

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: January 28, 2015

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2015

DATE: January 7, 2015

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PACIFIC POWER: (Docket No. UM 1639(2)) Requests authorization to defer incremental revenue associated with Open Access Transmission Tariff.

**STAFF RECOMMENDATION:**

I recommend that Pacific Power's (Pacific or Company) application be approved for 12-months beginning January 1, 2015.

**DISCUSSION:**

In Pacific's 2013 general rate case, Docket No. UE 263, the Commission approved a stipulation that included the Company's agreement not to file a general rate case with an effective date earlier than January 1, 2016. The Company is requesting reauthorization of the deferral of the incremental Open Access Transmission Tariff (OATT) revenues because these revenues will not be reflected in rates until the Company's next general rate case, and the Company cannot file a general rate case until March 1, 2015, at the earliest.

Background

On May 26, 2011, Pacific filed a rate case with FERC, including revisions to its OATT under section 205 of the Federal Power Act. In its filing, the Company sought to increase its annual transmission revenue requirement as well as rates for various ancillary services included in the OATT. FERC suspended the filing on August 8, 2011, and ordered that the requested rates be made effective December 25, 2011, subject to refund and established hearing and settlement procedures. On February 22, 2013, the Company filed a settlement agreement in its FERC rate case. FERC approved the settlement on May 23, 2013.

On March 1, 2012, the Company filed its 2012 Oregon general rate case. One component used in calculating the Company's requested revenue increase was OATT revenues received from third parties, treated as an offset to revenue requirement for Pacific's retail customers. The transmission rates used to calculate this revenue offset were established in accordance with a June 6, 1996, settlement of the Company's 1995 FERC transmission rate case, Docket No. ER96-8-000.

A stipulation settling many of the issues in Docket No. UE 246 was filed with the Commission on July 12, 2012, and approved by the Commission on December 20, 2012. As part of the partial stipulation approved in Order No. 12-493 in the Company's 2012 general rate case (Docket No. UE 246), the Company agreed to file an application to defer any incremental OATT revenues not reflected in the rates adopted by the Commission in Docket No. UE 246. The Company filed an application for deferred accounting in accordance with the partial stipulation on December 28, 2012. The Commission approved the Company's application in Order No. 13-045, issued in Docket No. UM 1639 on February 12, 2013. According to the terms of the partial stipulation, the deferral should continue "until revenues are included in rates." (Order No. 12-493)

#### Reason for Deferral

Deferral of any incremental revenues is appropriate under 757.259(2)(e) to better match revenue with other cost components included in the rate effective period.

#### Proposed Accounting

Pacific proposes to record the deferred revenues in FERC account 253 – Other Deferred Credits. If the application is denied, the revenues will be recorded in FERC account 456 – Other Electric Revenues.

#### Estimate of Amounts

The projected calculation for the amounts to be deferred during the 12 months beginning January 1, 2015, is considered by the Company to be confidential.

#### Information Related to Future Amortization

- Prudence Review – The prudence review for amortization of this deferral should include verification that the revenues are appropriate. Further, the accounting methodology used to determine the final balance should be verified.
- Earnings review – Prior to amortization, an earnings review should be conducted pursuant to ORS 757.259(5).

- Sharing – The UE 246 Stipulation does not specify sharing of this revenue.
- 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 (exceptions at ORS 757.259(7) and (8)) 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. Because Pacific is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. Because this deferral is a credit to customers, this three percent test is not applicable.
- Rate Spread/Design – The UE 246 stipulation includes an agreement for Rate Spread/Rate Design related to the approved revenue requirement in the UE 246 proceeding. However, the stipulation does not specifically include Rate Spread/Design treatment related to the amortization of this revenue deferral. This issue should be determined at the time of amortization.

#### Staff Analysis

The Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, Staff recommends Pacific's application be approved.

#### **PROPOSED COMMISSION MOTION:**

Pacific Power's application be approved for the 12 months beginning January 1, 2015.