



UE-230214

**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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Mar 31, 2023

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

Re: Docket UE-23\_\_\_\_\_ Energy Recovery Mechanism (ERM) Annual Review for 2022 and Proposed Tariff for Surcharge of Overall Deferral Balances

Dear Ms. Maxwell:

Attached for electronic filing with the Commission is the following tariff sheet proposed to be effective July 1, 2023:

**Fourteenth Revision Sheet 93 Canceling Thirteenth Revision Sheet 93**

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. In addition, in accordance with the Multiparty Settlement Stipulation in Docket No. UE-120436, the Company's overall deferral balance has exceeded the \$30 million trigger, requiring a tariff filing in order to return the total deferral balance.

This filing consists of the direct testimony and exhibits of Scott J. Kinney and Patrick D. Ehrbar. Mr. Kinney provides an overview of the history of the ERM and provides a summary of the factors contributing to the power cost deferrals during the 2022 calendar year review period. Mr. Ehrbar's testimony describes the accounting associated with the ERM, a summary of the 2022 Solar Select program approved in Docket UE-180102 and the rate spread and rate design of the proposed surcharge to customers proposed to be effective July 1, 2023.

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, a transaction detail report, variance analysis reporting, and solar select reporting that are Confidential pursuant to WAC 480-07-160.

## 2022 ERM DEFERRALS

For the 2022 calendar year, actual net power costs were greater than authorized net power costs for the Washington jurisdiction by \$48,834,582. The deferral for 2022 in the surcharge direction was recorded in the amount of \$37,951,124 (excluding interest). The Company absorbed \$10,883,458 in increased net power costs in 2022.

The primary contributor to the increase in power supply expense was an increase in customer load in response to unusually hot or cold temperatures, combined with very high electric and natural gas prices. For the year, actual load exceeded the authorized level by approximately 57 aMW.

## OVERALL ERM DEFERRALS

The Multiparty Settlement Stipulation in Docket No. UE-120436, subsection 10, related to the ERM rate adjustment trigger states the following:

*The rate adjustment trigger, currently set at 10% of base revenue (or approximately \$45 million at current base rates), will be changed to be a \$30 million dollar threshold. If the deferrals in the ERM reach \$30 million, the Company will either surcharge or rebate the balance to customers.”*

In accordance with this provision, the Company is proposing to surcharge to customers the entire deferral balance of approximately \$31.9 million (before interest and revenue related expenses). This balance is comprised of the following:

Account	Description	Balance Surcharge/ (Rebate)
186280 - Current Year Deferral (2022)	Cumulative YTD Balance for difference between actual and authorized during 2022	\$ 38,105,837
182352 - Prior Unamortized Deferral Rebate	ERM deferrals through 2018 approved for rebate in UE-190334, UG-190335 and UE-190222 (consol.) <b>Residual balance - tariff at zero.</b>	\$ (767,326)
182350 - Previously Approved Deferred Balances Not Yet Amortized	Balance approved for prudence for 2019-2021, but not yet approved for rebate	\$ (4,502,576)
<b>Total Balance at December 31, 2022</b>		<b>\$ 32,835,935</b>

The balance in account 182350 represents the cumulative effects of power supply costs deemed prudent in previous annual ERM Prudence filings.

In addition, the Company is proposing to return to customers certain Energy Imbalance Market (EIM) benefits that had been previously approved to offset its net base power supply costs and base rates per general rate case Docket Nos. UE-200900 et. al., that had been inadvertently excluded in



error.<sup>1</sup> This error resulted in an understatement of EIM benefits, and an overstatement of revenues collected from customers. The Company requested in its deferred accounting petition in Docket UE-220530, and the Commission approved in Order No. 01 authority to defer this overcollection of revenues to be returned to customers at a later date and future proceeding. The net deferral as of December 31, 2022 resulted in a deferred benefit to customers of \$971,670 recorded in FERC Account No. 254303 “Regulatory Liability Washington Revenue Deferral due to power Supply.”<sup>2</sup> The Company believes including this deferred regulatory liability of \$971,670 as an offset to the ERM surcharge deferred balance owed from customers is appropriate to reduce the overall customer surcharge in this proceeding.

Account	Description	Balance Surcharge/ (Rebate)
Cumulative ERM Deferred Balance at December 31, 2022		\$ 32,835,935
254303 - Regulatory Liability - WA Revenue Deferral due to Power Supply	Deferral of misstated EIM benefits in UE-200900 et. al.	\$ (971,670)
<b>Adjusted ERM Deferred Balance at December 31, 2022</b>		<b>\$ 31,864,265</b>

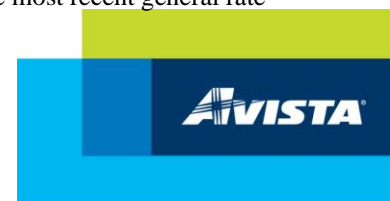
### CUSTOMER IMPACT

The Company is proposing to return the amortization balance to customers over a one-year amortization period beginning July 1, 2023. The overall net effect of this surcharge over the one-year period is an annual surcharge to electric customers of approximately \$34.6 million (including interest and revenue related expenses), or 6.0%. The surcharge rate has no effect on Avista’s earnings. The net increase to customers of the ERM surcharge by rate schedule is as follows:

Schedule No.	Rate Schedule	Change in Billed Revenue
1/2	Residential	6.0%
11/12	General Service Schedule	4.3%
21/22	Large General Service Schedule	5.8%
25/Sp Ct	Ext. Lg General Service Schedule	9.1%
31/32	Pumping Service Schedule	7.0%
41-48	Street and Area Lights Schedule	1.4%
	<b>Overall</b>	<b>6.0%</b>

<sup>1</sup> In Avista’s 2020 GRC (Docket No. UE-200900, the Commission approved a pro forma level of EIM benefits to include within net power supply costs as a result of Avista’s entrance into and participation in the EIM of \$5.8 million system (or \$3.4 million Washington share). In the first half of 2022, Avista determined that the calculation of the approved benefits included in its ERM power supply base and resulting revenue requirement approved by the Commission contained an error, and thus the actual ERM level of benefits included were understated by approximately \$757,000 lower than the agreed-upon level of ERM benefits.

<sup>2</sup> Other than interest, this balance will not materially change as the error was corrected with the most recent general rate case (Docket UE-220053) effective December 21, 2022.



The average residential customer using 932 kWhs per month will see an increase of \$5.60 per month, or approximately 6.3%. The present bill for 932 kWhs is \$88.82 while the proposed bill is \$94.42. 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 April 2023 bill cycle. Please direct any questions related to this filing to Joe Miller at 509.495.4546.

Sincerely,

A handwritten signature in black ink that reads "Patrick D. Ehrbar". The signature is fluid and cursive, with a long horizontal stroke at the end.

Patrick D. Ehrbar  
Director of Regulatory Affairs

