

Agenda Date: October 23, 2025
Item Number: A1

Docket: UG-250663
Company: Avista Corporation d/b/a Avista Utilities

Staff: Crystal Oliver, Section Manager

Recommendation

Issue an Order suspending the proposed sheet revisions to Tariff WN U-20 filed by Avista Corporation on August 29, 2025, and revised on October 16, 2025, pending the outcome of an investigation into whether the revisions are consistent with the public interest or unfair, unjust, unreasonable, insufficient, or otherwise in violation of provisions of the law.

Background

On April 24, 2021, the Washington State Legislature passed the Climate Commitment Act (CCA), codified as Chapter 70A.65 RCW. The CCA established a “cap and invest” program that sets a declining cap on greenhouse gas emissions (GHGs) from covered entities, including natural gas utilities, and is intended to reduce emissions in the state by 95 percent by 2050.¹

Under the CCA natural gas companies receive no-cost allowances “for the benefit of ratepayers.”² An increasing percentage of those no-cost allowances are required to be consigned at auction each year.³

The CCA states that allowances “must be consigned to auction for the benefit of customers, including at a minimum *eliminating any additional cost burden to low-income customers*”⁴ and further clarifies that “revenues from allowances sold at auction must be returned by providing *nonvolumetric credits* on ratepayer utility bills, prioritizing low-income customers, or used to *minimize cost impacts on low-income, residential, and small business customers* through actions that include, but are not limited to, weatherization, decarbonization, conservation, efficiency services and bill assistance.”⁵

On February 28, 2023, in Docket UG-220803 the Washington Utilities and Transportation Commission (Commission) entered Order 01 authorizing Avista Corporation d/b/a Avista

¹ RCW 70A.45.020.

² RCW 70A.65.130(1).

³ RCW 70A.65.130(2)(a). The amount required to be consigned to auction was 65 percent in 2023 and increased by 5 percent per year after 2023.

⁴ RCW 70A.65.130(2)(a).

⁵ RCW 70A.65.130(2)(b).

Utilities (Avista or Company) to defer Climate Commitment Act (CCA) costs and revenues beginning January 1, 2023, with carrying costs at the approved cost of debt.⁶

On February 22, 2024, at the Open Meeting the Commission considered Avista's initial proposal to recover deferred CCA costs and return allowance consignment revenues incurred during the calendar year 2023 in Docket UG-231044 via establishment of a new temporary tariff Schedule 162 set to expire on March 31, 2025. The Commissioners and interested parties discussed many, but not all, aspects of Avista's initial proposal. Discussion at this Open Meeting centered around: (1) concerns that a nonvolumetric charge for Schedule 101 would not send the correct price signal on carbon in compliance with the intent of the CCA and could result in low volume gas users subsidizing high volume users and (2) whether or not the CCA credit or charge should appear as a line item on customer bills. At the conclusion of this Open Meeting the Commission verbally directed Avista to first make a filing to move the effective date out to April 1, 2024, and then make a supplemental filing to move all customers to a volumetric rate for CCA costs.

On March 28, 2024, in Docket UG-231044, the Commission entered Order 01 authorizing the establishment of temporary Schedule 162 and its various Special Terms and Conditions and adopted the Company's proposed volumetric charge and seasonal "nonvolumetric" credit for all schedules. Discussion at this Open Meeting had centered around: (1) the need to make rates subject to refund with a final prudence determination to be made at the end of the first four-year CCA compliance period, (2) clarification that only 30 percent of compliance allowance obligations were due at the end of each year with the remaining 70 percent not due until the end of the four-year compliance period, (3) allowance acquisition limits at auction, as well as (4) brief comments about the declining price of allowances in 2024.⁷ The discussion also included (5) a short presentation by Washington Department of Ecology staff on no-cost allowance allocation.

On November 7, 2024, in Docket UG-240669, the Commission took no action, thereby allowing Tariff revisions filed by Avista to become effective by operation of law. These revisions established a new Schedule 163, which applied the same volumetric charge and seasonal "nonvolumetric" credit for all schedules as Schedule 162 did. Additionally, while not discussed in Staff's memo, Schedule 163 modified several of the Special Terms and Conditions that were in place under Schedule 162, the most impactful of which was the change to the cap on the CCA credit, which was reduced from 80 percent of the CCA charge on a monthly basis to just 55 percent. Discussion at this Open Meeting centered around the Purchase Gas Adjustment and other filings decreasing revenues that offset the significant revenue increase requested in this filing resulting in an overall decrease in customer rates. There was also brief discussion

⁶ Docket UG-220803, Order 01, Paragraph 25.

