



Avista Corp.

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July 29, 2021

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

RE: Dockets 200900/901/894 (Consolidated) – 60 Day Power Supply/Transmission Update

Dear Mr. Johnson:

On May 27, 2021, Avista Corporation (“Avista” or “Company”) filed with the Commission the Partial Multiparty Settlement Stipulation in the above referenced dockets agreed to by the Parties.¹ Within the Partial Multiparty Settlement Stipulation (Exh. JT-2), at paragraph 9, the Parties agreed to the following requirement:

The Settling Parties agree that Avista will provide an update to its filed Power Supply pro forma adjustment 60 days prior to the rate effective date (October 1, 2021) and the effects of such update will be incorporated into the electric revenue requirement approved by the Commission. The update will include refreshing natural gas and electricity market prices, updating non-natural gas fuel prices where such prices are the result of a contract changes, adding all incremental contracts with terms of less than one year affecting the pro forma period for natural gas and electricity, and updating rate changes to any power and transmission service contracts included in the filing.²

Therefore, in compliance with the above referenced settlement condition, Avista hereby submits this letter, as well as Attachments 1 and 2. Attachment 1 is revised Exh. EMA-8, (previously updated in response to Bench Request 1; see Bench Request 1 - Revised Attachment A), which provides Avista’s electric revenue requirement model, reflecting the Company’s electric proposed revenue requirement per its rebuttal filing on May 28, 2021, updated with this July 30, 2021 60-Day Power Supply/Transmission Update, and resulting updated proposed electric revenue

¹ The Partial Multiparty Settlement Stipulation was entered into by Avista, the Staff of the Washington Utilities and Transportation Commission (“Staff”), the Alliance of Western Energy Consumers (“AWEC”), Inland Empire Paper Company (“IEP”), the Sierra Club, and The Energy Project, jointly referred to herein as the “Settling Parties”. In addition, the Settling Parties were informed by Public Counsel that it may join the Settlement but it did not yet have approval to do so at the time of filing.

² The end of the statutory suspension period, and expected rate effective date, in these dockets is October 1, 2021. Accordingly, the Company has made this filing on or before August 1, 2021.

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requirement of \$28,545,000. Attachment 2 is revised Exh. CGK-6, reflecting the revised proposed ERM power supply expense and revenue, transmission expense and revenue, retail sales and retail revenue credit for the October 1, 2021 – September 30, 2022 rate year.

Starting at page 7, line 22, the Joint Testimony in support of the Partial Multiparty Settlement Stipulation (Exh. JT-1T) states that the 60-Day Power Supply Update will include refreshing natural gas and electricity market prices, updating non-natural gas fuel prices where such prices are the result of a contract changes, adding all incremental contracts with terms of less than one year affecting the pro forma period for natural gas and electricity, and updating rate changes for any power and transmission service contracts included in the filing. The Joint Testimony also explains, as agreed to by the Parties, the Power Supply adjustment will reflect a \$3.4 million system EIM benefit, reflecting 7 months (March 2022 – September 2022) of annual system EIM benefits of \$5.8 million.

As shown in Table No. 1 below, the Pro Forma Power Supply (PF 3.00P) and Pro Forma Transmission (PF 3.00T) adjustments as filed by Avista in its rebuttal filing on May 28, 2021, produced reductions in the Company’s overall revenue requirement of \$17.8 million (column A) and \$1.2 million (column D) respectively. However, the 60-Day Update results, as shown in Table No. 1, reflect updated reductions in overall revenue requirement for Pro Forma Power Supply (PF 3.00P) and Pro Forma Transmission (PF 3.00T) of \$23.0 million (column B) and \$7.6 million (column E), respectively. Therefore, the net of these changes per the 60-Day Update, reduces the Company’s overall revenue requirement from that filed on rebuttal by \$11.6 million (column G).

