

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 20, 2020**

REGULAR CONSENT EFFECTIVE DATE October 1, 2020

DATE: October 9, 2020

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. UM 1974(2))
Request for authorization of deferred accounting for Demand-Side Management revenues and expenses.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Idaho Power Company's (Idaho Power, IPC, or Company) request to defer demand-side management revenues and expenses for the 12-month period beginning October 1, 2020.

DISCUSSION:

Issue

Whether the Commission should approve Idaho Power's Application for Deferred Accounting of Demand-Side Management Revenues and Expenditures, to support Idaho Power's rates collected pursuant to its Tariff Schedule 91 – Energy Efficiency Rider (EE Rider) – which collects revenues and expenditures associated with the analysis and implementation of energy conservation and demand response programs.

Applicable Law

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs. OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as reason for the deferral, estimated amount of the deferral, etc.

Analysis

Description of Expense

Idaho Power collects revenue from customers through its EE Rider and uses the revenue to fund Demand-Side Management (DSM). It is a balancing account mechanism that was approved by the Commission at its August 30, 2005, meeting.

The EE Rider charges customers a percentage of the sum of the monthly charges for the base rate components of their electric bill. Base rate components include the service charge, energy charges, demand charges, and the basic charge. The revenues are then recorded in a regulatory liability account. As funds are used for DSM activities, the balancing account is debited for the amount of the expenditure.

The intent of the balancing account mechanism is to keep the balance in this account as close to zero as possible – e.g. to match incoming revenues collected through the EE Rider with DSM expenditures. Staff finds that a deferral is required to support the balancing account ratemaking treatment.

Reason for Deferral

The Company filed this deferral at the request of Staff in order to bring the previously approved balancing account mechanism into compliance with ORS 757.259.

Proposed Accounting

Idaho Power records the revenues and expenses that would be subject to this deferral in accordance with the Code of Federal Regulations to the Federal Energy Regulatory Commission Account 254 (Regulatory Liability).

Estimate of Amounts

The Company estimates net amounts deferred beginning the date of this application through August 2021 to be approximately \$290,000.

Information Related to Future Amortization

- Earnings review – the Commission will review earnings in accordance with ORS 757.259(5) at the time of amortization. Staff does not recommend the Commission impose an earnings test that would result in a sharing of costs between shareholders and customers in this case.
- Prudence Review – A prudence review will be conducted prior to amortization, and should include a verification of the accounting methodology used to determine the final amortization balance.

- Sharing – There is no sharing mechanism under Schedule 91.
- Rate Spread/Design – The deferred amortization amount will be spread on an equal cents percentage of customer base rate components, as specified in Schedule 91.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because Idaho Power is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

Conclusion

Staff reviewed the Company's application and accompanying work papers. The application meets the requirements of ORS 757.259 and OAR 860-027-0300 and is an appropriate use of the deferral statute. Staff recommends the application be approved.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's request to defer demand-side management revenues and expenses for the 12-month period beginning October 1, 2020.