

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**

3 UE 177

4 In the Matter of

5 PACIFICORP, dba PACIFIC POWER,
6 (UE 177)

7 Filing its tariffs establishing automatic
8 adjustment clauses under the terms of SB 408.

STAFF'S RESPONSE TO PACIFICORP'S
MOTION FOR CLARIFICATION RE:
APPLICATION OF UM 1147 ORDERS

9 **INTRODUCTION**

10 On July 16, 2008, PacifiCorp d/b/a Pacific Power ("Pacific Power") filed a Motion for
11 Clarification RE: Application of UM 1147 Orders ("Motion"). Pacific Power's Motion requests
12 that the Public Utility Commission of Oregon ("Commission") clarify that Order No. 06-507 and
13 Order No. 08-263 (collectively "the UM 1147 Orders") change the interest rate only on the
14 amounts subject to amortization under Order No. 08-201 ("UE 177 Order"), \$27 million, and
15 that the residual funds now in the account, approximately \$13 million, should continue to accrue
16 interest at Pacific Power's authorized rate of return ("AROR"). *See* Motion at 1.

17 On July 21, 2008, the Industrial Customers of the Northwest Utilities' ("ICNU") filed a
18 response to Pacific Power's Motion. In sum, ICNU's response argues that the residual funds
19 now in the account should earn interest according to the Blended Treasury Rate established in
20 the UM 1147 Orders.¹ More specifically, ICNU argues that the UM 1147 Blended Treasury
21 Rate is appropriate because there is little risk of non-recovery on any amount in Pacific Power's
22 SB 408 balancing account and, to the extent that there is any greater risk, Pacific Power created
23 that risk. *See generally* ICNU Response at 3-4.

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25 ¹ In UE 177, ICNU objected to the amortization of less than the full amount of the surcharge, arguing that ratepayers
26 would be hurt more by the accrual of interest. *See* ICNU Response at 2 *citing* Docket UE 177, ICNU Opening Brief
at 24 (March 14, 2008).

1 The Public Utility Commission of Oregon Staff (“Staff”) respectfully requests that the
2 Commission clarify that Modified Blended Treasury Rate established in Order No. 08-263
3 applies to Pacific Power’s residual SB 408 balancing account of approximately \$13 million.

4 DISCUSSION

5 Based upon Pacific Power’s tax filing, the Commission adopted a \$34.5 million
6 surcharge which excluded interest for additional federal, state, and local tax liability. *See* Order
7 No. 08-201 at 1. The Commission adopted Pacific Power’s proposal to amortize the surcharge
8 amount over two years. *See Id.* at 3.

9 In UM 1147, the Commission concluded that: “The Blended Treasury Rate . . . shall be
10 applied to the deferred account beginning on the date of the Commission’s approval of the
11 amortization and continuing throughout the entire period of amortization.” *See* Order No.
12 08-263 at 15. In the case of existing accounts, the Commission ordered that: “The new interest
13 rate shall apply to balances in existing accounts as of 60 calendar days after the date of this order
14 [i.e. July 22, 2008].” *See Id.* at 17.

15 By adopting the \$34.5 million surcharge in Order No. 08-201, the Commission
16 effectively approved the entire amount for amortization. Whether the amortization period is one
17 year or two years is irrelevant because, as ICNU points out, the Commission is required by law
18 to include these amounts in rates. Consistent with Order No. 08-263, the Modified Blended
19 Treasury Rate should apply to Pacific Power’s SB 408 balancing account because the entire
20 \$34.5 million surcharge has been effectively approved for amortization by Order No. 08-201.

21 In addition, Staff agrees with ICNU that applying the Modified Blended Treasury Rate
22 will avoid potential gaming by utilities. By proposing a multi-year amortization period for
23 surcharges, a utility could potentially profit – and customers could be harmed - from the utilities
24 voluntary choice to forgo amortization of the entire surcharge in order to collect interest at its
25 AROR.

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1 CONCLUSION

2 For the foregoing reasons, Staff respectfully requests that the Commission clarify that the
3 Modified Blended Treasury Rate established in Order No. 08-263 applies to Pacific Power's
4 residual SB 408 balancing account of approximately \$13 million.

5 DATED this 1st day of August 2008.

6 Respectfully submitted,

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8 HARDY MYERS
Attorney General

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10 s/Jason W. Jones
11 Jason W. Jones, #00059
12 Assistant Attorney General
Of Attorneys for Staff of the Public Utility
Commission of Oregon

1 **CERTIFICATE OF SERVICE**

2 I certify that on August 1, 2008, I served the foregoing MOTION upon all parties of
3 record in this proceeding by delivering a copy by electronic mail and by mailing a copy by
4 postage prepaid first class mail or by hand delivery/shuttle mail to the parties accepting paper
5 service.

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