

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: October 25, 2022

REGULAR _____ CONSENT X EFFECTIVE DATE November 1, 2022

DATE: October 12, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: AVISTA:
(Docket No. UM 1356(15))
Request for Re-authorization for Deferral of Costs Associated with
Intervenor Funding Grants.

STAFF RECOMMENDATION:

Approve Avista Corporation's, dba Avista Utilities (Avista, AVA, or Company) application for reauthorization to defer costs associated with intervenor funding grants for the 12-month period beginning November 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve Avista's request for reauthorization to record and defer costs related to intervenor funding grants for the 12-month period beginning November 1, 2022.

Applicable Rule or Law

ORS 757.259(3) and OAR 860-027-0300 allow the 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.

Analysis

Background

In Order No. 15-335, dated October 20, 2015, and again later in Order No. 18-017, the Commission approved the Fourth Amended and Restated Intervenor Funding Agreement (IFA) between the Company, the Oregon Citizens' Utility Board, and Northwest Industrial Gas Users through December 2022.¹ The IFA authorizes three funds from which grants could be made (the CUB Fund, the Preauthorized Matching Fund, and the Issue Fund). This IFA also provides authority for intervenors to request an increase in annual funding.

The IFA Agreement sets forth the amount available to CUB and AWEC, the procedures for budget submittals and funding requests, and payment of the grants by Avista. The Agreement provides that the Commission should allow Avista to recover all amounts paid under the Agreement and provides for amortization of amounts deferred under the Agreement.

The IFA also requires the costs of each fund to be allocated to the appropriate customer class. The CUB fund is generated from residential customer rates, while industrial customer rates 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.

¹ On April 1, 2018, NWIGU and ICNU combined to form the Alliance of Western Energy Consumers (AWEC).

Pursuant to the IFA, Avista filed its initial deferral application on November 16, 2007, which the Commission approved in Order No. 08-015. The deferral is reauthorized annually, most recently in Order No. 21-378.

Reason for Deferral

In accordance with OAR 860-027-0300(3)(b), the Company requests continuation of deferred accounting in order to recover amounts subject to the IFA in a later ratemaking proceeding. The Company's most recent authorization in Order No. 21-378 expired on October 31, 2022. Because Avista will continue to incur intervenor funding expenses pursuant to the IFA between it, CUB and AWECC, the Company requests reauthorization of this deferral starting November 1, 2022.

Proposed Accounting

Amounts are to be debited to deferred accounts only as the utility disburses funding to a qualifying Intervenor. The proposed deferrals will be recorded in separate sub-accounts of FERC Account 191, specifically Accounts 191720, 191721, and 191722.

Current Deferral Activity

In accordance with OAR 860-027-0300(4), 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 (PGA) adjustment filing. Would be as shown in the following Table 1.

Table 1: Current Deferrals²

| | CUB Fund (191720) | Preauthorized Matching Fund (191721) | Issues Fund (191722) |
|-----------------------|-------------------------|---|----------------------------|
| Per Order No. 21-395 | | \$7,798 | |
| Per Order No. 21-426 | | | \$8,050 |
| Per Order No. 22-014 | \$44,500 | | |
| Per Order No. 22-153 | | \$2,523 | |
| Interest | \$2,845 | \$748 | \$1,464 |
| Balance at 06-30-2022 | <u>\$47,345</u> | <u>\$11,069</u> | <u>\$9,514</u> |

² Table 1: Current Deferrals Supplemental application Avista company, page 3.

Estimated Deferral in Authorization Period

At the time of its application, Avista estimated that the unamortized residual balance from prior year deferrals as of October 31, 2022, as shown in the following Table 2.

Table 2: Residual Balances

| | Residential <u>Acct</u> <u>191723</u> | Industrial <u>Acct</u> <u>191724</u> |
|-----------------------------|---|--|
| Balance at June 30, 2022 | \$11,911 | \$7,643 |
| Less: Amortization | \$9,593 | \$4,703 |
| Add: Interest | \$34 | \$22 |
| Balance at October 31, 2022 | <u>\$2,352</u> | <u>\$2,962</u> |

Future Estimated Deferrals

The Company estimates that the following amounts may be deferred during the 12-month period subsequent to this Application (November 1, 2022, through October 31, 2023): would be as shown in the following Table 3.

Table 3: Estimated Deferral in Authorization Period

| <i>Fund</i> | <i>Amount</i> |
|--|-----------------|
| <i>CUB Fund</i> | <i>\$44,500</i> |
| <i>Preauthorized Matching Fund³</i> | <i>\$43,780</i> |
| <i>Issues Fund</i> | <i>\$70,000</i> |

Information Related to Future Amortization

- Earnings Review – Pursuant to ORS 757.259(4) and as stated in Commission Order No. 18-017, Appendix A at 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.

³ As s stated in the Fourth Amended Intervenor Funding Agreement, the amount for 2018 is \$37,950 increased by 3 percent each year thereafter. The pro-rated amount approved for the period November 1, 2021, through October 31, 2022, was \$42,505. The updated amount for November 1, 2022, through October 31, 2023, is \$43,780 (\$42,505 x 1.03).

- 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 classes per Order No. 18-017, Appendix A at paragraph 7.7(b).
- Three Percent Test (ORS 757.259(6)) – The three percent test does not apply to amortization of this deferral. See “Earnings Review” above.

Conclusion

The Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300 for deferred accounting, and the reason for the deferral—costs related to intervenor funding grants—is still valid. Therefore, Staff recommends the Commission approve Avista's application.

Avista has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve Avista's application for reauthorization to defer the costs associated with intervenor funding grants for the 12-month period beginning November 1, 2022.