

ORDER NO. 12 091

ENTERED MAR 13 2012

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1578

In the Matter of

AVISTA CORPORATION

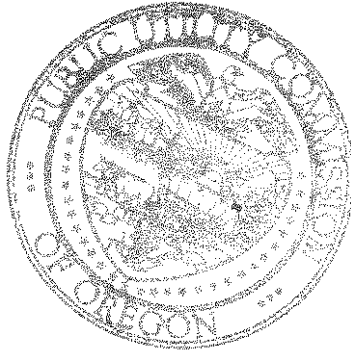
Application for a Change in the Depreciation  
Method Applied to Transportation Equipment.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on March 13, 2012, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter, attached as Appendix A.

BY THE COMMISSION:



*Becky L. Beier*

**Becky L. Beier**  
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA10

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 13, 2012**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: March 2, 2012

TO: Public Utility Commission

FROM: Ming Peng *MP*

THROUGH: *BC* Bryan Conway, *MH* Marc Hellman, and *SS* Steve Storm

SUBJECT: AVISTA CORPORATION: (Docket No. UM 1578) Request for an Order Authorizing the change in the depreciation method applied to transportation equipment.

**STAFF RECOMMENDATION:**

I recommend the Public Utility Commission of Oregon (Commission) approve Avista Corporation's (Avista or the Company) application to switch from mileage-based depreciation rates to straight-line depreciation rates for transportation equipment, subject to the following condition:

The Commission reserves judgment on the reasonableness for ratemaking purposes of the Company's depreciation and amortization rates, expenses and reserves. In its next depreciation study, the Company will be required to show that its rates, expenses and reserves are just and reasonable.

**DISCUSSION:**

Avista filed an application with the Commission on February 15, 2012, pursuant to Oregon Revised Statutes (ORS) 757.120, 757.125 and 757.140, requesting approval of a proposed change to the method used to calculate depreciation expense on transportation equipment. The Company is proposing to switch from mileage-based depreciation rates to straight-line depreciation rates for transportation equipment.

Under the provisions of ORS 757.140, "Each public utility shall 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 to be necessary."

Avista UM 1578  
March 2, 2012  
Page 2

### Summary Background

The Company periodically performs a depreciation study and requests modifications to its depreciation rates based on that study. The Company's last change in its Oregon depreciation rates was effective January 1, 2008, in accordance with Order No. 08-182 issued March 31, 2008, in Docket No. UM 1351. Prior depreciation studies and resulting depreciation rate modifications did not include changes to the mileage-based depreciation rates applicable to transportation equipment. Avista represents in the Company's application that the current mileage-based rates have been in effect for over 50 years.

The Company represents in its application that the requested straight-line depreciation rates will produce approximately the same amount of depreciation expense on an annual basis as that produced by the mileage-based rates currently in effect.

### Reason for Change of Method

Avista's depreciation rates for transportation equipment need updating to be consistent with the straight-line depreciation rates method for transportation equipment that is the standard method used by other U.S. utilities. Moreover, Avista is contracting to purchase a new computer software system to calculate depreciation, and the new software is not designed to use mileage-based depreciation rates. The Company represented in its application that modifying the software to accommodate mileage-based depreciation rates would increase the cost of the new system and may delay its implementation.

### Staff Analysis

The Company's application filed on February 15, 2012, meets the requirements of ORS 757.120, 757.125, and 757.140, and Staff has determined the reason for the requested change of methodology is valid and the proposed approach is consistent with the standard method being used by other U.S. utilities. The results of using the straight-line depreciation method are not materially different from those obtained using the mileage-based method. I recommend the Commission approve Avista's application.

### **PROPOSED COMMISSION MOTION:**

Avista's application for the authority to switch from mileage-based depreciation rates to straight-line depreciation rates for transportation equipment be approved with Staff's Condition.

UM 1578 - Avista's Application to Change the depreciation method applied to transportation equipment.