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

July 31, 2025

Advice No. 25-03-G/ ADV 1752 (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

Tenth Revision Sheet 475	**Canceling**	**Ninth Revision Sheet 475**
Third Revision Sheet 475B	**Canceling**	**Second Revision Sheet 475B**

Tenth 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 2024. Third Revision Sheet 475B represents a change to the effective date of the annual natural gas decoupling rate adjustment from annually on November 1 to annually on <u>or before</u> November 1[1].

The Company is requesting an increase in overall retail revenues of approximately $8.2 million, or 6.4%, effective October 31, 2025. The current amortization rates and the proposed changes are as follows:

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[1] With the passage of House Bill ("HB") 3179 in the Oregon State Legislature prohibiting rate increases from November 1 to March 31, the Company filed a motion on July 31, 2025, in Docket No. UG 288 to amend Order No. 16-109 to change the annual natural gas decoupling rate adjustment effective date from "on November 1" to "on <u>or before</u> November 1". This change to Schedule 475B brings the tariff sheet into alignment with the amended order.

Rate Schedule	Current Amortization Rates	Proposed Rate Change	Updated Amortization Rate
410/411	$-0.02657	$0.07116	$0.04459
420	$-0.05223	$0.07654	$0.02431
424/425	$-0.05223	$0.07654	$0.02431
439/440	$-0.05223	$0.07654	$0.02431
444	$-0.05223	$0.07654	$0.02431

On October 31, 2023, the Company filed its "Application for Reauthorization to Defer Expenses or Revenues" related to the Company's natural gas decoupling mechanism for calendar year 2024. 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[2]. Order No. 23-391 reauthorized the mechanism deferrals for 2023. This filing reflects the deferral balance for the year (January 1, 2024 through December 31, 2024), with that deferral being amortized over the period November 1, 2025 – October 31, 2026.

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 $4,048,140 in the surcharge direction in deferred revenue for the natural gas residential customer group in 2024. The proposed rate of 4.459 cents per therm is designed to recover $2,368,978 from the Company's residential natural gas customers served under rate

[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), 20-017 (2020), 21-358 (2021), 22-414 (2022), 23-391 (2023) and 24-367 (2024)

Schedules 410 and 411. The following table summarizes the components of the Company's requested rebate:

2024 Deferred Revenue	$4,048,140
Add: Prior Year Residual/Carryover Balance	($78,258)
Add: Interest through 10/31/2026	$316,838
Add: Revenue Related Expense Adj.	$75,973
Total Requested Recovery	$4,362,693
Customer Rebate Revenue	$2,368,978
Carryover Deferred Revenue	$1,993,715

Attachment A, pages 1 and 2 show the derivation of the proposed rate to recover revenue of $2,368,978 based on projected sales volumes for Schedule 410 and 411 customers during the amortization period (November 2025 through October 2026). 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.[3] If the proposed rebate is approved by the Commission, the 2024 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. 24-367 for Docket No. UG-496, Advice No. 24-03-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 $1,287,502 in the surcharge direction in deferred revenue for the natural gas Non-Residential Group in 2024. The proposed rate of 2.431 cents per therm is designed to recover $1,410,343 from the Company's commercial and industrial customers served under rate Schedules 420, 424, 425, 439, 440 and 444. The following table summarizes the components of the Company's requested rebate:

2024 Deferred Revenue	$1,287,502
Add: Prior Year Residual Balance	$219,483
Add: Interest through 10/31/2026	$95,810
Add: Revenue Related Expense Adj.	$45,252
Total for Recovery	$1,648,046
Customer Rebate Revenue	$1,410,343
Carryover Deferred Revenue	$237,703

[3] The changes approved in the 2nd Revision Sheet 475B effective with UG-433 rates on August 22, 2022 apply to the deferred revenues after that date. Therefore 2023 deferred revenue balances accrued interest at the 2024 Modified Blended Treasury Rate beginning January 2024.

Attachment A, pages 3 and 4 show the derivation of the proposed rate to recover the revenue of $1,410,343, based on projected sales volumes for Schedules 420, 424, 440 and 444 during the amortization period (November 2025 through October 2026). Interest on the deferred balance accrues at the Modified Blended Treasury Rate. If the proposed surcharge is approved by the Commission, the 2024 deferral balance, plus interest through October and any outstanding residual balance approved in the prior year decoupling filing (Order No. 24-367 for Docket No. UG-496, Advice No. 24-03-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. Consistent with other amortizations, interest will accrue on the amortization balance at the Modified Blended Treasury Rate.

Support showing the monthly calculation of the 2024 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 $4,048,140, weather accounted for $2,002,349 and $2,045,791 is attributed to conservation (non-weather). As shown on page 2 of Attachment B, of the $1,287,502 total decoupling deferral for non-residential customers, $960,562 is attributed to weather and $326,940 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. Both Residential and Non-Residential customer groups exceeded the 3% rate increase limitation in 2024. The Residential customer rate was adjusted from 5.52% to 3.0% and the Non-Residential customer rate was adjusted from 3.51% to 3.0% as shown on page 6 of attachment A.

