

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of

AVISTA CORPORATION,

Energy Recovery Mechanism Annual
Filing to Review Deferrals for Calendar
Year 2015

DOCKET UE-160357

ORDER 01

ORDER AUTHORIZING ENERGY
RECOVERY MECHANISM
DEFERRALS FOR CALENDAR
YEAR 2015

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.¹
- 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 by agreement of the parties.²
- 3 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.³ Among other things, the Settlement Stipulation in Docket UE-030751 identified specific documentation the Company would file in future ERM annual review proceedings.⁴

¹ Settlement Stipulation in Docket UE-011595 at 6-7, 4.b.

² *Id.*

³ *WUTC v. Avista Corp.*, Docket UE-030751, Order 05, Order Approving and Adopting Settlement Stipulation (Feb. 3, 2004).

⁴ *See* Settlement Stipulation in Docket UE-030751 at 6-7, ¶ III.C.

- 4 Pursuant to the terms of the ERM, the first \$4 million of amounts of net power supply costs below the authorized level is absorbed by the Company; for the next \$6 million, 25 percent is absorbed by the Company and 75 percent is deferred for rebate to customers; and 90 percent of any remaining amount over \$10 million is deferred as a potential rebate to rate payers.
- 5 On March 30, 2016, Avista filed testimony, exhibits, and supporting documentation relating to power costs deferred under the ERM for calendar year 2015. The 90-day review period was March 30, 2016, to June 30, 2016.
- 6 In 2015, Avista's actual net power expense allocated to Washington was lower than the authorized baseline expense by \$17,578,148. Since actual costs are lower 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 \$4.5 million (75 percent of \$6 million) is deferred as a rebate to rate payers.
 - c. Ten percent of the remaining amount is retained by the Company or \$757,815 (10 percent of \$7,578,148) and \$6,820,333 (90 percent of \$7,578,148) is deferred as a rebate to rate payers.
- 7 Additionally, there is a rebate of \$214,850 related to interest.
- 8 For the year 2015 the total calculated rate payer deferral taking into consideration the additional interest is \$11,535,183. At the end of 2015, the total balance in the ERM deferral accounts, including the 2015 rebate recorded, was \$17,992,454 in the rebate direction.
- 9 The baseline for this ERM calculation results from the power supply revenues and expenses approved by the Commission in Dockets UE-140188 and UG-140189 (consolidated).
- 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.

DISCUSSION

12 Avista's March 30, 2016, filing provides sufficient information to allow the Commission and interested parties to audit and review the prudence of the ERM deferrals for 2015. We agree with Staff that the Company's documentation of its ERM power cost deferrals for calendar year 2015 adequately supports the rate payer deferral or rebate amount of \$11,535,183 reflected in the filing.

FINDINGS AND CONCLUSIONS

- 13 (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, and accounts of public service companies, including electric companies.
- 14 (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.
- 15 (3) This matter was brought before the Commission at its regularly scheduled meeting on June 23, 2016. The Commission received no written or oral comments from any person or party other than Commission Staff.
- 16 (4) The Company has provided adequate documentation of its ERM power cost deferrals for calendar year 2015 to support the rate payer deferral or rebate amount of \$11,535,183.

ORDER

THE COMMISSION ORDERS:

- 17 (1) Avista Corporation's filing meets the requirements in Dockets UE-011595 and UE-030751 and Avista Corporation has properly calculated the 2015 Energy Recovery Mechanism amount.
- 18 (2) Pursuant to the terms of the Energy Recovery Mechanism, Avista Corporation is authorized to record a 2015 rate payer deferral or rebate amount of \$11,535,183.
- 19 (3) 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 (4) 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 June 23, 2016.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary