

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1147

In the Matter of	)	
	)	
PUBLIC UTILITY COMMISSION OF	)	
OREGON	)	ORDER
	)	
Staff Request to Open an Investigation	)	
Related to Deferred Accounting.	)	

DISPOSITION: PETITION FOR EXCEPTION GRANTED

In Order No. 08-263, entered on May 22, 2008, the Public Utility Commission of Oregon (Commission) established a specific interest rate, the Blended Treasury Rate plus 100 basis points (Modified Blended Treasury Rate), with guidelines for application to deferred accounts during amortization. In that order, the Commission indicated that exceptions to the application of this interest rate to amortized deferred account balances could be made if warranted by certain circumstances and evidence. The Commission invited petitions for exceptions, as appropriate. On June 30, 2008, PacifiCorp, doing business as Pacific Power (Pacific Power or the Company), filed a petition for an exception to the application of the new interest rate to Pacific Power’s Bonneville Power Administration (BPA) balancing account.

**Pacific Power’s Petition for Exception**

The BPA balancing account, explains Pacific Power, is a pass-through mechanism, created in the early 1980s, for distributing residential exchange benefits formed by the Pacific Northwest Electric Power Planning and Conservation Act of 1980 (1980 Act). Pacific Power acknowledges that deferral of the BPA balancing account is addressed in ORS 757.259, but indicates that the Company has never requested authorization to defer BPA balancing account balances under ORS 757.259. Pacific Power explains that it is unnecessary to do so, as federal law preempts state law.<sup>1</sup>

Pacific Power explains that the Company calculates monthly carrying charges on the BPA balancing account only when there is a credit balance. Pacific Power uses a short-term interest rate based on a formula that was originally authorized in a letter, dated September 29, 1981, between the Company and a Commission

<sup>1</sup> Pacific Power indicates that the Oregon Department of Justice previously advised Commission Staff (Staff) of this fact.

representative.<sup>2</sup> Pacific Power indicates that the current rate, as of August 31, 2007, is the Fidelity Treasury Fund #695 rate. This rate, the Company states, is used in Oregon, Washington and Idaho.

Since the Company's BPA balancing accounts do not undergo the deferral and amortization process, and do not, therefore, have the financing period and risk profile that amortized deferred accounts do, Pacific Power argues that the Modified Blended Treasury Rate should not be applied. Pacific Power also observes that "[c]hanging the interest rate applied to the BPA balancing account would have the perverse effect of raising the interest rate applied to it rather than decreasing it."<sup>3</sup> Pacific Power requests that the Commission allow the Company to continue using its current method of determining the interest rate on the Company's BPA balancing account.

In response comments, Staff reversed a prior position to agree with Pacific Power that an exception should be made with regard to the interest rate on Pacific Power's BPA balancing account. While Staff continues to assert that the Commission has the authority to determine the interest rate that is applied to Pacific Power's BPA balancing account, Staff is persuaded that the Modified Blended Treasury Rate should not be applied. Staff agrees that the pass-through nature of the BPA balancing accounts distinguishes it from an amortized deferred account in terms of financing and risk. Staff also acknowledges that customers will financially benefit should the Modified Blended Treasury Rate not be applied to Pacific Power's BPA balancing account.

### **Discussion**

In Order No. 08-263, we applied the Modified Blended Treasury Rate to all amortized deferred accounts for which no exception has been granted. We conclude that Pacific Power's BPA balancing account is not an amortized deferred account. Consequently, the Modified Blended Treasury Rate should not be applied. Pacific Power should continue using the Company's current method of determining the interest rate on the Company's BPA balancing account.

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<sup>2</sup> The letter states, in pertinent part: "Interest should be charged or credited on monthly average balancing account amounts, using the average cost of obtaining funds under the Company's revolving credit terms for the month." Pacific Power Petition for Exemption, p. 3.

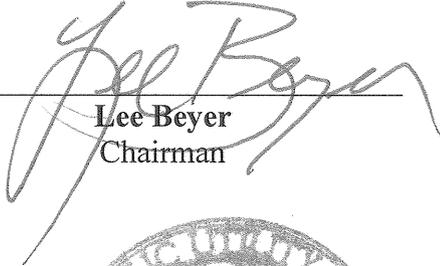
<sup>3</sup> *Id.*

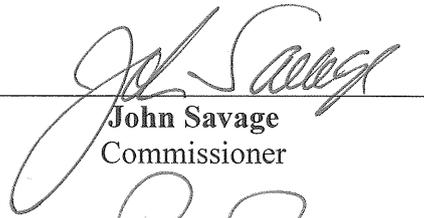
**ORDER**

IT IS ORDERED that Pacific Power should continue using the Company's current method of determining the interest rate on the Company's BPA balancing account.

SEP 24 2008

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

  
\_\_\_\_\_  
**Lee Beyer**  
Chairman

  
\_\_\_\_\_  
**John Savage**  
Commissioner

  
\_\_\_\_\_  
**Ray Baum**  
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 in 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(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.