

ORDER NO. 24-200

ENTERED Jun 27 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1693(9)(10)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Request for Reauthorization to Defer Costs
Associated with Net Power Cost
Variances.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on June 25, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Alison Lackey
Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 25, 2024**

REGULAR _____ CONSENT X EFFECTIVE DATE(s) _____ N/A _____

DATE: May 22, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PACIFIC POWER:
(Docket No. UM 1693(9)(10))
Applications for reauthorization to defer accounting of net Power Cost Variances.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Pacific Power's (PacifiCorp, PAC, or Company) requests for reauthorization to defer costs associated with net power cost (NPC) variances for the 12-month periods beginning May 16, 2023, and May 16, 2024, respectively.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's requests for reauthorization to defer costs associated with net power cost variances for the respective 12-month periods for each PacifiCorp filing, Docket No. UM 1693 (9), and Docket No. UM 1693(10).

Applicable Rule or Law

Under ORS 757.259(2) for a period not to exceed 12 months beginning on or after the date of application. OAR 860-027-0300 specifies the required contents of an application for deferred accounting; including a description of the expense or revenue for which deferral is requested, the basis for the request, the accounts proposed for recording the

amounts to be deferred, an estimate of the amounts to be recorded in the deferred account, and a copy of the notice of the application for deferred accounting. In addition, the annual variance will be determined under the terms of Order No. 12-493, which includes a deadband, a sharing band, and an earnings test.

Analysis

Background

On both May 10, 2023, and on May 15, 2024, PacifiCorp d/b/a Pacific Power (PacifiCorp or the Company) filed an application with the Public Utility Commission of Oregon (Commission) for an order reauthorizing PacifiCorp to defer for later ratemaking treatment annual net power cost variances under Schedule 206, as authorized by Order No. 12-493.¹

The Company seeks reauthorization of these deferrals to facilitate recovery of costs under its power cost adjustment mechanism if variances in cost elements of the Company's transition adjustment mechanism in 2023 and 2024² exceed the deadbands and other limitations in Order No. 12-493. PacifiCorp is seeking authorization to defer net power cost variances in excess of the deadbands and other PCAM limitations for later inclusion in rates.

The deferrals are intended to capture the net annual power cost difference exceeding those limitations that would then be amortized in rates through the PCAM. The deferrals are filed in accordance with Order No. 12-493 and ORS 757.259(2)(e).

Reason for Deferral

In Order No. 12-493, the Commission ordered the adoption of a PCAM for PacifiCorp. The PCAM provides for recognition in rates of the difference, for a given year, between the actual annual net power costs incurred by PacifiCorp and the forecasted annual net power costs, subject to certain limitations. PacifiCorp's PCAM became effective in 2013 with the filing of Schedule 206.

This deferral will minimize the frequency of rate changes or the fluctuation of rate levels or match appropriately the costs borne by, and benefits received by customers.

Proposed Accounting

The Company records revenues and expenses that would be subject to the deferral order in accordance with the Code of Federal Regulations (CFR) to Federal Energy

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1. See, In the Matter of PacifiCorp, dba Pacific Power, Request for a General Rate Case, Docket No. UE 246, Order No. 12-493 (December 20, 2012). (Order No. 12-493).
 2. See, In the Matter of PacifiCorp, dba Pacific Power, Application for Reauthorization to Defer Costs Associated with Net Power Cost Variances, Docket No. UM 1693(8), Order No. 23-029 (February 8, 2023).

Regulatory Commission (FERC) Account 501 (Fuel), FERC Account 503 (Steam from Other Sources), FERC Account 547 (Fuel), FERC Account 447 (Sales for Resale), FERC Account 456 (Other Electric Revenues), FERC Account 565 (Transmission by Others), FERC Account 409.1 (Income Taxes, Utility Operating Income), and FERC Account 555 (Purchased Power). Upon receiving the reauthorizations to record deferrals, PacifiCorp proposes to record the deferred amount by debiting FERC Account 182.3 (Regulatory Assets) and crediting FERC Account 555 (Purchased Power) if there is an amount to collect from customers. If there is a refund to customers, PacifiCorp would record the deferred amount by crediting FERC Account 254 (Regulatory Liabilities) and debiting FERC Account 555 (Purchased Power).

Description of Expenses

The expenses are associated with variable net power costs in accordance with Order No. 12-493. The annual variance, which comprises the deferral amounts, will be determined under the terms of Order No. 12-493, which includes a deadband, a sharing band, and an earnings test.

Information Related to Future Amortization

- Earnings review – An earnings review should be applied to amortization of prudently incurred net power cost variances subject to the Commission's approved PCAM design.
- Prudence Review – A prudence review is required to establish that costs were prudently incurred; and should include verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Staff believes that customers would bear the responsibility for prudently incurred costs consistent with the Commission's approved PCAM design.
- Rate Spread/Design – Amortization should be amortized in rates through the PCAM and is spread based on equal percentage generation revenues.
- 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. Amortization of the expense associated with this deferral is subject to the three percent test.

Conclusion

Based on Staff's review of the two PacifiCorp applications, Staff concludes that the request for reauthorizations are an appropriate use of deferred accounting under ORS 757.259(2)(e), and the request meets the requirements of OAR 860-027-0300. Staff recommends approval of the requests with instructions to apply Commission Order No. 12-493 regarding accrual of interest.

The Company has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's requests for reauthorization to defer costs associated with net power cost variances for the two 12-month periods set forth in Docket Nos. UM 1693(9), and UM 1693(10), beginning May 16, 2023, and May 16, 2024, respectively.

PacifiCorp UM 1683(9)(10)