

ITEM NO. CA6

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 16, 2014

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

DATE: December 8, 2014

TO: Public Utility Commission

FROM: John Crider 

THROUGH: Jason Eisdorfer and Aster Adams 

SUBJECT: PACIFIC POWER: (Advice No. 14-012) Oregon Solar Incentive Program  
Deferral Supply Service Adjustment.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Pacific Power's (Pacific or Company) filing which revises rates in Schedule 204 to amortize costs associated with the Oregon Solar Incentive Program deferred during the twelve months ended September 30, 2014.

**DISCUSSION:**

In this filing, Pacific proposes to continue amortization of the deferred costs associated with its Oregon Solar Incentive Program (OSIP). OSIP is implemented through Schedule 136, Net Metering Option Volumetric Incentive Rate Pilot Optional for Qualifying Customers, and Schedule 137, Competitive Bid Option Volumetric Incentive Rate Pilot Optional for Qualifying Customers.

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. 14-208.

On September 30, 2011, Pacific filed an application to establish a cost allocation methodology for amortization of the OSIP costs, docketed as UE 240. The parties were Staff, the Citizens' Utility Board (CUB), and the Industrial Customers of Northwest Utilities (ICNU) (UE 240 Parties). 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, consistent with the approved generation allocation from Pacific's last general rate case at the time. This allocation continues to date.

### Current Filing

Staff has reviewed the filing to verify that the deferred costs are prudent and are incremental to costs currently included in rates, pursuant to the agreement described above. The Company requests a deferral amortization of approximately \$1.0 million. The proposed change in rates will affect about 588,000 customers and will represent an increase of \$0.08 on the monthly bill for a residential customer using 900 kWh per month. Staff finds the following:

- Earnings Review -Pursuant to ORS 757.259(5), this amortization is not subject to an earnings review as it is subject to an automatic adjustment clause<sup>1</sup> under ORS 757.210(1). See also OAR 860-084-0060 and ORS 469A.120.
- Prudence Review – Staff has completed a review and finds that the costs were prudently incurred and has verified the accounting methodology used to determine the final amortization balance is correct.
- Rate Spread/Design – Staff did not receive any objection to the continuation of the rate design/rate spread agreed to by the Parties in the UE 280 proceeding for the 2014 Amortization Period. The agreement calls for costs to 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 Pacific's last general rate case.
- 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 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.<sup>2</sup> At this time Pacific's current, and this proposed, amortization of deferred amounts is less than three percent of Company earnings.

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<sup>1</sup> In Docket UM 1330, the Commission approved the renewable adjustment clause ("RAC") Stipulation<sup>3</sup> that outlined the terms and conditions governing the RAC, the automatic adjustment clause established by the Commission as required by ORS 469A.120(3). The parties to the RAC Stipulation agreed to support the use of deferred accounting to allow for an opportunity for recovery of the prudently incurred costs that are authorized by ORS 469A.120(1) which includes costs associated with this solar program.

<sup>2</sup> Exceptions to the three percent test are listed at ORS 757.259(7) and (8).

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Staff Analysis

Staff reviewed the original and supplemented work papers that Pacific submitted with this filing. As the deferred costs to be amortized meet the requirements of OAR 860-084-0380 and OAR 860-084-0390 I recommend the Commission approve this filing.

**PROPOSED COMMISSION MOTION:**

Pacific Power's Advice No. 14-012 be approved and the associated tariff take effect on January 1, 2015.

Pacific Advice 14-012