Avista Corp.
1411 East Mission P.O. Box 3727
Spokane. Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

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Advice No. 21-05-G/ UG-414

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301

Attention: Filing Center

Pursuant to Order No. 17-450 in Docket UM 1753, ORS 757.210 and ORS 757.259(5), Avista Utilities hereby electronically submits the following tariff revision applicable to its Oregon natural gas operations along with a copy of its supporting work papers.

Decoupling Mechanism - Oregon

Sixth Revision Sheet 475 Canceling Fifth Revision Sheet 475

Sixth Revision Sheet 475 represents a rebate for Residential customers and neither a rebate nor surcharge for Non-Residential customers[1] of the deferred revenues associated with the Company's natural gas Decoupling Mechanism from January 1, 2020 through December 31, 2020. The Company is requesting an increase in overall retail revenues of $1,975,734, or 1.8%, effective November 1, 2021. Approximately $2 million of this increase is due to the expiration of rebates currently being amortized, as approved by the Commission in last years' decoupling rate adjustment. The current amortization rates and the proposed changes, both inclusive of the gross revenue factor, are as follows:

Rate Schedule	Current Amortization Rates	Proposed Rate Change	Updated Amortization Rate
410	($0.00573)	$0.00512	($0.00061)
420 - 444	($0.03468)	$0.03468	$0.00000

[1] The ending balance of the FCA mechanism at 12-31-2020 was $99,236 in the surcharge direction. However, in alignment with Docket No. UM 2114 Avista has requested to postpone recovery of this balance until a future period.

On November 1, 2019, the Company filed its "Application for Reauthorization to Defer Expenses or Revenues" related to the Company's natural gas decoupling mechanism for calendar year 2020. Avista made that filing under ORS 757.259 and OAR 860-027-0300(4). This filing is in compliance with ORS 757.210 which authorizes deferred utility expenses or revenues to be allowed (amortized) in rates to the extent authorized by the Commission in a proceeding to change rates. All of the deferrals included in this filing occurred with appropriate application and Commission authorization, as rate orders or under approved tariffs.

This filing is the "Natural Gas Decoupling Rate Adjustment", filed in compliance with docket UM 1753. The Commission approved a natural gas decoupling mechanism for Avista beginning in 2016[2]. Order No. 20-017 reauthorized the mechanism deferrals for 2020. This filing reflects the deferral balance for the year (January 1, 2020 through December 31, 2020), with that deferral being amortized over the period November 1, 2021 – October 31, 2022.

The purpose of the natural gas decoupling mechanism is to adjust the Company's Commission-authorized revenues from therm sales, such that the Company's revenues will be recognized based on the number of customers served under the applicable natural gas service schedules. The decoupling mechanism allows the Company to: 1) defer the difference between actual decoupling-related revenue received from customers through volumetric rates, and the decoupling-related revenue approved for recovery in the Company's last general rate case on a per customer basis; and 2) file a tariff to surcharge or rebate, by rate group, the total deferred amount accumulated in the deferred revenue accounts for the prior January through December time period.

The proposed tariff reflects a rebate of 0.061 cents per therm for the Residential Group served under Schedule 410, and a rate of 0.0 cents per therm for the Non-Residential Group (Schedules 420, 424, 425, 439, 440 and 444). The Residential Group rebate represents a 0.05% decrease to Schedule 410 customers that, combined with the expiration of the present rebate, results in a total increase to Schedule 410 customers of 0.40%. The Non-Residential group rate represents a 0% change that, combined with the expiration of the present rebate, results in a net increase for the Non-Residential group customers of 4.56%. The Company has requested a November 1, 2021 effective date. to coincide with the rate changes related to the Company's annual Purchased Gas Cost Adjustment and other annual rate adjustment filings.

Residential Group Rate Determination

The Company recorded $30,959 in the rebate direction in deferred revenue for the natural gas residential customer group in 2020. The proposed rate of (0.061) cents per therm is designed to rebate $32,793 to the Company's residential natural gas customers served under rate Schedule 410. The following table summarizes the components of the Company's requested surcharge:

[2] The decoupling mechanism was initially approved in Order Nos. 16-076 and 16-109 for General Rate Revision Docket No. UG 288 and Authorization to Defer Expenses or Revenues Related to the Natural Gas Decoupling Mechanism Docket No. UM 1753. Subsequent reauthorizations to defer under Docket No. UM 1753 have been approved by Order Nos. 16-489 (2017), 17-450 (2018), 18-474 (2019) and 20-017 (2020).

2020 Deferred Revenue	($30,959)
Add: Prior Year Residual/Carryover Balance	($328)
Add: Interest through 10/31/2022	($455)
Add: Revenue Related Expense Adj.	($1,051)
Total For Recovery	($32,793)
Customer Rebate Revenue	($32,793)
Carryover Deferred Revenue	$0

Attachment A, pages 1 and 2 show the derivation of the proposed rate to rebate revenue of $32,793 based on projected sales volumes for Schedule 410 customers during the rebate/amortization period (November 2021 through October 2022). As identified on Second Revision Sheet 475B under Step 6 of "Calculation of Monthly Decoupling Deferral", interest on the deferred balance accrues at the current Modified Blended Treasury Rate as updated annually.[3] If the proposed rebate is approved by the Commission, the 2020 deferral balance, plus interest through October will be transferred into a regulatory liability balancing account to combine with any outstanding residual balance approved for rebate in the prior year decoupling filing (Order No. 20-352 for Docket No. UG-393, Advice No. 20-07-G). The balance in the account will be reduced each month by the rebate to customers under the tariff. Consistent with other amortizations, interest will accrue on the amortization balance at the Modified Blended Treasury Rate.

Non-Residential Group Rate Determination

The Company recorded $99,236 in the surcharge direction in deferred revenue for the natural gas Non-Residential Group in 2020. However, the proposed surcharge rate was adjusted to zero based on the agreement in Docket No. UM 2114 to delay any Decoupling surcharges at least until July of 2022.[4] The proposed surcharge rate of (0.000) cents per therm is designed to surcharge $0 to the Company's commercial and industrial customers served under rate Schedules 420, 424, 425, 439, 440 and 444 and is expected to result in a carryover of $198,265 for future recovery. The following table summarizes the components of the Company's requested surcharge:

2020 Deferred Revenue	$99,236
Add: Prior Year Residual Balance	$95,656
Add: Interest through 10/31/2022	$3,374
Add: Revenue Related Expense Adj.	$0
Total for Recovery	$198,265
Customer Surcharge Revenue	$0
Carryover Deferred Revenue	$198,265

[3] The changes approved in the 2nd Revision Sheet 475B effective with UG- 366 rates on January 15, 2020 apply to the deferred revenues after that date. Therefore 2020 deferred revenue balances accrued interest at the 2021 Modified Blended Treasury Rate beginning January 2021.

[4] The Non-Residential Group will still see an increase in this filing due to the need to stop the current rebate rate of 3.468 cents per therm. If the Company were to continue that rebate through the proposed amortization period in this filing, Avista would rebate approximately $1.7 million, deferring that amount with interest, just to turn around and surcharge that larger balance to customers next year.

Attachment A, pages 3 and 4 show the derivation of the proposed rate to surcharge the revenue of $0, based on projected sales volumes for Schedules 420, 424, 425, 439, 440 and 444 during the surcharge/amortization period (November 2021 through October 2022). Interest on the deferred balance accrues at the Modified Blended Treasury Rate. If the proposed surcharge is approved by the Commission, the 2020 deferral balance, plus interest through October and any outstanding residual balance approved for rebate in the prior year decoupling filing (Order No. 20-352 for Docket No. UG-393, Advice No. 20-07-G), will be transferred into a regulatory asset balancing account. Normally, the balance in the account would be reduced each month by the surcharge to customers under the tariff, however, due to the UM 2214 surcharge restriction, the balance will accrue interest at the Modified Blended Treasury Rate consistent with other amortizations as shown on page 4 of Attachment A.

Support showing the monthly calculation of the 2020 deferral balances for both the Residential and Non-Residential Groups is provided as Attachment B. These calculations were also provided to the Commission in quarterly reports.

