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October 15, 2021

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

UE-200900

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RE: Compliance Filing- Avista Corporation – Dockets UE-200900, UG-200901 and UE-200894 (consolidated)

Avista Corporation, dba Avista Utilities (Avista or the Company), hereby submits its capital expenditure report for its Wildfire Resiliency Plan and Energy Imbalance Market (EIM) investments for the period ending September 30, 2021, per Order 08/05, in Dockets UE-200900, UG-200901 and UE-200894 (consolidated).

In Order 08/05 in the above referenced dockets, at Paragraph 38, the Commission stated with regards to EIM:

Avista committed to “communicating with the other Parties through periodic ‘expenditure reports’ filed on a quarterly basis, commencing October 15, 2021,” for the provisional portion of the EIM pro forma adjustment. We consider this agreement implicit in the Settling Parties’ agreement because, as we stated in our Used and Useful Policy Statement, such reporting is a necessary condition of allowing any provisional portion of a pro forma adjustment in rates. [footnotes omitted]

Also, at Paragraph 252, the Commission stated with regards to Wildfire:

In its brief, Avista proposes that, in placing wildfire capital from April 2021 through September 2021 in rates effective October 1, 2021, the Company supports engaging in a retrospective review — including quarterly expenditure reports commencing October 15, 2021 — in its next GRC for prudence and any offsetting cost savings, and possible refund with interest of any amounts deemed imprudent or unknown and measurable. Under this proposal, the Commission retains authority to order these measures, with or without a proposal from a party. [footnotes omitted]

1. ENERGY IMBALANCE MARKET (EIM) CAPITAL INVESTMENT

Included as Attachment A are actual transaction detail for Avista's EIM capital investment through September 30, 2021. Attachment A, page 1, summarizes the actual activity, and shows that the Company has transferred to plant \$13.2 million (system) and has a construction work in progress (CWIP) EIM balance of \$4.6 million (system) through September 30, 2021, compared to \$15.2 million capital investment authorized by the Commission in the Company's most recent general rate case (Docket UE-200900) through September 30, 2021. The Company anticipates the remaining pro forma or provisional capital additions to materialize through completion of the project in 2022.

As discussed by Mr. Kinney at Exh. SJK-13T in Docket UE-200900, Avista needed to complete all its EIM equipment upgrades/replacements and integrate all new software by July 1, 2021 per the CAISO implementation schedule. However, although the equipment-related projects were completed by July 1, 2021, the software applications (while complete) would not officially transfer-to-plant until all testing is complete and the Company officially joins the EIM in March 2022.

Therefore, the Company will provide actual transfers-to-plant, as well as transactional CWIP balances, as required, through these quarterly reports, until EIM go-live, and all investments have transferred to plant-in-service.¹ The Company's final report after go-live, provided on or before July 2022, will provide total actual capital transfers to plant, versus that included by the Company and approved by this Commission, for review by Parties to Docket UE-200900. Any Washington-share amount of actual EIM transfer-to-plant balances, less than Washington's-share of expected EIM transfer-to-plant amounts approved by this Commission, will be subject to refund in our next general rate case.

¹ Per Order 08/05, the Commission's authorized electric base rate revenue requirement, effective October 1, 2021, included the Company's EIM pro forma/provisional capital adjustment 3.18. These adjustment included capital additions starting in 2020 through go-live of March 2022, plus trailing invoices capitalized in 2022. Additional quarterly reports will be filed by Avista in January 2022, April 2022, and a final report in July 2022, to report on quarterly transfer-to-plant results for the EIM project through completion.

2. WILDFIRE PLAN CAPITAL INVESTMENT

Included as Attachment B are actual transfers-to-plant details for Avista's Washington Wildfire Plan capital investments of \$10.28 million through September 30, 2021, compared to \$9.75 million authorized by the Commission in the Company's most recent electric general rate case (Docket UE-200900) through September 30, 2021. After reflecting A/D and ADFIT (which results in net rate base), a comparison of actual versus authorized net rate base, net operating income (NOI), depreciation expense, and overall revenue requirement, are shown in Table No. 1 below.

Table No. 1 – Wildfire Capital Investment Actual versus Authorized

Pro Forma/Provisional Wildfire Actual versus Authorized Capital Additions January 2020 - September 2021 (000s)			
	Authorized	Actual	Difference Over/ (Under)
Depreciation Expense	\$ 3,338	\$ 3,295	\$ (43)
NOI	\$ (2,586)	\$ (2,549)	\$ 37
Net Rate Base (net of A/D and ADFIT)	<u>\$ 9,406</u>	<u>\$ 9,980</u>	<u>\$ 574</u>
Revenue Requirement	<u>\$ 4,311</u>	<u>\$ 4,316</u>	<u>\$ 5</u> ⁽¹⁾

⁽¹⁾ No adjustment or refund required, amount authorized understated by \$5,000.

As shown in Attachment B and Table No. 1 above, actual system wildfire net rate base through September 30, 2021 of \$9.980 million was greater than that authorized by this Commission of \$9.406 million in Order 08/05 of Docket UE-200900, by approximately \$574,000. The resulting Washington revenue requirement associated with this understatement totals \$5,000, including return-of and return-on this investment. Because the overall actual net rate base and required revenue requirement were greater than that approved by this Commission as of September 30, 2021, there is no incremental amount subject to refund. However, a final review of these additions from April 2021 through September 2021 are subject to review in our next general rate case. As the Wildfire capital additions authorized in Docket UE-200900 are complete as of September 30, 2021, no further Wildfire capital additional reporting will be required beyond September 30, 2021.

Please direct any questions regarding this report to me at 509-495-8601 or liz.andrews@avistacorp.com.

Sincerely,

/s/ *Elizabeth Andrews*

Elizabeth Andrews
Sr. Manager, Revenue Requirements

