

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of	)	DOCKET UE-140540
	)	
AVISTA CORPORATION dba AVISTA	)	ORDER 01
UTILITIES,	)	
	)	ORDER AUTHORIZING ENERGY
Energy Recovery Mechanism Annual	)	RECOVERY MECHANISM
Filing to Review Deferrals for Calendar	)	DEFERRALS FOR CALENDAR YEAR
Year 2013	)	2013
.....	)	

**BACKGROUND**

- 1     The Utilities and Transportation Commission (Commission) in its Fifth Supplemental Order in Docket UE-011595 (June 18, 2002), authorized Avista Corporation dba 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.<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 identified specific documentation the Company would file in future ERM annual review proceedings.<sup>4</sup>

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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 (Feb. 3, 2004).

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

- 4 Pursuant to the terms of the ERM, the first \$4 million of amounts of net power supply costs above the authorized level is absorbed by the Company; the next \$6 million 50 percent is absorbed by the Company and 50 percent is deferred for surcharge to rate payers; and 90 percent of any remaining amount over \$10 million is deferred as a potential surcharge to rate payers.
- 5 On March 28, 2014, Avista filed testimony, exhibits, and supporting documentation relating to power costs deferred under the ERM for calendar year 2013. The 90-day review period was March 29, 2014, to June 28, 2014.
- 6 In 2013, Avista's actual net power expense allocated to Washington was greater than the authorized baseline expense by \$5,037,302. Washington's retail sales were 97,204 megawatts greater than the baseline resulting in retail revenue credit rebate adjustment of \$3,125,113 included in the Washington allocated net power expense above. Since actual costs are greater than authorized costs the calculation is as follows:
- a. The first \$4 million is absorbed by the Company;
  - b. Fifty percent of the next \$1,037,302 is absorbed by the Company or \$518,651 million (50 percent of \$1,037,302 million) and \$518,651 (50 percent of \$1,037,302) is deferred as a surcharge to rate payers.
- 7 The 2013 ERM filing includes several additional adjustments. There is an amount in the rebate direction of \$70,084 related to actual Colstrip fixed costs being less than authorized due to Colstrip availability dropping below 70 percent. Per the 2006 Settlement Agreement in Docket UE-060181, if the availability factor falls below 70 percent, Avista must show that the fixed costs included in rates were incurred during the outage and that the outage was not the result of imprudent actions by the Company.<sup>5</sup> In support of these requirements, the Company submitted a report on the outage prepared by an independent consulting firm. Staff reviewed the report and supports the conclusion that the outage was not the result of imprudent actions by the Company.
- 8 There is an amount in the surcharge direction of \$808,681 correcting an error related to the allocation of natural gas transport costs between the Company's Power Supply Operations and Natural Gas Distribution Operations. From November, 2011 through September, 2013 Power Supply Operations did not compensate Natural Gas Operations for the full amount of natural gas used to meet power production needs.

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<sup>5</sup> *In the Matter of Petition of Avista Corporation d/b/a Avista Utilities For Continuation of the Company's Energy Recovery Mechanism, with Certain Modifications*, Docket UE-060181, Order 03, Appendix A at 6 (June 16, 2006).

- 9 Finally, there is an amount in the rebate direction of \$801 related to interest.
- 10 For the year 2013 the total calculated rate payer deferral taking into consideration the additional adjustments is \$1,256,447. At the end of 2013, the total balance in the ERM deferral accounts, including the 2013 surcharge recorded, was \$17,903,588 in the rebate direction.
- 11 The baseline for this ERM calculation results from the power supply revenues and expenses approved by the Commission in Dockets UE-120436 and UG-120437 (consolidated).
- 12 As established by Commission Order in Docket UE-120436 and UG-120437 (consolidated), REC revenues are no longer a component of the ERM and Commission Staff does not review the Company's accounting of REC revenues in this filing. In Order 09, the Commission ordered Avista to propose a mechanism for returning REC sale proceeds to customers and present that mechanism for approval in the Company's next general rate case. Review of FERC Account 186.322 should also occur at that time.
- 13 Staff has conducted a review of the Company's ERM annual review filing in this docket, and is satisfied the Company provided adequate documentation of its ERM power cost revenue and expenses.
- 14 Staff has not identified any related issues nor has any other person or party filed comments with the Commission within the review period or asked to extend the review period.

### **DISCUSSION**

- 15 Avista's March 28, 2014, filing provides sufficient information to allow the Commission and interested parties to audit and review the prudence of the ERM deferrals for 2013. We agree with Staff that the Company's documentation of its ERM power cost deferrals for calendar year 2013 adequately supports the rate payer deferral or surcharge amount of \$1,256,447 reflected in the filing.

### **FINDINGS AND CONCLUSIONS**

- 16 (1) The Washington Utilities and Transportation 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.

- 17 (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.
- 18 (3) This matter was brought before the Commission at its regularly scheduled meeting on July 10, 2014. The Commission received no written or oral comments from any person or party other than Commission Staff.
- 19 (4) The Company has provided adequate documentation of its ERM power cost deferrals for calendar year 2013 to support the rate payer deferral or surcharge amount of \$1,256,447.

**ORDER**

**THE COMMISSION ORDERS:**

- 20 (1) Avista Corporation dba Avista Utilities' filing meets the requirements in Dockets UE-011595 and UE-030751 and Avista Corporation dba Avista Utilities has properly calculated the 2013 Energy Recovery Mechanism amount.
- 21 (2) Pursuant to the terms of the Energy Recovery Mechanism, Avista Corporation dba Avista Utilities is authorized to record a 2013 rate payer deferral or surcharge amount of \$1,256,447.
- 22 (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.
- 23 (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 Olympia, Washington, and effective July 10, 2014.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

STEVEN V. KING, Executive Director and Secretary