

ORDER NO. 24-163

ENTERED May 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1978(5)

In the Matter of

AVISTA CORPORATION, dba AVISTA  
UTILITIES,

Application for Reauthorization to Defer  
Low-Income Rate Assistance Program  
Expenses Collected Through Rate  
Schedule 493.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on May 28, 2024, 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.

ITEM NO. CA5

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 28, 2024**

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE(s) \_\_\_\_\_ N/A \_\_\_\_\_

**DATE:** May 1, 2024

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Bryan Conway and Russell Beitzel **SIGNED**

**SUBJECT:** AVISTA CORPORATION:  
(Docket No. UM 1978(5))  
Application for reauthorization to defer accounting for its Low-Income Rate Assistance Program.

**STAFF RECOMMENDATION:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve Avista Corporation dba Avista Utilities' (Avista, AVA, or Company) request to reauthorize the deferral of costs associated with its Low-Income Rate Assistance Program (LIRAP) for the 12-month period beginning January 1, 2024.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's request for reauthorization to defer costs associated with its LIRAP Program.

Applicable Rule or Law

Under ORS 757.259(2)(e), the Commission may authorize a utility to defer identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers. In OAR 860-027-0300(3) the Commission has set forth the requirements for

the contents of deferred accounting applications. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

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.

### Analysis

#### *Background*

In 2022, as a result of the January 1, 2022, implementation of Oregon's Energy Affordability Act (House Bill 2475, or HB 2475) and the Commission's subsequent investigation into this legislation, Avista filed for approval to defer all costs associated with offering differential rates to qualifying customers as a result of HB 2475.

This deferral was established to support the Company's forthcoming changes to its LIRAP, as subsequently filed and approved in Docket No. ADV 1410, and essentially bifurcated the costs incurred by LIRAP into two separate deferrals: UM 1978 and UM 2232.

The Company's natural gas LIRAP was previously authorized by the Commission on February 23, 2023, through Order No. 23-053 of Docket No. UM 1978.

Under the Company's Tariff Schedule 493, "Residential Low-Income Rate Assistance Program (LIRAP) – Oregon," the Company collects funds necessary to administer and deliver low-income programs to its customers.

The purpose of LIRAP is to reduce the energy cost burden among those customers least able to pay energy bills, and the revenue collected is disbursed to qualifying customers by the Company as well as by the four Community Action Agencies (CAAs or Agencies) within the Company's Oregon service territory.

Over a 12-month period, the Company records the funds collected through Schedule 493, netted with the costs of LIRAP, in a balancing account; and any unspent funds or uncollected costs are held over to the following year, with any adjustments needed requested in July of each year along with the Company's Purchased Gas Adjustment (PGA) filings.

On October 31, 2023, Avista submitted the current application for reauthorization to defer costs associated with its LIRAP Program. At that time, it was the Company's intention that all LIRAP costs, inclusive of the Bill Discount, AMP, Arrearage Forgiveness, as well as associated administrative costs, be incorporated into LIRAP's tariff Schedule 493, with future tracking utilizing the existing deferral mechanism in place for LIRAP (Docket No. UM 1978), with an annual true-up of tariff rider balances.

The Company received approval from the Commission for this approach via Order No. 23-394 in Docket No. UG 471. Avista's Application is inclusive of the provisions of Order No. 23-394, including incorporation of the balances formerly contained within the UM 2232 deferral for amortization through LIRAP's tariff Schedule 493, as well as a request for modification of the interest rate previously applicable to this UM 1978 deferral.

#### *Reason for Deferral*

Under ORS 757.259(2)(e), specifically "identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers."

#### *Proposed Accounting*

The Company is proposing that the interest rate applicable to the balancing account described above use the current Modified Blended Treasury (MBT) rate, in accordance with Order No. 23-394 in Docket No. UG 471.

Aside from the requested change in interest accrual, Avista is not proposing any change to the current deferral accounting. The Company would continue to record the funds collected through Schedule 493.

