

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 21, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE March 11, 2016

DATE: April 6, 2016

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PACIFIC POWER: (Docket No. UM 1764) Requests Authorization of Deferred Accounting Related to a Change in Annual Regulatory Fees.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Pacific Power's (PacifiCorp or Company) request to defer costs associated with the incremental increase in the annual regulatory fee due to the Commission-ordered increase from 0.25 percent to 0.275 percent for the twelve-month period from March 11, 2016, to March 10, 2017.

ISSUE:

Whether the Commission should grant a deferral authorization for the incremental increase in the annual regulatory fee.

APPLICABLE LAWS:

PacifiCorp makes this filing in accordance with ORS 757.259(2)(e) and OAR 860-027-0300.

DISCUSSION AND ANALYSIS:

OAR 860-021-0033 requires electric utilities are to pay regulatory fees to the Commission each year by April 1. The fee payable by the electric utility is an annual fee rate multiplied by the utility's gross operating revenues derived within Oregon for the previous calendar year. The annual fee rate is set by Commission order entered on or after March 1 of each year.

Senate Bill (SB) 329, enacted in 2015, allows the Commission to set the annual fee to a percentage not to exceed 0.3 percent of utilities' gross operating revenue. The Commission implemented SB 329 through a rulemaking proceeding docketed as AR 591. In that proceeding, PacifiCorp requested that the Commission authorize the use of deferred accounting for the difference between the utility's annual fee at the new rate and the annual fee at the previous rate of .25 percent. The Commission declined to address the implementation of the fee change in the context of AR 591, but stated that PacifiCorp could request its proposed rate treatment in another proceeding.

On February 23, 2016, the Commission issued Order No. 16-067, setting the annual fee rate at 0.275 percent of the gross operating revenues for electric, natural gas, water, and wastewater utilities. This is an increase from the prior annual fee rate that previously could not exceed 0.25 percent. Commission Staff has been advised that the Commission intends to move the rate to 0.3 percent in 2017.

On March 11, 2016, PacifiCorp filed its application for authorization of deferred accounting related to a change in annual regulatory fees payable to the Public Utility Commission of Oregon.

Description:

The Company's calculation for the amount to defer is the incremental difference between the Company's annual fee using the new rate of 0.275 percent and the annual fee at the previous rate of 0.25 percent.

Proposed Accounting:

PacifiCorp will record deferred costs related to the increase by crediting Commission Fees recorded in FERC Account 928 – Regulatory Commission Expenses and debiting the property sales balancing account, in FERC Account 254 – Other Regulatory Liabilities.¹

Estimated Deferrals in Authorization Period:

The Company is requesting to defer approximately \$344,000 in 2016 associated with the regulatory fee rate for 2015.

Information Related to Future Amortization

- Earnings Review – ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e).

¹ PacifiCorp Errata to Application for Deferred Accounting, filed March 17, 2016.

- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – PacifiCorp requests that the amounts deferred not be subject to sharing because the annual fees are collected from customers and directly passed through to the Commission. For the reasons discussed more fully below, Staff recommends that there be no sharing between PacifiCorp and its customers for this deferral.
- Rate Spread/Design – Account balances are to be spread through PacifiCorp's property sales balancing account (Schedule 96).
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because PacifiCorp is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. The limit for this deferral will be determined at the time of amortization.

Staff Analysis and Recommendation:

During the rulemaking proceeding, through Docket AR 591, to update relevant rules to reflect the change to the maximum fee permitted in SB 329, the Company requested that the Commission provide an opportunity for it to file for deferred accounting for the increase in fees.

Staff concludes that the Company's application to authorize deferral of the increase in the annual regulatory fee is consistent with ORS 757.259. Staff also supports the Company's decision to amortize the deferred amounts through its existing property sales balancing account.

PacifiCorp requests that the amounts deferred not be subjected to an earnings test. While an earnings review is required prior to amortization of this deferral pursuant to ORS 757.259(5), the Commission is not required to perform an earnings test that could result in sharing of deferred costs between the Company and customers. Staff recommends that deferred amounts not be subject to an earnings test for two reasons. First, the PUC fee is collected from customers and directly passed-through to the Commission. Second, the Company's proposal to not subject the deferred amounts to sharing is generally consistent with the treatment allowed by the Commission in

Order No. 10-083, wherein the Commission lowered the annual PUC rate and ordered electric and natural gas utilities to defer the difference between the previous rate and the revised rates. In Docket UM 1488, the utilities put forth proposals for amortization of deferred PUC fee credits to customers, which were not subject to sharing from the results of an earnings review.²

PROPOSED COMMISSION MOTION:

Approve Pacific Power's request to defer costs associated with the incremental increase in the annual regulatory fee due to the Commission-ordered increase from 0.25 percent to 0.275 percent for the twelve-month period from March 11, 2016, to March 10, 2017.

PPL UM 1764 OPUC Fee Increase

² See *In re Amortization Proposals Related to PUC Fee Deferral Ordered in UM 1012*, OPUC Docket No. UM 1488, Order Nos. 10-443 (NW Natural), 10-437 (Cascade), 10-436 (Avista), 10-373 (Idaho Power), 10-372 (PGE), and 10-307 (PacifiCorp) (2010).