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August 30, 2024

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

RE: WN U-29 Natural Gas Service - <u>Avista's Annual Purchased Gas Cost Adjustment (PGA)</u>

Enclosed for <u>electronic filing</u> with the Commission is a copy of the following proposed tariff sheets:

Twenty-Eighth Revision Sheet 150 canceling **Twenty-Seventh Revision Sheet 150**
Twenty-Seventh Revision Sheet 155 canceling **Sub. Twenty-Sixth Revision Sheet 155**
Twelfth Revision Sheet 149 canceling **Eleventh Revision Sheet 149**

This filing is the Company's annual Purchased Gas Cost Adjustment ("PGA") to: 1) pass through changes in the estimated cost of natural gas for the forthcoming year (Schedule 150), and 2) revise the amortization rate(s) to refund or collect the balance of deferred natural gas commodity and demand costs (Schedule 155). The Company is requesting an overall revenue decrease of $74.5 million, or 24.6 percent, effective November 15, 2024[1]. Below is a table summarizing the proposed rate <u>changes</u> reflected in this filing.

Service Schedule	Sch. No.	Commodity Change per therm	Demand Change per therm	Total Sch. 150 Change	Sch. 155 Amort. per therm	Total PGA Rate Change per therm
General	101	$ (0.06373)	$ (0.00404)	$ (0.06777)	$ (0.30092)	$ (0.36869)
Large General	111	$ (0.06373)	$ (0.00561)	$ (0.06934)	$ (0.28878)	$ (0.35812)
Large General	112	$ (0.06373)	$ (0.00561)	$ (0.06934)	$ -	$ (0.06934)
Interruptible	131	$ (0.06373)	$ (0.00287)	$ (0.06660)	$ -	$ (0.06660)
Interruptible	132	$ (0.06373)	$ (0.00287)	$ (0.06660)	$ -	$ (0.06660)

[1] November 15th is the proposed effective date for this filing to align with the effective date of the Company's proposed Schedule 163 - Climate Commitment Act (CCA) filing, also filed on August 30, 2024 with the same effective date. The CCA is at issue in the coming election, and in the event the CCA is repealed, the Company would have time to withdraw that filing before the Commission makes a decision. Aligning the effective dates of the filings made by the Company on August 30, 2024 impacting natural gas customer's rates will minimize the number of rate changes resulting in less customer confusion and administrative burden.

Commodity Costs

The estimated Weighted Average Cost of Gas ("WACOG") change is a decrease of $0.06373 per therm. The proposed WACOG $0.23783 per therm compared to the present WACOG of $0.30156 per therm included in rates resulting in a decrease in revenue of approximately $13.1 million compared to what is currently included in Schedule 150.

The natural gas market in the western US experienced significant price volatility early in the most recent winter (2023/2024) culminating in a 5-day period in January, when regional prices topped $20/dth at several locations. The volatility was driven mainly by temperatures with the higher priced periods coinciding with below average temperatures. Since that time, volatility has declined, and prices have trended lower through the late winter and spring. Mild temperatures are the main cause of the falling prices as demand for heating has underperformed expectations during this period. The weak demand has led to historically high storage balances at all the regional storage facilities.

Nationally, prices for most of the past year have mirrored the regional market. Henry Hub prices and volatility were elevated in January and then began to trend lower due to mild weather and a growing storage balance. Since early May however, Henry Hub and the regional hubs have diverged. Henry Hub spot prices have risen over $1 during this period while regional prices have mostly stayed flat, or fallen, in the case of the AECO hub. The strength in Henry Hub is likely due to a combination of reduced production and increased demand nationally. Demand for power generation has ramped up recently due to above average temperatures in many parts of the country. Production meanwhile has fallen since early February.

