

ORDER NO. 24-227

ENTERED Jul 10 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2053(4)

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 July 9, 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:



Alison Lackey

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. CA11

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 9, 2024**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: June 6, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: AVISTA:
(Docket No. UM 2053(4))
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 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, 2024.

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 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 October 31, 2023, the Company submitted an application to seek another authorization to defer the differences associated with an increase in the annual regulatory fee. This Application is filed pursuant to ORS 757.259, which empowers the Commission to authorize the deferral of expenses or revenues of a public utility for later incorporation into rates.

Deferral of these costs associated with the change in regulatory fee were previously authorized by the Commission on March 3, 2020, by Order No. 20-059 in Docket No. UM 2053; on March 12, 2021, by Order No. 21-080 in Docket No. UM 2053(1); on August 16, 2022, by Order No. 22-301 in Docket No. UM 2053(2); and the last reauthorization on February 23, 2023, by Order No. 23-054 in Docket No. UM2053(3).

The 2021 and 2022 amounts the Company deferred under UM 2053 were subsequently allowed to be recovered through temporary tariff Schedule 482 in Docket No. UG 415 (Order No. 21-359) and Docket No. UG 441 (Order No. 22-413), respectively. The 2023 amounts the Company deferred under UM 2053 were allowed to be recovered in Docket No. UG 470 (Order No. 23-393).

Reason for Deferral

The Company seeks continued deferred accounting treatment for costs associated with any potential increase in the annual regulatory fee, effective January 1, 2024.

Thus, granting the deferral will minimize the frequency of rate changes and match appropriately the costs borne by, and benefits received by customers.

This deferral also is intended to capture incremental annual regulatory fee expenses resulting from Senate Bill 68, should the Commission adjust the regulatory fee percentage.

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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).

Estimate of Amounts

The Company included in its 2023 general rate case (Docket No. UG 461) a Commission regulatory fee of 0.430 percent, and that was embedded in the Stipulations approved by the Commission in Order No. 23-384 for rates effective January 1, 2024.

If the 2024 fee rate remains at the 2023 rate of 0.430 percent, the Company estimates a deferral of approximately \$0. However, the fee rate did not remain the same. On February 22, 2024, the Commission issued Order No. 24-054, setting the annual fee rate to 0.450 percent. At that fee rate level, the Company estimates a deferral of approximately \$36,000.

In addition, in accordance with Order No. 05-1070, the Company will accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital most recently approved by the Commission.

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.

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Conclusion

Staff concludes that the Company's application to reauthorize the 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:

1. 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.
2. 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.
3. 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 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 assumed in base rates of 0.43 percent of gross operating revenues, and the costs associated with the recent increase in the annual regulatory fee for the 12-month period beginning January 1, 2024.

AVA UM 2053(4) Regulatory Fee Deferral