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March 29, 2024

Mr. Jeff Killip
Executive Director & Secretary
Washington Utilities and Transportation Commission
621 Woodland Square Loop SE
Lacey, Washington 98503

RE: Compliance Filing (Provisional Capital for 2023) - Dockets UE-220053, UG-220054 and UE-210854 (consolidated)

Avista Corporation, dba Avista Utilities (Avista or the Company), hereby submits its 2023 Washington Annual Provisional Capital Report, per Order 10/04, in Dockets UE-220053, UG-220054 and UE-210854 (consolidated).[1]

Per Order 10/04, Dockets UE-220053, et. al., page 28, para. 79, the Commission summarized the Full Multiparty Settlement Stipulation ("Settlement") with regards to Provisional Capital Reporting as follows:

> The Settling Parties agree to the reporting process for reviewing capital projects outlined in Avista witness Andrews's testimony, with certain changes. Avista's provisional capital reporting will include assurance that the "provisional capital included prior to the rate effective period (for 2022 capital) and during [Rate Year 1] (2023 capital) and [Rate Year 2] (2024 capital) is in service for customers during the rate effective periods, or will be subject to refund." The Settling Parties' proposed changes extend the review period from three to four months to allow

[1] Washington Annual Provisional Capital Reports are due annually on March 31st during the Company's approved Multi-Year Rate Plan in effect from December 21, 2022 through December 20, 2024. These annual reports will provide support for actual Provisional Capital Additions occurring in 2022, 2023 and 2024 versus the total level of plant (net plant after ADFIT) approved by the Commission in Dockets UE-220053, et. al. The Company filed with the Commission on March 31, 2023 it's 2022 Provisional Capital Report providing supporting documentation for 2022 transfers-to-plant and net plant after ADFIT, which was subsequently reviewed by Staff and found to be known and measurable, used and useful, and prudent based on Staff's compliance letter dated July 31, 2023.

> parties to review and respond to Avista's annual capital report filing.[2] Within 30 days of completing the capital projects review, Avista would be required to file with the Commission an accounting petition to provide refunds, and create a separate tariff through which rate refunds to customers will be returned and spread to schedules based on an equal share of base rate revenues, exclusive of tax credit refunds. For the purposes of the Capital Projects Review only (*i.e.*, for the comparison of provisional capital additions included in Rate Year 1 and Rate Year 2), the Settling Parties further agree that Rate Year 1 and Rate Year 2 capital additions and rate base are adopted as initially filed by Avista except with the exclusion of the Dry Ash Disposal System.

The Commission approved the Settlement's capital project review and process at page 30, para. 85 of Order 10/04, adding the following "Condition" related to the Infrastructure Investment and Jobs Act (IIJA) and the Inflation Reduction Act (IRA):

> **Condition.** We condition our approval of the Settlement on the modification of the capital projects review, requiring that Avista must demonstrate all offsetting benefits received or for which it has applied for through the IRA and IIJA for all retrospective review of provisional plant (capital projects). Further, we require Avista's reporting to include all funding for which it has applied and the reasons justifying any decision not to pursue IRA and IIJA funding options for which it may be eligible. Subject to this condition, we determine that the Settling Parties' agreement regarding capital projects review is in the public interest and should be approved.

ANNUAL PROVISIONAL CAPITAL REPORTING

In accordance with Order 10/04 in Dockets UE-220053 et. al., Avista has provided, in this compliance filing, a review of all capital additions for year-end 2023, and incremental information for capital additions with a "significant cost variance" greater than ten percent and $500,000[3] from the pro-formed amount, containing evidence (either directly or by reference to previously-filed evidence) as described below. This report serves to validate that such plant is, in fact, in-service, is used and useful, and at what final investment amount (after any offsetting benefits). This report will provide the Commission with assurance that the capital included prior to the rate effective period (for 2023 capital) is in service for customers.

