

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 23, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: June 11, 2015

TO: Public Utility Commission

FROM: Suparna Bhattacharya *SB*

THROUGH: Jason Eisdorfer and Marc Hellman *IE* *A*

SUBJECT: PACIFIC POWER: (Docket No. UE 219) No Change to Schedule 199, Klamath Dam Removal Surcharges.

STAFF RECOMMENDATION:

Staff recommends the Commission maintain the Pacific Power ("PacifiCorp" or "Company") Klamath Dam Removal Surcharges without change.

DISCUSSION:

Background

The Klamath Agreement in Principle ("KAP") was signed November 13, 2008, by the states of Oregon and California, the United States Department of the Interior, and by PacifiCorp. The final agreement among the parties was entered on February 18, 2010. The agreement sets in place a process for the ultimate removal of four dams¹ on the Klamath River (hereinafter "Klamath Dams").

In response to the KAP, the Oregon Legislature passed Senate Bill 76,² which prescribes various actions, with specific timeframes, that must be taken by PacifiCorp and the Commission to implement the final agreement. The Oregon Legislature subsequently passed HB 3461 that enabled the Commission to direct the Klamath Dam removal funds to the Oregon State Treasury (OST) for the potential of earning higher rates of interest.³

¹ Specifically, the dams are known as J.C. Boyle, Copco 1 and 2, and Iron Gate.

² Codified as ORS 757.732 – 757.744.

³ Codified as ORS 757.738(1)(c).

On March 18, 2010, PacifiCorp filed Schedule 199 Klamath Dam Removal Surcharges as required, along with the workpapers necessary for Staff to perform an analysis of whether the surcharge rates comply with the applicable statutes.⁴ As also required, the tariff rates went into effect on the day they were filed, as the tariff was filed subsequent to January 1, 2010. In Docket UE 219, Order No. 10-364, the Commission ordered that no less than thirty days after the Company's annual TAM filing, Staff, the Company, and other interested parties review the status of surcharge collections to determine if Schedule 199 surcharges should be revised. If revisions were required, then the Company would be required to file a revised tariff within 60 days of the TAM filing.

The surcharges resulted in an overall increase in rates of 1.7 percent, based on the annual revenue requirement and given the rates in effect as of January 1, 2010. The 1.7 percent is less than the two percent cap specified in section ORS 757.736(3). In any year, the surcharges collected cannot exceed \$19.06 million. This value is two percent of PacifiCorp's revenue requirement as determined by the Commission in the most recent case concluded prior to January 1, 2010.⁵

At any time, if the Commission determines that surcharge collections exceed those needed or allowed, the Commission has the discretion to direct the trust account trustee to refund excess amounts to customers, to otherwise use the amounts to benefit customers, or to adjust future surcharge amounts.⁶ If one or more of the Klamath Dams will not be removed, ORS 757.736(10) specifies the actions the Commission must take for distribution of the collection fund.

At the May 8, 2012, Public Meeting, the Commission adopted the staff recommendation not to raise the surcharges in 2012, and directed \$30 million of the surcharge fund monies to be deposited in the OST's Oregon Intermediate Term Pool (OITP). After working extensively with Treasury, the transfer of funds to the OITP took place in September 2012. The interest earned through the OITP has been significantly greater than previously achieved through the short term fund alternative.

On May 21, 2013, the Commission adopted the staff recommendation to raise the surcharges in 2013. With an Oregon State Treasury short-term fund (OSTF) interest rate of 0.57 percent and an OITP of 2.5 percent, the proposed change increased the annual surcharge by \$1.7 million and ensured the attainment of \$184 million target. The

⁴ ORS 757.736(7) requires that the amount of each surcharge shall be calculated based on a collection schedule that will fund, by December 31, 2019, Oregon's share of the customer contribution of the \$200 million identified in the KAP. Oregon's share is \$184 million including interest.

⁵ ORS 757.736(3)

⁶ ORS 757.736(9)

average residential consumer using 900 kWh a month had a bill impact of \$0.11 per month as a result of this change.

On June 10, 2014, when staff last brought this issue before the Commission at the Public Meeting, the Commission adopted the staff recommendation not to raise the surcharges in 2014.

