



PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 20, 2016

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: December 12, 2016

TO: Public Utility Commission

FROM: Lance Kaufman 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PACIFIC POWER: (Docket No. UM 1050/Advice No. 16-013) Compliance Filing Incorporating 2017 Protocol Equalization Adjustment into Rates.

**STAFF RECOMMENDATION:**

Staff recommends the Commission allow PacifiCorp's (Company) proposed tariff sheets, as described in the filing of Advice No. 16-13, to become effective for service rendered on and after January 1, 2017.

**DISCUSSION:**

Issue

Whether the Commission should allow PacifiCorp's proposed tariff sheets amortizing the 2017 Protocol Equalization Adjustment and the Open Access Transmission Tariff deferral into rates.

Applicable Rule or Laws

- ORS 757.205 requires that public utilities file all rates, rules, and charges with the Public Utility Commission of Oregon (OPUC).
- ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just and reasonable.
- ORS 757.259 allows certain deferred amounts to be included in utility rates.
- OAR 860-022-0025 requires that new tariff filings include statements showing the new rates, the number of customers affected, the impact on annual revenue, and the reasons supporting the proposed tariff.

- OAR 860-022-0030 sets forth Commission requirements for filing tariffs or schedules naming increased rates.
- OAR 860-027-0300 sets forth Commission requirements for deferred accounting.

## Analysis

### *Background*

On May 26, 2011, PacifiCorp filed its pending 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 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 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 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 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 on 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).

PacifiCorp has continued to defer new OATT revenues on an annual basis. As part of a separate proceeding, UM 1050, the Commission agreed to provide PacifiCorp with additional annual revenue of \$2.6 million. This incremental revenue is called the Equalization Adjustment. Order No. 16-319 adopts a stipulation between PacifiCorp, Citizen's Utility Board of Oregon (CUB) and Staff. In this stipulation, the parties agreed to amortize the OATT deferral balance and to incorporate the Equalization Adjustment

into the amortization of the OATT deferral balance. This filing complies with Order No. 16-319 and amortizes the current OATT balance net of the monthly Equalization Adjustment.

#### *Review of Filing*

This filing results in a credit to customers and is not subject to an earnings review or a three percent of revenue test. Staff reviewed the workpapers supporting the rates requested in this filing. The starting deferral balance is accurately calculated and amortized. The credit in this filing is spread to customers proportionately to base rate revenues. The Company chose to spread the credit in this manner because it consists of two different types of elements.

The balance of the OATT deferral is \$18.5 million. This balance is amortized over four years. A four year amortization is appropriate for a deferral of this size. One year of Equalization Adjustment charges are netted against the OATT deferral. The Equalization Adjustment is expected to be effective for 2017 and 2018. Staff recommends that the Equalization Adjustment remains an outboard adjustment netted against the OATT in 2018. If this occurs, under current rates the OATT will be fully amortized approximately seven months early, in May of 2020.<sup>1</sup>

When the Equalization Adjustment expires, the amortization of the OATT will only contain a single element related to transmission. At that time, it may be appropriate to review the method of spreading the credit to different schedules. When PacifiCorp files to eliminate the credit for the OATT, Staff should review the accounting treatment of the Equalization Adjustment and the timing of any changes in PacifiCorp's multistate allocation protocols.

The proposed change will affect approximately 596,000 customers and the net effect of the change is an overall annual rate decrease of approximately \$4.2 million or 0.3 percent. The average residential customer using 900 kWh per month would see a monthly bill decrease of \$0.35 per month as a result of the proposed change.

#### Conclusion

PacifiCorp Advice No. 16-13 complies with Order No 16-319. The rates are appropriately calculated; however, Staff recommends that parties revisit the rates included in Schedule 192 when the Equalization Adjustment expires.

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<sup>1</sup> This occurs because the rate amortizing the OATT deferral balance only assumes one year of Equalization Adjustments. Netting an additional year of Equalization Adjustments against the OATT deferral balance will draw the balance down quicker than initially calculated.

Docket No. UM 1050  
December 12, 2016  
Page 4

**PROPOSED COMMISSION MOTION:**

Allow PacifiCorp's proposed tariff sheets, as described in the filing of Advice No. 16-17, to become effective for service rendered on and after January 1, 2017.

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