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

RE: Docket UG-250663, Avista Utilities Natural Gas Tariff Schedules 162 & 163 – Climate Commitment Act – Comments in Response to Commission Staff's Open Meeting Memo

Dear Mr. Killip:

On August 29, 2025, Avista Corporation, dba Avista Utilities (Avista or the Company), filed with the Washington Utilities and Transportation Commission (Commission) proposed revisions to tariff Schedules 162 and 163 related to the Climate Commitment Act (CCA). On October 16th, based on discussions with Commission Staff, the Company modified its requested changes to tariff Schedule 162. The comments herein are in response to Commission Staff's memo released late on Monday, October 20th.

On Friday October 17th, the Company reviewed Staff's initial draft memo and understood there to be no remaining issues with the Company's filing. The Company had numerous conversations with Staff about the tariff filing to work through all questions and concerns prior to reviewing the initial draft memo. On Monday, October 20th, the Company learned there was a change in the Staff lead on the filing, and that Staff had a completely new memo and series of recommendations, including suspension of the Company's tariff filing. Unfortunately, Staff's revised memo issued on Monday mis-characterizes or mis-understands much of Avista's proposals, is not aligned with the intent of the CCA, and leads to inequitable outcomes.

The Company's filing does not propose any new rate structures or significant changes to what the Commission has already approved several times for multiple gas utilities. Precedent has been set with no prior objections to Avista's rate design proposed previously or in the current filing. Now is not the time to suspend this filing, especially as it is a **rate decrease** heading into the winter months, which is in the public interest and benefits all customers. Waiting to approve of the Company's proposed tariff revissions pending a Staff investigation will only compound the issues of under recovering CCA costs and not providing revenues from consigned allowances that customers are entitled to. Further, suspension could lead to cash flow issues and concerns from the financial community regarding Avista's financial health. And given the numerous other adjudicated proceedings underway and forthcoming general rate cases in early 2026, suspending this filing will add to the workload and resource constraints of the Commission and all interested parties.

The Company urges the Commission to allow this rate filing to go into effect and discuss any remaining policy issues in the Commission's CCA policy docket, where all affected utilities and interested parties can participate.

The following comments are in response to specific issues raised in Staff's memo.

Schedule 111 True-Up for Residual CCA Credit Balances

Staff does not support the Company's proposal to true-up residual CCA Credit balances for Schedule 111 customers, like other large customers. Schedule 111 is most like Schedule 112 and our other large usage service schedules and therefore should be treated similarly. The Company errored in not including Schedule 111 with the larger schedules to begin with regarding the true-up and now seeks to correct that through this filing.

There are less than 4,100 customers on Schedule 111 compared to over 175,000 on Schedule 101. Schedule 101 is the Company's most homogenous group of natural gas customers, with approximately 128,000 of those customers being residential, who primarily use natural gas for space and water heating. Schedule 101 is designed for customers that average less than 200 therms per month, making the variability of usage very small compared to all other schedules. Performing a true-up for upwards of 145,000 non low-income customers is much more difficult than looking at less than 4,000 customers that are eligible for CCA credits on Schedule 111.

With Schedule 111 being the Company's large general service schedule, there is a huge variation in customer size on the schedule. The smallest customer on Schedule 111 paid a net $2.98 for the CCA under Schedule 162, while the largest paid $131,740. This largest customer only had 2.3% of their CCA Charge offset with the CCA Credit, where they were entitled to have up to 80% or $107,862 of their CCA Charge offset. The proposed true-up ensures all customers on Schedule 111 receive an 80% credit from Schedule 162, which they are entitled to receive. The true-up does not reduce revenues for any other customer class.

Providing the true-ups of Schedule 162 residual CCA Credit balances to Schedule 111 customers has already been calculated, is equitable, and in the public interest.

Calculation of Nonvolumetric Credit

Commission Staff and the Department of Ecology (Ecology) have taken issue with the Company's proposed method for providing nonvolumetric credits. As noted in the in the cover letter filed by the Company on October 16th and Staff's October 20th memo, "Revenues from allowances sold at auction must be returned by providing nonvolumetric credits on ratepayer utility bills".[1] **However, the law does not define or prescribe the meaning of nonvolumetric credit.** In recognition of the Commission's statutory authority, Ecology in their rules implementing the CCA included WAC 173-446-300(2)(b)(iii)(A), which states "Investor-owned utility compliance with this subsection will be *determined by the utilities and transportation commission*" (emphasis added), where the subsection in reference relates to the treatment of revenues from allowances allocated

[1] RCW 70A.65.130(2)(b).

to natural gas utilities. Because of the lack of definition of "nonvolumetric credit" and the Commission's authority to determine how investor-owned utilities must comply with the requirements of revenues from consigned allowances, the Commission has latitude to determine the appropriate rate calculations for providing nonvolumetric credits.

A volumetric credit means a customer would see a price per therm, which Avista is not proposing. Staff and others appear to have a very narrow view of their interpretation of nonvolumetric credits. Importantly, volumes can be used to calculate a nonvolumetric credit, but the key distinction lies in how the credit is ultimately applied. A utility can use total volumes to determine cost allocation across customer classes and volumes within each class to determine a nonvolumetric credit. Even if volumes are used in the background calculations, the credit itself is applied on a nonvolumetric basis, regardless of how much energy is used. While volumes may inform the calculation, the credit is nonvolumetric because it is not tied to each customer's actual usage (i.e., it is not a rate attached to a specific volume – in this case a per therm charge). In addition, a percentage cap expressed as a percentage of a maximum nonvolumetric dollar credit is not inherently volumetric, rather, it modifies a volumetric structure but doesn't change the underlying nature of the charge.

In summary, a percentage cap is a modifier, not a credit type. Whether the underlying credit is volumetric or nonvolumetric depends on how the base credit is structured, not on the presence of a cap.

The Commission has the authority to approve the nonvolumetric credits Avista has proposed in tariff Schedule 162 as the proposed tariff complies with the requirements of the law and are similar to previously approved nonvolumetric credits.

Providing CCA Credits Like California

Commission Staff for the first time introduces a new proposal for providing CCA credits, such that they only be provided to "residential and small business customers on Avista's Schedule 101 via a semi-annual credit issued on an equal per account basis." Per Staff's memo, Ecology appears to agree in part with Staff's proposal. **This proposal does not align with the plain language of the statute and would be inequitable to all customers.**

Staff asserts that "Since Washington's Cap-and-Invest legislation was modeled after California's Cap-and-Trade Program it seems reasonable to assume that the legislature envisioned Washington's CCA credit would operate similarly, which is presumably why the legislature directed these credits to be nonvolumetric[2] and detailed what classes of customers[3] should benefit from the revenues generated via the consignment of no-cost allowances." This assertion – a flat-out assumption - is not reasonable and should not be entertained for purposes of considering the approval of Avista's proposed changes to tariff Schedules 162 and 163.

The CCA is different from California in many ways and was deliberately different in how its provisions apply to utilities. Certain conditions must be met to achieve linkage but having identical methodologies for how utilities mitigate impacts to customers is not required for linkage. It is not "reasonable to assume that the legislature envisioned Washington CCA credit would operate

[2] RCW 70A.65.130(2)(b).
[3] Ibid.

similarly" to California. There is no evidence of that in the law or in the record. The legislature made clear in statute that "Revenues from allowances sold at auction must be returned by providing nonvolumetric credits on *ratepayer utility bills*, prioritizing low-income customers…" (emphasis added).[4] The legislature did not define ratepayer, meaning this provision was intended to encompass all ratepayers, not just a subset of ratepayers. Limiting nonvolumetric credits to only residential and small commercial customers is not allowed for within the law. Large commercial and industrial customers are ratepayers too, and we would expect the Alliance of Western Energy Consumers (AWEC) to wholeheartedly agree.

If revenues from consigned allowances are "used to minimize cost impacts on low-income, residential, and small business customers through other actions"[5] in lieu of providing nonvolumetric credits to **all** ratepayers, it is only those actions that are restricted to these subsets of ratepayers.

Regarding not providing monthly nonvolumetric credits, this would send an artificial price signal that does not reflect actual compliance costs. Doing so in the winter months would not drive behavioral change as customers cannot readily or easily change their heating source, rather would drive unaffordable bills leading to more customers behind, needing assistance, and potentially facing disconnection. This is not equitable or in the public interest (recalling that over 40% of Avista's customers are the working poor – Asset Limited, Income Constrained, Employed, or ALICE). The law was intended to mitigate the cost impact or price signal in the early years of the program. It is precisely why natural gas utilities were provided with no-cost allowances at a declining amount to soften the cost impact while giving gas utilities and its customers time to transition to lower emitting alternatives, which the legislature recognized would be difficult, especially for larger hard to decarbonize customers. It is not appropriate in Avista's tariff filing for Staff or Ecology to attempt to rewrite the CCA policy and reassign legislative intent through misinterpretations of the law.

Revenues from consigned allowances are intended to mitigate cost impacts of the CCA and should continue to be provided to all ratepayers on a monthly basis.

Return of Forecasted Revenues for 2026

Staff now objects to the Company's return of forecasted 2026 revenues but appears to support the collection of 2026 forecasted costs. This is a mismatch of revenues and costs, which is inequitable for customers and fails to recognize the intent of the allowance revenues to mitigate cost burdens. By not returning forecasted revenues at the same time as costs, it sends an inappropriate price signal to customers, which the intent of the Company's 2024 filing was to get to the point we are at today, which was to have a 12 month forecast of costs and revenues to then send a realistic price signal to customers in advance of them using the energy.

Again, the Company urges the Commission to allow this rate filing to go into effect and discuss any remaining policy issues in the CCA policy docket, where all affected utilities and interested parties can participate. The Company looks forward to further discussing these issues at the Open Meeting scheduled for October 22nd. If you have any questions regarding these comments, please contact me at (509) 495-2782 or shawn.bonfield@avistacorp.com.

[4] Ibid.
[5] Ibid.

Sincerely,

/s/Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy