

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 15, 2020**

REGULAR  CONSENT  EFFECTIVE DATE November 1, 2020

**DATE:** September 25, 2020

**TO:** Public Utility Commission

**FROM:** Michelle Scala

**THROUGH:** Bryan Conway and John Crider **SIGNED**

**SUBJECT:** AVISTA UTILITIES:  
(Docket No. UM 1356(13))  
Requests Reauthorization for Deferred Accounting of Intervenor Funding Grants.

**STAFF RECOMMENDATION:**

Approve Avista Corporation's, dba Avista Utilities (Avista or Company) request for reauthorization to defer costs related to Intervenor Funding Grants for the 12-month period beginning November 1, 2020.

**DISCUSSION:**

Issue

Whether the Commission should approve Avista's request for reauthorization to defer costs related to Intervenor Funding Grants for the 12-month period beginning November 1, 2020.

Applicable Law

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

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.<sup>1</sup> Deferred costs qualifying under ORS 757.259(3) are not subject to an earnings review<sup>2</sup> or three percent test,<sup>3</sup> which may limit the amounts deferrable for other non-qualifying costs.

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

### Analysis

#### *Background*

Approval of the Intervenor Funding Agreement was originally granted by the Commission in Order No. 03-388. In Order No. 18-017, the Commission approved the Fourth Amended and Restated Intervenor Funding Agreement (IFA), which 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, Commission approval of budgets, and the payment of grants by utilities. 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 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.

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. 19-28

#### *Reason for Deferral*

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<sup>1</sup> ORS 757.072.

<sup>2</sup> ORS 757.259(5).

<sup>3</sup> ORS 757.259(6).

In accordance with OAR 860-027-0300(3)(b), the Company requests continuation of deferred accounting to recover amounts subject to the IFA, as approved pursuant to 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 deferrals will be recorded in separate subaccounts of FERC Account 191, specifically account numbers 191720, 191721, and 191722.

*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.

<b>Order No.</b>	<b>CUB Fund (191720)</b>	<b>Matching Fund (191721)</b>	<b>Issues Fund (191722)</b>
19-343			\$ 25,339
20-009			\$ 24,780
19-330		\$ 4,651	
20-003	\$ 44,500		
20-117		\$ 6,434	
Interest	\$ 2,864	\$ 1,149	\$ 3,572
Balance at 06/30/2020	\$ 47,364	\$ 12,234	\$ 53,691

The funds in general ledger account 191720 (CUB Fund) in the amount of \$47,364 will be transferred to Account 191723 (Residential); the funds in general ledger account 191721 (Preauthorized Matching Fund) in the amount of \$12,234 will be transferred to 191724 (Industrial); and, of the \$53,691 balance in general ledger account 191722 (Issues Fund), \$25,753 will be transferred to 191723 for Residential Customers, and \$27,938 will be transferred to 191724 for Industrial customers for amortization. These amounts do not include interest that will be accrued from July 1, 2020 through October 31, 2020, in accordance with the Intervenor Funding Agreement previously approved by the Commission.

*Estimated Deferrals in Authorization Period*

At the time of its application, Avista estimated that the maximum deferred amounts during the 12-month period, beginning November 1, 2020, to be as shown in the table below:

<b>Fund</b>	<b>Amount</b>
CUB Fund	44,500
Preauthorized Matching Fund	41,627
Issues Fund	70,000
<b>Total</b>	<b>156,127</b>

*Information Related to Future Amortization*

- Earnings Review – Pursuant to Commission Order 18-017, Appendix A, page 28, 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 classes per Order No. 18-017, Appendix A, page 27, 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

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 to defer the costs associated with intervenor funding grants for the 12-month period beginning November 1, 2020.