

ORDER NO. 25-084

ENTERED Mar 05 2025

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1797(8)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization of
Deferred Accounting for a Balancing
Account Related to the Purchase of
Renewable Energy Credits.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on March 4, 2025, 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.

ITEM NO. CA4

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 4, 2025**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: February 6, 2025

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Scott Gibbens and Michelle Scala **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. (UM 1797(8))
Requests Reauthorization of Deferred Accounting for a Balancing Account
Related to the Purchase of Renewable Energy Certificates.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve PacifiCorp's (Pacific Power, PAC, or Company) application for reauthorization to defer costs related to the purchase of renewable energy certificates (RECs) for the 12-month period beginning September 9, 2024.

DISCUSSION:

Issue

Whether the Commission should reauthorize Pacific Power to defer costs, tracked in a balancing account, related to the purchase of RECs that will be used to comply with the Oregon Renewable Portfolio Standard (RPS).

Applicable Law

As provided in ORS Chapter 469A, a utility may use RECs to comply with the RPS. ORS 469A.120 also allows electric companies to recover in rates all costs prudently incurred to comply with the RPS. The Commission may authorize the deferral of the costs related to the purchase of renewable energy certificates in accordance with ORS 757.259(2)(e) and OAR 860-027-0300.

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Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Analysis

Background

The Company requests reauthorization under ORS 757.259(2)(e) to continue the use of a balancing account to record the costs and Schedule 203 collections related to the Company's REC purchases, along with related interest consistent with the treatment of interest rates during accrual and amortization described in Order No. 08-263 as modified by Order No. 10-279.

On July 23, 2010, Staff recommended modify Order No. 08-263 to permit each utility to create a deferred account for the purpose of rolling any residual amount left at the end of the amortization period of any other deferred account if and where the amount is less than or equal to 0.05 percent of a utility's retail operating revenues in the previous calendar year. The residual deferred account would be subject to one Blended Treasury Rate that is updated in January of each year.¹

The Commission approved the deferral application on December 20, 2016, in Order No. 16-486, to defer costs related to the purchase of RECs for the 12 months beginning September 9, 2016. The Commission separately approved PacifiCorp's requests for reauthorization of the deferred accounting on November 7, 2017, October 23, 2018, October 10, 2019, November 5, 2020, October 6, 2021, and on November 28, 2023, respectively. The last reauthorization was approved in Order No. 23-452.

Description of the Expenses

The costs subject to deferral are the cost incurred on Schedule 203 collections related to the Company's REC purchases, along with related interest consistent with the treatment of interest rates during accrual and amortization.

¹ See, Order No. 10-279.

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Reason for Deferral

The Company states that ORS 757.259(2)(e) allows the deferral of identifiable utility expenses to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and benefits received by customers. This deferral is used in conjunction with a balancing account used to record the costs related to contracts to purchase renewable energy certificates (RECs), the actual collections through PacifiCorp's Schedule 203, and associated interest.

Proposed Accounting

The Company will record deferred REC purchase cost amounts by crediting REC purchases in FERC Account 555, Purchased power, and debiting the REC balancing account, in FERC Account 182.3, Other regulatory assets.

The deferral balance will be reduced monthly by the amount collected under proposed Schedule 203, Renewable Resource Deferral Supply Service Adjustment. A carrying charge calculated at the current Modified Blended Treasury (MBT) rate will be recorded each month on the deferral balance.

Estimate of Amounts

Schedule 203 was designed to collect \$662,000 over a 12-month period, beginning January 25, 2016, and such rates remain in effect.

Information Related to Future Amortization

- Earnings Review – Staff does not recommend an earnings test be applied for this deferral as it relates to the purchase of RECs².
- Prudence Review – Prior to amortization, a prudence review will be conducted to ensure all costs were prudently incurred, pursuant to ORS 469A.120.
- Sharing – This deferral is not subject to a sharing mechanism. All prudently incurred costs for the purchase of the RECs are recoverable through rates.
- Rate Spread/Design – The allocation basis for the prudently incurred costs will be discussed at the time of the amortization.
- 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

² See, UM 1787(7)

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(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.

Conclusion

Based on review of Pacific Power's application, Staff concludes that the balancing account represents an appropriate use of deferred accounting, the reason for deferral is still valid, and the filing meets the requirements of ORS 469A.120, ORS 757.259, and OAR 860-027-0300.

The Company has reviewed this memo and has no objection.

PROPOSED COMMISSION MOTION:

Approve Pacific Power's application for reauthorization of deferral accounting using a balancing account for the costs associated with the purchase of RECs UM 1797(8) for the 12-month period beginning September 9, 2024.

PAC UM 1797(8) Defer Renewable Energy Credits.