



Avista Corp.

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March 29, 2019

Mark L. Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Park Drive SW
P. O. Box 47250
Olympia, Washington 98504-7250

Re: Docket No. UE-19_____ Energy Recovery Mechanism (ERM)
Avista's Annual Filing to Review Deferrals (2018 Calendar Year) and Proposed Tariff for
Rebate of Overall Deferral Balances

Dear Mr. Johnson:

Attached for electronic filing with the Commission is the following tariff sheet proposed to be effective July 1, 2019:

Thirteenth Revision Sheet 93 Cancelling Twelfth Revision Sheet 93

Avista is making this annual filing in accordance with Docket No. UE-011595, which requires Avista to file annual testimony and support workpapers on or before April 1 of each year in order for prudence to be determined for the power costs deferred in the previous calendar year. In addition, in accordance with the Multiparty Settlement Stipulation in Docket No. UE-120436, the Company's overall deferral balance has exceeded the \$30 million trigger, requiring a tariff filing in order to return the total deferral balance.

This filing consists of the direct testimony and exhibits of William G. Johnson, Thomas C. Dempsey and Patrick D. Ehrbar. Mr. Johnson's testimony describes the supporting documentation that is being provided. Due to the extensive amount of supporting material being provided, the material is being provided in electronic format on two compact discs. The first compact disc contains non-confidential material (three copies provided). The second compact disc contains all confidential material, filed under seal, per Protective Order in Docket No. UE-011595 and WAC 480-07-160 (three copies provided). Mr. Dempsey's testimony and exhibits describes certain

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outages that took place at Colstrip Units #3 and #4, and at Coyote Springs 2 in 2018. Mr. Ehrbar’s testimony and exhibits, and workpapers show the derivation of the proposed per kilowatt-hour rate credit proposed to be effective July 1, 2019. Also enclosed is a Certificate of Service and an “Attorney’s Claim of Confidentiality”.

2018 ERM Deferrals

For the 2018 calendar year, actual net power costs were less than authorized net power costs for the Washington jurisdiction by \$15,544,268. The deferral for 2018 in the rebate direction was recorded in the amount of \$9,489,841 (excluding interest). The Company retained \$6,054,427 in reduced net power costs in 2018.

Approximately \$14.6 million of the \$15.5 million net decrease in power supply was primarily due to lower natural gas prices and the large increase in the price spread between the AECO and Malin trading basins. This resulted in lower natural gas generation costs and a significant increase in natural gas trading revenues for the year. All other factors, netted together, accounted for less than \$1.0 million in reduced total power supply expense.

Overall ERM Deferrals

The Multiparty Settlement Stipulation in Docket No. UE-120436, subsection 10, related to the ERM rate adjustment trigger states the following:

The rate adjustment trigger, currently set at 10% of base revenue (or approximately \$45 million at current base rates), will be changed to be a \$30 million dollar threshold. If the deferrals in the ERM reach \$30 million, the Company will either surcharge or rebate the balance to customers.”

In accordance with this provision, the Company is proposing to return to customers the entire deferral balance of approximately \$34.4 million (before interest). This balance is comprised of the following:

Summary of Account 186280 and 182350 Surcharge/(Rebate)		
GL Account	Description	Activity
182350	Deferral Beginning Balance as of 01/2018	\$ (22,048,815)
	Deferral Balance Transferred 07/2018 (UE-180261)	\$ (1,684,801)
	Interest on Balance and Activity	\$ (1,014,737)
	Ending Recoverable Deferral Balance	\$ (24,748,353)
186280	Current Year Deferral (2018)	\$ (9,489,841)
	Interest (2018)	\$ (206,423)
	Ending Deferral Balance for 2018 Activity	\$ (9,696,264)
	TOTAL	\$ (34,444,617)



The balance in account 182350 represents the cumulative effects of power supply costs deemed prudent in previous annual ERM Prudency filings. The primary factors contributing to these balances were changes in natural gas and power prices, and the AECO to Malin price spread described above.

Customer Impacts

The Company is proposing to return the amortization balance to customers over a three-year amortization period beginning July 1, 2019. The overall net effect of this rebate over the three-year period is an annual benefit to electric customers of approximately \$13.0 (including interest) million, or 2.5%. The rate credit has no effect on Avista's earnings.

The net benefit to customers for the first year of the ERM rebate (July 2019 – June 2020) by rate schedule is as follows:

Schedule No.	Rate Schedule	Decrease % Billed Revenue (1-Year)
1/2	Residential	-2.5%
11/12	General Service Schedule	-1.9%
21/22	Large General Service Schedule	-2.5%
25	Ext. Lg General Service Schedule	-3.8%
31/32	Pumping Service Schedule	-2.8%
41-48	Street and Area Lights Schedule	-0.7%
	Overall	-2.5%

When combined with the Renewable Energy Credit (REC) filing, which was also filed on March 29, 2019 with an effective date of July 1, 2019, the net benefit to customers by rate schedule is as follows:

Schedule No.	Rate Schedule	Total Decrease % Billed
1/2	Residential	-2.4%
11/12	General Service Schedule	-1.8%
21/22	Large General Service Schedule	-2.4%
25	Ext. Lg General Service Schedule	-3.6%
31/32	Pumping Service Schedule	-2.6%
41-48	Street and Area Lights Schedule	-0.7%
	Overall	-2.4%

The average residential customer using 918 kWhs per month will see a decrease of \$2.00 per month, or approximately 2.4%. The present bill for 918 kWhs is \$81.21 while the proposed bill is \$79.21. The actual bill change will vary based on customer usage.



In accordance with the requirements of WAC 480-100-103, attached to this filing is a draft notice to customers, which the Company will provide through a bill insert, during the May 2019 bill cycle. Please note that the Company included both native and "pdf" versions of the Cover Letter, Certificate of Service, testimony and exhibits with the exception of PDE-2 whose native format is pdf. Please direct any questions related to this filing to Annette Brandon at (509) 495-4324.

Sincerely,

A handwritten signature in black ink, appearing to read "P. Ehrbar", with a long horizontal line extending to the right.

Patrick D. Ehrbar
Director of Regulatory Affairs

