UG-231044

NW Energy Coalition
for a clean and affordable energy future

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

Re: Docket UG - 231044– Avista Utilities Natural Gas Tariff Schedule 162 – Climate Commitment Act –Temporary Schedule

NW Energy Coalition ("NWEC") thanks the Washington Utilities and Transportation Commission ("UTC" or "Commission") for the opportunity to provide comments in response to Avista's ("Avista" or the "Company") request in UG -231044. WA Schedule 162 is a proposed temporary rate tariff to costs associated with purchasing allowances to comply with the Climate Commitment Act ("CCA") from 2023.

The CCA established a declining cap on greenhouse gas emissions (GHGs) from covered entities, which included natural gas utilities. The CCA's long-term goal is to reduce statewide emissions by 95 percent by 2050. Under the terms of the CCA, Avista receives no-cost allowances, which will decline in allotment as the program continues. Under state law, in 2023, Avista is required to consign 65% of no-cost allowances. Avista's no-cost consignment allowance requirements subsequently increase five percent (5%) annually. Avista must use revenues from consigned allowances to offset any increased costs imposed on low-income customers due to the CCA. In this proceeding, Avista proposes to pass through $47.361 million in 2023 costs and $37.231 million in benefits related to 2023 CCA consignment revenue.

In association with the pass-through costs and benefits associated with the CCA, Avista proposes to create Schedule 162 as a temporary tariff for CCA costs from 2023. From a rate design perspective for Schedule 162, Avista proposes that Schedule 101 costs be collected through a fixed charge, while other customer class costs are collected on an equal cents per therm basis. NWEC opposes Avista's proposal to collect CCA costs from Schedule 101 through a fixed charge.

NWEC recommends that the Commission reject Avista's proposal to collect CCA costs through a fixed charge and instead adopt a volumetric rate design charge for Schedule 101 customers under Schedule 162

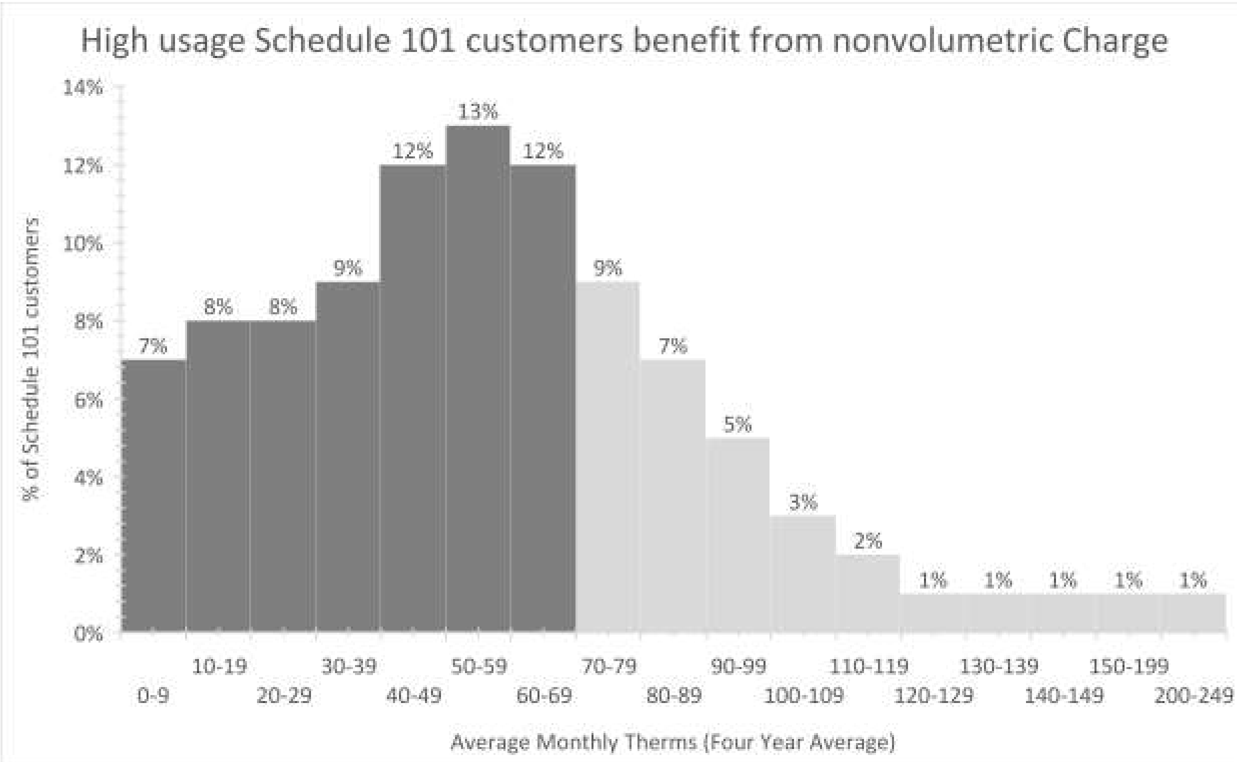
In the initial filling, Avista recommends that Schedule 101 customers under Schedule 162 be subject to a nonvolumetric charge. Schedule 101 is the rate schedule that serves residential and small commercial customers in Avista's Washington service territory. Schedule 162 is Avista proposed tariff rider for CCA costs in 2023.

