

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 28, 2018

REGULAR  CONSENT  EFFECTIVE DATE August 1, 2018

DATE: August 20, 2018

TO: Public Utility Commission

FROM: *JPB & MM*  
Mitchell Moore

THROUGH: *epf* Jason Eisdorfer and *JPB & JC* John Crider

SUBJECT: PACIFIC POWER: (Docket No. UM 1102(15)) Requests Reauthorization of Deferred Accounting Regarding Intervenor Funding Grants.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Pacific Power's (Pacific or Company) request for reauthorization to defer costs related to Intervenor Funding Grants for the 12-month period beginning August 1, 2018.

**DISCUSSION:**

Issue

Whether the Commission should approve Pacific's request for reauthorization of deferred accounting for costs related to Intervenor Funding Grants for the 12-month period beginning August 1, 2018.

Applicable Law

Pacific submitted its deferral application on July 31, 2018, pursuant to ORS 757.259(3) and OAR 860-027-0300. ORS 757.259 is the statute that authorizes deferred accounting and OAR 860-027-0300 is the Commission's rule related to such applications.

ORS 757.072 is the statute that authorizes a utility to enter funding agreements with organizations that represent broad customer interests in Commission proceedings. Once a funding agreement is approved by the Commission, organizations eligible to receive grants under the funding agreement are identified pursuant to

OAR 860-001-0120. When a public utility provides financial assistance under a funding agreement, ORS 757.072(4) states that the Commission must allow a public utility to defer inclusion of the funding provided in rates as provided in ORS 757.259.

Deferral of intervenor funding costs for Pacific was originally granted by the Commission in Order No. 03-560 and has been annually reauthorized, most recently in Order No. 17-314.

### Analysis

#### *Background:*

In Order No. 03-388, the Commission approved an Intervenor Funding Agreement (IFA) between various utilities including Pacific, and several intervenors including the Citizens' Utility Board of Oregon (CUB), and Industrial Customers of Northwest Utilities (ICNU). The IFA sets forth the funding amount to be contributed by each utility, the procedures for budget submittals by intervenors, Commission approval of budgets, and the payment of grants by utilities. It authorizes three funds with different qualification requirements for each. They are the CUB Fund, the Preauthorized Matching Fund, and the Issue Fund.

The IFA also requires the costs of each fund to be allocated to the appropriate customer class. The CUB fund is generated from residential rates, and industrial customers' rates include an increment to support the Preauthorized Matching Fund (Matching Fund). The Commission allocates amounts related to the Issue Fund to align the costs of advocacy with the intended beneficiaries of the advocacy.

In its subsequent Order No. 07-564, the Commission approved an amended and restated IFA that extended intervenor funding until December 31, 2012. In its subsequent Order No. 15-335, the Commission approved an amended and restated IFA that extends intervenor funding until December 31, 2017.

Most recently, by Order No. 18-017, the Commission approved an amended and restated IFA that extends intervenor funding through December 2022. This IFA also provides authority for intervenors to request an increase in annual funding.

A second funding agreement, called the Multi-State Process Intervenor Funding Agreement (MSP Funding Agreement) was approved by the Commission in Order Nos. 12-110 and 12-122 in Docket UM 1586. This agreement provides funding for CUB and ICNU's participation in the ongoing process to address how system costs are allocated among PacifiCorp's six-state territory. This MSP Funding Agreement was amended and extended through December 31, 2018 by Commission Order No. 17-028.

*Reason for Deferral:*

In accordance with OAR 860-027-0300(4)(b), the Company requests continuation of deferred accounting to recover amounts approved pursuant to ORS 757.072.

*Proposed Accounting:*

Amounts are to be debited to deferred accounts only as the utility disburses funding to a qualifying intervenor. The proposed deferrals would be recorded in separate subaccounts of FERC Account 182.3 (Other Regulatory Assets). The Company would not normally incur the cost of intervenor funding grants without deferral approval. However, if such costs were incurred, they would be recorded in FERC Account 928 (Regulatory Commission Expenses).

