

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

In the Matter of	)	DOCKET UE-130438
	)	
AVISTA CORPORATION,	)	ORDER 01
	)	
	)	
	)	ORDER AUTHORIZING ENERGY
Energy Recovery Mechanism Annual	)	RECOVERY MECHANISM
Filing to Review Deferrals for Calendar	)	DEFERRALS FOR CALENDAR YEAR
Year 2012	)	2012
.....	)	

**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.<sup>1</sup>
  
- 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.<sup>2</sup>
  
- 3 On March 28, 2013, Avista filed testimony, exhibits and supporting documentation relating to power costs deferred under the ERM for calendar year 2012. In this docket, the 90-day review period was March 29, 2013, to June 28, 2013.

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<sup>1</sup>Settlement Stipulation in Docket UE-011595 at 6-7, 4.b.

<sup>2</sup> Id.

4 The first ERM annual review covered the period July 1, 2002, through December 31, 2002, and resulted in a Commission Order approving a settlement of the issues presented.<sup>3</sup> Among other things, the Settlement Stipulation in Docket UE-030751 identified specific documentation the Company would file in future ERM annual review proceedings.<sup>4</sup>

5 Pursuant to the terms of the ERM, the first \$4 million of amounts of net power supply costs below the authorized level is retained by the Company; for the next \$6 million twenty-five percent is retained by the Company and seventy-five percent is deferred for rebate to rate payers; and 90 percent of any remaining amount over \$10 million is deferred for rebate to rate payers.

6 In 2012, the system-wide actual net power expense was less than the authorized baseline expense by \$23,799,951, with Washington's allocated net power expense \$14,704,389 less than projected. Washington's retail sales were 1.6 average megawatts less than the baseline resulting in retail revenue surcharge adjustment of \$711,120 included in the Washington allocated net power expense above. The ERM result is a negative \$8,733,950 for Washington. Since actual costs are less than authorized costs the calculation is as follows:

- a. The first \$4 million is retained by the Company;
- b. Twenty-five percent of the next \$6 million is retained by the Company or \$1.5 million (25 percent of \$6 million) and \$4.5million (75 percent of \$6 million) is deferred for rebate to rate payers;
- c. For anything over \$10 million, \$4,704,389 in this year, ten percent, or \$470,439, is retained by the Company, and ninety percent, or \$4,233,950, is deferred for rebate to rate payers.

For the year 2011 the total calculated rate payer deferral is \$8,733,950 which equates to a revenue requirement \$8,865,985.<sup>5</sup>

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<sup>3</sup> WUTC v. Avista Corp., Docket No. UE-030751, Order Approving and Adopting Settlement Stipulation (Order 05, February 3, 2004).

<sup>4</sup> See Settlement Stipulation in Docket UE-030751 at 6-7, ¶ III.C.

<sup>5</sup> The revenue requirement is based on the deferral of \$8,733,950 plus interest of \$132,035.

- 7 The baseline for this ERM calculation results from the power supply revenues and expenses approved by the Commission in Docket UE-110876.
- 8 Prior to 2012, Renewable Energy Credit (REC) revenues were a component of the net power costs that were tracked in the ERM. On December 26, 2012, per Order 09 of Docket UE-120436, the Commission ordered Avista to remove REC sale proceeds from the ERM account and defer such proceeds to a tracking account established by the Company. Pursuant to that order, the Company has recorded net REC revenues for 2012 in FERC Account 186.322 – Miscellaneous Deferred Debits – Washington REC Deferrals. This account is not subject to the deadbands or sharing bands that are approved for the ERM.
- 9 Given that REC revenues are no longer a component of the ERM, Commission Staff does not review the Company’s accounting of REC revenues in this filing. In Order 09 of UE-120436, the Commission ordered Avista to propose a mechanism for returning REC sale proceeds to customers and present that mechanism for approval in the Company’s next general rate case. Review of FERC Account 186.322 should also occur at that time.
- 10 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.
- 11 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**

- 12 (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.

- 13 (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.
- 14 (3) This matter was brought before the Commission at its regularly scheduled meeting on July 11, 2013. The Commission received no written or oral comments from any person or party other than Commission Staff.
- 15 (4) The Company has provided adequate documentation of its ERM power cost deferrals for calendar year 2012 to support a total power cost expense under authorized power costs of \$14,704,389, and the rate payer deferral or rebate balance of \$8,733,950.

**ORDER**

**THE COMMISSION ORDERS:**

- 16 (1) Avista Corporation's filing meets the requirements in Dockets UE-011595 and UE-030751 and the Company has properly calculated the 2012 Energy Recovery Mechanism balance.
- 17 (2) Pursuant to the terms of the Energy Recovery Mechanism, Avista Corporation is authorized record a rate payer deferral or rebate balance of \$8,733,950.
- 18 (3) Avista Corporation is still required to make annual filings with supporting documentation consistent with the Orders in Dockets UE-011595 and UE-030751.
- 19 (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.
- 20 (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 11, 2013.

**WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION**

**STEVEN V. KING, Acting Executive Director and Secretary**