



Avista Corp.

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March 2, 2022

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

RE: **Adv_22-01-G Avista Utilities Proposed Tariff Schedule 468 “Optional Renewable Natural Gas”**

Dear Filing Center,

Attached for filing with the Commission is Avista Corporation’s dba Avista Utilities (Avista or the Company) proposed new Tariff Schedule 468 “Optional Renewable Natural Gas.”

The proposed schedule is included in the following tariff sheets, P.U.C OR No. 5:

Original Sheet No. 468
Original Sheet No. 468A

I. INTRODUCTION

Through the attached, Avista hereby proposes to implement a voluntary Renewable Natural Gas (RNG) program (Program) that will provide natural gas customers within Avista’s Oregon natural gas service territory a voluntary opportunity to purchase RNG as part of their monthly billing. Avista intends to begin offering the Program to Oregon customers as of May 1, 2022 if the Commission approves.

II. BACKGROUND

In May 2019, the Washington legislature enacted RCW 80.28.390 into law, whereby utilities “must offer by tariff a voluntary renewable natural gas service available to all customers to replace any portion of the natural gas that would otherwise be provided by the gas company”. In response to the passage of RCW 80.28.390, the Company was prompted to develop a voluntary RNG program to be made available to all of its Washington natural gas customers, which the Company has enrolled 69 customers to date.

Also, in 2019 the Company conducted customer research across a subset of small, medium, and large commercial customers located across its service territories in order to assess customer interest and desire for a variety of potential products and services. This outreach included a set of questions about RNG. The responses to these questions, along with a subsequent survey to residential customers, were used by the Company to gain a better understanding of customer sentiment towards RNG offerings and to better inform RNG program design.¹ Within the commercial customer research, customers were presented with educational information pertaining to RNG options and asked if they are likely to participate in an RNG program, which 24% of commercial customers stated they were likely to participate before being presented with pricing information. When pricing information was included, respondents interest declined as price point increased, indicating that a premium-priced option would present a barrier to adoption for many. A similar decline in interest was found with increased price points for residential customers. The Company kept these survey results top of mind while deciding on project design and product procurement. That said, Avista continues to believe that it is important to have a voluntary RNG program offering for its customers, and therefore designed a new tariff offering as described below.

¹ The Company conducted a commercial customer research project in 2019 using the Shelton Group, a leading research firm focused exclusively on energy and the environment. Avista also conducted internal research geared at residential customers specifically regarding renewable natural gas programs in 2020.

With ample RNG supply to support a voluntary program across Avista's natural gas service territory – including in Oregon, a positive customer sentiment towards an RNG program, and a swift uptick in customer enrollments amongst its Washington natural gas customers, the Company believes the availability of a voluntary RNG program for its Oregon customers to be a valuable option for its customer to have access to.

III. PROGRAM DESIGN

Avista proposes to offer customers the ability to purchase blocks of RNG where each block includes the environmental attributes represented by the equivalent to 1.5 therms of RNG at a price of \$5.00 per block.² All charges related to the program are in addition to the customer's regular natural gas charges.

In terms of the RNG acquired for the Program, the Company signed an agreement with Puget Sound Energy (PSE) to acquire the necessary volumes to support the Program. PSE has a signed contract for RNG with Klickitat Public Utility District to acquire an estimated 550,000 dekatherms per year for the first three years with significantly more RNG in the years following.

The Company has structured the price to confine Program costs and benefits strictly to Program participants, including the supply of RNG attributes and Program administration costs. The breakdown of program costs is included as Attachment A to this filing.

Program enrollment will remain simple for customers and may be initiated online or over the phone with a Customer Service Representative (CSR). Customers will have the opportunity to participate with no contract required and will have the option to enroll and/or cancel participation

² Charges will appear on the customers' regular monthly bill as a separate line item and include appropriate taxes.

at any time in a given month. The ease of enrollment and no contractual obligations have been validated as a customer satisfier in recent surveys and customer feedback sessions.

Natural gas customers will receive notification of the Program availability on the effective date and once the Company has received approval of this filing, along with periodic information and solicitation to participate in the Program. Avista will conduct additional customer outreach and awareness as the program budget allows. These communications are intended to increase program participation and deepen current program participants' engagement and satisfaction by providing increased visibility into the benefits of the program.

The Company has identified key performance indications and will establish baseline metrics that will continue to track Program performance in an effort to meet its primary objectives of customer satisfaction, customer awareness, and customer participation. Customer satisfaction will be measured by an annual Net Promoter Score (NPS) survey on an annual basis, measures customer experience and customers' overall satisfaction with a company's products or services. The Company will monitor customer awareness through external web traffic to the Program page. Finally, customer participation will be measured by the number of customers enrolling in the Program and staying enrolled. All three of these metrics will be important as the Program strives for higher levels of customer satisfaction and improved sentiment, ultimately driving broader awareness and interest in support of renewable energy.

Lastly, the Company will utilize the Midwest Renewable Energy Tracking System (M-RETS) for purposes of the Program and retiring environmental attributes on behalf of participating customers.

IV. CONCLUSION

In conclusion, Avista is pleased to have designed a Program that gives an additional option

for natural gas customers seeking to reduce their carbon footprint through the purchase of RNG. The Company respectfully requests the proposed tariff schedule 468, Option Renewable Natural Gas Program, be made effective on May 1, 2022.

Please note that certain sections of Attachment A contains CONFIDENTIAL information and should be treated as CONFIDENTIAL. As such, the Company has provided both a confidential and redacted version. Please direct any questions regarding this filing to Amanda Ghering at amanda.ghering@avistacorp.com or 509-495-7950 or to me at shawn.bonfield@avistacorp.com or at 509-495-2782.

Sincerely,

Shawn Bonfield

Sr. Manager of Regulatory Policy & Strategy
Regulatory Affairs

AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 468

OPTIONAL RENEWABLE NATURAL GAS – OREGON

AVAILABLE:

To Customers in the State of Oregon where the Company has natural gas service. Customers may participate in one or more available Renewable Natural Gas program options.

APPLICABLE:

To all customers receiving natural gas service who agree to participate in a program option under this schedule.

PROGRAM OPTIONS AND CHARGES:

Low carbon energy program options available to customers will utilize types of Renewable natural gas and renewable hydrogen or other qualifying resources. The initial program option available will be as follows:

Renewable Natural Gas - One (1) block includes the environmental equivalent attributes associated with 1.5 therms of renewable natural gas. Each block is priced at \$5.00 per block, per month.

All program charges are included in the price of the block and shall be in addition to all other charges contained in the customer's applicable tariff schedule.

MONTHLY BILLING:

Renewable Natural Gas - The monthly billing shall be reflective of the number of Renewable Natural Gas block(s) the customer has agreed to purchase multiplied by the Charge per Block. The Monthly Billing is in addition to all other charges contained in customer's applicable tariff schedule.

This schedule's Monthly Billing shall be applied to the customer's billing regardless of actual energy consumption.

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May 1, 2022

Issued by Avista Utilities
Rv

Patrick Ehrbar, Director of Regulatory Affairs



AVISTA CORPORATION
dba Avista Utilities

SCHEDULE 468 – Continued

RENEWABLE NATURAL GAS:

For the purpose of this schedule, the blocks will include the environmental attributes unbundled from the actual fuel associated with Renewable Natural Gas consisting largely of methane and other hydrocarbons derived from the decomposition of organic material in landfills, wastewater treatment facilities, and anaerobic digesters.

The renewable natural gas sourced shall be recognized via the M-RETs tracking system or another tracking system as required by the Idaho State legislature.

PROGRAM ADMINISTRATION:

To ensure that all costs and benefits of this program are only applied to program participants, all funds collected and spent under this schedule will be separately identified and tracked. Funds may include program costs (e.g.: program management, accounting, communications, etc.) as well as to match block subscriptions to Renewable Natural Gas environmental attribute purchases.

