Service Date: September 27, 2024

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 2023	DOCKET UE-240276 ORDER 01 AUTHORIZING ENERGY RECOVERY MECHANISM DEFERRALS FOR CALENDAR YEAR 2023

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.[1]

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.

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.[2] Among other things, the Settlement Stipulation in Docket UE-030751 identified specific documentation the Company would file in future ERM annual review proceedings.[3]

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[1] Settlement Stipulation in Docket UE-011595 at 6-7, 4.b.

[2] *WUTC v. Avista Corp., d/b/a Avista Utilities*, Docket UE-030751, Order 05, Order Approving and Adopting Settlement Stipulation (Feb. 3, 2004).

[3] *See* Settlement Stipulation in Docket UE-030751 at 6-7, ¶ III.C.

4 On October 1, 2021, the Commission authorized Avista's methodology for setting power supply base in the Company's 2020 general rate case.[4] As such, the previous ERM review period, in Docket UE-230214, was based on authorized power supply expenses from January 1 through December 21 of 2022.[5] Base levels for December 21 through December 31, 2022, were approved in Docket UE-200900 et al.[6]

5 On June 29, 2023, in Order 01 of Docket UE-230214 the Commission authorized a deferred net purchased energy cost variance of $38,105,837 for calendar year 2022 activities and approved the consequent revision to tariff WN U-28 for cost recovery effective July 1, 2023. As of March 29, 2024, the remaining amortizing balance was $25,478,296. This two-year tariff revision will sunset July 1, 2025, when the remaining amortizing balance is exhausted.

6 On March 29, 2024, in this Docket, the Company provided its annual ERM review filing to the Commission for the 2023 calendar year. On May 1, 2024, the Commission received agreement from all participating parties to extend this review period to July 31, 2024.[7]

7 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.[8] At the end of the ERM deferral year, any difference between Solar Select revenues and expenses (margin)

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[4] *See* Final Order 8 in Docket UE-200900 at 13, ¶ 30.

[5] *See* Final Order 8 in Docket UE-200900 at 14, ¶ 30.

[6] *See* Final Order 10/04 in Docket UE-220053, UG-220054, and UE-210854 (Consolidated) at 129-136.

[7] Per § 4.b of the Settlement Stipulation approved by the Commission in Docket UE-011595, the 90-day review period may be extended by agreement of the parties participating in the review.

[8] On April 2, 2018, the Commission allowed Schedule 87 of tariff WN U-28 to go into effect establishing a new voluntary program for large non-residential retail customers that can provide long-term qualified renewable energy products. This demand was met via a PPA with Strata Solar for 28MW of generation at a facility in Lind, Washington. The Company does not retain any financial benefits associated with the Solar Select Program and it remains fully voluntarily subscribed since May 1, 2018. In 2023 the program benefited from the higher than anticipated wholesale purchased energy prices and volumes and ended the year with a total deferred net rebate balance of $3,480,116 before interest accrual. The program is scheduled for evaluation in 2026 to determine if it is appropriate to pass through program benefits or costs to ratepayers by simply combining the Solar Select Program deferral balance with the ERM deferral balance.

will be deferred until program end, at which time a decision on the disposition of the program's final margin balance will be made.

8 In the Multiparty Settlement Stipulation filed December 26, 2012, in consolidated Dockets UE-120436 and UG-120437 the rate adjustment rebate or surcharge trigger was lowered from a maximal deferral of 10 percent of Company base revenues to a static $30 million threshold.[9]

9 From January 1, 2023, through December 31, 2023, the Company's actual net purchased energy costs were $23,910,731 greater than the authorized baseline forecast.

10 Of the $23,910,731 higher than authorized NPC in 2023, ERM mechanics, as shown in Figure 1, require the Company to absorb $8,391,242. The resulting cumulative total of the 2023 current year review period deferral and the deferred net purchased energy cost variance aggregate surcharge balance is now $15,825,797.

