

ITEM NO: 2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2018

REGULAR _____ CONSENT X EFFECTIVE DATE December 31, 2018

DATE: December 11, 2018

TO: Public Utility Commission

FROM: Mitchell Moore 

THROUGH: Jason Eisdorfer and John Crider

SUBJECT: AVISTA UTILITIES: (Docket No. UM 1979) Requests authorization to defer costs associated with energy efficiency programs.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Avista Utilities' (Avista or Company) request to authorize the deferral of costs associated with its energy efficiency programs for the 12-month period beginning December 31, 2018.¹

DISCUSSION:

Issue

Whether the Commission should approve Avista's request for authorization to defer costs associated with its energy efficiency programs.

Applicable Law

Avista makes this filing in accordance with 757.259 and OAR 860-027-0300. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for applications to defer.

¹ Avista filed this deferral at the request of Staff due to a change in understanding regarding the need for deferrals underlying certain balancing accounts.

Analysis

Background:

In Avista's 2015 general rate case (Docket No. UG 288), the Commission approved the implementation of Avista's Public Purpose Charge (PPC) tariff, Schedule 469, established to provide for the recovery of costs associated with energy efficiency programs. Programs funded through the PPC include: conservation acquisition managed by the Energy Trust of Oregon (ETO); Avista Oregon Low Income Energy Efficiency Program (AOLIEE); and Company energy efficient program administrative costs.

This deferral authorization is associated with energy efficiency costs that are amortized through Avista's Schedule 469 tariff. The Company makes an annual filing to update the PPC rates in recovering these costs. Advice No. 18-06-G is currently pending before the Commission to adjust rates in Schedule 469.

Proposed Accounting:

Avista proposes to account for the expenses associated with the PPC by recording the expenses in FERC Account 242.6.

Estimated Deferrals in Authorization Period:

Avista's proposed budget for the 2019 program year as stated in Advice No. 18-06-G is approximately \$3.2 million. Rates in Schedule 469 are proposed to collect this amount in 2019. Any unspent or uncollected costs will be held over to the following year.

Information Related to Future Amortization:

- Earnings review – An earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance.
- Sharing – One hundred percent of the deferred balance is subject to utility recovery, pending a prudence review.
- Rate Spread/Design – The costs are allocated among all Avista's Oregon customers on an equal cents per therm basis.
- 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.

Conclusion

As the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is valid, Staff recommends the Commission approve Avista's application.

PROPOSED COMMISSION MOTION:

Approve Avista's request to authorize the deferral of costs associated with its energy efficiency programs for the 12-month period beginning December 31, 2018.