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State Of WASH.
UTIL. AND TRANSP.
COMMISSION

ATTORNEY GENERAL OF WASHINGTON

Public Counsel

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November 4, 2022

SENT VIA WUTC WEB PORTAL

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

Re: Tariff No. WN U-28 revision, to reflect an electric rate adjustment to surcharge customers the amount of Wildfire Expense above the base level amount,
Docket UE-220669

Dear Director Maxwell:

The Public Counsel Unit of the Washington State Attorney General's Office (Public Counsel) respectfully submits these comments in advance of the November 10, 2022, Open Meeting. These comments respond to Avista Corporation's (Avista or the Company) tariff revision to reflect an electric rate adjustment to surcharge customers the amount of wildfire expense above the base level.

Public Counsel's Recommendation

Public Counsel recommends the Washington Utilities and Transportation Commission (Commission) approve the revised tariff revision filed October 20, 2022, subject to the expectation that further discussion regarding the rate spread allocation will take place in Avista's next General Rate Case. Additionally, if the Commission approves Avista's use of an interest rate, Public Counsel recommends it should be the Company's actual cost of debt and the Commission should clarify the language in Order 08/05 paragraph 254 in Dockets UE-200900, UG-200901 and UE-200894 (Consolidated) (hereinafter Order 08/05).

In Order 08/05, the Commission approved a two-way Wildfire Expense Balancing Account (Account) that would track the variability in wildfire expenses Avista makes to address the growing frequency of wildfires in the Company's service territory. The Commission's intent in authorizing the account was the following:

- To track and review actual wildfire expense;

ATTORNEY GENERAL OF WASHINGTON

To: Amanda Maxwell, Executive Director and Secretary
Re: Tariff No. WN U-28 revision, to reflect an electric rate adjustment to surcharge customers the amount of Wildfire Expense above the base level amount.
Date: November 4, 2022
Page 2 of 3

- To encourage the utility to take actions to address the increasing threat of wildfires to the utility and its customers with the knowledge that prudent expenditures will be recovered and at least a portion will be included in rates currently authorized for recovery; and
- To ensure fairness to Avista's customers by monitoring the incremental wildfire expenses collected from them.¹

In this account, Avista is to record the deferral balances higher or lower than the established base into a balancing account, and interest will not accrue on the unamortized balance.²

In accordance with the Commission's Order, Avista filed a true-up of the deferral balance on September 2, 2022, to be effective November 15, 2022,³ and recovered over the period of one year. After discussions with Commission Staff, Public Counsel, and the Alliance of Western Energy Consumers (AWEC), Avista revised the filing to reflect changes to the proposed interest rate and rate spread. Avista modified the interest rate from the Company's authorized Rate of Return (7.12%) to the Company's actual cost of debt (4.57%).⁴ The Company modified rate spread using an allocation parties agreed would suffice for this filing. Parties did not agree to an allocation methodology for use in future tariff filings. Public Counsel reserves the right to propose a different rate spread allocation methodology related to the Account in future rate proceedings, and believes this discussion should occur when the Company next files a General Rate Case. The Commission ordered, "[m]odifications to the mechanics of the account ... should be considered in GRCs."⁵

Public Counsel appreciates the Company's revision of the proposed interest rate to the actual cost of debt. Since the Account relates to wildfire *expense*, and not capital costs, we believe this interest rate is fairer to ratepayers than the authorized Rate of Return. However, there remains some confusion regarding Avista's proposal and what the Commission allowed in Order 08/05. The plain language of the Order states, "interest will not accrue on the unamortized balance."⁶ Interpreted literally, this could mean that Avista's proposal to accrue interest on any portion of the balance is not compliant because, even after the Commission approves the deferral, the balance is "unamortized." Avista's interpretation is that the intent of its proposal in the rate case

¹ Wash. Utils. & Transp. Comm'n. v. Avista Corp., Dockets UE-200900, UG-200901 and UE-200894 (*Consol.*) Order 08/05: Final Order, ¶ 257 (Sept. 27, 2021).

² *Id.* ¶ 254.

³ The originally filed effective date was November 1th, but parties agreed to delay until November 15th due to the timing of the customer notice.

⁴ Wildfire Rate Calc Workpapers of Avista Corp. (filed Oct. 20, 2022).

⁵ Wash. Utils. & Transp. Comm'n. v. Avista Corp., Dockets UE-200900, UG-200901 and UE-200894 (*Consol.*) Order 08/05: Final Order, ¶ 258 (Sept. 27, 2021).

⁶ *Id.* ¶ 254.

ATTORNEY GENERAL OF WASHINGTON

To: Amanda Maxwell, Executive Director and Secretary
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Date: November 4, 2022
Page 3 of 3

was that interest would not accrue on the balance as it was being deferred prior to its approval for recovery by the Commission. Upon approval for recovery, the balance becomes “amortizable,” and therefore subject to interest.⁷

The language of the Order does not clearly state this intent. Public Counsel does not oppose Avista’s revised proposal in this petition to earn interest on the balance approved for recovery at the Company’s actual cost of debt.⁸ This may require a revision to the Commission Order to clarify this treatment, which Public Counsel would also not oppose. This method of interest accrual is similar to other mechanisms, and the interest rate proposed in the revised filing is fairer to ratepayers than that originally proposed.

The total surcharge as proposed in the revised filing is an increase to electric customers of \$5.0 million, or 0.9 percent. The average residential customers using 932 kilowatt-hours per month will see an increase of \$0.89 per month, or approximately one percent.

We appreciate the opportunity to submit these comments. If you have any questions about this filing, please contact Shay Bauman at Shay.Bauman@ATG.WA.GOV.

Sincerely,

/s/ 

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⁷ Workpapers Cover Letter of Avista Corp. (filed October 20, 2022).

⁸ Public Counsel would oppose interest accrual at the Authorized Rate of Return, as the Account does not track capital costs.