

**Exh. JDW-11
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. 171 (Supplemental)

July 3, 2024

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

JURISDICTION:	WASHINGTON	DATE PREPARED:	05/03/2024
CASE NO.:	UE-240006 & UG-240007	WITNESS:	Clint Kalich
REQUESTER:	UTC Staff	RESPONDER:	Clint Kalich
TYPE:	Data Request	DEPT:	Power Supply
REQUEST NO.:	Staff – 171-Supplemental	TELEPHONE:	(509) 495-4532
		EMAIL:	clint.kalich@avistacorp.com

SUBJECT:
ERM

REQUEST:

Re: Kinney Exh. SJK-1T at 55, 64-65 and Kalich Exh. CGK-1T at 14. Please provide all workpapers generated to respond to the following requests.

- a. Please provide a reasonable forecast of the Cap-and-Invest Program and any other CCA costs not included in its modeling for 2025 and 2026, including all assumptions and appropriate caveats or explanations of uncertainty. For purposes of this request, Staff understands the “unknowns” regarding the CCA described in testimony and requests that Avista provide a reasonable forecast for the limited purpose of understanding the implications of its proposal to replace the current ERM with a 95/5 ERM.
- b. Please provide a comparison of ERM Actual vs Authorized Power Supply Expense (PSE) in a manner similar to that presented in SJK-1T, Table No. 10, where the 2025 and 2026 Authorized PSE are Avista’s proposed PSE for those years and the 2025 and 2026 Actual PSE are Avista’s proposed PSE plus the CCA cost forecast provided in response to part (a).
- c. Please provide a forecast of the revenue requirement and rate recovery that Avista might reasonably request under the Current ERM and the proposed 95/5 ERM based on the response to part (b).
- d. Please provide the estimated total carrying cost recovered by Avista included in the response to part (c).

SUPPLEMENTAL 05/03/2024:

- a. Avista does not have a forecast of CCA allowance needs for 2025 or 2026. To illustrate the potential impacts of CCA variability due to hydro and market conditions we offer a range of outcomes up to 500,000 tonnes of additional CCA allowances needed for compliance. The 500,000 is assumed as a bad case, representing approximately a 25% overrun of current (2023) allowance grant levels. To determining the potential impacts on an ERM, allowances are priced at between \$25 and \$60 a tonne, approximately the range of allowance costs witnessed in CCA auctions to date. Our ultimate allowance needs, or allowance prices, could be higher or lower than this range.
- b. To illustrate how CCA cost impacts could affect an ERM under its present configuration and a 95/5, we developed the following table.

Energy Recovery Mechanism Comparisons Climate Commitment Act Allowance Impacts Current vs. 95/5 Sharing (\$millions)

4 6

Annual Expense			Energy Recovery Mechanism					95/5	
Authorized	Actual	Delta	Band 1	Band 2	Band 3	Total	Customers	Avista	Customers
-	5.00	5.00	4.00	0.50	-	4.50	0.50	0.25	4.75
-	10.00	10.00	4.00	3.00	-	7.00	3.00	0.50	9.50
-	15.00	15.00	4.00	5.50	0.50	10.00	5.00	0.75	14.25
-	20.00	20.00	4.00	6.00	1.00	11.00	9.00	1.00	19.00
-	25.00	25.00	4.00	6.00	1.50	11.50	13.50	1.25	23.75
-	30.00	30.00	4.00	6.00	2.00	12.00	18.00	1.50	28.50

c. To extract just CCA impacts, authorized is set to zero (meaning but for CCA costs, actual costs come in at the same level as authorized) in the table, with actual values varying by up to \$30 million, reflecting a range of zero to approximately 25% of our 2023 allowance grant levels. Allowance costs are assumed to range between \$30 and \$60 a tonne, reflecting the range of auction clearing prices witnessed in 2023 and 2024. The CCA cost ranges are shown below, demonstrating the range above covers the CCA cost of up to 500,000 allowances at a cost of up to \$60/tonne.

CCA Cost Scenarios

Volume Delta (ktonnes)	Allowance Price (\$/tonne)	CCA Cost (\$mil)
100	30.00	3.0
100	60.00	6.0
250	30.00	7.5
250	60.00	15.0
500	30.00	15.0
500	60.00	30.0

Since our filing was prepared, some uncertainties of that time have become less opaque. For example, the latest allowances grant is approximately 500,000 higher than the original Ecology grant level, meaning we have a much better chance of not requiring additional allowances since allowances more closely match our forecasted needs in a median water year. It is therefore possible that incremental CCA costs are closer to zero than the higher range of what is in this table.

d. The carrying costs would be equal to the Company’s cost of debt (4.99% per year in this case) on the value of the deferral level over time. As shown in b., the deferral amount for which the carrying cost would be applied to would be on between \$0.5 and \$28.5 million, depending on the amount deferred and the ultimate structure of the ERM.

RESPONSE:

As stated in Witness Kalich’s direct testimony beginning on Line 14 of page 14, due to many uncertainties, the Company has not estimated CCA costs that should be included in customer rates.