Agenda Date: November 7, 2024
Item Number: A2

Docket: **UG-240669**
Company: Avista Corporation d/b/a Avista Utilities

Staff: Kody McConnell, Regulatory Analyst

Recommendation

Take no action, thereby allowing Docket UG-240669, Avista Corporation's Tariff sheets filed on August 30, 2024, and as revised on October 11, 2024, to become effective November 15, 2024, as a matter of law.

Summary of Filing

This filing revises Tariff WN U-29 introducing Schedule 163, Climate Commitment Act (CCA). Schedule 163 replaces temporary Schedule 162 and represents the Company's proposal for a more durable tariff schedule for the recovery of actual and anticipated costs and the passback of actual and anticipated revenues received from related CCA compliant cap-and-invest market operations from January 2024 through October 2025. The Company is seeking to increase net revenues by $27.6 million. A typical residential ratepayer with average monthly usage of 66 therms would see a bill increase of $8.52, or 8.4 percent. Known low-income ratepayers would receive a credit that fully offsets the bill increase.

Background

The Washington State CCA was introduced as Senate Bill 5126 (SB 5126) on January 8, 2021, during the 2021-2022 Legislative Session and signed into law on May 17, 2021, with an effective date of July 25, 2021.

On September 29, 2022, the Washington State Department of Ecology issued final rules for the implementation of SB 5126 with the program beginning January 1, 2023.

On November 1, 2022, in Docket UG-220803, Avista Utilities d/b/a Avista Utilities (Avista or Company) filed a deferred accounting petition with the Washington Utilities and Transportation Commission (Commission) for costs and revenues related to its CCA compliance which was approved on February 28, 2023.

On December 22, 2023, in Docket UG-231044, the Company proposed Schedule 162 as a temporary recovery mechanism for actual costs and revenues related to 2023 CCA compliance operations with an expiration date upon completion of a 12-month amortization period. Following review by the Commission and subsequent revisions by the Company, temporary Schedule 162 went into effect on April 1, 2024, with an amortization period through March 31, 2025. At that time, the Company stated its intention to propose a more durable CCA recovery mechanism in 2024. This Docket, UG-240669, represents that proposal and was filed by the Company for Commission review on August 30, 2024.

Discussion

Commission Staff (Staff) began its review of the proposed Schedule 163 tariff revision and associated workbooks in September 2024. Staff subsequently requested the Company revise its forecast emission allowance auction prices to include actual prices paid for the third quarter of the current year and using that additional data to reevaluate its forecast emission allowance auction prices through calendar year 2025. These changes resulted in a price reduction of 14.6 percent per emissions allowance in the third quarter of 2024, a forecast reduction of 14.2 percent per emissions allowance in the fourth quarter of 2024, and a forecast reduction of 9.3 percent per emissions allowance throughout calendar year of 2025. However, it is essential to note that these adjustments impact both sides of the CCA cap-and-invest compliance ledger, as reduced emissions allowance auction price estimates lower estimated consignment revenues as well as their purchase costs. Staff reasonably believes that the revised emissions allowance price figures are conservative.

Differential bill impacts exist across various ratepayer schedules as well as within schedules where connections to the Company's natural gas distribution system occurred after the July 25, 2021, enactment of the CCA. Typical non-low-income residential ratepayers connected to the system prior to July 25, 2021, and consuming an average of 66 therms per month can expect a bill increase of $8.52 or 8.4 percent. The same class of residential ratepayers connected to the system after July 25, 2021, consuming an identical volume of monthly therms can expect a bill increase of $18.79 or 16.7 percent. Approximately 2.45 percent of current residential ratepayers were connected to the Company's natural gas distribution system after July 25, 2021. All known low-income residential ratepayers can expect to receive CCA passback revenue rebates equal to their CCA emissions compliance surcharges that will fully offset the bill increase. Commercial ratepayers can expect a bill increase of 10.44 percent if connected to the system prior to July 25, 2021, or 23.05 percent if connected after July 25, 2021. All 38 firm transport service ratepayers are the most impacted and can expect bill increases of between 46.63 percent and 76.78 percent. The combined increase to total net revenues from Schedule 163 is $27.6 million, or 9.14 percent.

The 22-month rate effective period for proposed tariff Schedule 163 is designed to align annual CCA cost recovery proceedings with the Company's annual Purchased Gas Adjustment filings. For future years, the proposed tariff Schedule 163 will only reflect Company CCA operations over 12-month rate effective periods and will provide for annual true-ups for residual balances. During the amortization period, interest will accrue on remaining unamortized balances at a rate equal to the Company's actual cost of debt. This interest rate is currently set at 4.8 percent.

Staff communicated with and solicited comments from interested parties throughout the review of the Company's proposal. At this time, no objections to Staff's recommendation have been raised for consideration or discussion at the open meeting. No public comments have been received. The Company began notifying its customers of the proposed rate increase on August 30, 2024.

Conclusion

Staff believe the Company's proposal and supportive workbooks acceptable and finds the tariff revisions represented within Schedule 163 to be fair, just, reasonable, and sufficient. Recommending the Commission take no action, thereby allowing Docket UG-240669, Avista Corporation's Tariff sheets filed on August 30, 2024, and as revised on October 11, 2024, to become effective November 15, 2024, as a matter of law.