

Agenda Date: June 28, 2012
Item Number: A5

Docket: UE-120432
Company: Avista Corporation

Staff: Kathryn Breda, Regulatory Analyst
Alan Buckley, Regulatory Consultant

Recommendation

Issue an order consolidating Docket UE-120432 with Dockets UE-120436 and UG-120437, UE-110876 and UG-110877 (*consolidated*) and set for hearing due to common issues of fact and law.

Discussion

On March 30, 2012, Avista Corporation (Avista or company) filed its energy recovery mechanism (ERM) deferral calculations for calendar year 2011, as required under the settlement stipulation approved by the Utilities and Transportation Commission (commission) in Docket UE-011595 and clarified in Docket UE-030751. The purpose for the annual filing is to allow both the commission and interested parties no less than 90 days to audit and review the prudence of the ERM deferral entries for the prior calendar year. The 90-day period ends June 30, 2012.

The baseline for this ERM calculation was established as a result of the Settlement Stipulation approved in Docket Nos. UE-100467 and UG-100468 Order 07 dated November 19, 2010. Avista's ERM includes 100 percent of the revenues and expenses associated with the sale and purchase of Renewable Energy Credit (REC) revenue. These revenues and expenses are treated the same as other power costs and revenues in the ERM and subject to the ERM sharing bands. The ERM, since its inception, has always included 100 percent of all REC revenues and expenses.

In recent orders, the commission determined that all REC revenue should be returned to rate payers in the form of a bill credit.¹

On April 2, 2012, Avista filed revisions to its currently effective Tariff WN U-28, Electric Service in Docket UE-120436 and revisions to its currently effective Tariff WN U-29, Gas Service in Docket UG-120437. In addition to requesting a general electric rate increase of \$41.0

¹ *Utilities and Transp. Comm'n v. Puget Sound Energy Co.*, Docket UE-070725, Order 03 (May 20, 2010) at 28, ¶ 68. *Utilities and Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-100749, Order 06 (March 25, 2011) at 71, ¶ 200.

million, or 9.0 percent, and a gas rate increase of \$10.1 million or 7.0 percent, Avista filed tariff Schedule 93, proposing a one-year ERM bill decrease, or rebate, to electric customers of \$13.6 million (about 2.9 percent) reflecting the balance as the company has calculated in this annual ERM Docket UE-120432. The determination of the treatment of REC revenue, considering recent commission policy, may change the balance considered for the proposed Schedule 93 rebate.

No other persons or parties filed comments with the commission during the review period.

Conclusion

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 revenue and expenses. However, based on the recent commission Orders related to REC revenue and the suspended ERM tariff, Staff recommends consolidation of Docket UE-120432 with Dockets UE-120436 and UG-120437, UE-110876 and UG-110877 (*consolidated*) to determine whether Avista is treating REC revenues consistent with commission policy.

Recommendation

Issue an order consolidating Docket UE-120432 with Dockets UE-120436 and UG-120437, UE-110876 and UG-110877 (*consolidated*) and set for hearing due to common issues of fact and law.