLIC
UTILITIES COMMISSION

Avista Corp.

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December 8, 2020

Jan Noriyuki, Commission Secretary
Idaho Public Utilities Commission
11331 W Chinden Blvd. Building 8, Suite 201-A
Boise, ID 83714

RE: Avista Utilities Reply Comments to Staff Comments in Case AVU-E-20-09 and AVU-G-20-06.

Dear Ms. Noriyuki:

Avista Corporation, doing business as Avista Utilities, submits these Reply Comments regarding comments submitted by the Staff of the Idaho Public Utilities Commission regarding Avista's application for an accounting order for approval of depreciation and amortization rates for investments in software.

Please direct questions on this matter to me at (509) 495-8601.

Sincerely,

/s/Elizabeth Andrews

Senior Manager, Revenue Requirements
Regulatory Affairs
liz.andrews@avistacorp.com

DAVID J. MEYER
VICE PRESIDENT AND CHIEF COUNSEL FOR
REGULATORY AND GOVERNMENTAL AFFAIRS
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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF)	CASE NO. AVU-E-20-09
AVISTA CORPORATION, D/B/A AVISTA)	
UTILITIES, FOR AN ACCOUNTING ORDER)	CASE NO. AVU-G-20-06
FOR APPROVAL OF DEPRECIATION AND)	
AMORTIZATION RATES FOR INVESTMENT)	REPLY COMMENTS OF
<u>IN SOFTWARE</u>)	AVISTA CORPORATION

I. INTRODUCTION

Avista Corporation, doing business as Avista Utilities (hereinafter “Avista” or “Company”), submits these Reply Comments regarding comments submitted by the Staff of the Idaho Public Utilities Commission (“Staff”) regarding the above referenced case.

II. BACKGROUND

On October 9, 2020, Avista applied for an order seeking Commission authorization to use an amortization period for its capitalized software license costs and capitalized software implementation costs that aligns with the life of the underlying contract for Information Technology (“IT”) services. The purpose of depreciation and amortization expense is to provide for recovery of the original cost of plant (less estimated net salvage) over the used and useful life of the property by means of an equitable plan of charges to operating expense. Intangible assets, including software, are amortized and tangible assets like plant, property, or equipment, are depreciated. Avista’s depreciation

rates were updated in 2019 (see Order No. 34276) but that case did not address the amortization period for capitalized software costs.

If cloud computing arrangements include a license for internal-use software, then the software license is capitalized over a five-year period under authorized accounting practices. Avista requests approval to use an amortization period for the license of internal-use software and implementation costs of cloud computing arrangements that reflect the actual useful life of the software arrangement. The Company anticipates this would cause the lives of its various software and other cloud computing arrangements and extensions to be amortized over periods from two to ten years.

The Company is not requesting a change to customers' rates at this time and will only begin to utilize the new amortization period for projects that become used and useful after obtaining Commission approval in all its jurisdictions: Idaho, Oregon and Washington, as most of these assets are common to all jurisdictions. The impact on amortization expense would be included in a future general rate case.

III. AVISTA'S REPLY COMMENTS

Avista appreciates and thanks Staff for their filed comments and agrees with their position, i.e., approve Avista's application allowing the Company to use amortization periods for its software licenses and its capitalized software integration costs that align with the length of the underlying license or contract. Avista also supports the Commission Staff's recommendation that if the contract length is indeterminate, the amortization period should default to five years.

IV. CONCLUSION

Avista respectfully requests the Commission approve the Company's Application allowing the Company to use amortization periods for its software licenses and its capitalized software integration

costs that align with the length of the underlying license or contract. If the contract length is indeterminant, the amortization period should default to five-years.

DATED at Spokane, Washington, this 8th day of December 2020.

AVISTA CORPORATION

A handwritten signature in black ink that reads "Patrick D. Ehrbar". The signature is written in a cursive style with a large initial "P" and "D".

By _____

Patrick Ehrbar
Director of Regulatory Affairs - Avista