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

May 26, 2021

Mr. Mark L. Johnson, 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 Mr. Johnson:

Attached for electronic filing with the Commission are the following tariff sheets proposed to be effective August 1, 2021:

Sixth Revision Sheet 75 Canceling **Fifth 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 2020 deferral balances over the period August 1, 2021 – July 31, 2022.

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 0.045 cents per kWh for the Residential Group served under Schedules 1 and 2, which is designed to rebate approximately $1.1 million to the Residential Group. The present surcharge rate of 0.244 cents per kWh is presently designed to recover from customers approximately $6.0 million. Therefore, the net overall change proposed for the Residential Group **is a rate decrease** of 0.289 cents per kWh, or a decrease of $7.1 million (3.0%) for the Residential Group customers.

In addition, the proposed tariff reflects a surcharge rate of 0.679 cents per kWh for the Non-Residential Group served under Schedules 11, 12, 13, 21, 22, 23, 31, and 32[1], which is designed to recover approximately $14.5 million from the Non-Residential Group. The present surcharge rate of 0.365 cents per kWh is presently designed to recover from applicable customers approximately $7.8 million. Therefore, the net overall increase proposed for the Non-Residential Group is a rate increase of 0.314 cents per kWh, or an increase of approximately $6.7 million or 3.0% for the Non-Residential Group customers.

	Expiring Present Decoupling Revenue	Proposed Decoupling Revenue	Proposed Decoupling Change
Residential Group	$6,031,633	($1,112,391)	($7,144,024)
Non-Residential Group	$7,788,836	$14,489,369	$6,700,533

Residential Group Rate Determination

The Company recorded $810,734 in the rebate direction in deferred revenue for the electric Residential Group in 2020. The earnings test and the 3% incremental surcharge limitation, discussed later in this letter, had no impact on the 2020 electric balances. The proposed rebate rate of 0.045 cents per kWh is designed to rebate $1,112,391 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:

2020 Deferred Revenue	($810,734)
Less Earnings Sharing	$0
Add Prior Year Carryover Balance	($210,964)
Add Interest through 7/31/2022	($31,835)
Add Revenue Related Expense Adj.	($58,858)
Total Requested Rebate	($1,112,391)
Customer Rebate Revenue	($1,112,391)
Carryover Deferred Revenue	$0

Attachment A, page 1 shows the derivation of the proposed rebate rate to return the 2020 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 rebate/amortization period (August 2021 through July 2022). As identified in Tariff Schedule 75 under Step 7 of "Calculation of Monthly Deferral", interest on the deferred balance accrues at the quarterly rate

[1] Tariff schedules 13 and 23 are new schedules that were issued March 18, 2021 and became effective April 26, 2021. Both schedules are subject to Decoupling Mechanism Schedule 75 in Group 2 (non-residential). There are currently no customers taking service under rate schedules 13 or 23.

published by the FERC.[2] If the proposed rebate is approved by the Commission, the 2020 deferral balance, less earnings sharing (if any), plus interest through July, will be transferred into a regulatory liability balancing account along with the residual/carryover regulatory asset balance approved for recovery in Docket UE-200497, Avista's 2020 Electric Decoupling 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 $11,263,209 in the surcharge direction in deferred revenue for the electric Non-Residential Group in 2020. The earnings test, discussed later in this letter, had no impact on the electric balances. However, the 3% incremental surcharge limitation, also discussed later in this letter, did affect the requested surcharge rate for this recovery period. The proposed surcharge rate of 0.679 cents per kWh is designed to recover $14,489,369 from 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:

2020 Deferred Revenue	$11,263,209
Less Earnings Sharing	$0
Add Prior Year Carryover Balance	$2,433,164
Add Interest through 7/31/2022	$445,414
Add Revenue Related Expense Adj.	$618,839
Total Requested Recovery	$14,760,626
Customer Surcharge Revenue	$14,489,369
Carryover Deferred Revenue	$271,257

Attachment A, page 3 shows the derivation of the proposed surcharge rate to recover the 2020 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 2021 through July 2022). 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 surcharge is approved by the Commission, the 2020 deferral balance, less earnings sharing (if any), plus interest through July, will be transferred into a regulatory asset balancing account to be combined with the residual/carryover balance approved for recovery in Docket UE-200497, Avista's 2020 Electric 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 2020 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-140188). The allowed decoupling baseline values that were updated when Docket UE-170485 rates became effective May 1, 2018 remained in effect through March 31, 2020. The allowed decoupling baseline values were updated when Docket UE-190334 became effective April 1, 2020 and remained in effect the remainder of 2020. Attachment B pages 1, 2, and 11 show the monthly deferral calculations for 2020, pages 3 – 6

[2] The FERC effective interest rate was 4.96% Q1 2020, 4.75% Q2 2020, 3.43% Q3 2020, and 3.25% Q4 2020. The FERC effective interest rate was 3.25% Q1 2021, and currently the Q2 2021 FERC effective interest rate is 3.25%. The current rate of 3.25% has been used going forward as an estimate for purposes of this rate determination.

are the UE-170485 authorized decoupling baseline values associated with 2020 customer rates through March 31, 2020 and pages 7 – 10 are the UE-190334 authorized decoupling base line values associated with the remainder of 2020.

