Service Date: October 24, 2025

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant, v. AVISTA CORPORATION d/b/a AVISTA UTILITIES, Respondent.	DOCKET UG-250663 ORDER 01 ORDER REQUIRING AVISTA TO SUBMIT A COMPLIANCE FILING EXTENDING TERM OF CURRENTLY EFFECTIVE TARIFFS; FILING REVISED TARIFFS

BACKGROUND

1 On August 29, 2025, Avista Corporation d/b/a Avista Utilities (Avista or Company) filed tariff revisions to Schedule 162 and Schedule 163 of Tariff WN U-29 with the Washington Utilities and Transportation Commission (Commission), following discussions with Commission staff (Staff) over the proposed credit adjustment methodology.

2 This filing relates to credits for the benefit of customers under the Climate Commitment Act (CCA). On April 24, 2021, the Legislature passed the CCA, codified as Chapter 70A.65 RCW. The CCA establishes a "cap and invest" framework with a declining cap on greenhouse gas emissions (GHGs) from covered utilities, including natural gas utilities like Avista.

3 Under the CCA, natural gas companies receive no-cost allowances to mitigate the cost burden of the program on customers, with an increasing percentage of those no-cost allowances required to be consigned at auction each year.[1] This consignment of allowances to auction is to be for the benefit of customers, eliminating additional cost burden to low-income customers, with revenues from auction being returned to customers by providing nonvolumetric credits on ratepayer bills, "prioritizing low-income

[1] *See*, RCW 70A.65.120(1) & 70A.65.130(2)(a).

customers, or used to minimize cost impacts on low-income, residential, and small business customers…"[2]

4 Avista's proposal would decrease 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, with an average monthly usage of 66 therms would see a bill increase of $7.60, or 7.1 percent.

5 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 greater load. Despite this, Avista reports a net positive residual ratepayer credit balance of approximately $23 million.

6 Staff has reviewed the filing and raises various concerns. Staff notes that the proposal would modify terms and conditions on Schedule 162 and 163 to allow the Company to return residual CCA credit balances on Schedule 111, Large General Service, and 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.

7 Staff's concerns include continuing monthly volumetric CCA credits equal to the monthly CCA charge to low-income customers. Staff notes that RCW 70A.65.130(2)(b) reads "[r]evenues 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…"

8 Staff notes that much of its analysis on prior CCA proposals have focused on how CCA costs are calculated and not on how CCA nonvolumetric credits were calculated. Staff notes that prior Commission orders appear to assume but do not directly address whether utilities subject to the CCA were returning the benefits of allowances through nonvolumetric credits. Here, Staff notes there appears to be a question whether Avista's CCA credit is nonvolumetric given that it caps the credit at 70 or 80 percent of a customer's CCA charge. Staff comments that this seems inconsistent with the CCA's directive to return allowance revenues through nonvolumetric credits.

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

9 Further, Staff notes that matching CCA charges and credits appear inconsistent with the CCA's directive to minimize cost impacts for low-income, residential, and small business customers.[3]

10 Staff believes it would be more consistent with the CCA 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 basis for each account. This approach requires no volumetric input to calculate and results in a true nonvolumetric credit.

11 This matter came before the Commission at its regularly scheduled October 23, 2025, open meeting. The Commission heard comments from Staff, Avista, Department of Ecology (Ecology), Public Counsel, the Alliance of Western Energy Consumers (AWEC), The Energy Project (TEP), and Northwest Energy Coalition. Staff recommended that the Commission suspend this filing to allow for full adjudication, allowing all parties to present their positions on how residuals should be handled. Staff also stated that if the Commission were to allow the tariffs to go into effect on a provisional basis, Staff would have concerns on the treatment of residuals and the ability to treat those residuals at a later time.

12 Avista provided written and verbal comments that it strongly opposes Staff's recommendation, and asserts the tariff revisions are consistent with the CCA, fair, and in the public interest. Avista believes that if there are lingering concerns regarding nonvolumetric credits and benefits, now is not the time or place to address those. At the open meeting, Avista proposed an alternative in an effort to avoid suspension. At the open meeting, Avista proposed to provide a true-up of residual CCA credit balances to Schedule 101 customers from prior Schedule 162 (~$3.95 million) and 163 (~$1.3 million), similar to the method for non-Schedule 101 customers. Avista would propose only providing true-ups greater than $5 similar to its proposal for Schedule 111 customers.[4] Additionally, Avista proposes to recalculate nonvolumetric credits based on customer count per rate schedule like the Company's previous two filings, shaped seasonally for Schedule 101 and 111. Third, Avista would increase the cap on credits to 100% of CCA charge for Schedule 101 customers and leave a 70% cap for other Schedules. Fourth, for Schedule 101 customers, any residual credit balance will be carried forward for the benefit of Schedule 101. Finally, for non-Schedule 101 customers,

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[3] *See*, RCW 70A.65.130(2)(b).

[4] The $5 amount would provide a "realistic break point" to provide credits without creating an undue amount of additional workload for the Company.

Avista would continue to perform true-ups at end of amortization periods to ensure customers receive total CCA credits equal to 70% of their total CCA charges.

13 Ecology provided comments that nonvolumetric returns ensure the CCA operates as intended, impacting consumer behavior and keeping CCA allowance prices at a reduced level. Ecology noted that it believes Avista's proposal is volumetric. Ecology stated that how the nonvolumetric benefit is formulated significantly impacts whether the State will meet its short and long-term emissions limits. Ecology notes that despite Avista and other companies' assertions that broad decarbonization is not currently feasible or cost-effective, such arguments entirely miss that the CCA is also intended to impact customer choice and investment in competing industries. Ecology notes that nonvolumetric, infrequent return, is an important piece of overall CCA success. Ecology also provided that its position that benefits should be infrequent, either semi-annual or annual, is shown to be effective in changing customer behavior in economic theory but is not required by statute.

14 Public Counsel provided comments that it believes Ecology's theoretical analysis does not account for the realities faced by Washington ratepayers, especially low-income customers as we head into the winter heating months. Public Counsel notes that price signals are only effective if they are imposed upon decision makers, for example the utilities and landlords. Public Counsel further noted that setting this docket aside for a policy docket would only delay credit payments to customers in need.

15 Public Counsel's recommendation is that the Commission suspend the docket and move quickly to resolve the issue. Public Counsel further clarified that while matching costs and benefits is natural to utility regulation, there are actually two sources of funding for customer benefits. One which comes from rates based on a per therm usage basis, and another from a grant program – the sale of no-cost allowances. Public Counsel notes that the revenues from no-cost allowances are not tied to the principal of matching costs and benefits and should not be treated as such. Public Counsel also clarified that it does not believe reassessing allocation of the grant portion of the funding would risk retroactive ratemaking because Avista's prior tariff clearly stated allocation of those residuals would be determined by a later tariff filing.

16 AWEC reiterated its written comments submitted in this docket. AWEC disagrees that Avista tariff proposals results in a volumetric credit. AWEC supports Avista's proposal and believes that Staff's proposal to forego passing back revenue to certain customers is in clear violation of the CCA. AWEC further noted that while any decision here may not be binding on other utilities, it will inevitably impact all other natural gas utilities and therefore hearing this in a policy docket is most appropriate.

17 TEP provided comments that it supports Staff's recommendation to suspend the filing. TEP noted that this filing is simply too complex to fully vet during an open meeting. TEP further noted that the language of the CCA allows the Commission to do more for low-income customers than simply hold them harmless. This would include spending a portion of the funds to reduce barriers to weatherization, such as addressing deferred maintenance, low-income electrification, and other programs.

18 The Northwest Energy Coalition provided comments in support of Staff's recommendation to ensure the issue is handled properly.

19 In response to comments from others, Avista provided it would have significant concerns over suspension of the tariffs in their entirety because the charges reflect a significant portion of revenues which are needed to purchase allowances. Avista also provided that if the residual funds are not provided to customers now, the rate decrease goes from 2.7 percent to 0.7 percent. Avista also provided that the Commission could theoretically extend the effective date to November 15, 2025, or January 1, 2026.

20 In response to Avista's proposal at the open meeting, Staff notes that Avista's proposal does not deal with the residuals not yet allocated, that limiting residual true-up amounts to only those over $5 for Schedule 101 is unfair and counter to the public interest and may not be lawful. Staff agreed that Schedule 101 residuals after true-up should be carried forward and stated that forecasted revenues and unallocated residual revenues should be addressed in a litigated proceeding. In response, Avista noted that doing so would result in a 24 percent increase to customer bills. Avista also noted that if the revenues are returned to customers, keeping the $22 million back for adjudication, the filing results in an approximate 8 percent rate increase rather than a 2.7 percent decrease.

DISCUSSION AND DECISION

21 We note that this filing presents difficult decision points. This is exacerbated by the late change in positions from some of the parties. We find it helpful to begin with those points on which the parties seemingly agree. First, the parties agree to the proposed charges contained in Avista's tariff revisions. Second, the parties appear to agree that the approximately$5 million of residuals clearly marked for Schedule 101 and collected under the prior Schedule 162 and 163 should be credited to Schedule 101 and 111 customers consistent with how similar revenues were credited to other customers. We agree.

22 We also agree with Ecology that the timing, or frequency of credits, should be assessed based on the pricing signals sent to customers with monthly versus biannual or annual credits. We also agree with Public Counsel that we need to change our way of thinking

and that consignment revenues from auctions should be considered analogous to grant funds and in the future, perhaps should not be tied to customer volumes or charges.

23 This leaves the future benefit adjustment for customers, the $22 million residual and how that should be returned to customers, and whether there should be a percentage return of benefit to customers. On this, there seems to be a wide variation in positions.

24 After the discussion at the open meeting, we agree with Avista and Public Counsel that this matter may best be served by allowing for additional time for the parties to discuss the issues and for Avista to have time to refile tariff language. Accordingly, we agree that this matter should be considered at the first open meeting in November, allowing time for Avista to file revised tariff language and for the parties to address the issues discussed. To allow for this, we find it appropriate to allow Avista to file a compliance filing consistent with the direction in this order and extending the term of the now effective Schedule 163 to November 14, 2025.

FINDINGS AND CONCLUSIONS

25 (1) The Commission is an agency of the state of Washington vested by statute with the authority to regulate rates, regulations, and practices of public service companies, including electric companies and gas companies.

26 (2) Avista is a natural gas company and a public service company subject to Commission jurisdiction.

27 (3) This matter came before the Commission at its regularly scheduled open meeting on October 23, 2025.

28 (4) The Commission should allow additional time for Avista to file revised tariffs to address the concerns shared by various interested parties at the open meeting.

29 (5) The Commission should allow Avista to extend the term of effective tariffs to provide additional time for the parties in this docket.

ORDER

THE COMMISSION ORDERS:

30 (1) Avista Corporation d/b/a Avista Utilities to submit a compliance filing extending the term of the now effective Schedule 163 until November 14, 2025, and require Avista Corporation d/b/a Avista Utilities to refile its proposed revisions to Tariff WN U-29 filed on August 29, 2025, and revised on October 16, 2025, to include the following:

1. For the monthly CCA Credit, rephrase the reference to CCA Customer Benefit, and (1) allocate the portion of revenues needed to eliminate cost burden for identified low income customers, (2) the remaining revenues will be allocated to each customer class by the forecasted load for that class, and (3) CCA customer benefits will be determined by calculating the revenue for each schedule divided by the number of customers on that schedule, further divided by 12, seasonally adjusted, with a modification that limits the benefit of the CCA charge;

2. Return to Schedule 101 and 111 customers the residual amount remaining from Schedule 162 and Schedule 163 on the same basis as the residuals have been returned to other customer schedules;

3. Return any unallocated residual balances from Schedules 162 and 163 to customer classes in the same manner that prior rates and tariffs were approved; and

4. The allocation of any residual balances that accumulate from a to be approved Schedule 162 shall be held by Avista Corporation d/b/a Avista Utilities for future allocation pending discussions in the Commission's CCA policy docket, Docket UE-230161, or sooner.

31 (2) The Commission will convene in the CCA policy docket, Docket UE-230161, a discussion about appropriate allocation of customer benefits from consignment of allowances under RCW 70A.65.130(2)(b), including on a nonvolumetric basis, with all other affected utilities and interested persons.

32 (3) The Commission retains jurisdiction over this matter and Avista Corporation d/b/a Avista Utilities to effectuate the terms of this Order.

DATED at Lacey, Washington, and effective October 24, 2025.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

BRIAN J. RYBARIK, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner