



UE-240006

**Avista Corp.**

1411 East Mission P.O. Box 3727  
Spokane, Washington 99220-0500  
Telephone 509-489-0500  
Toll Free 800-727-9170

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January 31, 2025

Washington Utilities and Transportation Commission  
Attn: Jeff Killip  
Executive Director and Secretary  
Washington Utilities & Transportation Commission  
621 Woodland Square Loop SE  
Lacey, WA 98503

**RE: Avista Corporation – Docket Nos. UE-240006 / UG-240007 – Compliance Filing**

Attached for filing with the Commission is an electronic copy of the Company’s workpapers demonstrating its calculations of offsetting factors as requested per Corrected Order 08 in the above referenced Dockets (UE-240006, et, al.). Specifically, Order 08 at paragraph 780 and 781 stated as follows:

[T]he Commission is satisfied that Avista considered offsetting factors related to its updated test year ending in December 2023. Avista witness Schultz’s testimony contains information reflecting both electric and natural gas offsets for the Company’s position on rebuttal, including direct O&M offsets.<sup>1</sup> ...The Commission further orders Avista to provide the workpapers demonstrating its full calculations of offsetting factors related its updated test year and adjustments as part of a compliance filing in this docket.<sup>2</sup>

As noted in Order 08, footnote 1408, Ms. Schultz provided information reflecting both electric and natural gas offsets for the Company’s position on rebuttal. Included (and excerpted below) are the Electric and Natural Gas Total Offsetting Factors summary tables per Schultz Exh. KJS-5T, pages 17 and 18, Table Nos. 12 and 13:

<sup>1</sup> Schultz, Exh. KJS-5T at 17:1 – 18:15; 31:10 – 32:2. (Footnote 1408 per Order 08)

<sup>2</sup> Order 08 at paragraph 850 required Avista to file its supporting workpapers as part of a compliance filing within 45 days of its Order dated December 20, 2024, or February 3, 2025.

**Table No. 12 – Washington Electric Total Offsetting Factors**

Total Two-Year (RY1 & RY2) Incremental Offsets - Washington Electric (Revenue Requirement Values) REBUTTAL													
Electric (000s)	2023-2025		2023-2025	2026	Two-Year	Electric Adjustments							
	2023/2024	2025	RY1	RY2	(RY1 & RY2) Totals								
1) Direct O&M Offsets & Other Revenue	\$ (5,428)	\$ (3,428)	\$ (8,855)	\$ (4,773)	\$ (13,628)	3.04, 4.02, 5.01, 5.08 4.02, 5.08							
a) Direct O&M Offsets <sup>1</sup>	\$ (1,892)	\$ (1,247)	\$ (3,139)	\$ (1,202)	\$ (4,341)								
b) Other Revenue (Growth)	\$ (3,536)	\$ (2,181)	\$ (5,716)	\$ (3,571)	\$ (9,287)								
2) Depreciation Expense (Retirements)	\$ (10,009)	\$ (7,587)	\$ (17,597)	\$ (7,461)	\$ (25,058)	3.15, 3.17, 4.01, 5.07							
3) Revenue Requirement of A/D and ADFIT <sup>2</sup>	\$ (16,618)	\$ (4,923)	\$ (21,541)	\$ (8,285)	\$ (29,826)								
<b>Total Revenue Requirement Impact</b>	\$ (32,055)	\$ (15,938)	\$ (47,993)	\$ (20,519)	\$ (68,512)								
<sup>1</sup> Direct O&M Offsets include new investment O&M offsets, 2% efficiency O&M adjustment and AMI O&M offset. <sup>2</sup> Revenue requirement based on reduction to A/D and ADFIT on existing (06.2023) plant as follows: <table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%;">\$ (176,862)</td> <td style="width: 15%;">\$ (52,393)</td> <td style="width: 15%;">\$ (229,255)</td> <td style="width: 15%;">\$ (88,177)</td> <td style="width: 15%;">\$ (317,432)</td> <td style="width: 15%;">3.15, 3.17, 4.01, 5.07</td> </tr> </table>								\$ (176,862)	\$ (52,393)	\$ (229,255)	\$ (88,177)	\$ (317,432)	3.15, 3.17, 4.01, 5.07
	\$ (176,862)	\$ (52,393)	\$ (229,255)	\$ (88,177)	\$ (317,432)	3.15, 3.17, 4.01, 5.07							

**Table No. 13 – Washington Natural Gas Total Offsetting Factors**

Total Two-Year (RY1 & RY2) Incremental Offsets - Washington Natural Gas (Revenue Requirement Values) REBUTTAL													
Natural Gas (000s)	2023-2025		2023-2025	2026	Two-Year	Natural Gas Adjustments							
	2023/2024	2025	RY1	RY2	(RY1 & RY2) Totals								
1) Direct O&M Offsets & Other Revenue	\$ (848)	\$ (429)	\$ (1,277)	\$ (313)	\$ (1,590)	3.04, 4.02, 5.01, 5.08 4.02, 5.08							
a) Direct O&M Offsets	\$ (631)	\$ (385)	\$ (1,016)	\$ (321)	\$ (1,337)								
b) Other Revenue (Growth)	\$ (217)	\$ (44)	\$ (261)	\$ 8	\$ (253)								
2) Depreciation Expense (Retirements)	\$ (1,473)	\$ (999)	\$ (2,472)	\$ (874)	\$ (3,346)	3.15, 3.17, 4.01, 5.07							
3) Revenue Requirement of A/D and ADFIT <sup>1</sup>	\$ (4,112)	\$ (1,192)	\$ (5,304)	\$ (1,949)	\$ (7,254)								
4) <b>Total Revenue Requirement Impact</b>	\$ (6,433)	\$ (2,620)	\$ (9,053)	\$ (3,136)	\$ (12,190)								
<sup>1</sup> Direct O&M Offsets include new investment O&M offsets, 2% efficiency O&M adjustment and AMI O&M offset. <sup>2</sup> Revenue requirement based on reduction to A/D and ADFIT on existing (06.2023) plant as follows: <table style="width: 100%; border: none;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%;">\$ (43,776)</td> <td style="width: 15%;">\$ (12,689)</td> <td style="width: 15%;">\$ (56,465)</td> <td style="width: 15%;">\$ (20,752)</td> <td style="width: 15%;">\$ (77,217)</td> <td style="width: 15%;">3.15, 3.17, 4.01, 5.07</td> </tr> </table>								\$ (43,776)	\$ (12,689)	\$ (56,465)	\$ (20,752)	\$ (77,217)	3.15, 3.17, 4.01, 5.07
	\$ (43,776)	\$ (12,689)	\$ (56,465)	\$ (20,752)	\$ (77,217)	3.15, 3.17, 4.01, 5.07							

