ITEM NO. CA11

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

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** ____ **January 1, 2017**

DATE: December 9, 2016

TO: Public Utility Commission

FROM: Rose Anderson RA

THROUGH: Jason Eisdorfer and Marc Hellman

SUBJECT: PACIFIC POWER: (Docket No. UE 315/Advice No. 16-014) Requests revised rates to amortize deferred costs associated with Oregon Solar Incentive Program.

STAFF RECOMMENDATION:

Staff recommends that Pacific Power's Advice Filing 16-014 be approved and the associated tariff be allowed to go into effect with service rendered on and after January 1, 2017.

DISCUSSION:

Issue

Whether the Commission should approve Pacific Power's (or Pacific or Company) Advice No. 16-014 (Advice Filing), which seeks to amortize deferred Oregon Solar Incentive Program (OSIP) costs into rates through the Company's Schedule 204, effective January 1, 2017.

Applicable Rule or Law

Pacific makes this filing in 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 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.
- 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.

The following statutes and rules also apply to Pacific's filing:

- ORS 757.259(5) exempts costs recovered pursuant to an automatic adjustment clause from an earnings review.
- 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 Pacific 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
The Commission originally authorized the Company to defer OSIP costs in Order No. 11-021 (Docket UM 1483) pursuant to ORS 757.365(10), ORS 469A.120(1) and (3), and ORS 757.259.[1] Order 11-021 explains that interested parties discussed Pacific'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.

[1] 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(5)." However, the Company has consistently applied for, and the Commission has 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, and 16-411.

In 2011, the Company filed an application to establish a cost allocation methodology for amortization of the OSIP costs in docket UE 240. Staff, the Citizens' Utility Board of Oregon (CUB), and the Industrial Customers of Northwest Utilities (ICNU) (UE 240 Parties) reached agreement and Pacific 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, consistent with the approved generation allocation from Pacific's last general rate case.

Current Filing

Pacific filed Advice No. 16-014 on November 1, 2016, to request revision of the rates in Schedule 204. The purpose of the revision is to amortize the deferral balance relating to the OSIP. The total proposed amortization amount of $4.7 million is an increase of $483,000 over the amount currently in rates.[2] The overall percentage increase is 0.04 percent. A residential customer using 900 kWh per month will see a monthly bill increase of $0.04. The increase is mostly due to a decreased residual credit balance relating to the previous year's program costs.

- 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 -At this time, Staff has not received any objection to the continuation of the rate design/rate spread agreed to by the Parties in the UE 240 proceeding for the 2012 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. Staff presumes this does not preclude ICNU from raising its cost allocation arguments in a future proceeding.

- 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 under ORS 757.210(1). See also OAR 860-084-0060 and ORS 469A.120.

- The requested deferral amortization results in a cumulative total of amortizations authorized under ORS 757.259 that is less than three percent of Pacific's earnings, as required by ORS 757.259(6). Because Pacific is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

[2] *See In re PacifiCorp*, OPUC Docket No. UE 302, Order No. 16-035 (Jan. 26, 2016).

Conclusion

Staff's review focused on:

- A Prudence Review;
- The three percent test;
- Determining whether the deferred amounts to be amortized were calculated correctly; and
- Determining whether proposed rates were calculated correctly.

Staff has submitted eight Information Requests, reviewed Company workpapers, and participated in conference calls with Pacific regarding the OSIP costs in 2016.

Staff finds that the costs were incurred prudently and deferred amounts to be amortized were calculated appropriately.

Staff finds that the proposed rate increase for all applicable schedules has been appropriately calculated and updated in the filed revised Schedule 204.

The Company has reviewed this report and has no issues.

PROPOSED COMMISSION MOTION:

Approve Pacific's Advice No. 16-014 and allow Schedule 204 to go into effect with service rendered on and after January 1, 2017.