Avista Corp.
1411 East Mission, P.O. Box 3727
Spokane, Washington 99220-0500
Telephone 509-489-0500
Toll Free 800-727-9170

July 31, 2023

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3612

Re: Advice No. 23-06-G – Avista Utilities Low-Income Rate Assistance Program (LIRAP) Rate Adjustment and UM 2232 Deferral Amortization Request

Filing Center:

Pursuant to ORS 757.205, ORS 757.259, OAR 860-022-0025 and OAR 860-027-0300, Avista Corporation, dba Avista Utilities (Avista or the Company), hereby submits for electronic filing with the Oregon Public Utility Commission (Commission) its proposed modifications to its Tariff Schedule 493, "Residential Low-Income Rate Assistance Program (LIRAP) – Oregon". The Company requests that the following tariff sheets, P.U.C OR No. 5, become effective on November 1, 2023:

Sixth Revision Sheet 493	Canceling	**Supplemental Fifth Revision Sheet 493**
Fifth Revision Sheet 493A	Canceling	**Supplemental Fourth Revision Sheet 493A**
First Revision Sheet 493B	Canceling	**Supplemental Original Sheet 493B**

The primary purpose of the requested tariff revisions is to update the rates contained within the Company's LIRAP tariff, to:

1. Match future Schedule 493 revenues with the current and forecasted expenditures needed to support Avista's LIRAP. This "true-up" will reconcile the previous periods' actual expenditures and collections to ensure the appropriate rate is set for future cost recovery.
2. Incorporate the amortization of the Company's deferred costs associated with its 2022 introduction of a LIRAP Bill Discount and associated arrearage assistance options – approved in Docket No. ADV 1410, in alignment with the interim action

prompted by Oregon House Bill 2475 (HB 2475, or the Energy Affordability Act)[1] and Docket No. UM 2211 – as well as the deferred administration and support costs incurred for these interim changes, as provided in Avista's approved HB 2475 deferral (UM 2232).

With these changes incorporated, Avista's LIRAP tariff will be more holistically representative of the costs necessary to be recovered from Oregon customers to adequately support the Company's LIRAP, including the Bill Discount, Arrearage Management Plan (AMP) and Arrearage Forgiveness (Forgiveness), as well as the associated marketing and outreach expenditures required to expand these offerings to all customers within Avista's Oregon service territory that may be experiencing energy insecurity or related burdens. Through this filing, the Company is requesting an increase in overall retail revenues of approximately $2,529,430, or 1.7%, effective November 1, 2023.

I. BACKGROUND

Avista's LIRAP was originally approved by the Commission in 2002, to be administered by the Community Action Agencies (CAAs or Agencies) within the Company's service territory as a program that provided financial grants to low-income households in an effort to maintain affordable utility services and avoid having these services disconnected, or to help reestablish service after any such interruption in services did occur. Revenues to support the program, collected through natural gas surcharges on Schedule 493, have historically been applicable to, and collected from, Schedule 410 residential customers.

With the passage of HB 2475 effective January 1, 2022, language under ORS 757.230 was expanded to allow the Commission to include additional factors when establishing rate classifications, including the "differential energy burdens on low-income customers and other economic, social equality or environmental justice factors that affect affordability for certain classes of utility customers." With this guidance in place, as well as that provided by Commission Staff (Staff) within Docket No. UM 2211 – the broader investigation into the implementation of HB 2475 through which the Commission will more comprehensively explore and establish its policies regarding differential rates, including program design and administration – Avista

[1] HB 2475 (2021 Regular Session) amended ORS 756.610, ORS 757.230, and ORS 757.072 and enacted new provisions to address equity in rate setting and participating in Commission proceedings, effective January 1, 2022. OR Laws 2021 Ch. 90.