Weather-Related Deferral

As part of the Decoupling Mechanism approved by the Commission, the Company is required to track how much of the decoupling deferral is related to weather and how much is related to conservation (non-weather). As shown on page 1 of Attachment B, of the total decoupling deferral for residential customers of ($30,959), weather accounted for $564,342 and ($595,302) is attributed to conservation (non-weather). As shown on page 2 of Attachment B, of the $99,236 total decoupling deferral for non-residential customers, $307,006 is attributed to weather and ($207,770) is attributed to conservation (non-weather).

3% Annual Rate Increase Test

Decoupling rate adjustment surcharges are subject to a 3% annual rate increase limitation. The 3% annual rate increase limitation is determined by dividing the incremental annual revenue to be collected under this Schedule by the total "normalized" revenue for the two Rate Groups for the most recent January through December time period. Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 3%, only a 3% incremental rate increase will be proposed and any remaining deferred balance will be carried over to the following year. As stated in the decoupling tariff on First Revision Sheet 475C "there is no limit to rebate rate adjustments, and the reversal of any rebate rate would not be included in the 3% incremental surcharge test".

The 3% tests shown on Page 6 of Attachment A compare the proposed rates to current surcharge rates. When rebates are currently in effect, as is the case at this time, proposed rates are compared to $0.00000. In alignment with Docket No. Um 2114, in this proceeding a 0% test was substituted for the normal 3% test to eliminate any needed surcharges. Since the Residential group has a proposed rebate, no adjustment was required to postpone any surcharge. The Non-Residential group would have had a modest 0.58% incremental surcharge that has been adjusted to 0% resulting in the expected carryover balance from this filing.

Existing Customers and New Customers

The decoupling mechanism approved by the Commission in Docket No. UG-288 excludes new customers. The language in the Settlement Stipulation[5] states that new customers, defined as new meters hooked up to Avista's distribution system, will not be included in the decoupling mechanism unless those new meters were included in the test year forecast of revenues. Specifically, the number of customers decoupled each month cannot exceed the monthly forecasted number of customers, by rate group, included in the rate year forecasted customers. The Company uses the new customer hookup report to determine the average decoupled revenue per new customer. The average decoupled revenue per customer is then multiplied by the number of actual customers that exceed the monthly forecasted level of customers. That amount would then be deducted from the monthly actual decoupled revenue prior to calculating the decoupling deferral entry.

Avista tracked the usage of new customers since January 1, 2020 for the period of January – December 2020 as compared with existing customers[6] for Docket No. UG-389. The Decoupling Mechanism Quarterly Reports provide the specific usage characteristic details of new customers versus existing customers. Avista will continue to track the usage of new customers over the term of the Decoupling Mechanism.

Other Information

Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers affected by the four filings with an effective date of November 1, 2021, and the annual revenue before and after the impact of the proposed rate changes, are as follows:

Rate Schedule	Average Number of Customers
Schedule 410	93,820
Schedule 420	11,949
Schedule 424	90
Schedule 425	0
Schedule 439	0
Schedule 440	38
Schedule 444	3

[5] Order No. 16-076, Appendix A, page 7.
[6] "Existing customers" were in service prior to 2020. "New customers" consist of all new hookups in 2020 and after.

Sch No	Description	Present Revenues	Proposed Revenues	Revenue Incr (Decr)	Percent Incr (Decr)	Use (Therms)	Present Monthly Cost	Proposed Monthly Cost	Change to Monthly Cost	% Change Monthly Cost
410	Residential	$ 69,254,524	$ 69,529,774	$ 275,250	0.4%	48	$ 61.78	$ 62.03	$ 0.25	0.4%
420	General	$ 30,885,552	$ 31,890,602	$ 1,005,050	3.3%	202	$ 215.29	$ 222.29	$ 7.00	3.3%
424/425*	Large General	$ 2,076,450	$ 2,225,542	$ 149,092	7.2%	4,003	$ 1,933.45	$ 2,072.27	$ 138.82	7.2%
439*/440	Interruptible	$ 4,169,305	$ 4,708,142	$ 538,837	12.9%	34,223	$ 9,183.40	$ 10,445.25	$ 1,261.85	13.7%
444	Seasonal	$ 109,100	$ 116,604	$ 7,504	6.9%	6,557	$ 3,305.91	$ 3,533.31	$ 227.40	6.9%

* Schedule 425 and 439 are new schedules effective 1/16/2021. As of 6/30/2021, there were no customers on these schedules.

