

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

In the Matter of the Petition of the

AVISTA CORPORATION d/b/a AVISTA
UTILITIES,

Petitioner,

For an Order Authorizing Accounting
Deferral of Electric Costs Related to
Compliance with the Climate Commitment
Act and including FERC Account 509 in
the Energy Recovery Mechanism.

DOCKET UE-230345

ORDER 01

GRANTING ACCOUNTING
PETITION

BACKGROUND

- 1 On May 10, 2023, Avista Corporation d/b/a Avista Utilities (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission) a petition in Docket UE-230345 (Petition) seeking an accounting order under WAC 480-07-370 authorizing Avista to (1) defer certain electric costs associated with the Company's compliance with the Washington Climate Commitment Act (CCA), and (2) to include in its Energy Recovery Mechanism (ERM) Federal Energy Regulatory Commission (FERC) Account 509.X, *Allowances*, due to uncertainty if Avista must purchase carbon allowances to cover Washington's share of surplus sales delivered to the Mid-Columbia (Mid-C) trading hub that require an associated carbon allowance per the CCA.
- 2 In 2021, the Washington State Legislature passed the CCA through Engrossed Substitute Senate Bill 5126 into law, codified as RCW 70A.65. Washington State Department of Ecology (Ecology) was directed to develop and implement rules for a cap-and-invest program, referred as the CCA, which is designed to meet emission reduction targets and reduce emissions by 95 percent of 1990 levels by 2050.¹ On September 29, 2022, Ecology issued their final rules to require all Washington-based electric utilities to secure enough allowances to cover the carbon emissions of imported power and generation from Washington based sources emitting 25,000 metric tons or more annually.

¹ See Climate Commitment Act - Washington State Department of Ecology.

3 According to WAC 173-446-230, “Allowances will be allocated to qualifying electric utilities for the purposes of mitigating the cost burden of the program based on the cost burden effect of the program.” Under the CCA and Washington Clean Energy Transformation Act (CETA), Avista is qualified to receive no-cost allowances from Ecology. Ecology uses a forecast of supply and demand approved by the Commission to calculate the amount of no-cost allowances for all Washington-based electric utilities.

4 In late April, Ecology calculated Avista’s no-cost allowance for 2023 to 2026, which was lower than Avista’s expectation from the forecast approved by the Commission in January 2023. As a result, in June 2023, Avista filed a revised forecast, approved by the Commission in July 2023, which increased the amount of no-cost allowances the Company would receive from Ecology. Due to ongoing uncertainty over the amount of no-cost allowances Avista will ultimately receive for its Washington generation, particularly for surplus sales that are made to lower power supply costs for its customers, Avista may need to procure allowances to cover its surplus sales, which would have a cost impact to its Washington electric customers.

5 In the Petition, Avista requests approval for electric costs related to carbon allowance expense incurred to be deferred to account 182.3, starting January 1, 2023, when the CCA program began, through June 30, 2023, or until the Commission issues an order on this matter.

6 In addition to the deferral, the Company requests to record the emission expenses related to Washington’s carbon allowance obligation to account 509.X and include that account in the Company’s ERM calculation. In June 2023, FERC issued an order approving the final rules in Docket RM21-11-000, which provides guidance on the accounting treatment for renewable energy credits and emission allowances. In the guidance, 509.X was the recommended expense FERC account for emission allowances.

7 Commission Staff (Staff) recommends that the Commission grant the request. Staff believes deferred accounting treatment is reasonable because CCA costs are likely to be uncertain.

8 Staff approached other interested parties for comments on this accounting petition. No comment was raised.

DISCUSSION

- 9 We grant Avista's Petition. We agree that the requirements of the CCA create an extraordinary and uncertain circumstance as this is a cost beyond the Company's control. We believe that deferred accounting treatment is appropriate.
- 10 We find it appropriate for the Company to track its CCA compliance costs in FERC account 182.3.
- 11 We therefore grant the Petition that the Company must: (1) defer certain electric costs associated with the Company's compliance with the Washington Climate Commitment Act (CCA), and (2) to include in its Energy Recovery Mechanism (ERM) FERC Account 509.X, *Allowances*, due to uncertainty if Avista must purchase carbon allowances to cover Washington's share of surplus sales delivered to the Mid-Columbia (Mid-C) trading hub that require an associated carbon allowance according to the CCA.

FINDINGS AND CONCLUSIONS

- 12 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric and natural gas companies.
- 13 (2) Avista is a public service company regulated by the Commission, providing service as an electric and natural gas company.
- 14 (3) The Commission has jurisdiction over the subject matter of this proceeding and over Avista.
- 15 (4) WAC 480-07-370(3) allows companies to file petitions including that for which Avista seeks approval.
- 16 (5) Staff has reviewed the Petition in Docket UE-230345 including related work papers.
- 17 (6) Staff recommends the Commission grant the Petition.

- 18 (7) This matter came before the Commission at its regularly scheduled meeting on February 22, 2024.
- 19 (8) After reviewing Avista's Petition filed in Docket UE-230345 on May 10, 2023, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition should be granted.

ORDER

THE COMMISSION ORDERS:

- 20 (1) Avista Corporation d/b/a Avista Utilities' Petition for an Order Authorizing Accounting Petition is granted, that the Company must: (1) defer certain electric costs associated with the Company's compliance with the Washington Climate Commitment Act (CCA), and (2) to include in its Energy Recovery Mechanism FERC Account 509.X, *Allowances*, due to uncertainty if Avista Corporation d/b/a Avista Utilities must purchase carbon allowances to cover Washington's share of surplus sales delivered to the Mid-Columbia trading hub that require an associated carbon allowance according to the CCA.
- 21 (2) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 22 (3) The Commission retains jurisdiction over the subject matter and Avista Corporation d/b/a Avista Utilities to effectuate the provisions of this Order.

- 23 The Commissioners, having determined this Order to be consistent with the public interest, directed the Secretary to enter this Order.

DATED at Lacey, Washington, and effective February 22, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

Jeff Killip
Executive Director and Secretary