Table Nos. 12 and 13 above provide a reconciliation of the total Washington electric and natural gas offsetting factors, representing a combination of savings and offsets, including total O&M savings, other revenue, retirements (reduced depreciation expense), and reduced net plant after ADFIT for the change in A/D and ADFIT on existing plant at 06.2023, adjusted to AMA 2025 for RY1 and AMA 2025 for RY2. Attachments 1 – 6 provide supporting workpapers, reflecting the savings or offsets (Attachments 1 – 5), as well as a summary workpaper (Attachment 6). Specifically, the workpapers support:

- 1) Direct O&M expense and “Other Revenue” reductions were included in Pro Forma “Capital O&M Offsets & Revenues” Adjustments (4.02) for RY1 and (5.08) for RY2, reflecting a) direct O&M savings for certain capital Business Cases, b) an incremental “2% O&M efficiency” adjustment, reducing O&M expense, for all remaining capital Business Cases (not required for regulatory purposes), and c) offsetting revenue associated with the Growth Capital Business Case. Direct O&M and “2% efficiency O&M” offsets and revenues were shown in detail in Andrews Exh. EMA-3. Also, as footnoted in Table Nos. 12 and 13, Direct O&M offsets (lines 1) a) included AMI O&M savings included in Adjustments 3.04 (RY1) and 5.01 (RY2). (See Attachments 1 – 4)
- 2) Retirements – Include reductions to electric and natural gas depreciation expense to reflect capital retirements through 2025 (RY1) and 2026 (RY2) in Adjustments 3.15, 3.17 and 4.01 (RY1) and 5.07 (RY2). (See Attachment 5)

- 3) Reduction to Net Plant after ADFIT – Includes reductions to Net Plant after ADFIT for the change in A/D and ADFIT on existing plant at 06.2023, adjusted to AMA 2025 for RY1 and AMA 2026 for RY2, reducing overall rate base balances, in Adjustments 3.15, 3.17 and 4.01 (RY1) and 5.07 (RY2). (See Attachment 5)

As noted in Table No. 12, the row “Total Revenue Requirement Impact” of offsetting factors, combining all adjustments (Lines 1-3), results in an overall reduction to the Company’s Washington electric revenue requirement of \$48.0 million for RY1, \$20.5 million for RY2, for a Two-Year Total of \$68.5 million. As noted in Table No. 13, the row “Total Revenue Requirement Impact” of offsetting factors, combining all adjustments (Lines 1-3), results in an overall reduction to the Company’s Washington natural gas revenue requirement of \$9.1 million for RY1, \$3.1 million for RY2, for a Two-Year Total of \$12.2 million.<sup>3</sup>

In addition, during the detailed review of the Commission’s Order 08, it came to the Company’s attention that while the Commission ordered that the electric and natural gas Pro Forma Director Fee Adjustments (Adjustment PF 3.20), which adjusted Director Fee expense to include 90% of Director fee expenses versus restated levels including only 50%, be denied, the Commission did not remove this adjustment from their overall approved Rate Year 1 (2025) electric and natural gas revenue requirements. Therefore, the overall electric and natural gas revenue requirements approved in Appendix C (Revised) (electric) and Appendix D (natural gas) to Order 08, was overstated by \$498,000 and \$157,000, respectively.

Therefore, the Company will begin to defer this overstatement to a Regulatory Liability (FERC Account 254), beginning January 2025 through December 2025, the revenue requirement over-collected from customers of \$498,000 (\$41,500/monthly) for electric and \$157,000 (\$13,083/monthly) for natural gas, including a carrying charge of the actual cost of debt (consistent with other deferred balances for calendar 2025), to return to customers in a future proceeding. With the Company’s Rate Year 2 (2026) compliance filing related to its Two-Year Rate Plan, the Company will reduce Rate Year 2 approved revenues to reflect this correction beyond 2025.

Please direct any questions related to me at 509.495.8601.

Sincerely,

*/s/ Elizabeth Andrews*

Elizabeth Andrews  
Senior Manager, Revenue Requirements

Enclosures  
c: Service List

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<sup>3</sup> Supporting information for each Pro Forma Adjustment referenced above (and included as Attachments 1 – 5) were also included in the individual adjustment tab information included within the Electric and Natural Gas Revenue Requirement excel models included as native Schultz exhibits “240006-07-AVA-Exh-KJS-7-08-16-2024 - 06.2023 WA Electric RR Model AMA 2025-2026 – Long” and “240006-07-AVA-Exh-KJS-8-08-16-2024 - 06.2023 WA Natural Gas RR Model AMA 2025-2026 – Long” filed on rebuttal.