

**Exh. JDW-6  
Dockets UE-240006/UG-240007  
Witness: John D. Wilson**

**BEFORE THE WASHINGTON  
UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**AVISTA CORPORATION,**

**Respondent.**

**DOCKETS UE-240006 & UG-240007  
(Consolidated)**

**EXHIBIT TO**

**TESTIMONY OF**

**JOHN D. WILSON**

**ON BEHALF OF STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Avista's Response to Staff Data Request No. 213*

**July 3, 2024**

**AVISTA CORP.  
RESPONSE TO REQUEST FOR INFORMATION**

JURISDICTION:	WASHINGTON	DATE PREPARED:	05/22/2024
CASE NO.:	UE-240006 & UG-240007	WITNESS:	Scott Kinney
REQUESTER:	UTC Staff	RESPONDER:	Clint Kalich
TYPE:	Data Request	DEPT:	Energy Supply
REQUEST NO.:	Staff – 213	TELEPHONE:	(509) 495-4532
		EMAIL:	clint.kalich@avistacorp.com

**SUBJECT: Power Supply**

**REQUEST:**

Regarding Exh. SJK-1T at 67-68, please confirm that the “Actual Value” calculation described in testimony and presented in Table No. 11 relies on actual market power and fuel prices, and does not consider the impact of any short-term power contracts or other transactions that actually occurred after the end of September of the prior year that would have the effect of providing a market hedge against power and fuel price volatility.

- a. If not confirmed, please provide a detailed explanation with reference to workpapers that demonstrates exactly what hedging benefits (or costs) are reflected in the “Actual Value” calculation.
- b. If confirmed, please confirm that it is reasonable to expect that such hedges would have been entered into at prices similar to those in the “Forward Value” calculation described in testimony.
- c. If part (b) is confirmed, please confirm that including such hedges would reduce the difference between “Actual Value” and “Forward Value” calculations.

**RESPONSE:**

Yes, actual value refers to market prices and not contracts executed by the Company.

- a. N/A.
- b. The illustration was intended to impute how portfolio value swings greatly based on the time in which power supply costs are modeled/committed in a rate filing. In other words, each of those points in time detail how, if you set rates in late September in each year (approximating the timing of our recent GRC filings before the Commission), the results of our portfolio would differ when the portfolio is operated based on actual market index prices. We are unable to greatly, if even trivially, hedge our positions at the time rates are set, meaning we are greatly exposed to market price changes. This exposure is the basis for defining the forecast error component of our filing.
- c. Hedging, were it possible to complete immediately after rates are set in a case, could reduce portfolio volatility and forecast error. Unfortunately, hedging immediately after rates are set is not viable in today’s marketplace. Further, given the variability and uncertainty around our hydro and wind portfolio, even 100% hedging using normalized generation from these resources would not remove all forecast error to allow for a “normal” power supply expense estimate, since the cost of volumetric error would not be included in the base cost level forecast.