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November 20, 2024

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3612

Re: Advice No. 24-10-G – Avista Utilities Schedule 469 Revision

Filing Center:

Pursuant to ORS 757.205 and OAR 860-022-0025, Avista Corporation, dba Avista Utilities (Avista or the Company), hereby submits for filing with the Oregon Public Utility Commission (Commission) its proposed modifications to the following tariff sheets, P.U.C OR No. 5:

<u>Revisions</u>

Seventh Revision Sheet 469 Canceling **Sixth Revision Sheet 469**

<u>New</u>

Original Sheet 469A

<u>Cancellations</u>

Thirteenth Revision Sheet 478

The purpose of these requested tariff revisions is to update the rates contained within the Company's Schedule 469, "Public Purpose Funding Surcharge" (Public Purpose Charge or PPC), to match future Schedule 469 revenues with current and forecasted expenditures needed to support Avista's energy efficiency programs. Specifically, these funds support the delivery of energy efficiency programs administered by the Energy Trust of Oregon (ETO), the Avista Oregon Low-Income Energy Efficiency (AOLIEE) Program, and Company energy efficiency program marketing and administrative costs. This "true-up" will reconcile the previous periods' actual expenditures and collections to ensure the appropriate rate is set for future cost recovery. These Schedule 469 changes also include the incorporation of the Company's Schedule 440, "Interruptible Natural Gas Service for Large Commercial and Industrial – Oregon" (Interruptible), as approved by the Commission in Docket No. ADV 1588,[1] and the 2024 expenses related to ETO's provision of energy efficiency services for Schedule 456, "Interruptible Transportation of Customer-Owned Natural Gas for Large Commercial and Industrial Service – Oregon" (Transport) customers, as described herein. Additionally, as a matter of housekeeping, the Company requests to remove, in its entirety, its Schedule 478, "DSM Cost Recovery – Oregon", as this schedule was used in prior years only to rebate the remaining deferral balance associated with Demand Side Management (DSM) programs previously administered by Avista (prior to the Company's transition to ETO-administered DSM); this tariff schedule is no longer relevant nor utilized.

I. BACKGROUND

Avista's PPC collects funds through the Company's natural gas tariff Schedule 469 to support the delivery of energy efficiency programs administered by the ETO and the Company's AOLIEE Program, as well as a portion of the Company's energy efficiency program marketing and administrative costs. Over a 12-month period, the Company records the funds collected through Schedule 469, netted with the costs of the energy efficiency programs, in a balancing account; interest does not accrue on this account. Any unspent funds or uncollected costs are held over to the following year, with any adjustments needed requested to become effective January 1st of each year. The deferral associated with this accounting treatment is further detailed within Docket No. UM 1979 and was most recently reauthorized by the Commission on August 7, 2024, through Order No. 24-257 in that docket.

Similarly, the Company's costs of compliance with the CPP were previously tracked and recorded via a deferral mechanism approved by the Commission effective September 13, 2022, in Docket No. UM 2254. Prompted by the CPP's invalidation on December 23, 2023, in Docket ADV 1588, Avista requested, and received approval to, continue allowing ETO to serve the Company's Interruptible customers with energy efficiency programs under the Public Purpose Charge and, relatedly, to move the deferral of these costs from the UM 2254 deferral to the PPC deferral (UM

[1] Advice No. 24-01-G.

1979). In its filing, Avista noted that the inclusion of these already-deferred costs ($342,822 as of December 31, 2023), in addition to "Any ongoing and future costs to support interruptible customers' participation in ETO's efficiency offerings will then be fully assimilated into the planning and budgeting process already in place between ETO and the Company...to be included within the Company's next funding true-up for its PPC."[2] This filing is that true-up.

