

**BEFORE THE WASHINGTON STATE
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of)	DOCKET UE-100513
)	
AVISTA CORPORATION,)	ORDER 01
)	
)	
Energy Recovery Mechanism (ERM))	ORDER DEEMING RECOVERY
Annual Filing to Review Deferrals for)	MECHANISM DEFERRALS FOR
Calendar Year 2009)	CALENDAR YEAR 2009 PRUDENT
.....)	

BACKGROUND

- 1 The Utilities and Transportation Commission (Commission) in its Fifth Supplemental Order in Docket UE-011595 (June 18, 2002), authorized Avista Corporation (Avista or Company) to implement an Energy Recovery Mechanism (ERM) allowing for positive or negative adjustments to its rates to account for fluctuations in power costs outside of an authorized band for power-cost recovery in base rates. Under the Settlement Stipulation approved by the Commission in the same order, Avista is required to make a filing by April 1 of each year regarding the power costs it deferred the prior calendar year under the ERM. *Settlement Stipulation in Docket UE-011595 at 6-7, 4.b.*
- 2 The Company’s April 1 filings are intended to be sufficient to provide the Commission and interested parties an opportunity to audit and review the prudence of the ERM deferrals for the year in question. A 90-day review period is contemplated, though that period can be extended. *Id.*
- 3 On March 31, 2010, Avista filed testimony, exhibits and supporting documentation relating to power costs deferred under the ERM for calendar year 2009. In this docket, the 90-day review period was April 1, 2010, to June 30, 2010.
- 4 The first ERM annual review covered the period July 1, 2002, through December 31, 2002,¹ and resulted in a Commission Order approving a settlement of the issues presented. *WUTC v. Avista Corp., Docket No. UE-030751, Order Approving and*

¹ The review period was less than one year because the ERM did not begin until July 1, 2002.

Adopting Settlement Stipulation (Order 05, February 3, 2004). Among other things, the Settlement Stipulation in Docket UE-030751 identified specific documentation the Company would file in future ERM annual review proceedings. *See Settlement Stipulation in Docket UE-030751 at 6-7, ¶ III.C.*

- 5 Pursuant to the terms of the ERM, the first \$4 million of amounts of net power supply costs above the authorized level is absorbed by the Company; the next \$6 million is split equally between the Company and rate payers; and 90 percent of any remaining amount over \$10 million is deferred to be recovered from rate payers.
- 6 In 2009, the system-wide actual net power expense was less than the authorized baseline expense by \$8,562,523, with Washington's allocated net power expense \$6,341,646 less than projected. Washington's retail sales were over 14.3 million kilowatt-hours less than the baseline resulting in retail revenue offset to power costs of \$3,304,010. The ERM result is a negative \$3,037,637. This amount is within the \$4,000,000 dead band and remains 100 percent to Avista's benefit. Therefore, no deferral of power costs is warranted.
- 7 The 2009 calendar year ERM results include the effects of an extended outage at the Colstrip plant that reduced the availability of the plant below 70 percent for the period. Per the Settlement Agreement approved by Order 3 in Docket UE-060181 dated June 16, 2006, the company provided additional testimony addressing the nature of the outage, that the outage was not the result of imprudent actions on part of the company, and that fixed costs were incurred for the time that the plant experienced the outage.
- 8 Staff has conducted a review of the Company's ERM annual review filing in this docket, and is satisfied the Company provided adequate documentation of its ERM power cost deferrals for calendar year 2009 and recommends the deferrals be deemed prudent. Staff agrees that no ERM adjustment due to the outage is necessary. The effect of the extended outage was in large part mitigated by lower natural gas and power prices during the period.
- 9 Staff has not identified any related issues nor has any other person or party filed comments with the Commission within the review period or asked to extend the review period.

FINDINGS AND CONCLUSIONS

- 10 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate rates, rules, regulations, practices, accounts, securities, and transfers of property and affiliated interests of public service companies, including electric companies. *RCW 80.01.040, RCW 80.04, RCW 80.28, RCW 80.16, RCW 80.08 and RCW 80.12.*
- 11 (2) Avista is a public service company subject to Commission jurisdiction. Avista is engaged in the business of providing electric and natural gas service within the state of Washington.
- 12 (3) This matter was brought before the Commission at its regularly scheduled meeting on July 29, 2010. The Commission received no written or oral comments from any person or party other than Commission Staff.
- 13 (4) The Company has provided adequate documentation of its ERM power cost deferrals for calendar year 2009 to support a total power cost expense that is less than authorized power costs by \$3,037,637. No power cost deferral is necessary as the net difference is within the established \$4 million band where Avista keeps 100 percent of the balance.

ORDER

- 14 (1) Avista Corporation's filing meets the requirements in Dockets UE-011595 and UE-030751 and the Company has properly calculated the 2009 Energy Recovery Mechanism balance.
- 15 (2) Pursuant to the terms of the Energy Recovery Mechanism, no deferral of power costs is necessary.
- 16 (3) Avista Corporation is still required to make annual filings with supporting documentation consistent with the Orders in Dockets UE-011595 and UE-030751.

- 17 (4) This Order shall in no way affect the Commission's authority over rates, services, accounts, valuations, estimations, or determination of costs, or any matters whatsoever that may come before it. Nor shall this Order be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 18 (5) The Commission retains jurisdiction to effectuate the terms 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 Olympia, Washington, and effective July 29, 2010.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Executive Director and Secretary