

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 27, 2019

REGULAR CONSENT EFFECTIVE DATE November 1, 2019

DATE: July 22, 2019

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Jason Eisdorfer and John Crider **SIGNED**

SUBJECT: AVISTA UTILITIES: (Docket No. UM 1356) Requests reauthorization to defer Intervenor Funding Grants.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Avista Corporation's dba Avista Utilities' (Avista or Company) Application for Reauthorization to defer Intervenor Funding Grants, for the twelve month period beginning November 1, 2019.

DISCUSSION:

Issue

Whether the Commission should approve Avista's Application for Reauthorization to defer intervenor funding grants, for the twelve month period beginning November 1, 2019.

Applicable Rule or Law

This request is made pursuant to ORS 757.259(3) and OAR 860-027-0300, which allows a deferral of expenses provided as financial assistance under an agreement entered into under ORS 757.072 for later incorporation in rates.

ORS 757.072 is the statute that authorizes a utility to enter funding agreements with organizations that represent broad customer interests in Commission proceedings. Once a funding agreement is approved by the Commission, organizations eligible to receive grants under the funding agreement are identified pursuant to OAR 860-001-0120. When a public utility provides financial assistance under a funding agreement,

ORS 757.072(4) states that the Commission must allow a public utility to defer inclusion of the funding provided in rates as provided in ORS 757.259. A deferral may be authorized under ORS 757.259(2) for a period not to exceed 12 months beginning on or after the date of application.

OAR 860-027-0300 specifies the required contents of an application for deferred accounting, including a description of the expense or revenue for which deferral is requested, the basis for the request, the accounts proposed for recording the amounts to be deferred, an estimate of the amounts to be recorded in the deferred account, and a copy of the notice of the application for deferred accounting.

Deferral of these costs was originally granted by the Commission in Order No. 08-015 and has been annually reauthorized, most recently by Order No. 18-333.

Analysis

Background

In its Order No. 15-335, the Commission approved an Intervenor Funding Agreement (IFA) between various utilities including Avista, and several Intervenors including the Oregon Citizens' Utility Board (CUB), and Northwest Industrial Gas Users (NWIGU), which is now the Alliance of Western Energy Consumers.

The IFA sets forth the funding amount each utility will contribute, the procedures for an Intervenor's budget submittal, Commission approval of a budget, and a utility's grant payment.

It authorizes three funds with different qualification requirements for each. They are the CUB Fund, the Preauthorized Matching Fund, and the Issue Fund. The IFA also requires the cost allocation of each fund to the appropriate customer class. The CUB fund is generated from residential rates, and industrial customers' rates include an increment to support the Preauthorized Matching Fund (Matching Fund).

The Commission allocates amounts related to the issue fund to align the costs of advocacy with the intended beneficiaries of the advocacy. Most recently, by Order No. 18-333, the Commission approved continued deferred accounting treatment for three Intervenor funds and restated IFA that extends Intervenor funding through December 2022.

This IFA also provides authority for intervenors to request an increase in annual funding. The IFA sets forth the funding amount to be contributed by each utility, the

procedures for budget submittals by Intervenors and the Commission's approval of budgets, and the payment of grants by utilities.

Reason for Deferral

In accordance with OAR 860-027-0300(4)(b), the Company requests continuation of deferred accounting to recover amounts approved pursuant to ORS 757.072 and Order No. 18-017.

Proposed Accounting

Amounts are to be debited to deferred accounts only as the utility disburses funding to a qualifying Intervenor. The proposed funding grant deferrals would be recorded in separate subaccounts of FERC Account 191. Absent the Commission's authorization of deferred accounting, the Company would incur the cost of an Intervenor funding grant.

Current Deferral Activity

In accordance with OAR 860-027-0300(4) (a), Avista provided the following information regarding the deferral activity to the date of this application. Avista will seek recovery of these deferred amounts concurrent with its upcoming purchased gas cost adjustment filing.

Order No	CUB Fund (191720)	Matching Fund (191721)	Issues Fund (191722)
18-287			\$2,000
18-345			\$5,803
18-350			\$35,760
18-379		\$18,469	
19-004	\$44,500		
19-127		\$9,971	
Interest	\$2,884	\$1,305	\$4,464
Balance at 06-30-2019	\$47,384	\$29,745	\$48,027

In addition, the funds in general ledger account 191720 (CUB Fund) in the amount of \$47,384 will be transferred to Account 191723 (Residential); the funds in general ledger account 191721 (Preauthorized Matching Fund) in the amount of \$29,745 will be transferred to 191724 (Industrial); and, of the \$48,027 balance in general ledger account 191722 (Issues Fund), \$2,401 will be transferred to 191723 for Residential Customers, and \$45,626 will be transferred to 191724 for Industrial customers for amortization.

These amounts do not include interest that will be accrued from July 1, 2019 through October 31, 2019 in accordance with the Intervenor Funding Agreement previously approved by the Commission.

Estimated Deferral in Authorization Period

At the time of its application, Avista estimated that the maximum deferred amounts during the 12-month period beginning November 1, 2019, would be as shown in the table below.

Fund	Amount
CUB Fund	\$44,500
Preauthorized Matching Fund	\$40,066
Issues Fund	\$70,000
Total	\$154,566

Information Related to Future Amortization

- Earnings Review-Pursuant to Commission Order 12-452, Appendix A, page 27, paragraph 7.9:

If a Participating Public Utility seeks rate recovery through a deferred account, the account and amortization of the account shall be exempt from the amortization caps and earnings test set forth in subsections 5,6,7,8 and 10 of ORS 757.259, as such subsections may be amended from time to time, and shall not be included in any calculation of the amortization cap for other deferred accounts.

- Prudence Review - For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing - This deferral is not subject to a sharing mechanism.
- Rate Spread/Design - Account balances are to be spread to the appropriate customer Glasses per Order No. 07-564, Appendix A, page 26, paragraph 7.7(b).
- Three Percent Test (ORS 757.259(6))" The three percent lest does not apply to amortization of this deferral. See "Earnings Review" above.

Docket No. UM 1356
July 22, 2019
Page 5

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 still valid, Staff recommends the Commission approve Avista's Application.

PROPOSED COMMISSION MOTION:

Approve Avista's Application for Reauthorization to defer Intervenor Funding Grants for the 12-month period beginning November 1, 2019.

UM 1356