Further, while the CPP remained invalidated in 2024 (therefore revoking the formal need for Avista to offer energy efficiency to Transport customers for purposes of carbon reduction), based on guidance provided within the Company's Integrated Resource Plan (IRP) process, as well as continued conversations with ETO and Commission Staff, Avista did not wholly discontinue its energy efficiency offerings for Transport customers while awaiting the final word on continuation of the CPP in 2025. As provided from the Commission in its IRP, Docket No. LC 81:

> "…we understand that Avista has already developed a transportation energy efficiency program that was, prior to the ruling on the CPP, either moving toward or actually enrolling customers. We note that there are both potential costs and reputational impacts associated with programs that customers have already signed up for and that are then not implemented or quickly withdrawn. Any attempt to restart programming in the future may be more difficult as there may be additional costs and it may be more difficult to convince customers to come back. We emphasize that our decision here is a general indication of support for continuing energy efficiency programs, including those for transportation customers, for whom DEQ has given no indication the point of compliance will change."[3]

With this guidance in mind, Avista has included the 2024 costs incurred for ETO's energy efficiency programs for Transport customers.[4]

II. <u>PROPOSED CHANGES TO THE PPC</u>

The primary driver of the requested rate increase for Avista's PPC is an increase in the ETO budget for the 2025 program year, from the initial $3,664,736 PPC revenue required for 2024 to approximately $6,184,174 for 2025, as well as the incorporation of amounts for both Interruptible and Transport customer expenditures. This budget, coupled with approximately

[2] Advice No. 24-01-G/ADV 1588, Avista Utilities Schedule 469 Revision and Associated UM 2254 Deferral Adjustment Request, January 23, 2024, pg. 4.
[3] Docket No. LC 81, Order No. 24-156, pg. 8
[4] Transport customer expenditures are limited only to 2024, during which the CPP was invalidated. All future costs for Transport customer energy efficiency programs will be subject to a separate deferral and cost recovery mechanism, to be filed by Avista in Q4 2024.

$570,396 for Interruptible customer programs and $1.1 million anticipated in support of additional low-income support (to be funded from Avista's AOLIEE portion of the PPC), will provide a total of over $7.8 million to ETO for the 2025 program year. The total ETO-related increase presented in this filing is a result of higher-than-anticipated spend during the 2024 program year, the replenishment of ETO's negotiated program reserve (since that higher spend depleted prior reserves), in addition to adjusting for the difference between expected spend vs. actuals for 2024. These adjustments, coupled with Avista's annual AOLIEE budget and general administration expenses, provides a total budget need of about $9.3 million for 2025, and an associated PPC adjustment of nearly $8.4 million. As supported in its November 5, 2024, budget presentation to the Commission, and accompanying Staff Memo,[5] "the main driver [for the tariff adjustment increase] is that 2024 actual savings/spending and 2025 budgeted savings/spending are much higher than expected during the 2024 budget process."[6]

Save for the changes noted above, the remaining components funded through Avista's Schedule 469 will remain relatively consistent, resulting in the following proposed budget:

Expenditure Type	Budget	%
ETO[7]	$ 6,754,570	72%
AOLIEE[8]	$ 2,000,000	21%
General[9]	$ 565,841	6%
Total	$ 9,320,411	

Avista is estimating that it will have a year-end deficit of approximately $2,012,421 related to the funds collected from January 2024 through December 2024, thus will need to recover a total of approximately $11,332,832 through rates during the 2025 program year to meet the needs of the Company's Oregon energy efficiency programs. At its current rate, the Schedule 469 surcharge rate is set to collect approximately $3,318,745 during the 2025 program year, resulting in a $8,374,254 forecasted under-collection.

The Company is proposing that the collection of the revenue continue to be on a uniform percentage of revenue basis from Schedules 410/411, 420, 424/425, and 444, consistent with

[5] https://oregonpuc.granicus.com/GeneratedAgendaViewer.php?view_id=2&clip_id=1409
[6] Id. Staff Memo, pg. 9.
[7] ETO budget includes $6,184,174 for overall ETO budget and an additional $570,396 for Interruptible.
[8] AOLIEE budget includes an approximate $900,000 program budget (administered by Avista in partnership with local Community Action Agencies) as well as a $1,100,000 in additional funding for auxiliary ETO-administered program activities in 2025.
[9] General budget includes Avista labor, marketing, administration, travel, and systems contributions (e.g., Bidgely).

present Schedule 469 funding. For the recovery of costs attributable to Interruptible (2023-2024 deferral amounts and 2025 budget) and Transport (2024 expenditures only), these costs are proposed to be spread amongst only the customer class responsible for the expenditures (for Interruptible, Schedule 439 and 440, for Transport, Schedule 456). Due to the potential for an exorbitantly high cost associated with Schedule 469 contributions for Transport customers (due to spreading the costs amongst a low number of customers with a high amount of usage), Avista has proposed a cap on the amount paid by Transport customers – with the PPC rate only applicable to the first three rate blocks (up to 50,000 therms of usage).

Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers affected by the filing, and the annual revenue before and after the impact of the proposed rate change, are as follows:

Rate Schedule	**Number of Customers**
Schedule 410/411	92,250
Schedule 420	11,986
Schedule 424	98
Schedule 425	0
Schedule 440 (Interruptible)	47
Schedule 444	2
Schedule 456 (Transport)	30

Rate Schedule	**Present Revenue**	**Change**	**Proposed Revenue**	**% Change**
Schedule 410/411	$ 73,617,209	$4,531,734	$ 78,148,943	6.2%
Schedule 420	$ 34,763,019	$2,105,240	$ 36,868,259	6.1%
Schedule 424/425	$ 2,324,410	$ 105,790	$ 2,430,200	4.6%
Schedule 439/440	$ 4,618,459	$1,314,250	$ 5,932,709	28.5%
Schedule 444	$ 83,977	$ 3,903	$ 87,880	4.6%
Schedule 456	$ 2,544,601	$ 313,339	$ 2,857,940	12.3%
	$ 117,951,675	**$8,374,254**	**$ 126,325,929**	**7.1%**

If approved, a residential customer using an average of 47 therms a month could expect their bill to increase by $3.96, or 6.2 percent, for a revised monthly bill of $68.34 effective January 1, 2025.

It is worth noting that effective November 1, 2024, customer rates decreased significantly, driven mainly by lower natural gas commodity prices included in the Company's Purchased Gas

Cost Adjustment (PGA).[10] Due to the annual budget process for Schedule 469 funding, the Company is unable to include the adjustment for Schedule 469 along with its other annual filings to adjust natural gas costs effective November 1 each year. If these rate adjustments *had* been made simultaneously, the overall resulting rate impact would be a decrease for most rate classes. Below is a table showing the change in annual revenue based on rates in effect as of October 31, 2024, and proposed rates effective January 1, 2025:

Annual Revenue Effective 10/31/2024	**Annual Revenue Effective 11/1/2024**	**Proposed Annual Revenue Effective 1/1/2025**	**Proposed Rates Effective 1/1/2025 Vs. Rates in Effect 10/31/2024 $ Change**	**% Change**
$ 80,655,612	$ 73,617,209	$ 78,148,943	$ (2,506,669)	-3.1%
$ 38,933,731	$ 34,763,019	$ 36,868,259	$ (2,065,472)	-5.3%
$ 3,089,486	$ 2,324,410	$ 2,430,200	$ (659,286)	-21.3%
$ 8,422,455	$ 4,618,459	$ 5,932,709	$ (2,489,746)	-29.6%
$ 110,604	$ 83,977	$ 87,880	$ (22,724)	-20.5%
$ 2,536,054	$ 2,544,601	$ 2,857,940	$ 321,886	12.7%
$ 133,747,942	**$ 117,951,675**	**$ 126,325,929**	**$ (7,422,013)**	**-5.5%**

III. CONCLUSION

Avista respectfully requests that the tariff changes proposed for Schedule 469, including the associated recovery of expenditures related to energy efficiency programs for Interruptible customers and the 2024 expenditures for Transport customers, along with the removal of Schedule 478 in its entirety, be approved for service rendered on and after January 1, 2025.

Information related to this filing has been included on the Company's website, www.myavista.com, with additional notice to customers provided via newspaper advertisement.

If you have any questions regarding this filing, please contact me at (509) 495-7839.

Sincerely,

/s/ Jaime Majure

Jaime Majure
Regulatory Affairs Manager

[10] See Docket No. UG 495.

DRAFT

Recently, Avista requested a change in natural gas rates for our Oregon customers. We know you care about your energy costs, so we think it's important to share this news with you.

On November 20, 2024, Avista made an annual rate adjustment filing with the Public Utility Commission of Oregon (PUC) that if approved, is designed to increase overall natural gas revenue by approximately $8.4 million or 7.1% effective Jan. 1, 2025. This filing has no impact on Avista's earnings.

