

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Application of	DOCKET UG-200291
AVISTA CORPORATION d/b/a AVISTA UTILITIES	ORDER 01
Energy Recovery Mechanism Annual Filing to Review Deferrals for Calendar Year 2019	AUTHORIZING ENERGY RECOVERY MECHANISM DEFERRALS FOR CALENDAR YEAR 2019

**BACKGROUND**

- 1 On June 18, 2002, the Washington Utilities and Transportation Commission (Commission) in its Fifth Supplemental Order in Docket UE-011595 authorized Avista Corporation, d/b/a Avista Utilities, (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 file with the Commission by April 1 of each year a request for approval of the power costs it deferred the prior calendar year under the ERM.<sup>1</sup>
- 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.<sup>2</sup>
- 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.<sup>3</sup> Among other things, the Settlement Stipulation in Docket UE-030751

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<sup>1</sup> Settlement Stipulation in Docket UE-011595 at 6-7, 4.b.

<sup>2</sup> *Id.*

<sup>3</sup> *WUTC v. Avista Corp.*, Docket UE-030751, Order 05, Order Approving and Adopting Settlement Stipulation (February 3, 2004).

identified specific documentation the Company would file in future ERM annual review proceedings.<sup>4</sup>

4 Pursuant to the terms of the ERM, the first \$4 million 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 potential rebate to customers; and 90 percent of any remaining amount over \$10 million is deferred as a potential rebate to customers.

5 On March 31, 2020, in Docket UE-200291, Avista filed testimony, exhibits, and supporting documentation relating to power costs deferred under the ERM for calendar year 2019. The 90-day review period was March 31, 2020, to June 19, 2020.

6 In 2019, Avista's actual net power expense allocated to Washington was lower than the authorized baseline expense by \$5,462,092.<sup>5</sup> Of that amount, the first \$4 million is retained by the Company. Twenty-five percent of the remaining \$1,462,092 million, or \$365,523, also is retained by the Company, and 75 percent, or \$1,096,569, is deferred as a potential rebate to rate payers.

7 In the prefiled direct testimony of Avista witness Brandon, the Company reports a 2018 deferral balance of \$35.9 million.<sup>6</sup> Having exceeded the ERM refund trigger at the end of 2018, Avista is required to pass back the deferral balance to ratepayers via its Tariff Schedule 93. The total refund amount, which includes the 2018 cumulative deferral balance of \$35.9 million as well as several miscellaneous amounts, is approximately \$42.3 million.<sup>7</sup> In triggering the refund, the ERM deferral balance was re-set to \$0. Therefore, the annual 2019 ERM deferral amount is \$1,096,569 and the cumulative ERM deferral amount is also \$1,096,569 (not accounting for interest).

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<sup>4</sup> See Settlement Stipulation in Docket UE-030751 at 6-7, ¶ III.C.

<sup>5</sup> The baseline for this ERM calculation is based on the power supply revenues and expenses approved by the Commission in consolidated Dockets UE-170485 and UG-170486, Order 7 (April 26, 2018).

<sup>6</sup> Brandon, Exh. AMB-1T, Page 5, Table 2.

<sup>7</sup> The \$42.3 million total includes (1) \$378,251 in interest on the \$35.9 million deferral balance (from January to March of 2020); (2) \$2,446,818 for the disallowance of Avista's replacement power costs (adjusted for the deadband) associated with the 2018 Colstrip Outage and Derate, as well as for the amount of the 2018 ERM deferral balance applied to the accelerated Colstrip production plant depreciation expense; (3) \$1,603,793 in interest on the remaining ERM refund balance during the two-year pass back period; and (4) \$1,975,195 for revenue gross-up.

8 Staff has conducted a review of the Company's ERM annual review filing in this Docket and is satisfied the Company provided an accurate calculation of its annual deferral amount as well as adequate documentation of its ERM power cost revenue and expenses. Staff has not identified any related issues nor has any other person or party filed comments with the Commission within the review period. Therefore, Staff recommends that the Commission approve the 2019 annual ERM deferral amount of \$1,096,569.

### **DISCUSSION**

9 We agree with Staff's recommendation. Avista's March 31, 2020, filing provides sufficient information to allow the Commission and interested parties to audit and review the prudence of the Company's ERM power cost deferrals for calendar year 2019, and the documentation provided by the Company adequately supports the 2019 deferral amount of \$1,096,569 reflected in the filing.

### **FINDINGS AND CONCLUSIONS**

- 10 (1) The 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.
- 11 (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.
- 12 (3) This matter was brought before the Commission at its regularly scheduled meeting on June 25, 2020. The Commission received no written or oral comments from any person or party other than Commission Staff.
- 13 (4) The Company has provided adequate documentation of its ERM power cost deferrals for calendar year 2019 to support the rate payer deferral or rebate amount of \$1,096,569.

### **ORDER**

#### **THE COMMISSION ORDERS:**

- 14 (1) Avista Corporation's filing meets the requirements in Dockets UE-011595 and UE-030751, and Avista Corporation has properly calculated the 2019 Energy Recovery Mechanism amount.

- 15 (2) Pursuant to the terms of the Energy Recovery Mechanism, Avista Corporation is authorized to record a 2019 rate payer deferral or rebate amount of \$1,096,569.
- 16 (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.
- 17 (4) The Commission retains jurisdiction to effectuate the terms of this Order.
- 18 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective June 25, 2020.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON  
Executive Director and Secretary