Service Date: March 28, 2024

BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of the Petition of AVISTA CORPORATION d/b/a AVISTA UTILITIES, Petitioner, To Approve Tariff Revisions Regarding Climate Commitment Act	DOCKET UG-231044 ORDER 01 ALLOWING TARIFF TO GO INTO EFFECT, SUBJECT TO CONDITIONS

BACKGROUND

1 On December 22, 2023, in Docket UG-231044, Avista Corporation d/b/a Avista Utilities (Avista or Company) filed with the Washington Utilities and Transportation Commission (Commission), proposed revisions to rates under natural gas Tariff WN U-29, Schedule 162, Climate Commitment Act (CCA) Temporary Schedule.

2 On February 22, 2024, Avista filed with the Commission substitute tariff pages extending the effective date of the tariff revisions to April 1, 2024.

3 On February 22, 2024, this docket was discussed during the Commission's regularly scheduled Open Meeting.

4 At the February 22, 2024, Open Meeting, the Commissioners were generally supportive of Avista's proposed tariff, but expressed concern with Avista's proposal to establish a nonvolumetric charge rate for its Schedule 101 customers. As a result, that same day Avista filed substitute tariff pages with the Commission. The substitute tariff pages extend the effective date of the tariff revisions to April 1, 2024.

5 On March 4, 2024, Avista filed additional substitute tariff pages reflecting modifications to the proposed tariff that Avista made in response to Commissioner feedback during the February 22, 2024, Open Meeting. The March 4, 2024, revised tariff pages include a volumetric rate for all customers, including Schedule 101 customers.

6 With this filing, Avista seeks to establish a new, temporary tariff schedule to pass on to customers CCA compliance costs and auction proceeds that the Company recorded in

calendar year 2023 and deferred per Order 01 of Docket UG-220803. Avista is proposing Schedule 162 as a temporary schedule that would be set to expire on March 31, 2025, after the 12-month amortization of the 2023 deferral balances.

7 Avista's proposed Schedule 162 would establish a volumetric charge rate to recover $46 million in deferred expenses for allowance purchases and establish a seasonal, nonvolumetric credit to return to customers $37.2 million in deferred revenues from no-cost allowances consigned to auction. The net effect of the proposed revisions is a $10.3 million increase in annual revenues, or a 4.1 percent increase. A typical residential customer using an average of 64 therms per month would see an increase of $1.33 per month in summer months[1] and an increase of $5.45 per month in winter months,[2] equating to an average increase over the year of approximately $3.06 per month, or 3.3 percent.[3] Known low-income (KLI) customers would receive a credit that fully offsets the increase in the CCA charge rate, resulting in a $0.00 change in rates for those customers.

8 Commission staff (Staff) has reviewed the substitute tariff pages filed by the Company on February 22, 2024, and March 4, 2024, as well as the Company's earlier filings prior to the February 22, 2024, Open Meeting. Staff observes that Avista has appropriately modified its proposed Schedule 162 in response to the Commissioners' concerns, replacing the nonvolumetric charge for its Schedule 101 customers with a volumetric charge rate. Staff supports Avista's movement to a volumetric charge. As Staff has previously noted, a nonvolumetric charge rate does not follow fundamental cost-of-service principles and unfairly requires lower-usage customers to subsidize the carbon emissions costs of higher-usage customers.

9 As noted in Staff's February 22, 2024, Open Meeting Memo, on February 8, 2024, Northwest Energy Coalition (NWEC) filed comments expressing opposition to the nonvolumetric charge that Avista initially proposed for its Schedule 101 customers. Avista is no longer proposing a nonvolumetric charge for its Schedule 101 customers, so Staff submits that this issue has been resolved. No additional comments were filed.

---

[1] Defined as April through October.

[2] Defined as November through March.

[3] A typical residential customer with a premise connected to the system after July 25, 2021, and using an average of 64 therms per month would see an increase of $14.96 per month, or 16.1 percent.

10 In the substitute tariff pages, Avista also replaced the nonseasonal nonvolumetric credit for Schedule 101 customers with a seasonal nonvolumetric credit. Staff is supportive of this change. As Staff explained in its February 22, 2024, memo, a seasonal credit rate is appropriate when the charge rate is volumetric as it provides customers with a larger credit during months of higher usage. Given that Avista is now proposing a volumetric charge rate for its Schedule 101 customers, Staff believes it is appropriate for Avista to also propose a seasonal credit for those customers.

11 Staff also notes that Avista revised its proposed cap on the volumetric credits from 75 percent of the monthly charge to 80 percent of the monthly charge. Staff supports implementing a credit cap and finds Avista's revised cap of 80 percent to be appropriate given that 80 percent more closely reflects the ratio of CCA benefits to costs in 2023.

12 Also discussed during the February 22, 2024, Open Meeting was Avista's proposal to not include a line-item charge or credit on bills for Schedule 101 customers. Avista continues to propose that it would not identify the CCA charge or CCA credit for those customers and continues to propose both the CCA charge and CCA credit would appear as line items on bills for all other customers.

13 Staff notes that, given that Avista's proposed Schedule 162 is a temporary schedule, and that it pertains to 2023 deferral balances, Staff does not believe that it is necessary to establish policy on this issue at this time. Staff comments that whether CCA charges and credits should be shown on customer bills remains an open policy question for the Commission, but Staff does not oppose Avista's proposal for this filing.

14 Staff finally provides comments on prudency. Staff notes that, in Avista's initial filing on December 22, 2023, the proposed tariff rates were based on dollar amounts that contained forecasted amounts for December 2023. Given that the proposed rates included forecasted costs, there would have been a need for a tracking and true-up deferral mechanism so that forecasted amounts could later be trued up to actuals. With such mechanisms, actual costs are reviewed retrospectively and, accordingly, the Commission's prudency standard is also applied retrospectively.

15 However, in the replacement tariff pages filed March 4, 2024, the Company updated the December forecasts to actuals such that the proposed tariff rates are now based on known actuals for calendar year 2023. Given that the proposed rates are now actuals, Staff submits that there is no longer a need for a true-up at the end of the rate year. Yet without

an annual true-up filing, absent Commission action here in this docket, there will not be another opportunity to retrospectively examine these costs or assess their prudence.

16 To preserve its ability to examine the prudence of the costs at issue in this filing, Staff recommends that the Commission authorize Avista's Schedule 162 rates subject to later review and possible refund. As Staff has previously indicated, Staff believes that the prudence of CCA compliance costs should be examined across the full, four-year compliance window (2023-2026) and in a rigorous dedicated proceeding of sufficient length to allow Staff and other parties to perform a rigorous examination of prudence.

17 Staff has not received any comments from the public on this filing.

DISCUSSION

18 The Commission agrees with Staff that the Company's tariff revisions, as revised on March 4, 2024, should be approved subject to the condition that Schedule 162 rates will be approved subject to later review and possible refund, giving the Commission an opportunity to review the prudency of compliance costs throughout the compliance period at a later time.

19 We are appreciative of Avista and Staff for working to review and respond to feedback throughout this process.

20 We agree with Staff and find that a volumetric charge for all customers – including Schedule 101 customers – follows fundamental cost-of-service principles and more fairly distributes CCA charges and CCA credits amongst customers based on their usage. We also agree with Staff and find that because all customers will be charged volumetrically, that a seasonal credit rate is appropriate. We further agree that increasing the cap on nonvolumetric credits to 80 percent from 75 percent of the monthly charge is appropriate as it better reflects the benefits to costs ratio for Avista's CCA compliance in 2023.

21 Regarding line-item charges, we agree with Staff that the question of whether CCA charges and CCA credits should be shown as a line item on customer bills remains an open one. We further agree with Staff that deciding the issue is not necessary in this docket. We will allow Avista's proposal to include line-item charges and credits for non-Schedule 101 customers and to not include line-item charges or credits for Schedule 101 customers for this temporary Schedule 162, which will expire in a year. This decision

should not be considered precedential for future dockets involving CCA costs and CCA credits for Avista or other regulated utilities.

22 Finally, we agree with Staff that the Schedule 162 charge and credit rates that the Company proposes in this docket should be authorized. However, we make no finding regarding the prudence of these charges and credits at this time. Instead, we authorize the proposed rates on a provisional basis, subject to later review and possible refund. The prudency of the rates will be examined in a dedicated proceeding at a later date when CCA compliance costs over the full, four-year compliance period may be reviewed.

FINDINGS AND CONCLUSIONS

23 (1) The Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, regulations, practices, accounts, and affiliated interests of public service companies.

24 (2) Avista is engaged in the business of providing electric and natural gas services within the state of Washington and is a public service company subject to Commission jurisdiction.

25 (3) This matter came before the Commission at its regularly scheduled meeting on March 28, 2024.

26 (4) After review of the tariff revisions filed in Docket UG-231044 by Avista on December 22, 2023, as revised on March 4, 2024, and giving due consideration, the Commission finds that the tariff revisions should be authorized on a provisional basis, subject to the condition that the prudency of the rates will be reviewed at a later date.

ORDER

THE COMMISSION ORDERS:

27 (1) The tariff revisions filed by Avista Corporation d/b/a Avista Utilities filed December 22, 2023, as revised on March 4, 2024, may go into effect on April 1, 2024, subject to the condition set forth in paragraph 26 of this Order.

28 (2) The Commission authorizes the Commission Secretary to accept by letter a filing that complies with the requirements of this Order.

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

DATED at Lacey, Washington, and effective March 28, 2024.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

DAVID W. DANNER, Chair

ANN E. RENDAHL, Commissioner

MILTON H. DOUMIT, Commissioner