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October 1, 2026

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

RE: Docket No. UM 2124—Avista Utilities Application for Reauthorization

Filing Center:

In accordance with ORS 757.259 and OAR 860-027-0300, Avista Corporation, dba Avista Utilities ("Avista" or "Company"), hereby submits an Application for Reauthorization to defer certain federal and state income tax expenses.

As required by OAR 800-027-0300(3)(e)(6), a Notice of Application has been provided for all parties in the Company's most recent general rate case, Docket No. UG 519, attached as an Exhibit to the Application.

If you have any questions regarding this filing, please contact Athena Allen at (509) 495-8325 or email athena.allen@avistacorp.com.

Sincerely,

/s/Joe Miller

Joe Miller
Sr. Manager of Rates & Tariffs
Avista Utilities
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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

DOCKET NO. UM 2124

IN THE MATTER OF THE APPLICATION OF AVISTA CORPORATION FOR AN ORDER AUTHORIZING DEFERRAL OF FEDERAL INCOME TAX EXPENSE ASSOCIATED WITH CERTAIN PLANT BASIS ADJUSTMENTS	) APPLICATION) FOR REAUTHORIZATION) OF DEFERRAL OF) INCOME TAX EXPENSE

Pursuant to ORS 757.259 and OAR 860-027-0300(4), Avista Corporation, dba Avista Utilities ("Avista" or "Company"), hereby applies to the Public Utility Commission of Oregon ("Commission") for an order reauthorizing the Company to utilize deferred accounting related to Federal income tax expense from using a flow-through method of accounting for certain plant basis adjustments, including Industry Director Directive No. 5 (IDD #5)[1] and meters[2]. Avista respectfully requests that this deferral be effective for the 12-month period beginning October 30, 2026.

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:

[1] IDD #5 relates to mixed services costs that are part of the capitalized book costs of utility property but can be capitalized to inventory. Mixed service costs are defined as service costs that are partially allocable to production or resale activities (capitalizable) and partially allocable to nonproduction or non-resale activities (deductible).

[2] Prior to 2019, Avista capitalized and depreciated meters over 5 to 20 years for tax purposes and over 15 to 20 years for book purposes depending on the meter type. I.R.C. Section 162 allows a deduction for all ordinary and necessary expense paid or incurred during the taxable year in carrying on any trade or business. The meter accounting method change allowed Avista, for income tax purposes, to deduct meter costs instead of capitalizing them if the per unit cost is less than $200.

Patrick Ehrbar	Anni Glogovac
Vice President, Regulatory Affairs	Counsel for Regulatory Affairs
Avista Corporation	Avista Corporation
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This Application is filed pursuant to ORS 757.259, which empowers the Commission to authorize the deferral of expenses or revenues of a public utility for later incorporation into rates. As required by ORS 757.259(4), any amortization of the deferred amount will be subject to an earnings review and a finding by the Commission that the costs were prudently incurred. Avista does not expect that amortization of the deferred amount will cause Avista to meet or exceed its most recently authorized return on equity.

I. BACKGROUND

Deferral of certain income taxes, as described below, was previously authorized by the Commission on December 24, 2025, through Order No. 25-528 of Docket No. UM 2124(5). The authorization for deferred accounting treatment can be authorized pursuant to ORS 757.259(2)(e).

Prior to 2021, Avista calculated federal income taxes utilizing the normalization method for the majority of its plant-related temporary book-to-tax differences. A normalized book-to-tax difference is a temporary difference that for accounting purposes adjusts current income tax expense and has an equal offset in deferred income tax expense, thus the net effect to total book income tax expense is zero.

During 2020, Avista worked with consultants (Deloitte and Ernst and Young) on a tax

review project.[3] The outcome of this project was to expand on the tax deduction for repairs expenses that the Company originally implemented in 2014 and to modify its tax method for accounting for certain costs relating to meters and mixed service costs (IDD #5). This change allowed the Company to deduct costs for tax purposes that previously were capitalized, thereby reducing current federal income taxes owed to the Internal Revenue Service (IRS). This change was included with the 2019 federal tax return that was filed in October 2020. While the Company expanded its deduction for repairs expenses, the deferred taxes for this deduction continued to be normalized and therefore, were not part of the tax method accounting change and deferral application. Since the meters and IDD #5 basis adjustments were new, Avista determined that the flow-through method of tax accounting would be appropriate and requested to utilize the flow-through method of tax accounting in Docket No. UM 2124. A flow-through book-to-tax difference is also a temporary difference that adjusts current income tax expense but does not have an offsetting deferred income tax expense amount. This allows the tax benefits to be given to customers over a shorter period than if using the normalization method.

