



Avista Corp.

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January 15, 2021

Mark L. Johnson
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Re: Docket No. UE-011595, Monthly Power Cost Deferral Report, December 2020
Docket No. UE-140188, Monthly REC Report, December 2020

Dear Mr. Johnson:

Enclosed for electronic filing is Avista Corporation’s Power Cost Deferral Report for the month of December 2020. The report includes the monthly Energy Recovery Mechanism (ERM) accounting journal together with supporting work papers (Attachment A). The native format of the Excel worksheets for the deferral calculation and the journal in “pdf” format are attached to the electronic filing. Please note “pdf” is the native form for the deferral journal. In summary, the following cumulative balances relate to the ERM as of December 2020:¹

Account	Report Page	Description	Balance Surcharge/ (Rebate)
Amortizing Deferral Balance	5	Balance approved for prudence for 2019, but not yet approved for rebate	\$ (1,502,661)
Approved for Rebate	6	ERM deferrals through 2018 approved for rebate in UE-190334, UG-190335 and UE-190222 (consol.)	\$ (24,983,469)
Current Year Deferral (2020)	7	Cumulative YTD Balance for difference between actual and authorized during 2020 (excl interest) inc. Solar Select year end transfer	\$ (11,383,248)

¹ For reconciliation purposes the total current year deferral is comprised of \$11,231,567 power cost deferral, plus interest in the amount of \$209,253, less the Solar Select surcharge (\$57,572) for a total of \$11,383,248.

As summarized on page 8 of the December 2020 Power Cost Deferral report, actual net power supply costs, including the retail revenue adjustment, were lower than authorized net power costs for Washington by \$791,704. A deferral entry was recorded in the amount of \$712,533 in the rebate direction for the month. Year-to-date actual net power supply costs are lower than authorized power supply costs by \$17,479,519, with \$6,247,952 retained by the Company and \$11,231,567 recorded in the deferral (customer benefit), as illustrated in the table below.

	Total	Absorbed (Avista)	Deferred (Customer)
First \$4M at 100%	\$ (4,000,000)	\$ (4,000,000)	\$ -
\$4M to \$10M at 25% (rebate)	\$ (6,000,000)	\$ (1,500,000)	\$ (4,500,000)
\$4M to \$10M at 50% (surcharge)	\$ -	\$ -	\$ -
Over \$10M at 10%	\$ (7,479,519)	\$ (747,952)	\$ (6,731,567)
	\$ (17,479,519)	\$ (6,247,952)	\$ (11,231,567)

For December 2020, total actual power supply expense was lower than the authorized level due primarily to lower CT fuel expense (account 547), lower purchase power expense (account 555), offset by higher thermal fuel (account 501). Natural gas prices that were lower than the authorized average contributed to a favorable variance in actual CT fuel expense of approximately \$1.6 million. While power prices were higher than authorized for the month of December, retail loads were lower, which resulted in favorable purchased power expense of \$0.5 million as compared to authorized. This favorable variance, however, is offset in the retail revenue credit unfavorable variance of \$0.4 million, effectively removing the impact of these reduced loads. Finally, higher than authorized CT fuel prices for our Colstrip plant resulted in unfavorable expense in the amount of \$0.4 million.

In Docket No. UE-180102, the Commission approved the regulatory treatment that expenses and revenues associated with the Company's Solar Select program flow through the annual Energy Recovery Mechanism filing, outside of the "deadband" and sharing bands (similar to renewable energy credits). As such, the Company recorded a surcharge of \$57,572 in the Current Year Deferral Bucket for calendar year 2020. Prudence will be determined in the 2021 annual ERM Filing, to be filed on or before March 31, 2021.

The report also includes the monthly renewable energy credits (RECs) accounting journal together with backup work papers (Attachment B). Per Order 05, Docket UE-140188, the Company defers 100% of the net monthly RECs not associated with compliance for the Washington Energy Independence Act. For a summary of beginning and ending balances, as well as monthly activity including net revenues for the month of \$129,213 plus interest, please see page 19 of the Power Cost Deferral Report.

Interest for the ERM is calculated pursuant to the Settlement Stipulation approved by the Commission's Fifth Supplemental Order in Docket No. UE-011595, dated December 18, 2002. Interest is applied to the average of the beginning and ending month deferral balances net of associated deferred federal income tax. The Company's actual cost of debt is used as the interest rate. The interest rate is updated semi-annually and interest is compounded semi-annually.



If you have any questions, please contact Annette Brandon at (509) 495-4324.

Sincerely,

/s/Patrick D. Ehrbar

Patrick D. Ehrbar
Director of Regulatory Affairs

