

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 4, 2018

REGULAR CONSENT EFFECTIVE DATE October 18, 2018

DATE: November 21, 2018

TO: Public Utility Commission

FROM: Mitchell Moore *MPM*

THROUGH: Jason Eisdoffer *EP* and John Crider *JC*

SUBJECT: IDAHO POWER COMPANY: (Docket No. UM 1974) 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 or Company) request to defer demand-side management revenues and expenses for the period October 18, 2018 through October 17, 2019.

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 September 2019 to be approximately \$880,000.¹

¹ As of September 30, 2018, the EE Rider balance was approximately (\$6.8 million), meaning that since implementation the Company has spent \$6.8 million more on the pursuit of cost-effective energy efficiency than customers have paid towards those efforts. The anticipated balance ending September 2019 is anticipated to be approximately (\$7.7 million). Idaho Power has filed Advice No. 18-10 to adjust the EE Rider amortization schedule, and Advice No. 18-11 to adjust its Solar PV Rider, which will come before the Commission at its December 18, 2018 public meeting.

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

The Company's Application meets the requirements of ORS 757.259 and OAR 860-027-0300. Staff believes that approval of this deferral will bring Idaho Power's existing EE Rider balancing account mechanism into compliance with Oregon laws, and for this reason recommends it be approved.

PROPOSED COMMISSION MOTION:

Approve Idaho Power Company's request to defer demand-side management revenues and expenses for the period October 18, 2018 through October 17, 2019, with ratemaking treatment to be considered in a subsequent proceeding.