



Avista Corp.

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May 31, 2023

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

Re: **Tariff WN U-29, Natural Gas Service
Natural Gas 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:

Ninth Revision Sheet 175 Canceling **Substitute Eighth Revision Sheet 175**

This filing is the “Natural Gas Decoupling Rate Adjustment”, filed in compliance with the Commission’s Order No. 05 in Docket UG-140189 and Order No. 9 in Docket UE-190335. In Docket UE-140188, the Commission approved a natural gas decoupling mechanism for Avista for a five-year period. In Docket UE-190335, 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 natural gas decoupling mechanism is to decouple 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; 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 surcharge of 0.587 cents per therm for the Residential Group served under Schedules 101 and 102, which is designed to recover approximately \$0.8 million from the Residential Group. The present surcharge rate of 3.899 cents per therm is presently designed to recover from customers approximately \$5.3 million. Therefore, the net overall decrease proposed for the Residential Group is 3.312 cents per therm, or a decrease of approximately \$4.5 million or 2.5% from the Residential Group customers.

In addition, the proposed tariff reflects a surcharge of 3.987 cents per therm for the Non-Residential Group served under Schedules 111, 112, 116, and 131, which is designed to recover approximately \$2.4 million from the Non-Residential Group. The present surcharge rate of 2.866 cents per therm is presently designed to recover from applicable customers approximately \$1.7 million. Therefore, the net overall increase proposed for the Non-Residential Group is a rate increase of 1.121 cents per therm, or an increase of approximately \$0.7 million or 1.2% for the Non-Residential Group customers.

	Expiring Present Decoupling Revenue	Proposed Decoupling Revenue	Proposed Decoupling Change
Residential Group	\$5,325,415	\$801,749	(\$4,523,415)
Non-Residential Group	\$1,753,383	\$2,439,196	\$685,814

Residential Group Rate Determination

The Company recorded \$1,069,341 in the rebate direction in deferred revenue for the natural gas Residential Group in 2022. The 3% incremental surcharge limitation, discussed later in this letter, resulted in no reduction of the 2022 deferral rebate. The proposed surcharge rate of 0.587 cents per therm is designed to recover \$801,749 from the Company’s residential natural gas customers served under rate Schedules 101 and 102. The following table summarizes the components of the Company’s requested surcharge:

2022 Deferred Revenue	(\$1,069,341)
Add: Earnings Sharing/DSM Adjustment	\$0
Add: Prior Year Carryover Balance	\$1,852,020
Add: Interest through 07/31/2024	(\$18,168)
Add: Revenue Related Expense Adj.	\$37,238
Total Requested Recovery	\$801,749
Customer Surcharge Revenue	\$801,749
Carryover Deferred Revenue	\$0

Attachment A, page 1 shows the derivation of the proposed surcharge 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 101 and 102 during the surcharge/amortization period (August 2023 through July 2024). As identified in Tariff Schedule 175 under Step 6 of “Calculation of Monthly Deferral”, interest on the deferred balance accrues at

the quarterly rate published by the FERC.¹ If the proposed surcharge is approved by the Commission, the 2022 deferral balance, less earnings sharing (if any), plus interest through July, will be transferred into a regulatory asset balancing account along with any residual regulatory asset balance approved for recovery in Docket UG-220379, Avista’s 2022 Natural Gas Decoupling Rate Adjustment filing. The balance in the account will be reduced each month by the revenue collected under the tariff.

