

## CERTIFICATE OF SERVICE

I hereby certify that on April 12, 2010 I served a copy of the within MOTION TO MODIFY COMMISSION ORDER RE: INTEREST RATE FOR DEFERRED ACCOUNTS upon the parties of record in docket UM 1147, by electronic mail or by first-class mail postage prepaid to the parties accepting paper service.

**Portland General Electric Company**  
Rates & Regulatory Affairs  
121 SW Salmon St. 1WTC0702  
Portland OR 97204  
[pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

**Cascade Natural Gas**  
Katherine Barnard  
PO Box 24464  
Seattle, WA 98124  
[kbarnard@cngc.com](mailto:kbarnard@cngc.com)

**Cascade Natural Gas**  
Jon Stoltz  
PO Box 24464  
Seattle, WA 98124  
[jstoltz@cngc.com](mailto:jstoltz@cngc.com)

**Citizens' Utility Board of Oregon**  
Robert Jenks, Executive Director  
610 SW Broadway Ste 308  
Portland OR 97205  
[bob@oregoncub.org](mailto:bob@oregoncub.org)

**Citizens' Utility Board of Oregon**  
G. Catriona McCracken  
610 SW Broadway Ste 308  
Portland OR 97205  
[catriona@oregoncub.org](mailto:catriona@oregoncub.org)

**Davison Van Cleve PC**  
Allen C. Chan  
333 SW Taylor, Suite 400  
Portland, OR 97204

**Davison Van Cleve PC**  
S. Bradley Van Cleve  
333 SW Taylor, Suite 400  
Portland, OR 97204  
[mail@dvclaw.com](mailto:mail@dvclaw.com)

**Energy Action Northwest**  
Edward A. Finklea  
PO Box 8308  
Portland, OR 97301-4096  
[efinklea@energyactionnw.org](mailto:efinklea@energyactionnw.org)

**Idaho Power Company**  
Christa Bearry  
PO Box 70  
Boise, ID 83707-0070  
[cbearry@idahopower.com](mailto:cbearry@idahopower.com)

**Idaho Power Company**  
Barton L. Kline  
PO Box 70  
Boise, ID 83707-0070  
[bkline@idahopower.com](mailto:bkline@idahopower.com)

**Idaho Power Company**  
Michael Youngblood  
PO Box 70  
Boise, ID 83707-0070  
[myoungblood@idahopower.com](mailto:myoungblood@idahopower.com)

**McDowell Rackner & Gibson PC**  
Katherine A McDowell  
520 SW Sixth Ave-Suite 830  
Portland, OR 97204  
[katherine@mcd-law.com](mailto:katherine@mcd-law.com)

**McDowell Rackner & Gibson PC**  
Wendy McIndoo, Office Manager  
520 SW Sixth Ave-Suite 830  
Portland, OR 97204  
[wendy@mcd-law.com](mailto:wendy@mcd-law.com)

**McDowell Rackner & Gibson PC**  
Lisa Rackner  
520 SW Sixth Ave-Suite 830  
Portland, OR 97204  
[lisa@mcd-law.com](mailto:lisa@mcd-law.com)

**Northwest Industrial Gas Users**  
Paula E. Pyron  
4113 Wolf Berry Court  
Lake Oswego, OR 97035-1827  
[ppyron@nwigu.org](mailto:ppyron@nwigu.org)

**Northwest Natural Gas**  
Inara K. Scott  
220 NW Second Avenue  
Portland, OR 97209-3991  
[inara.scott@nwnatural.com](mailto:inara.scott@nwnatural.com)

**Northwest Natural Gas**  
Rates & Regulatory Affairs  
220 NW Second Avenue  
Portland, OR 97209-3991  
[efiling@nwnatural.com](mailto:efiling@nwnatural.com)

**Pacificorp, DBA Pacific Power**  
**Oregon Dockets**  
825 NE Multnomah Ste 2000  
Portland, OR 97232  
[oregondockets@pacificorp.com](mailto:oregondockets@pacificorp.com)


**Portland General Electric**  
Douglas C. Tingey  
121 SW Salmon 1WTC13  
Portland, OR 97204  
[doug.tingey@pgn.com](mailto:doug.tingey@pgn.com)

