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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1035

In the Matter of the Application of PACIFICORP)
for an Accounting Order for Deferral of Variations) ORDER
in Net Power Costs.)

**DISPOSITION: APPLICATION APPROVED;
WITH REPORTING REQUIREMENTS**

On September 10, 2001, PacifiCorp filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.259 and OAR 860-027-0300, for an accounting order requesting authorization to defer variations in net power costs from the baseline using the methodology established in the UE 116 Stipulation Regarding Net Power Costs.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its Public Meeting on October 9, 2001, the Commission adopted Staff's recommendation to approve deferral of variations of PacifiCorp's net power costs at issue in this application. Staff's recommendation and supporting exhibits are attached, as Appendixes A and B, and are incorporated by reference.

ORDER

IT IS ORDERED THAT PacifiCorp's application for an accounting order regarding authorization of deferred accounting for variations in net power costs, as further described in Appendixes A and B, is granted. This approval is for accounting purposes only.

Made, entered and effective _____.

BY THE COMMISSION:

Vikie Bailey-Goggins
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. 3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: October 9, 2001**

REGULAR	X	CONSENT	EFFECTIVE DATE	September 10, 2001
	<u> </u>	<u> </u>		

DATE: September 27, 2001

TO: Phil Nyegaard through Lee Sparling and Ed Busch

FROM: Bill Wordley and Judy Johnson

SUBJECT: PacifiCorp, Docket UM 1035
Application for an Accounting Order for Deferral of Variations in Net Power Costs

SUMMARY RECOMMENDATION:

We recommend the Commission approve PacifiCorp's request to use deferred accounting, in accordance with ORS 757.259, to defer variations in net power costs from the baseline using the methodology established in the UE 116 Stipulation Regarding Net Power Costs.

We also recommend that PacifiCorp be allowed to accrue interest, in accordance with ORS 757.259(3), on the unamortized balance at a rate equal to its weighted average cost of capital most recently approved by the Commission in Docket UE 116.¹

DISCUSSION:

On September 10, 2001, PacifiCorp filed an Application for an Accounting Order Regarding Net Power Costs Pursuant to Stipulation in UE 116 (Application). The Application requests authorization to defer variations in net power costs from the baseline using the methodology established in the UE 116 Stipulation Regarding Net Power Costs (Stipulation). The Commission approved the Stipulation in Order No. 01-787. In order to implement the terms of the Stipulation regarding deferral of variations in net power costs, PacifiCorp must receive Commission approval of deferred accounting under ORS 757.259 and OAR 860-027-0300.

¹ The weighted average cost of capital approved by the Commission in Docket UE 116, in Order No. 01-787, is 8.61%.

The net power costs that PacifiCorp proposes to defer during the Bridge Period² will be calculated as follows: Allowed Power Cost Recovery = [(Adjusted Actual Total Company Power Costs X 83%) – (Change in Special Contract Revenues X 92.9%)] X (Jurisdictional Allocation) + (Auditing Costs). The baseline annual net power costs will initially be set at \$595 million on a Total Company basis. The company will defer the positive or negative difference between Allowed Power Cost Recovery and the Initial Baseline-Oregon Allocated on a monthly basis.

The Initial Baseline will be reviewed after three months of operation pursuant to a company filing on or before December 1, 2001, for a potential rate adjustment effective on January 1, 2002. The intention is that the Initial Baseline will result in no under- or over-collections of Allowed Power Cost Recovery during the Bridge Period. If the Initial Baseline is projected to result in an under- or over-collection of Allowed Power Cost Recovery of greater than \$60 million on a Total Company basis during the Bridge Period, the Initial Baseline will be reset effective as of January 1, 2002. The objective of the reset will be to produce a cumulative deferred balance for the period from January 1, 2002, through the end of the Bridge Period of zero dollars (\$0).

Pursuant to ORS 757.259, PacifiCorp proposes to defer these net power cost variations commencing September 10, 2001, and continuing until the end of the Bridge Period (in no event longer than twelve months) for later recovery in rates. Staff finds that PacifiCorp's Application meets the requirements of ORS 757.259 and OAR 860-027-0300. ORS 757.259(2)(e) allows the deferral of utility expenses or revenues where necessary to match appropriately the costs borne by and benefits received by ratepayers. The use of actual net power costs adjusted according to the terms of the Stipulation, produces an appropriate match between costs borne by and benefits received by customers, because customers will be charged rates based on the actual cost of power needed to serve them.

PacifiCorp proposes to account for the variations in net power costs from the Baseline during the period of the deferral in the following manner: excess net power costs will be credited to Account 557 and debited to Account 182.3. PacifiCorp requests that, in accordance with ORS 757.259(3), it be allowed to accrue interest on the unamortized balance at a rate equal to its weighted average cost of capital most recently approved by the Commission in Docket UE 116.

PacifiCorp does not request a determination of ratemaking treatment of the variations in net power costs at this time. The company states that any such determination will be made in a subsequent proceeding when the deferred amounts are proposed for amortization in rates.

² All capitalized words are defined in the Stipulation, which is attached.

STAFF RECOMMENDATIONS:

We recommend the Commission:

1. Approve PacifiCorp's request to use deferred accounting, in accordance with ORS 757.259, to defer variations in net power costs from the baseline using the methodology established in the UE 116 Stipulation Regarding Net Power Costs.
2. Allow PacifiCorp to accrue interest, in accordance with ORS 757.259(3), on the unamortized balance at a rate equal to its weighted average cost of capital most recently approved by the Commission in Docket UE 116.