


ITEM NO. CA14

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: January 24, 2017

REGULAR \_\_\_\_\_ CONSENT  EFFECTIVE DATE August 1, 2016

DATE: January 10, 2017

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PACIFIC POWER: (Docket No. UM 1102(13)) Requests Reauthorization of Deferred Accounting Regarding Intervenor Funding Grants.

**STAFF RECOMMENDATION:**

I recommend the Commission approve Pacific Power's (Pacific or Company) request for reauthorization to defer costs related to Intervenor Funding Grants effective August 1, 2016.

**DISCUSSION:**

Issue

Whether the Commission should approve Pacific's request for reauthorization of deferred accounting for costs related to Intervenor Funding Grants.

Applicable Law

Pacific submitted its deferral application on July 29, 2016, pursuant to ORS 757.259(3) and OAR 860-027-0300. ORS 757.259(3) is the statute that allows a utility to recover intervenor funding in rates through deferred accounting and OAR 860-027-0300 is the Commission's rule related to such applications.

## Analysis

### *Background*

Deferral of these costs for Pacific was originally granted by the Commission in Order No. 03-560 and has been annually reauthorized, most recently in Order No. 15-268.

In its Order No. 03-388, the Commission approved an Intervenor Funding Agreement (IFA) between various utilities including Pacific, and several intervenors including the Citizens' Utility Board of Oregon (CUB), and Industrial Customers of Northwest Utilities (ICNU). The IFA sets forth the funding amount to be contributed by each utility, the procedures for budget submittals by intervenors, Commission approval of budgets, and the payment of grants by utilities. It authorizes three funds with different qualification requirements for each. They are the CUB Fund, the Preauthorized Matching Fund, and the Issue Fund.

The IFA also requires the costs of each fund to be allocated to the appropriate customer class. The CUB fund is generated from residential rates, and industrial customers' rates include an increment to support the Preauthorized Matching Fund (Matching Fund). The Commission allocates amounts related to the Issue Fund to align the costs of advocacy with the intended beneficiaries of the advocacy.

In its subsequent Order No. 07-564, the Commission approved an amended and restated IFA that extended intervenor funding until December 31, 2012.

Most recently, by Order No. 12-452, the Commission approved an amended and restated IFA that extends intervenor funding until December 31, 2017. This IFA also provides authority for intervenors to request an increase in annual funding.

### *Reason for Deferral*

In accordance with OAR 860-027-0300(4)(b), the Company requests continuation of deferred accounting to recover amounts approved pursuant to Order No. 12-452.

### *Proposed Accounting*

Amounts are to be debited to deferred accounts only as the utility disburses funding to a qualifying intervenor. The proposed deferrals would be recorded in separate subaccounts of FERC Account 182.3 (Other Regulatory Assets). The Company would not normally incur the cost of intervenor funding grants without deferral approval. However, if such costs were incurred, they would be recorded in FERC Account 928 (Regulatory Commission Expenses).

*Current Deferral Activity*

In accordance with OAR 860-027-0300(4)(a), Pacific provided the following information regarding the deferral activity to the date of this application.

<b>New CUB Funding Grants Paid</b>	<b>Date</b>	<b>Amount</b>	<b>Docket/Commission Order</b>
CUB Issue Fund	11/30/15	11,093.00	UM 1713/15-378
CUB Issue Fund	11/30/15	8,884.00	UM 1586(8)/15-374
CUB Issue Fund	11/30/15	18,440.00	LC 62/15-373
CUB Issue Fund	11/30/15	8,238.50	UM 1662/15-376
CUB Issue Fund	4/11/16	4,760.00	UM 1586(9)/16-126
CUB Funding Grant	1/11/16	66,125.00	UM1357/16-004
<b>Total CUB</b>		<b>\$117,540.50</b>	

<b>New ICNU Funding Grants Paid</b>	<b>Date</b>	<b>Amount</b>	<b>Docket/Commission Order</b>
ICNU Issue Fund	12/11/15	9,491.02	UM 1662/15-312
ICNU Issue Fund	3/8/16	7,551.75	UM 1662/16-058
ICNU Issue Fund	6/8/16	1,452.20	UM 1719/16-199
ICNU Matching Fund	3/8/16	43,322.02	UM 1357/16-083
<b>Total ICNU</b>		<b>\$61,816.99</b>	

<b>New Misc Funding Grants Paid</b>	<b>Date</b>	<b>Amount</b>	<b>Docket/Commission Order</b>
SBUA Issue Fund	6/8/16	2,236.00	UM 1754/16-204

*Estimated Deferrals in Authorization Period*

At the time of its application, Pacific estimated that the maximum deferred amounts during the 12-month period beginning August 1, 2016, will be as shown in the table below.

<b>Fund</b>	<b>Amount</b>
CUB Fund	66,125
Preauthorized Matching Fund	66,125
Issue Fund	143,750
<b>Total</b>	<b>\$276,000</b>

*Information Related to Future Amortization*

- Earnings Review – Pursuant to Commission Order 12-452, Appendix A, page 27, paragraph 7.9:

If a Participating Public Utility seeks rate recovery through a deferred account, the account and amortization of the account shall be exempt from the amortization caps and earnings test set forth in subsections 5,6,7,8 and 10 of ORS 757.259, as such subsections may be amended from time to time, and shall not be included in any calculation of the amortization cap for other deferred accounts.

- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – Account balances are to be spread to the appropriate customer classes per Order No. 07-564, Appendix A, page 26, paragraph 7.7(b).
- Three Percent Test (ORS 757.259(6)) – The three percent test does not apply to amortization of this deferral. See “Earnings Review” above.

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 still valid, Staff recommends the Commission approve Pacific’s application. The Company has reviewed a draft of this memo and voiced no concerns.

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**PROPOSED COMMISSION MOTION:**

Approve Pacific's application to defer the costs associated with intervenor funding grants for the 12-month period beginning August 1, 2016.

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