As outlined in Company witness Ms. Andrew's direct testimony (Exh. EMA-1T, starting at page 46), in compliance with the Multi-Party Settlement approved by the Commission with regards to

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[2] Per the Settlement (see UE-220053-Appendix A to Order 10/04 -Settlement-Stipulation-6-28-22, page 10, para. 20), Parties must complete their review and file any response no later than four months (on or before July 31st annually).

[3] By using the $500,000 and +/- 10% threshold, the Company is providing additional explanation and support for 95% of the variance in capital additions for 2023. See Attachment A.

Provisional Capital Reporting over the Company's Multi-Year Rate Plan, the Company agreed to provide the following:

Each annual report will provide evidence as follows:

a) Final actual "Net Plant after ADFIT" balances versus Commission Authorized "Net Plant after ADFIT" balances, for each calendar year. This will ensure final rates represent all actual additions, retirements, offset by Accumulated Depreciation (A/D) and Accumulated Deferred Federal Income Taxes (ADFIT) – representing final net plant balances that are used and useful, serving customers, and reflect associated costs (net of any benefits).
b) The justification for the Business Cases, including supporting information, if different than what was included in the Company's direct filed case;
c) Actual in-service date(s);
d) Actual final costs, as well as explanations for significant cost variances;
e) Any changes to the Business Cases themselves, (for example, deviations from the scope and descriptions provided in the initial filing in this case);
f) Evidence that any significant cost overruns and the decision to continue to invest in the project under any relevant changed circumstances was prudent;
g) Updated information (if any) on offsetting factors presented in this case specific to the Business Cases;
h) In responding to items (a) – (g) above, the Company will provide a listing of the Business Cases as filed in this proceeding for the calendar year, with updated information, and an explanation for any changes. As circumstances change, and capital is redeployed to other new or existing Business Cases during 2022 – 2024, any redeployed capital will be supported as prudent and used and useful, in order to allow for recovery.
i) Recovery of capital investment, therefore, will be capped at the total overall net plant after ADFIT and resulting revenue requirement balances, by calendar year, approved by the Commission, in its initial Order approving the Two-Year Rate Plan. The Company, however, reserves the right to seek a deferral for additional costs not recovered through this review process.

To meet the above requirements, as discussed below, the Company is providing the following attachments as part of this report:

- **Attachment A:** Provides a summary including a list of all Business Cases filed in Dockets UE-220053, et. al., reflecting the calendar 2023 as-filed gross plant additions and the actual 2023 gross plant additions transferred into plant on a system basis. This summary includes the variance amount and percent between the 2023 as-filed and actual gross transfers-to-plant, as well as identification of meeting the "significant cost variance" threshold established by Avista to provide additional support for project variances. Additionally, Attachment A points to where all capital addition support for each individual Business Case can be found.

- **Attachment B:** Provides detailed actual transfers-to-plant data by Business Case, by month, with amounts and in-service dates on a system basis, as well as Washington electric and Washington natural gas basis.
- **Attachment C:** Provides Capital Variance Explanation Forms, new or revised Business Cases, and other supporting documentation as justification for each Business Case that has demonstrated a variance greater than the $500,000 and +/- 10% “significant cost variance” threshold on a system basis. The Capital Variance Explanation Forms include an explanation of the variance, discussion of management approval for cost overruns and discuss any changes to offsets for 2023.
- **Attachment D:** Provides a description for Business Cases not included in the original filing with actual 2023 additions below the $500,000 and +/- 10% “significant cost variance” threshold.
- **Attachment E:** Provides the Company’s capital additions native excel file supporting the additions by adjustment updated with 2023 monthly <u>actual</u> transfers-to-plant, net of revised Accumulated Depreciation (A/D) and Accumulated Deferred Federal Income Taxes (ADFIT), resulting in the updated 2023 “Net Plant after ADFIT” used for comparison to the as-filed 2023 “Net Plant After ADFIT”, (excluding Colstrip Units 3 and 4 pro formed/provisional capital investment).
- **Attachment F:** Provides the Company’s recently filed written comments to the Commission on the IRA and IIJA issued in Docket U-240013. Including discussion of the Company’s evaluation process for opportunities and what opportunities are currently being pursued.