Looking ahead to next winter (2024/2025), storage balances are close to full at most facilities in the region with three months remaining in the injection season (April-October) indicating the region will exit injection season with a surplus of gas in storage relative to prior years that could result in downward pressure on prices. However, recent winters have proven that capacity limitations (the ability to import gas via pipeline) in the region are such that a sustained period of below average fall or winter temperatures can force a heavy reliance on storage and cause a balance surplus to flip to a deficit relatively quickly. So far, forward prices for this winter appear to be discounting the impact of the storage surplus and are incorporating a risk premium to reflect the potential impact of below normal temperatures next winter.

The Company's natural gas Procurement Plan ("Plan") uses a diversified approach to procure natural gas for the coming PGA year. While the Plan generally incorporates a more structured approach for the hedging portion of the portfolio, the Company exercises flexibility and discretion in all areas of the plan based on changes in the wholesale market. The Company typically communicates with Commission Staff semi-annually to inform it as to the state of the wholesale market and the status of the Company's Plan. In addition, the Company communicates with Staff when it believes it makes sense to deviate from its Plan and/or opportunities arise in the market.

Avista has been hedging natural gas on both a periodic and discretionary basis throughout the previous 36 months for the forthcoming PGA year. Approximately 43% of estimated annual load requirements for the PGA year (November 2024 through October 2025) has been hedged at a fixed-price derived from the Company's Plan. The hedge volumes for the PGA year have been executed at a weighted average price of $3.14 per dekatherm ($0.3135 per therm).

Available underground storage capacity at the Jackson Prairie Natural Gas Storage Facility represents approximately 23% of annual load requirements (29% of load requirements during the November to April withdrawal period). The estimated WACOG for all storage volumes is $1.38 per dekatherm ($0.1376 per therm). The Company utilizes its underground storage to capture seasonal price spreads (differentials), improve the reliability of supply, increase operational flexibility and mitigate peak demand price spikes.

The Company used AECO forward prices as of July 31, 2024 (30-day average) to develop an estimated cost associated with index purchases. These index purchases represent approximately 34% of estimated annual load requirements for the coming year. The annual weighted average price for these volumes is $1.94 per dekatherm ($0.1935 per therm).

Demand Costs

Demand costs reflect the cost of pipeline transportation to the Company's system, as well as fixed costs associated with natural gas storage. Demand costs are expected to decrease for residential customers by approximately $0.00404 per therm. This change is related to a combination of various factors including Canadian exchange rate, updated demand forecast, and pipeline tariff changes for the upcoming PGA year resulting in a decrease in revenue of approximately $0.9 million compared to what is currently included in Schedule 150.

Schedule 155 / Amortization Rate Change

Related to the commodity portion of the amortization, as discussed above, overall prices during the PGA year have been lower than the amounts currently in rates. Related to the demand portion of the amortization, costs are impacted by a variety of factors including the Canadian exchange rate, demand volumes, and changes in pipeline rates.

Lower commodity prices, reflective of a combination of the before mentioned factors, has resulted in a current deferral rebate balance of approximately $3.9 million and residual amortizing surcharge balance of $11.5 million for a net deferral of $7.6 million as of June 30, 2024. The Company included estimated amortization through October 2024 decreasing the balance for amortization to a surcharge of $0.3 million (net of Schedule 112 and 132 customer deferrals). This results in a reduction of $60.5 million in surcharge revenue compared to what Schedule 155 is currently designed to collect.

Schedule 149 / Backup and Supplemental Compressed Natural Gas Service

The Company has also included Schedule 149, "Backup and Supplemental Compressed Natural Gas Service" to reflect the new first block billing rate for Schedule 111**.** That rate is one of the key components to determine the Retail Rate per Gas Gallon Equivalent under that schedule. Several of the adder schedule rates incorporated in the billing rate for Schedule 111 are pending approval at this time (Schedule 150 – Purchased Gas Cost Adjustment, Schedule 155 – Gas Rate Adjustment, and

Schedule 192 – LIRAP). Should the Commission approve a rate that is different from what the Company has proposed to go into effect for any of these adder schedules, the Company with file a substitute Schedule 149 tariff to reflect the approved billing rate for Schedule 111.

Other Information

Guidance provided in Docket No. UG-132019's "Policy and Interpretive Statement on Local Distribution Companies' Natural Gas Hedging Practices" ("Policy Statement") requires that Avista shall file, by the deadline for submitting the 2024 PGA filing, an annual comprehensive hedging plan that demonstrates the integration of risk responsive strategies into the Company's overall hedging framework. That report is being filed as an attachment to this filing.

Summary

The annual revenue change reflected in this filing is a decrease of $74.5 million in annual natural gas revenue, or 24.6%, in comparison to billing rates currently in effect. The present bill for a residential customer using 66 therms is $100.86 while the proposed bill is $76.53, a decrease of $24.33 or 24.1%. The proposed rate change will vary based on a customer's usage and service schedule.

Also enclosed are the workpapers supporting the proposed rate changes and a bill insert to customers regarding the proposed increase. Please note that Attachment E and Attachment H are Confidential as they contain individual counterparty name and pricing information that is confidential. Therefore, per WAC 480-07-160, Attachment E is being provided in a confidential and redacted version. The entire content of Attachment H is confidential in nature, therefore, only a confidential version is being provided. Also, Attachment H is being provided in excel format only given the detailed and electronic nature of the information provided.

If you have any questions regarding this filing, please call Marcus Garbarino at 509-495-2567.

Sincerely,

/S/Patrick D. Ehrbar

Patrick D. Ehrbar
Director of Regulatory Affairs

Important Notice for Washington Electric and Natural Gas Customers
August-September 2024

On August 30, 2024, Avista filed its annual Bonneville Power Administration (BPA) Residential Exchange Program, Wildfire Expense Balancing Account, Insurance Expense Balancing Account, Clean Energy Implementation Plan (CEIP), Low Income Rate Assistance Program (LIRAP), Climate Commitment Act (CCA) and Purchased Gas Cost Adjustment filings with the Washington Utilities and Transportation Commission (UTC or Commission). If approved, new rates would take effect Nov. 1, 2024 for electric customers and Nov. 15, 2024 for natural gas customers.

If approved, Avista's request is designed to increase electric revenues by $22.9 million or 3.5% and would decrease natural gas revenues by $42.3 million or 13.9%.

The first rate adjustment, the BPA Residential Exchange Program, provides a share of the benefits of the federal Columbia River power system to the residential and small farm customers of the investor-owned utilities in the Pacific Northwest, including Avista. Avista applies the benefits it receives to qualifying customers as a credit in their monthly electric rates. Due to fluctuations in usage, Avista rebated to customers a level of benefits that was lower than the level of benefits received from BPA. Through this filing Avista is seeking to slightly increase the level of benefits provided to qualifying customers in order to return the under-rebated balance. As a result, the proposed revenue decrease for these customers is approximately $0.7 million, or 0.1%.

The second, Wildfire Expense Balancing Account, tracks the difference in wildfire expenses incurred by Avista to address the growing frequency of extreme and dangerous wildfires in Avista's service territory to the base expense approved by the Commission. The difference is rebated to or collected from customers through Schedule 88 – Wildfire Expense Balancing Account. The rate increase proposed reflects the higher level of expense incurred above the approved amount. If approved, Avista's request is designed to increase electric revenues by $1.4 million or 0.2%.

The third, Insurance Expense Balancing Account, tracks the difference in insurance expenses incurred by Avista to the base expense approved by the Commission. The difference is rebated to or collected from customers through Schedule 66 – Insurance Expense Balancing Account for electric customers and Schedule 166 – Insurance Expense Balancing Account for natural gas customers. The rate change proposed reflects the higher level of expense incurred above the approved amount for electric and natural gas customers. If approved, Avista's request is designed to increase electric revenues by $4.6 million or 0.7% and increase natural gas revenues by $0.2 million or 0.1%.

The fourth 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 200% Federal Poverty Level (FPL) or 80% Area Median Income (AMI), whichever is greater. This rate increase is necessary to support the continuation and expansion of all LIRAP components, which includes both an income-based bill discount as well as offerings intended to help customers manage their past due balances, or arrearages. If approved, Avista's request is designed to increase electric revenues by $15.3 million or 2.3% and increase natural gas revenues by $6.8 million or 2.3%.

The fifth is related to Avista's Clean Energy Implementation Plan (CEIP), which recovers the costs required as a direct result of implementing its CEIP. These costs include a "Named Communities Investment Fund" (NCIF) as a specific action to be dedicated to the equitable distribution of energy and non-energy benefits and reduction in burdens to Vulnerable Populations and Highly Impacted Communities (Named Communities). In addition to the NCIF, this tariff recovers the costs for additional resources necessary for implementation of Avista's CEIP and associated conditions to the CEIP. If approved, Avista's request is designed to increase electric revenues by $2.1 million or 0.3%.

The sixth is related to the Climate Commitment Act cost recovery tariff. The CCA, passed by the Washington State legislature and enacted into law in 2021, implements a cap-and-invest program designed to meet emission reduction targets and reduce emissions by 95% of 1990 levels by 2050. 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 emissions allowances to cover a portion of their GHG baseline, which 65% of the no-cost allowances had to be consigned to allowance auctions held by the Department of Ecology. Consignment of no-cost allowances to auction resulted 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. Locations connected to the natural gas system after July 25, 2021, are not eligible to receive any benefit from these revenues, per state law, hence the larger increases shown below. If approved, Avista's request is designed to increase natural gas revenues by $25.2 million or 8.3%.

The seventh is Avista's Purchased Gas Cost Adjustment (PGA). 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. The proposed rate change is primarily due to lower forward wholesale natural gas prices than those currently included in rates and a reduction in the current surcharge amortization rate in effect from the prior year PGA. If approved, Avista's request is designed to decrease natural gas revenues by $74.5 million or 24.6%.

Change in Rates - If approved by the Commission, residential electric customers in Washington using an average of 945 kilowatt hours/month would see their monthly bills change from $105.76 to $109.58, an increase of $3.82/month, or approximately 3.6%. Residential natural gas customers in Washington using an average of 66 therms per month would see their monthly bills change from $100.86 to $87.20, a decrease of $13.66 per month, or approximately 13.5%, when compared to rates currently in effect.

The percentage change varies by rate schedule and depends on how much energy a customer uses. If approved, customers would see the following rate adjustments:

Electric Rate Change

Proposed Schedule 1 <u>Residential</u> Rates (effective Nov. 1, 2024)

Electric Service	Current Billing Rate	Proposed Change	Proposed Billing Rates
Basic Charge	$9.00	$0.00	$9.00
First 800 kWhs/month	$0.09996/kWh	$0.00404/kWh	$0.10400/kWh
Next 700 kWhs/month	$0.11582/kWh	$0.00404/kWh	$0.11986/kWh
Over 1,500 kWhs/month	$0.13535/kWh	$0.00404/kWh	$0.13939/kWh

Proposed Electric Rate Change by Schedule (effective Nov. 1, 2024)

Schedule No.	Rate Schedule	% Change in Billed Revenue
1/7/8	Residential	3.6%
11/12/13/17/18	General Service	3.4%
21/22/23	Large General Service	3.7%

25/25I	Ex. Lg. General Service	2.5%
31/32	Pumping Service	4.1%
41-48	Street and Area Lights	4.6%
Overall		**3.5%**

Natural Gas Rate Change

Proposed Schedule 101 Rates (effective Nov. 15, 2024)

Natural Gas Service	Current Billing Rate	Proposed Change	Proposed Billing Rates
Basic Charge	$9.50	$0.00	$9.50
Avg. Sch 162/163 CCA Credit	($11.37)	($11.68)	($23.05)
First 70 therms/month	$1.55645/therm	($0.03000)/therm	$1.52645/therm
Over 70 therms/month	$1.70829/therm	($0.03000)/therm	$1.67829/therm

Proposed Natural Gas Rate Change by Schedule (effective Nov. 15, 2024)

Schedule No.	Rate Schedule	% Change in Billed Revenue
101	General Service	-14.2%
111/112	Large General Service	-18.6%
131/132	Interruptible Sales Service	7.9%
146	Transportation Service	61.8%
Overall		**-13.9%**

The Company's request is a proposal, subject to public review and a Commission decision. The Commission has the authority to set final rates that may vary from the utility's request, which may be either higher or lower depending on the results of the investigation. You may contact the UTC to inquire about the Commission process, or to be notified about the scheduled open meetings at which the proposal will be considered. You can contact the Commission to comment on Avista's rate proposals via email at comments@utc.wa.gov, by telephone at 1-888-333-WUTC (9882), via letter at: UTC, P.O. Box 47250, Olympia, WA 98504-7250, or online at: www.utc.wa.gov. Copies of the applications are available for public review on the Commission website.

Avista offers a number of programs and services to help customers manage their energy use and costs. Visit www.myavista.com or call 1-800-227-9187 for information on these programs which include Comfort Level Billing, bill payment options, automated payment service, assistance programs such as My Energy Discount, conservation tips, and energy efficiency rebates. Copies of our filings are available for public review at www.myavista.com/rates or on the Commission website at www.utc.wa.gov. You can also submit written questions directly to the Company via mail at: 1411 E Mission Ave, C/O Regulatory Affairs, Spokane, WA 99202.

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AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 150
PURCHASE GAS COST ADJUSTMENT - WASHINGTON

APPLICABLE:

To Customers in the State of Washington where Company has natural gas service available.

PURPOSE:

To pass through increases or decreases in natural gas costs to become effective as noted below.

RATE:

(a) The rates of gas Schedule 101 is to be increased by 33.402¢ per therm in all blocks of these rate schedules. (R)(D)

(b) The rates of gas Schedules 111 and 112 are to be increased by 32.266¢ per therm in all blocks. (R)

(c) The rates of interruptible Schedules 131 and 132 are to be increased by 29.289¢ per therm in all blocks. (R)

(d) The rates of transportation Schedules 116 and 146 are to be increased by 0.056¢ per therm in all blocks.

WEIGHTED AVERAGE GAS COST:

The above rate changes are based on the following weighted average cost of gas as of the effective date shown below:

	Demand	Commodity	Total	
Schedule 101	9.619¢(R)	23.783¢(R)	33.402¢(R)	(D)
Schedule 111 & 112	8.483¢(R)	23.783¢(R)	32.266¢(R)	
Schedule 131/132	5.506¢(R)	23.783¢(R)	29.289¢(R)	
Schedule 116 & 146	0.056¢	0.000¢	0.056¢	

The above amounts include revenue sensitive items.

	Demand	Commodity	Total	
Schedule 101	9.198¢(R)	22.743¢(R)	31.941¢(R)	(D)
Schedule 111 & 112	8.112¢(R)	22.743¢(R)	30.855¢(R)	
Schedule 131/132	5.265¢(R)	22.743¢(R)	28.008¢(R)	
Schedule 116 & 146	0.054¢	0.000¢	0.054¢	

The above amounts do not include revenue sensitive items.

BALANCING ACCOUNT:

The Company will maintain a Purchase Gas Adjustment (PGA) Balancing Account whereby monthly entries into this Balancing Account will be made to reflect differences between the actual purchased gas costs collected from customers and the

Issued August 30, 2024 Effective November 15, 2024

Issued by Avista Corporation
By Patrick Ehrbar, Director of Regulatory Affairs

Patrick D. Ehrbar

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 155

GAS RATE ADJUSTMENT - WASHINGTON

AVAILABLE:

To Customers in the State of Washington where Company has natural gas service available.

PURPOSE:

To adjust gas rates for amounts generated by the sources listed below.

MONTHLY RATE:

(a) The rate of firm gas Schedule 101 is to be increased by 0.297¢ per therm in all blocks of this schedule. (R)(D)

(b) The rate of firm gas Schedule 111 is to be decreased by 0.198¢ per therm in all blocks of this schedule. (R)

(c) The rate of firm gas Schedule 112 is to be decreased by 0.000¢ per therm in all blocks of this schedule.

(d) The rate of interruptible gas Schedule 131 is to be decreased by 0.000¢ per therm.

(e) The rate of interruptible gas Schedule 132 is to be decreased by 0.000¢ per therm.

(f) The rate of gas Schedule 146 is to be decreased by 0.000¢ per therm.

SOURCES OF MONTHLY RATE:

Changes in the monthly rates above result from amounts which have been accumulated in the Purchase Gas Adjustment (PGA) Balancing Account as described in Schedule 150 - Purchase Gas Cost Adjustment.

SPECIAL TERMS AND CONDITIONS:

The above Monthly Rates are subject to the provisions of Tax Adjustment Schedule 158.

Issued August 30, 2024 Effective November 15, 2024

Issued by Avista Corporation
By Patrick Ehrbar, Director of Regulatory Affairs

Patrick D. Ehrbar

SCHEDULE 149
BACKUP AND SUPPLEMENTAL COMPRESSED NATURAL GAS SERVICE

APPLICABLE: Service under this Schedule is available to compressed natural gas ("CNG") fleet operators to backup and supplement their own CNG fueling facilities. Customer shall provide Avista access to customer-owned CNG fueling facility to ensure it is operational. Service is available only at the Company's Dollar Road Facility (2406 N. Dollar Rd, Spokane Valley, WA). The Company has priority for using its CNG facilities to fuel its utility vehicles and equipment, and service under this schedule is offered on a best-efforts basis. The customer shall enter into a service agreement prior to taking service under this Schedule. The customer shall pay the rate per gasoline gallon equivalent shown below, for the term of the service agreement.

RATE PER GASOLINE GALLON EQUIVALENT ("GGE"):

Schedule 111 Rate* (1st Block) ($1.40203 x 1.276 GGE Ratio**)	= $1.79	(I)
Contribution to Fixed CNG Station Costs	= $0.52	
CNG Station O&M Expense per GGE	= $0.12	
Retail Billing Expense	= $0.15	
Federal Fuel Tax	= $0.18	
Retail Rate per GGE	= $2.76	(I)
Less – Excise Tax Credit (3.852%)***	= ($0.11)	
Retail Rate per GGE less Excise Tax Credit	= **$2.65**	(I)

* The billing rate for Schedule 111 includes both the base Schedule 111 rate as well as Schedule 150 (Purchased Gas Cost Adjustment), Schedule 155 (Gas Rate Adjustment), Schedule 162 (CCA – (N)
Temporary), Schedule 163 (CCA), Schedule 191 (DSM Rate Adjustment), Schedule 192 (LIRAP Rate (N)
Adjustment), Schedule 175 (Decoupling Rate Adjustment), and Schedule 176 (Tax Credit). This portion of the Price per GGE will change annually on November 1, and at the end of any general rate case proceeding.

** The gasoline gallon equivalent ratio conversion factor is 1.276 therms = 1 GGE.

*** Customers using or selling CNG as a transporation fuel who have submitted an exemption certificate to Avista in accordance with RCW 82.16.310(2) will be eligible, following receipt and processing of the certificate by Avista, to receive an excise tax credit in the amount of 3.852% in accordance with RCW 82.16.310.

TAX ADJUSTMENT:
The rates and charges in this tariff shall be proportionately increased by an adjustment equivalent to the amount of municipal, occupation, or business taxes or charges imposed by the City of Spokane Valley as outlined in Tax Adjustment Schedule 158. The current tax rate for the City of Spokane Valley for natural gas service is 0.0%.

SPECIAL TERMS AND CONDITIONS:
Service under this Schedule is subject to the Rules and Regulations contained in this tariff, specifically Schedule 170.

Patrick D. Ehrbar