

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**
3 **UM 1147**

4 In the Matter of

5 PUBLIC UTILITY COMMISSION OF
6 OREGON

STAFF REPLY COMMENTS

7 Staff Request to Open an Investigation Related
8 to Deferred Accounting.

9 Staff of the Public Utility Commission of Oregon (“staff”) and the Industrial Customers
10 of Northwest Utilities (“ICNU”) argue that it is appropriate to apply a different interest rate to
11 deferred amounts after amortization is approved. Portland General Electric Company (“PGE”),
12 PacifiCorp and Idaho Power Company (“Idaho Power”) argue that it is not. In these reply
13 comments, staff replies to arguments raised by PGE, PacifiCorp and Idaho Power that are not
14 addressed in staff’s opening comments.

15 PGE argues that the distinction between before and after the amortization order should
16 not affect the applicable interest rate because the amortization order does not eliminate risk but
17 confirms it. (PGE Opening Comments at 2-3.) Staff disagrees with this interpretation. As
18 PGE notes, risk associated with deferred accounts includes possibility that recovery of the
19 utility’s investment may be discounted based upon (a) prudence review, (b) earnings test, (c)
20 sharing or deadbands in the deferral mechanism, or (d) incursion of costs before the filing of
21 deferred accounting application, which occur before the Commission issues its amortization
22 order. (Opening Comments of PGE at 3.) The return that a utility will earn on deferred accounts
23 before the Commission issues its amortization order is the utility’s Authorized Rate of Return
24 (“AROR”). In other words, the utility is compensated for the risk that the entire deferral balance
25 will not be amortized. However, once the amortization order is issued and the amount to be
26 amortized is determined, the risk of non-recovery of the to-be-amortized amount decreases

1 dramatically. It makes sense to allow a return on this amount that that is less than the return
2 allowed for the deferred account prior to amortization.

3 Idaho Power and PacifiCorp argue that staff’s proposal regarding the appropriate interest
4 rate to apply to deferred amounts that have been approved for amortization is burdensome,
5 complex and unreasonable. *See* PacifiCorp’s Opening Comments at 5 and Idaho Power’s
6 Comments at 4. These arguments are premature. The purpose of this phase of briefing is to
7 determine whether a different interest rate should apply to deferred amounts that have been
8 approved for amortization, not to determine what that interest rate should be.

9 Similarly, Idaho Power argues that given the longevity of the amortization period for its
10 current deferrals, it is inappropriate to allow a return for the deferred amounts that is less than its
11 AROR. Idaho Power’s arguments do not address whether the risk associated with recovery of
12 deferred amounts that have been approved for amortization is such that a return lower than the
13 utility’s AROR is appropriate. Contrarily, Idaho Power’s arguments are pertinent to what
14 interest rate is the appropriate interest rate for Idaho Power’s deferred amounts currently being
15 amortized.

16 As staff argued in its opening comments, “it is appropriate to apply an interest rate to
17 deferred amounts that have been approved for amortization that reflects the risks, duration and
18 true costs of funds needed to meet the obligations associated with the deferred accounts.” (Staff
19 Opening Comments at 4.) To the extent that Idaho Power’s recovery of its deferred amounts is
20 long term, that fact could be reflected in the interest rate that is applied to its deferred accounts
21 that are approved for amortization.

22 ///

23 ///

24 ///

25 ///

26 ///

1 **CERTIFICATE OF SERVICE**

2
3 I certify that on April 21, 2006, I served the foregoing upon the parties in this proceeding
4 by electronic mail and by sending a true, exact and full copy by regular mail, postage prepaid to
5 the parties accepting paper service.

6

7 8 9 10 11 12 13 14	CASCADE NATURAL GAS KATHERINE BARNARD DIRECTOR, REGULATORY AFFAIRS PO BOX 24464 SEATTLE WA 98124 kbarnard@cngc.com	IDAHO POWER COMPANY JOANNE M BUTLER PO BOX 70 BOISE ID 83707-0070 jbutler@idahopower.com
15 16 17	CITIZENS' UTILITY BOARD OF OREGON JASON EISDORFER 610 SW BROADWAY STE 308 PORTLAND OR 97205 jason@oregoncub.org	STOEL RIVES LLP JAMES F FELL 900 SW 5TH AVE STE 2600 PORTLAND OR 97204-1268 jffell@stoel.com
18 19 20	CABLE HUSTON BENEDICT ET AL EDWARD A FINKLEA 1001 SW 5TH - STE 2000 PORTLAND OR 97204 efinklea@chbh.com	ATER WYNNE LLP JESSICA GORHAM 222 SW COLUMBIA STE 1800 PORTLAND OR 97201 jac@aterwynne.com
21 22 23	CITIZENS' UTILITY BOARD OF OREGON ROBERT JENKS 610 SW BROADWAY STE 308 PORTLAND OR 97205 bob@oregoncub.org	PUBLIC UTILITY COMMISSION JUDY JOHNSON PO BOX 2148 SALEM OR 97308-2148 judy.johnson@state.or.us
24 25 26	IDAHO POWER COMPANY BARTON L KLINE SENIOR ATTORNEY PO BOX 70 BOISE ID 83707-0070 bkline@idahopower.com	STOEL RIVES LLP KATHERINE A MCDOWELL 900 SW FIFTH AVE STE 1600 PORTLAND OR 97204-1268 kamcdowell@stoel.com
	NORTHWEST NATURAL GAS COMPANY ALEX MILLER DIRECTOR, REGULATORY AFFAIRS 220 NW SECOND AVE PORTLAND OR 97209-3991 alex.miller@nwnatural.com	PACIFICORP CHRISTY OMOHUNDRO DIRECTOR REGULATORY POLICY 825 NE MULTNOMAH BLVD STE 800 PORTLAND OR 97232 christy.omohundro@pacificorp.com
	DAVISON VAN CLEVE PC MATTHEW W PERKINS 333 SW TAYLOR - STE 400 PORTLAND OR 97204 mwp@dvclaw.com	NORTHWEST INDUSTRIAL GAS USERS PAULA E PYRON EXECUTIVE DIRECTOR 4113 WOLF BERRY COURT LAKE OSWEGO OR 97035-1827 ppyron@nwigu.org

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26

ATER WYNNE LLP LISA F RACKNER ATTORNEY 222 SW COLUMBIA ST STE 1800 PORTLAND OR 97201-6618 lfr@aterwynne.com	PORTLAND GENERAL ELECTRIC CO. RATES & REGULATORY AFFAIRS PORTLAND GENERAL ELECTRIC COMPANY 121 SW SALMON ST 1WTC0702 PORTLAND OR 97204 pge.opuc.filings@pgn.com
CASCADE NATURAL GAS JON T STOLTZ SR VICE PRESIDENT--REGULATORY & GAS PO BOX 24464 SEATTLE WA 98124 jstoltz@cngc.com	PORTLAND GENERAL ELECTRIC DOUGLAS C TINGEY ASST GENERAL COUNSEL 121 SW SALMON 1WTC13 PORTLAND OR 97204 doug.tingey@pgn.com
DAVISON VAN CLEVE PC S BRADLEY VAN CLEVE 333 SW TAYLOR - STE 400 PORTLAND OR 97204 mail@dvclaw.com	

Neoma Lane
Neoma Lane
Legal Secretary
Department of Justice
Regulated Utility & Business Section