

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 30, 2024**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: April 18, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Russell Beitzel **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2158 and UM 2158(1))
Deferred Accounting for a Balancing Account Related to Schedule 95,
Irrigation Load Control Pilot Program Cost Adjustment.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Pacific Power application to defer Accounting for a Balancing Account Related to Schedule 95, Pilot Program Cost Adjustment, for the twelve-month period beginning March 8, 2021, as well as Pacific Power's reauthorization request for the twelve-month period beginning June 27, 2022.

DISCUSSION:

Issue

Whether the Commission should authorize and reauthorize Pacific Power application for reauthorization to defer Accounting for a Balancing Account Related to Schedule 95, Irrigation Load Control Pilot Program Cost Adjustment for the 12-month period beginning on March 8, 2021, ending March 7, 2022, and for the reauthorization request for the 12-month period beginning on June 27, 2022, ending on June 26, 2023, respectively.

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation in rates for a specific set of circumstances. In particular, ORS 757.259(2)(e) provides that the Commission can authorize the deferral of "identifiable

utility expenses or revenues” which would “minimize the frequency of rates changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.”

The Commission set forth the deferred accounting application requirements in OAR 860-027-0300(3). Applications for reauthorization must include:

- (a) A description of the utility expense or revenue for which deferred accounting is requested;
- (b) The reason(s) deferred accounting is being requested and a reference to the section(s) of ORS 757.259 or 759.200 under which deferral may be authorized;
- (c) The account proposed for recording of the amounts to be deferred and the account which would be used for recording the amounts in the absence of approval of deferred accounting;
- (d) An estimate of the amounts to be recorded in the deferred account for the 12-month period subsequent to the application; and
- (e) A copy of the notice of application for deferred accounting and list of persons served with the notice.

When a utility applies for a reauthorization for deferred accounting, OAR 860-027-0300(4) requires the utility to provide a “description and explanation of the entries in the deferred account to the date of the application for reauthorization” and the “reason(s) for continuation of deferred accounting.” Notice of the application must be provided to all parties of the utility’s last rate case pursuant to OAR 860-027-0300(6).

Unless subject to an automatic adjustment clause under ORS 757.210(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 held pursuant to ORS 757.210. When subject to an automatic adjustment clause under ORS 757.210(1), the Commission may require an earnings review. With some exceptions, a company’s amortization of amounts deferred under ORS 757.259(5) cannot exceed an amount equal to three percent of the company’s gross revenues from the preceding year. ORS 757.259(6)

Analysis

Background

On March 4, 2016, PacifiCorp filed an application proposing its Irrigation Load Control Program Pilot, which is a demand response program for irrigation customers. On May 4, 2016, the Commission approved the program.

On April 21, 2016, PacifiCorp filed Tariff Advice No. 16-07 to implement Schedule 95 to recover costs associated with the Irrigation Load Control Program Pilot. On May 5, 2016, the Commission approved PacifiCorp's Schedule 95. PacifiCorp filed an update to Schedule 95 under Advice No. 16-07 on May 12, 2017.

After discussions with Staff, PacifiCorp has determined that it is appropriate to file a deferral to support the expenses in the Irrigation Load Control Pilot Program as they are recovered through Schedule 95.

Therefore, the Company filed its deferral application to obtain approval for the deferred accounting necessary for the existing Load Control Program to track costs and allow for recovery of those costs through Schedule 95.

PacifiCorp also filed for reauthorization to continue the deferred accounting necessary for the existing Load Control Program to track costs and allow for recovery of those costs through Schedule 291, through UM 2258(1), the successor to Schedule 95. PacifiCorp made its reauthorization request on June 27, 2022. Given that a deferral is effective no earlier than its filing date, Staff interpreted this filing to be for the twelve-month period beginning June 27, 2022.

Reason for Deferral

This deferral will minimize the frequency of rate changes and will appropriately match the costs borne and received by customers.

Proposed Accounting

PacifiCorp will record both Load Control Program expenses and Schedule 95 recovery in FERC Account 182.3, Other Regulatory Assets.

Estimate of Amounts

On the 2021 Load Control Program, expense was forecasted to be between approximately \$325,00 and \$425,000. These estimates aligned with Advice 19-008 and reflect the addition of new customers and switch installations, which, during the 2020 season, did not materialize as the results of COVID-19. For comparison, 2020 program expenses, which did not include any added customers or switches as a result of the

COVID-19 pandemic, were estimated to be approximately \$176,000. The residual balance from the Load Control Program prior to that filing was \$194,472.21. Generally, it is expected that the balancing account will zero out over time.

On the 2022 Load Control Program, expense is forecast to be approximately \$125,000. This estimate aligns with the estimate provided in Advice 21-022. Generally, it is expected that the balancing account will zero out over time.

As of May 31, 2022, the balance in the balancing account was approximately \$262,000. The amounts recorded include the expenses for the program and the revenue received through Schedule 95 and the successor tariff, Schedule 291.

Information Related to Future Amortization

- Earnings Review – Staff recommends that the cost recovery associated with this deferral will not be subject to an earnings review because of the program costs pertaining to demand response programs (PacifiCorp Schedule 106).
- Prudence Review – A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance.
- Sharing – One hundred percent of the deferred balance is subject to utility recovery, pending a prudence review.
- 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

As the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is valid, Staff recommends the Commission approve Pacifi Power applications UM 2258 and UM 2258(1) respectively.

Pacific Power has reviewed this memo and agrees with its contents.

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PROPOSED COMMISSION MOTION:

Approve Pacific Power applications, docketed as UM 2158, to defer Accounting for a Balancing Account Related to Schedule 95, Pilot Program Cost Adjustment, for the twelve-month period beginning March 8, 2021, as well as Pacific Power's reauthorization request, docket UM 2158(1), for the twelve-month period beginning June 27, 2022.

PAC UM 2158 and UM 2158(1)