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July 31, 2023

Advice No. 23-03-G/ UG-468 (Decoupling Mechanism)

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

Eighth Revision Sheet 475 Canceling Seventh Revision Sheet 475

Eighth Revision Sheet 475 represents a surcharge for Residential and Non-Residential customers for the deferred revenues associated with the Company's natural gas Decoupling Mechanism for calendar year 2022. The Company is requesting a decrease in overall retail revenues of $3,253,654, or 2.4%, effective November 1, 2023. 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	$0.04002	$-0.02836	$0.01166
420	$0.02535	$-0.03574	$-0.01039
424	$0.02535	$-0.03574	$-0.01039
440	$0.02535	$-0.03574	$-0.01039
444	$0.02535	$-0.03574	$-0.01039

On October 15, 2021, the Company filed its "Application for Reauthorization to Defer Expenses or Revenues" related to the Company's natural gas decoupling mechanism for calendar year 2022. 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 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[1]. Order No. 21-358 reauthorized the mechanism deferrals for 2021. This filing reflects the deferral balance for the year (January 1, 2022 through December 31, 2022), with that deferral being amortized over the period November 1, 2023 – October 31, 2024.

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.

Residential Group Rate Determination

The Company recorded $630,192 in the surcharge direction in deferred revenue for the natural gas residential customer group in 2022. The proposed rate of 1.166 cents per therm is designed to recover $629,697 from the Company's residential natural gas customers served under rate Schedule 410. The following table summarizes the components of the Company's requested surcharge:

2022 Deferred Revenue	$630,192
Add: Prior Year Residual/Carryover Balance	($56,397)
Add: Interest through 10/31/2024	$38,186
Add: Revenue Related Expense Adj.	$17,716
Total Requested Recovery	$629,697

[1] 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), 20-017 (2020), 21-358 (2021) and 22-414 (2022).

Customer Surcharge Revenue	$629,697
Carryover Deferred Revenue	$0

Attachment A, pages 1 and 2 show the derivation of the proposed rate to surcharge revenue of $629,697 based on projected sales volumes for Schedule 410 customers during the surcharge/amortization period (November 2023 through October 2024). As identified on the 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.[2] If the proposed surcharge is approved by the Commission, the 2022 deferral balance, plus interest through October will be transferred into a regulatory asset balancing account to combine with any outstanding residual balance approved for recovery in the prior year decoupling filing (Order No. 22-414 for Docket No. UG-439, Advice No. 22-05-G). The balance in the account will be reduced each month by the surcharge 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 $208,288 in the rebate direction in deferred revenue for the natural gas Non-Residential Group in 2022. The proposed rebate rate of 1.039 cents per therm is designed to rebate $500,626 to the Company's commercial and industrial customers served under rate Schedules 420, 424, 440 and 444. The following table summarizes the components of the Company's requested surcharge:

2022 Deferred Revenue	($208,288)
Add: Prior Year Residual Balance	($259,078)
Add: Interest through 10/31/2024	($17,697)
Add: Revenue Related Expense Adj.	($15,563)
Total for Recovery	($500,626)
Customer Surcharge Revenue	($500,626)
Carryover Deferred Revenue	$0

Attachment A, pages 3 and 4 show the derivation of the proposed rate to rebate the revenue of $500,626, based on projected sales volumes for Schedules 420, 424, 440 and 444 during the surcharge/amortization period (November 2023 through October 2024). Interest on the deferred balance accrues at the Modified Blended Treasury Rate. If the proposed rebate is approved by the Commission, the 2022 deferral balance, plus interest through October and any outstanding residual balance approved in the prior year decoupling filing (Order No. 22-414 for Docket No. UG-439, Advice No. 22-05-G), will be transferred into a regulatory asset balancing account. The balance in the account will be reduced each month by the surcharge to customers under the tariff.

[2] The changes approved in the 2nd Revision Sheet 475B effective with UG-389 rates on January 16, 2021 apply to the deferred revenues after that date. Therefore 2022 deferred revenue balances accrued interest at the 2023 Modified Blended Treasury Rate beginning January 2023.

Consistent with other amortizations, interest will accrue on the amortization balance at the Modified Blended Treasury Rate.

Support showing the monthly calculation of the 2022 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 $630,192, weather accounted for ($1,350,080) and $1,980,272 is attributed to conservation (non-weather). As shown on page 2 of Attachment B, of the ($208,288) total decoupling deferral for non-residential customers, ($628,737) is attributed to weather and $420,449 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 rates. As both Residential and Non-Residential customer groups have incremental rate decreases, there is no adjustment made due to the 3% test.

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[3] 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

[3] Order No. 16-076, Appendix A, page 7.

