

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 26, 2019

REGULAR  CONSENT  EFFECTIVE DATE December 31, 2018

DATE: February 19, 2019

TO: Public Utility Commission

FROM: Mitchell Moore *MPM*

THROUGH: Jason Eisdorfer *JE* and John Crider *JC*

SUBJECT: AVISTA UTILITIES: (Docket No. UM 1978) Requests authorization to defer costs associated with Low-Income Rate Assistance Program.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Avista Utilities' (Avista or Company) request to authorize the deferral of costs associated with its Low-Income Rate Assistance Program (LIRAP) for the 12-month period beginning December 31, 2018.<sup>1</sup>

**DISCUSSION:**

Issue

Whether the Commission should approve Avista's request for authorization to defer costs associated with its low-income rate assistance program.

Applicable Law

Avista makes this filing in accordance with 757.259 and OAR 860-027-0300. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for applications to defer.

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<sup>1</sup> Avista filed this deferral at the request of Staff due to a change in understanding regarding the need for deferrals underlying certain balancing accounts.

## Analysis

### *Background:*

Avista's LIRAP program was approved by the Public Utility Commission in 2002. Revenue for the program is collected through the Company's general residential gas service, Schedule 410. The purpose of LIRAP is to reduce the energy cost burden among low-income customers. Funds collected are distributed to the four Community Action Agencies in Avista's Oregon service territory for disbursement to qualifying customers and for program administration, according to parameters set forth in Schedule 493.

### *Proposed Accounting:*

Avista proposes to account for the expenses associated with the PPC by recording the expenses in FERC Account 242.7 (Low Income Energy Assistance).

A balancing account tracks the difference between funds collected and costs incurred. Any over- or under-collection is rolled forward to the following year.

### *Estimated Deferrals in Authorization Period:*

Avista estimates that it will collect and disperse approximately \$225,000 in 2019. For 2018, Avista collected and dispersed approximately \$220,000.

### *Information Related to Future Amortization:*

- Earnings review – An earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance.
- Sharing – One hundred percent of the deferred balance is subject to utility recovery, pending a prudence review.
- Rate Spread/Design – The costs are allocated among all Avista's Oregon customers on an equal cents per therm basis.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

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 valid, Staff recommends the Commission approve Avista's application.

**PROPOSED COMMISSION MOTION:**

Approve Avista's request to authorize the deferral of costs associated with its LIRAP program for the 12-month period beginning December 31, 2018.