

ORDER NO. 23-054

ENTERED Feb 23 2023

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2053(3)

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 February 21, 2023, 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:



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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 21, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** _____ **N/A**

DATE: January 25, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: AVISTA:
(Docket No. UM (2053(3))
Request application for reauthorization to defer the differences associated with an increase in the annual regulatory fee.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Avista Utilities' (Avista, AVA, or Company) request to defer costs associated with the incremental difference in the current annual regulatory fee and that embedded in base rates, for the 12-month period beginning January 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve Avista's request for authorization to defer costs associated with the variance in the annual regulatory fee and the amount collected in rates.

Applicable Rule or Law

In accordance with ORS 757.259, the Commission has the authority to authorize the deferral of utility revenues and expenses for later inclusion in rates. Utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs.

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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

On May 24, 2019, Oregon Governor Kate Brown signed Senate Bill 68 (SB 68), which revised ORS 756.310 to allow the annual regulatory fee that is imposed on public utilities and telecommunications providers to increase from 0.3 percent up 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.

On February 24, 2022, the Commission issued Order No. 22-062 in the same docket, authorizing collection of the annual regulatory fee at 0.43 percent of 2021 gross operating revenues. By March 1, 2023, the Commission will issue another order in Docket No. UM 1012, establishing the annual regulatory fee for gross operating revenue derived from natural gas utility operations in Oregon during the calendar year 2022. Senate Bill 68 allows for a fee level increase up to 0.45 percent of gross operating revenue.

Reason for Deferral

Pursuant to ORS 757.259(2)(e) and for the reasons discussed above, Avista seeks continued deferred accounting treatment for costs associated with any potential increase in the annual regulatory fee, effective January 1, 2023.

Proposed Accounting

Avista 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

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(Regulatory Credits). Absent Commission approval of this application, Avista will record the incremental cost in FERC Account 928 (Regulatory Commission Expense).

Estimated Deferral in Authorization Period

The Company included in its 2021 general rate case (Docket No. UG 433) a Commission regulatory fee of 0.375 percent, and that was embedded in the stipulations approved by the Commission in Order No. 22-291 for rates effective since August 22, 2022. If the 2023 fee rate remains at the 2021 rate of 0.43 percent, Avista estimates a deferral of approximately \$101,000. If the 2023 fee rate increases to the maximum 0.45 percent allowable by ORS 756.310, Avista estimates a deferral of approximately \$137,000.

Information Related to Future Amortization

- Earnings Review – Cost recovery associated with this deferral will not be subject to having an earnings review applied 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 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 the increase in costs associated with increases in the annual regulatory fee from that embedded in rates 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 over the authorized rate of return be recovered by the Company for three reasons:

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- First, the PUC fee is collected from customers and is ultimately a pass-through for the purpose of funding a portion of the PUC's operations.
- Second, the proposed treatment is equivalent whether the deferral reflects an increase in the PUC gross revenue fee or a reduction in the gross revenue fee.
- Third, 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. The 2022 amounts the Company deferred under UM 2053 are pending approval for recovery in Docket No. UG 441.

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 0.45 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, 2023.

AVA UM 2053(3) Regulatory Fee Deferral