<u>a) 2023 Actual Transfers-To-Plant and Final Actual “Net Plant after ADFIT” Balances</u>

The Company has updated its as-filed transfers-to-plant for 2023 to reflect monthly <u>actual</u> transfers-to-plant data, resulting in actual transfers-to-plant of $36,719,000 for Washington electric (excluding Colstrip Units 3 and 4 investments) and $15,272,000 for Washington natural gas, on an average-of-monthly averages (AMA) basis for calendar year 2023 only. Table No. 1 summarizes the Washington electric results of actual Rate Year 1 transfers-to-plant, as well as the overall Net Plant After ADFIT balances, versus that as-filed and approved by the Commission in Dockets UE-220053, et. al., for Rate Year 1 (2023). Table No. 2 summarizes results of actual Rate Year 1 transfers-to-plant, as well as the overall Net Plant After ADFIT balances, versus that as-filed and approved for Washington natural gas for Rate Year (2023).

Table No. 1 – Washington Electric Actual Transfer-To-Plant & Net Plant After ADFIT versus Authorized for Rate Year 1

Washington Electric (000s) 2023 Actual Gross Transfer-To-Plant & Net Plant After ADFIT versus Authorized			
Transfers to Plant (additions)	**2022 EOP**	**2023 AMA**	**Total Rate Year 1**
Year of Additions:	**2022**	**2023**	**2022-2023**
Actual Gross Transfers-To-Plant	$ 214,330	$ 36,719	$ 251,049
As-Filed Gross Transfers-To-Plant	$ 167,665	$ 64,127	$ 231,792
Variance Over Authorized	$ 46,665	$ (27,408)	**$ 19,257**
Net Plant After ADFIT	**2022 EOP**	**2023 AMA**	**Rate Year 1 2023 AMA**
Actual Net Plant After ADFIT	$ 2,001,820	$ 2,004,497	$ 2,004,497
As-Filed Net Plant After ADFIT	$ 1,968,698	$ 1,984,056	$ 1,984,056
Variance Over Authorized	$ 33,122	$ 20,441	**$ 20,441**

For Washington electric, the actual transfers-to-plant for Rate Year 1 of $251,049,000 is $19,257,000 more than the total as-filed transfer-to-plant amount of $231,792,000 (excluding Colstrip Units 3 and 4 investments) for the rate effective period. Including the impact on A/D and ADFIT, the Company has also updated the "Net Plant after ADFIT" as of the twelve-months-ended December 31, 2023, on an AMA basis, resulting in a "Net Plant after ADFIT" balance of $2,004,497,000 versus the as-filed level (excluding Colstrip Units 3 and 4 pro forma and provisional additions) of $1,984,056,000. Please see Attachment E for the updated Capital Additions Adjustment native excel file supporting the electric actual transfer-to-plant data and updated A/D and ADFIT information per the 2023 end of year Results of Operations Report on an AMA basis, resulting in the 2023 "Net Plant After ADFIT" balances as of December 31, 2023 AMA. As noted above, the updated 2023 "Net Plant After ADFIT" balances reflect amounts greater than that included by the Company, and approved by the Commission, in its as-filed case, resulting in no overall capital additions subject to "refund" as of December 31, 2023.

Table No. 2 – Washington Natural Gas Actual Transfer-To-Plant & Net Plant After ADFIT versus Authorized for Rate Year 1

