

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 12, 2013**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2013

DATE: January 8, 2013

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer, Maury Galbraith and Marc Hellman   

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

**STAFF RECOMMENDATION:**

I recommend that Pacific Power's (Pacific or Company) application be approved.

**DISCUSSION:**

On December 28, 2012, Pacific Power applied for an order authorizing the Company to defer Oregon's allocated share of any incremental Open Access Transmission Tariff (OATT) revenue associated with the Company's pending transmission rate case, Docket No. ER11-3643, at the Federal Energy Regulatory Commission (FERC). 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.

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. As of the date of this Staff memo, the Company's pending FERC rate case has not been resolved.

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 Pacific'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.

#### Description of Revenue

The revenue associated with the incremental revenue from the OATT as described above.

#### Reason for Deferral

Deferral of any incremental revenues is appropriate under 757.259(2)(e) to better match revenue with other cost components included in the rate effective period.

#### Proposed Accounting

Pacific 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

Because the outcome of PacifiCorp's pending FERC rate case is unknown, an estimate of the deferred revenues cannot be determined at this time.

#### 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). Because this deferral is a credit, an earnings review is not required.
- 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 PacifiCorp is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. Because this deferral is a credit to customers, this three percent test is not applicable.

- 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 Spread/Design treatment related to the amortization of this revenue deferral. This issue should be determined at the time of amortization. Presumably, the revenues of the deferral would be allocated on transmission.

#### Staff Analysis

The Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, Staff recommends Pacific's application be approved.

#### **PROPOSED COMMISSION MOTION:**

Pacific Power's application be approved.