

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: April 19, 2022**

REGULAR  CONSENT  EFFECTIVE DATE \_\_\_\_\_ N/A \_\_\_\_\_

**DATE:** April 5, 2022

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

**SUBJECT:** PACIFIC POWER:  
(Docket No. UM 1764(6))  
Request Reauthorization of Deferral Accounting Related to a Change in Annual Regulatory Fees.

**STAFF RECOMMENDATION:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve Pacific Power's (PacifiCorp, PAC, or Company) request for reauthorization to defer costs related to a change in annual regulatory fees payable to the Commission, and the costs currently being collected in rates, for the twelve-month period beginning March 11, 2022.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's request for reauthorization to defer costs associated with the variance in the annual regulatory fee and the amount collected in rates.

Applicable Law

Under Oregon Revised Statute (ORS) 757.259, the Commission may authorize deferred accounting for later incorporation in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

ORS 757.259(2)(e).

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral.<sup>1</sup>

### Analysis

#### *Description of Expenses*

On March 10, 2022, PacifiCorp filed for reauthorization to continue to defer costs associated with the variance in annual regulatory fee and the account collected in rates.

PacifiCorp is requesting to defer approximately \$1,116,300 in 2022 associated with the increase in the regulatory fee rate for 2022, calculated as shown in the following table. This amount reflects the calculated difference between PacifiCorp's annual fee at the new rate of 0.43 percent and the annual fee of 0.375 percent included in the Company's Oregon rates.

	Current Rate Order No. 22-062	Previous Rate Order No. 21-006	Estimated <b>Deferral</b>
2021 Revenues	\$1,395,348,837	\$1,395,348,837	
Annual Fee Rate	0.43%	0.375%	
Annual Regulatory Fee	\$6,000,000	\$4,883,700	<b>\$1,116,300</b>

<sup>1</sup> ORS 757.259(4); OAR 860-027-0300(9).

#### *Reason for Deferral*

ORS 757.259(2)(e) allows the deferral of identifiable utility expenses to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and received by customers. In this application, PacifiCorp seeks to match the costs borne and benefits received by customers. The concurrent proposal to amortize deferred amounts through the existing property sales balancing account also provides for administrative efficiency by minimizing the rate changes required to address the change in annual fees.

#### *Proposed Accounting*

PacifiCorp proposes to record the deferred amounts by crediting Commission fees recorded in FERC Account 928 – Regulatory Commission Expenses, and debiting the property sales balancing account, FERC Account 254 – Other Regulatory Liabilities.

#### *Estimated of Amounts*

The Company estimates that the Oregon cost related to the increase in the annual fee rate is \$1,116,300 for the 2021 annual fee that will be paid on or before April 1, 2022.

#### *Information Related to Future Amortization*

- Earnings Review – ORS 757.259 (5) requires an earnings review prior to amortization of amounts deferred under ORS 757.259 (2)(e). Staff recommends recovery be independent of earnings level.
- Prudence Review – Prudence review should be performed at the time of deferral amortization.
- Sharing – This deferral is not subject to a sharing mechanism because the annual fees are collected from customers and directly passed through to the Commission.
- Rate Spread / Rate Design – Account balances are to be spread through PacifiCorp's property sales balancing account (Schedule 96).
- Three Percent Test (OAR 757.259 (6)) – The amortization of the deferral costs will be subject to the three percent test in accordance with ORS 757.259(7) and (8), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

#### Conclusion

Based on Staff's review of PacifiCorp's application, Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259.

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Further, the Company's application for deferred accounting meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PacifiCorp's application be approved.

The Company has reviewed a draft of this memo and voiced no concerns.

**PROPOSED COMMISSION MOTION:**

Approve PacifiCorp's application for the reauthorization of deferral accounting related to a change in annual regulatory fees.

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