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July 16, 2008

## VIA ELECTRONIC FILING AND U.S. MAIL

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 2148  
Salem, OR 97308-2148

**Re: Docket No. UE 177**

Enclosed for filing in Docket UE 177 are an original and one copy of PacifiCorp's Motion for Clarification Re: Application of UM 1147 Orders. A copy of this filing has been served on all parties to this proceeding as indicated on the enclosed service list.

Very truly yours,

Amie Jamieson

Enclosure

cc: Service List

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**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 177 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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DATED: July 16, 2008



Amie Jamieson  
Of Attorneys for PacifiCorp

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

3 **UE 177**

4 In the Matter of:

5 PACIFICORP, dba PACIFIC POWER &  
6 LIGHT COMPANY

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

**MOTION FOR CLARIFICATION RE:  
APPLICATION OF UM 1147 ORDERS**

10 **I. INTRODUCTION**

11 Pursuant to OAR 860-013-0031, PacifiCorp d/b/a Pacific Power ("Pacific Power" or  
12 "the Company") submits this Motion for Clarification ("Motion") on the application of Order  
13 No. 06-507 ("UM 1147 Order I") and Order No. 08-263 in UM 1147 ("UM 1147 Order II")  
14 (collectively "the UM 1147 Orders") to Pacific Power's SB 408 balancing account, a portion  
15 of which is subject to amortization under Order No. 08-201 in UE 177 ("UE 177 Order").  
16 Pacific Power requests that the Public Utility Commission of Oregon ("Commission") clarify  
17 that the UM 1147 Orders change the interest rate only on the amounts subject to  
18 amortization under the UE 177 Order, \$27 million, and that the residual funds now in the  
19 account, approximately \$13 million, should continue to accrue interest at the Company's  
20 authorized rate of return ("AROR").<sup>1</sup>

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23 <sup>1</sup> On June 25, 2008, Pacific Power filed a related Motion for Clarification of Order No. 08-263  
24 in Docket UM 1147. That motion requested that the Commission clarify whether as a general matter  
25 a utility must adjust interest rates on deferred accounts in amortization when the Modified Blended  
Treasury Rate changes each year. *Re Public Utility Commission of Oregon Staff Request to Open an*  
26 *Investigation Related to Deferred Accounting*, Docket UM 1147, Pacific Power Motion for Clarification  
of Order No. 08-263 (June 25, 2008).

26

1 **II. BACKGROUND**

2 The UE 177 Order was issued on April 11, 2008 in Pacific Power's SB 408 tax  
3 report docket.<sup>2</sup> In that Order, the Commission approved a \$34.5 million surcharge for  
4 federal, state, and local income taxes paid by the Company.<sup>3</sup> The Company's tariff sheets  
5 filed as Advice No. 07-019 went into effect on June 1, 2008.

6 Under OAR 860-022-0041(8)(e), SB 408 balancing accounts "must accrue interest  
7 at the Commission-authorized rate for deferred accounts," with accruals beginning from  
8 July 1 of the tax year. The accrued interest on the surcharge approved in the UE 177  
9 Order was approximately \$5.8 million, resulting in a total \$40.3 million surcharge recorded  
10 to Pacific Power's balancing account.

11 The Commission approved Pacific Power's proposed amortization schedule in the  
12 UE 177 Order.<sup>4</sup> According to that schedule, Pacific Power will amortize \$27 million of the  
13 surcharge over one year through Schedule 102 and continue to defer the remaining  
14 surcharge in the Company's SB 408 balancing account.<sup>5</sup> Pacific Power proposed to  
15 include an amortization schedule for the balance of the 2006 surcharge, approximately  
16 \$13 million, when it files its tax report for 2007 in October 2008.

17 The UE 177 Order provided that "Interest shall accrue on the unamortized balance  
18 and in the deferred account at Pacific Power's authorized rate of return, subject to revision  
19 based on the outcome of proceedings currently underway in docket UM 1147."<sup>6</sup>  
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22 <sup>2</sup> *Re Oregon Public Utility Commission Staff Requesting the Commission Direct PacifiCorp, dba Pacific Power, to File Tariffs Establishing Automatic Adjustment Clauses Under the Terms of SB 408, Docket UE 177, Order No. 08-201 (Apr. 11, 2008).*

23 <sup>3</sup> *Id.* at 1.

24 <sup>4</sup> *Id.*

25 <sup>5</sup> *Id.* at 7.

26 <sup>6</sup> *Id.*

1 In UM 1147, the Commission investigated the interest rate applicable to deferred  
2 accounts. In UM 1147 Order I, the Commission concluded that because of “the unique  
3 nature of amortization,” a rate other than AROR should be applied to deferred accounts  
4 during amortization.<sup>7</sup> At the same time, the Commission affirmed that because of the  
5 “attendant risks” associated with deferrals not yet under amortization, it would continue to  
6 apply the AROR rate to nonamortizing deferred funds.<sup>8</sup>

7 The Commission set the interest rate for amortizing amounts in deferred accounts  
8 in UM 1147 Order II, issued on May 22, 2008.<sup>9</sup> The Commission adopted the blended  
9 one-, three-, and five-year Treasury rate plus 100 basis points (“Modified Blended  
10 Treasury Rate”) as the applicable rate for deferred accounts “during the discrete period of  
11 amortization.”<sup>10</sup> UM 1147 Order II provided that as of 60 calendar days after May 22,  
12 2008, utilities must apply the Modified Blended Treasury Rate to all deferred accounts in  
13 amortization as of the date of the order or in the future, including balances in existing  
14 deferred accounts already in amortization.<sup>11</sup>

15 **III. DISCUSSION**

16 In the UE 177 Order, the Commission ordered that “[i]nterest shall accrue on the  
17 unamortized balance [in the SB 408 balancing account] and in the deferred account at  
18 Pacific Power’s authorized rate of return, *subject to revision based on the outcome of*  
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22 <sup>7</sup> *Re Public Utility Commission of Oregon Staff Request to Open an Investigation Related to*  
*Deferred Accounting*, Docket UM 1147, Order No. 06-507 at 4–5 (Sept. 6, 2006).

23 <sup>8</sup> *Id.* at 4.

24 <sup>9</sup> *Re Public Utility Commission of Oregon Staff Request to Open an Investigation Related to*  
*Deferred Accounting*, Docket UM 1147, Order No. 08-263 at 1 (May 22, 2008).

25 <sup>10</sup> *Id.* at 1, 15.

26 <sup>11</sup> *Id.* at 15.

1 *proceedings currently underway in docket UM 1147.*<sup>12</sup> Because the UM 1147 Orders are  
2 limited in applicability to amounts under amortization, the only interest rate subject to  
3 revision based upon the outcome of UM 1147 Order II is that applied to the \$27 million  
4 under amortization, not the \$13 million residual amount in the balancing account.

5 This interpretation of the UE 177 Order and the UM 1147 Orders is supported by  
6 the policy underlying the UM 1147 Orders. In UM 1147 Order I, the Commission  
7 explained that: "When we approve amortization of a specific amount of the tracked costs  
8 or revenues in a deferred account, we authorize a process whereby that approved amount  
9 will be reduced by increasing or decreasing rate over a specific period of time, typically  
10 one year."<sup>13</sup> Because this process produces "dollar-for-dollar" recovery, the Commission  
11 concluded that amortization presented reduced risk for the utility.<sup>14</sup>

12 Applying this logic to the SB 408 balancing account, the Company faces different  
13 risks for the \$27 million in amortization and the \$13 million residual balance. The  
14 Company's ability to collect the \$13 million residual balance could be affected by the  
15 outcome of the currently pending appeal of the UE 177 Order, legislative changes to SB  
16 408, or other such developments. Previously amortized surcharge amounts are better  
17 insulated from such challenges through operation of the filed rate doctrine and retroactive  
18 ratemaking principles.

19 In addition, this policy encourages utilities to propose amortization schedules that  
20 mitigate rate impacts by recommending amortization of only a portion of a balancing  
21 account in a given period. In this case, for example, Pacific Power voluntarily proposed to

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23 <sup>12</sup> *Re Oregon Public Utility Commission Staff Requesting the Commission Direct PacifiCorp,  
24 dba Pacific Power, to File Tariffs Establishing Automatic Adjustment Clauses Under the Terms of  
25 SB 408, Docket UE 177, Order No. 08-201 at 7 (Apr. 11, 2008) (emphasis added).*

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25 <sup>13</sup> *Re Public Utility Commission of Oregon Staff Request to Open an Investigation Related to  
26 Deferred Accounting, Docket UM 1147, Order No. 06-507 at 5 (Sept. 6, 2006.)*

<sup>14</sup> *Id.*

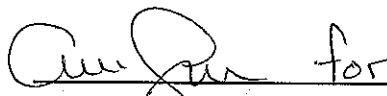
1 limit amortization of the SB 408 surcharge to \$27 million over one year to lessen the rate  
2 impact of the SB 408 surcharge.<sup>15</sup> If the Commission applies the Modified Blended  
3 Treasury Rate rather than the AROR to unamortized deferred amounts, this could  
4 discourage such proposals in the future, contrary to the public interest.

5 In UM 1147 Order II, the Commission outlined the parties' positions on various  
6 issues, including whether deferred accounts could have different interest rates for  
7 amounts in amortization and residual or newly accruing balances. All parties agreed that  
8 a single account could have two different interest rates, one for the amounts in  
9 amortization and another for other amounts. For example, Staff took the position that "the  
10 Commission should require a utility to apply the new interest rates to portions of the  
11 deferred funds that are approved for amortization, while AROR would apply to the  
12 accruing funds until they are amortized."<sup>16</sup> The final Commission resolution appears  
13 supportive of this approach.<sup>17</sup>

#### 14 IV. CONCLUSION

15 For the reasons set forth above, Pacific Power respectfully requests that the  
16 Commission clarify that the UM 1147 Orders change only the interest rate to be applied on  
17 the \$27 million in amortization in the Company's SB 408 balancing account and the  
18 interest rate applied to the residual balance of approximately \$13 million continues to be  
19 the Company's AROR, as provided in the UE 177 Order.

20 DATED: July 16, 2008.

21   
22 Katherine McDowell  
23 Attorney for Pacific Power

24 <sup>15</sup> *Id.*

25 <sup>16</sup> *Re. Public Utility Commission of Oregon Staff Request to Open an Investigation Related to  
Deferred Accounting, Docket UM 1147, Order No. 08-263 at 9 (May 22, 2008).*

26 <sup>17</sup> *Id.* at 15.