Table No. 1 – PF Power Supply (3.00P) & PF Transmission 3.00T – Rebuttal vs 60-Day Update

	PF Power Supply 3.00P ¹			PF Transmission Revenues/Expenses 3.00T ¹		
	A	B	C	D	E	F
	Rebuttal ² Filed on May 28, 2021	60-Day Power Supply Update ³	Net Change in Power Supply Costs	Rebuttal ² Filed on May 28, 2021	60-Day Power Supply Update ³	Net Change in Transmission Revenues
	PF 3.00P	PF 3.00P	PF 3.00P	PF 3.00T	PF 3.00T	PF 3.00T
Revenues	\$ 22,537	\$ 41,825	\$ 19,288	\$ 658	\$ 6,775	\$ 6,117
Expenses	5,507	19,812	14,305	(447)	(447)	-
Net Income before tax	17,030	22,013	4,983	1,105	7,222	6,117
Income Tax	3,576	4,623	1,046	232	1,517	1,285
Net Operating Income	\$ 13,454	\$ 17,390	\$ 3,937	\$ 873	\$ 5,705	\$ 4,832
Revenue Requirement	\$ (17,812)	\$ (23,024)	\$ (5,212)	\$ (1,156)	\$ (7,553)	\$ (6,397)
						G
Net Change in Revenue Requirement						\$ (11,609)

¹PF 3.00P (Power Supply) and PF 3.00T (Transmission) are pro formed above current authorized levels.
²Per Exh. EMA-8, page 8, columns 3.00P and 3.00T.
³Per 60-Day Update, Attachment A, pg 8, columns 3.00P and 3.00T.

The incremental decrease of \$11.6 million included with this 60-day update results from incorporating recent three month average of forward gas prices through June 15, 2021, adding new forward natural gas and power transactions, and accounting for known changes in power and

transmission contracts for the October 1, 2021 – September 30, 2022 rate year. Incorporating the recent changes in electric and natural gas forward prices, as well as fuel costs for Colstrip and Kettle Falls in the AURORA model, results in significantly lower power supply expenses caused by much higher operating margins on thermal plants prices, without significant changes to the dispatch of the Company’s thermal generation plants. Other effects of adding new contracts and increasing electric and natural gas prices include a change in the mark to market value of actual forward transactions, change in the expense and revenue of index priced contracts and a change in the surplus AECO to Malin transportation revenue. Other known changes incorporated in the update include a reduction to native load due to closure of a large industrial customer, removal of the BPA 50 MW transmission contract and the addition of the Energy Imbalance Market revenue, as noted above.

In addition to the aforementioned power supply changes, transmission revenues increased, impacting the transmission pro forma adjustment and the ERM baseline, related to newly signed transmission contracts, and the inclusion of additional estimated revenue related to expected approval of the Company’s FERC general rate case (GRC) filed in June 2021. The FERC GRC is expected to be approved as filed with an effective date of October 1, 2021. Details of all changes incorporated in this 60-Day Power Supply/Transmission Update are provided in the workpapers accompanying this filing.

As shown in Attachment 2, revised Exh. CGK-6, this updated level of net power supply costs would be used to determine the new base set of power supply revenues and expenses for ERM calculations beginning October 1, 2021.

Finally, as shown in Table No. 2 below, and per Attachment 1, page 2, line 7, after incorporating the effects of the Company’s rebuttal revenue requirement increase of \$40.155 million, offset by the 60-Day Power Supply / Transmission Update incremental reduction of \$11.6 million, Avista’s net revised proposed revenue requirement is \$28,546,000 or 5.38% base rate increase³.

Table No. 2 – Revised Revenue Requirement

Revised Revenue Requirement	
Rebuttal Revenue Requirement ¹	\$ 40,155
60-Day Power Supply/ Transmission Update Impact	\$ (11,609)
Avista Revised Revenue Requirement ²	<u>\$ 28,546</u>
Base Rate Increase	5.38%
¹ Per Exh. EMA-8, page 2, row 7.	
² Per 60-Day Update, Attachment A, pg 2, row 7.	

³Prior to offset of Tariff Schedule 76 “Customer Tax Credit,” now revised to \$28,546,000 to match the proposed revenue requirement, resulting in no bill impact to customers.



The native Excel version of Attachment 2 provided with this filing is **Confidential per the Protective Order in UTC Dockets UE-200900 and UG-200901.**

Questions regarding this filing should be directed to Liz Andrews at (509) 495-8601.

Sincerely,

/s/ David Meyer

David Meyer
Vice President and Chief Counsel
for Regulatory and Governmental Affairs

Enclosures

cc: Service List