



Avista Corp.

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

UE-220053

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Mr. Jeff Killip
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, WA 98503

**RE: Avista Corporation – Docket Nos. UE-220053 / UG-220054 / UE-210854 –
Tariff Schedule 99 Colstrip 2025 Compliance Filing**

Attached for filing with the Commission is an electronic copy of the Company’s revisions to the Colstrip 2025 tariff sheet 99 in compliance with the Commission’s Order No. 10/04 in the above referenced dockets proposed to be effective January 1, 2025.

Second Revision Sheet 99	Canceling	First Revision Sheet 99
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Colstrip Tracker Schedule 99, per Order No. 10/04 in Docket Nos. UE-220053, et. al., allows Avista recovery of its Unit 3 and 4 costs (exclusive of transmission investment and those costs included in the Energy Recovery Mechanism), including operating and maintenance and other expenses, depreciation expense, decommissioning and remediation costs, and return on rate base.

Per Order No. 10/04, all future Colstrip costs are to be recovered separately through this separate tracking mechanism, subject to review through the annual true-up process, including but not limited to an examination of prudence. Furthermore, the Colstrip Tracker would include the following, as outlined in Exh. JT-3T, page 6, lines 7-21:

The Colstrip Tracker would be administered through Tariff Schedule 99 “Colstrip Tracker” with the initial rate effective date of December 21, 2022, concurrent with this GRC, and would be reset each January 1st thereafter, via a filing made each October 31st, until all prudently incurred costs are recovered.

- a. Prudency of incurred costs will be reviewed in each year’s annual filing;
- b. The Colstrip Tracker would recover non-O&M items on a one-year lag, using actuals through August 31st and estimates through December 31st of the filing year;

- c. O&M and other expense items (production O&M and amortization expense) will be included in the tracker on the test period basis (or restated basis¹) during the Two-Year Rate Plan in this case, and forecasted, as appropriate, thereafter;
- d. Lifetime D&R cost estimates would be updated each year in the Colstrip Tracker; and
- e. Amounts that were included in Schedule 99 on a forecast basis will be trueed-up to actuals in each annual tariff filing.²

Workpapers (both confidential and non-confidential) in support of the 2025 Colstrip Tracker values are provided with the Company's filing, including information to support proposed Colstrip Net Plant, Colstrip Regulatory Asset/Liability, amortization and expenses and overall revenue requirement. Also included as Confidential Attachments A through C³, is information regarding incremental actual and expected capital investment transferring to plant January 2024 through December 31, 2025, above prior December 2023 approved levels. Capital investment included in the 2024 Colstrip Tariff included investment through December 31, 2023 only, therefore 2024 and 2025 investments are included for recovery in this tariff schedule over the 2025 calendar year. Confidential information is provided per WAC 480-07-160.

All plant investment included for recovery is appropriate to recover in 2025 as it reflects investment necessary to operate Colstrip Units 3 and 4 through December 31, 2025, benefiting customers. Barring this investment, unforeseen outages at Colstrip could occur resulting in increased power supply costs. The monthly lost benefit of a Colstrip Unit 3 and 4 outage equates to approximately \$8.0 million system, or \$5.2 million allocated to Washington.

Also included for recovery in the 2025 Colstrip Tariff Schedule 99 is the average Colstrip Materials and Operating Supply Inventory (FERC Account 154.400) balance of \$2.8 million (Washington share) and the average Colstrip Fuel Stock Coal (FERC Account 151.120) inventory balance of \$1.2 million (Washington share) ("Inventory Balances"). These Inventory Balances have previously been included with Washington electric Working Capital in base rates, earning a return on this inventory balance.⁴

¹ O&M and other expense referred to [in the 2023 and 2024 Tariff 99 filings] reflect test period expense, with the exception of Colstrip major maintenance expense, which reflects a restated balance per prior Commission Order 05, paragraph 153 of Docket UE-150204. These amounts will not be adjusted further over the Two-Year Rate Plan.

