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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 135

In the Matter of PACIFIC POWER &)	
LIGHT COMPANY Requesting Approval)	ORDER
for Recovery of SB 1149 Implementation)	
Costs.)	

DISPOSITION: TARIFF SHEETS APPROVED

On January 18, 2002, Pacific Power & Light Company (PacifiCorp) filed with the Public Utility Commission of Oregon (Commission) a request for approval to begin recovery of SB 1149 implementation costs, which were deferred between April 2001 and December 2001, and allow the tariff sheets included in Advice No. 02-003 to go into effect with service on and after March 6, 2002. Commission Staff (Staff) supported PacifiCorp's request, but asked that the tariffs be approved subject to refund. The basis for the current request is detailed in Staff's recommendation memo, attached as Appendix A.

At its public meeting on March 5, 2002, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that Pacific Power & Light Company's request for proposed tariff sheets in Advice No. 02-003 to become effective with service on and after March 6, 2002, is approved, subject to refund.

Made, entered, and effective _____.

BY THE COMMISSION:

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. 2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 5, 2002**

REGULAR X **CONSENT** **EFFECTIVE DATE** March 6, 2002

DATE: February 15, 2002

TO: John Savage through Lee Sparling and Ed Busch

FROM: Judy Johnson

SUBJECT: PACIFIC POWER & LIGHT COMPANY: (Docket No. UE 135/Advice No. 02-003) Requests Approval for Recovery of SB 1149 Implementation Costs

STAFF RECOMMENDATION:

I recommend the Commission allow Pacific Power & Light Company's proposed tariff sheets in Advice No. 02-003 to become effective with service on and after March 6, 2002, subject to refund.

DISCUSSION:

On January 17, 2002, Pacific Power & Light Company (PacifiCorp or company) requested approval to begin recovering in rates the amortization of \$12.9 million of SB 1149 implementation costs, which were deferred between April 2001 and December 2001. Approval of the tariff sheets in Advice No. 02-003 would increase PacifiCorp's Oregon revenues by approximately \$2.6 million or 0.3 percent overall (see Attachment 1). The Commission originally authorized deferral of costs related to SB 1149 in Order No. 00-039. In Order No. 00-165, the Commission concluded that SB 1149 directly authorized deferral of these costs and that they were not controlled by ORS 757.259 and thus not subject to an amortization cap and an earnings review.

The Commission's order in UE 116, Order No. 01-787, authorized PacifiCorp to recover \$5.4 million in SB 1149 costs incurred prior to March 31, 2001. The Commission ordered amortization of these costs on a straight-line basis over five years. In the Order the Commission stated:

"PacifiCorp wants to amortize these expenses over a five-year period, while Staff believes that some of the expenses should be amortized on a different schedule. While we do not disagree with Staff's premise that capital expenses should be amortized for their useful life, in this particular instance we agree that the easiest way to handle this expense is to amortize it for five years on a straight line basis." (Order No. 01-787, page 45)

Staff's primary concern in UE 116 was the amortization life for meters. The company has indicated that it intends to spend over \$33 million for meters through 2005. Ordinarily, meters are amortized over 15 to 20 years. It seemed unreasonable to Staff to amortize those costs over five years.

Staff and PacifiCorp have been in discussion over the amortization lives for the costs that make up the \$12.9 million deferral requested in this filing. Of the \$12.9 million, only \$973,311 is related to meter costs. The company states that there are several costs that could logically be amortized over one year and that these offset the meter costs. Because of the low expenditure level for meters and the offsetting one-year costs, Staff agrees that a five-year amortization is appropriate **for this filing only**. In subsequent filings, the appropriate amortization period will again be an issue.

In UE 116, the company proposed and received approval to recover the amortization of \$5.4 million of SB 1149 costs among three classes of customers: Residential, Small Nonresidential, and Large Nonresidential. These costs are being recovered from each class through class-specific surcharges, set forth in Schedule 291 (Residential), Schedule 292 (Small Nonresidential), and Schedule 293 (Large Nonresidential). PacifiCorp states that it is using the same rate spread methodology as approved in UE 116 to collect the amortization (i.e., \$2.6 million) requested in this filing.

The proposed revised Schedules 291, 292, and 293 are designed to recover, on a straight-line basis the unamortized portion of the authorized SB 1149 implementation costs of \$5.4 million over an amortization period of 55 months (five years less five months of amortization that will have already occurred) and the proposed SB 1149 implementation costs of \$12.9 million over five years. Upon approval of Advice No. 02-003, the total annual amortization of all SB 1149 costs will be \$3.7 million. Attachment 2 from the company's filing shows the development of the amortization level by customer class. The rate on Schedule 291 will increase from 0.005 to 0.010 cents per kWh, Schedule 292 will increase from 0.010 to 0.036 cents per kWh, and Schedule 293 will increase from 0.010 to 0.037 cents per kWh.

These changes represent a price increase of 0.1 percent for the Residential class, 0.4 percent for the Small Nonresidential class, and 0.6 percent for the Large Nonresidential class. The monthly bill of a typical residential customer using 1,000 kWhs per month will

increase by \$0.05, or 0.1 percent. A typical customer's bill would increase from \$63.08 to \$63.13.

Staff recommends that the collection of the amortization be subject to refund pending a Staff audit scheduled for summer 2002. The audit will cover all PacifiCorp's deferred SB 1149 implementation costs.

PROPOSED COMMISSION MOTION:

Pacific Power and Light Company's request for proposed tariff sheets in Advice No. 02-003 to become effective with service on and after March 6, 2002 be approved subject to refund.