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 2020 Washington Electric Earnings Test sharing calculations are shown on page 6 of Attachment A.[3] The Earnings Test showed that the Company earned a 6.39% rate of return on a normalized basis in 2020 which does not exceed the prorated allowed return of 7.28%[4]. Therefore, no earnings sharing adjustment is applied to the 2020 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 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 rate would not be included in the 3% incremental surcharge test".

Revenue from 2020 normalized loads and customers calculated at the billing rates in effect since April 1, 2021 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 surcharge rate presently in effect, would recover $7,144,024 less from customers (based on projected sales volumes for Schedules 1 and 2 during the rebate/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 -

[3] The complete decoupling earnings test model is included as part of the electronic work papers to this filing.

[4] The allowed return was 7.50% for the rates in effect through March 2020 as established by Order No. 07 of Docket UE-170485. The allowed return was 7.21% for the rates in effect April 1, 2020 through December 31, 2020 as established by Order No. 09 of Docket UE-190222. The prorated allowed rate of return for the year was 7.28%.

Preliminary Proposed Decoupling Rate) less the surcharge rate presently in effect, would recover $6,999,283 more from customers (based on projected sales volumes for Schedules 11, 12, 13, 21, 22, 23, 31, and 32 during the surcharge/amortization period). That amount is 3.14% of the normalized Non-Residential revenue (Attachment A, page 7, line 7). The 3% rate increase limitation results in the proposed Non-Residential surcharge rate of $0.00679 per kWh. The remaining deferred surcharge balance of $271,257 will be carried over to the 2022 rate adjustment calculation.

Docket UE-190334 Approved Mechanism Revisions

In Docket UE-190334 the Commission approved the Company's proposal to continue the Decoupling Mechanism for an additional five years, beginning April 1, 2020, with the following modifications:

a. The effective date of annual rate adjustment filing is moved from November 1 to August 1.
b. Customers connected to Avista's system after the ratemaking test year will be excluded from the decoupled deferred revenue calculations. Furthermore, the Company will include a status update in its yearly decoupling report identifying the number of new customers excluded from the mechanism and associated costs and revenues.
c. The Company will add an annual revenue-per-customer true-up to the December deferred revenue calculation.
d. The Company will maintain and present data and a brief explanatory narrative for 30-, 20-, 15-, and 10-year moving averages for purposes of decoupling in its annual decoupling report.
e. The Company is subject to separate 5 percent conservation targets for the electric and natural gas mechanisms with prescribed penalties as proposed by the Company.
f. A third party evaluation of the revised mechanism will be performed after three years.
g. Decoupling mechanism natural gas quarterly reports are granted an exemption from WAC 480-90-275 to align with filing of electric quarterly reports within 60 days of the end of each quarter.

Modification a.

The effective date of the annual rate adjustment filing was moved from November 1 to August 1 with the 2019 deferred revenue filing in 2020.

Modification b.

Customers excluded from the deferred revenue calculations are shown on pages 1 and 2 of Attachment B. The Company's new customer status update was provided in the Q4 2020 decoupling report. An excerpt from that report is included as Attachment C which shows the new customer status update on page 1.

Modification c.

The annual revenue-per-customer true-up to the December deferred revenue calculation is shown in Attachment B, page 11.

Modification d.

The Company's Q4 2020 decoupling report presented an analysis, including a brief narrative, of the proportion of annual decoupled revenue that was attributable to weather under each of the moving average assumptions. An excerpt from that report is included as Attachment C which shows this analysis on pages 2 and 3.

Modifications e., f., and g.

These modifications to the mechanism are not associated with the annual rate adjustment filing.

Conclusion

In conclusion, Avista requests the Commission approve the proposed Schedule 75 rebate rate of 0.045 cents per kWh for the Residential Group and surcharge rate of 0.679 cents per kWh for the Non-Residential Group. The estimated annual revenue change associated with this filing is a decrease of approximately $0.4 million. Residential customers taking service on Schedule 1 using an average of 914 kilowatt hours per month would see their monthly bills change from $84.33 to $81.69, a decrease of $2.64, or 3.1%.

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 Tara Knox at (509) 495-4325 or Marcus Garbarino at (509) 495-2567.

Sincerely,

/s/ Joe Miller

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