transitioned its formerly grant-based LIRAP into a jointly-administered[2] income-based discount model, with complementary arrearage assistance options (AMP and Forgiveness), to better serve the specific energy burden of the households it serves.[3] At that time, revenues to support Avista's LIRAP became bifurcated: the traditional CAA-driven costs – such as AMP funding provided to customers' accounts as a result of CAA enrollment, and the Agencies' administration expenditures – remained supported through LIRAP's Schedule 493 revenues, while the costs of all incremental expenditures prompted by HB 2475 – i.e., all Avista-administered LIRAP enrollments (including the Bill Discount, AMP and Forgiveness) as well as Agency-enrolled Bill Discounts – were deferred through its approved UM 2232 mechanism. With this filing, Avista aims to remedy this bifurcation, thereby directing all costs borne by LIRAP[4] through the Company's Schedule 493 LIRAP tariff, as further detailed below.

II. AMORTIZATION OF UM 2232 DEFERRAL

On February 10, 2022, Avista filed its deferral application for expenses associated with offering differential rates to qualifying customers pursuant to HB 2475. This deferral, approved in Order No. 22-099 in Docket No. UM 2232, authorizes the Company to defer for later ratemaking treatment not only direct program costs, but also the administrative and operating costs associated with Avista's proposed Bill Discount. The Company has repeatedly noted its intention to request amortization of the UM 2232 deferral late in 2023, with "the long-term goal [being] to use the existing Schedule 493 LIRAP charge to encompass the costs of the discount"[5]. In its approved tariff revisions that introduced the Bill Discount, Advice No. 22-03-G/ADV 1410, the Company specified that it would "request amortization of these [UM 2232 deferral] costs late in 2023, to become effective with the 2023-2024 LIRAP program year. At that time, it is Avista's intention that all LIRAP costs, inclusive of the Bill Discount, AMP, Arrearage Forgiveness, as well as associated administrative costs, be incorporated into LIRAP's tariff Schedule 493, with future tracking utilizing the existing deferral mechanism in place for LIRAP (Docket No. UM 1978),

[2] "Jointly administered" means that customers can enroll in LIRAP components at both the Agencies as well as directly through Avista.
[3] See Docket No. ADV 1410/ Advice No. 22-03-G.
[4] With the exception of existing [not incremental] Avista labor expenses associated with the administration of LIRAP, which remain within the Company's Operations and Maintenance (O&M) costs recovered within the Company's base rates. Any changes in the allocation of these costs would first require a removal of these costs from base rates, via a general rate case proceeding, and a subsequent proposal to instead run these costs through the LIRAP tariff rider.
[5] Docket No. ADV 1410/ Advice No. 22-03-G, Staff Memo, pg. 6.

with an annual true-up of tariff rider balances. Similar to the requirement for electric companies contained within HB 2475 Sec. 7, which necessitates that the costs of these programs be paid by all retail electric customers, Avista intends to make its LIRAP rate adjustment applicable to all retail natural gas customers in this future filing."[6] This filing is intended to accomplish exactly that.

Current Deferral Balances

The Company's current Schedule 493 LIRAP deferral, most recently authorized on February 23, 2023 in Docket No. UM 1978, records the funds collected through Schedule 493, netted with the costs of LIRAP, in a balancing account over a 12-month period, with any unspent funds or uncollected costs held over to the following year, with any adjustments needed requested in January of each year.[7] To date, the Company has not requested any such adjustments to the LIRAP rate collected. Interest accrues on this balancing account each month based on the average monthly fund balance at the Company's currently authorized rate of return. As of June 30, 2023, the total unspent balance in the account, subject to deferral, was an overfunding of approximately $204,848. As part of this rate adjustment request, Avista has forecasted the remaining spend for the July-October, but is not including this spend in its current amortization request; the Company will include this spend in next year's deferral true-up. For illustrative purposes, a summary of LIRAP funds collected and spent since 2021 is as follows:

Avista's LIRAP Summary Transactions Recorded in Balancing Account (FERC Account No. 242.7) For December 31, 2021 through June 30, 2023		
Balance at December 31, 2021	$	(87,810)
2022 Tariff Collections	$	(234,700)
2022 LIRAP Costs		247,568
Interest		(5,682)
Balance at December 31, 2022	$	(80,624)
2023 Tariff Collections	$	(162,505)
2023 LIRAP Costs		38,281
Interest		-
Balance at June 30, 2023	$	(204,848)

[6] Docket No. ADV 1410/ Advice No. 22-03-G, Avista's June 1, 2022 initial tariff revision filing, pg. 10.
[7] To date, the Company has not requested any such adjustments to the LIRAP rate collected.

Because these revenues in the UM 1978 deferral were collected solely by Schedule 410 customers, this overfunded balance will be returned to this same residential customer class, thereby offsetting the revenues to be collected from this group via the requested amortization of the UM 2232 deferral – which, as noted, is to be spread across all retail sales customer classes (residential, commercial, and industrial).

In addition, the Company's HB 2475 deferral, effective since February 10, 2022 to account for implementation and administration of all modifications made to Avista's LIRAP as a result of HB 2475 (and subsequently approved ADV 1410), tracks and records costs in a similar manner to that of the LIRAP deferral described above. Rather than interest accruing at the Company's currently authorized rate of return, however, this deferral account accrues interest at the Modified Blended Treasury (MBT) rate, pursuant to Order No. 22-099 in Docket No. UM 2232. A summary of the accounting entries recorded by Avista for this deferral is as follows:

Avista's Energy Affordability Act Deferral Summary Transactions Recorded in Balancing Account (FERC Account No. 182.3) For February 10, 2022 through December 31, 2022		
Balance at February 10, 2022	$	-
Deferred Costs		218,982
Interest		750
Balance at December 31, 2022	$	219,732

While considerations were made regarding the length of time over which to request amortization of these balances, specifically whether a 12- or 24-month amortization would be most appropriate, the Company ultimately decided that a 12-month amortization of these costs is the best course of action, given the overall timing as well as concurrent rate filings detailed herein. The Company anticipates that the requested amortization of this deferral via the LIRAP tariff will positively impact the need for future LIRAP rate adjustments, as once the 12-month amortization of these funds has been completed, the LIRAP rates approved within this filing will mitigate the need for any additional rate increases in the 2024-2025 program year. Even if participation rates for LIRAP increase as forecasted, the rates contained within this filing to become effective November 1, 2023 will already be set to appropriately absorb these increased customer enrollments. Furthermore, as noted in Section III below, the timing of this LIRAP rate adjustment will be offset by concurrent rate decreases from Avista's Purchased Gas Adjustment (PGA) filing for the 2023-2024 program year, and any potential decrease needed post-amortization (or, minimally, the lack of an increase) will help to further offset any increases that may be needed for other tariff riders in 2024-2025.

Deferral Amortization Interest Rates

If the recovery of Avista's UM 2232 deferral amortization into the Company's Schedule 493 LIRAP tariff is approved, all future costs incurred to support LIRAP, as described herein, will be directly passed through the LIRAP tariff and, therefore, tracked and recorded within the existing UM 1978 LIRAP deferral. With this transition, the Company expects that the UM 1978 deferral will maintain its current interest rate – Avista's authorized rate of return – and that the MBT rate utilized for UM 2232 will be sunset with the amortization of such deferral amounts.