Non-Residential Group Rate Determination

The Company recorded \$1,302,276 in the surcharge direction in deferred revenue for the natural gas Non-Residential Group in 2022. The 3% incremental surcharge limitation, discussed later in this letter, resulted in no reduction of the 2022 deferral surcharge. The proposed surcharge rate of 3.987 cents per therm is designed to recover \$2,439,196 from commercial and industrial customers served under rate Schedules 111, 112, 116, and 131. The following table summarizes the components of the Company’s request for recovery:

2022 Deferred Revenue	\$1,302,276
Add: Earnings Sharing/DSM Adjustment	\$0
Add: Prior Year Carryover Balance	\$893,830
Add: Interest through 07/31/2024	\$133,503
Add: Revenue Related Expense Adj.	\$109,587
Total Requested Recovery	\$2,439,196
Customer Surcharge Revenue	\$2,439,196
Carryover Deferred Revenue	\$0

Attachment A, page 3 shows the derivation of the proposed surcharge 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 111, 112, 116, and 131 during the surcharge/amortization period (August 2023 through July 2024). As identified in Tariff Schedule 175 under Step 6 of “Calculation of Monthly Deferral”, interest on the deferred balance accrues at the quarterly rate published by the FERC. If the proposed surcharge is approved by the Commission, the 2022 deferral balance, less earnings sharing (if any), plus interest through July, will be transferred into a regulatory asset balancing account to be combined with any residual balance approved for recovery in Docket UG-220379, Avista’s 2022 Natural Gas Decoupling Rate Adjustment filing. The balance in the account will be reduced each month by the revenue collected 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 UG-190335). The allowed decoupling baseline values that were updated when Docket UG-200901 rates became effective

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 7.5% has been used going forward as an estimate for purposes of this rate determination.

October 1, 2021, remained in effect through December 20, 2022. The allowed decoupling baseline values were updated when the rates approved in Docket UG-220054. 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 and various 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 Natural Gas Earnings Test sharing calculations are shown on page 6 of Attachment A. The Earnings Test showed that the Company earned a 6.35% 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.

Natural Gas Energy Efficiency Adjustment

In Order 09 in Docket UG-190335, the Commission approved Avista's request to institute a conservation target of 5 percent over our IRP target for the natural gas decoupling mechanism. Avista will analyze our conservation savings for the IRP term ending December 31, 2023, in our next Natural Gas Decoupling Adjustment Filing. Avista will then determine if the 5 percent conservation target was met.

3% Annual Rate Increase Test

Decoupling annual rate adjustment surcharges are subject to a 3% annual rate increase limitation. There is no limit to rebate rate adjustments. As described in Tariff Schedule 175 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 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 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 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

² The allowed return was 7.03% for the rates in effect throughout 2022 as established by Docket UG-200901.

same values used to allocate the earnings sharing and DSM adjustment, if any, on lines 11 and 12 of page 6).

The proposed Residential Group rate results in a rebate of 2.45% and therefore does not exceed the 3% limitation. The proposed Non-Residential Group rate results in a surcharge of 1.16% and therefore also does not exceed the 3% limitation.

Conclusion

In conclusion, Avista requests the Commission approve the proposed Schedule 175 surcharge rate of 0.587 cents per therm for the Residential Group and the proposed surcharge rate of 3.987 cents per therm for the Non-Residential Group. The estimated annual revenue change associated with this filing is a decrease of approximately \$3.8 million (\$4.5 million decrease in Residential and \$0.7 million increase in Non-Residential). Residential customers taking service on Schedule 101 using an average of 67 therms would see their monthly bills change from \$98.99 to \$96.77, a decrease of \$2.22, or 2.2%.

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 175
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 Washington where the Company has natural gas service available. This schedule shall be applicable to all retail customers taking service under Schedules 101, 102, 111, 112, 116, and 131. This Schedule does not apply to Schedules 132 and 146 customers (Transportation Service For Customer-Owned Gas) or Schedule 148 customers (Special Contracts). Applicable Customers will be segregated into two (2) distinct Rate Groups:

- Group 1 – Schedule 101, 102
- Group 2 – Schedules 111, 112, 116, 131

MONTHLY RATE:

- Group 1 – \$0.00587 per therm
- Group 2 – \$0.03987 per therm

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Issued May 31, 2023

Effective August 1, 2023

Issued by Avista Corporation

By

Patrick Ehrbar, Director of Regulatory Affairs



AVISTA UTILITIES

2023 Washington REC Filing

DRAFT
Customer Notice

May 31, 2023

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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