



Avista Corp.

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

September 13, 2022

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

RE: Docket No. UM ____ — Avista Utilities Application for Deferred Accounting

Filing Center:

In accordance with ORS 757.259 and OAR 860-027-0300, Avista Corporation, dba Avista Utilities (Avista or Company), hereby submits for electronic filing an Application for Authorization to Defer the Costs of Compliance with the Climate Protection Program (CPP).

As required by OAR 860-027-0300(3)(e) and (6), a Notice of Application and list of persons served with the Notice has been sent to all parties in the Company's most recent general rate case, Docket No. UG 433. A copy of the Notice and the Certificate of Service are attached as an Exhibit to the Application.

If you have any questions regarding this filing, please contact me at (509) 495-2782 or email shawn.bonfield@avistacorp.com.

Sincerely,

/s/ Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy
Avista Utilities

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

DOCKET NO. UM ____

IN THE MATTER OF THE APPLICATION OF) APPLICATION
AVISTA CORPORATION FOR AN ORDER) FOR AUTHORIZATION
AUTHORIZING DEFERRAL OF COSTS) OF DEFERRAL OF
OF COMPLIANCE WITH THE CLIMATE) CERTAIN COSTS
PROTECTION PLAN)

Avista Corporation, dba Avista Utilities (“Avista” or “Company”), pursuant to ORS 757.259 and OAR 860-027-0300(4), applies to the Public Utility Commission of Oregon ("Commission") for an order authorizing Avista to defer for later ratemaking treatment the recovery of costs of compliance (the "Deferred Amount") with the Climate Protection Plan (“CPP”). Avista seeks authorization to defer the recovery of costs for the 12-month period beginning September 13, 2022 through September 12, 2023 (the "Deferral Period"). Avista will seek amortization of the Deferred Amount in a tariff rider filing in 2023, for a rate adjustment that coincides with other annual tariff rider adjustments.

In support of this Application, the Company states:

Avista provides natural gas service in southwestern and northeastern Oregon and is a public utility subject to the Commission’s jurisdiction under ORS 757.005(1)(a)(A).

Avista requests that all notices, pleadings and correspondence regarding this Application be sent to the following:

Patrick Ehrbar	David J. Meyer
Director of Regulatory Affairs	Vice President and Chief Counsel
Avista Corporation	for Regulatory and
P.O. Box 3727	Governmental Affairs
Avista Corporation	P.O. Box 3727
1411 E. Mission, MSC-27	1411 E. Mission, MSC-27
Spokane, WA 99220-3727	Spokane, WA 99220-3727
(509) 495-8620	(509) 495-4316
patrick.ehrbar@avistacorp.com	david.meyer@avistacorp.com

1 This Application is filed pursuant to ORS 757.259, which empowers the Commission to
2 authorize the deferral of expenses or revenues of a public utility for later incorporation into rates.
3 As required by ORS 757.259(4), any amortization of the Deferred Amount will be subject to an
4 earnings review and a finding by the Commission that the costs were prudently incurred. Avista
5 does not expect that amortization of the Deferred Amount will cause Avista to meet or exceed its
6 most recently authorized return on equity.

7
8 **I. OAR 860-027-0300(3) REQUIREMENTS**

9
10 The following is provided pursuant to OAR 860-027-0300(3):

11
12 **A. Background Description**

13
14 On December 16, 2021, the Oregon Department of Environmental Quality (“ODEQ”)
15 adopted the CPP, which are administrative rules that set GHG reduction targets.¹ The CPP sets a
16 declining limit, or cap, on greenhouse gas emissions from fossil fuels used throughout the state
17 of Oregon, including diesel, gasoline, natural gas and propane, used in transportation, residential,
18 commercial and industrial settings (the program is not inclusive of fossil fuel used in electric
19 generation).² The CPP also regulates site-specific greenhouse gas emissions at large stationary
20 sources, such as emissions from industrial processes.³ The program baseline is set at average
21 greenhouse gas emissions from covered entities from years 2017-2019.⁴ Reductions from this
22 baseline are set at 50 percent by 2035 and 90 percent by 2050.⁵

23 Avista is a “covered fuel supplier”⁶ under the CPP and is the point of regulation for the

¹ OAR 340-271-0010 – 9000.

² OAR 340-271-0110.

³ OAR 340-271-0310.

⁴ Rulemaking, Action Item A, Greenhouse Gas Emissions Program 2021 Rulemaking Climate Protection Program, at 8 (Dec. 16, 2021), available at: https://www.oregon.gov/deq/EQCdocs/121621_ItemA.pdf.

⁵ Id.

⁶ OAR 340-271-0020(15).

1 emissions associated with natural gas used by its sales and transport customers.⁷ Transport
2 customers purchase the commodity they use directly from marketers and suppliers and have
3 historically only paid Avista for delivery via the distribution system.

4 Covered entities' emissions are reported annually through the existing ODEQ greenhouse
5 gas reporting program⁸ and compliance will be demonstrated by each covered entity at the end of
6 each three-year compliance period.⁹ To comply, Avista can work to reduce natural gas usage
7 through efficiency measures, introduce renewable and low carbon alternative fuels, trade for
8 additional compliance instruments with other covered entities, or purchase a limited amount of
9 Community Climate Investments ("CCIs").¹⁰

10 **B. Reason for Deferral**

11 Avista respectfully requests approval authorizing the deferral for future ratemaking
12 treatment of the costs and revenues of complying with the CPP, which are not currently included
13 in rates. Avista must increase its planning activities to determine how it will comply with the CPP
14 and based on those activities, take actions to lower its covered emissions. For example, one initial
15 activity Avista is exploring to comply with the CPP is energy efficiency programs for interruptible
16 and transport customers, which these customers currently cannot participate in due to tariff terms
17 and conditions. In addition, the CPP allows covered fuel suppliers to trade compliance
18 instruments among themselves.¹¹ Although it is currently uncertain how a CPP compliance
19 instrument market will develop, a deferral will give Avista the opportunity to recover the costs
20 and revenues of any compliance instruments that it may acquire from or sell to other covered fuel
21 suppliers.

⁷ OAR 340-271-0110(4).

⁸ OAR 340-215.

⁹ OAR 340-271-0440.

¹⁰ OAR 340-271-0450.

¹¹ OAR 340-271-0050.

1 Under ORS 757.259(2)(e), deferral of utility expenses or revenues is allowed when it will
2 appropriately match the costs borne and benefits received by customers. Deferral of these costs
3 will align the costs of Avista’s service with the benefits Avista customers receive from such
4 service.

5 **C. Proposed Accounting**

6 Avista proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Other
7 Regulatory Assets), crediting FERC Account 407.4 (Regulatory Credits). In the absence of a
8 deferred accounting order, Avista would record the costs to a variety of accounts. Interest does
9 not accrued on this balancing account.

10 **D. Estimate of Amounts**

11 Avista cannot estimate the costs of compliance associated with the Climate Protection
12 Plan at this time. Avista expects to incur compliance costs through 2050.

13 **E. Notice**

14 A copy of the Notice of Application for Deferral of Costs of Compliance with the Climate
15 Protection Plan and a list of persons served with the Notice are attached to the application as
16 Attachment A.

17
18 **II. SUMMARY OF FILING CONDITIONS**

19 **A. Earnings Review**

20 Cost recovery for costs associated with the costs of compliance with the Climate Protection
21 Plan will be subject to an earnings review in accordance with ORS 757.259(5).

22 **B. Prudence Review**

23 A prudence review will be performed by the OPUC Staff no later than the proceeding to
24 authorize amortization of the costs associated with the costs of compliance with the Climate

1 Protection Plan.

2 **C. Sharing Percentages**

3 All prudently incurred costs are to be recoverable by Avista with no sharing mechanism.

4 **D. Rate Spread / Rate Design**

5 The rate spread/rate design will be determined during the proceeding to authorize
6 amortization of the costs associated with the deferral.

7 **E. Three or Six Percent Tests (ORS 757.259(6)(7)(8))**

8 Amortization of the deferred costs will be subject to a three percent test in accordance with
9 ORS 757.259(7) or possible six percent test in accordance with ORS 757.259(8) and with
10 Commission authorization. These tests limit aggregated deferral amortizations during a 12-month
11 period to no more than three or six percent of the utility's gross revenues for the preceding year.

12

13

III. CONCLUSION

14 WHEREFORE, Avista Utilities respectfully requests that the Commission authorize the
15 Company to defer the costs of compliance with the Climate Protection Plan.

16 DATED this 13th day of September 2022.

17

Respectfully submitted,

18

Avista Utilities

19

By: /s/ David Meyer

20

David J. Meyer, Vice President and Chief
Counsel for Regulatory and Governmental Affairs

21



Docket No. UM _____

**NOTICE OF APPLICATION FOR AUTHORIZATION TO DEFER COSTS OF
COMPLIANCE WITH THE CLIMATE PROTECTION PROGRAM**

September 13, 2022

To All Parties Who Participated in UG 433:

Please be advised that on September 13, 2022, Avista Corporation, dba Avista Utilities (Avista” or “Company), applied to the Public Utility Commission of Oregon (Commission) for an order authorizing Avista to defer for later ratemaking treatment the recovery of costs related to compliance with the Climate Protection Program. Avista will seek amortization of any deferred amounts in a future Commission proceeding. This filing has been made pursuant to ORS 757.259 and OAR 860-027-0300(4).

This Notice is being sent to all parties that are participating in Avista’s most recent general rate case, Docket No. UG 433, to inform them that an Application for Authorization has been filed. Parties wanting more information or who wish to obtain a copy of the filing can access the Application on the Commission website, or by contacting either of the following:

**Avista Utilities
Attn: Shawn Bonfield
P.O. Box 3727
1411 E. Mission, MSC-27
Spokane, WA 99220-3727
(509) 495-2782**

**Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
PO Box 1088
Salem, OR 97301-1088
(503) 378-6678**

Any person may submit to the Commission written comments on this matter within 25 days of the service of this Notice. Approval of Avista’s Application will not authorize a change in the Company’s rates but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

DATED this 13th day of September 2022.

By: /s/ David Meyer _____

David J. Meyer, Vice President and Chief
Counsel for Regulatory and Governmental Affairs



CERTIFICATE OF SERVICE

Docket No. UM _____

I HEREBY CERTIFY that I have on this day, September 13, 2022, served by electronic mail the foregoing Notice of Application for Authorization to Defer the Costs of Compliance with the Climate Protection Program, to all parties of record for Avista’s most recent general rate case, Docket No. UG 433, as indicated below:

<p><u>Alliance of Western Energy Consumers (AWEC)</u> Edward Finklea efinklea@awec.solutions Chad M. Stokes cstokes@cablehuston.com</p>	<p><u>Oregon Citizens Utility Board (CUB)</u> dockets@oregoncub.org Mike Goetz mike@oregoncub.org William Gehrke will@oregoncub.org</p>
<p><u>Oregon Public Utilities Commission (OPUC)</u> Matthew Muldoon matt.muldoon@puc.oregon.gov</p>	<p><u>Oregon Department of Justice</u> Johanna Reimenschneider joahanna.reimenschneider@doj.state.or.us</p>

I declare under penalty of perjury that the foregoing is true and correct.

Dated at Spokane, Washington this 13th day of September, 2022.

/s/ Shawn Bonfield

Shawn Bonfield
Sr. Manager of Regulatory Policy & Strategy
Avista Utilities
shawn.bonfield@avistacorp.com
509-495-2782