² Given all Colstrip costs included in Colstrip Tariff Schedule 99, with the exception of D&R cost estimates, must be excluded effective January 1, 2026, a true-up of actual balances above forecasted balances included in the 2025 tariff in the following 2026 annual tariff filing is not feasible. However, if the Company's 2024 and 2025 estimated capital and 2025 estimated O&M expense exceed actual Colstrip costs incurred through 2025, the Company will defer those balances for return to customers in the updated Colstrip Tariff Schedule 99 filed for calendar 2026.

³ Confidential Attachment A includes individual Investment Summary sheets for all 2024 and 2025 investments greater than \$300,000 (Avista share). Confidential Attachments B and C provide the individual 2024 and 2025 investment "Hurdle Sheet," respectively, prepared by the managing company (Talon) for each investment in 2024 and 2025.

⁴ The Colstrip Materials and Supplies Inventory (FERC Account 154.400) and Colstrip Fuel Stock Coal Inventory (FERC Account 1541120) balances were inadvertently included in base rates within Washington electric Working Capital, rather than removed from base rates and alternatively included in Colstrip Tariff Schedule 99 with the effective date of Schedule 99 on December 21, 2023. Furthermore, these inventory balances were included in Washington electric Working Capital in the Company's current general rate case UE-240006 on an AMA basis as of June 30, 2024. If this Commission approves the Two-Year Rate Plan as proposed by the Company through December 2026 in Docket UE-22006, the Company will credit customers within the Colstrip Tariff Schedule 99, effective January 1, 2026, the same return amount on these inventory balances included in base rates of approximately \$270,000, so as to result in a net \$0 impact in 2026.

The Company requests the Commission allow the Company to move these Inventory Balances to a Colstrip Regulatory Asset (FERC 182), with no carrying charge, effective January 1, 2025, and amortize this Colstrip Regulatory Asset over one-year (using FERC Account 407).

As shown within the accompanying workpapers, the net overall revenue requirement effective January 1, 2025 totals \$42.6 million.⁵ This reflects an overall increase in net costs (revenue requirement) calculated for Colstrip costs for calendar 2025 versus that currently approved per the existing Colstrip Tariff Schedule 99 for calendar 2024, of \$18.2 million, or 2.7 percent. Below, Table 1 illustrates the impact by rate schedule:

Table 1 - Impact by Rate Schedule

Schedule No.	Rate Schedule	Change in Billed Revenue
1/7/8	Residential	4.0%
11/12/13/17/18	General Service Schedule	1.4%
21/22/23	Large General Service Schedule	1.7%
25	Ext. Lg General Service Schedule	0.6%
25I	Special Contract	1.0%
31/32	Pumping Service Schedule	5.2%
41-48	Street and Area Lights	4.8%
Overall		2.7%

Enclosed is a set of workpapers which shows the derivation of the proposed per kilowatt-hour rate credit proposed to be effective for a twelve-month period beginning January 1, 2025.

The average residential customer using 945 kWhs per month will see an increase of \$4.47 per month, or approximately 4.1%. The present bill for 945 kWhs is \$109.58 while the proposed bill is \$114.05. The actual bill change will vary based on customer usage.

In accordance with the requirements of WAC 480-100-103, attached to this filing is a draft notice to customers, which the Company will provide through a bill insert, during the November 2024 bill cycle.

The Company requests the Commission approve the proposed Colstrip Tariff Schedule 99 included with the Company’s filing, reflecting a change in language that this tariff will be in effect from January 1, 2025 through December 31, 2025. The monthly rate by individual rate schedules is provided in the proposed Colstrip Tariff attached.

Please direct any questions regarding this filing to me at (509) 495-8601.

⁵ As detailed in Docket UE-220053, Exh. JT-3T, Pg 5, Ln 7 “For purposes of the Company’s Decoupling mechanism, the costs included in Schedule 99 will continue to be included in the Decoupling base and calculations.” To effectuate the update of the decoupling base for the Schedule 99 Colstrip related costs the Company will include the approved costs in its final general rate case compliance filing in Docket UE-240006 to align with the update of the Decoupling base for the base rate change. Should the Colstrip rates not yet be approved at the time the Company makes its general rate case compliance filing the Company will supplement that compliance filing once Colstrip rates for Schedule 99 have been approved.

Sincerely,

Elizabeth Andrews

Elizabeth Andrews
Sr. Manager, Revenue Requirements

Enclosures