

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 25, 2020**

REGULAR  CONSENT  EFFECTIVE DATE January 1, 2020

**DATE:** February 14, 2020

**TO:** Public Utility Commission

**FROM:** Mitchell Moore

**THROUGH:** Michael Dougherty, John Crider, and Matt Muldoon **SIGNED**

**SUBJECT:** AVISTA UTILITIES:  
(Docket No. UM 2053)  
Requests authorization of deferred accounting related to a change in annual regulatory fees.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Avista Utilities' (Avista or Company) request to defer costs associated with the incremental difference in the current annual regulatory fee of 0.30 of gross operating revenues, and the costs associated with any increase in the annual regulatory fee for the 12-month period beginning January 1, 2020.

**DISCUSSION:**

Issue

Whether the Commission should approve Avista's request for authorization to defer costs associated with the variance in the annual regulatory fee and the amount collected in rates.

Applicable rule and law

Avista submitted its deferral application on December 31, 2019, in accordance with ORS 757.259, and OAR 860-027-0300. ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates. OAR 860-027-0300 are the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

## Analysis

### *Background:*

OAR 860-021-0033 requires electric utilities to pay regulatory fees to the Commission each year by April 1. The fee payable by the electric utility is an annual fee rate multiplied by the utility's gross operating revenues derived within Oregon for the previous calendar year. The annual fee rate is set by Commission order entered on or after March 1 of each year.

On February 26, 2019, the Commission issued Order No. 19-060, setting the annual fee rate at 0.30 percent of the gross operating revenues for electric, natural gas, and water utilities.

Senate Bill (SB) 68, enacted in May 2019, allows the Commission to increase the annual fee from 0.3 percent of utilities' gross operating revenue to a percentage not to exceed 0.45 percent gross operating revenue.

### *Description of deferral:*

The Company seeks to defer for later amortization into rates any incremental difference between amounts currently collected in rates for the Commission-imposed fee, which is based on a fee of 0.3 percent of gross operating revenues, and the amounts potentially owed as a result of a Commission authorized increase.

### *Proposed Accounting:*

Avista will record deferred costs related to the increase by in FERC Account 182.3 – Other Regulatory Assets, with a credit to FERC account 456 – Other Revenues.

### *Estimated Deferrals in Authorization Period:*

The Company estimates that the amount to be deferred, above what is included in customer rates at the current 0.3 percent allowable level, would be approximately \$225,000 in the event the Commission authorizes a regulatory fee increase up to the maximum 0.45 percent allowable by ORS 756.310.

*Information Related to Future Amortization:*

- Earnings Review – ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e).
- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Avista proposes no sharing because the annual fees are collected from customers and directly passed through to the Commission.
- Rate Spread/Design – Account balances are to be 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 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:

Staff concludes that the Company's application to authorize deferral of a potential increase in the annual regulatory fee is consistent with ORS 757.259.

While an earnings review is required prior to amortization of this deferral pursuant to ORS 757.259(5), the Commission is not required to perform an earnings test that could result in sharing of deferred costs between the Company and customers. Staff recommends that deferred amounts not be subject to sharing pursuant to an earnings test for two reasons: First, the PUC fee is collected from customers and directly passed-through to the Commission. Second, the Company's proposal to not subject the deferred amounts to sharing is generally consistent with the treatment allowed by the Commission in Order No. 10-083, wherein the Commission lowered the annual PUC rate and ordered electric and natural gas utilities to defer the difference between the previous rate and the revised rates. In Docket UM 1488, the utilities put forth proposals for amortization of deferred PUC fee credits to customers, which were not subject to sharing from the results of an earnings review.<sup>1</sup>

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<sup>1</sup> See *In re Amortization Proposals Related to PUC Fee Deferral Ordered in UM 1012*, OPUC Docket No. UM 1488, Order Nos. 10-443 (NW Natural), 10-437 (Cascade), 10-436 (Avista), 10-373 (Idaho Power), 10-372 (PGE), and 10-307 (PacifiCorp) (2010).

**PROPOSED COMMISSION MOTION:**

Approve Avista's request to defer costs associated with the incremental difference in the current annual regulatory fee of 0.30 of gross operating revenues, and the costs associated with any increase in the annual regulatory fee, for the 12-month period beginning January 1, 2020.