BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of Avista Corporation, d/b/a Avista Utilities For an Accounting Order Authorizing Deferral of Natural Gas Costs and Revenues Related to Compliance with the Climate Commitment Act	)))))))))	Docket No. UG-22______ PETITION OF AVISTA CORPORATION

I. INTRODUCTION

1 In accordance with WAC 480-100-203(3) and WAC 480-90-203(3), Avista Corporation, doing business as Avista Utilities ("Avista" or "the Company"), at 1411 East Mission Avenue, Spokane, Washington, hereby petitions the Washington Utilities and Transportation Commission ("Commission") for an order authorizing the Company to defer for later ratemaking treatment the recovery of costs of compliance for the natural gas portions of the Climate Commitment Act ("CCA"), along with any revenues received from the consignment of allowances, which must be used for the benefit of customers.

2 Avista is a utility that provides service to approximately 403,000 retail electric customers and 369,000 retail natural gas customers in a 30,000 square-mile service territory covering portions of Washington, Idaho, and Oregon. The largest community served by Avista is Spokane, Washington, which is the location of its corporate headquarters.

3 The Company requests that all correspondence related to this Petition be sent to the following:

David J. Meyer, Esq.
Vice President and Chief Counsel for
Regulatory & Governmental Affairs

Patrick Ehrbar
Director of Regulatory Affairs
Avista Corp.

P. O. Box 3727
1411 E. Mission Avenue, MSC 27
Spokane, Washington 99220-3727
Telephone: (509) 495-4316
E-mail: david.meyer@avistacorp.com

P. O. Box 3727
1411 E. Mission Avenue, MSC 27
Spokane, Washington 99220-3727
Telephone: (509) 495-8620
E-mail: patrick.ehrbar@avistacorp.com

Avista Dockets (Electronic Only) - AvistaDockets@avistacorp.com

4 Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(3)(b).

II. BACKGROUND

5 Engrossed Substitute Senate Bill 5126 ("SB 5126"), passed by the Washington State Legislature in 2021, directs the Washington State Department of Ecology ("Ecology") to develop and implement rules for a cap-and-invest program designed to meet emission reduction targets and reduce emissions by 95 percent of 1990 levels by 2050. On September 29, 2022, Ecology issued their final rules to implement the CCA, with the program set to begin January 1, 2023.

6 Avista must comply with the CCA as both an electric utility and natural gas utility. For purposes of this Petition, the Company's request is specific to the natural gas utility. Natural gas utilities must meet declining targets for greenhouse gas emissions ("GHG") as compared to a baseline, which is the average emissions from 2015-2019.[1] Beginning in 2023, natural gas utilities will receive no-cost allowances to cover 93% of their GHG baseline, declining 7% per year through 2030.[2] From 2031-2042 no-cost allowances decrease by 1.8% per year[3] and from 2043-2049 no-cost allowances decrease by 2.6% per year.[4] In 2050, natural gas utilities will not

[1] WAC 173-446-240(1)(a).
[2] WAC 173-446-240(2)(a).
[3] WAC 173-446-240(2)(b).
[4] WAC 173-446-240(2)(c).

receive any no-cost allowances.

7 Of the no-cost allowances received in 2023, 65% must be consigned to auction, increasing by 5% per year until 100% of no-cost allowances are consigned to auction in 2030.[5] No-cost allowances consigned to auction will result in revenues back to the utility, which shall be used for the benefit of customers as determined by the Commission, including at minimum, eliminating any additional cost burden to low-income customers due to the implementation of the CCA.[6] Revenues from allowances 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.[7] Customer benefits provided from allowances consigned to auction by natural gas utilities must be in addition to existing requirements in statute, rule, or other legal requirements.[8]

8 Avista anticipates incurring costs to comply with the CCA beginning in early 2023. Ecology will hold the first allowance auction in the first half of 2023 that Avista may purchase allowances for 2023 compliance at, and Avista is evaluating other CCA compliance strategies, including purchase of Renewable Natural Gas, energy efficiency programs for natural gas transportation customers, and other decarbonization efforts. These efforts will lead to CCA compliance and administrative costs beginning in 2023 that Avista would propose to defer for future ratemaking treatment.

9 Regarding revenues, natural gas utilities will receive 35% of their vintage year 2023 no-cost allowances on July 1, 2023, and the remainder of their no-cost allowances for 2023 by

[5] WAC 173-446-300(2)(b)(ii).
[6] WAC 173-446-300(2)(b)(iii).
[7] WAC 173-446-300(2)(b)(iii)(A).
[8] WAC 173-446-300(2)(b)(iii)(B).

September 1, 2023.[9] As a result of consigning a portion of these allowances, Avista anticipates receiving revenues later in 2023. As described above, these revenues must be used for the benefit of customers.

10 Because the timing and amounts of costs and revenues are unknown, Avista believes it is most appropriate to defer these costs and revenues for future ratemaking treatment. The Company anticipates proposing a tariff rider for recovery of CCA compliance costs in 2023 with adjustments happening annually going forward. It is during the annual tariff revisions that the Commission will be able to determine the prudency of costs deferred. In terms of revenues, the Company is unsure at this time how revenues may be used or when they could be passed back to customers. As such, the Company looks forward to future discussions with the Commission on the treatment of revenues attributed to the CCA.

III. PROPOSED ACCOUNTING TREATMENT

11 The Company proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Regulatory Assets) and will record a carrying charge at its actual weighted average cost of debt while being deferred and during the amortization period, updated semi-annually, and included at the after federal tax interest rate. To mitigate the potential impact of such carrying costs on its customers, the Company proposes to file annual tariff revisions to recover these deferred costs.

[9] WAC 173-446-260(1)(b).

IV. REQUEST FOR RELIEF

12 WHEREFORE, Avista respectfully requests that the Commission issue an Order approving the requested deferred accounting and ratemaking treatment, as described above. Customer rates would not be impacted by this approval, and any deferral of costs or revenues will be addressed in future filings.

DATED this 1st day of November 2022.

By: ______________________________
Patrick D. Ehrbar
Director of Regulatory Affairs