#### *Schedule 493 Rate Design<sup>1</sup>*

As part of the filing, Avista notes that it separately intends to revise Schedule 493 to expand collections across all customer classes. The Company is proposing to allocate these costs based on the percentage of base revenue of the individual rate schedules for all residential, commercial, and industrial class sales customers.<sup>2</sup>

The Company proposes to surcharge or rebate the proposed revenue allocation on a uniform cents per therm basis by rate schedule as opposed to a fixed charge for residential customers which can be seen in HB 2475 program cost recovery implemented by other utilities. Avista believes that per-therm recovery provides the proper recovery structure for LIRAP.<sup>3</sup>

#### *Description of Expenses*

As of December 31, 2020, the Company's program-to-date collections exceeded its costs by \$121,308, with these funds subsequently spent in 2021. As of December 31, 2021, the program costs exceeded the funds collected by \$40,222, thereby decreasing the total carryover balance to \$87,811, after accounting for \$6,725 in accumulated interest, with collections then exceeding costs by \$12,867 in 2022. As of December 31, 2022, the carryover balance for 2023 was \$80,626.

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<sup>1</sup> UG 471/Advice NO. 23-06-G).

<sup>2</sup> Schedule 493 to be applied to Avista's Schedules 410, 420, 424,425,439, 440, and 444.

<sup>3</sup> Note: The Company is not proposing an adjustment to customers' retail rates through this Application.

*Current Deferral*

In the last deferral period in Docket No. UM 1978, as of June 30, 2023, the total unspent balance in the account, subject to deferral, was an overfunding of approximately \$204,848. These revenues were collected solely from Schedule 410 customers; therefore, this overfunded balance will likely be returned to this same residential customer class. This rebate will temporarily offset the revenues to be collected from the residential class through the requested amortization of the UM 2232 deferral, such that the latter is to be spread across all retail sales customer classes (residential, commercial, and industrial). For illustrative purposes, the Company provide a summary of LIRAP collected and spent since 2021 as follows:<sup>4</sup>

Avista's LIRAP Summary	
Transactions Recorded in Balancing Account (FERC Account No. 242.7)	
For December 31, 2021 through June 30, 2023	
Balance at December 31, 2021	\$ (87,810)
2022 Tariff Collections	\$ (234,700)
2022 LIRAP Costs	247,568
Interest	(5,682)
Balance at December 31, 2022	<u>\$ (80,624)</u>
2023 Tariff Collections	\$ (162,505)
2023 LIRAP Costs	38,281
Interest	-
Balance at June 30, 2023	<u>\$ (204,848)</u>

*Estimated Deferral in Authorization Period*

For 2024, the Company did not provide an estimate of the expected deferral balance. The Company requests that the Commission reauthorize the Company to defer the unspent funds or uncollected costs of its low-income programs for the 12-month period.

*Information Related to Future Amortization*

- Earnings Review – ORS 757.259(5) requires an earnings review prior to amortization of amounts deferred under ORS 757.259(2)(e). Staff is not proposing to apply an earnings test for recovery in rates of this deferral because it is associated with a low-income energy assistance program as generally directed by the Commission.

<sup>4</sup> UG 471/Advice No. 23-06-G, Order No. 23-394, page 6.

- Prudence Review – Prudence review is required prior to deferral amortization.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Rate Design – The costs are allocated among all of Avista’s Oregon customers on an equal cents per term basis.
- Three Percent Test (OAR 757.259(6)) – The amortization of the deferral costs will be subject to the three percent test in accordance with ORS 757.259(7) and (8), which limits 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

Based on Staff’s review of Avista’s application, Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259. Further, the Company’s application for deferred accounting meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends Avista’s application be approved.

The Company has reviewed a draft of this memo and voiced no concerns.

### **PROPOSED COMMISSION MOTION:**

Approve Avista’s application for re-authorization to defer costs associated with its LIRAP program for the 12-month period beginning January 1, 2024.

AVA UM 1978(5) LIRAP Deferral