

**BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON**

IN THE MATTER OF THE APPLICATION)
OF AVISTA CORPORATION D/B/A) DOCKET UM _____
AVISTA UTILITIES FOR APPROVAL) APPLICATION OF AVISTA CORPORATION
OF DEPRECIATION RATE)

I. INTRODUCTION

1 Pursuant to Sections 757.120, 757.125 and 757.140 of the Oregon Revised Statutes (ORS),
Avista Corporation, doing business as Avista Utilities (hereinafter Avista, Company or Applicant), at
1411 East Mission Avenue, Spokane, Washington, hereby applies for an accounting order from the
Public Utility Commission of Oregon (the “Commission”) for approval of a depreciation rate for the
software investment portion of its Meter Data Management System. The Company proposes to use a
straight-line depreciation rate over 12.5 years for this software investment, and requests approval of
this rate on or before August 31, 2017.

II. GENERAL INFORMATION

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

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Description of Business and Properties:

3 Avista is a utility that provides service to approximately 378,000 electric customers and 241,000 natural gas customers in a 26,000-square-mile area in eastern Washington and northern Idaho. Avista also serves approximately 101,000 natural gas customers in Oregon. The largest community served in the area is Spokane, Washington, which is the location of the Company's main office.

III. BACKGROUND

4 The Commission is empowered to ascertain and determine the proper and adequate rates of depreciation of the Company's property used in the rendering of retail electric and natural gas service under the provisions of ORS 757.140. Each utility under the Commission's jurisdiction is required to conform its depreciation accounts to the rates so ascertained and determined by the Commission. The Commission may make changes in such rates of depreciation from time to time as the Commission may find necessary.

5 Avista implemented its current customer information system, Oracle CC&B ("CC&B"), in February 2015, replacing the Company's legacy customer information system. CC&B supports functions including customer billing, payment processing, credit, collections, field requests, customer support, and customer service orders, among others.

6 Avista will implement a Meter Data Management ("MDM") system from Oracle in the second half of 2017. Oracle Utilities Meter Data Management ("Oracle MDM") is a platform including both computer hardware and software applications that provides robust data management capabilities. Oracle MDM gathers and processes data from any type, variety, or brand of meter

device. The application loads, validates, stores, and formats the data in ways that facilitate business processes. Meter data information from this system will be integrated with other Avista software applications that perform a range of business functions, such as customer billing and the web presentment of customer usage data. The primary integration will be with Oracle CC&B.

7 The MDM implementation will support the collection and storage of data from meters in all of Avista's jurisdictions and will serve as the system of record for customer usage data. This customer usage data will be integrated with CC&B to support the billing and customer support functionality of that system. Additionally, this system will enable appointment scheduling and optimized routing through the integration of the MDM's Service Order Management module with Oracle CC&B. A majority of the investment associated with the implementation of the MDM system is related to software. Because of the tight integration between the MDM system and the Company's Oracle CC&B system, the Company is proposing to depreciate the software investment associated with the MDM system over a 12.5 year time frame to align with the remaining useful life of the Oracle CC&B system.

IV. PROPOSAL

8 Under ORS 757.140, which authorizes the Commission to determine the proper and adequate rates of depreciation of property used by a public service company, the Commission may ascertain and by order fix the proper and adequate rates of depreciation of utility property. Each utility must conform its depreciation accounts to the rates ordered by the Commission.

9 Currently, the Commission has approved a depreciable life of five years for both software and hardware, with a depreciation rate of 20.0 percent. For the MDM implementation, current estimates

indicate that the Oregon share of the MDM system represents approximately \$0.5 million of hardware and approximately \$1.9 million of software.

10 As discussed earlier, the Company installed Oracle CC&B in February 2015. Based in large part on the trend of other utilities that installed the same type of system, the Company estimated the useful life of that system as 15 years. Avista proposed a depreciable life of 15 years for the software component of CC&B, with a depreciation rate of 6.6 percent, which the Commissions approved in each of the three states in which Avista operates. (For Oregon, see Final Order No. 15-109).

11 The Company plans to replace CC&B in February 2030, which would be at the end of its 15 year life. The Company believes the software component of the MDM system should also be replaced at that same time, given how the two systems are interrelated. Since the Company plans to implement the MDM system in the latter half of 2017, the life of the software would be 12.5 years, to ensure it is fully depreciated by February 2030. Therefore, the Company is requesting the Commission approve a depreciable life of 12.5 years for the software component of the MDM system, with an annual depreciation rate of 8.0 percent.¹ Once the MDM system is placed into service, Avista will begin depreciation on the investment. Therefore, an approved depreciation rate is necessary to have in the August 2017 timeframe (the point at which the implementation project is expected to be completed).

¹ This rate is the reciprocal of 12.5 years (i.e., $1 / 12.5 = 0.08$).

12 In discussions with its depreciation consultant, Gannet Fleming, Inc., the consultant indicated support for a 12.5 year life on the MDM software.² Avista will use its currently approved five-year life, or 20.0 percent depreciation rate, on the hardware component of the MDM system.

13 For administrative and economic efficiencies, the Company prefers to maintain uniform utility accounts, including depreciation rates, across its three state service territories. To maintain consistent depreciation rates across all states, the Company has requested to use a depreciable life of 12.5 years in Washington and Idaho. Avista anticipates receiving approval for this rate from these states for the software component of the MDM system, which is system-allocated plant. Maintaining consistent depreciation rates across all states is critical to avoid multiple sets of depreciation accounts and records that would impose a costly administrative burden on the Company and unnecessary expense for the Company's customers.

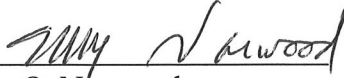
REQUEST FOR APPROVAL

14 WHEREFORE, Avista respectfully requests that the Commission issue an Order authorizing the Company's use of a 12.5 year depreciable life, with a depreciation rate of 8.0 percent, for the software component of the MDM system. The Company requests that the Commission make its determination on or before August 31, 2017.

² Avista is in the process of completing a depreciation study, which will include discussion of this life for the MDM system. Following the completion of the depreciation study, the Company will file for updated depreciation rates, which will include retail rate adjustments to reflect the overall impact of changes in depreciation rates. This application only seeks approval of the depreciation rate, and will not affect retail rates.

Dated at Spokane, Washington this 16th day of June 2017.

AVISTA CORPORATION

BY 
Kelly O. Norwood
Vice President of State and Federal Regulation