Washington Natural Gas (000s) 2023 Actual Gross Transfer-To-Plant & Net Plant After ADFIT versus Authorized			
Transfers to Plant (additions)	**2022 EOP**	**2023 AMA**	**Total Rate Year 1**
Year of Additions:	**2022**	**2023**	**2022-2023**
Actual Gross Transfers-To-Plant	$ 54,698	$ 15,272	$ 69,970
As-Filed Gross Transfers-To-Plant	$ 46,387	$ 15,948	$ 62,335
Variance Over Authorized	$ 8,311	$ (676)	**$ 7,635**
Net Plant After ADFIT	**2022 EOP**	**2023 AMA**	**Rate Year 1 2023 AMA**
Actual Net Plant After ADFIT	$ 504,232	$ 511,782	$ 511,782
As-Filed Net Plant After ADFIT	$ 503,561	$ 510,148	$ 510,148
Variance Over Authorized	$ 671	$ 1,634	**$ 1,634**

For Washington natural gas, the actual transfers-to-plant for Rate Year 1 of $69,970,000 is $7,635,000 more than the total as-filed transfer-to-plant amount of $62,335,000 for the rate effective period. Including the impact on A/D and ADFIT, the Company has also updated the "Net Plant after ADFIT" as of the twelve-months-ended December 31, 2023, on an AMA basis, resulting in a "Net Plant after ADFIT" balance of $511,782,000 versus the as-filed level of $510,148,000. Please see Attachment E for the updated Capital Additions Adjustment native excel file supporting the natural gas actual transfer-to-plant data and updated A/D and ADFIT information per the 2023 end of year Results of Operations Report on an AMA basis, resulting in the Rate Year 1 "Net Plant After ADFIT" balances as of December 31, 2023 AMA. As noted above, the updated 2023 "Net Plant After ADFIT" balances reflect amounts greater than that included by the Company, and approved by the Commission, in its as-filed case, resulting in no overall capital additions subject to "refund" as of December 31, 2023.

b) Business Case Justification

Attachment A provides a summary of the Business Cases included in the Company's filed case in Dockets UE-220053, et. al., including the calendar 2023 system as-filed, planned gross plant additions, compared to the actual system gross plant additions transferred into plant in 2023. Further, this summary includes the variance amount and percent between the as-filed and actual gross transfers-to-plant by Business Case during 2023.

For each Business Case with a transfer-to-plant "significant cost variance" greater than $500,000 and +/- 10% of the amount as-filed, those Business Cases are flagged as "met = Yes," and additional support is provided, including a Capital Variance Explanation Form, which discusses the reason for the variance, management oversight and authorization for cost overruns, and the impact, if any, to offsets versus that included by the Company in its direct-filed case (see section g) "Offsetting Factors" below for actual 2023 offsets). By using this threshold, the Company is providing additional justification for 95% of the variance in transfers-to-plant identified between actual capital additions in 2023 versus that included in the Company's direct filed case and approved by the Commission.

Additionally, if a new Business Case was introduced in the year, with a transfer-to-plant amount greater than the $500,000 "significant cost variance" threshold, the associated new Business Case is provided with the Capital Variance Explanation Form in Attachment C. If the transfer-to-plant variance is below the $500,000 "significant cost variance" threshold, a description of the Business Case was provided in Attachment D.

Finally, support of the 2023 capital pro forma and provisional additions were provided with the Company's direct filed case, including a description of each Business Case located within the respective direct testimony of Company witnesses Mr. Thackston (Exh. JRT-1T), Mr. Magalsky (Exh. KEM-1T), Ms. Rosentrater (Exh. HLR-1T), Mr. Kensok (Exh. JMK-1T), Mr. Howell (Exh. DRH-1T) and Mr. Kinney (Exh. SJK-1T). Additionally, an exhibit was filed with each witness's testimony including each full Business Case. Please see Attachment A for reference to each witness' respective exhibit and pages where each Business Case can be found. Please also see the

Company's 2022 Provisional Capital Report filed with the Commission on March 31, 2023 with supporting documentation for pro forma additions for the period 2022.

c) Actual In Service Dates

The Company has provided detailed information by Business Case, of system and Washington electric and Washington natural gas actual transfers-to-plant by month, with actual in-service dates, provided within Attachment B.

d) Actual 2023 Final Costs

As noted above, Attachment A summarizes, by Business Case, actual final costs at a system level for 2023, and identifies any "significant cost variances," pointing elsewhere for support of those variances. Monthly actual transfer-to-plant amounts by Business Case directly assigned or allocated to Washington electric or Washington natural gas are provided within Attachment B.