⁷ Initiative No. 2117 Concerning Carbon Tax Credit Trading to effectively repeal the CCA was certified for an initiative to the Legislature in January of 2024, and in February of 2024 the legislature announced that they would take no action on the initiative, thus it would be placed on the November 2024 ballot during the general election. The uncertainty surrounding the future of the CCA contributed to decreased participation in 2024 auctions alongside depressed settlement prices for allowances sold at those auctions.

surrounding the conservative nature of Avista's forecasted CCA costs and when it might be appropriate to include these costs in base rates rather than a separate tariff rider.

In June of 2025, Avista provided a true up of the residual CCA Credit amounts to several customer classes including large general service (Schedule 112/116), interruptible services (Schedule 131/132), and transportation (Schedule 146).⁸

On August 29, 2025, Avista filed Tariff revisions to Schedule 162 and Schedule 163 in this docket. On October 16, 2025, Avista filed further sheet revisions to Schedule 162 following discussions with Commission Staff (Staff) over the proposed credit adjustment methodology, which this memo discusses below.

Discussion

Summary of Filing

This proposal decreases total net revenues by \$7.6 million, or 2.7 percent, effective November 1, 2025. A residential ratepayer with gas service connected before July 25, 2021, with an average monthly usage of 66 therms would see a bill decrease of \$3.18, or 3.3 percent. A residential ratepayer with gas service connected after July 25, 2021,⁹ with an average monthly usage of 66 therms would see a bill increase of \$7.60, or 7.1 percent. Known low-income residential ratepayers will continue receiving a billing assistance credit on their natural gas utility bills that is equal to their volumetric CCA charge.

For the previous 22-month CCA cost recovery period from January 1, 2024, through October 31, 2025, Avista reported an increase in actual CCA compliance costs over CCA compliance cost forecasts as a result of loads that were greater than forecast. However, Avista still reported a net positive residual ratepayer credit balance of approximately \$23 million from the net difference between its actual CCA emissions allowance purchases and realized emissions allowance consignment revenues.

⁸ The Tariff language in Schedule 162 and 163 included a special provision that provided for "deferred CCA Credits from residual balances not provided through the monthly CCA Credit will be determined for individual customers served under Schedules 112, 116, 131, 132, 146, and 148, as well as for customers that switch to or from any of these schedules to another schedule. The deferred CCA Credits for these Customers will be based on monthly entries into a CCA balancing Account." This provision was not discussed in Avista's cover letters nor Staff's memo when these schedules were established. Staff reviewed workpapers detailing how these customer credits were calculated with Avista Staff on October 20, 2025. Customers under these schedules received lump sum payments that brought their total CCA credit received to 80 percent of the CCA charge they paid over the year.

⁹ RCW 70A.65.130 (c) "Except for low-income customers, the customer bill credits under this subsection are reserved exclusively for customers at locations connected to a natural gas utility's system on July 25, 2021. Bill credits may not be provided to customers of the gas utility at a location connected to the system after July 25, 2021."

CCA Benefits	
Schedule 162 Residual	\$3,548,673.00 ¹⁰
Schedule 163 Residual	\$19,120,736.00 ¹¹
Total Residual Balance	\$22,669,409.00
Forecasted Nov 2025-Oct 2026	\$40,402,801.00 ¹²

In determining the forecast CCA emissions allowance price inputs used for its cost recovery calculations, Avista established two estimates. For the remainder of 2025, Avista averaged July 31, 2025, settlement prices for future contracts publicly available on the Nodal Exchange for three separate vintages (2023, 2024, 2025) with a December 24, 2025, date of expiration. From January 1, 2026, through October 31, 2026, plus a 5 percent incremental adjustment along with a 3 percent inflation adjustment. Staff cross-referenced this with currently available Washington carbon emission allowance futures contract data and finds the cost figures proposed for 2026 to be reasonable.

CCA Costs	
Forecasted Costs through Oct 2026 (Inclusive of residual Sch 162/163 deferral)	\$87,867,826.00 ¹³

¹⁰ UG-250663-AVA-Trf 162 and 163 Workpaper 8-29-25, WA Gas – Sched. 162 Tab, Cell C30.