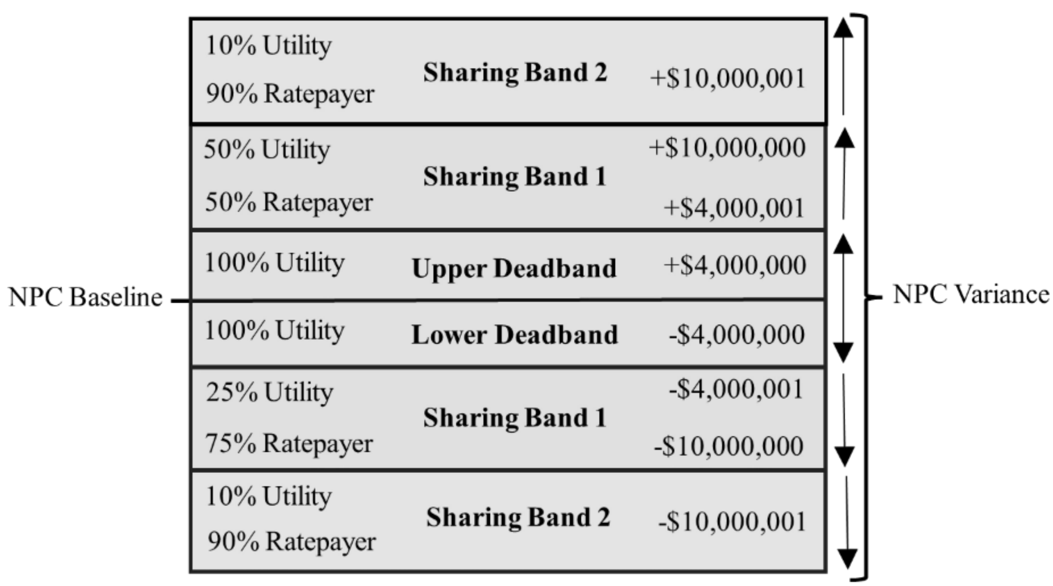

Figure 1: Avista Energy Recovery Mechanism Visual Model

11 Commission Staff (Staff) engaged with interested parties to this docket including the Alliance of Western Energy Consumers, Northwest Energy Coalition, The Energy Project, and the Office of Public Counsel. No objections to its recommendation or additional public comment have been received.

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[9] *WUTC v. Avista Corporation*, Dockets UE-120436 and UG-120437, Order 09 at Appendix A (December 26, 2012).

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 Regarding the Solar Select, Staff notes in 2023 the program benefited from the higher than anticipated wholesale purchased energy volumes and prices and ended the year with an increase of benefits in the amount of $1,241,395, bringing the total deferred net rebate balance of $3,480,116 before accrual of interest. The program is scheduled for evaluation in 2026 to determine if it is appropriate to pass through program benefits or costs to ratepayers.

14 Staff also reviewed the purchased power agreements (PPAs) included in the filing. The PPAs include two bilateral PPA and one PURPA qualifying facility. Staff does not indicate any concerns regarding the PPAs.

15 Staff recommends the Commission issue an order authorizing Avista to record their deferred 2023 NPC variance utility ratepayer surcharge balance of $15,825,797, Solar Select Program utility ratepayer rebate balance of $1,241,395 and finding the new long-term resource contracts prudent.

DISCUSSION AND DECISION

16 Avista's March 29, 2024, filing provides sufficient information to allow the Commission and interested parties to audit and review the prudence of its ERM deferrals for 2023. We agree with Staff that the Company's documentation of its ERM power cost deferrals for calendar year 2023 adequately supports the ratepayer deferral of $15,825,797 reflected in the filing.

17 We agree with Staff and find that Avista should be allowed to record the increase in benefits under the Solar Select to total $3,480,116.

18 We also agree with Staff that Avista has met its burden in showing the new long-term energy contracts have been prudently incurred.

FINDINGS AND CONCLUSIONS

19 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts,

securities, transfers of property, and affiliated interests of public service companies, including natural gas companies.

20 (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.

21 (3) This matter was brought before the Commission at its regularly scheduled meeting on September 26, 2024.

22 (4) The Company has provided adequate documentation of its ERM power cost deferrals and Solar Select Program results for calendar year 2023 to support the ratepayer deferral $15,825,797.

23 (5) For 2023, Avista recorded a rebate balance of $3,480,116, before interest accrual, for its Solar Select Program.

24 (6) The Commission finds that Avista's 2023 ERM power cost expense and revenues, including its Solar Select Program and new long-term energy contracts, have been prudently incurred.

ORDER

THE COMMISSION ORDERS:

25 (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 2023 Energy Recovery Mechanism amount.

26 (2) Pursuant to the terms of the Energy Recovery Mechanism, Avista Corporation d/b/a Avista Utilities is authorized to record a 2023 ratepayer deferral of $15,825,797.

27 (3) The Commission authorizes Avista Corporation d/b/a Avista Utilities to record an additional Solar Select Program utility ratepayer rebate balance of $1,241,395, bringing the total to $3,480,116.

28 (4) Avista Corporation's d/b/a Avista Utilities' new long-term resource contracts are found to be prudent.

29 (5) 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.

30 (6) The Commission retains jurisdiction over this matter for purposes of effectuating this Order.

DATED at Lacey, Washington, and effective September 27, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner