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July 31, 2024

Advice No. 24-03-G/ UG-496 (Decoupling Mechanism)

Public Utility Commission of Oregon
201 High Street SE, Suite 100
Salem, OR 97301

Attention: Filing Center

Pursuant to Order No. 17-450 in Docket UM 1753, ORS 757.210 and ORS 757.259(5), Avista Utilities hereby electronically submits the following tariff revision applicable to its Oregon natural gas operations along with a copy of its supporting work papers.

Decoupling Mechanism - Oregon

Ninth Revision Sheet 475 Canceling Eighth Revision Sheet 475

Ninth Revision Sheet 475 represents a rebate for Residential and Non-Residential customers for the deferred revenues associated with the Company's natural gas Decoupling Mechanism for calendar year 2023. The Company is requesting a decrease in overall retail revenues of $4,201,216, or 3.2%, effective November 1, 2024. The current amortization rates and the proposed changes are as follows:

Rate Schedule	Current Amortization Rates	Proposed Rate Change	Updated Amortization Rate
410/411	$0.01166	$-0.03823	$-0.02657
420	$-0.01039	$-0.04184	$-0.05223
424/425	$-0.01039	$-0.04184	$-0.05223
439/440	$-0.01039	$-0.04184	$-0.05223
444	$-0.01039	$-0.04184	$-0.05223

On October 28, 2022, the Company filed its "Application for Reauthorization to Defer Expenses or Revenues" related to the Company's natural gas decoupling mechanism for calendar year 2023. Avista made that filing under ORS 757.259 and OAR 860-027-0300(4). This filing is in compliance with ORS 757.210 which authorizes deferred utility expenses or revenues to be allowed (amortized) in rates to the extent authorized by the Commission in a proceeding to change rates. All the deferrals included in this filing occurred with appropriate application and Commission authorization, as rate orders or under approved tariffs.

This filing is the "Natural Gas Decoupling Rate Adjustment", filed in compliance with docket UM 1753. The Commission approved a natural gas decoupling mechanism for Avista beginning in 2016[1]. Order No. 22-414 reauthorized the mechanism deferrals for 2022. This filing reflects the deferral balance for the year (January 1, 2023 through December 31, 2023), with that deferral being amortized over the period November 1, 2024 – October 31, 2025.

The purpose of the natural gas decoupling mechanism is to adjust the Company's Commission-authorized revenues from therm sales, such that the Company's revenues will be recognized based on the number of customers served under the applicable natural gas service schedules. The decoupling mechanism allows the Company to: 1) defer the difference between actual decoupling-related revenue received from customers through volumetric rates, and the decoupling-related revenue approved for recovery in the Company's last general rate case on a per customer basis; and 2) file a tariff to surcharge or rebate, by rate group, the total deferred amount accumulated in the deferred revenue accounts for the prior January through December time period.

<u>Residential Group Rate Determination</u>

The Company recorded $1,367,435 in the rebate direction in deferred revenue for the natural gas residential customer group in 2023. The proposed rate of -2.657 cents per therm is designed to rebate $1,434,678 to the Company's residential natural gas customers served under rate Schedules 410 and 411. The following table summarizes the components of the Company's requested rebate:

2023 Deferred Revenue	($1,367,435)
Add: Prior Year Residual/Carryover Balance	$65,203
Add: Interest through 10/31/2025	$87,737
Add: Revenue Related Expense Adj.	$44,709
Total Requested Recovery	($1,434,678)
Customer Rebate Revenue	($1,434,678)

[1] The decoupling mechanism was initially approved in Order Nos. 16-076 and 16-109 for General Rate Revision Docket No. UG 288 and Authorization to Defer Expenses or Revenues Related to the Natural Gas Decoupling Mechanism Docket No. UM 1753. Subsequent reauthorizations to defer under Docket No. UM 1753 have been approved by Order Nos. 16-489 (2017), 17-450 (2018), 18-474 (2019), 20-017 (2020), 21-358 (2021), 22-414 (2022) and 23-391 (2023)

Carryover Deferred Revenue	$0

Attachment A, pages 1 and 2 show the derivation of the proposed rate to rebate revenue of $1,434,678 based on projected sales volumes for Schedule 410 customers during the surcharge/amortization period (November 2024 through October 2025). As identified on the Second Revision Sheet 475B under Step 6 of "Calculation of Monthly Decoupling Deferral", interest on the deferred balance accrues at the current Modified Blended Treasury Rate as updated annually.[2] If the proposed rebate is approved by the Commission, the 2023 deferral balance, plus interest through October will be transferred into a regulatory asset balancing account to combine with any outstanding residual balance approved for recovery in the prior year decoupling filing (Order No. 23-391 for Docket No. UG-468, Advice No. 23-03-G). The balance in the account will be reduced each month by the rebate to customers under the tariff. Consistent with other amortizations, interest will accrue on the amortization balance at the Modified Blended Treasury Rate.

Non-Residential Group Rate Determination

The Company recorded $2,582,679 in the rebate direction in deferred revenue for the natural gas Non-Residential Group in 2023. The proposed rebate rate of 5.223 cents per therm is designed to rebate $2,667,603 to the Company's commercial and industrial customers served under rate Schedules 420, 424, 425, 439, 440 and 444. The following table summarizes the components of the Company's requested rebate:

2023 Deferred Revenue	($2,582,679)
Add: Prior Year Residual Balance	$173,335
Add: Interest through 10/31/2025	($174,499)
Add: Revenue Related Expense Adj.	($83,759)
Total for Recovery	($2,667,603)
Customer Rebate Revenue	($2,667,603)
Carryover Deferred Revenue	$0

Attachment A, pages 3 and 4 show the derivation of the proposed rate to rebate the revenue of $2,667,603, based on projected sales volumes for Schedules 420, 424, 440 and 444 during the surcharge/amortization period (November 2024 through October 2025). Interest on the deferred balance accrues at the Modified Blended Treasury Rate. If the proposed rebate is approved by the Commission, the 2023 deferral balance, plus interest through October and any outstanding residual balance approved in the prior year decoupling filing (Order No. 23-391 for Docket No. UG-468, Advice No. 23-03-G), will be transferred into a regulatory asset balancing account. The balance in the account will be reduced each month by the rebate to customers under the tariff.

[2] The changes approved in the 2nd Revision Sheet 475B effective with UG-433 rates on August 22, 2022 apply to the deferred revenues after that date. Therefore 2023 deferred revenue balances accrued interest at the 2024 Modified Blended Treasury Rate beginning January 2024.

Consistent with other amortizations, interest will accrue on the amortization balance at the Modified Blended Treasury Rate.

Support showing the monthly calculation of the 2023 deferral balances for both the Residential and Non-Residential Groups is provided as Attachment B. These calculations were also provided to the Commission in quarterly reports.

Weather Related Deferral

As part of the Decoupling Mechanism approved by the Commission, the Company is required to track how much of the decoupling deferral is related to weather and how much is related to conservation (non-weather). As shown on page 1 of Attachment B, of the total decoupling deferral for residential customers of ($1,367,435), weather accounted for ($940,401) and ($427,033) is attributed to conservation (non-weather). As shown on page 2 of Attachment B, of the ($2,582,679) total decoupling deferral for non-residential customers, ($532,961) is attributed to weather and ($2,049,717) is attributed to conservation (non-weather).

3% Annual Rate Increase Test

Decoupling rate adjustment surcharges are subject to a 3% annual rate increase limitation. The 3% annual rate increase limitation is determined by dividing the incremental annual revenue to be collected under this Schedule by the total "normalized" revenue for the two Rate Groups for the most recent January through December time-period. Normalized revenue is determined by multiplying the weather-corrected usage for the period by the present rates in effect. If the incremental amount of the proposed surcharge exceeds 3%, only a 3% incremental rate increase will be proposed, and any remaining deferred balance will be carried over to the following year. As stated in the decoupling tariff on First Revision Sheet 475C "there is no limit to rebate rate adjustments, and the reversal of any rebate rate would not be included in the 3% incremental surcharge test".

The 3% tests shown on Page 6 of Attachment A compare the proposed rates to current rates. As both Residential and Non-Residential customer groups have incremental rate decreases, there is no adjustment made due to the 3% test.

Existing Customers and New Customers

The decoupling mechanism approved by the Commission in Docket No. UG-288 excludes new customers. The language in the Settlement Stipulation[3] states that new customers, defined as new meters hooked up to Avista's distribution system, will not be included in the decoupling mechanism unless those new meters were included in the test year forecast of revenues. Specifically, the number of customers decoupled each month cannot exceed the monthly forecasted number of customers, by rate group, included in the rate year forecasted customers. The Company uses the new customer hookup report to determine the average decoupled revenue

[3] Order No. 16-076, Appendix A, page 7.

per new customer. The average decoupled revenue per customer is then multiplied by the number of actual customers that exceed the monthly forecasted level of customers. That amount would then be deducted from the monthly actual decoupled revenue prior to calculating the decoupling deferral entry.

