



Avista Corp.

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

May 31, 2023

Amanda Maxwell
Executive Director and Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

Re: **Tariff WN U-28, Electric Service**
Electric Decoupling Rate Adjustment

Dear Ms. Maxwell:

Attached for electronic filing with the Commission is the following tariff sheet proposed to be effective August 1, 2023:

Eighth Revision Sheet 75 Canceling **Substitute Seventh Revision Sheet 75**

This filing is the “Electric Decoupling Rate Adjustment”, filed in compliance with the Commission’s Order No. 05 in Docket UE-140188 and Order No. 9 in Docket UE-190334. In Docket UE-140188, the Commission approved an electric decoupling mechanism for Avista for a five-year period. In Docket UE-190334, the Commission extended the mechanism for an additional five-year period and approved moving the effective date of the annual decoupling tariff revisions from November 1 to August 1. This filing amortizes the 2022 deferral balances over the period August 1, 2023 – July 31, 2024.

The purpose of the electric decoupling mechanism is to decouple the Company’s Commission-authorized revenues from kilowatt-hour (“kWh”) sales, such that the Company’s revenues will be recognized based on the number of customers served under the applicable electric 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; 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 rate of 0.725 cents per kWh for the Residential Group served under Schedules 1 and 2, which is designed to rebate approximately \$18.6 million to the Residential Group. The present rebate rate of 0.234 cents per kWh is presently designed to rebate to customers approximately \$6.0 million. Therefore, the net overall change proposed for the Residential Group is a rate decrease of 0.491 cents per kWh, or a decrease of \$12.6 million (4.7%) for the Residential Group customers.

In addition, the proposed tariff reflects a rebate rate of 0.088 cents per kWh for the Non-Residential Group served under Schedules 11, 12, 13, 21, 22, 23, 31, and 32, which is designed to rebate approximately \$1.9 million to the Non-Residential Group. The present surcharge rate of 0.132 cents per kWh is presently designed to recover from customers approximately \$2.8 million. Therefore, the net overall change proposed for the Residential Group is a rate decrease of 0.220 cents per kWh, or a decrease of \$4.7 million (2.0%) for the Non-Residential Group customers.

	Expiring Present Decoupling Revenue	Proposed Decoupling Revenue	Proposed Decoupling Change
Residential Group	\$(6,018,215)	\$(18,646,179)	(\$12,627,964)
Non-Residential Group	\$2,833,115	(\$1,888,743)	\$(4,721,858)

Residential Group Rate Determination

The Company recorded \$16,125,774 in the rebate direction in deferred revenue for the electric Residential Group in 2022. The earnings test and the 3% incremental surcharge limitation, discussed later in this letter, had no impact on the 2022 electric balances. The proposed rebate rate of 0.725 cents per kWh is designed to rebate \$18,646,179 to the Company’s residential electric customers served under rate Schedules 1 and 2. The following table summarizes the components of the Company’s request for recovery:

2022 Deferred Revenue	\$(16,125,774)
Add: Earnings Sharing Adjustment	\$0
Add: Prior Year Carryover Balance	\$(361,979)
Add: Interest through 07/31/2024	\$(1,299,204)
Add: Revenue Related Expense Adj.	\$(859,222)
Total Requested Recovery	\$(18,646,179)
Customer Rebate Revenue	\$(18,646,179)
Carryover Deferred Revenue	\$0

Attachment A, page 1 shows the derivation of the proposed rebate rate to return the 2022 deferred revenue (including prior period unamortized deferred revenue), plus interest and revenue-related expenses, based on projected sales volumes for Schedules 1 and 2 during the surcharge/amortization period (August 2023 through July 2024). As identified in Tariff Schedule 75 under Step 7 of “Calculation of Monthly Deferral”, interest on the deferred balance accrues at

the quarterly rate published by the FERC.¹ If the proposed rebate is approved by the Commission, the 2022 deferral balance, less earnings sharing (if any), plus interest through July, will be transferred into a regulatory liability balancing account to be combined with the carryover balance approved for recovery in Docket UE-220382, Avista’s 2022 Electric Rate Adjustment filing. The balance in the liability account will be reduced each month by the revenue rebated under the tariff.