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, 2022 for the period of January – December 2022 as compared with existing customers[4] for Docket No. UG-389 and UG-433. 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

The PGA filing reflects an overall annual revenue decrease of approximately $22.5 million, or 15.5% effective November 1, 2023. Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers affected by this filing, the annual revenue before and after the impact of the proposed rate changes, and the average monthly use and resulting bills under existing and proposed rates are as follows:

Rate Schedule	Average Number of Customers
Schedule 410	95,451
Schedule 420	12,013
Schedule 424	100
Schedule 440	42
Schedule 444	3

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	$ 88,443,720	$ 76,274,265	$ (12,169,455)	-13.8%	47	$ 77.01	$ 66.41	$ (10.60)	-13.8%
420	General	$ 41,724,939	$ 35,144,434	$ (6,580,505)	-15.8%	203	$ 290.01	$ 244.27	$ (45.74)	-15.8%
424	Large General	$ 3,919,829	$ 2,887,954	$ (1,031,875)	-26.3%	3,822	$ 3,271.67	$ 2,410.42	$ (861.25)	-26.3%
440	Interruptible	$ 8,892,374	$ 6,184,464	$ (2,707,910)	-30.5%	28,009	$ 17,464.17	$ 12,198.14	$ (5,266.03)	-30.2%
444	Seasonal	$ 175,406	$ 130,089	$ (45,317)	-25.8%	6,285	$ 5,481.84	$ 4,065.58	$ (1,416.26)	-25.8%

After combining the impact of this filing with the other regulatory filings and the expiration of adder Schedule 467 (COVID Deferred Costs), which also have a November 1, 2023 effective date[5],

[4] "Existing customers" were in service prior to 2022. "New customers" consist of all new hookups in 2022 and after.

[5] On July 31, 2023, Avista filed to update effective November 1, 2023 Schedules 461 Purchased Gas Cost Adjustment and 462 Gas Cost Rate Adjustment (Advice No. 23-02-G), Schedule 475 Decoupling (Advice No. 23-03-G), Schedule 476 Intervenor Funding (Advice No. 23-04-G), Schedule 482 Regulatory Fee Amortization (Advice No. 23-05-G), and Schedule 493 LIRAP (Advice No. 23-06-G). Additionally, Schedule 467 COVID Deferred Costs will expire effective November 1, 2023. The net effect of all filings, and the expiration of Schedule 467, is a revenue decrease of approximately $24 million or 16.5%.

a residential customer using an average of 47 therms a month could expect their bill to decrease by $11.25, or 14.6 percent, for a revised monthly bill of $65.76 effective November 1, 2023.

The following table shows 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, 2023 effective date:

Rate Schedule	**Proposed Rate Change**[6]
Schedule 410	(14.6)%
Schedule 420	(16.2)%
Schedule 424	(29.8)%
Schedule 440	(35.4)%
Schedule 444	(29.1)%
Schedule 456	0.7%
Total	(16.5)%

Included with the original filing is the information in response to the Natural Gas Portfolio Development Guidelines and the PGA Filing Guidelines, as approved by the Commission in Order No. 09-248 and as amended in Order No. 10-197, Order No. 11-196 and Order No. 14-238. The Company will provide notice to customers via newspaper advertisement.

Please direct any questions regarding this filing to Joel Anderson at (509) 495-2811 or joel.anderson@avistacorp.com.

Sincerely,

/s/ Joe Miller

Joe Miller
Senior Manager of Rates and Tariffs, Regulatory Affairs
Enclosures

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

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 – $0.01166 per therm (I)
Group 2 – ($0.01039) per therm (R)

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.

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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 July 31, 2023, Avista made five annual rate adjustment filings with the Public Utility Commission of Oregon (PUC) that if approved, are designed to decrease overall natural gas revenue by approximately $24.0 million or 16.5% effective Nov. 1, 2023. These filings have no impact on Avista's earnings.

The first rate adjustment is related to Avista's decoupling mechanism. Decoupling is designed to break the link between a utility's revenues and customers' energy usage. Generally, Avista's natural gas revenues are adjusted each month based on the number of customers rather than therms sales. The difference between revenues based on therm sales and revenues based on the number of customers is surcharged or rebated to customers beginning in the following year. If approved, Avista's request is designed to decrease overall natural gas revenue by approximately $3.3 million or 2.4%. This rate adjustment is driven primarily by a higher level of customer usage in 2022.

The second rate adjustment is the annual Purchased Gas Cost Adjustment (PGA) filing. PGAs are filed each year to balance the actual cost of wholesale natural gas purchased by Avista to serve customers with the amount included in rates. This includes the natural gas commodity cost as well as the cost to transport natural gas on interstate pipelines to Avista's local distribution system. If approved, Avista's natural gas revenues would decrease by approximately $22.5 million or 15.5%. This rate adjustment is driven primarily by wholesale natural gas prices, which are lower than the level presently included in rates. Avista does not profit on the actual natural gas commodity or the costs to transport natural gas to Avista's service territory.

The third rate adjustment is related to Avista's Low Income Rate Assistance Program (LIRAP), which provides bill assistance to income eligible customers with a household income less than or equal to 60% of the State Median Income (SMI). With the recent introduction of an income-based bill discount, as well as offerings intended to help customers manage their past due balances, or arrearages, the reach of LIRAP has expanded to serve more customers than ever before, requiring a significantly larger budget, which has caused the need for this rate increase. The overall rate increase to natural gas customers is approximately $2.5 million, or an overall increase of approximately 1.7%.

The remaining two miscellaneous adjustments relate to recovering costs associated with intervenor funding and regulatory fees. The combination of those two filings is an increase in overall natural gas revenue of approximately $29 thousand or 0.02% effective Nov. 1, 2023.

The bottom line
If all five requests are approved, and you are an Avista natural gas customer using an average of 47 therms per month, you could expect your bill to decrease by $11.25, or 14.6% for a revised monthly bill of $65.76 beginning Nov. 1, 2023. All other customer groups receiving firm natural gas service from Avista would also see decreases.

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

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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, 2022 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.