Avista tracked the usage of new customers since January 1, 2023 for the period of January – December 2023 as compared with existing customers[4] for Docket No. UG-433. The Decoupling Mechanism Quarterly Reports provide the specific usage characteristic details of new customers versus existing customers. Avista will continue to track the usage of new customers over the term of the Decoupling Mechanism.

Other Information

The PGA filing reflects an overall annual revenue decrease of approximately $10.2 million, or 7.8% effective November 1, 2024. Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers affected by this filing, the annual revenue before and after the impact of the proposed rate changes, and the average monthly use and resulting bills under existing and proposed rates are as follows:

Rate Schedule	Average Number of Customers
Schedule 410	95,294
Schedule 420	11,981
Schedule 424	98
Schedule 440	47
Schedule 444	2

Sch No	Description	Present Revenues	Proposed Revenues	Revenue Incr (Decr)	Percent Incr (Decr)	Use (Therms)	Present Monthly Cost	Proposed Monthly Cost	Change to Monthly Cost	% Change Monthly Cost
410/411	Residential	$ 80,481,434	$ 75,547,804	$ (4,933,630)	-6.1%	47	$ 70.11	$ 65.81	$ (4.30)	-6.1%
420	General	$ 37,834,141	$ 35,150,876	$ (2,683,265)	-7.1%	204	$ 262.84	$ 244.20	$ (18.64)	-7.1%
424	Large General	$ 2,615,838	$ 2,225,222	$ (390,616)	-14.9%	3,641	$ 2,227.85	$ 1,895.17	$ (332.68)	-14.9%
440	Interruptible	$ 7,163,438	$ 4,974,016	$ (2,189,422)	-30.6%	30,567	$ 12,626.31	$ 8,819.30	$ (3,807.01)	-30.2%
444	Seasonal	$ 121,056	$ 103,469	$ (17,587)	-14.5%	7,699	$ 4,842.06	$ 4,138.60	$ (703.46)	-14.5%

After combining the impact of this filing with the other regulatory filings with a November 1, 2024 effective date[5], a residential customer using an average of 47 therms a month could expect their bill to decrease by $5.26, or 7.5%, for a revised monthly bill of $64.85 effective November 1, 2024.

[4] "Existing customers" were in service prior to 2023. "New customers" consist of all new hookups in 2023 and after.

[5] On July 31, 2024, Avista filed to update effective November 1, 2024 Schedules 461 Purchased Gas Cost Adjustment and 462 Gas Cost Rate Adjustment (Advice No. 24-02-G), Schedule 467 COVID Deferred Costs (Advice No. 24-07-G), Schedule 475 Decoupling (Advice No. 24-03-G), Schedule 476 Intervenor Funding (Advice No. 24-04-G), Schedule 482 Regulatory Fee Amortization (Advice No. 24-05-G), and Schedule 493 LIRAP (Advice No. 24-06-G). The net effect of all filings is a revenue decrease of approximately $13.0 million or 9.9%.

The following table shows the net impact to the Company's customers, by rate schedule, inclusive of all of the filings made by the Company that have a November 1, 2024 effective date:

Rate Schedule	**Proposed Rate Change[6]**
Schedule 410/411	(7.5)%
Schedule 420	(9.2)%
Schedule 424	(21.4)%
Schedule 440	(40.6)%
Schedule 444	(20.9)%
Schedule 456	0.1%
Total	(9.9)%

Included with the original filing is the information in response to the Natural Gas Portfolio Development Guidelines and the PGA Filing Guidelines, as approved by the Commission in Order No. 09-248 and as amended in Order No. 10-197, Order No. 11-196 and Order No. 14-238. The Company will provide notice to customers via newspaper advertisement.

Please direct any questions regarding this filing to Joel Anderson at (509) 495-2811 or joel.anderson@avistacorp.com.

Sincerely,

/s/ Joe Miller

Joe Miller
Senior Manager of Rates and Tariffs, Regulatory Affairs
Enclosures

[6] Includes filed rate changes to Schedules 461, 462, 467, 475, 476, 482, and 493.

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 475
DECOUPLING MECHANISM – NATURAL GAS

PURPOSE:

This Schedule establishes balancing accounts and implements an annual rate adjustment mechanism that decouples or separates the recovery of the Company's Commission authorized revenues from the therm sales to customers served under the applicable natural gas service schedules.

APPLICABLE:

To Customers in the State of Oregon where the Company has natural gas service available. This schedule shall be applicable to all retail customers taking service under Schedules 410, 420, 424, 425, 439, 440, and 444. This Schedule does not apply to Schedule 447 (Special Contract Natural Gas Service) or Schedule 456 (Interruptible Transportation Service For Customer-Owned Gas). Applicable Customers will be segregated into two (2) distinct Rate Groups:

Group 1 – Schedule 410
Group 2 – Schedules 420, 424, 425, 439, 440 and 444

MONTHLY RATE:

Group 1 – ($0.02657) per therm (R)
Group 2 – ($0.05223) per therm (R)

DESCRIPTION OF THE NATURAL GAS DECOUPLING MECHANISM:

Calculation of Monthly Allowed Delivery Revenue Per Customer:

Step 1 – Determine the Total Delivery Revenue - The Total Normalized Revenue is equal to the final approved base rate revenue approved in the Company's last general rate case, individually for each Rate Schedule.

DRAFT

Recently, Avista requested a change in natural gas rates for our Oregon customers. We know you care about your energy costs, so we think it's important to share this news with you.

On July 31, 2024, Avista made six annual rate adjustment filings with the Public Utility Commission of Oregon (PUC) that if approved, are designed to decrease overall natural gas revenue by approximately $13.0 million or 9.9% effective Nov. 1, 2024. These filings have no impact on Avista's earnings.

The first rate adjustment is related to Avista's decoupling mechanism. Decoupling is designed to break the link between a utility's revenues and customers' energy usage. Generally, Avista's natural gas revenues are adjusted each month based on the number of customers rather than therms sales. The difference between revenues based on therm sales and revenues based on the number of customers is surcharged or rebated to customers beginning in the following year. If approved, Avista's request is designed to decrease overall natural gas revenue by approximately $4.2 million or 3.2%. This rate adjustment is driven primarily by a higher level of customer usage in 2023.

The second rate adjustment is the annual Purchased Gas Cost Adjustment (PGA) filing. PGAs are filed each year to balance the actual cost of wholesale natural gas purchased by Avista to serve customers with the amount included in rates. This includes the natural gas commodity cost as well as the cost to transport natural gas on interstate pipelines to Avista's local distribution system. If approved, Avista's natural gas revenues would decrease by approximately $10.2 million or 7.8%. This rate adjustment is driven primarily by wholesale natural gas prices, which are lower than the level presently included in rates. Avista does not profit on the actual natural gas commodity or the costs to transport natural gas to Avista's service territory.

The third rate adjustment is related to Avista's Low Income Rate Assistance Program (LIRAP), which provides bill assistance to income eligible customers with a household income less than or equal to 60% of the State Median Income (SMI). This adjustment updates the tariff with rates needed to fund the LIRAP. The overall rate increase to natural gas customers is approximately $1.8 million or 1.4%.

The remaining three miscellaneous adjustments relate to recovering costs associated with intervenor funding and regulatory fees and rebating the residual balance in the Company's COVID pandemic deferral. The combination of those three filings is a decrease in overall natural gas revenue of approximately $0.3 million or 0.26%.

The bottom line
If all six requests are approved, and you are an Avista natural gas customer using an average of 47 therms per month, you could expect your bill to decrease by $5.26, or 7.5% for a revised monthly bill of $64.85 beginning Nov. 1, 2024. All other customer groups receiving firm natural gas service from Avista would also see decreases.

For more information
Copies of our filings are available at www.myavista.com/rates or you can call us at 1-800-227-9187.

This announcement is to provide you with general information about Avista's rate request and its effect on customers. The calculations and statements in this announcement are not binding on the PUC. For more information about the filing or for information about the time and place of any hearing, contact the PUC at:

Public Utility Commission of Oregon
201 High Street SE, Ste. 100
Salem, OR 97301
(800) 522-2404, www.puc.state.or.us

This notice contains forward-looking statements regarding the Company's current expectations. Forward-looking statements are all statements other than historical facts. Such statements speak only as of the date of the notice and are subject to a variety of risks and uncertainties, many of which are beyond the Company's control, which could cause actual results to differ materially from the expectations. These risks and uncertainties include, in addition to those discussed herein, all the factors discussed in the Company's Annual Report on Form 10-K for the year ended Dec. 31, 2023 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2024.