¹¹ UG-250663-AVA-Trf 162 and 163 Workpaper 8-29-25, WA Gas – Sched. 162 Tab, Cell C31.

¹² UG-250663-AVA-Trf 162 and 163 Workpaper 8-29-25, WA Gas – Sched. 162 Tab Cell C29.

¹³ UG-250663-AVA-Trf 162 and 163 Workpaper 8-29-25, WA Gas – Sched. 162 Tab Cell C13.

Customer Classes	Number of Customers	Percent of total customers	Avista's benefits allocation¹⁴	Avista's cost allocation¹⁵	Benefit Allocation
General Service (101)	175,368	97.6953%	62.9%	57.88%	\$43,069,469
Large General Service (111/116)	4,093	2.2802%	26.97%	30.45%	\$18,464,752
Large General Service (112)	1	0.0006%	0.00%	.24%	\$0.00
Interruptible Service (131/132)	5	0.0028%	1.14%	1.26%	\$783,390
Transportation Service (146-148)	38	0.0212%	8.99%	10.17%	\$6,158,859

Other important aspects of this proposal include requests to:

- modify the terms and conditions on Schedule 162 and 163 to allow the Company to return the residual CCA Credit balance accrued for customers on Schedule 111, Large General Service, for amounts associated with calendar year 2023, like that which was done for customers on Schedule 112 and above.¹⁶
- modify how the CCA Credit is calculated by establishing a cap of 80 percent of the volumetric CCA charge for schedule 101 customers and 70 percent for other customer classes.

Additionally, this filing included a report detailing how the Company utilizes CCA costs in its decision making in compliance with Order 08, Paragraph 83 in Docket UE-240006 and UG-240007, Avista's last general rate case.

¹⁴ UG-250663-AVA-Trf 162 and 163 Workpaper 8-29-25, WA Gas -Sched 162 Tab Row35.

¹⁵ UG-250663-AVA-Trf 162 and 163 Workpaper 8-29-25, WA Gas -Sched 162 Tab Row 11.

¹⁶ UG-250663-AVA-Cltru-8-29-25 Page 1.

Staff Analysis

The issues Staff has identified with this filing are many, our concerns alongside proposed recommendations are detailed below.

Eliminating cost burden to low-income customers

RCW 70A.65.130 concerns the allocation of allowances to natural gas utilities. In the latter part of subsection (2)(a) it reads “no cost allowances must be consigned to auction for the benefit of customers, including at a minimum eliminating any additional cost burden to low-income customers from the implementation of this chapter.”

All of Washington’s investor-owned utilities have provided a monthly volumetric CCA credit equal to the monthly CCA Charge to low-income customers.¹⁷ Here, Avista proposes to continue this practice.

Staff does not take issue with the volumetric credit for low-income customers currently provided as it effectively holds low-income customers harmless from the cost burden of CCA charges as required by the CCA. However, Staff does wonder if a different method of calculating and providing nonvolumetric credits back to customers might make this volumetric credit unnecessary.

Nonvolumetric Credits & Minimizing Cost Impacts

RCW 70A.65.130 subsection (2)(b) reads “ Revenues from allowances sold at auction must be returned by providing nonvolumetric credits on ratepayer utility bills, prioritizing low-income customers, or used to minimize cost impacts on low-income, residential, and small business customers through actions that include, but are not limited to, weatherization, decarbonization, conservation and efficiency services, and bill assistance.”

Previously, Avista was allocating revenues to its various customer classes based on forecasted load and then providing seasonally adjusted¹⁸ CCA credits monthly based on average usage that were capped at 80 percent of the volumetric CCA Charge when Schedule 162 was in effect¹⁹ and 55 percent under Schedule 163.²⁰ For schedule 162, the CCA Charge and CCA Credit only

¹⁷ Schedule 163 Special Terms and Conditions 3 defines Avista’s low-income customer as a customer, known to Avista, that has received any form of low-income energy assistance in the last 24 months, including enrollment in the Bill Discount program or other assistance options described in tariff Schedule 192, a Low Income Home Energy Assistance Program (LIHEAP) grant, housing or rental assistance, Project Share, or any other miscellaneous form of energy assistance.

¹⁸ In Schedule 162 and 163 summer is defined as April through October and winter defined as November through March.