NWEC respectfully disagrees with Avista's recommendation to make Schedule 101 costs nonvolumetric. Conversely, NWEC recommends that the Commission allocate costs to all rate schedules subject to Schedule 162 using an equal cents per therm rate allocation. NWEC discussed changes to the rate design for Schedule 162 with the Company and could not reach an agreement.

Avista states in its filing that it is easier to administer a nonvolumetric credit, that a nonvolumetric charge is appropriate because it sends a price signal to large customers classes, and that nonvolumetric charges are easy to understand when combined with the CCA credit.

As a preliminary matter, NWEC disagrees that the purpose of CCA is to impose a price signal on Avista's natural gas customers for carbon emissions. Avista is a for-profit entity covered under CCA and thus the CCA applies to the Avista corporation, not its customers. However, instead of shareholders bearing the cost, Avista proposes to pass the cost along to its customers. If the Commission allows Avista to pass these costs to customers, the rate should align with cost-based allocations. According to the Environmental Protection Agency, one therm of natural gas combusted emits 0.0053 metric tons CO_2 units of carbon dioxide into the air. The number of customers does not affect Avista emissions, instead emissions drive CCA costs which vary with throughput.

Chart 1:



Avista proposes using average usage as a bill determinant for Schedule 101 when calculating the rate design for the Schedule 162 charge. Such a proposal leads to cross-subsidization within the customer class, with lower-than-average usage Schedule 101 customers subsidizing higher than average-usage Schedule 101 customers.

Avista acknowledges the merits of an equal cents per therm cost allocation for CCA for other rate schedules. Large general service, interruptible, and transport customers are charged based on throughput under Schedule 162. Both NW Natural and Puget Sound Energy use a volumetric charge to assign CCA costs to small natural gas customers. NWEC's proposed rate design minimizes cross-subsidization within each customer class.

NWEC acknowledges that implementing a volumetric charge involves more administrative work than a nonvolumetric charge. However, NWEC believes the Commission should follow cost causation principles while allocating costs within a rate schedule. Avista's proposal includes incorporating CCA charges and credits into billing rates for Schedule 101 instead of displaying them as separate line items, rendering Avista's argument about bill presentment irrelevant.

NWEC recommends that the Commission adopt NWEC’s recommend rate design for Schedule 162.

NWEC recommends that the Commission require Avista to discuss a risk-sharing mechanism concurrent with its permanent CCA cost recovery tariff in 2024 with stakeholders.

In the initial filing, Avista states that it proposes that Schedule 162 "be temporary in nature, such that it will expire on February 28, 2025, after a 12-month amortization period (assuming the filed tariff goes into effect on March 1, 2024, as proposed)". NWEC understands that this is a temporary tariff. Avista intends to file a permanent CCA cost recovery tariff in mid-2024 with a proposed November 1st effective date to align with the annual Purchase Gas Cost adjustment filing. Looking ahead, NWEC expects Avista to file for a balancing account with a 100% passthrough to customers.

Given the Commission's order around deferred accounting around Avista's CCA revenues and expenses, NWEC finds it reasonable for 2023 cost recovery to begin through Schedule 162. NWEC recognizes that Avista is subject to and will continue to incur costs associated with CCA compliance. NWEC acknowledges the Commission's prior decisions for NWN and PSE on this topic. Therefore, NWEC recommends that the Commission ask Avista to work with stakeholders to establish a risk-sharing mechanism before filling a permanent cost recovery mechanism for CCA costs in 2024.

Respectfully submitted,

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