ORDER NO. 25-467

ENTERED Nov 25 2025

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 2396

In the Matter of AVISTA CORPORATION, dba AVISTA UTILITIES, Application for Authorization for Deferral of Costs Associated with an Enterprise Resource Platform.	ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on November 25, 2025, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Alison Lackey
Chief Administrative Law Judge

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 Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. CA11

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 25, 2025

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **November 25, 2025**

DATE: November 17, 2025

TO: Public Utility Commission

FROM: Rose Pileggi

THROUGH: Scott Gibbens and Matt Muldoon **SIGNED**

SUBJECT: AVISTA CORPORATION:
(Docket No. UM 2396)
Avista Corporation Application for an Order Authorizing Deferred Accounting.

STAFF RECOMMENDATION:

Staff recommends that the Oregon Public Utility Commission (the Commission) approve Avista Corporation's (Avista, or the Company) proposed Amended Application for an Order Authorizing Deferred Accounting and Ratemaking Treatment of Costs Associated with Investment in an Enterprise Resource Platform, as described in Docket No. UM 2396, effective November 25, 2025.

DISCUSSION:

Issue

Whether the Commission should approve Avista's amended request for an order authorizing deferral and amortization of certain new and existing software.

Applicable Law

Under ORS 757.259(2)(e), the Commission may authorize a utility to defer identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

ORS 757.259(5) states that unless subject to an automatic adjustment clause, amounts deferred under ORS 757.259 shall be allowed in rates only to the extent authorized by the

Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. The Commission may require that amortization of deferred amounts be subject to refund. The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Notice of the application must be provided pursuant to OAR 860-027-0300(6). A deferral may be authorized under ORS 757.259(2) for a period not to exceed 12 months beginning on or after the date of application.

Analysis

Avista filed its initial application in Docket No. UM 2396 on July 1, 2025. As discussed below, after discussion involving Staff, the Company, and the Alliance of Western Energy Consumers (AWEC), as well as some efforts to ensure consistency with other jurisdictions, an agreement was reached to amend the initial application. Such agreement involved incorporating aspects of the treatment Avista received from the Washington and Idaho commissions, and adjusting that to meet Oregon's needs. An updated amended application was filed November 14, 2025.[1]

While the subject of the application remains the same, the requests were altered such that the Company, Staff, and AWEC were able to maintain this docket as a consent agenda item. The Company's application comes as the legacy software systems at Avista are facing costs to maintain the systems that are higher than the costs for the Company to pursue broad enterprise-wide cloud-computing Enterprise Resource Platform (ERP). The Company makes five requests of the Commission in the amended application:

1) Authorize deferral treatment of the existing undepreciated enterprise software being retired as a result of implementing the ERP system,
2) Authorize amortization of the existing software recorded as a regulatory asset beginning immediately upon retirement matching the current depreciation schedule, and making the balance and amortization schedule subject to review and potential modifications in a future rate proceeding,
3) Authorize deferral treatment for the undepreciated balance of additional capital expenditures necessary to continue operations of existing enterprise systems to be retired without a carrying charge. Avista may seek rate base treatment for the corresponding regulatory asset in subsequent general rate case proceedings in a manner similar to all other capital additions incurred between rate cases,
4) Authorize a depreciable life of the ERP system to be a 15-year useful life including both implementation and hosting fees, and
5) Allow deferral of the cost of hiring an implementation consultant to perform project scoping activities in advance of contract execution, excluding any internal labor and O&M expense.

[1] Docket No. UM 2396, Avista Corporation Application for an Order Authorizing Deferred Accounting, July 1, 2025 accessed at: https://apps.puc.state.or.us/edockets/DocketNoLayout.asp?DocketID=24625.

The Company notes in its application that it will not seek deferral of ongoing cloud computing expenses associated with the new ERP system at this time, but will submit such a request closer to the in-service date for the new ERP, when the scope of the expenses in question is more known, or three months prior to when the ERP system goes into service.[2]

Staff generally agrees that Avista's legacy software is outdated, and as technological advancements, operating systems, and technological threats evolve, either maintenance or upgrade expenses would be normal events for the Company's enterprise software. The Company conducted studies and found that the long-term costs of maintaining on-premise enterprise systems were more expensive than the costs to migrate to and maintain cloud-based alternatives. A five-year, total cost of ownership analysis found that the savings associated with moving to a cloud-based system ranged between $51 million and $79 million.[3]

In the initial application, the Company requested certain items that raised concerns with Staff, including:

1) Abandonment accounting used for legacy software,
2) The proposed 15-year depreciable life of the ERP,
3) Depreciation expense beginning in the month that the first transfer to plant of the ERP investment occurs and continuing monthly until the plant is included in retail rates in a future general rate case proceeding, and
4) Deferral and capitalization of ongoing ERP costs in a regulatory asset.

