



ATTORNEY GENERAL OF WASHINGTON

800 Fifth Avenue #2000 • Seattle WA 98104-3188

July 3, 2013

SENT VIA E-MAIL

Steven King
Executive Director and Secretary
Washington Utilities and Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
PO Box 47250
Olympia, WA 98504-7250

Re: Avista Annual Energy Recovery Mechanism Review Filing, Docket No. UE-130438

Dear Mr. King,

Public Counsel submits this letter in response to Avista Corporation's (Avista's) annual energy recovery mechanism (ERM) filing made on March, 28, 2013. The Company's ERM filing addresses power cost deferrals as well as renewable energy credit (REC) deferrals for 2012. Historically, the Company has treated REC revenues as a component of net power costs and tracked these revenues in the ERM. This treatment was recently modified pursuant to Order 09 in Avista's last general rate case, Docket UE-120436.¹ Public Counsel's comments are limited to the Company's treatment of REC revenues in the ERM.

Public Counsel Recommendation

Public Counsel anticipates and recommends that the review of the Company's REC deferral account, which includes 2012 REC revenues, will occur at the time of the Company's next general rate case.

A. Treatment of REC Revenues Ordered by the Commission in Order 09, Docket UE-120436

Prior to the Commission's Order in Avista's last general rate case, Docket UE-120436, Avista treated REC revenues as a component of net power costs and tracked these revenues in the ERM. The Company's practice for crediting RECs to customers was to include known proforma REC revenues as an adjustment in a general rate case filing and to defer any additional revenues, in excess of the amount included in base rates, in the ERM. These revenues, along with other power cost deferrals, were then reviewed for recovery in the Company's annual ERM filing. Under this practice, 100% of REC

¹ *WUTC v. Avista Corporation d/b/a Avista Utilities*, Dockets UE-120436 et. al., Order 09 (December 26, 2012) (hereafter Avista 2012 GRC).



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revenues were not returned to customers because revenues were subject, in part, to the ERM deadbands and sharing bands.

In Order 09 of Docket UE-120436 the Commission ordered that going forward Avista remove REC revenues from the ERM account and base rates and begin tracking RECs in a separate deferral account and propose a mechanism for returning the REC sales proceeds in the Company's next general rate case.² For 2012 REC revenues, the Commission ordered that all revenues that were recorded in the ERM account (those in excess of the amount included in base rates in the 2012 general rate case) be removed and deferred into the separate REC deferral account.³

B. Review of Avista's Treatment of 2012 REC Revenues in the ERM

In compliance with Order 09, Avista appropriately established a separate tracking account for REC revenues, FERC Account 186.322---Miscellaneous Deferred Debits---Washington REC Deferrals. The Company has also removed the 2012 REC revenues recorded in the ERM and deferred these revenues into this account.

Our understanding is that approval of the 2012 ERM deferrals does not include approval of any REC deferral revenues in Account 186.322. Public Counsel anticipates and recommends that the detailed review of Account 186.322, including the 2012 REC revenue deferrals, will occur at the time of the Company's next general rate case when the Company is required to present a mechanism for returning REC sales proceeds to customers for Commission approval. We believe this is the appropriate venue to review the REC revenue deferrals and for parties to address any issues or recommendations with the accounting of REC proceeds.

I will attend the Commission's July 11th, 2013, Open Meeting to address any questions regarding these comments.

Sincerely,



LEA DAESCHEL
Policy Analyst
Public Counsel Division
(206) 464-6380

cc: Alan Buckley (E-mail)
Chris McGuire (E-mail)
Kelly Norwood (E-mail)

² Avista 2012 GRC, ¶83-84.

³ Avista 2012 GRC, ¶85.