

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: March 7, 2023**

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

**DATE:** February 22, 2023

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

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

**SUBJECT:** IDAHO POWER:  
(Docket No. UM 2050(2)(3))  
Application for Deferred Accounting of the Oregon Annual Regulatory Fee  
Expense.

**STAFF RECOMMENDATION:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve two separate Idaho Power Company (Idaho Power, IPC or Company) Applications for reauthorization to defer expenses associated with Commission Annual Regulatory Fees. Staff recommends approval of the reauthorization request in UM 2050(2) for the 12-month period beginning January 1, 2022. Staff also recommends approval of the reauthorization request in UM 2050(3) for the twelve-month period beginning January 1, 2023.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's requests for reauthorization to defer costs associated with the Oregon Annual Regulatory Fee Expense.

Applicable Rule or Law

Under 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).

In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review. A review of the utility's earnings is required, unless subject to an automatic adjustment clause. With some exceptions, a company's amortization of amounts deferred cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

## Analysis

### *Background*

The Commission is authorized under ORS 756.310(1) to impose an annual fee on public utilities and telecommunications providers for the purpose of defraying costs of the Commission. The bill allows the Commission to set the annual regulatory fee amount established in ORS 757.310(3) to an amount not to exceed 0.45 percent. 2019's Senate Bill 68 increased this authorized amount from 0.30 percent to 0.45 percent. By March 1 of each year the Commission will issue an order establishing the annual regulatory fee for gross operating revenue derived from electric utility operations in Oregon during the previous calendar year. The fee is due to the Commission April 1 of the year after the calendar year upon which the fee is based.

On February 25, 2021, the Commission issued Order No. 21-066 authorizing collection of the 2021 annual regulatory fee from the public utilities operating in Oregon subject to regulation by the Commission at 0.375 percent of gross operating revenues.

On February 24, 2022, the Commission issued Order No. 22-062 authorizing collection of the 2022 annual regulatory fee from the public utilities operating in Oregon subject to regulation by the Commission at 0.43 percent of 2021 gross operating revenues.

On February 23, 2023, the Commission issued Order No. 23-057 authorizing collection of the 2023 annual regulatory fee from the public utilities operating in Oregon subject to regulation by the Commission at 0.43 percent of gross operating revenues.

Deferral of the difference between the prior authorized amount and the increased annual regulatory fee was first authorized in Commission Order 20-045, beginning January 1, 2020. The Commission reauthorized the deferral for the twelve months beginning January 1, 2021 in Order No. 21-060.

#### *Reason for Deferral*

Idaho Power requests reauthorization to defer incremental costs associated with the increase in the Oregon annual regulatory fee, as compared to the annual regulatory fees paid prior to the enactment of Senate Bill (SB) 68, for two twelve month periods. The Company's request in UM 2050(2) is for the twelve month period beginning January 1, 2022. The Company's request in UM 2050(3) is for the twelve month period beginning January 1, 2023. Both reauthorization requests are filed pursuant to ORS 757.259(2)(e) and are intended to minimize the frequency of rate changes or the fluctuation of rate levels.

#### *Proposed Accounting*

Idaho Power will record amounts that would be subject to the deferral order in accordance with the Code of Federal Regulations to the Federal Energy Regulatory Commission (FERC) Account 182 – Regulatory Assets with the corresponding entry recorded to FERC Account 131.

#### *Estimate of Amounts to Be Recorded for the Next 12 Months*

The Oregon annual regulatory fee prior to the enactment of SB 68 was 0.30 percent but can increase up to 0.45 percent of the Company's gross operating revenue in Oregon. The fee has most recently been set at 0.43 percent of gross operating revenues. The Company estimates an increase in costs of approximately \$30,000 for calendar year 2022 based on the fees assessed following the enactment of SB 68.

For the year 2023, the Company estimates an increase in costs of approximately \$75,000 for calendar 2023.

#### *Information Related to Future Amortization*

- Earnings Review – (ORS 757.259(5)) – No earnings review is recommended to be applied given this deferral relates to Commission funding.

- Prudence Review – Should be performed by the OPUC Staff after Idaho Power files for amortization but should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Rate Design – Costs will be recovered through later incorporation into rates.
- Three Percent Test (OAR 757.259 (6)) – The amortization of the deferral costs will be subject to the three percent test except as provided in 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 Idaho Power's application, Staff concludes that the two deferral applications represent an appropriate use of deferred accounting under ORS 757.259.

Further, the Company's applications for deferred accounting meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, and because the reason for deferral is valid, Staff recommends Idaho Power's two deferral applications be approved.

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

### **PROPOSED COMMISSION MOTION:**

Approve the reauthorization request in UM 2050(2) for the 12-month period beginning January 1, 2022; and, approve the reauthorization request in UM 2050(3) for the twelve-month period beginning January 1, 2023.