**Oregon Public Utility Commission**  
Judy Johnson  
PO Box 2148  
Salem, OR 97308-2148  
[judy.johnson@state.or.us](mailto:judy.johnson@state.or.us)

**Pacific Power & Light**  
Michelle R. Mishoe  
Legal counsel  
825 NE Multnomah Ste 1800  
Portland, OR 97232  
[michelle.mishoe@pacificorp.com](mailto:michelle.mishoe@pacificorp.com)

**Pacificorp**  
Natalie Hocken  
Vice President & General Counsel  
825 NE Multnomah Ste 2000  
Portland, OR 97232  
[natalie.hocken@pacificorp.com](mailto:natalie.hocken@pacificorp.com)

DATED: April 12, 2010.

  
\_\_\_\_\_  
Stephanie S. Andrus, #92512  
Senior Assistant Attorney General

JOHN R. KROGER  
Attorney General



MARY H. WILLIAMS  
Deputy Attorney General

**DEPARTMENT OF JUSTICE**  
GENERAL COUNSEL DIVISION

April 12, 2010

Filing Center  
Public Utility Commission of Oregon  
550 Capitol Street, Suite 215  
PO Box 2148  
Salem, Oregon 97308-2148

Re: *In the Matter of Public Utility Commission of Oregon Staff Request to Open an Investigation Related to Deferred Accounts.*

To Whom It May Concern:

Enclosed for filing please find Public Utility Commission of Oregon Staff's Motion to Modify Commission Order Re: Interest Rate for Deferred Accounts.

Thank you for your attention.

Sincerely,

Stephanie S. Andrus  
Senior Assistant Attorney General  
Regulated Utility & Business Section

Enclosures  
c. UM 1147 Service List



1 Treasury Rate applied to the new balance approved for amortization, rather than the Blended  
2 Treasury Rate from a preceding year.

3 **II. Order No. 08-263**

4 In Order No. 08-263, the Commission ordered utilities to apply a Blended Treasury Rate  
5 to deferred amounts once the Commission has authorized the utility to amortize them. The  
6 Commission ordered staff to calculate a new Blended Treasury Rate in January of every year and  
7 specified that that rate would apply to every deferred account authorized for amortization in that  
8 year.<sup>1</sup> In Order No. 09-065, the Commission expressly noted that it did not intend that the  
9 interest rate applied to a deferred account approved for amortization would be updated every  
10 year.<sup>2</sup> Meaning, the Blended Treasury Rate in effect at the time the Commission authorizes a  
11 utility to amortize a deferred account will apply to that account until it is fully amortized.

12 **III. Discussion.**

13 As stated above, requiring utilities to apply the same interest rate to all deferrals approved  
14 for amortization until they are fully amortized may be inefficient for deferred amounts in  
15 balancing accounts that are approved for amortization on an annual basis, such as for Purchased  
16 Gas Adjustments ("PGAs"), and under- or over-collections of other deferred amounts. To  
17 explain this inefficiency, staff describes the circumstances presented by amortization of amounts  
18 in balancing accounts authorized a PGA mechanism and the circumstances presented when  
19 amortizing other deferred accounts. Staff also presents its recommendations for addressing both  
20 of these circumstances.

21 ///

22 ///

23 ///

24 ///

25 \_\_\_\_\_

26 <sup>1</sup> Order No. 08-263 at 15.

<sup>2</sup> Order No. 09-065 at 3.

1           **a.       Balancing accounts for which amortization is approved annually.**

2           The three natural gas utilities operating in Oregon recover certain purchased gas costs  
3 under a Commission-approved PGA mechanism.<sup>3</sup> Under the PGA mechanism, each gas utility  
4 makes an annual request to amortize certain purchased gas costs deferred during the preceding  
5 twelve months. If the application to amortize the deferred amount is granted, the Commission  
6 authorizes tariffs that will amortize the deferred purchased gas costs over a 12-month period by  
7 adjusting the rate per therm charged the utility's customers. The change to the rate per therm is a  
8 product of the amount to be amortized and the estimated consumption of the utility's customers.  
9 Because the consumption of the utility's customers cannot be accurately predicted, the tariff will  
10 either under-collect or over-collect during the twelve-month amortization period.

11           The gas utilities have typically addressed this issue by rolling the differential into the next  
12 PGA deferral authorized for amortization. This solution is not available for under-collections  
13 post-Docket No. UM 1147 because each year's deferral will be subject to a different interest rate.  
14 Accordingly, to the extent a gas utility has a residual balance after amortizing deferred purchased  
15 gas costs for 12 months, the utility would have to continue to separately track that account until  
16 the account is fully amortized. Because purchased gas cost deferrals are amortized in 12-month  
17 increments, fully amortizing any one deferred account could take years. Again, this is because  
18 the adjustment to the rate per therm is dependent on a consumption estimate. Because the  
19 consumption estimate will be greater or less than the actual usage, the residual deferred  
20 purchased gas costs still will not be fully amortized, or will be over amortized, after a second  
21 twelve-month amortization period. This is true even if the residual deferred amount is de  
22 minimis.

23           To address this issue, staff recommends that the Commission modify Order No. 08-263  
24 to specify that deferred amounts in a balancing account subject to an annual or bi-annual request  
25

---

26           <sup>3</sup> See Order Nos. 89-1046 (authorizing PGA mechanism), 99-272, 05-882, 08-504 and 09- (modifying PGA mechanism).

1 for amortization, and previously-approved for amortization but remaining after the designated  
2 amortization period, may be rolled forward and combined with deferred amounts approved for  
3 amortization in the next twelve-month or 24-month period. In other words, the residual amount  
4 will be subject to an updated Blended Treasury Rate, as opposed to the Blended Treasury Rate in  
5 effect at the time the utility received authorization to amortize the original amount.

6 **b. Other Deferred Amounts.**

7 As discussed above, when an amount is fully amortized under a particular tariff depends  
8 on the rate of energy consumption of the customers served under the tariff. While a utility may  
9 be able to estimate when a deferred amount will be fully amortized, the estimate will never be  
10 accurate. Inevitably, any tariff that amortizes a specific amount will either under- or over-collect  
11 that amount. For example, even if the utility is able to estimate the day in which an amount will  
12 be fully amortized, it would not be able to estimate the hour of the day, and even if it could,  
13 would not be able to design a tariff that terminated the moment the authorized amount was  
14 amortized.

15 Utilities have typically addressed this issue by pooling under-collections and over-  
16 collections from amortized deferrals into a residual account. This solution is no longer practical  
17 given that under-collected or over-collected amounts from different deferrals may be subject to  
18 different interest rates. Accordingly, staff recommends that the Commission modify Order No.  
19 08-263 to allow utilities to pool residual amounts of deferred accounts previously approved for  
20 amortization into one residual account that will be subject to a Blended Treasury Rate that is  
21 updated each January.

22 **IV. Staff proposal.**

23 Staff recommends that the Commission establish individual ceilings for each utility based  
24 on a percentage of the utilities' revenue, and allow each utility to transfer deferred amounts into  
25 the residual account when the amounts in a deferred account balance fall below the ceiling.

26 Staff recommends the Commission establish ceilings that are equal to 0.05% of each electric and

1 natural gas utility's retail operating revenue in the previous calendar year. The following table  
2 shows what the ceiling would be each for each Oregon utility, based on the 2008 Results of  
3 Operation Report filed in 2009.

4 Utility	5 2008 Retail Operating Revenues	6 Ceiling @ 0.05 % of Retail Operating Revenues
7 Avista	\$195,693,243	\$97,847
8 Cascade Natural Gas	\$104,944,590	\$52,472
9 Idaho Power	\$32,240,504	\$16,120
10 Northwest Natural	\$867,538,907	\$433,769
11 PacifiCorp	\$996,152,425	\$498,076
12 Portland General Electric	\$1,483,317,814	\$741,659


13  
14 **V. Conclusion.**

15 Staff asks that the Commission modify Order No. 08-263 as discussed above.

16 DATED this 12<sup>th</sup> day of April 2010.

17 Respectfully submitted,

18 JOHN R. KROGER  
19 Attorney General

20 

21 Stephanie S. Andrus, #92512  
22 Senior Assistant Attorney General  
23 Of Attorneys for Staff of the Public  
24 Utility Commission of Oregon