After combining the impact of this Decoupling filing with the four other regulatory filings, which also have a November 1, 2021 effective date[7], a residential customer using an average of 48 therms a month could expect their bill to *increase* by $3.15, or 5.1 percent, for a revised monthly bill of $64.93 effective November 1, 2021.

Below is a table showing the net impact to the Company's customers, by rate schedule, inclusive of all of the filings made by the Company that have a November 1, 2021 effective date:

Rate Schedule	**Proposed Rate Change[8]**
Schedule 410	5.1%
Schedule 420	8.9%
Schedule 424	19.7%
Schedule 440	33.4%
Schedule 444	18.9%
Schedule 456	(1.2)%
Total	7.4%

The Company will provide notice to customers via newspaper advertisement.

3% Test for Amortizations (All November 1 Filings)

Pursuant to ORS 757.259 and OAR 860-027-0300, the overall annual average rate impact of the amortizations authorized under the statutes may not exceed three percent of the natural gas utility's gross revenues for the proceeding calendar year, unless the Commission finds that allowing a higher amortization rate is reasonable under the circumstances. As shown on Attachment C of the Company's PGA workpapers, total gross revenue for calendar year 2020 was $138,266,166 and Decoupling is a rebate of $32,793. The resulting annual average rate impact from the Decoupling amortization is (0.0237%).

[7] On July 30, 2021, Avista filed to update effective November 1, 2021 Schedule 476 Intervenor Funding (Advice No. 21-03-G), Schedule 461/462 PGA (Advice No. 21-04-G), Schedule 482 Regulatory Fees (Advice No. 21-06-G), and Schedule 478 Demand Side Management (Advice No. 21-07-G). The net effect of all filings (including Decoupling) is a revenue increase of approximately $8.1 million or 7.4%.

[8] Includes filed rate changes to Schedules 461, 462, 475, 476, 478, and 482.

Including the effect of the Company's other four amortization rates filed coincident with the Decoupling filing (Intervenor Funding Advice No. 21-03-G, Purchased Gas Cost Adjustment Advice No. 21-04-G, Regulatory Fees Amortization Advice No. 21-06-G, and Demand Side Management Amortization Advice No.27-07-G) the resulting annual average rate impact from the Company's qualifying amortization is (0.5%).

Please direct any questions regarding this filing to Tara Knox at (509) 495-4325 or Joel Anderson at (509) 495-2811.

Sincerely,

/S/ Patrick Ehrbar

Patrick Ehrbar
Director of Regulatory Affairs

Enc.

SCHEDULE 475
DECOUPLING MECHANISM – NATURAL GAS

PURPOSE:

This Schedule establishes balancing accounts and implements an annual rate adjustment mechanism that decouples or separates the recovery of the Company's Commission authorized revenues from the therm sales to customers served under the applicable natural gas service schedules.

APPLICABLE:

To Customers in the State of Oregon where the Company has natural gas service available. This schedule shall be applicable to all retail customers taking service under Schedules 410, 420, 424, 425, 439, 440, and 444. This Schedule does not apply to Schedule 447 (Special Contract Natural Gas Service) or Schedule 456 (Interruptible Transportation Service For Customer-Owned Gas). Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 410
Group 2 – Schedules 420, 424, 425, 439, 440 and 444

MONTHLY RATE:

Group 1 – ($0.00061) per therm (I)
Group 2 – $0.00000 per therm (I)

DESCRIPTION OF THE NATURAL GAS DECOUPLING MECHANISM:

Calculation of Monthly Allowed Delivery Revenue Per Customer:

Step 1 – Determine the Total Delivery Revenue - The Total Normalized Revenue is equal to the final approved base rate revenue approved in the Company's last general rate case, individually for each Rate Schedule.