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[4] 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, 2024 for the period of January – December 2024 as compared with existing customers[5] for Docket No. UG-461. 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 $0.7 million, or 0.5% effective October 31, 2025. 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	95,714
Schedule 420	11,975
Schedule 424	100
Schedule 440	48
Schedule 444	2

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
410/411	Residential	$ 78,957,314	$ 79,042,319	$ 85,005	0.1%	46	$ 68.43	$ 68.50	$ 0.07	0.1%
420	General	$ 37,691,615	$ 37,739,631	$ 48,016	0.1%	209	$ 262.48	$ 262.81	$ 0.33	0.1%
424	Large General	$ 2,597,250	$ 2,605,806	$ 8,556	0.3%	4,456	$ 2,164.33	$ 2,171.46	$ 7.13	0.3%
440	Interruptible	$ 6,636,641	$ 5,839,755	$ (796,886)	-12.0%	39,037	$ 11,396.85	$ 10,138.38	$ (1,258.47)	-11.0%
444	Seasonal	$ 86,947	$ 87,222	$ 275	0.3%	8,194	$ 4,140.10	$ 4,153.21	$ 13.11	0.3%

[4] Order No. 16-076, Appendix A, page 7.
[5] "Existing customers" were in service prior to 2024. "New customers" consist of all new hookups in 2024 and after.

After combining the impact of this filing with the Company's other regulatory filings with an October 31, 2025 effective date[6], a residential customer using an average of 46 therms a month could expect their bill to increase by $2.85, or 4.2%, for a revised monthly bill of $71.28 effective October 31, 2025.

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 an October 31, 2025 effective date:

Rate Schedule	Proposed Rate Change[7]
Schedule 410/411	4.2%
Schedule 420	5.3%
Schedule 424	16.3%
Schedule 440	14.4%
Schedule 444	15.6%
Schedule 456	4.9%
Total	5.3%

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] On July 31, 2025, Avista filed to update effective October 31, 2025 Schedules 461 Purchased Gas Cost Adjustment and 462 Gas Cost Rate Adjustment (Advice No. 25-02-G), Schedule 463 CPP (Advice No. 25-07-G), Schedule 467 COVID Deferred Costs (Advice No. 25-08-G), Schedule 475 Decoupling (Advice No. 25-03-G), Schedule 476 Intervenor Funding (Advice No. 25-04-G), Schedule 482 Regulatory Fee Amortization (Advice No. 25-05-G), and Schedule 493 LIRAP (Advice No. 25-06-G). The net effect of all filings is a revenue increase of approximately $6.8 million or 5.3%.

[7] Includes filed rate changes to Schedules 461, 462, 463, 467, 475, 476, 482, and 493.

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, 411, 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 and 411
Group 2 – Schedules 420, 424, 425, 439, 440 and 444

MONTHLY RATE:

Group 1 – $0.04459 per therm (I)
Group 2 – $0.02431 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.

SCHEDULE 475B

DECOUPLING MECHANISM – NATURAL GAS

Step 4 – Calculate the amount of basic charge revenues included in total actual monthly revenues. If the actual number of customers in the month exceed the forecasted number of customers from the approved Rate Year, deduct average basic charge revenue per new customer multiplied by the number of actual customers that exceed the monthly forecasted level of customers, to determine Rate Year Adjusted basic charge revenue.

Step 5 – Subtract the lesser of actual basic charge revenue or Rate Year Adjusted basic charge revenue (Step 4) from the total actual monthly revenue or Rate Year Adjusted total monthly revenue (Step 3). The result is the Actual Decoupled Revenue.

Step 6 – The difference between the Actual Decoupled Revenue (Step 5) and the Allowed Decoupled Revenue (Step 2) is calculated, and the resulting balance is deferred by the Company. Interest would accrue on the balancing accounts at the current Modified Blended Treasury Rate as updated annually for Dockets UM 1147 and UG 221.

ANNUAL NATURAL GAS DECOUPLING RATE ADJUSTMENT:

On or before August 1st each year, the Company will file a request with the Commission to surcharge or rebate, by Rate Group, the amount accumulated in the balancing accounts for the prior January through December time period. The proposed tariff revisions included with that filing would include a rate adjustment that recovers/rebates the appropriate accrued revenue amount over a twelve-month period effective on or before November 1st on a uniform cents per therm basis. (C)

The accrued revenue amount approved for recovery or rebate would be transferred to a balancing account and the revenue surcharged or rebated during the period would reduce the deferred revenue in the balancing account. Any revenue remaining in the balancing account at the end of the calendar year would be added to the new revenue accruals to determine the amount of the proposed surcharge/rebate for the following year.

After determining the amount of revenue that can be recovered through a surcharge (or refunded through a rebate) by Rate Group, the proposed rates under this Schedule will be determined by dividing the accrued revenue to be recovered by Rate Group by the estimated therm sales for each Rate Group during the twelve month recovery period. The revenue amount to be recovered will be transferred to a Decoupling Balancing Account and the actual revenue received under this Schedule will be applied to the Account to reduce (amortize) the balance. Once an accrued balance is approved for amortization, interest will continue to accrue at the Modified Blended Treasury Rate, similar to other Company amortizations.

Patrick D. Ehrbar