

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 13, 2020**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: January 29, 2020

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Michael Dougherty, John Crider, and Matthew Muldoon **SIGNED**

SUBJECT: IDAHO POWER:
(Docket No. UM 2050)
Application for authorization of deferral accounting of the Oregon Annual Regulatory Fee.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Idaho Power Company's (Idaho Power or Company) application for deferral costs associated with the Oregon Annual Regulatory Fee.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for authorization to defer, for later ratemaking treatment, the difference between the Oregon Annual Regulatory Fee embedded in base rates and the increased regulatory fee for 2020.

Applicable Rule or Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. 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 ORS 757.259(2)(e).

In OAR 860-027-0300(3), the Commission 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).

Unless subject to an automatic adjustment clause under ORS 757.201(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings.

Analysis

Background

On May 24, 2019, Oregon Governor Kate Brown signed Senate Bill 68, increasing the annual fee imposed on public utilities and telecommunications providers for the purpose of defraying costs of the Commission. The bill will reset the annual regulatory fee amount established in ORS 757.310(3) from 0.30 percent to 0.35 percent in accordance with ORS 757.310(3). On March 1, 2020, the Commission will issue an order authorizing collection of the annual regulatory fee from the public utilities operating in Oregon subject to regulation by the Commission. The fee level will increase to 0.35 percent of gross operating revenue derived from electric utility operations in Oregon during the calendar year 2019, resulting in an increase in Idaho Power's Oregon Annual Regulatory Fee expense.

Description of Expenses

The Oregon annual regulatory fee is expected to increase from 0.30 percent to 0.35 percent of the Company's gross operating revenue in Oregon. The Company estimates an increase in costs of approximately \$100,000. In accordance with Order No. 05-1070, Idaho Power will accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital most recently approved by the Commission.

Reason for Deferral

Idaho Power requests authorization to defer costs associated with the expected increase in the Oregon annual regulatory fee effective January 1, 2020. The Company's deferral request in this case is filed pursuant to ORS 757.259(2)(e) and is intended to minimize the frequency of rate changes or the fluctuation of rate levels.

Proposed Accounting

For collection amounts, Idaho Power proposes to record the deferred amount in FERC Account 182 (Regulatory Assets). Regulatory Assets with the corresponding entry recorded to FERC Account 131 - Cash. Absent approval, the amount that would have

been subject to deferral for the Oregon Annual Regulatory Fees would be recorded to FERC Account 601 - Other Tax (Taxes Other Than Income Taxes).

Estimated Deferrals in Authorization Period

The Company will record and defer incremental Oregon Annual Regulatory Fee expenses resulting from Senate Bill 68 for the January 1, 2020 through December 31, 2020, time period. However, approval of Idaho Power's Application will not authorize a change in Idaho Power's rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Information Related to Future Amortization

- Earnings Review
The Commission is required to review earnings prior to amortization in rates. ORS 757.259(5).
- Prudence Review
For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing
This deferral is not subject to a sharing mechanism.
- Rate Spread/Design
The rate spread/rate design will be consistent with the prevailing rate spread/rate design at the time of amortization.

Conclusion

Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259.

PROPOSED COMMISSION MOTION:

Approve Idaho Power's application for deferral costs associated with the Oregon Annual Regulatory Fee.