The rate adjustment is related to Avista's public purpose funding mechanism. The public purpose funding mechanism is designed to collect funds to be used to fund energy efficiency programs administered through the Energy Trust of Oregon (ETO) and the Company. If approved, Avista's request is designed to increase overall natural gas revenue by approximately $8.4 million or 7.1%. This rate adjustment is driven primarily by a higher level of costs related to providing energy efficiency services by both ETO as well as by the Avista Low-Income Energy Efficiency (AOLIEE) program.

The bottom line

If this request is approved, and you are an Avista natural gas customer using an average of 47 therms per month, you could expect your bill to increase by $3.96, or 6.2% for a revised monthly bill of $68.34 beginning Jan. 1, 2025. All other customer groups receiving natural gas service from Avista would also see increases.

For more information

Copies of our filings are available at www.myavista.com/rates or you can call us at 1-800-227-9187.

This announcement is to provide you with general information about Avista's rate request and its effect on customers. The calculations and statements in this announcement are not binding on the PUC. For more information about the filing or for information about the time and place of any hearing, contact the PUC at:

Public Utility Commission of Oregon
201 High Street SE, Ste. 100
Salem, OR 97301
(800) 522-2404, www.puc.state.or.us

This notice contains forward-looking statements regarding the Company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the notice and are subject to a variety of risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2023 and the Quarterly Report on Form 10-Q for the quarter ended September 30, 2024.

BEFORE THE
PUBLIC UTILITY COMMISSION OF OREGON

AVISTA UTILITIES

ADVICE NO. 24-10-G

Tariff Sheets

November 20, 2024

SCHEDULE 469
PUBLIC PURPOSE FUNDING SURCHARGE - OREGON

APPLICABLE:

Adjustments under this schedule are applicable to all bills calculated under all schedules of this Tariff.

PURPOSE:

The purpose of this schedule is to collect funds to be used to fund energy efficiency programs administered through the Energy Trust of Oregon (ETO) and the Company.

MONTHLY RATE:

A public purpose charge, based on a percentage of revenues on an annualized basis, will be collected through monthly charges for the purpose described above. The Commodity Charge per therm of the individual rate schedules are to be adjusted by the following amounts:

Rate Schedule	**Rate**	
Schedule 410/411	$0.12443 per Therm	(I)(N)
Schedule 420	$0.10491 per Therm	(I)
Schedule 424/425	$0.04176 per Therm	(I)
Schedule 439/440	$0.06496 per Therm	(N)
Schedule 444	$0.04350 per Therm	(I)
Schedule 456		(N)
First 10,000	$0.02278 per Therm	(N)
Next 20,000	$0.02278 per Therm	(N)
Next 20,000	$0.02278 per Therm	(N)
Next 200,000	$0.00000 per Therm	(N)
All Additional	$0.00000 per Therm	(N)

DETERMINATION OF RATE

The Company will annually determine if the Public Purpose Funding Surcharge for energy efficiency programs administered by the ETO and the Company needs to be adjusted so that forecasted collections, plus any unspent collections, are sufficient to meet all programing needs by the ETO and the Company. Any adjustments needed will take place on the 1st of each year.

SPECIAL TERMS AND CONDITIONS: (K)

1. The annual budget funds collected to be transferred to the ETO will be calculated in partnership with the Company and the ETO.
2. The monies collected under this schedule for the purposes of funding energy efficiency program delivered by the ETO will be transferred to the ETO monthly. (K)

(K) material transferred to Original Sheet 469A

PUBLIC PURPOSE FUNDING SURCHARGE – OREGON (continued)

3. The Company will retain a portion of the funding collected under this schedule to fund Schedule 485, Avista Oregon Low Income Energy Efficiency Program ("AOLIEE") as well as administrative and marketing expenses. (M)
4. Funding provided to ETO for purposes of providing energy efficiency services to customers taking service under Schedules 456, if such services are provided, may be recovered separately from the Public Purpose Funding Surcharge. (C)
5. If a customer moves to a service Schedule not subject to the Public Purpose Funding Surcharge within 12 months of receiving energy efficiency incentives, such incentives may be subject to repayment by the customer. (M)

(M) material transferred from Sixth Revision Sheet 469