

ORDER NO.

ITEM NO. CA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 9, 2022**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: July 18, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: AVISTA UTILITIES:
(Docket No. UM 1978)
Application for reauthorization to defer accounting for its Low-Income Rate Assistance Program.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Avista Corporation dba Avista Utilities' (Avista, AVA, or Company) request to reauthorize the deferral of costs associated with its Low-Income Rate Assistance Program (LIRAP) for the 12-month period beginning January 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for reauthorization to defer costs associated with its low-income rate assistance program.

Applicable Law

Under ORS 757.259(2)(e), the Commission may authorize deferred accounting for later incorporation in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

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Identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings. When subject to an automatic adjustment clause under ORS 757.210(1), the Commission may require an earnings review. With some exceptions, a company's amortization of amounts deferred under ORS 757.259(5) cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

Analysis

Background

Deferral of the revenues related to the Company's natural gas LIRAP was most recently authorized by the Commission on February 25, 2021, through Order No.21-063 of Docket No. UM 1978. The authorization for deferred accounting treatment as described can be authorized pursuant to ORS 757.259(2)(e).

Avista collects funds necessary to administer and deliver low-income programs to its customers. The purpose of LIRAP is to reduce the energy cost burden among those customers least able to pay energy bills, and—under the Company's Tariff Schedule 493, "Residential Low-Income Rate Assistance Program (LIRAP) – Oregon" —the revenue collected is provided to the four Community Action Agencies in Avista's Oregon service territory for disbursement to qualifying customers and for administration of the program.

Over a 12-month period, the Company records the funds collected through Schedule 493—netted with the costs of LIRAP—in a balancing account. Any unspent funds or uncollected costs are held over to the following year, with any adjustments needed requested in January of each year.

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Proposed Accounting

In this Reauthorization application, Avista is not proposing any change to the current deferral accounting. The Company would continue to record the funds collected through Schedule 493.

Current Deferral Balance

On December 31, 2020, the total unspent balance in the Low-Income Energy Assistance account, subject to deferral, was \$121,308.

Information Related to Future Amortization

- Earnings Review – ORS 757.259(5) requires an earnings review prior to amortization of amounts deferred under ORS 757.259(2)(e). Staff is not proposing to apply an earnings test for recovery in rates of this deferral because it is associated with a low-income energy assistance program as generally directed by the Commission.
- Prudence Review – Prudence review is required prior to deferral amortization.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Rate Design – The costs are allocated among all of Avista's Oregon customers on an equal cents per term basis.
- Three Percent Test (OAR 757.259 (6)) – The amortization of the deferral costs will be subject to the three percent test in accordance with ORS 757.259(7) and (8), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

Based on Staff's review of Avista's application, Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259.

Further, the Company's application for deferred accounting meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, and because the reason for deferral is valid, Staff recommends Avista's application be approved.

The Company has reviewed a draft of this memo and voiced no concerns.

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PROPOSED COMMISSION MOTION:

Approve Avista's application for re-authorization to defer costs associated with its LIRAP program for the 12-month period beginning January 1, 2022.

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