III. PROPOSED LIRAP RATE ADJUSTMENT

As previously mentioned, the passage of HB 2475 opened the door to new opportunities for Avista to serve its low-income customers through offerings, such as bill discounts, that can more appropriately address an individual household's energy burden than its grant-based predecessor programs. In its approved ADV 1410 filing, the Company differed from its fellow Oregon utilities in that it did not request contemporaneous cost recovery for its new Bill Discount and arrearage assistance offerings; instead, Avista continued to defer all incremental costs (administrative and direct) of its LIRAP and opted to delay its request for cost recovery until after the first program year of these new offerings, when further actualization of these costs could be realized. The Company's requested rate adjustment in this filing, then, covers not only the forecasted revenues needed to support LIRAP into the coming years, but also the requested 12-month amortization of the UM 2232 deferral balances into the existing LIRAP deferral (UM 1978) and the true-up of the existing UM 1978 LIRAP deferral via credit offsets to residential customers. It is important to note that Avista's current LIRAP rate, $0.00451 per therm, applicable only to residential Schedule 410 customers ($.00438 per therm without gross revenue factor), has not been increased since the program's inception in 2002.[8]

[8] This was previously noted in Docket No. ADV 1254/Advice No. 21-02-G, pg. 5, while also stating that "with the changing environment in the low-income assistance sector, its LIRAP may benefit from a rate increase in the near future."

<u>LIRAP Current and Forecasted Spend</u>

In its initial filing for the LIRAP Bill Discount,[9] Avista provided estimates utilizing the best data it had available as of March 30, 2022, which provided that if approximately 3,310 eligible customers participated in the Bill Discount in year one, approximately $1.6 million in LIRAP funds would be potentially expended during the 2022-2023 program year. This forecast assumed that all participating Bill Discount customers would also receive Arrearage Forgiveness or participate in the AMP. As of June 30, 2023, the actual spend for LIRAP (Schedule 493 <u>and</u> deferred via UM 2232) was just over $2.4 million, with Avista and its partner Agencies providing a Bill Discount to approximately 5,840 households, complemented by an AMP for 640 of these households and Forgiveness for 674.

ORS 757.695 specifically authorizes the Commission to implement bill reduction measures such as discounts or credits for qualifying customers, and while arrearage assistance is not explicitly noted as a tool through which to mitigate energy burden, Avista's LIRAP, and associated cost recovery sought through this filing, is inclusive of these offerings as part of a comprehensive program that not only addresses the current needs of a household but also provides management options or balance forgiveness for customers that may struggle to keep current on their energy bills. Since the integration of HB 2475 changes, Avista has pivoted its existing AMP to better meet the intent of the "interim action" prompted by Staff in Docket No. UM 2211, and has implemented the Bill Discount and Forgiveness in the continued pursuit of meeting the overall energy assistance need within its Oregon service territory. As the broader investigation into differential rates continues within Docket No. UM 2211, the Company understands these programs to be iterative in nature, and believes that the allocation of all LIRAP components – including those incremental changes deferred as a part of Docket No. UM 2232 – are most appropriately designated through recovery via Schedule 493 and the associated deferral mechanism approved in Docket No. UM 1978. It should be noted that the increased participation in LIRAP as a result of these changes has, in only 9-months' time, more than doubled the reach of Avista's LIRAP, as evidenced by an approximate 15% saturation rate[10] in September 2022 (prior to the October 1, 2022 launch of the Bill Discount) to a 36% saturation rate at the end of June 2023.

---

[9] Docket No. ADV 1410/ Advice No. 22-03-G.

[10] "Saturation rate" is defined as the percentage of estimated eligible customers within Avista's Oregon service territory who are actually receiving bill assistance through LIRAP. The estimated number of Oregon customers who may be income eligible for Avista's LIRAP is approximately 16,987.

In addition to the multitude of changes implemented October 1, 2022 in order to reduce barriers to customers,[11] the recognition that extensive outreach and engagement is necessary to further expand assistance to those that need it remains at the forefront of the Company's LIRAP planning efforts. Avista's LIRAP tariff previously contained a $15,000 provision for customer outreach,[12] which was acknowledged to be "intentionally set below comparable marketing campaigns so as not to overburden the existing LIRAP funding levels"[13] As LIRAP continues to expand, along with its associated costs, the Company has removed the aforementioned provision from tariff and has, in its forecasts, included more robust outreach and engagement estimates to allow for an actual comprehensive marketing campaign to be completed during the 2023-2024 program year to only further increase the saturation rate of LIRAP. Avista will continue to work with its Agencies and interested stakeholders to ensure such costs remain low.[14]

Rate Class Allocation

While it is solely residential (Schedule 410) customers that benefit from LIRAP – and, therefore, LIRAP costs have been primarily allocated to these same customers – similar to the specification within ORS 757.695 that states that support for certain bill reduction measures or programs must be paid by all retail electricity consumers, Avista believes it is most appropriate for support for programs intended to mitigate energy burdens for natural gas customer to be collected through charged paid by all retail sales customers. As such, the Company is proposing to allocate these costs based on the percentage of base revenue of the individual rate schedules for all residential, commercial, and industrial class sales customers (Schedules 410, 420, 424, 425, 439, 440, and 444). For purposes of rate design, the Company is proposing to surcharge or rebate the proposed revenue allocation on a uniform cent per therm basis by rate schedule. While this differs from Staff's approved recommendations in other utilities' bill discount recovery proposals, which required that residential customers should instead pay a flat monthly charge while all other rate classes incur a usage-based (per therm/per kWh) surcharge, Avista maintains that per-therm recovery provides the proper recovery structure for LIRAP, and that the new allocation across all

[11] Such changes include joint administration of LIRAP at both Avista and the Agencies, automatic enrollment for known low-income customers, and self-attestation. See Docket No. ADV 1410/ Advice No. 22-03-G for full details.
[12] Docket No. ADV 1254/Advice No. 21-02-G.
[13] Docket No. ADV 1254/Advice No. 21-02-G, Staff Memo, page 7.
[14] In this filing, the outreach and engagement costs for LIRAP remain below 3% of the total LIRAP costs, only further decreasing in future forecasted years as the foundation for such outreach will have already been set.

retail sales customer classes reduces rate pressure that would have otherwise been encountered by residential customers had the previous model of only holding Schedule 410 customers accountable for these programs remained. As previously noted, Schedule 410 customers will also be the only customers to which the UM 1978 overfunded balance will be allocated, thereby offsetting the revenues to be collected from this group through the requested amortization of the UM 2232 deferral.

3% Annual Rate Impact Test

Pursuant to ORS 757.259 and OAR 860-027-0300, the overall annual average rate impact of the amortizations authorized under the statutes may not exceed three percent of the natural gas utility's gross revenues for the proceeding calendar year, unless the Commission finds that allowing a higher amortization rate is reasonable under the circumstances. Total gross revenue for calendar year 2022 was $177,907,223 and total amortizations resulting from this filing is approximately $1,097,432. The resulting annual average rate impact from the LIRAP amortization is 0.8%. Including the effect of the Company's other amortization rates filed coincident with this filing, the resulting annual average rate impact from the Company's qualifying amortization is (2.55)%. Please see the Company's associated workpapers for a detailed calculation and applicable amortization schedules.

Pursuant to OAR 860-022-0025 and OAR 860-022-0030, the total number of customers affected by the filing, and the annual revenue before and after the impact of the proposed rate change, are as follows:

Rate Schedule	Number of Customers
Schedule 410	95,451
Schedule 420	12,013
Schedule 424	100
Schedule 425	0
Schedule 439	0
Schedule 440	42
Schedule 444	3

Rate Schedule	Present Revenue	Change	Proposed Revenue	% Change
Schedule 410	$ 88,443,720	$ 1,549,399	$ 89,993,119	1.8%
Schedule 420	$ 41,724,939	$ 876,661	$ 42,601,600	2.1%
Schedule 424/425	$ 3,919,829	$ 28,986	$ 3,948,815	0.7%
Schedule 439/440	$ 8,892,374	$ 72,849	$ 8,965,223	0.8%
Schedule 444	$ 175,406	$ 1,534	$ 176,940	0.9%
Schedule 456	$ 2,701,247	$ -	$ 2,701,247	0.0%
	$ 145,857,515	**$ 2,529,430**	**$ 148,386,945**	**1.7%**

If approved, a residential customer using an average of 47 therms a month could expect their bill to increase by $1.35, or 1.75 percent, for a revised monthly bill of $78.35 effective November 1, 2023. However, after combining the impact of this filing with the other regulatory filings and the expiration of adder Schedule 467 (COVID Deferred Costs), which also have a November 1, 2023 effective date , a residential customer using an average of 47 therms a month could expect their bill to **decrease** by $11.25, or 14.6 percent, for a revised monthly bill of $65.76 effective November 1, 2023.

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, 2023 effective date:

Rate Schedule	Proposed Rate Change[15]
Schedule 410	(14.6)%
Schedule 420	(16.2)%
Schedule 424	(29.8)%
Schedule 440	(35.4)%
Schedule 444	(29.1)%
Schedule 456	0.7%
Total	(16.5)%

IV. CONCLUSION

Therefore, Avista respectfully requests that the tariff changes proposed for Schedule 493, inclusive of the requested rate adjustment for the Company's LIRAP and amortization of LIRAP-related expenditures deferred in accordance with UM 2232, be effective for service rendered on and after November 1, 2023. A summary of these changes has been provided in the table below:

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

Summary of Changes		**Change**
Annual Amortization of HB 2475 Deferral	$	1,345,314
Forecasted LIRAP Expense Rate	$	1,675,560
Pre-HB 2475 LIRAP Rate Adjustment	$	(491,444)
Total Revenue Change	**$**	**2,529,430**

Information related to this filing has been included on the Company's website, www.myavista.com, with additional notice to customers provided via newspaper advertisement.

If you have any questions regarding this filing, please contact Marcus Garbarino at (509) 495-2567 or Jaime Majure at (509) 495-7839.

Sincerely,

/s/ Jaime Majure

Jaime Majure
Regulatory Affairs Manager

Enclosures

SCHEDULE 493

RESIDENTIAL LOW-INCOME RATE ASSISTANCE PROGRAM (LIRAP) – OREGON

PURPOSE:

The purpose of this schedule is to adjust rates in Schedule 410, "General Residential Natural Gas Service – Oregon", to generate funds to be used for energy assistance for Avista's qualifying low-income residential customers (in accordance with ORS 757.315(3) and ORS 757.230), to recover funds related to the deferred (N) costs associated with the Company's House Bill (HB 2475) deferral (UM 2232), (N) and to describe the various forms of energy assistance available to qualifying low-income customers.

APPLICABLE:

To all residential Customers in the State of Oregon where the Company has natural gas service available. The Residential Low-Income Rate Assistance Program (LIRAP) Adjustment is applicable to all retail sales customers taking (N) service under Schedules 410, 420, 424, 425, 439, 440 and 444 and the energy (N) assistance offered through LIRAP is made available to all income-qualified Schedule 410 customers. Income-qualified is defined as customers with gross household income at or below 60% of Oregon State Median Income (SMI), adjusted for household size, as described herein or established in collaboration with the Community Action Agencies ("Agencies"). Exceptions to income qualifications may be granted with supervisor approval, as described within this tariff.

MONTHLY RATE:

(M)

Rate Schedule	**Rate**	
Schedule 410	$0.03320 per Therm	(N)(I)
Schedule 420	$0.03002 per Therm	
Schedule 424/425	$0.00633 per Therm	
Schedule 439/440	$0.00513 per Therm	
Schedule 444	$0.00763 per Therm	(N)(I)

(M) material transferred to Fifth Revision Sheet 493A (M)

Patrick D. Ehrbar

SCHEDULE 493

RESIDENTIAL LOW-INCOME RATE ASSISTANCE PROGRAM (LIRAP) – OREGON

LIRAP COMPONENTS:

The following energy assistance options may be available for each household within the income range provided:

Income Range	Bill Discount	Arrearage Assistance
Zero to 5% SMI	90%	Arrearage Forgiveness
6 to 20% SMI	60%	
21 to 40% SMI	25%	Arrearage Management Program (AMP)
41 to 60% SMI	15%	

- Bill Discount – the Bill Discount will be applied to a participating customer's monthly net bill, the amount of which is determined by the customer's income range.
- Arrearage Management Program (AMP) – reduces customer arrearages owed over a 12-month period by providing an incentive for on-time, regular payment of their current bill plus a portion of the past due balance, for a maximum award of $1,000.
- Arrearage Forgiveness – provides arrearage forgiveness for customers with incomes at or below 20% SMI, for a maximum award of $1,000.

SPECIAL CONDITIONS:

1. Each month, the Company will bill and collect low-income energy assistance funds from all retail sales customers. By the 20th of the month following the billing month, the Company will remit payment to each Agency for allowed administrative and program delivery costs. (N)

(M)

2. The Company will compute interest each month based on the average monthly fund balance undistributed at the company's currently authorized rate of return.
3. The Company is responsible for program administration and funds distribution to qualifying local Agencies in accordance with terms and conditions ("Guidelines") established by the Company and the entity. All funds collected under this program, less program administration and

(M) material transferred to First Revision Sheet 493B (M)

Patrick D. Ehrbar

SCHEDULE 493

RESIDENTIAL LOW-INCOME RATE ASSISTANCE PROGRAM (LIRAP) – OREGON

delivery costs paid to the individual agencies and outreach funding to the Company, are distributed to income-eligible residential customers of Avista Utilities. (C)

4. Utilization of program administration and delivery costs will be summarized in the annual evaluation report described herein (Special Condition 6). (D)(C) (D)(C)

5. Customer eligibility for LIRAP is determined in cooperation with the Agencies and captured in the LIRAP Guidelines, including eligibility and administration of the LIRAP Bill Discount and AMP.

6. Exceptions to income qualifications for the Bill Discount may be granted by the administering Agency or Company, with supervisory approval, if extenuating circumstances such as job loss, medical crises, or other hardship is encountered by the customer. Customer income for such exceptions shall not exceed 80% SMI, and enrollment for these customers will be made at the 15% discount tier.

7. LIRAP participants may be subject to post-enrollment verification audit sampling. If a customer is found to be ineligible for the program in which they are enrolled, the customer's LIRAP benefit will be suspended. The customer will not be billed for any previous LIRAP benefits received. Customers may re-apply for LIRAP by providing verification of eligibility.

8. The Company will provide an annual summary evaluation report on the progress of the LIRAP for review by the Commission by December 31st following the end of each program year.

9. The LIRAP program year is October 1st through September 30th.

RULES AND REGULATIONS:
Service under this schedule is subject to the General Rules and Regulations contained in the tariff of which this schedule is a part, and to those prescribed by regulatory authorities.

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, 2023, Avista made five 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 $24.0 million or 16.5% effective Nov. 1, 2023. 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 $3.3 million or 2.4%. This rate adjustment is driven primarily by a higher level of customer usage in 2022.

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 $22.5 million or 15.5%. 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). With the recent introduction of an income-based bill discount, as well as offerings intended to help customers manage their past due balances, or arrearages, the reach of LIRAP has expanded to serve more customers than ever before, requiring a significantly larger budget, which has caused the need for this rate increase. The overall rate increase to natural gas customers is approximately $2.5 million, or an overall increase of approximately 1.7%.

The remaining two miscellaneous adjustments relate to recovering costs associated with intervenor funding and regulatory fees. The combination of those two filings is an increase in overall natural gas revenue of approximately $29 thousand or 0.02% effective Nov. 1, 2023.

The bottom line
If all five 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 $11.25, or 14.6% for a revised monthly bill of $65.76 beginning Nov. 1, 2023. 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

DRAFT

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, 2022 and the Quarterly Report on Form 10-Q for the quarter ended June 30, 2023.