Non-Residential Group Rate Determination

The Company recorded \$384,924 in the surcharge direction in deferred revenue for the electric Non-Residential Group in 2022. The earnings test and the 3% incremental surcharge limitation, discussed later in this letter, had no impact on the 2022 electric balances. The proposed rebate rate of 0.088 cents per kWh is designed to rebate \$1,888,743 to commercial and industrial customers served under rate Schedules 11, 12, 13, 21, 22, 23, 31, and 32. The following table summarizes the components of the Company’s request for recovery:

2022 Deferred Revenue	\$384,924
Add: Earnings Sharing Adjustment	\$0
Add: Prior Year Carryover Balance	(\$2,145,962)
Add: Interest through 07/31/2024	(\$49,720)
Add: Revenue Related Expense Adj.	(\$77,985)
Total Requested Recovery	(\$1,888,743)
Customer Surcharge Revenue	(\$1,888,743)
Carryover Deferred Revenue	\$0

Attachment A, page 3 shows the derivation of the proposed rebate rate to recover the 2022 deferred revenue (including prior period unamortized deferred revenue), plus interest and revenue-related expenses, based on projected sales volumes for Schedules 11, 12, 13, 21, 22, 23, 31, and 32 during the surcharge/amortization period (August 2023 through July 2024). As identified in Tariff Schedule 75 under Step 7 of “Calculation of Monthly Deferral”, interest on the deferred balance accrues at the quarterly rate published by the FERC. If the proposed rebate is approved by the Commission, the 2022 deferral balance, less earnings sharing (if any), plus interest through July, will be transferred into a regulatory liability balancing account to be combined with the residual balance approved for recovery in Docket UE-220382, Avista’s 2022 Electric Decoupling Rate Adjustment filing. The balance in the account will be reduced each month by the revenue rebated under the tariff.

Support showing the monthly calculation of the 2022 deferred revenue 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 (see Docket UE-190334). The allowed decoupling baseline values that were updated when Docket UE-200900 rates became effective October 1, 2021, remained in effect through December 21, 2022. The allowed decoupling baseline

¹ The FERC effective interest rate was 3.25% until June 30, 2022, and 3.60% in Q3 and 4.91% in Q4 of 2022. The current rate of 7.50% has been used going forward as an estimate for purposes of this rate determination.

values were updated when the rates approved in Docket UE-220053 became effective December 21, 2022 and remained in effect for the remainder of 2022. Attachment B shows the monthly deferral calculations for 2022.

Earnings Test

The decoupling mechanism is subject to an annual earnings test based on the Company's year-end Commission Basis Reports that reflect actual decoupling-related revenues, normalized power supply costs and other normalizing adjustments. If the earnings test rate of return exceeds the allowed rate of return approved by the Commission, one-half of the revenue in excess of the rate of return will be shared with customers through the decoupling rate adjustment.

The 2022 Washington Electric Earnings Test sharing calculations are shown on page 6 of Attachment A. The Earnings Test showed that the Company earned a 6.12% rate of return on a normalized basis in 2022 which does not exceed the allowed return of 7.03%.² Therefore, no earnings sharing adjustment is applied to the 2022 decoupling deferred balances.

3% Annual Rate Increase Test

Decoupling annual rate adjustment surcharges are subject to a 3% annual rate increase limitation. As described in Tariff Schedule 75 the 3% annual rate increase limitation "will be determined by dividing the incremental annual revenue to be collected (proposed surcharge revenue less present surcharge revenue) under this Schedule by the total "normalized" revenue for the two Rate Groups for the most recent January through December 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. Any remaining deferred revenue will be carried over to the following year. There is no limit to the level of the decoupling rebate, and the reversal of any rebate rate would not be included in the 3% incremental surcharge test".

Revenue from 2022 normalized loads and customers calculated at the billing rates in effect as of May 1, 2023, for the two rate groups are shown on line 1 of page 7 of Attachment A (these are the same values used to allocate the earnings sharing, if any, on lines 11 and 12 of page 6).

