

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 17, 2019**

REGULAR CONSENT EFFECTIVE DATE January 1, 2019

DATE: December 10, 2019

TO: Public Utility Commission

FROM: Paul Rossow

THROUGH: Michael Dougherty and JP Batmale **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1045 / Advice No. 19-016)
Updates Schedule 204, Oregon Solar Incentive Program.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Pacific Power's (PacifiCorp or Company) request to amortize deferred Schedule 204 Oregon Solar Incentive Program Deferral Supply Service Adjustment (OSIP) amounts for the twelve-month period ended September 30, 2019, with deferred capital costs excluded, to go into effect on less than statutory notice with service on and after January 1, 2020.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's request to amortize deferred OSIP costs into rates through the Company's Schedule 204, effective January 1, 2020.

Applicable Rule or Law

PacifiCorp makes this filing pursuant to ORS 757.205, ORS 757.210, OAR 860-022-0025 and OAR 860-022-0030.

- ORS 757.205 requires public utilities file to all rates, rules, and charges with the Commission.

- ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just, and reasonable.
- OAR 860-022-0025 requires that revised tariff filings include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.
- OAR 860-022-0030 requires that tariff filings which result in increased rates include statements showing the number of customers affected, the annual revenue under existing schedules, the annual revenue under proposed schedules, the average monthly bills under existing and proposed schedules, and the reasons supporting the proposed tariff.
- OAR 860-027-0300(9) contains deferred accounting procedures for public utilities.
- OAR 869-022-0020 authorizes the Commission to waive the requirement that a tariff be filed at least 30 days prior to its effective date, i.e., on less than statutory notice.

Additionally, the following statutes are relevant to deferred amounts:

- ORS 757.259(5) requires a review of utility earnings prior to amortization of deferred amounts not subject to an automatic adjustment clause.
- ORS 757.259(6) establishes a three percent test measuring 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 PacifiCorp is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. The limit is to be determined at the time of amortization.

Analysis

Background

Deferral of these costs was originally granted by the Commission in Order No. 11-021 and has been annually reauthorized, most recently by Order No. 18-482.

On November 9, 2019, the Company filed advice filing 19-016, and then on December 6, 2019, the Company filed a modified Advice No. 19-016 with a corrected dollar amount.¹

¹ The corrected proposed increase amount of \$674,000 is now reflected in Advice No. 19-016.

The Company's OSIP costs are costs incurred to implement the volumetric incentive rate (VIR) program required under ORS 757.365. Under ORS 757.365(10), all prudently incurred costs to implement a VIR program are recoverable in the electric company's rates. The Commission originally authorized the Company to defer OSIP costs in Order No. 11-021 (Docket No. UM 1483) pursuant to ORS 757.365(10), ORS 469A.120(1) and (3), and ORS 757.259.² Order No. 11-021 explains that interested parties discussed PacifiCorp's deferral application during two workshops in 2010 and agreed on a number of items but left the question of OSIP cost allocation between customer groups for a later time.

In 2011, the Company filed an application to establish a cost allocation methodology for amortization of the OSIP costs in Docket No. UE 240. Commission Staff, the Citizens' Utility Board of Oregon (CUB), and the Industrial Customers of Northwest Utilities (ICNU)³ (collectively, UE 240 Parties) reached agreement and PacifiCorp withdrew the application. The UE 240 Parties agreed to support allocation to all customer classes based on an equal percent of generation revenue applied on a cents per kilowatt-hour (kWh) basis for the 2011 Amortization Period.

Current Filing

On November 13, 2019, PacifiCorp filed an application requesting to amortize deferred amounts from the twelve months ended September 30, 2019. The Company states the deferral includes costs for program administration, incentive payments, and meter costs. During the program year, PacifiCorp deferred approximately \$4.7 million, excluding interest. The total deferral balance also reflects offsetting credits for customer charges and an avoided energy value.

The total proposed amortization amount is approximately \$4.9 million, an increase of \$674,000 or 0.05 percent from the amount currently in rates. Due to a slight deferral credit balance of approximately \$147,000 from 2018, PacifiCorp proposes increasing customer rates in Schedule 204, affecting approximately 627,000 residential and nonresidential customers. A residential customer using 850 kilowatt-hours per month would see a monthly bill increase of \$0.05 on their monthly bill.

² Staff notes that Pacific's filing states that "ORS 757.259(5) is not applicable to the requested deferral amortization because the Company applied for deferral under ORS 757.365(1) or, in the alternative, ORS 469A.120, neither of which subject deferral amortization to the three percent cap set forth in ORS 757.259(6)." However, the Company has consistently applied for, and the Commission approved, OSIP deferrals pursuant to ORS 757.365, ORS 469A.120 and ORS 757.259. See OPUC Order Nos. 11-021, 11-251, 12-370, 13-249, 14-208, 15-360, 16-411, 17-305 and 18-227.

³ On April 1, 2018, the Industrial Customers of Northwest Utilities (ICNU) and the Northwest Industrial Gas Users groups joined to form the Alliance of Western Energy Consumers (AWEC). See <https://www.awec.solutions>.

Staff reviewed the Company's submitted workpapers and finds the costs with this filing to be prudently incurred, and the non-capital deferred amounts subject to amortization were calculated appropriately.

- Prudence Review - Staff reviewed the Company's workpapers submitted with the filing and finds that the costs were prudently incurred. Staff verified the accounting methodology used to determine the final amortization balance is correct. Staff noted Company OSIP administrative expenses declined 9.3 percent from the previous 12-month deferral period.
- Rate Spread/Design - In the UE 240 proceeding for the 2012 Amortization Period, the parties concurred that costs should be allocated to all customer classes based on an equal percent of generation revenue applied on a cents-per-kilowatt-hour (kWh) basis, consistent with the approved generation allocation from PacifiCorp's last general rate case.⁴
- Earnings Review - Pursuant to ORS 757.259(5), this amortization is not subject to an earnings review because the Company applied for deferral under ORS 757.365(10) and alternatively, ORS 469A.120.⁵
- The requested deferral amortization results in a cumulative total of amortizations authorized under ORS 757.259 that is less than three percent of PacifiCorp's earnings, as required by ORS 757.259(6). Because PacifiCorp is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

Conclusion

Staff finds that the proposed rates in Schedule 204 to be calculated correctly and to be fair, just, and reasonable. Because PacifiCorp had to correct a transposed number contained in the original filing in a modified filing made in December 2019, PacifiCorp has requested that the modified filing be allowed to go into effect with less than statutory notice. Staff supports this request. Ultimately, the original filing was sufficient to make ratepayers aware of the correct proposed rate change. Staff sought the modified filing to ensure no procedural mistake compromised the filing out of an abundance of caution. The request for allowing the filing to go into effect with less than statutory notice under OAR 860-022-0020 should be granted.

⁴ Docket No UE 263.

⁵ PacifiCorp also applied under the general deferral statute, ORS 757.259 in the event the Commission found that neither ORS 757.365 nor 469A.120 provided grounds for deferral.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's request to amortize deferred OSIP amounts for the twelve-month period ended September 30, 2019, pursuant to PacifiCorp's Schedule 204 to go into effect on less than statutory notice for service rendered on and after January 1, 2020.