*Current Deferral Activity:*

In accordance with OAR 860-027-0300(4)(a), Pacific provided the following information regarding the deferral activity to the date of this application.

| <b>New CUB<br/>Funding Grants<br/>Paid</b> | <b>Date</b> | <b>Amount</b>    | <b>Docket/Commission Order</b> |
|--|-------------|------------------|--------------------------------|
| Issue Fund                                 | 8/2017      | \$40,000         | AR 603/ 17-278                 |
| Issue Fund                                 | 9/2017      | \$13,000         | UE 323/ 17-334                 |
| Issue Fund                                 | 11/2017     | \$17,983         | LC 67/ 17-442                  |
| Issue Fund                                 | 11/2017     | \$5,548          | UM 1716/ 17-430                |
| Issue Fund                                 | 11/2017     | \$2,635          | UM 1824/ 17-422                |
| MSP Fund                                   | 11/2017     | \$22,407         | MSP Grant Req/ 17-421          |
| Issue Fund                                 | 12/2017     | \$10,155         | UM 1810/ 17-475                |
| Issue Fund                                 | 12/2017     | \$4,517          | LC 67/ 17-498                  |
| MSP Fund                                   | 12/2017     | \$2,592          | MSP Grant / 17-498             |
| Matching Fund                              | 1/2018      | \$101,125        | UM 1929/ 18-020                |
| Issue Fund                                 | 3/2018      | \$1,145          | UM 1810/ 18-083                |
| Issue Fund                                 | 4/2018      | \$5,610          | UM 1824/ 18-102                |
| <b>Total CUB</b>                           |             | <b>\$226,717</b> |                                |

| <b>New ICNU<br/>Funding Grants<br/>Paid</b> | <b>Date</b> | <b>Amount</b>    | <b>Docket/Commission Order</b> |
|---|-------------|------------------|--------------------------------|
| MSP Fund                                    | 9/2017      | \$36,547         | MSP Grant / 17-333             |
| Issue Fund                                  | 11/2017     | \$12,646         | UE 323/ 17-448                 |
| Issue Fund                                  | 11/2017     | \$14,314         | UM 1810/ 17-433                |
| Issue Fund                                  | 11/2017     | \$20,000         | UM 1824/ 17-437                |
| Issue Fund                                  | 12/2017     | \$16,000         | UE 323/ 17-448 and 17-486      |
| MSP Fund                                    | 1/2018      | \$25,165         | MSP Grant/ 18-009              |
| Matching Fund                               | 4/2018      | \$22,775         | Matching Fund Grant/ 18-107    |
| <b>Total ICNU</b>                           |             | <b>\$147,447</b> |                                |

*Estimated Deferrals in Authorization Period:*

At the time of its application, Pacific estimated that the maximum deferred amounts during the 12-month period beginning August 1, 2018, will be as shown in the tables below.

| <b>IFA Fund</b>             | <b>Amount</b>    |
|-----------------------------|------------------|
| CUB Fund                    | 101,125          |
| Preauthorized Matching Fund | 72,738           |
| Issue Fund                  | 143,750          |
| <b>Total</b>                | <b>\$317,613</b> |

| <b>MSP Fund</b> |                 |
|-----------------|-----------------|
| CUB             | 45,000          |
| ICNU            | 45,000          |
| <b>Total</b>    | <b>\$90,000</b> |

*Information Related to Future Amortization:*

- Earnings Review – Pursuant to Commission Order 18-017, Appendix A, page 28, paragraph 7.9:

If a Participating Public Utility seeks rate recovery through a deferred account, the account and amortization of the account shall be exempt from the amortization caps and earnings test set forth in subsections 5,6,7,8 and 10 of ORS 757.259, as such subsections may be amended from time to time, and shall not be included in any calculation of the amortization cap for other deferred accounts.

- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – This deferral is not subject to a sharing mechanism.
- Rate Spread/Design – Account balances are to be spread to the appropriate customer classes per Order No. 18-017, Appendix A, page 27, paragraph 7.7(b).
- Three Percent Test (ORS 757.259(6)) – The three percent test does not apply to amortization of this deferral. See “Earnings Review” above.

Conclusion

As the Company’s application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is still valid, Staff recommends the Commission approve Pacific’s application.

**PROPOSED COMMISSION MOTION:**

Approve Pacific’s application to defer the costs associated with intervenor funding grants for the 12-month period beginning August 1, 2018.