

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 20, 2020**

REGULAR CONSENT EFFECTIVE DATE December 31, 2020

DATE: October 6, 2020

TO: Public Utility Commission

FROM: John Fox

THROUGH: Bryan Conway and John Crider **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 1682(4)-(6))
Applications for Reauthorization of Deferred Accounting Related to a
Reduction in Depreciation Expense.

STAFF RECOMMENDATION:

Staff recommends that Pacific Power's (PacifiCorp or Company) application for reauthorization to use deferred accounting for a reduction in depreciation expense be approved for 2018, 2019, and 2020.

DISCUSSION:

Issue

Whether the Commission should reauthorize PacifiCorp's use of deferred accounting for reduction in depreciation expense, effective January 1, 2018 through December 31, 2020.

Applicable Rule or Law

Beginning with the date of the Application, the Commission may approve the deferral of 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 for the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers. ORS 757.269(2)(e) and (4).

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).

Analysis

Background

In Order No. 13-347 the Commission approved a stipulation which stated, in part, the following:

The Company agrees to defer for future inclusion in customer rates any reductions to depreciation expense associated with additional adjustments to depreciation rates for system-allocated assets, except adjustments related to coal generation, adopted in any of those dockets in any other states in which PacifiCorp operates.¹

Accordingly, the Company filed applications for deferral in this docket which were approved by the Commission in the following orders:

- 2014 Docket No. UM 1682 - Order No. 14-039
- 2015 Docket No. UM 1682(1) - Order No. 15-072
- 2016 Docket No. UM 1682(2) - Order No. 16-097
- 2017 Docket No. UM 1682(3) - Order No. 17-104

In Order No. 18-423, the Commission concluded that ORS 757.259(2)(e) provided the Commission no authority to allow deferrals of any costs related to capital investments.² The following filings in this docket have been pending subsequent to Order No. 18-423 and are the subject of this memorandum:

- 2018 Docket No. UM 1682(4)
- 2019 Docket No. UM 1682(5)
- 2020 Docket No. UM 1682(6)

¹ *In re PacifiCorp*, OPUC Docket No. UM 1647, Order No. 13-347 at 3 (Sept. 25, 2013).

² *In re Investigation of the Scope of the Commission's Authority to Defer Capital Costs*, OPUC Docket No. UM 1909, Order No. 18-423 at 8 (Oct. 29, 2018).

In Order No. 20-147, the Commission revisited the issue and concluded it does have the authority to defer all cost components related to a utility's capital projects, including both depreciation expense and the cost of financing capital projects.³

Pending Rate Case

On February 14, 2020, the Company filed a request for a general rate revision effective January 1, 2021. In that filing, the Company proposes amortization of amounts deferred in this docket.⁴ The general rate revision is currently being litigated and the proposed amount of amortization therein is on the record in UE 374 and need not be repeated here.

The Company estimates the accumulated deferral due to Oregon customers as of December 31, 2020, will be \$7.9 million.⁵

Conclusion

Although the rate case resolution is unknown at this time, approval of the accumulated deferrals is necessary. Staff finds that approval of the three pending filings noted above, UM 1682(4)-(6), is in the public interest, consistent with the intent of the parties as reflected in Order No. 13-347, and will result in fair, just, and reasonable rates. Therefore, Staff recommends the deferrals be approved.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's applications for reauthorization to use deferred accounting for a reduction in depreciation expense be approved for 2018, 2019, and 2020.

UM 1682(4-6) PAC Deferred Depreciation.docx

³ *In re Investigation of the Scope of the Commission's Authority to Defer Capital Costs*, OPUC Docket No. UM 1909, Order No. 20-147 at 1 (Apr. 30, 2020).

⁴ UE 374 - PAC/3100, McCoy/40, PAC/3102, McCoy/122-123, and PAC/4400, McCoy/47.

⁵ *Id.* PAC/3102, McCoy/122.