The rate necessary to recover the Residential Group rebate balance, including estimated interest and revenue related expenses as determined on page 1 of Attachment A (see line 20 - Preliminary Proposed Decoupling Rate), less the rebate rate presently in effect, would recover \$12,627,964 less from customers (based on projected sales volumes for Schedules 1 and 2 during the surcharge/amortization period). Therefore, as shown on Attachment A, page 7, the 3% limitation does not affect the proposed residential rate.

The rate necessary to recover the Non-Residential Group surcharge balance, including estimated interest and revenue related expenses as determined on page 3 of Attachment A (see line 20 -

² The allowed return was 7.03% for the rates in effect throughout 2022 as established Docket UE-200900.

Preliminary Proposed Decoupling Rate) less the surcharge rate presently in effect, would recover \$4,721,858 less from customers (based on projected sales volumes for Schedules 11, 12, 13, 21, 22, 23, 31, and 32 during the surcharge/amortization period). Therefore, as shown on Attachment A, page 7, the 3% limitation does not affect the proposed non-residential rate.

Conclusion

In conclusion, Avista requests the Commission approve the proposed Schedule 75 rebate rate of 0.725 cents per kWh for the Residential Group and the proposed rebate rate of 0.088 cents per kWh for the Non-Residential Group. The estimated annual revenue change associated with this filing is a decrease of approximately \$17.3 million. Residential customers taking service on Schedule 1 and 2 using an average of 932 kilowatt hours per month would see their monthly bills change from \$88.82 to \$84.33, a decrease of \$4.49, or 5.1%.

The Company has provided in this filing a copy of its customer notice which will be included as a bill insert in the June – July time frame. Please direct any questions on this matter to Joel Anderson at (509) 495-2811.

Sincerely,

/s/ Joe Miller

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

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 75

DECOUPLING MECHANISM – ELECTRIC

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 kilowatt-hour sales to customers served under the applicable electric service schedules.

APPLICABLE:

To Customers in the State of Washington where the Company has electric service available. This schedule shall be applicable to all retail customers taking service under Schedules 1, 2, 11, 12, 13, 21, 22, 23, 31, and 32. This Schedule does not apply to Extra Large General Service Schedule 25 or to Street and Area Light Schedules 41 through 48. Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedules 1, 2

Group 2 – Schedules 11, 12, 13, 21, 22, 23, 31, 32

MONTHLY RATE:

Group 1 – (\$0.00725) per kWh

Group 2 – (\$0.00088) per kWh

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Issued May 31, 2023

Effective August 1, 2023

Issued by Avista Corporation

By

Patrick Ehrbar, Director of Regulatory Affairs



DRAFT - Important Notice for Washington Electric and Natural Gas Customers June 2023

On May 31, 2023, Avista made annual rate adjustment filings with the Washington Utilities and Transportation Commission (UTC or Commission) that if approved, are designed to decrease overall electric revenues by approximately \$14.6 million or 2.5% and decrease overall natural gas revenue by approximately \$4.0 million or 1.6%. If approved, new rates would take effect Aug. 1, 2023

The first rate adjustment is related to Avista's electric and natural gas decoupling mechanisms. Decoupling is designed to break the link between utility revenues and customer energy usage. Generally, Avista's electric and natural gas revenues are adjusted each month based on the number of customers instead of kilowatt hour and therm sales. The difference between revenues based on sales and revenues based on the number of customers is surcharged or rebated to customers beginning in the following year. The rate adjustments are designed to decrease revenues by \$17.3 million or 3.0% for electric operations and decrease revenues by \$3.8 million or 1.5% for natural gas operations. These rate adjustments are partly driven by fluctuations in the level of electric (cooling) and natural gas (heating) usage during the summer and winter seasons. These filings do not otherwise address any changes in customer usage that has occurred in 2023; those changes will be addressed in filings next year.

The second rate adjustment is related to the Participatory Funding Program, required by Washington State law, that requires Avista provide funding to organizations that provide representation to broad customer interests in proceedings before the Commission and collect those amounts from customers on an annual basis. The rate adjustments are designed to increase revenues by \$0.1 million or 0.02% for electric operations and increase revenues by \$0.1 million or 0.02% for natural gas operations. These rate adjustments are driven by the level of funding paid to the Participatory organizations and have no effect on Avista's net income.