¹⁹ Schedule 162 was in effect from April 1, 2024, until March 31, 2025.

²⁰ Schedule 163 has been in effect since November 15, 2024.

appeared on a line item on the bills of larger commercial and industrial customers. The Schedule 163 charge and credit are shown as line items on all customer bills.²¹

Avista initially proposed to alter the methodology used to calculate “nonvolumetric” credits in this set of tariff revisions. However, the Company revised its proposal to continue calculating “nonvolumetric” credits using the same methodology previously approved by the Commission in tariff Schedules 162 and 163 with a slight change to use a max therm approach rather than an average in its revised filing made on October 16, 2025. Avista made this revision because Staff had advised the Company that there were multiple legal perspectives about the definition of “nonvolumetric.” Avista also continued to request that it be permitted to treat Schedule 111 customers similarly to the other large customer classes, such that individual customers receive a true-up of the remaining CCA credits allocated to its Schedule. For schedule 162, the CCA Charge and CCA Credit only appeared on a line item on the bills of larger commercial and industrial customers. The Schedule 163 charge and credit are shown as line items on all customer bills.

In comparison, PSE first uses a portion off the revenue to eliminate any additional cost burden to low-income customers, then uses an additional portion to fund its low-income electrification program.²² The remaining amount is allocated²³ to the customer classes and divided by annual customer count to create a “nonvolumetric”²⁴ credit to provide to customers each month. “Nonvolumetric” credits are capped at the amount each customer contributed to CCA costs. Each year there is a true-up of revenues where additional no-cost allowance revenues are returned to those schedules. These credits are returned to customers on a monthly basis and the credit is included as a line item on the bill however, the charge does not appear as a line item.

Much of Staff’s prior analysis and Open Meeting discussions on CCA proposals have focused on how utilities calculated CCA costs, not how CCA nonvolumetric credits were calculated. Subsequently, the Commission’s orders appear to have assumed, rather than decided, that Avista and the other gas utilities subject to the CCA were returning the benefits of allowances through non-volumetric credits. Here, interested parties explicitly raised the issue of whether the CCA credit initially proposed by Avista was nonvolumetric given that it made the credit 80 or 70 percent of a customer’s CCA charge (depending on the customer’s class) and the CCA charge is simply \$0.39984 per therm used. Avista’s revised tariff sheets may solve the problem of indexing

²¹ UG-231044, Order 01.

²² In Docket UG-230968, Order 01, the Commission approved setting aside \$7.7 million during the 2024 rate period to fund this decarbonization program. A detailed report on this program was submitted as a compliance filing in the same docket on November 15, 2024.

²³ The allocation methods utilized are forecasted volumes by customer class for determining the CCA charge amount for each class, while forecasted customer count by customer class is used for determining the credit amount for each class.

²⁴ Staff’s use of quotations around nonvolumetric here indicates the utility has described the credit as nonvolumetric however Staff now recognizes that the methodology used to calculate these credits include volumetric inputs, caps, and allocations.

a non-volumetric charge to a customer's energy use,²⁵ but they impose a cap that is defined by the customer's CCA charge (no customer may receive a CCA credit that exceeds the customer's CCA charge). This seems inconsistent with the CCA's directive that utilities return allowance revenues through nonvolumetric credits.

Further, prior CCA proposals and analysis have relied on a belief that the CCA charges and credits should match and that the CCA benefits defined as no-cost allowance consignment revenue should follow the burden of the volumetric CCA charge. This has resulted in the customer classes with the largest CCA charges receiving the largest share of no-cost allowance consignment revenues. This seems inconsistent with the CCA's directive to minimize cost impacts for low-income, residential, and small business customers.²⁶

Finally, CCA credits have been returned to customers on a monthly basis and as just discussed, in the case of Avista's customers, have been capped at a certain percentage of the volumetrically based CCA charge, adding an additional volumetric component to the "nonvolumetric" CCA credit calculation obscuring the price signal that the CCA charge was designed to provide. This reduces customer incentives to pursue lower-emitting alternatives and weakens the ability of the Cap-and-Invest Program to support emissions reductions necessary to meet the State's statutory emission limits.²⁷

In California the Residential California Climate Credit that is used to return proceeds from the sale of allocated no-cost allowances provided to natural gas utilities by the California Air Resources Board (CARB) credits are typically distributed once per year by natural gas utilities²⁸ rather than monthly. 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 nonvolumetric²⁹ and detailed what classes of customers³⁰ should benefit from the revenues generated via the consignment of no-cost allowances.

