

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 30, 2018

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2018

DATE: January 22, 2017

TO: Public Utility Commission

FROM: Mitchell Moore *MP*

THROUGH: Jason Eisdorfer and John Crider *JC*

SUBJECT: PACIFIC POWER: (Docket No. UM 1639(5)) Requests authorization to defer incremental revenue associated with Open Access Transmission Tariff.

STAFF RECOMMENDATION:

Staff recommends that PacifiCorp d/b/a Pacific Power's (PacifiCorp or Company) application for reauthorization to use deferred accounting for incremental revenue associated with the Open Access Transmission Tariff (OATT) be approved for 12-months beginning January 1, 2018.

DISCUSSION:

Issue

Whether the Commission should reauthorize PacifiCorp's use of deferred accounting for Oregon's allocated share of Incremental Open Access Transmission Tariff (OATT) revenue associated with the Company's transmission rate case, Docket No. ER11-3643, at the Federal Energy Regulatory Commission (FERC), effective January 1, 2018 through December 31, 2018.

Applicable Rule or Law

PacifiCorp makes this filing pursuant ORS 757.259(2)(e) and OAR 860-027-0300, and requests to reauthorize its deferral of Oregon's allocated share of OATT revenue.

ORS 757.259(2)(e) provides the Commission with discretion to authorize the deferral of identifiable utility expenses or revenues upon a finding that amounts 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.

OAR 860-027-0300 generally sets forth the Commission's application requirements for deferrals and amortization of deferred amounts.

Analysis

Background

On May 26, 2011, PacifiCorp filed a rate case with FERC, which included 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 PacifiCorp'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, 2012.¹ As part of the partial stipulation approved in 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 246.² The Company filed an application for deferred accounting in accordance with the partial stipulation on December 28, 2012, which was docketed as UM 1639. The Commission approved the Company's application in Order No. 13-045 on February 12, 2013. According to the terms of the partial stipulation, the deferral should continue "until revenues are included in rates."³

¹ *In re PacifiCorp*, OPUC Docket No. UE 246, Order No. 12-493 (Dec. 20, 2012).

² *Id.* at 4.

³ *Id.* at Appendix A, page 4.

Reason for Deferral

The Company is requesting reauthorization of the deferral of the incremental OATT revenues because these revenues will not be reflected in rates until the Company's next general rate case.⁴ Deferral of any incremental revenues is appropriate under ORS 757.259(2)(e) to better match revenue with other cost components included in the rate effective period.

Proposed Accounting

PacifiCorp 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, 2018, 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.
- 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

⁴ PacifiCorp's Application for Reauthorization of Deferred Accounting (Application) at 2.

Spread/Design treatment related to the amortization of this revenue deferral.
This issue should be determined at the time of amortization.

Conclusion

PacifiCorp's application requests authorization to defer, for future inclusion in customer rates, the revenue associated with the Oregon-allocated share of the Company's OATT. As the application is in accordance with the stipulation approved in Commission Order No. 12-493 and meets the requirements of ORS 757.259 and OAR 860-027-0300, Staff recommends PacifiCorp's application be approved.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's application for reauthorization to use deferred accounting for the Oregon-allocated share of the Company's revenue from the OATT for 12 months beginning January 1, 2018.