The third adjustment is Avista's Renewable Energy Credit (REC) rate applicable to electric customers. Currently, Avista is rebating approximately \$3.6 million to customers, annually. In the present filing, Avista is proposing to adjust the REC Revenue rebate to reflect a decrease in the projected net REC revenues for the August 2023 – July 2024 time period. That amount is \$1.0 million. The net effect of the new and expiring REC rebate is an increase in revenue of approximately \$2.6 million, or 0.5%. The change in the rate credit has no effect on Avista's net income.

Change in Rates - If approved by the Commission, residential electric customers in Washington using an average of 932 kilowatt hours/month would see their monthly bills change from \$88.82 to \$84.68, a decrease of \$4.14/month, or approximately 4.7%. Residential natural gas customers in Washington using an average of 67 therms per month would see their monthly bills change from \$98.99 to \$96.78, a decrease of \$2.21 per month, or approximately 2.2%.

The percentage change varies by rate schedule and depends on how much energy a customer uses. If approved, customers would see the following rate adjustments:

Electric Rate Change

Proposed Schedule 1 Residential Rates (effective Aug. 1, 2023)

Electric Service	Current Billing Rate	Proposed Change	Proposed Billing Rates
Basic Charge	\$9.00	\$0.00	\$9.00
First 800 kWh/month	\$0.08355/kWh	\$(0.00444)/kWh	\$0.07911/kWh
Next 700 kWh/month	\$0.09836/kWh	\$(0.00444)/kWh	\$0.09392/kWh
Over 1,500 kWh/month	\$0.11657/kWh	\$(0.00444)/kWh	\$0.11213/kWh

Proposed Electric Rate Change by Schedule (effective Aug. 1, 2023)

Schedule No.	Rate Schedule	% Change in Billed Revenue
1/2	Residential	-4.3%
11/12/13	General Service	-1.4%
21/22/23	Large General Service	-1.7%
25/25I	Ex. Lg. General Service	0.7%
31/32	Pumping Service	-2.0%
41-48	Street and Area Lights	0.1%
Overall		-2.6%

Natural Gas Rate Change**Proposed Schedule 101 Rates (effective Aug. 1, 2023)**

Natural Gas Service	Current Billing Rate	Proposed Change	Proposed Billing Rates
Basic Charge	\$9.50	\$0.00	\$9.50
First 70 therms/month	\$1.33571/therm	\$(0.03298)/therm	\$1.30273/therm
Over 70 therms/month	\$1.47033/therm	\$(0.03298)/therm	\$1.43735/therm

Proposed Natural Gas Rate Change by Schedule (effective Aug. 1, 2023)

Schedule No.	Rate Schedule	% Change Billed Revenue
101/102	General Service	-2.4%
111/112	Large General Service	1.2%
131/132	Interruptible Sales Service	0.0%
146	Transportation Service	0.4%
Overall		-1.5%

The Company's request is a proposal, subject to public review and a Commission decision. The Commission has the authority to set final rates that may vary from the utility's request, which may be either higher or lower depending on the results of the investigation. You may contact the UTC to inquire about the Commission process, or to be notified about the scheduled open meetings at which the proposal will be considered. The WUTC is committed to providing reasonable accommodations for participants with disabilities. If you need reasonable accommodations to participate in this open meeting (or public comment hearing, workshop, etc.) please contact the Commission at 888-333-9882 or email at Consumer@utc.wa.gov. You can contact the Commission to comment on Avista's rate proposals via email at comments@utc.wa.gov, by telephone at 1-888-333-WUTC (9882), via letter at: UTC, P.O. Box 47250, Olympia, WA 98504-7250, or online at: www.utc.wa.gov. Copies of the applications are available for public review on the Commission website.

Copies of our filings are available for public review at www.myavista.com/rates or on the Commission website at www.utc.wa.gov. You can also submit written questions directly to the Company via mail at: 1411 E Mission Ave, C/O Regulatory Affairs, Spokane, WA 99202.

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