



Avista Corp.

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March 31, 2020

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

Re: Docket No. UE-20_____ Energy Recovery Mechanism (ERM)
Avista's Annual Filing to Review Deferrals (2019 Calendar Year)

Dear Mr. Johnson:

Enclosed for electronic filing is Avista's Annual Energy Recovery Mechanism for calendar year 2019.

Avista is making this annual filing in accordance with Docket No. UE-011595, which requires Avista to file annual testimony and support workpapers on or before April 1 of each year in order for prudence to be determined for the power costs deferred in the previous calendar year.

This filing consists of the direct testimony and exhibits of William G. Johnson and Annette M. Brandon. Mr. Johnson's testimony describes the supporting documentation that is being provided. Ms. Brandon's testimony describes the accounting associated with the ERM and a summary of the 2019 Solar Select program approved in Docket UE-180102. Due to limitations in accessibility to paper filings and/or electronic compact disc during the COVID-19 pandemic, the Company will post all documents to the Commission Portal.

2019 ERM Deferrals

For the 2019 calendar year, actual net power costs were less than authorized net power costs for the Washington jurisdiction by \$5,462,092. The deferral for 2019 in the rebate direction was recorded in the amount of \$1,096,569 (excluding interest). The Company retained \$4,365,523 in reduced net power costs in 2018.

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The primary contributor to the rebate for 2019 was low natural gas prices at the AECO natural gas trading hub, and relatively higher natural gas prices at the Malin natural gas trading hub. Avista was able to capture the increased price spreads between those basins in 2019 by utilizing its firm natural gas transportation contracts to purchase natural gas at a low price at AECO, and sell natural gas into the higher-priced Malin market, thereby locking in a favorable benefit for our customers. In total for 2019, natural gas generation and natural gas prices reduced power supply expense by approximately \$16.8 million below the authorized level. This decrease was offset by increases in Hydro expense as a result of a reduction in generation at the Mid-Columbia for approximately \$12.9 million. All other factors, netted together, accounted for an approximate \$1.6 million in reduced total power supply expense.

Avista, through its Direct Testimony and Exhibits is disclosing certain information that is CONFIDENTIAL and constitutes VALUABLE COMMERCIAL INFORMATION as defined by WAC 480-07-160. Enclosed are confidential position reports and a transaction detail report that are Confidential pursuant to WAC 480-07-160. Please direct any questions related to this filing to Annette Brandon at (509) 495-4324.

Sincerely,



Patrick D. Ehrbar
Director of Regulatory Affairs