In its application, the Company states that, when Avista executes an agreement with a software vendor, it will be committed to removing and replacing the existing software systems, which will trigger certain accounting to occur under Generally Accepted Accounting Principles (GAAP)—Accounting Standard Codification (ASC) 980-360-35. ASC 980-360-35-1 states that, "when it becomes probable (likely to occur) that an operating asset or an asset under construction will be abandoned, the cost of that asset shall be removed from construction work-in-progress or plant-in-service."[4] After review, Staff finds that the abandonment accounting is applicable to the existing legacy systems. As of December 31, 2024, the undepreciated Net Book Value (NBV) of the systems was approximately $126 million, or $11.9 million on an Oregon-allocated basis.[5] By the estimated early-2028 go-live date of the new ERP system, the remaining Oregon-allocated NBV of the legacy systems is estimated at $2.3 million, not including any capital additions required to maintain the systems before the system migration.

While the Company is currently authorized to amortize software over the software contract term, Avista points out that the useful period of implementation costs associated with the software may be different than the contract term of the software. The requested use of a

[2] *Id*, at 1-2.
[3] *Id*, at 7.
[4] *Id*, at 9-10.
[5] *Id*, at 8.

15-year depreciable life of the ERP would aid in spreading the costs of the software across the expected useful life. Staff was initially concerned that the longer dated life might result in stranded costs, however, the Company has demonstrated a long-term commitment to its existing software, outlasting the term of the requested life to be used in conjunction with the new ERP system. Additionally, if the Company migrates from the new ERP in the future, some of the costs associated with the current migration would be useful in reducing future migration costs, as it would be migration from one unified system rather than from each of the existing bits and pieces in use today.

In the initial application, Avista requested that depreciation expense start in the first month of investment in the new ERP, until it is added to rate base in a future General Rate Case (GRC) proceeding. Staff was concerned that such a request would constitute some degree of implied approval of the project costs, prior to the prudence review to be conducted during the future GRC in which the project would be added to rate base, and that it would be inconsistent with other capital project treatment. After conversations with various stakeholders, Avista agreed to remove this request.

Requested in the initial application was a deferral and capitalization of ongoing ERP costs in a regulatory asset. Staff was concerned that such a request at this time was premature, as neither the costs nor scope are readily estimable. Additionally, Staff was concerned that capitalization of the costs, prior to a prudence review, might create blanket coverage for these costs, and undermine future review.

Within the amended application comes a newly differentiated request: to allow deferral of the cost of hiring an implementation consultant, excluding internal labor and O&M expense. This is the direct result of AWEC's filed comments, requesting that Avista modify the treatment requested to "limit the deferral of pre-contract Operations and Maintenance ("O&M") expense for the new ERP system to the cost of hiring an implementation consultant to perform project scoping activities in advance of contract execution, excluding any internal labor and O&M expense."[6] Staff agrees that the limit is appropriate, and supports this modification to the application.

Given the changes of the amended application, Staff does not expect any changes in rates at the present time, as no costs will be amortized other than what is currently included in rates, and finds that the deferral treatment requested in the application is not against the interest of Avista's customers, and does not request abnormal treatment of costs prior to a prudency review.

Conclusion

Staff finds that the revisions proposed in this amended application meet the requirements of applicable law and previous Commission Orders. Based on its review of this filing, and the filings made in other jurisdictions, Staff recommends approval of Avista's proposed amended application.

PROPOSED COMMISSION MOTION:

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6 Alliance of Western Energy Consumers' comments at 3.

Approve Avista's amended application for deferral treatment and amortization of enterprise level software, as filed in Docket No. UM 2396, effective for service rendered on and after November 25, 2025.

CA11 - AVA UM 2396 ERP Deferral