Current Review of Surcharge Rate Levels

On June 2, 2015, representatives from interested parties held a conference call to review the surcharge. The parties included staff, PacifiCorp, ICNU, CUB, Salmon River Restoration Council, Pacific Coast Federation of Fishermen's Association, Oregon Fish and Wildlife, and the Oregon Department of Water Resources.

Based on the treasury interest rate statements provided by the staff, the company evaluated the Schedule 199 surcharge rates. The interest rates considered for the short term fund- OSTF and the intermediate fund- OITP are 1 and 2.5 percent respectively. With no change to the current level of surcharge rates, the total annual surcharge collection is projected to be \$18,286,995. This value is less than two percent specified in ORS 757.736(3), and hence complies with the two percent cap. The total surcharge collection (interest adjusted) projected at the current surcharge rates is \$183,342,419. This value is calculated as the sum of the actual collection with interest from March 2010 to February 2015, and the forecast collection with interest from March 2015 through December 2019. If the Commission did not change the present surcharge rates through 2019, the current projections show a slight deficit of about \$657,581, given the \$184 million target. For reference, the worksheet provided by the company is attached with this memo.

The parties agreed that Klamath surcharges should be maintained at the current level without any adjustment. The general consensus was also that alternative scenarios either to increase or decrease current surcharge rates are not necessary since there is sufficient time remaining to revise the surcharge should the forecast continue to show slight undercollections. The parties understand that the Commission will have the opportunity to revisit the surcharge rates next year as the surcharge levels are reviewed annually.

Consistent with Order No. 10-364, interested parties will meet again in 2016 to reassess the surcharge revenues, interest rates, updated load forecasts, and fund balances and to discuss other issues related to the annual surcharge review.

The Company has reviewed this memo and has no areas of concerns.

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PROPOSED COMMISSION MOTION:

Staff recommends the Commission allow Pacific Power to maintain the Klamath Dam Removal Surcharges without change.

