

ORDER NO. 24-469

ENTERED Dec 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1764(7)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization of
Deferred Accounting Related to a Change
in Annual Regulatory Fees.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 31, 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: December 31, 2024**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ N/A

DATE: December 11, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 1764(7))
Request Reauthorization of Deferral Accounting Related to a Change in Annual Regulatory Fees.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Pacific Power’s (PacifiCorp, PAC, or Company) request for reauthorization to defer costs related to a change in annual regulatory fees payable to the Commission, and the costs currently being collected in rates, for the twelve-month period beginning March 11, 2024.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for reauthorization to defer costs associated with the variance in the annual regulatory fee and the amount collected in rates

Applicable Rule or Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include, "[i]dentifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuations of rate levels or to

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match appropriately the costs borne by and benefits received by ratepayers."
ORS 757.259(2)(e).

In OAR 860-027-0300(3), the Commission has set the requirements for the contents of deferred accounting applications. Applications for reauthorization must include a description and explanation of the entries in the deferred account, up to the date of the application for reauthorization, as well as the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided 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 under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings. 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

In accordance with OAR 860-021-0033, electric utilities are required to pay regulatory fees to the Commission each year by April 1.

The fee payable by the electric utility is an annual fee rate multiplied by the utility's gross operating revenues derived within Oregon for the previous calendar year. The annual fee rate is set by Commission order entered on or around March 1 of each year.

The Company initially applied for deferral of the change in annual fee rate level from the previous 0.25 percent maximum rate on March 11, 2016, docketed as UM 1764.¹

In that docket, the Company requested the use of deferred accounting for the costs related to the change in annual fee rate from the previous 0.25 percent maximum rate, then represented in PacifiCorp's rates, and the annual fee rate established for 2016 of 0.275 percent in Order No. 16-067.

The Commission authorized Staff's recommendation and approved the deferral for the 12-month period beginning March 11, 2016, in Order No. 16-153.

¹ Senate Bill (SB) 329, enacted in 2015, allows the Commission to set the annual fee to a percentage not to exceed 0.3 percent of utilities' gross operating revenue.

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Staff's recommendation supported PacifiCorp's decision to amortize the deferred amounts through its existing property sales balancing account; and, also recommended that deferred amounts not be subject to an earnings test.

The Company has filed for annual reauthorizations since, which the Commission has approved.

On February 24, 2022, in Order No. 22-062, the annual fee rate was increased from 0.35 percent to 0.43 percent. On February 23, 2023, the Commission reaffirmed the annual fee rate for 2023 at 0.43 percent of 2022 gross operating revenues in Order No. 23-057.

The most recent update to the annual fee occurred on February 22, 2024, where the Commission issued Order No. 24-054, setting the annual fee rate for 2024 at 0.45 percent of 2023 gross operating revenues.

PacifiCorp respectfully requests reauthorization under ORS 757.259(2)(e) to defer the costs related to the increase in the annual fee rate for the 12-month period beginning March 11, 2024.

Reason for Deferral

The Company seeks to match the costs borne by and benefits received by customers. The concurrent proposal to amortize deferred amounts through the existing property sales balancing account also provides for administrative efficiency by minimizing the rate changes required to address the change in annual fees.

Proposed Accounting

The Company will record deferred amounts by crediting Commission fees recorded in FERC Account 928 – Regulatory Commission Expenses and debiting the property sales balancing account, in FERC Account 254 – Other Regulatory Liabilities.

Estimated Deferrals in Authorization Period

The Company estimates that the Oregon cost related to the increase in the annual fee rate is \$333,333 for the 2023 annual fee that will be paid on or before April 1, 2024.

Description of expenses

The Company is requesting to defer approximately \$333,333 in 2024 associated with the increase in the regulatory fee rate for 2024.

This amount reflects the calculated difference between PacifiCorp's annual fee at the new rate of 0.45 percent and the annual fee of 0.43 percent included in the Company's

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Oregon rates.

The 0.43 percent annual fee approved in Order No. 22-062 was included in base rates in PacifiCorp's previous general rate case, Docket No. UE 399.

The Commission authorized to continue the rate in Order No. 23-057. PacifiCorp will incorporate in base resulting from an order in Docket No. UE 433, the new rate of 0.45 percent approved in Order No. 24-054.

	Current Rate per Order No. 24-054	Previous Rate per Order No. 23-057	Estimated for deferral
2023 Revenues*	\$1,666,666,667	\$1,666,666,667	
Annual Fee Rate	0.45%	0.43%	
Annual Regulatory Fee*	\$7,500,000	\$7,166,667	\$333,333

Information Related to Future Amortization

- Earnings Review – ORS 757.259 (5) requires an earnings review prior to amortization of amounts deferred under ORS 757.259 (2)(e). Staff recommends recovery be not subject to application of an earnings test.
- Prudence Review – Prudence review should be performed at the time of deferral amortization.
- Sharing – Staff recommends this deferral not be subject to a sharing mechanism because the annual fees are collected from customers and directly passed through to the Commission.
- Rate Spread / Rate Design – Account balances are to be spread through PacifiCorp's property sales balancing account (Schedule 96).
- Three Percent Test (OAR 757.259 (6)) – The amortization of the deferral costs will be subject to the three percent test in accordance with ORS 757.259(7) and (8), which limits 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

Based on Staff's review of PacifiCorp's application, Staff recommends PacifiCorp's application be approved.

The Company has reviewed this memo and voiced no concerns.

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PROPOSED COMMISSION MOTION:

Approve PacifiCorp's application for the reauthorization of deferral accounting related to a change in annual regulatory fees, for the twelve-month period beginning March 11, 2024.

PacifiCorp UM 1764(7)