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May 27, 2022

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, 2022:

Seventh Revision Sheet 75 Canceling **Sixth 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 2021 deferral balances over the period August 1, 2022 – July 31, 2023.

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 0.234 cents per kWh for the Residential Group served under Schedules 1 and 2, which is designed to rebate approximately $5.8 million to the Residential Group. The present rebate rate of 0.045 cents per kWh is presently designed to rebate to customers approximately $1.1 million. Therefore, the net overall change proposed for the Residential Group is a rate decrease of 0.189 cents per kWh, or a decrease of $4.7 million (2.0%) for the Residential Group customers.

In addition, the proposed tariff reflects a surcharge rate of 0.132 cents per kWh for the Non-Residential Group served under Schedules 11, 12, 13, 21, 22, 23, 31, and 32, which is designed to recover approximately $2.8 million from the Non-Residential Group. The present surcharge rate of 0.679 cents per kWh is presently designed to recover from customers approximately $14.1 million. Therefore, the net overall change proposed for the Residential Group is a rate decrease of 0.547 cents per kWh, or a decrease of $11.3 million (4.9%) for the Non-Residential Group customers.

	Expiring Present Decoupling Revenue	Proposed Decoupling Revenue	Proposed Decoupling Change
Residential Group	$(1,115,597)	$(5,801,102)	($4,685,506)
Non-Residential Group	$14,134,127	$2,747,724	$(11,386,402)

Residential Group Rate Determination

The Company recorded $5,123,505 in the rebate direction in deferred revenue for the electric Residential Group in 2021. The earnings test and the 3% incremental surcharge limitation, discussed later in this letter, had no impact on the 2021 electric balances. The proposed rebate rate of 0.234 cents per kWh is designed to rebate $5,801,102 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:

2021 Deferred Revenue	$(5,123,505)
Add: Earnings Sharing Adjustment	$0
Add: Prior Year Carryover Balance	$(224,670)
Add: Interest through 07/31/2023	$(187,264)
Add: Revenue Related Expense Adj.	$(265,663)
Total Requested Recovery	$(5,801,102)
Customer Surcharge Revenue	$(5,801,102)
Carryover Deferred Revenue	$0

Attachment A, page 1 shows the derivation of the proposed rebate rate to return the 2021 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 2022 through July 2023). 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 2021 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-210378, Avista's 2021 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 $2,389,111 in the surcharge direction in deferred revenue for the electric Non-Residential Group in 2021. The earnings test and the 3% incremental surcharge limitation, discussed later in this letter, had no impact on the 2021 electric balances. The proposed surcharge rate of 0.132 cents per kWh is designed to recover $2,747,724 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:

2021 Deferred Revenue	$2,389,111
Add: Earnings Sharing Adjustment	$0
Add: Prior Year Carryover Balance	$148,270
Add: Interest through 07/31/2021	$86,597
Add: Revenue Related Expense Adj.	$123,746
Total Requested Recovery	$2,747,724
Customer Surcharge Revenue	$2,747,724
Carryover Deferred Revenue	$0

Attachment A, page 3 shows the derivation of the proposed surcharge rate to recover the 2021 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 2022 through July 2023). 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 2021 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 balance approved for recovery in Docket UE-210378, Avista's 2021 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 2021 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-190334 rates became effective April 1, 2020 remained in effect through September 30, 2021. The allowed decoupling baseline

[1] The FERC effective interest rate was 3.25% in 2021 and 3.25% in Q1 and Q2 of 2022. The current rate of 3.25% has been used going forward as an estimate for purposes of this rate determination.

values were updated when the rates approved in Docket UE-200900 became effective October 1, 2021 and remained in effect for the remainder of 2021. Attachment B pages 1, 2, and 11 show the monthly deferral calculations for 2021, pages 3-6 are Docket UE-190334 authorized decoupling baseline values associated with 2021 customer rates through September 30, 2021 and pages 7-10 are Docket UE-200900 authorized decoupling base line values associated with the remainder of 2021.

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 2021 Washington Electric Earnings Test sharing calculations are shown on page 6 of Attachment A.[2] The Earnings Test showed that the Company earned a 6.59% rate of return on a normalized basis in 2021 which does not exceed the allowed return of 7.19%.[3] Therefore, no earnings sharing adjustment is applied to the 2021 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 2021 normalized loads and customers calculated at the billing rates in effect since April 1, 2022 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 $4,685,506 less from customers (based on projected sales volumes for Schedules 1 and 2 during the

[2] The complete decoupling earnings test model is included as part of the electronic work papers to this filing.
[3] The allowed return was 7.19% for the rates in effect throughout 2021 as established Docket UE-190334.

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 - Preliminary Proposed Decoupling Rate) less the surcharge rate presently in effect, would recover $11,386,402 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 0.234 cents per kWh for the Residential Group and the proposed surcharge rate of 0.132 cents per kWh for the Non-Residential Group. The estimated annual revenue change associated with this filing is a decrease of approximately $16.1 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 $85.52 to $83.79, a decrease of $1.73, or 2.0%.

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 or myself at (509) 495-4546.

Sincerely,

/s/ Joe Miller

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