

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of	DOCKET UE-220232
AVISTA CORPORATION'S d/b/a AVISTA UTILITIES	ORDER 01
Energy Recovery Mechanism Annual Filing to Review Deferrals for Calendar Year 2021	AUTHORIZING ENERGY RECOVERY MECHANISM DEFERRALS FOR CALENDAR YEAR 2021

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.²
- 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.³ Among other things, the Settlement Stipulation in Docket UE-030751

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

² *Id.*

³ *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.⁴

- 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 October 1, 2021, the Commission authorized Avista's newly developed methodology for setting power supply base in the Company's 2020 general rate case.⁵ As such, the first nine months in this ERM review period were based on an authorized level of power supply expenses with a test period ending in December 2016.⁶ The last three months of the ERM review period are based on authorized power supply expenses from October through December of 2021.⁷
- 6 On March 31, 2022, Avista filed testimony, exhibits, and supporting documentation relating to power costs deferred under the ERM for calendar year 2021. The 90-day review period was April 1, 2022, to June 24, 2022. Avista agreed to extend the review period to September 30, 2022.
- 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)

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

⁵ See Final Order 8 in Docket UE-200900 at 13, ¶ B.I.i.

⁶ See Final Order 7 in Docket UE-170485 at 54, ¶ III.C.

⁷ See Final Order 8 in Docket UE-200900 at 14, ¶ B.I.i.

⁸ 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).

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 2021, Avista's actual net power expense allocated to Washington was higher than the authorized baseline expense by \$16,360,791. Because actual costs are higher than authorized costs the deferral calculation is as follows:

- a. Dead Band – The first \$4 million is absorbed by the Company;
- b. First Sharing Band – 50 percent of the next \$6 million is absorbed by the Company, and 50 percent is deferred to customers; and
- c. Second Sharing Band – 10 percent of the remaining deferral balance of \$6,360,791 is absorbed by the Company, and 90 percent, or \$5,724,712 is deferred as a surcharge to customers.

9 In 2021, Avista recorded an annual surcharge deferral balance for its customers of \$8,822,069. This amount includes \$97,357 in interest earned on the annual ERM balance and does not include the \$892,145 benefit to Solar Select customers.

10 Avista's end of 2021 annual ERM surcharge balance of \$8,822,069, when added to the end of 2020 annual ERM credit balance of \$13,157,482, results in a total ERM credit deferral balance of -\$4,335,413.

11 The end of 2021 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 \$6,456,812 million.

12 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 for the first nine months of 2021, and Dockets UE-200900 and UG-200901 for the last three months of 2021.

13 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.

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

DISCUSSION

15 Avista's March 31, 2022, filing provides sufficient information to allow the Commission and interested parties to audit and review the prudence of its ERM deferrals for 2021. We agree with Staff that the Company's documentation of its ERM power cost deferrals for calendar year 2021 adequately supports the ratepayer deferral of \$8,822,069 reflected in the filing.

FINDINGS AND CONCLUSIONS

- 16 (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.
- 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 September 29, 2021. 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 2021 to support the ratepayer deferral \$8,822,069.
- 20 (5) For 2021, Avista recorded a benefit margin of \$892,145 for its Voluntary Solar Select Program. This amount, along with the 2020 negative margin of \$57,571, results in an overall positive margin in third year of the program of \$834,873.
- 21 (6) The Commission finds nothing to indicate that the Avista's 2021 ERM power expense and revenues, including its Solar Select Program, were imprudently incurred.

ORDER

THE COMMISSION ORDERS:

- 22 (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 2021 Energy Recovery Mechanism
amount.
- 23 (2) Pursuant to the terms of the Energy Recovery Mechanism, Avista Corporation
d/b/a Avista Utilities is authorized to record a 2021 ratepayer deferral of
\$8,822,069.
- 24 (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.
- 25 (4) The Commission retains jurisdiction to effectuate the terms of this Order.

DATED at Lacey, Washington, and effective September 29, 2022.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner