

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 28, 2023**

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

**DATE:** October 31, 2023

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Bryan Conway and Marc Hellman **SIGNED**

**SUBJECT:** PACIFIC POWER:  
(Docket Nos. UM 1797(6) and UM 1797(7))  
Requests Reauthorization of Deferred Accounting for a Balancing Account  
Related to the Purchase of Renewable Energy Certificates.

**STAFF RECOMMENDATION:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve PacifiCorp's (Pacific Power, PAC, or Company) application for reauthorization to defer costs related to the purchase of renewable energy certificates (RECs) UM 1797(6) and UM 1797(7) for the 12-month period beginning September 9, 2022, through September 8, 2023, and for the 12-month period beginning September 9, 2023, through September 8, 2024, respectively.

**DISCUSSION:**

Issue

Whether the Commission should reauthorize Pacific Power to defer costs, tracked in a balancing account, related to the purchase of RECs that will be used to comply with the Oregon Renewable Portfolio Standard (RPS).

Applicable Law

As provided in ORS Chapter 469A, a utility may use RECs to comply with the RPS. ORS 469A.120 also allows electric companies to recover in rates all costs prudently incurred to comply with the RPS. The Commission may authorize the deferral of the costs related to the purchase of renewable energy certificates in accordance with

ORS 757.259(2)(e) and OAR 860-027-0300. 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. In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Notice of the application must be provided pursuant to OAR 860-027-0300(6).

## Analysis

### *Background*

On September 9, 2016, PacifiCorp filed tariff advice 16-011, docketed as UE 313, to request approval to recover the costs associated with the purchase of RECs through the Renewable Resource Deferral Supply Service Adjustment, Schedule 203.

After review, Commission Staff found PacifiCorp's purchase of RECs were prudently incurred. The Commission approved PacifiCorp's filing to recover the costs associated with the REC purchases, which included the use of a balancing account to track over and under collections. Schedule 203 became effective on January 25, 2017.

On September 9, 2016, PacifiCorp also filed an application for deferred accounting for the balancing account related to the REC purchases. The Commission approved the deferral application on December 20, 2016, in Order No. 16-486, to defer costs related to the purchase of RECs for the 12 months beginning September 9, 2016.

The Commission approved PacifiCorp's requests for reauthorization of the deferred accounting on November 7, 2017, October 23, 2018, October 10, 2019, November 5, 2020, and on October 6, 2021, respectively.<sup>1</sup>

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<sup>1</sup> In the Matter of PacifiCorp d/b/a Pacific Power Application for Reauthorization of Deferred Accounting for a Balancing Account Related to the Purchase of Renewable Energy Certificates, Docket No. UM 1797(1), Order No. 17-449 (Nov. 8, 2017).

In the Matter of PacifiCorp d/b/a Pacific Power Application for Reauthorization of Deferred Accounting for a Balancing Account Related to the Purchase of Renewable Energy Certificates, Docket No. UM 1797(2), Order No. 18-411 (Oct. 23, 2018).

In the Matter of PacifiCorp d/b/a Pacific Power Application for Reauthorization of Deferred Accounting for a Balancing Account Related to the Purchase of Renewable Energy Certificates, Docket No. UM 1797(3), Order No. 19-337 (Oct. 10, 2019).

In the Matter of PacifiCorp d/b/a Pacific Power Application for Reauthorization of Deferred Accounting for a Balancing Account Related to the Purchase of Renewable Energy Certificates, Docket No. UM 1797(4), Order No. 20-399 (Nov. 5, 2020).

*Reason for Deferral*

The company seeks reauthorization to use a balancing account to match the costs borne and benefits received by customers.

*Proposed Accounting*

The Company will record deferred REC purchase cost amounts by crediting REC purchases UM 1797(6) and (7) in FERC Account 555, Purchased power, and debiting the REC balancing account, in FERC Account 182.3, Other regulatory assets. The deferral balance will be reduced monthly by the amount collected under proposed Schedule 203, Renewable Resource Deferral Supply Service Adjustment. A carrying charge calculated at the current Modified Blended Treasury (MBT) rate will be recorded each month on the deferral balance. If this application is denied, the cost of REC purchases will remain in Purchased power, FERC Account 555 respectively.

*Estimate of Amounts*

The rates currently reflected in Schedule 203 were designed to collect \$662,000 and became effective on January 25, 2017, on UM 1797(6) and (7).

*Information Related to Future Amortization*

- Earnings Review – Staff does not recommend an earnings test be applied for this deferral as it relates to the purchase of RECs.
- Prudence Review – Prior to amortization, a prudence review will be conducted to ensure all costs were prudently incurred, pursuant to ORS 469A.120.
- Sharing – This deferral is not subject to a sharing mechanism. All prudently incurred costs for the purchase of the RECs are recoverable through rates.
- Rate Spread/Design – The allocation basis for the prudently incurred costs will be discussed at the time of the amortization.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the 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 review of Pacific Power's application, Staff concludes that the balancing account represents an appropriate use of deferred accounting, the reason for deferral is still valid, and the filing meets the requirements of ORS 469A.120, ORS 757.259, and OAR 860-027-0300.

Staff notes that since collections continue to exceed the Oregon allocation of REC purchases, a tariff adjustment may be necessary.

The Company has reviewed this memo and has no objection.

**PROPOSED COMMISSION MOTION:**

Approve Pacific Power's application for reauthorization of deferral accounting using a balancing account for the costs associated with the purchase of RECs UM 1797(6) and UM 1797(7) for the 12-month period beginning September 9, 2022, through September 8, 2023, and for the 12-month period beginning September 9, 2023, through September 8, 2024, respectively.