

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 20, 2021**

REGULAR **CONSENT** **EFFECTIVE DATE** March 11, 2021

DATE: April 12, 2021

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 1764(5))
Requests Reauthorization of Deferred Accounting Related to a Change in Annual Regulatory Fees.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Pacific Power's (PacifiCorp, PAC, or Company) request for reauthorization to defer costs associated with the incremental difference in the current annual regulatory fee of 0.375 percent of gross operating revenues, and the costs currently being collected in rates for the twelve-month period beginning March 11, 2021.

DISCUSSION:

Issue

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

Applicable rule and law

PacifiCorp submitted its deferral application on March 10, 2021, in accordance with ORS 757.259, and OAR 860-027-0300. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer expenses or revenues for later recovery in rates in order to minimize the frequency of rate changes or to appropriately match the costs and benefits to customers. OAR 860-027-0300 are the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

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. ORS 757.259(4); OAR 860-027-0300(9). The Commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility. ORS 757.259(5).

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Analysis

Background

OAR 860-021-0033 requires electric utilities 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. The fee for 2021 is 0.375 percent. Order No. 21-066.

In 2016, PacifiCorp was originally granted authority to defer the difference between the amount collected in rates for the fee (based on a percentage of .25 percent) and the newly established rate of 0.275 percent. Order 16-153. That authority was reauthorized annually. On December 18, 2020, in Docket No. UE 374, the Commission issued its Order incorporating an annual rate fee of 0.35 percent into the Company's base rates.

Description of deferral

The Company seeks to defer for later amortization into rates the incremental difference between amounts currently collected in rates for the Commission-imposed fee, which is based on a fee of 0.35 percent of gross operating revenues, and the amounts owed under the current fee, which is based on a fee of 0.375 percent of operating revenues.

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.

Estimated Deferrals in Authorization Period

The Company is requesting to defer approximately \$360,000 in 2021 associated with the regulatory fee rate for gross revenues received in 2020.

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).
- 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 though 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.

Conclusion:

Staff concludes that the Company's application to reauthorize deferral of the increase in the annual regulatory fee should be granted. Staff also supports the Company's decision to amortize reasonably incurred deferred amounts through its existing property sales balancing account.

PacifiCorp asks 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 sharing pursuant 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.¹

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's request to defer costs associated with the incremental difference in the current annual regulatory fee of 0.375 of gross operating revenues, and the costs currently being collected in rates, for the twelve-month period beginning March 11, 2021.

¹ 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).