

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

Avista Corporation d/b/a Avista Utilities,

Petitioner,

For An Accounting Order Authorizing
Avista to Defer Certain EIM Benefits that
were Approved in the Company's Previous
General Rate Case (Docket No. UE-
200900)

DOCKET UE-220530

ORDER 01

GRANTING ACCOUNTING
PETITION

BACKGROUND

- 1 On July 11, 2022, Avista Corporation d/b/a Avista Utilities (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition seeking an Accounting Order under WAC 480-07-370(1)(b) authorizing Avista to Defer Certain Energy Imbalance Market (EIM) benefits that were approved in the Company's previous General Rate Case (Docket No. UE-200900).
- 2 In Avista's 2020 GRC, the Commission approved a pro-forma level of benefits that the Company was expected to accrue as a result of Avista's entrance into and participation in the EIM.¹ Avista recently determined that the calculation of the approved benefits contained an error, and thus the approved level of benefits is lower than the actual level of benefits that Avista is accruing.
- 3 Avista understated the level of EIM benefits by approximately \$757,000, thereby overstating the Company's approved revenue requirement by \$792,000,² and overstated its approved Energy Recovery Mechanism (ERM) Authorized Baseline by \$757,000.
- 4 During the last GRC, the Company inadvertently included the "Washington" amount of annualized benefits (\$3.4 million) in the "System" (\$5.8 million) column used in the Company's pro forma power supply calculation. Later, the Production/Transmission

¹ Docket UE-20090 - Adjustment 3.18 "Pro Forma EIM Capital and Expenses."

² The EIM benefits were understated \$757,000. When factoring revenue related expenses, the revenue requirement was overstated \$792,000. The Company will defer the revenue, net of the revenue-related expenses.

(P/T) ratio was applied to that lower “System” amount, effectively applying the P/T ratio twice (given that the Washington share was included as the system amount). This resulted in a benefit of approximately \$1.5 million being included in the Pro Forma Power Supply costs and ERM Authorized Baseline balances.

5 The net result (the difference between \$2.22 million that should have been included as Washington’s share of the benefit and \$1.46 million) is that the level of power supply was too high (due to less of an EIM benefit), resulting in an annual overstatement of electric revenue requirement and ERM Authorized Baseline approved by the Commission of approximately \$756,000.

6 Rates became effective October 1, 2021, and will remain in effect until the Company’s current general rate case in Dockets UE-220053 and UG-220054 (2022 GRC) concludes in late 2022. While EIM benefits began accruing in March 2022 when the Company entered the EIM, the Company “shaped” rates to spread the EIM benefits evenly over the year.

7 Avista proposes to defer a base rate revenue reduction to factor in the correction to the EIM benefit on a per kWh basis, net of revenue related expenses, associated with actual customer usage for this 15-month period beginning October 1, 2021, until new rates go into effect at the conclusion of the Company’s 2022 GRC.

8 The Company proposes to accrue interest on this liability using the same methodology that is used to accrue interest on the ERM deferral.³ Currently, this interest rate is 4.57%. Using the methodology described above, the Company estimates it has over-collected \$714,242 as of August 2022. Given that the Company will over-collect for 15 months, the Company estimates that roughly \$1 million in over-stated benefits will accrue. The actual amount will depend on customer usage.

9 The Company will debit FERC Account No. 407303 – Washington Revenue Deferral due to Power Supply and will credit FERC Account No. 254303 – Regulatory Liability Washington Revenue Deferral due to Power Supply.

10 The Company will file a tariff revision to return this money to customers in a later proceeding.

³ Interest is calculated pursuant to the Settlement Stipulation approved by the Commission’s Fifth Supplemental Order in Docket UE-011595, dated June 18, 2002. Interest is applied to the average of the beginning and ending month balances, net of associated deferred federal income tax. The Company’s weighted cost of debt is used as the interest rate. The interest rate is updated semi-annually, and interest is compounded semi-annually.

DISCUSSION

- 11 The threshold for approving accounting petitions is the presence of extraordinary circumstances that (1) are beyond a Company's control and (2) cause a material impact. We agree with Staff that the impact to customers here is material and that an erroneously approved level of benefits constitutes a condition currently beyond the Company's control. We also agree that Avista has proposed a fair methodology for returning to customers this over-collection of EIM benefits.
- 12 While accounting petitions do not deal with the method of recovery or returning dollars to customers, the Company discusses in its petition a willingness to incorporate this return into the rates that go into effect from the Company's 2022 GRC that will become effective in December 2022 or to file a separate tariff in early 2023.
- 13 Accordingly, we grant Avista's petition for an order authorizing the Company to defer over-stated EIM benefits until rates from the Company's 2022 GRC becomes effective.

FINDINGS AND CONCLUSIONS

- 14 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies.
- 15 (2) Avista is an electric company and a public service company subject to Commission jurisdiction.
- 16 (3) WAC 480-07-370(3) allows companies to file petitions including that for which Avista seeks approval.
- 17 (4) Staff has reviewed the petition in Docket UE-220530 including related work papers.
- 18 (5) Staff believes the proposed accounting order Avista requests should be granted because it is reasonable and in the public interest.
- 19 (6) This matter came before the Commission at its regularly scheduled meeting on October 27, 2022.

- 20 (7) After reviewing Avista's petition filed in Docket UE-220530 on October 27, 2022, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be granted.

ORDER

THE COMMISSION ORDERS:

- 21 (1) Avista Corporation d/b/a Avista Utilities' request to defer certain EIM Benefits that were approved in the Company's previous General Rate Case (Docket UE-200900) is granted.
- 22 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 23 (3) The Commission retains jurisdiction over the subject matter and Avista Corporation d/b/a Avista Utilities to effectuate the provisions of this Order.

The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective October 27, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

AMANDA MAXWELL
Executive Director and Secretary