

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of

AVISTA CORPORATION, d/b/a AVISTA  
UTILITIES,

Energy Recovery Mechanism Annual  
Filing to Review Deferrals for Calendar  
Year 2020

DOCKET UE-210216

ORDER 01

AUTHORIZING ENERGY  
RECOVERY MECHANISM  
DEFERRALS FOR CALENDAR  
YEAR 2020

**BACKGROUND**

- 1 On June 18, 2002, the Washington Utilities and Transportation Commission (Commission) entered its Fifth Supplemental Order in Docket UE-011595, which 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 make a filing by April 1 of each year regarding 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., d/b/a Avista Utilities*, Docket UE-030751, Order 05, Order Approving and Adopting Settlement Stipulation (Feb. 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 amounts 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 rebate to customers; and 90 percent of any remaining amount over \$10 million is deferred as a potential rebate to ratepayers.

5 On March 31, 2021, Avista filed testimony, exhibits, and supporting documentation relating to power costs deferred under the ERM for calendar year 2020. The 90-day review period was April 1, 2021, to June 24, 2021. Avista agreed to extend the review period to September 30, 2021.

6 Included as part of the ERM Annual Review are the revenues and expenses associated with the Company's Voluntary Solar Select Program (Solar Select), which is subject to the same prudence review as all power supply revenues and expenses.<sup>5</sup> At the end of the ERM deferral year, any difference between Solar Select revenues and expenses (margin) will be deferred until program end, at which time a decision on the disposition of the program's final margin balance will be made.

7 In 2020, Avista's actual net power expense allocated to Washington was lower than the authorized baseline expense by \$17,479,519. Since actual costs are lower than authorized costs the deferral calculation is as follows:

- a. Dead Band - The first \$4 million is retained by the Company;

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

<sup>5</sup> On February 2, 2018, Avista filed Schedule 87 with the Commission to establish its Solar Select Program for large, non-residential retail customers in Docket UE-180102. Schedule 87 offers a long-term, qualified renewable energy product to certain commercial and industrial customers. In order to meet the needs associated with the Solar Select program, Avista entered into a Power Purchase Agreement (PPA) with Strata Solar for 28 MW from the Lind Solar Facility located in Lind, Washington. Lind Solar qualifies as a shared commercial solar facility under Engrossed Substitute Senate Bill (ESSB) 5939, enacted in RCW 82.16, Renewable Energy System Cost Recovery. Solar Select expenses and revenues flow through the annual Energy Recovery Mechanism (ERM) outside of the dead band and sharing bands (similar to renewable energy credits).

- b. First Sharing Band - Twenty-five percent of the next \$6 million, or \$1,500,000, is retained by the Company, and 75 percent, or \$4,500,000, is deferred as a rebate to customers; and
- c. Second Sharing Band – Ten percent of the remaining deferral balance \$7,479,519, or \$747,952, is retained by the Company, and 90 percent, or \$6,731,567, is deferred as a rebate to customers.

8 In 2020, Avista recorded an annual credit deferral balance for its customers of \$11,383,248. This amount includes \$209,253 in interest earned on the annual ERM balance and the Solar Select negative margin of \$57,572.

9 Avista's end of 2019 annual ERM credit balance of \$1,502,661, when added to the end of 2020 annual ERM credit balance of \$11,383,248, results in a total ERM credit deferral balance of \$12,885,909 (\$4.1 million under the ERM refund trigger).

10 The end of 2020 balance of the pre-2019 ERM credit deferral refund of \$38.6 million authorized by the Commission in Order 09, in consolidated Dockets UE-190334, UG-190335, and UE-190222 is \$24.98 million.

11 The baseline for this ERM calculation results from the power supply revenues and expenses approved by the Commission in consolidated Dockets UE-170485 and UG-170486.

12 Staff has conducted a review of the Company's ERM annual review filing in this Docket, including results from its Solar Select Program, and is satisfied the Company provided adequate documentation of its ERM power cost revenue and expenses.

13 Staff has not identified any related issues nor has any other person or party filed comments with the Commission within the review period.

### DISCUSSION

14 Avista's March 31, 2021, filing provides sufficient information to allow the Commission and interested parties to audit and review the prudence of its ERM deferrals for 2020. We agree with Staff that the Company's documentation of its ERM power cost deferrals for calendar year 2020 adequately supports the ratepayer deferral of \$11,383,248 reflected in the filing.

## FINDINGS AND CONCLUSIONS

- 15 (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.
- 16 (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.
- 17 (3) This matter was brought before the Commission at its regularly scheduled meeting on September 30, 2021. The Commission received no written or oral comments from any person or party other than Commission Staff.
- 18 (4) The Company has provided adequate documentation of its ERM power cost deferrals and Solar Select Program results for calendar year 2020 to support the ratepayer deferral \$11,383,248.
- 19 (5) For 2020, Avista recorded a negative margin of \$57,572 for its Voluntary Solar Select Program. This amount, along with the 2019 positive margin of \$249,204, results in an overall positive margin in second year of the program of \$191,632.
- 20 (6) The Commission finds that Avista's 2020 ERM power cost expense and revenues, including its Solar Select Program, have been prudently incurred.

## ORDER

### THE COMMISSION ORDERS:

- 21 (1) Avista Corporation's d/b/a Avista Utilities filing meets the requirements in Dockets UE-011595 and UE-030751, and Avista Corporation d/b/a Avista Utilities has properly calculated the 2020 Energy Recovery Mechanism amount.
- 22 (2) Pursuant to the terms of the Energy Recovery Mechanism, Avista Corporation d/b/a Avista Utilities is authorized to record a 2020 ratepayer deferral of \$11,383,248.
- 23 (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.

- 24 (4) The Commission retains jurisdiction to effectuate the terms of this Order.

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 September 30, 2021.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARK L. JOHNSON  
Executive Director and Secretary