SPECIAL TERMS AND CONDITIONS:

1. Service under this schedule is subject to the Rules and Regulations contained in this tariff.
2. Customers may apply for, or terminate participation from, this schedule anytime during the year.
3. Program may be temporarily closed or 'sold-out' to new program subscribers if there is insufficient renewable natural gas inventory available.
1. The above Monthly Billing is subject to increases as set forth in Tax Adjustment Schedule 460

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	% of uptake based on 2021 forecasted	Supply	Estimated Yearly uptake (therms)
High	0.73%		271991
Mid	0.40%		149396
Low	0.23%		84532

Year 5 Program Assumptions (time to ramp)

Low, medium and high forecasts are based off of customer research, market analysis and peer program performance. The low forecast is used for our financial forecast and estimated to be reached by year five. Continued growth is anticipated over time and with evolving market conditions and product maturity.

Supply Costs

3 Year contract term for RNG Supply per Dth	[REDACTED]
Commodity Credit per Dth	[REDACTED]
Environmental Attribute / Dth	[REDACTED] Cost of RNG, less value of unbundled commodity.

RNG Block Breakdown

Environmental attributes associated with 1.50 therms RNG
Admin*

*Admin cost estimates modeled on historic and projected admin costs of ~30% for Avista's voluntary electric program, plus IT and annual MRETS subscription.

Assumptions

		Notes
Monthly take rate expected by Year 5	0.23%	Percent of total supply reflected by program participation
Avista OR Residential Natural Gas Customer Count as of D	110,373	gas customers
Expected average purchase quantity	1.0	blocks / subscriber
Monthly cost per block	\$5.00	per block
Voluntary RNG purchase	[REDACTED]	therms / block
RNG contract price	[REDACTED]	cost / therm
Administrative / programmatic markup required for cost	[REDACTED]	percent of block cost

Assumes 30% of total cost is administrative (including communications and marketing).

Forecasted Budget						Notes and Assumptions
Voluntary Renewable Natural Gas (RNG) Program - 0195						
	2022	2023	2024	2025	2026	
Forecasted Participation (Blocks)	4,900	16,050	27,200	38,350	49,500	Each block includes the environmental attributes associated with 1.5 therms of RNG and assumes one block per participant. See assumptions tab for additional information.
Forecasted Demand (therms)	7,350	24,075	40,800	57,525	74,250	
Revenues						
	2022	2023	2024	2025	2026	
RNG Sales Revenue	\$ 24,500.00	\$ 80,250.00	\$ 136,000.00	\$ 191,750.00	\$ 247,500.00	\$5.00 per block of RNG; Slow adoption is anticipated, time to ramp estimated for year 5 or beyond. Assumes 49,500 RNG blocks sold annually by year 5 based on My Clean Energy participation and market research.
Total Revenues	\$ 24,500.00	\$ 80,250.00	\$ 136,000.00	\$ 191,750.00	\$ 247,500.00	
Expenses						
	2022	2023	2024	2025	2026	
RNG Purchases						
Unbundle Commodity						
MRETS subscription	\$ 734.00	\$ 734.00	\$ 734.00	\$ 734.00	\$ 734.00	Fixed cost annually; \$2,200 MRETS General Subscription fee, (\$734 per state assuming 3 states)
Program Admin						
Communication, Education, Outreach						
IT Development	\$ 8,000.00				\$20,000.00	Avista web page, online enrollment, billing system configuration and bill presentment.
Total Expenses	\$ 41,977.90	\$ 74,006.55	\$ 123,379.20	\$ 176,831.85	\$ 248,244.50	
Net Annual Program Income/Operating Reserves						
	2022	2023	2024	2025	2026	
Net Annual Program Income/Operating Reserves	\$ 24,500.00	\$ 80,250.00	\$ 136,000.00	\$ 191,750.00	\$ 247,500.00	Carryover annually to balance year-over-year program performance unless balance exceeds a maximum threshold. At which time, we will seek to fund a low-income project and/or refile tariff.
Net Total Program Income/Operating Reserves	\$ 24,500.00	\$ 80,250.00	\$ 136,000.00	\$ 191,750.00	\$ 247,500.00	