



continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

A deferral may be authorized under ORS 757.259(2) for a period not to exceed 12 months beginning on or after the date of application.

### Analysis

#### *Background*

On August 16, 2022, through Order No. 22-302 of Docket No. UM 1978, the Commission authorized deferral of the revenues related to the Company's natural gas Low-Income Rate Assistance Program. The authorization for deferred accounting treatment as described above can be authorized pursuant to ORS 757.259(2)(e).

Under the Company's Tariff Schedule 493, "Residential Low-Income Rate Assistance Program (LIRAP) – Oregon," 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 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.

#### *Reason for Deferral*

Under ORS 757.259(2)(e), specifically "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."

#### *Proposed Accounting*

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 Activity*

On December 31, 2021, the total unspent balance in the Low-Income Energy Assistance account, subject to deferral, was \$87,811.

The Company's program-to-date collections exceeded its costs by \$67,297, with these funds subsequently spent in 2020. On December 31, 2020, the program costs exceeded the funds collected by \$47,056, thereby decreasing the total carryover balance to \$121,308, after accounting for \$6,955 in accumulated interest, with collections then exceeding costs by \$40,222 in 2021. On December 31, 2021, the carryover balance for 2022 was \$87,811. See below.

Avista's LIRAP Summary	
Transactions Recorded in Balancing Account (FERC Account No. 242.7)	
For December 31, 2019 through December 31, 2021	
Balance at December 31, 2019	\$ (67,297)
2020 Tariff Collections	(219,363)
2020 LIRAP Costs	172,307
2020 Interest	(6,955)
Balance at December 31, 2020	\$ (121,308)
2021 Tariff Collections	(221,153)
2021 LIRAP Costs	261,375
2021 Interest	(6,725)
Balance at December 31, 2021	\$ (87,811)

*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.

### **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, 2023.