

ITEM NO. CA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 26, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** November 1, 2023

DATE: September 21, 2023

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, Marc Hellman, Anna Kim, and Rawleigh White **SIGNED**

SUBJECT: AVISTA UTILITIES:
(Docket No. UG 469/Advice No. 23-04-G)
Requests Amortization of Intervenor Funding, Schedule 476.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Avista Corporation's, dba Avista Utilities (Avista, AVA, or Company), Advice No. 23-04-G, requesting amortization of Intervenor Funding for inclusion in rates for service rendered on and after November 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve Avista's request to update Schedule 476 to amortize deferred costs for grant funds paid to intervenors.

Applicable Rule or Law

ORS 757.072 allows energy utilities to enter into agreements for financial assistance to organizations representing customer interests in Commission proceedings, contingent upon Commission approval.

ORS 757.205 requires public utilities to file all rates, rules, and charges with the Commission. ORS 757.210 provides that the Commission may approve tariff changes if they are fair, just, and reasonable.

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation into rates. Specifically, ORS 757.259(3) allows for deferral of costs that fall under the cost category of financial assistance to organizations representing customer interests.¹ Per ORS 757.259(4), deferred costs qualifying under ORS 757.259(3) are not subject to an earnings review² or three percent test³ prior to amortization of deferred costs.

OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.

OAR 860-027-0300 sets forth the deferred accounting procedures for public utilities.

Analysis

Background

An Intervenor Funding Agreement (IFA) governs intervenor funding grants under which energy utilities may pay organizations representing customer interests in Commission proceedings.⁴ The IFA sets forth eligibility criteria, regulatory procedures, and payment issuance and review.

Expenses included for amortization in Docket No. UG 469 were deferred by the Company during the 12-month period ending June 30, 2023, plus a rollover amount from the previous deferral period. Use of intervenor funding grants for this deferral period are in accordance with the Fifth Amended and Restated Intervenor Funding Agreement, which was approved by the Commission in Order No. 22-506, and by Section IV of the Interim Funding Agreement (from HB 2475) adopted by the Commission in Order No. 22-043.

¹ ORS 757.072.

² ORS 757.259(5).

³ ORS 757.259(6).

⁴ Intervenor funding grants include the CUB Fund, Preauthorized Matching Fund, Issues Fund, and HB 2475 Fund.

The Commission most recently approved deferral of Avista's intervenor funding costs in Docket No. UM 1356(15), Order No. 22-396, for the 12 months beginning November 1, 2022.

In this request, Avista proposes to amortize amounts deferred under Docket No. UM 1356(15), with an effective date of November 1, 2023. The net effect of the new temporary adjustment for intervenor funding, proposed to go into effect November 1, 2023, will result in an increase in the Company's annual revenues in the amount of approximately \$48,000. As a result, Avista customers may experience the following bill impacts:

- The average residential customer served under Rate Schedule 410, using an average of 47 therms/month, will see a monthly increase of approximately \$0.01.
- The average interruptible commercial or industrial customer served under Rate Schedule 440, using an average of 28,000 therms/month, will see a monthly increase of approximately \$18.21.
- The average commercial and industrial customer for interruptible transportation of customer owned natural gas served under Rate Schedule 456, using an average of 77,504 therms/month, will see a monthly increase of approximately \$1,562.

Staff's prudence review focused on verification of the accounting methodology used to determine the final amortization balance. Staff reviewed Avista's application and supporting work papers to determine if the amortized amounts reconciled with the previous year's balances, are consistent with intervenor funding grants that were paid by the Company, that interest was applied correctly, and that the proposed rate increments are applied correctly. Additionally, Staff checked the Company's records against the OPUC Filing Center's Intervenor Funding Summary.⁵

The proposed adjustments for the amortization of the Intervenor Funding Account are \$0.00146 per therm for the residential Rate Schedule 410 customers, and \$0.00092 for Rate Schedules 440 and 456 industrial customers.

The number of customers affected by the proposed changes are 95,451 residential customers, and 73 commercial and industrial customers combined. Deferred expenses for residential customer are recorded in FERC Account 191723. Deferred expenses for industrial customers are recorded in FERC Account 191724.

⁵ Available at: <https://www.oregon.gov/puc/filing-center/Pages/Intervenor-Funding.aspx>.

The table below summarizes the inputs for the balancing accounts.

Residential Account 191723	
Rollover IVF balance to be amortized	6,483
Remove actual & estimated monthly amortizations (2022/2023 PGA Year)	(7,719)
Add estimated interest for projected Jul-Oct activity (2022/2023 PGA Year)	22
Add new intervenor funding estimated balance to be amortized (2023/2024 PGA Year)	78,885
Add estimated interest during amortization (2023/2024 PGA Year)	1,396
Total deferred balance to be amortized before revenue sensitive adjustment	<u>79,067</u>
Total deferred balance to be amortized adjusted for revenue sensitive factors	<u>77,767</u>

Industrial Account 191724	
Rollover IVF balance to be amortized	5,872
Remove actual & estimated monthly amortizations (2022/2023 PGA Year)	(3,766)
Add estimated interest for projected Jul-Oct activity (2022/2023 PGA Year)	25
Add new intervenor funding estimated balance to be amortized (2023/2024 PGA Year)	36,766
Add estimated interest during amortization (2023/2024 PGA Year)	<u>985</u>
Total Deferred Balance to be amortized before revenue sensitive adjustment	39,882

Staff reviewed the Company's work papers and found them to be sufficient in demonstrating the validity of the amounts recorded and correct application of interest. Staff also finds the Company's accounting to be consistent with Commission records of intervenor funding activity.

As noted in the *Applicable Law* section above, deferred expenses for intervenor funding grants are not subject to an earnings test, and therefore no earnings review was performed for this application.

Conclusion

Staff finds that Avista's accounting, including the application and rate of interest, is accurate. Staff also finds that the proposed rate increments are correctly calculated and applied. For these reasons, Staff recommends the Commission approve this filing.

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The Company reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Avista's Advice No. 23-04-G, requesting amortization of Intervenor Funding for inclusion in rates for service rendered on and after November 1, 2023.

AVA UG 469 Intervenor Funding Amortization