

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 22, 2023**

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

DATE: July 31, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: AVISTA:  
(Docket No. UM 2232)  
Application for Reauthorization of Deferred Accounting of Costs  
Associated with House Bill 2475 (HB 2475) Energy Affordability Act

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Avista Corporation dba Avista Utilities' (Avista or Company) application for reauthorization of deferred accounting of costs associated with HB 2475, effective for the 12-month period beginning on February 10, 2023.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's request for reauthorization to defer accounting of costs associated with House Bill 2475.

Applicable Law

Under Oregon Revised Statute (ORS) 757.259, 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:

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. ORS 757.259(2)(e).

In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Notice of the application must be provided pursuant to OAR 860-027-0300(6).

ORS 757.230 provides the Commission authority to take certain considerations into account when determining a comprehensive classification of service for each public utility; including, the quantity used, the time when used, the purpose for which used, the existence of price competition or a service alternative, the services being provided, the conditions of service, differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers.

### Analysis

#### *Background*

In May 2021, the Governor of Oregon signed into law HB 2475, the Energy Affordability Act. Among other provisions, this bill amends ORS 757.230(1) to provide that utilities may consider the “differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers” when designing rates and provides utilities with the opportunity to offer a bill discount to income-qualified eligible residential customers.

The Company’s proposal for providing a low-income bill discount program to eligible residential customers, in alignment with HB 2475, was approved by the Commission on July 26, 2022, in Docket No. ADV 1410/Advice No. 22-03-G. Prior to that order being issued, the Commission first authorized this deferral on March 22, 2022, in Docket No. UM 2232, Order No. 22-099. The Commission also required in Order No. 22-099 that recorded costs under the deferral accrue at the modified blended treasury rate until otherwise changed by Commission order.

#### *Current Deferral Balances*

As of December 31, 2022, the total balance in the Regulatory Asset for Energy Affordability Act implementation account (FERC account 182.3), was \$219,732.

The Company plans to seek recovery of the deferral and a proposed level of revenues to support the LIRAP Bill Discount and associated LIRAP modifications in a future filing.

*Proposed Accounting*

The Company is not proposing any change to the current deferral accounting. Costs to operate and administer the bill discount program will be recorded in FERC Account 908 (Customer Assistance Expenses), and proposal would record and track the deferred amounts to Account 182.3 (Other Regulatory Asset).

The Company will continue to record and track the funds as described above and Staff expects to revisit cost recovery of these deferred balances with a rate adjustment proposal in Q3 of 2023.

*Information Related to Future Amortization*

- Earnings review: Staff finds that an earnings review is required prior to amortization, pursuant to ORS 757.259(5). Given the purpose of this deferral, Staff does not intend to recommend applying the earnings test to recovery of funds.
- Prudence Review: A prudence review is also required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance. The prudence review will be held after Avista files for amortization.
- Sharing: One hundred percent (100%) of the deferred costs are subject to utility recovery, pending an earnings and prudence review.
- Interest Rate: Per Order No. 22-099, the deferred balance will accrue interest at the current MBT at all times until revised by a subsequent Commission order.
- 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.

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### Conclusion

Staff concludes that reauthorization of the deferral will benefit Oregon ratepayers. Thus, Staff recommends the Commission reauthorize deferral of costs associated with HB 2475 Energy Affordability Act for the 12-month period beginning February 10, 2023.

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

### **PROPOSED COMMISSION MOTION:**

Approve Avista's application request for reauthorization to defer costs associated with the HB 2475 Energy Affordability Act for the 12-month period beginning February 10, 2023.

AVA UM 2232 HB 2475 Cost Deferral