e) Changes to Business Cases

Changes in Business Cases, resulting from deviations of the scope and description from that provided in the Company's initial filing, and meeting the "significant cost threshold" of $500,000 and +/- 10% variance are listed in Table No. 3 below. Capital Variance Explanation Forms containing the variance justification for these Business Cases is provided in Attachment C. These Business Cases are included in Table No. 3 because either the Business Case was not included in the original filing or because an update has been made since the original filing. Additionally, in several instances the Company is providing additional documentation in Attachment C along with each Capital Variance Explanation Form, to support the variance in transfers-to-plant. Examples of the additional documentation being provided include steering committee meeting notes or Business Case Funds Change Request Forms, seeking funding change approval from the Capital Planning Group.

Table No. 3 – Revised and New Business Cases provided in Attachment C

Business Case	Filed 2023 Budgeted TTP Plan Gross Plant	Actual TTP Gross Plant	Variance $ over/(under) Gross Plant
Nine Mile Powerhouse Roof Replacement	$ -	$ 840,745	$ 840,745
Long Lake Stability Enhancement (NEW)	$ -	$ 1,114,534	$ 1,114,534
Strategic Initiatives - South Landing (Catalyst) - Clean Energy Fund 3	$ -	$ 2,633,563	$ 2,633,563
NexGen Control System Networks	$ -	$ 694,741	$ 694,741
Metro 115kV Substation	$ -	$ 545,256	$ 545,256
Transportation Electrification	$ 3,900,000	$ 1,523,470	$ (2,376,530)
Outage Management System & Advanced Distribution Management System (OMS & ADMS)	$ 10,000,000	$ 4,655,788	$ (5,344,212)
KF_Fuel Yard Equipment Replacement	$ 30,367,127	$ 936,000	$ (29,431,127)
Substation - Asset Condition	$ 58,412,186	$ 36,908,291	$ (21,503,895)

f) Prudent Decision Making For Cost Variances

For each Business Case with "Significant cost variances" meeting the defined threshold of $500,000 and +/- 10% of the amount as-filed, the Company has provided in Attachment C, a Capital Variance Explanation Form which contains a discussion of the management oversight of the project or program should significant cost overruns occur. It is common practice at Avista for capital Business Cases to have a steering committee or be reviewed at various budget committee meetings in the year. If additional funding (spend) is needed, a request is then provided to the Capital Planning Group (CPG). Every funding request put before the CPG, and approved by the CPG, includes a description, and is signed by the Business Case owner, supporting the decision to continue to invest in the project under the relevant changed circumstances.

g) Offsetting Factors

As a part of the 2023 Provisional Capital Report and Business Case review, the Company evaluated the expected direct O&M offsets included in its filed case (Dockets UE-220053 et. al.) for any changes per actual results. Table No. 4 below provides the as-filed direct O&M offsets versus the actual direct O&M offsets determined for the 2022-2023 investments, included in Rate Year 1 (2023).

Table No. 4 – As-Filed Direct O&M Offsets versus Actual Direct O&M Offsets

Direct O&M Offsets	As Filed		Actual	
Business Case	**2022**	**2023**	**2022**	**2023**
Base Load Thermal Program	$ -	$ 9,500	$ -	$ 9,500
Customer Experience Platform Program	$ 29,582	$ 104,582	$ 29,582	$ 104,582
Data Center Compute	$ -	$ -	$ -	$ 165,842
Distribution Grid Modernization	$ 26,684	$ 33,673	$ 115,169	$ 33,673
Distribution System Enhancements	$ 32,907	$ 25,315	$ 32,907	$ 25,315
Downtown Network - Performance & Capacity*	$ 79,200	$ 79,200	$ 47,520	$ -
Energy Delivery Modernization & Operational Efficiency	$ 100,000	$ 100,000	$ 100,000	$ 100,000
Gas Above Grade Pipe Remediation Program	$ -	$ 400	$ -	$ 400
Gas Airway Heights HP Reinforcement	$ 2,312	$ -	$ 2,312	$ -
Gas PMC Program*	$ 38,000	$ 38,000	$ -	$ -
Gas Regulator Station Replacement Program	$ 1,700	$ 3,500	$ 1,700	$ 3,500
Gas Reinforcement Program	$ 2,400	$ 2,400	$ 2,400	$ 2,400
Human Resources Technology	$ 16,300	$ 16,300	$ 16,300	$ 16,300
N Lewiston Autotransformer - Failed Plant	$ 266,000	$ -	$ 266,000	$ -
Structures and Improvements/Furniture	$ 11,000	$ 11,000	$ 11,000	$ 11,000
Telematics 2025	$ -	$ 42,555	$ -	$ 42,555
	$ 606,085	$ 466,425	$ 624,890	$ 515,067
Included in Rate Year 1 (2023)		$ 839,298		$ 882,424
		As-Filed		Actual

*Reductions will be realized in a future period. Transfer to plant was delayed into future years.

As discussed by the Company in its direct filed case (Exh. EMA-1T, starting at page 35), the Company incorporated O&M cost savings across the board for all capital projects that were not otherwise related to mandates or growth. Avista incorporated direct O&M offsets related to certain capital projects and for those projects where immediate hard cost savings could not otherwise be identified, the Company incorporated a 2% efficiency adjustment. In this manner, this would provide additional impetus to drive efficiencies out of our capital investments. With regard to the "2% efficiency" adjustment, for each Business Case where no direct offset was determined, the Company separately applied a "2% Efficiency Adjustment," calculated based on 2% of the "return on" the specific Business Case investment. The Company, however, included the full level of capital investment in its revenue requirement and provided a separate "offsets adjustment" to incorporate both the direct O&M offsets as well as the "2% Efficiency Adjustment," where appropriate. These offsets (direct and 2% efficiency adjustments) were assumed to be in effect in Rate Year 1 for 2023 (RY1) and Rate Year 2 for 2024 (RY2). Based on the results shown in Table No. 3 above, there is no material change in <u>direct</u> O&M offsets to be reflected or adjusted at this time.[4]

In addition, it is important to note that although the Company included in its electric and natural gas Pro Forma Studies in Dockets UE-220053 et. al., total <u>direct</u> O&M offsets as noted in Table No. 3 above, as well as offsets associated with reduction in O&M by use of a 2% efficiency adjustment, the Company also included reductions in its overall Washington electric and natural gas revenue requirements over the Two-Year Rate Plan by adjusting other revenue related to growth plant, retirements on capital investment (reduced depreciation expense), and reduced net plant after ADFIT for the change in A/D and ADFIT on existing test period plant at 09.2021, adjusted to 12.2022 and further to AMA 2023 for RY1 and AMA 2024 for RY2. Overall, the total offsetting adjustments reduced the Company's as-filed revenue requirement in total by $41.3 million for electric and $11.4 million for natural gas, for RY1, and by $23.5 million for electric and $6.5 million for natural gas, for RY2, (or a total of $64.8 million for electric and $17.9 million for natural gas, over the Two-Year Rate plan). Values <u>**for 2022-2023 alone**</u> included in RY1 are summarized as follows:

- <u>Direct O&M expense and "Other Revenue" reductions</u> – Included in Pro Forma "Capital O&M Offsets & Revenues" Adjustments (4.03) for RY1 and (5.09) for RY2 are 1) <u>direct</u> O&M savings for certain capital Business Cases, 2) an incremental "2% O&M efficiency" adjustment, reducing O&M expense, for all remaining capital Business Cases (not required for regulatory purposes), and 3) offsetting revenue associated with the Growth Capital Business Case. Also included in Pro Forma "Power Supply" Adjustment (3.00P) for RY1, were incremental EIM benefits (revenues), as a result of the EIM Business Case. These direct O&M and "2% efficiency O&M" offsets and revenues were shown in detail in Exh.

[4] Per the Provisional Capital Review process requirements approved in Dockets UE-220053 et. al., offsetting factors considered in this context will be limited to offsets that might occur <u>directly</u> as a result of Avista's investment in the specified Business Cases and will not include offsets that do not directly result from the investment in the specific Business Cases. Where any efficiency adjustment is used by the Company in lieu of a direct benefit, that adjustment will continue for the 2022 – 2024 period.

EMA-5. Incremental O&M savings related to AMI O&M offsets (per PF Adjustments 3.04 (RY1) & 5.01 (RY2)) and reduced O&M labor expense for retirements (see PF Adjustment 3.07), were also included. As shown in Table Nos. 6 and 7 (Line 1) of Exh. EMA-1T, pages 36 and 37, a combination of each of these O&M offsets and revenues total $12.7 million for electric and $4.5 million for natural gas, **for 2022-2023 alone**, combined and in effect for 2023 (RY1).[5]

- Retirements – Included reductions to electric and natural gas depreciation expense to reflect capital retirements through 2023 (RY1) and 2024 (RY2). As shown in Table Nos. 6 and 7 (Line 2) of Exh. EMA-1T, pages 36 and 37, this reduced the Company's proposed revenue requirement by approximately $13.0 million for electric and $3.4 million for natural gas **for 2022-2023 alone**, combined and in effect for 2023 (RY1).[6]

- Reduction to Net Plant after ADFIT – Included reductions to Net Plant after ADFIT for the change in A/D and ADFIT on existing plant at 09.2021, adjusted to EOP 12.2022 and further to AMA 2023 for RY1 and AMA 2024 for RY2. As shown in Table Nos. 6 and 7 (Line 3) of Exh. EMA-1T, pages 36 and 37, this reduced overall net rate base, resulting in a reduction to Company revenue requirements of $15.5 million for electric and $3.5 million for natural gas **for 2022-2023 alone**, combined and in effect for 2023 (RY1).[7]

Overall offsets assumed for 2022-2023 alone, and included in effect during 2023 (RY1), therefore totaled $41.3 million for electric and $11.4 million for natural gas. No material additional changes in offsets are applicable to be updated through the Provisional Capital Reporting review process at this time.

Inflation Reduction Act And Infrastructure Investment And Jobs Act Reporting

In response to the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA), Avista has been very active in terms of seeking out potential grant opportunities, as was highlighted in formal comments, and a Commission workshop, in Docket U-240013. Attachment F contains the comments filed by Avista in that proceeding, and importantly contains an up-to-date listing of all of the grant opportunities Avista is pursuing (see pp. 3-4). In the end, we will substantially participate in any programs that make sense and provide value to our customers. That said, such opportunities are prospective, and therefore not included in any of the projects that were transferred to plant in 2023 (and subject of this compliance report).

[5] This is prior to incremental direct O&M and other revenue offsets included in Rate Year 2. See Table Nos. 6 and 7 (Line 1) of Exh. EMA-1T, pages 36 and 37 for full detail over the Two-Year Rate Plan.
[6] This is prior to incremental retirement offsets included in Rate Year 2. See Table Nos. 6 and 7 (Line 2) of Exh. EMA-1T, pages 36 and 37 for full detail over the Two-Year Rate Plan.
[7] This is prior to incremental reduction of Net Plant After ADFIT offsets included in 2024 in Rate Year 2. See Table Nos. 6 and 7 (Line 3) of Exh. EMA-1T, pages 36 and 37 for full detail over the Two-Year Rate Plan.

Please direct any questions regarding this report to Tia Benjamin at 509-495-2225 or tia.benjamin@avistacorp.com, or Liz Andrews at 509-495-8601 or liz.andrews@avistacorp.com.

Sincerely,

/s/ *Elizabeth Andrews*

Elizabeth Andrews
Sr. Manager, Revenue Requirements