

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 27, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2023

DATE: December 13, 2022

TO: Public Utility Commission

FROM: Charles Lockwood

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: AVISTA UTILITIES:
(Docket No. ADV 1452/Advice No. 22-11-G)
Updates Schedules 469 and 485, Public Purpose Charge and Low-
Income Energy Efficiency Program.

STAFF RECOMMENDATION:

Approve Avista Utilities' (Avista or Company) Advice No. 22-11-G filing to update Schedule 469, decreasing the Public Purpose Funding Surcharge (Public Purpose Charge or PPC) and adding Special Condition 4, and revising Schedule 485, Avista Oregon Low-Income Energy Efficiency (AOLIEE) Program, effective for service rendered on and after January 1, 2023.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve Avista's proposed revisions to Schedule 469, the Public Purpose Charge, and Schedule 485, the AOLIEE program tariff, with an effective date for service of January 1, 2023.

Applicable Rule or Law

ORS 469.633 requires investor-owned utilities to have energy efficiency programs, and ORS 757.262 states that the Commission may adopt policies designed to encourage the acquisition of cost-effective conservation resources and may authorize period rate adjustments associated with the implementation of such policies.

Under ORS 757.205(1), a public utility shall file with the Public Utility Commission schedules showing all rates, tolls, and charges that it has established and are in force at the time for any service performed by it within the state, or for any service in connection therewith or performed by any public utility controlled or operated by it.

The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable under ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025.

OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220, OAR 860-022-0015. The Commission may approve tariff changes on less than statutory notice upon a finding of good cause shown pursuant to ORS 757.220 and OAR 860-022-0020.

Analysis

Background

The PPC applies a monthly charge to utility bills equal to a percentage of customers' total charges for gas service. Collections from this charge fund natural gas energy efficiency programs offered by Energy Trust of Oregon (Energy Trust or ETO), the AOLIEE program, and the Company's energy efficiency program marketing and administrative costs.

On November 15, 2022, Avista filed Advice No. 22-11-G, proposing two revisions to Schedule 469, decreasing the PPC by \$2,199,918, or 1.5 percent, and the addition of Special Condition 4. Avista also proposed modifications to Schedule 485, the AOLIEE tariff, incorporating program adjustments intended to further expand the reach of the Company's low-income energy efficiency offerings and better support the Community Action Partnership Agencies (Agency or Agencies), who administer the AOLIEE program.

Schedule 469 Revisions

Avista proposes a total 2023 public purpose budget of \$4,571,094, with \$3,374,609 (74 percent) allocated to Energy Trust, \$874,023 (19 percent) allocated to the AOLIEE program, and the additional \$322,462 (7 percent) spread amongst general labor, marketing, and administrative and travel costs.

The Company's 2023 ETO budget decreased from \$4,943,292 in 2022 to \$3,374,609 for 2023, a decrease of \$1,568,683. Avista states that the decrease is the result of robust savings and participation forecasts for 2022 that were not fully realized, due in part to the lingering impacts of the COVID-19 pandemic and increased inflation. In addition to the \$3,374,609 allocated to ETO, the Company will also provide ETO with \$1,671,239 in reserve funding, bringing the total ETO funding to \$5,045,848.

Based on negotiations between Avista and ETO, the negotiated reserve funding increased to \$1,671,239, approximately 51 percent of the overall ETO budget for 2023. The Company states this increase was to mitigate any potential rate increases through 2024 by providing a funding buffer built into the lower budget amount. The reserve funding is forecasted to remain at over 15 percent in 2024.

Due to ETO's lower spending during the 2022 program year, ETO anticipates approximately \$2,846,915 in carryover funding to be available for the 2023 program year, resulting in an actual funding need of \$2,193,292 for 2023, in addition to the Company's other energy efficiency program costs.

The Company illustrates a total funding need of \$3,389,777 to meet the funding needs of the ETO and the Company's Oregon energy efficiency programs. Avista currently estimates a year-end surplus of approximately \$207,563 in funds collected from the PPC during 2022, therefore, the Company will need to recover an additional \$3,182,214 through rates. Avista proposes a rate decrease of \$2,199,918, or 1.5 percent, effective January 1, 2023, to recover the proposed total funding need, and states that the primary driver of this rate decrease is the decrease in the ETO budget in addition to the 2022 ETO carryover surplus.

Table 1. 2023 Public Purpose Budget Calculation Summary

Expenditure Type	Budget	PPC %
2023 ETO Budget	\$3,374,609	74%
AOILEE Program	\$874,023	19%
General Labor	\$184,462	4%
Marketing	\$125,000	3%
Admin/Travel	\$13,000	0%
Total	\$4,571,094	100%

Avista also includes the addition of a Special Condition 4 to the Company's revisions to Schedule 469. Special Condition 4 states:

Funding provided to ETO for purposes of providing energy efficiency services to customers taking service under Schedules 439, 440, and 456 will be recovered separately from the Public Purpose Funding Surcharge.

Avista states that this language allows ETO to serve Avista's natural gas interruptible and transport customers with energy efficiency services. Avista states there will be no immediate rate impact associated with the addition, as the Company plans to defer these expenses as part of its "Application of Avista Corporation For An Order Authorizing Deferral Of Costs Of Compliance With The Climate Protection Plan", which is pending Commission approval in Docket No. UM 2254, and request recovery in a filing in 2023. Staff understands that this language does not authorize recovery of any funds provided to ETO for the purposes outlined in Special Condition 4. Rather, it authorizes ETO to serve interruptible and transport customers with funding from Avista for energy efficiency services. Avista, in doing so, accepts the risks associated with filing its application to defer such expenses, and the risk that any request to recover such expenses in rates may not be approved.

Schedule 485 Modifications

The Company also proposes several program modifications to Schedule 485, the AOLIEE program tariff, meant to provide increased flexibility and support for low-income energy efficiency programs, while expanding the reach of the AOLIEE program and prioritizing energy burdened customers within the Company's service territory. The proposed modifications were developed in a collaboration with the Agencies and other organizations that serve Avista's low-income households. By revising the AOLIEE program's distribution of funds and measure eligibility, the Company hopes to work with Agencies to eliminate current and future bottlenecks of its weatherization program.

Customer Impact

Avista estimates the monthly bill impact for an average residential customer using 48 therms per month will decrease \$1.32 per month, or 1.7 percent, for a revised monthly bill of \$78.42 effective January 1, 2023.¹

Conclusion

Staff reviewed Avista's filing and accompanying workpapers and supports the proposed tariff revisions that collectively decrease Schedule 469 collections for public purpose funding of energy efficiency programs delivered through Energy Trust of Oregon and the Avista Low-Income Energy Efficiency program. The proposed decrease appears reasonable and sufficient to fund Energy Trust's programs and Avista's low-income

¹ See Docket No. ADV 1452/Advice No. 22-11-G, Schedule 469 Workpapers, Page 1.

energy efficiency programs in 2023. Based on its understanding, as explained above, Staff also supports the addition of Special Condition 4 to Schedule 469.

Lastly, based on conversations with Avista and Staff's review of proposed AOLIEE modifications to Schedule 485, Staff supports the program modifications.

PROPOSED COMMISSION MOTION:

Approve Avista Utilities' Advice No. 22-11-G filing to update Schedule 469, decreasing the Public Purpose Charge and adding Special Condition 4, and revising Schedule 485, the AOLIEE program tariff, effective for service rendered on and after January 1, 2023.