ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 21, 2014

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **February 1, 2014**

DATE: January 14, 2014

TO: Public Utility Commission

FROM: George Compton and Brittany Andrus
GRC BA

JE MH & MG MH AA

THROUGH: Jason Eisdorfer, Maury Galbraith, Marc Hellman, and Aster Adams

SUBJECT: PACIFIC POWER: (Docket No. UE 263/Advice No. 14-001) Revises Schedules 294 and 295 to reflect updated franchise fees in compliance with Order No. 13-474.

STAFF RECOMMENDATION:

Staff recommends that the replacement tariff sheets Schedules 294-2 and 295-2, filed in Pacific Power's (PacifiCorp or Company) Advice No. 14-001, be allowed to go into effect on February 1, 2014.

DISCUSSION:

In the past, municipal government franchise fees imposed on PacifiCorp on the basis of that Company's revenues were recovered entirely as part of its distribution service rates (paid fully by all customers, including direct access customers who buy energy from a third-party source) even though the larger portion of the franchise fee *incurrence* stems from the energy-based charges found in Schedules 200 and 201.[1] The problem with that historic approach is that direct access customers, who as such no longer pay Schedule 201, net-power-cost charges, would continue to pay towards franchise fees on the same basis as if they did pay the Schedule 201 charges. Hence, reduced revenues to PacifiCorp would *not* translate to reduced collections in support of franchise fees. Clause 19 of the UE 263 stipulation adopted by Public Utility Commission of Oregon (Commission) in Order No. 13-474 corrected that discrepancy by calling for energy-based System Usage Charges to be applied separately to Schedules 200 and 201.[2]

[1] Distribution service rates for direct access eligible customers are generally in the form of customer and demand charges, not energy-based charges.
[2] See page 8 of Appendix A of Order No. 13-474, Docket No. UE 263.

Consistent with that correction, the same Commission-adopted stipulation clause also said, "The Stipulating Parties[3] also agree that the franchise fees rate from the general rate case will be applied to the transition adjustment for Schedules 294 and 295.[4]" Advice No. 14-001, filed by PacifiCorp on January 2, 2014, would place those schedules in compliance with that mandate. Here again, the point is to make a direct connection between franchise fee incurrence and franchise fee recovery from customers.

The standard franchise fee rate to be applied to the transition adjustment rates is 2.3%.[5] Applying that rate increases the absolute values of the transition adjustments per se. Most of the Schedule 294 rates and all of the Schedule 295 rates are credits (i.e., rate rebates), which will now be increased by that same 2.3%. The largest *positive* Schedule 294 rate is less than one cent per kWh, which means that the largest increase in the transition adjustment charge will be less than 0.025 cents per kWh.

The Company proposes the formal date of February 1, 2014 for the new Schedules 294 and 295 transition adjustment tariff sheets. But to achieve consistency with all of the other rates that went into effect on January 1, 2014, the Company also proposes to adjust the billings of direct access customers so as to make the alterations to the transition adjustments effective from that earlier date. No customer will receive a larger bill due to that adjustment due to the fact that for the month of January all of the transition adjustment rates are negative, i.e., are credits.[6]

Staff has reviewed the revised tariff sheets for Schedules 294 and 295, filed with Advice No. 14-001, and they comply with Commission Order 13-474.

PROPOSED COMMISSION MOTION:

The replacement tariff sheets filed in PacifiCorp Advice No. 14-001 be allowed to go into effect on February 1, 2014.

UE 263/Advice 14-001

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[3] The stipulating parties were: PacifiCorp; Staff of the Public Utility Commission of Oregon; the Citizens' Utility Board of Oregon; the Industrial Customers of Northwest Utilities; Fred Meyer Stores and Quality Foods Centers, divisions of The Kroger Co.; Wal-Mart Stores, Inc.; and Noble Americas Energy Solutions.
[4] Schedule 294 applies to direct access customers who leave cost-of-service status for one year; Schedule 295 applies to customers choosing a three-year cost-of-service opt-out.
[5] This was the rate used in developing the other charges in the general rate case. It can be found in Gary Tawwater's Exhibit PAC/1002 (page 1.6) of Docket UE 263.
[6] Positive transition adjustment rates generally only appear in the months of April through June, i.e., when open-market prices are very low.