Klamath Dam Surcharge

PACIFIC POWER
STATE OF OREGON
KLAMATH DAM REMOVAL SURCHARGES
ACTUAL AND FORECAST COLLECTIONS REFLECTING PRESENT RATES

Line No.	Description	Sch No.	Actual	Actual	Actual	Actual	Actual	Total	Partial	2014	2017	2018	2019	Total	Total	
			Collections	Collections	Collections	Collections	Collections	Collections	Actual	2015	Forecast	Forecast	Forecast	Forecast	Forecast	Actual
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	
			Mar-Dec 2010	2011	2012	2013	2014	Jan-Feb 2015	Mar 2015	Mar-Dec	Forecast	Forecast	Forecast	Forecast	March 2015	
Residential																
1	Residential	4	\$5,078,272	\$7,389,998	\$7,341,033	\$7,722,702	\$7,804,117	\$1,592,607	\$36,928,729	\$6,191,570	\$7,813,002	\$7,796,610	\$7,812,610	\$7,841,624	\$37,455,845	\$74,384,574
2	Total Residential		\$5,078,272	\$7,389,998	\$7,341,033	\$7,722,702	\$7,804,117	\$1,592,607	\$36,928,729	\$6,191,570	\$7,813,632	\$7,796,610	\$7,812,610	\$7,841,424	\$37,455,845	\$74,384,574
Commercial & Industrial																
3	Gen. Svc. <31 kW	23	\$1,098,596	\$1,541,161	\$1,540,603	\$1,599,978	\$1,597,190	\$278,724	\$7,656,252	\$1,420,522	\$1,714,512	\$1,719,065	\$1,719,390	\$1,722,459	\$8,295,948	\$15,952,201
4	Gen. Svc. 31 - 200 kW	28	\$1,921,775	\$2,615,111	\$2,653,332	\$2,775,078	\$2,933,236	\$496,193	\$13,394,726	\$2,395,924	\$2,880,984	\$2,889,307	\$2,889,522	\$2,894,574	\$13,950,311	\$27,345,058
5	Gen. Svc. 201 - 999 kW	30	\$1,234,597	\$1,680,970	\$1,710,016	\$1,864,537	\$1,943,761	\$311,532	\$8,745,813	\$1,518,780	\$1,819,793	\$1,824,568	\$1,824,715	\$1,828,476	\$8,816,331	\$17,562,144
6	Large General Service >= 1,000 kW	48	\$1,999,914	\$2,778,591	\$2,907,734	\$3,228,705	\$3,491,098	\$538,634	\$14,244,676	\$3,030,075	\$3,545,292	\$3,549,776	\$3,550,158	\$3,500,495	\$17,237,795	\$32,182,471
7	Partial Req. Svc. >= 1,000 kW	47	\$152,122	\$144,621	\$58,223	\$62,239	\$78,099	\$14,673	\$509,978	\$51,141	\$60,839	\$60,966	\$60,972	\$61,136	\$295,055	\$805,033
8	Agricultural Pumping Service	41	\$223,060	\$228,933	\$234,305	\$326,552	\$339,101	\$2,086	\$1,374,237	\$328,161	\$328,660	\$328,640	\$328,640	\$328,640	\$1,642,742	\$3,016,979
9	Total Commercial & Industrial		\$6,630,466	\$8,989,388	\$9,124,412	\$9,857,090	\$10,382,484	\$1,641,843	\$46,625,682	\$8,744,603	\$10,350,080	\$10,372,322	\$10,373,397	\$10,397,780	\$50,238,183	\$96,863,865
Lighting																
10	Outdoor Area Lighting Service	15	\$17,548	\$42,783	\$22,190	\$22,647	\$22,782	\$3,776	\$111,727	\$17,558	\$21,355	\$21,391	\$21,403	\$21,450	\$103,158	\$214,884
11	Street Lighting Service	50	\$13,909	\$17,623	\$17,049	\$17,078	\$16,261	\$2,624	\$84,443	\$14,918	\$17,917	\$17,866	\$17,866	\$17,866	\$86,432	\$170,876
12	Street Lighting Service HPS	51	\$42,740	\$57,717	\$58,610	\$61,157	\$43,447	\$10,994	\$294,666	\$52,581	\$63,154	\$60,972	\$62,972	\$62,972	\$384,650	\$599,316
13	Street Lighting Service	52	\$1,356	\$1,153	\$1,039	\$822	\$814	\$133	\$5,317	\$671	\$806	\$804	\$804	\$804	\$3,887	\$9,205
14	Street Lighting Service	53	\$7,999	\$11,123	\$11,023	\$10,921	\$11,675	\$1,976	\$54,718	\$9,278	\$11,143	\$11,111	\$11,111	\$11,111	\$53,754	\$108,472
15	Recreational Field Lighting	54	\$1,267	\$1,793	\$1,681	\$2,168	\$2,192	\$304	\$9,405	\$1,559	\$1,878	\$1,883	\$1,883	\$1,886	\$9,090	\$18,495
16	Total Public Street Lighting		\$84,719	\$112,193	\$111,592	\$114,793	\$117,171	\$19,808	\$560,276	\$96,564	\$116,253	\$116,027	\$116,039	\$116,089	\$540,972	\$1,121,248
17	TOTAL		\$11,793,457	\$16,491,579	\$16,577,037	\$17,694,584	\$18,303,773	\$3,254,258	\$84,114,688	\$15,032,738	\$18,279,965	\$18,284,959	\$18,302,046	\$18,355,292	\$88,254,999	\$172,369,687
18	Target Collection		\$12,795,572	\$16,160,492	\$16,160,492	\$17,251,552	\$18,334,272	\$3,068,164.63		\$15,340,833.13	\$18,573,934	\$18,658,920	\$18,751,616	\$18,845,547		
19	Over(Under) Collection		(\$1,002,115)	\$331,087	\$416,545	\$443,032	(\$30,499)	\$186,093		(\$308,085)	(\$293,969)	(\$373,962)	(\$449,571)	(\$490,255)		
20	Interest		(708)	20,273	390,360	745,764	862,785	144,080		\$1,165,952	\$1,590,391	\$1,802,419	\$2,017,002	\$2,234,414		10,972,732
21	Collection plus Interest		\$11,792,749	\$16,511,852	\$16,967,398	\$18,440,349	\$19,166,557	\$3,398,338		\$16,198,690	\$19,870,356	\$20,087,378	\$20,319,047	\$20,589,706		\$183,342,419
22														Target Oregon Balance (with interest)		\$184,000,000
23														Estimated Over/(Under) Amount		(\$657,581)