

ORDER NO. 22-301

ENTERED Aug 16 2022

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2053(2)

In the Matter of

AVISTA CORPORATION, dba AVISTA
UTILITIES,

Application for Reauthorization to Defer
Costs Associated with an Increase in Annual
Regulatory Fee.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on August 9, 2022, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



A handwritten signature in blue ink, appearing to read "Nolan Moser".

Nolan Moser
Chief Administrative Law Judge

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

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Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral.

OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities and requires the utility to provide certain information in an application to defer—such as the reason for the deferral—the estimated amount of the deferral.

Analysis

Background

OAR 860-021-0033 requires electric utilities to pay regulatory fees to the Commission each year by April 1. The fee payable by the electric utility is an annual fee rate multiplied by the utility's gross operating revenues derived within Oregon for the previous calendar year. The annual fee rate is set by Commission order entered on or after March 1 of each year.

2019 Senate Bill (SB) 68 revised ORS 756.310 to allow the annual regulatory fee that is imposed on public utilities and telecommunications providers—for the purpose of defraying costs of the Commission—to increase from 0.3 percent to 0.45 percent.

In accordance with ORS 756.310(3), on February 26, 2020, the Commission issued Order No. 20-054 authorizing collection of the annual regulatory fee from the public utilities operating in Oregon subject to regulation by the Commission at 0.35 percent of 2019 gross operating revenues (Docket No. UM 1012). On February 25, 2021, the Commission issued Order No. 21-066 in the same Docket, authorizing collection of the annual regulatory fee at 0.375 percent of 2020 gross operating revenues.

Most recently, the Commission set the annual fee at 0.43 percent of 2021 gross operating revenue in its Order No. 22-062, in Docket No. UM 1012.

Senate Bill 68 allows for a fee level increase up to 0.45 percent of gross operating revenue. The 2020 amounts the Company deferred under Docket No. UM 2053 were subsequently allowed to be recovered through temporary tariff Schedule 482 in Docket No. UG-395 (Order No. 20-354). The 2021 amounts the Company deferred under Docket No. UM 2053 were allowed to be recovered through temporary tariff Schedule 482, in Docket No. UG 415 (Order No. 21-359).

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Description of Deferral

This application was filed on October 29, 2021. The Company seeks to defer for later amortization into rates with any incremental difference between amounts currently collected in rates for the Commission-imposed fee, which is based on a fee of 0.35 percent of gross operating revenues, and the amounts potentially owed as a result of a Commission authorized increase.

Proposed Accounting

The Company proposes to record the deferred amount as a regulatory asset in FERC account 182.3 (Other Regulatory Assets) with a credit to FERC account 407 (Regulatory Credits). Absent Commission approval of this application, Avista will record the incremental cost in FERC account 928 (Regulatory Commission Expense).

Estimate of Amounts to be Recorded for the Next 12 months

The Company included in its 2020 general rate case (Docket No. UG 389) a Commission regulatory fee of 0.35 percent, and that was embedded in the Stipulations approved by the Commission in Order No. 20-468 for rates effective since January 16, 2021. If the 2022 fee rate remains at the 2021 rate of 0.375 percent, Avista estimates a deferral of approximately \$40,000. If the 2022 fee rate increases to the maximum 0.45 percent allowable by ORS 756.310, Avista estimates a deferral of approximately \$160,000. The actual rate established by the Commission for 2022 is 0.43 percent. The amount included in Docket No. UE 433, Avista's general rate case, is 0.375 percent, so once the rates from the general rate case go into effect in 2022, the amount that then will be recoverable in rates continues to be based on the difference between the 0.375 percent and the 0.43 percent rates assessed by the Commission.

Information Related to Future Amortization

- Earnings Review – Cost recovery associated with this deferral will not be subject to an earnings review because it applies to the Commission-established regulatory fee.
- Prudence Review – Should be performed by the Commission Staff as part of their review of this deferral's annual reauthorization filing.
- Rate Spread/Rate Design – Revenues will be allocated to each cost-of-service schedule with the basis to be determined prior to amortization.
- Sharing – This deferral is not subject to a sharing mechanism.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral

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amortizations. The three percent test limits (with exceptions) 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

Staff concludes that the Company's application to authorize deferral of a potential increase in the annual regulatory fee is consistent with ORS 757.259. While an earnings review is required prior to amortization of this deferral pursuant to ORS 757.259(5), this deferral will not have any application of an earnings test. Staff recommends that any deferred amounts that were accrued when the Company's return is over the authorized rate of return be recovered by the Company for two reasons:

- First, the PUC fee is collected from customers and directly passed through to the Commission.
- Second, the proposal to not subject the deferred amounts to over-earnings absorption is generally consistent with the treatment allowed by the Commission in Order No. 10-083, wherein the Commission lowered the annual PUC rate and ordered electric and natural gas utilities to defer the difference between the previous rate and the revised rates.

In Docket No. UM 1488, the utilities put forth proposals for amortization of deferred PUC fee credits to customers, which were not subject to the results of an earnings review.

The Company has reviewed this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve Avista's request to defer costs associated with the incremental difference in the current annual regulatory fee of 0.35 percent of gross operating revenues—or applicable rate embedded in effective rates charged to customers if different, and the costs associated with the recent increase in the annual regulatory fee—for the 12-month period beginning January 1, 2022.

Avista UM 2053