

Agenda Date: July 10, 2014  
Item Number: E1

**Docket:** UE-140540  
**Company:** Avista Corporation dba Avista Utilities

**Staff:** Alan Buckley, Regulatory Consultant  
Jason Ball, Regulatory Analyst

### **Recommendation**

Issue an order authorizing Energy Recovery Mechanism deferrals for calendar year 2013.

### **Discussion**

On March 28, 2014, Avista Corporation dba Avista Utilities (Avista or company) filed its energy recovery mechanism (ERM) deferral calculations for calendar year 2013, as required under the settlement stipulation approved by the Utilities and Transportation Commission (commission) in Docket UE-011595 and clarified in Docket UE-030751. The purpose for the annual filing is to allow both the commission and interested parties 90 days to audit and review the prudence of the ERM deferral entries for the prior calendar year. The 90-day period ends June 28, 2014.

The base levels for 2013 result from the power supply revenues and expenses approved by the commission in Docket No. UE-120436. During 2013 actual net power costs were higher than the authorized base level for the Washington jurisdiction by \$5,037,302. The results is a deferral in the surcharge direction for 2013 of \$1,256,651, after several additional adjustments and taking into consideration the ERM's deadband and sharing bands. The balance in the 2013 deferral account at December 31, 2013 was \$17,903,588 in the rebate direction.

	Avista	Ratepayers
Net Power Costs (after Band sharing) <sup>1</sup>	\$4,518,561	\$518,651
Colstrip Rebate	-	\$(70,084)
Accounting Error	\$279,568	\$808,681
Interest on Deferral	-	\$(801)
<b>Total 2013 Related Surcharge/(Rebate)</b>	<b>\$4,798,129</b>	<b>\$1,256,447</b>
<b>Previous Deferral Account Balance Surcharge/(Rebate)</b>	<b>-</b>	<b>\$(19,160,035)</b>
<b>Total Deferral Balance as of December 31, 2013</b>	<b>-</b>	<b>\$(17,903,588)</b>

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<sup>1</sup> During 2013, Avista entered into one long-term power supply contract for a small (411kw) PURPA hydro plant. That contract is well under the 50MW threshold and therefore not subject to limitations on cost recovery for ERM review purposes.

### Colstrip Rebate

The Colstrip rebate of \$70,084 is related to an extended outage that reduced Colstrip's 2013 availability factor to 65.8 percent. Per the 2006 Settlement Agreement in Docket No. UE-060181, if the availability factor falls below 70 percent, Avista must show that the fixed costs in rates were incurred during the outage and that the outage was not the result of imprudent actions by the company.<sup>2</sup> After careful review of the report prepared by an independent consulting firm, staff agrees that the Colstrip outage was not the result of imprudent actions on the part of the company. The \$70,084 rebate is necessary to reflect the difference between 2013 fixed costs included in rates and the actual fixed costs incurred.

### Accounting Error

The accounting error of \$808,681 is related to the allocation of transport costs between Power Supply Operations (Thermal) and Natural Gas Operations (LDC). On November 1, 2011 a Thermal contract for 10,000 Dth/day expired and was not renewed. However from November, 2011 through September 2013, LDC continued to schedule natural gas delivery to meet the contractual requirements. The delivered therms were used to meet power production needs but thermal was not charged for the delivered amounts. Consequently, the costs were incorrectly included in the Purchased Gas Cost Adjustments<sup>3</sup>.

The accounting adjustment taken by the company reverses the charges between LDC and Thermal for each PGA and ERM period from November 2011 to September 2013. The total amount of costs assigned to Washington ratepayers through the ERM is \$808,681. This amount includes the impacts of the sharing bands from November 2011 to September 2013.

### Conclusion

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.

### Recommendation

Issue an order authorizing Energy Recovery Mechanism deferrals for calendar year 2013.

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<sup>2</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 No. UE-060181– Order 03, Appendix A at 6 (June 16, 2006)

<sup>3</sup> The company has informed staff that an appropriate adjustment to the PGA deferral will be included in the company's next PGA filing.