ITEM NO. CA20

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 27, 2022

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** __________N/A__________

DATE: December 16, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: IDAHO POWER COMPANY:
(Docket No. UM 1974(4))
Requests for reauthorization 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, 2022.

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 (EE) 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

Background
Idaho Power seeks reauthorization from the Commission to defer, for future true-up, EE Rider revenues, and Demand-Side Management (DSM) activity expenditures. The EE Rider is a balancing account mechanism that 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. Revenues received from the EE Rider fund the Company's DSM activities and are recorded in a regulatory liability account. As funds are used for DSM activities, the balancing account is debited for the amount of the expenditure disbursement.

The intent of the balancing account mechanism is to keep the balance in this account as close to zero as possible. The Commission approved the establishment of Idaho Power's EE Rider effective August 31, 2005, and approved the Company's request to defer demand side management revenues and expenses with Order No. 18-457.

In addition, the Company requests that deferred amounts are exempt from the deferral earnings test because the Company's DSM activities are cost-effective conservation resources under ORS 757.262, and therefore, not subject to ORS 757.259(5). This treatment is also consistent with the Commission approval of the EE Rider with Advice No. 05-03.

Reason for deferral
Idaho Power has been funding the pursuit of cost-effective energy efficiency through the EE Rider balancing account mechanism with the goal of using customers' funds wisely by providing conscientious, prudent, and responsible action and activities. All energy efficiency and demand response offerings to Oregon customers are managed in accordance with various Idaho Power tariff schedules authorized by the Commission prior to commencement of any such offering.

The Company also annually prepares a report summarizing the efforts, energy savings, and DSM expenditures for the prior year, and beginning in 2016, files it with the Commission in Docket No. UM 1710.

Continued Commission approval of the ongoing operation of the EE Rider balancing account, and deferral authorization, is critical to Idaho Power's pursuit of cost-effective energy efficiency.

Description of Expenses
As of August 31, 2022, the Oregon jurisdictional EE Rider balance was approximately positive $103,000, meaning the Company has an additional $103,000 of customer funds to spend on the pursuit of cost-effective energy efficiency.

Proposed Accounting
Idaho Power records revenues and expenses that would be subject to the deferral order 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 2023 to be approximately $10,000, for a total balance of approximately positive $113,000.

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. Accordingly, Staff recommends the application be approved.

The Company has reviewed this memo and agrees with its contents.

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, 2022, ending September 30, 2023.