ISSUED: November 5, 2004

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1147

In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff Request to Open an Investigation Related to Deferred Accounting.	))))))))	STATUS CONFERENCE MEMORANDUM

On October 25, 2004, a prehearing conference was held in this docket in Salem, Oregon. The primary purposes of the conference were to establish the scope of the proceeding and set a procedural schedule.

Appearances

Appearances were entered as follows: Stephanie Andrus, attorney, appeared on behalf of Commission Staff (Staff); James Fell, attorney, appeared on behalf of PacifiCorp; David White, attorney, appeared on behalf of Portland General Electric Company (PGE); Jason Eisdorfer, attorney, appeared on behalf of the Citizens' Utility Board (CUB); Edward Finklea, attorney, appeared on behalf of Northwest Industrial Gas Users (NWIGU); Matthew Perkins, attorney, appeared on behalf of the Industrial Customers of Northwest Utilities (ICNU); and Barton Kline, attorney, participated by telephone on behalf of Idaho Power Company.

Scope of the Proceeding

Pursuant to the Prehearing Conference Memorandum issued on July 26, 2004, and the Clarification of the Prehearing Conference Memorandum, issued on July 28, 2004, parties submitted simultaneous open and reply comments addressing both the merits, and the procedural nature, of the proposed ten issues to be addressed in this docket. Based on these comments, I made an oral ruling on the scope of this proceeding, which I indicated would be expanded upon in this memorandum.

In comments, no party opposed any of the ten issues, nor did any party suggest additional issues. PacifiCorp proposed modified wording for Issue No. 2, however. Rather than ask, "under what circumstances is a particular deferral not within the normal risk range that utilities absorb between rate cases," PacifiCorp asserts that the more appropriate questions to be addressed are, "for what types of deferrals should the Commission apply the concept of a normal risk range and how should it determine the size of the range?" PacifiCorp indicates that determining what a utility's normal risk range is between rate cases would require evidence regarding each utility's capacity to absorb financial risk between rate cases. Staff and PGE also indicate that defining the "normal risk range" would require development of a factual record, as would determining whether particular costs are within a utility's normal risk range. ICNU agreed that such questions should be conducted on a case-by case basis.

The proposed issues list set forth in Appendix A in the Prehearing Conference Memorandum is adopted with one change. Issue No. 2 shall be revised as proposed by PacifiCorp. For the convenience of the parties, the revised issues list is set forth in Appendix A to this memorandum.

All parties, with the exception of PGE, indicated that all ten issues—as modified by PacifiCorp—should be addressed as questions of policy, not fact. PGE indicated that all issues could likely be addressed as questions of policy, if the scope of discussion was limited to deferrals of costs other than power costs. PGE recommended that the Commission bifurcate consideration of deferred accounting issues into two proceedings—one addressing deferrals of non-power costs, and a separate proceeding addressing deferral of power costs.

As other parties pointed out, however, the purpose of this docket is to clarify and revise, as necessary, the Commission's policies regarding all deferred accounting applications. This effort is fundamentally an effort to define the Commission's policies, and it shall proceed on this basis. The ten issues set forth in Appendix A shall be addressed as matters of policy and comments should be primarily focused on policy issues only.

This proceeding will not attempt to make fact-specific determinations, whether generically or for individual utilities. Parties may still identify issues that require factual development, but rather than seek resolution of such factual issues in this proceeding, should recommend whether they would be best addressed in a utility-specific deferral application, or in a separate proceeding. Identification of factual issues should not render related policy issues incapable of resolution.

Several parties indicated that it would be appropriate to introduce limited factual evidence in order to facilitate discussion of policy issues. This evidence would likely include records of the past deferred accounting balances that each utility was authorized to accrue and the circumstances underlying those authorizations. PGE and PacifiCorp agreed to work with the rest of the parties to agree to a stipulated record.

Procedural Schedule

Conference participants agreed to, and I adopt, the following procedural schedule:

Simultaneous opening comments	January 11, 2005
Public workshop with Commissioners	January 26, 2005, at 9:30 a.m.
Simultaneous reply comments	February 11, 2005

The dates for filing are considered "in hand" dates.

Dated this 5th day of November, 2004, at Salem, Oregon.

Traci A. G. Kirkpatrick
Administrative Law Judge

DEFERRED ACCOUNTING INVESTIGATION (UM 1147): ISSUES LIST

The following issues have been identified for consideration in this investigation.

1. Should the requirements for a deferral request differ depending on the circumstances underlying the request, e.g., materiality requirements that differ depending on whether the costs at issue are associated with stochastic risk or scenario risk?

2. For what types of deferrals should the Commission apply the concept of a normal risk range? How should it determine the size of the range?

3. Should deferral be limited to the costs associated with the cost-causing factors identified in the original application for deferred accounting?

4. What interest rate should be applied to a deferral balance?

5. What should be the filing requirements and process for deferred accounting investigations?

6. What are the alternatives to deferred accounting for recovery of excess utility costs or revenues between rate cases?

7. Do the Commission's deferred accounting practices and procedures ensure symmetrical treatment of deferrals for excess utility costs and deferrals for excess utility revenues?

8. Should there be an overall cap on the amount of costs that a utility can defer in one year?

9. What must applicant show to demonstrate that a deferral under ORS 757.259(2)(e) will either (a) minimize the frequency of rate changes or fluctuation of rate levels, or (b) match ratepayer benefits and costs?

10. What types of costs are eligible for deferred accounting, e.g., do the costs have to be extraordinary, unanticipated, nonrecurring, and/or discrete?