

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 19, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2015

DATE: October 9, 2015

TO: Public Utility Commission

FROM: Mitchell Moore *mm*

THROUGH: *J* Jason Eisdorfer and *J Jan MH* Marc Hellman

SUBJECT: AVISTA UTILITIES: (Docket No. UG 290/Advice No. 15-05-G) Updates rates on Schedule 476, Intervenor Funding.

STAFF RECOMMENDATION:

I recommend that Avista Utilities' filing (Avista or Company) be approved, and the associated tariffs be allowed to go into effect on November 1, 2015.

ISSUE:

In this filing, Avista updates the rate increments in its Schedule No. 476, Intervenor Funding Grants - Oregon, to reflect currently deferred account balances, in accordance with Order No. 07-397, which requires the costs associated with intervenor funding be allocated to the customer class on whose behalf the intervenor is acting.

For the upcoming November 1, 2015, through October 31, 2016 period (2015/2016 PGA Year), Avista proposes to adjust residential rates to seek recovery of deferred expenses of approximately \$15,000, and to return approximately \$64,000 to commercial customers due to over-collecting last year's expense. These amounts represent outstanding deferred balances that result from the addition of intervenor funding expenses incurred¹ and the balances remaining from the reconciliation of the estimated and actual amortization amounts for the 2014/2015 PGA Year.

¹ The details of the new intervenor funding are located in Staff's Public Meeting memo (UM 1356(8)) attached to Order No. 15-306.

APPLICABLE LAW:

This filing is made pursuant to ORS 757.259, which authorizes deferred utility expenses or revenues to be allowed (amortized) in rates to the extent authorized by the Commission in a proceeding to change rates.

In accordance with ORS 727.259(5), the amortization of intervenor funding is not subject to an earnings review. Further, the intervenor funding amortization balance is not included in the three percent test that caps the level of deferred costs that may be amortized during a calendar year per ORS 757.259(4). The currently deferred intervenor costs at issue here were authorized most recently by Order No. 14-319 (Docket No. UM 1356(7)).²

ANALYSIS:

Staff reviewed Avista's application and supporting workpapers to see if the amortized amounts reconciled with the previous year balances are consistent with Intervenor Funding grants that were paid by the Company, that interest was applied correctly, and that the proposed rate increments are applied correctly.

Deferred intervenor fund expenses for residential customers are accounted for in FERC Account 191723, and those expenses assigned to industrial customers are accounted for in FERC Account 191724. The balancing account amounts were calculated as shown in the tables below.

² Reauthorization for deferral of intervenor costs that may occur during November 1, 2015, and October 31, 2016, was approved by Order No. 15-306. (UM 1356(8)).

Residential Account 191723		
1	November 1, 2014, Beginning Balance	\$ 1,417
2	Add New Intervenor Funding Expense to be amortized (2014/2015 PGA Year)	81,816
3	Remove Actual & Estimated Monthly Amortizations (2013/2014 PGA Year)	(61,334)
4	Add Actual & Estimated Interest (2013/2014 PGA Year)	714
5	Add New Intervenor Funding Expense to be amortized (2014/2015 PGA Year)	61,438
6	Add Estimated Interest (2014/2015 PGA Year)	168
7	Total Deferred Balance to be amortized before revenue sensitive adjustment	\$ 84,904
8	Revenue Sensitive Factor	1.02977
9	Total Deferred Balance to be amortized adjusted for revenue sensitive factors	\$ 87,431

Industrial Account 191724		
1	November 1, 2013, Beginning Balance	\$ (2,871)
2	Add New Intervenor Funding Expense to be amortized (2013/2014 PGA Year)	12,769
3	Remove Actual & Estimated Monthly Amortizations (2013/2014 PGA Year)	(52,850)
4	Add Actual & Estimated Interest (2013/2014 PGA Year)	(348)
5	Add New Intervenor Funding Expense to be amortized (2014/2015 PGA Year)	34,977
6	Add Estimated Interest (2014/2015) PGA Year	(77)
7	Total Deferred Balance to be amortized before revenue sensitive adjustment	\$ (8,401)
8	Revenue Sensitive Factor	1.02977
9	Total Deferred Balance to be amortized adjusted for revenue sensitive factors	\$ (8,652)

Avista's proposed changes will increase the residential amortization rate from the current rate of \$0.00150 to \$0.00183 per therm, a 22 percent increase. The current industrial amortization rate of \$0.00135 will decrease to a negative rate of (\$0.00157) per therm, resulting in a 216 percent decrease. The total change in revenue for residential and industrial combined is a negative (i.e. decrease) of (\$48,206). Individually, the residential class contributes \$15,704, and the industrial class receive a refund of (\$63,911) [referred to in accounting terms as "contributing a negative \$63,911], to the revenue adjustment for this filing.

CONCLUSION:

After a review of Avista's updated proposal and associated workpapers, Staff finds that Avista's accounting, including the application of interest, is accurate. Staff also finds that the proposed rate increments are calculated correctly. For these reasons, Staff recommends the Commission approve this filing.

PROPOSED COMMISSION MOTION:

Avista's filing be approved and the associated tariffs be allowed to take effect on November 1, 2015.