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**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM 958

In the Matter of the Application of PACIFICORP	)	
for Authorization to Defer Costs Related to	)	ORDER
Implementing Senate Bill 1149.	)	

**DISPOSITION: APPLICATION APPROVED: REQUEST FOR BRIEFS**

On November 23, 1999, the Commission received an application from PacifiCorp (Company) requesting authority for deferred accounting treatment of costs related to implementing Senate Bill 1149 that are not currently included in rates.

Based on a review of the application and the Commission’s records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on December 14, 1999, the Commission adopted Staff’s recommendation to approve the application. Staff’s recommendation is attached as Appendix A and is incorporated by reference.

**Jurisdiction**

ORS 757.005 defines a “public utility” as anyone providing heat, light, water, or power service to the public in Oregon. The Company is a public utility subject to the Commission’s jurisdiction.

**Applicable law**

Two provisions of Oregon law address deferrals of costs incurred by electric utilities. ORS 757.259 permits deferral of various amounts for later incorporation in rates under certain circumstances. Amounts may be deferred from the date of the utility’s application to defer the specified costs. In addition, Oregon Laws 1999, chapter 895, section 18(4)(a) (SB 1149) references Commission authority to allow deferral of all costs prudently incurred to implement specified provisions of Oregon’s new electric restructuring law.

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At the public meeting, a customer group raised questions over the appropriate statutory provision for making this authorization. There was no dispute over whether the costs should be deferred. To ensure that we have the benefit of the views of the public before we make a decision, we will allow any person interested in this issue to file comments on the appropriate statutory authority for deferring the type of costs which are the subject of this application. Comments shall be due 14 days from the date of service of this order.

**ORDER**

IT IS ORDERED that PacifiCorp's request for deferred accounting treatment for certain costs as described in Appendix A is granted.

Made, entered, and effective \_\_\_\_\_.

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**Ron Eachus**  
Chairman

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**Roger Hamilton**  
Commissioner

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**Joan H. Smith**  
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements of OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070. A party may appeal this order to a court pursuant to ORS 756.580.

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**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 14, 1999**

**REGULAR AGENDA**   X   **CONSENT AGENDA**        **EFFECTIVE DATE**

**DATE:** January 26, 2000

**TO:** Bill Warren through Lee Sparling

**FROM:** Ed Busch

**SUBJECT:** UM 958 - PacifiCorp's Application for Authorization to Defer Costs Related to Implementing Senate Bill 1149

**SUMMARY RECOMMENDATION:**

Approve PacifiCorp's application as filed.

**DISCUSSION:**

By application dated November 22, 1999, PacifiCorp requested authorization for deferral of costs related to implementing Senate Bill 1149 that are not currently included in rates. The application was docketed as UM 958.

Sections 18(4)(a) and 45 of Senate Bill 1149 specifically authorize utilities to recover in rates all costs that are prudently incurred to implement restructuring and, if necessary, return to current circumstances if the law is found to be unenforceable or unconstitutional. PacifiCorp therefore requests authority to defer for later ratemaking treatment prudently-incurred expenses that are not currently included in rates relating to:

- (a) "the acquisition, development, operation and maintenance of investments, systems and procedures, including arrangement with third parties necessary to comply with sections 1 to 20 and 29 of [SB1149]"; and
- (b) "rebuild and replace the electric company's investments, systems and procedures, including arrangements with third parties necessary to allow the company to provide electricity service as if sections 1 to 20 and 29 of [SB1149] were not enacted." These costs will become necessary if any

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part of SB1149 is found to be “unconstitutional, unlawful, or otherwise unenforceable” either prior to or after the date electricity consumers of the company are allowed direct access under the legislation.

With the deferral authority, PacifiCorp would record in a deferred account all expenses not currently included in rates associated with the analysis, research, development, testing, investment, or other system changes required by SB 1149 and, if necessary, return to the current circumstance if SB 1149 is found to be unenforceable or unconstitutional. These deferred expenses will include operation and maintenance activities for system upgrades, analysis and documentation by the information technology, power supply and wholesale sales, transmission and system operation, distribution, public affairs, and regulation departments. The company also expects to make capital investments related to its customer information system, a direct access meter reading network, data warehousing, and control area system upgrades. This deferral authority would allow the company to defer the depreciation expense and return on those assets until they are placed in rates. Interest will be accrued on the balance in the deferred account at a rate equal to PacifiCorp’s authorized cost of capital.

PacifiCorp is in the process of determining the costs it expects to incur for implementing SB 1149 that are not already included in rates. The company estimates that it will incur approximately \$500,000 in 1999 but is unable to estimate the costs for 2000 and 2001 until it is determined how SB 1149 would be implemented. Ninety days after the end of each six-month period beginning July-December 1999, PacifiCorp will provide a report on the deferred and capitalized costs. The report will include the costs itemized monthly by activity, FERC account, and labor/non-labor, a description of the activities, and an estimate of the deferred costs for the next 12-month period.

Staff’s counsel has advised that the provisions of SB 1149 provide the authorization to defer these costs, and that approval under the standard deferred accounting statute, ORS 757.259, is not required. As a result, these deferrals are not subject to the requirements of ORS 757.259, including annual reauthorization and an earnings review prior to including prudently incurred costs in rates.

**STAFF RECOMMENDATION:**

I recommend the Commission approve PacifiCorp’s request for authorization to defer costs not currently in rates associated with implementing Senate Bill 1149, and if necessary, return to the current circumstance if the law is found to be unenforceable or unconstitutional. This approval is for accounting purposes only; ratemaking treatment should be reserved for a subsequent rate proceeding.

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cc: Judy Johnson

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Ed Krantz