Staff believes that it would be more consistent with statute if allowance consignment revenues were returned only to residential and small business customers in Avista's Schedule 101 via a semi-annual credit issued on an equal per account basis. This approach requires neither volumetric allocation nor volumetric input to calculate and results in an actual nonvolumetric credit. Staff estimates that if for example the \$22.7 million in residual credit balance was returned to Schedule 101 customers in this fashion that each account would receive a credit of

²⁵ The revised tariff sheets use the class maximum therm usage to define the CCA credit, which means that customers' use almost universally do not define their credit amount.

²⁶ RCW 70A.65.130(2)(b).

²⁷ RCW 70A.45.020.

²⁸ [California Climate Credit](https://www.cpuc.ca.gov/climatecredit/) at <https://www.cpuc.ca.gov/climatecredit/>.

²⁹ RCW 70A.65.130(2)(b).

³⁰ RCW 70A.65.130(2)(b).

approximately \$129 dollars. However, Staff would recommend that the interest accrued on these credit balances also be returned, thus the per account credit may be slightly higher.

Staff does not support the lump sum residual CCA credit for Schedule 111 customers proposed by Avista in this filing as it does not seem equitable to Avista's residential and small business customers on Schedule 101 who have not and will not receive such a lump sum under Avista's proposal.³¹

Staff also believes that the return of forecasted revenues from 2026 allowance consignment should occur when actual revenues are known as semi-annual nonvolumetric credits on Schedule 101 customers' utility bills.

Staff would also support proposals to invest revenues to minimize cost impacts on low-income, residential, and small business customers through actions that include, but are not limited to, weatherization, decarbonization, conservation, efficiency services and bill assistance.

Interested Parties

Staff received communication on September 22, 2025, from the Association of Western Energy Consumers (AWEC) that they do not object to Avista's original proposal.

Staff received communication on September 26, 2025, from the Public Counsel Unit of the Office of the Washington State Attorney General that they did not object to Avista's original proposal. However, on October 10, 2025, Staff received notice that upon further review Public Counsel Unit had concerns that Avista's original proposal qualified as a volumetric credit in violation of RCW 70A.65.130(2)(b). This resulted in further legal review by Staff and our request for Avista to modify its proposal. On October 16, 2025, Avista filed tariff sheet revisions.

Staff received communication on October 16, 2025, from the Washington State Department of Ecology (Ecology) describing Avista's original proposal as fundamentally volumetric and misaligned with the Cap-and-Invest program's ability to support the emission reductions needed to meet statutory emission limits. Staff received communication on October 17, 2025, from Ecology that Avista's proposed revisions to Schedule 162 on October 16, 2025, did not alter their analysis. Ecology discussed benefits to the state that can be achieved via lump periodic returns while still protecting Washington residents and emphasized that infrequent nonvolumetric return of consignment revenues is important to send price signals to consumers of emissions producing resources to drive their behavioral change.

Staff's analysis and position on this filing has evolved rapidly over the last few days and had not yet been shared with the company nor interested parties as of the finalization of this memo on

³¹ The volume of customers on Schedule 101 make it challenging to provide these customers true-up adjustments as these are accomplished on other schedules via unique manual entries reflecting the difference between the prior CCA credits received and the percentage cap established in tariff language based on their CCA charge

October 20, 2025. Staff anticipates its analysis, and recommendation will be of interest to public counsel, AWEC, and The Energy Project and expects robust conversation at the Open Meeting.

Public Comments

The Commission's Consumer Protection Division has received no public comments related to this filing. Avista began noticing its ratepayers on August 30, 2025.

Conclusion

Staff concludes that allowing the proposed revisions to Schedule 162 filed on October 16, 2025, and Schedule 163 filed on August 29, 2025, to go into effect as written would not be in the public interest and thus recommends that the Commission suspend the revisions pending the outcome of an investigation into their lawfulness and consistency with the public interest.³²

³² RCW 19.405.010(6) states that "the public interest includes, but is not limited to: The equitable distribution of energy benefits and reduction of burdens to vulnerable populations and highly impacted communities; long-term and short-term public health, economic, and environmental benefits and the reduction of costs and risks; and energy security and resiliency."