By changing to the flow-through method of accounting for certain basis adjustments, including IDD #5 and meters, Avista recorded approximately $21.4 million in May 2021 as a regulatory liability and totaled $22.3 million as of December 31, 2021 which was made available to offset customers' rates in the Company's prior general rate case, UG-433, effective August 22, 2022 that included Schedule 486 "Tax Customer Credit" that is passing these benefits back to customers over a period of 10-years. In the Company's subsequent general rate case, UG 461, the Commission approved updating the Schedule 486 "Tax Customer Credit" rate to include expected

[3] With the enactment of the Tax Cuts and Jobs Act (TCJA) passed in December 2017, the Company was no longer able to utilize bonus depreciation under IRC Section 168(k). The Company entered into the 2019 tax review project as a replacement for tax cash savings.

benefits of $21.0 million as of December 31, 2023, and amortize over the remaining months of the original 10-year period. In the Company's most recent general rate case, UG 519, the Commission approved new Tariff Schedule 488 "Tax Customer Credit - Oregon" passing back additional benefits of $5 million to customers over a period of 3-years. Additional amounts deferred will be addressed in a future general rate case**.**

II. PROPOSED ACCOUNTING

The Company received approval from all three states to utilize the flow-through method of accounting for the basis adjustments described above in May 2021. The Company recorded the amounts that had accumulated at that point related to those basis adjustments to FERC Account No. 254393 – Regulatory Liability at the grossed-up amount. Associated deferred taxes were also recorded on this deferral in FERC Account No. 190393 – ADFIT. The net of these two accounts equals the amount that had been recorded in FERC Account. No. 282900 and have been included as an offset to rate base. This allowed customers to continue to receive the benefits of the basis adjustments, as a reduction to rate base, until the flow-through benefits were included in rates.

As a part of the Company's prior general rate cases, UG 433 and UG 461, these accumulated tax credit benefits recorded in FERC Account No. 254393 were included in rates and are being returned through adder Schedule 486 "Tax Customer Credit" over a 10-year period effective August 22, 2022 and Schedule 488 "Tax Customer Credit" over a 3-year period effective September 1, 2025.. As these credits are being returned to customers, the Company is amortizing the accumulated tax credits recorded in the regulatory liability account as approved by the Commission. Any remaining balance will be considered in a future general rate case. The Company is proposing to continue to defer future annual benefits of these two basis adjustments

to ensure the customer receives all the benefits from the flow-through.

III. REQUEST FOR RELIEF

WHEREFORE, Avista Utilities respectfully requests that the Commission reauthorize the Company to defer the following:

- The federal tax benefits due to changing its accounting for federal income tax expense from a normalization method to a flow-through method for certain plant basis adjustments, including Industry Director Directive No. 5 (IDD #5) and meters for the 12-month period beginning October 30, 2026.

The Company is not proposing an adjustment to customers' retail rates through this Application. The impact on federal income tax expense and ADFIT, which is a component of rate base, would be included in a future general rate case. Pursuant to OAR 800-027-0300(3)(e)(6), a copy of the Notice of Application is attached to this Application as Exhibit A.

DATED this 1st day of October 2026.

Respectfully submitted,

Avista Corporation

By 

Patrick Ehrbar
Vice President, Regulatory Affairs
Avista Corporation

Docket No. UM 2124

NOTICE OF APPLICATION FOR REAUTHORIZATION OF CERTAIN DEFERRAL ACCOUNTS

October 1, 2026

To All Parties Who Participated in UG 519:

Please be advised that on October 1, 2026, Avista Corporation, dba Avista Utilities (Avista or "Company), applied to the Public Utility Commission of Oregon (Commission) for an order reauthorizing the Company to utilize deferred accounting for certain federal and state income taxes. This filing has been made pursuant to ORS 757.259 and OAR 860-027-0300(4).

This Notice is being provided to all parties that participated in Avista's most recent general rate case, Docket No. UG 519, to inform them that an Application for Reauthorization 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:

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(509) 495-8620

Public Utility Commission of Oregon
Attn: Filing Center
201 High Street SE, Suite 100
PO Box 1088
Salem, OR 97301-1088
(509) 373-0886

Any person may submit to the Commission written comments on this matter by October 26, 2026. 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 1st day of October 2026.

By: _____

Anni Glogovac, Counsel for Regulatory Affairs

UM 2124 – EXHIBIT A

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served Avista's application for an order authorizing deferred accounting and ratemaking treatment of costs associated with income tax expense for certain plant basis adjustments, upon the parties listed below.

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

Dated at Spokane, Washington this 1st day of October 2026.

/s/ Athena Allen
Athena Allen
Regulatory Affairs Analyst