UG-240669

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Received
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Aug 30, 2024

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

RE: Avista Utilities Natural Gas Tariff Schedule 163 – Climate Commitment Act

Dear Mr. Killip:

Attached for electronic filing with the Washington Utilities and Transportation Commission (Commission) is the proposed tariff of Avista Corporation, dba Avista Utilities (Avista or the Company), related to the Climate Commitment Act (CCA), WN U-29 – Natural Gas Service:

Original Sheet 163
Original Sheet 163A
Original Sheet 163B

I. PURPOSE

The purpose of this filing is to introduce Avista's proposed tariff Schedule 163, which outlines the cost recovery related to compliance with Washington's CCA. Avista is requesting approval with an effective date of November 15, 2024.[1]

II. BACKGROUND

Engrossed Substitute Senate Bill 5126 (SB 5126), passed by the Washington State Legislature in 2021, directed 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

[1] November 15th is proposed as the effective date, such that in the event the CCA is repealed during the 2024 election, the Company then has time to withdraw the filing before the Commission makes a decision on approving it or not.

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.

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. Beginning in 2023, natural gas utilities received no-cost allowances to cover 93% of their GHG baseline, declining 7% per year through 2030; from 2031-2042 no-cost allowances decrease by 1.8% per year and from 2043-2049 no-cost allowances decrease by 2.6% per year; in 2050, natural gas utilities will not receive any no-cost allowances. 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.

No-cost allowances consigned to auction 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. 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. 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.

On November 1, 2021, the Company filed a petition for an accounting order authorizing the deferral of costs and revenues related to the CCA, which the Commission approved by way of Order 01 on February 28, 2023.[2] The Commission directed the Company to "1) track the costs in FERC account 182.3 and the revenues in FERC account 254, and 2) separately track the carrying costs associated with those costs and revenues using the approved cost of debt."[3]

III. AVISTA'S TEMPORARY CCA RECOVERY MECHANISM

On December 22, 2023, Avista proposed a temporary CCA recovery mechanism through Schedule 162 for purpose of recovering the actual costs of compliance for 2023 and passing back revenues from the consignment of no-cost allowances in 2023.[4] Tariff Schedule 162 was proposed to be temporary in nature, such that it would expire on February 28, 2025, after a 12-month amortization period. The Company made several revisions to the tariff during review by the Commission, with the final tariff being allowed to go into effect on April 1, 2024, by way of Order 01. The amortization period of the tariff is from April 1, 2024, through March 31, 2025. Avista noted in the tariff Schedule 162 filing that it intended to file a permanent CCA cost recovery tariff

[2] Docket UG-220803.
[3] Docket UG-220803, Order 01 ¶25.
[4] Docket UG-231044.

in mid-2024 with a proposed November 1st effective date to align with the annual Purchase Gas Cost Adjustment (PGA) filing.

IV. AVISTA'S PROPOSED PERMANENT CCA RECOVERY MECHANISM

Avista's proposed tariff Schedule 163, described herein, is intended to be a permanent CCA cost recovery tariff with an effective date aligned with the Company's annual PGA filing. For purposes of this filing, tariff Schedule 163 is designed to recover actual CCA compliance costs incurred from January through June 2024 and forecasted through October 2025, along with passing back revenues from the consignment of no-cost allowances for the same time period. The Company has included a forecast of costs and revenues through October 2025 because it aligns with the end of the 12-month amortization period proposed, and will send an appropriate price signal to customers for costs incurred regarding the emissions associated with their natural gas use. Further, it is necessary to forecast costs through the rate effective period to be recovered through this tariff. While the time period for recovery is 22 months for the current proposed tariff, in the future this will allow the tariff to only reflect the forecasted costs and revenues to be recovered over the 12-month rate effective period. Lastly, the tariff is designed to true up balances from prior periods in the future. For example, for the 2025 tariff filing, the Company will include any residual balances from 2023 and for the 2026 tariff filing, will include any residual balances for 2024.

V. PROPOSED TARIFF COMPONENTS

There are two primary components of the proposed Schedule 163, which are nearly identical to what the Commission approved in Schedule 162, a "CCA Charge" and a "CCA Credit". For purposes of the CCA Charge the following apply:

1. For all rate schedules, the Company has proposed a volumetric charge that is equal for all rate classes.

2. The charge was calculated to be the same for each month over the 12-month amortization period.

As it relates to the CCA Credit, the Company has proposed the following:

1. For customers eligible to receive a CCA Credit (i.e., only customers with locations connected to the system on or before July 25, 2021), with the exception of low-income customers, they will receive a nonvolumetric credit as prescribed in RCW 70A.65.130(2).

2. For all known low-income customers on Schedule 101, they will receive a volumetric CCA Credit that is equal to the CCA Charge, such that the net effect is they will

experience no cost burden from the CCA.

3. After first using the revenues from consigned allowances to mitigate the cost burden for all known low-income customers, the remaining revenues were allocated on a per therm basis for eligible customers.

4. For non-low-income customers on Schedule 101 and all customers on Schedule 111, they will receive a seasonally adjusted CCA Credit, such that the amount of the credit will be different during the summer months (i.e., April through October) and winter months (i.e., November through March). A seasonal credit is appropriate for these schedules as many of the customers use natural gas for space and water heating that are highly correlated to the winter months, thus the benefit of the seasonal CCA Credit is that the amount of the credit more closely aligns with the seasonal fluctuation of usage and CCA Charge that customers will face.

5. With the exception of low-income customers, for all schedules, the CCA Credit will be capped at 60% of the charge to ensure all customers are paying an equitable share of the costs to cover their emissions. The 60% cap is based on the CCA revenues equaling approximately 60% of the CCA expenses.

There are additional Special Terms and Conditions proposed with Schedule 163 beyond those relating to the CCA Charge and CCA Credit described above. Regarding the protection of low-income customers, the Company proposes to maintain the definition from schedule 162, as follows:

> For purposes of this schedule, a low-income customer is 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.

As a result of the cap on CCA Credits described above, a residual balance of revenues from consigned allowances for these schedules will accrue. For Schedule 101 and 111, the Company proposes to retain the residual balance within the schedule to thereby be included in the calculation of the following year's CCA Credit calculation. For Schedules 112, 116, 131, 132 and 146, the Company proposes that on an annual basis, deferred CCA Credits from residual balances not provided through the monthly CCA Credit will be determined for individual customers, 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 means that monthly, customers on these schedules will receive the CCA Credit as described above.

Following the 12-month amortization period of Schedule 163, the Company will then use the residual balance of the revenues assigned to each of these schedules to determine an additional amount of CCA Credit to provide to individual customers based on their actual usage during the amortization period.

Another Special Condition relates to how the under or over collection of revenues will be treated, such that they are trued up in a future CCA tariff adjustment, as mentioned above.

Lastly, the Company has included a provision that describes the customers who are exempt from Schedule 163, including: 1) customers with emissions from facilities with North American industry classification code 928110 (National Security); 2) customers that are designated as covered entities by the Washington State Department of Ecology (Ecology) as subject to RCW 70A.65.060 through 70A.65.210 as noted in RCW 70A.010(23); and 3) customers identified by Ecology as an Emissions-Intensive Trade-Exposed (EITE) under RCW 70A.65.110. It is the responsibility of the Customer to ensure that the Company has received such evidence of the Customer's status as an EITE. As of the time of this filing, only six customers meet these criteria, and will be exempt from Schedule 163.

VI. CUSTOMER IMPACTS

The proposed Schedule 163 will increase the Company's annual Washington revenues by approximately $25.2 million, or about 8.3%. The average Schedule 101 customer with a premise connected to the system on or before July 25, 2021, that is not identified as low-income, using 66 therms would see an average increase of $7.92 per month. As noted above known low-income customers would see no increase. The average Schedule 101 customer with a premise connected to the system after July 25, 2021, using 66 therms, would see an increase of $19.58 per month. For all other rate schedules, the following chart includes the estimate monthly bill impact for each customer class based on average use of the customers on each schedule.

Schedule No.	**Rate Schedule**	**Total Net Monthly Bill Amount**	**% Change in Billed Revenue**
101	Low-Income Residential	$0.00	0.0%
101	General Service, connected to system on or before July 25, 2021 (Apr – Oct)	$4.99	7.8%
101	General Service, connected to system on or before July 25, 2021 (Nov – Mar)	$21.05	
101	General Service, connected to system after July 25, 2021	$19.58	18.8%
111	Large General Service, connected to system on or before July 25, 2021 (Apr- Oct)	$100.47	9.7%
111	Large General Service, connected to system on or before July 25, 2021 (Nov - Mar)	$287.33	

111	Large General Service, connected to system after July 25, 2021	$441.74	24.0%
112/116	Large General Service, connected to system after July 25, 2021	$3,411.78	48.6%
131/132	Interruptible Service, connected to system on or before July 25, 2021	$6,183.38	16.5%
146	Transport Service, connected to system on or before July 25, 2021	$6,881.87	60.8%
146	Transport Service, connected to system after July 25, 2021	$6,324.29	79.9%

The combined effect of this filing along with the Purchased Gas Adjustment and other natural gas tariff riders filed with an effective date of November 15, 2024,[5] is an overall decrease of 13.9% in billed revenues, with Schedule 101 customers seeing a decrease of 14.2%.

VII. CONCLUSION

As outlined in the attached Schedule 163, Avista hereby requests that the tariff proposed becomes effective November 15, 2024. Also included with this filing is a draft of the customer notice that will be sent to customers in September. If you have any questions regarding this filing, please contact me at (509) 495-2782 or shawn.bonfield@avistacorp.com.

Sincerely,

/s/Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy

[5] On August 30, 2024, Avista filed to update effective November 15, 2024 Schedules 150 Purchased Gas Cost Adjustment and 155 Gas Rate Adjustment, Schedule 163 Climate Commitment Act, Schedule 166 Insurance Expense Balancing Account, and Schedule 192 LIRAP. The net effect of all filings is a revenue decrease of approximately $42.3 million or 13.9%.