

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 27, 2004**

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

DATE: March 29, 2004

TO: Lee Sparling through Ed Busch

FROM: Judy Johnson

THROUGH: Terry Lambeth, Rules Project Leader

SUBJECT: AR 483: Request to open a rulemaking to implement House Bill 2333 regarding customer prepayments of deferred amounts.

STAFF RECOMMENDATION:

I recommend the Commission initiate a rulemaking to implement legislative changes regarding deferred accounting in ORS 757.259 for electric customers.

DISCUSSION:

In the 2003 legislature, ORS 757.259 was modified by House Bill 2333 to allow an electric utility to amortize more than 6 percent of a deferred account if "(10)(a) The deferral was directly related to extraordinary power supply expenses incurred during 2001; (b) The amount to be deferred was greater than 40 percent of the revenue received by the electric utility in 2001 from Oregon customers; and (c) The commission determines that the higher rate impact is reasonable under the circumstances." If the Commission authorizes amortization under subsection (10) of ORS 757.259, an electric utility customer that uses more than one average megawatt of electricity at any site in the preceding year may prepay the customer's share of the deferred amount. According to ORS 757.259(11), the Commission shall adopt rules governing how "(a) The customer's share of the deferred amount is calculated; and (b) The customer's rates are to be adjusted to reflect the prepayment of the deferred amount." The proposed rule is attached as Appendix A.

House Bill 2333 was implemented to allow Idaho Power Company to accelerate the amortization of its deferred net power costs. The change being proposed in this rule will allow some of Idaho Power's industrial customers to prepay their full share of the deferred account. This rule sets out how the amount of the prepayment will be

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calculated. There are seven industrial customers that would be allowed to prepay under this rule.

The Commission adopted a temporary rule identical to the one proposed here in Order No. 04-152, Docket AR 482. It will expire on September 20, 2004. This permanent rulemaking will replace the temporary rule.

PROPOSED COMMISSION MOTION:

A rulemaking be initiated to implement legislative changes regarding deferred accounting in ORS 757.259.

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860-027-0300

Use of Deferred Accounting by Energy and Large Telecommunications Utilities

(1) As used in this rule:

(a) "Amortization" means the inclusion in rates of an amount which has been deferred under ORS 757.259 or 759.200 and which is designed to eliminate, over time, the balance in an authorized deferred account. Amortization does not include the normal positive and negative fluctuations in a balancing account;

(b) "Deferred Accounting" means recording the following in a balance sheet account, with Commission authorization for later reflection in rates:

(A) Electric, gas, and steam heat utilities: a current expense or revenue associated with current service, as allowed by ORS 757.259; or

(B) Large telecommunications utilities: an amount allowed by ORS 759.200.

(2) Expiration: Any authorization to use a deferred account shall expire 12 months from the date the deferral is authorized to begin. If a deferral under ORS 757.259 or 759.200 is reauthorized, the reauthorization shall expire 12 months from the date the reauthorization becomes effective.

(3) Contents of Application: Application for deferred accounting, by an energy or large telecommunications utility or a customer, shall include:

(a) A description of the utility expense or revenue for which deferred accounting is requested;

(b) The reason(s) deferred accounting is being requested and a reference to the section(s) of ORS 757.259 or 759.200 under which deferral may be authorized;

(c) The account proposed for recording of the amounts to be deferred and the account which would be used for recording the amounts in the absence of approval of deferred accounting;

(d) An estimate of the amounts to be recorded in the deferred account for the 12-month period subsequent to the application; and

(e) A copy of the notice of application for deferred accounting and list of persons served with the notice.

(4) Reauthorization: Application for reauthorization to use a deferred account shall be made not more than 60 days prior to the expiration of the previous authorization for the deferral. Application for reauthorization shall include the requirements set forth in subsections (3)(a) through (3)(e) of this rule and, in addition, the following information:

(a) A description and explanation of the entries in the deferred account to the date of the application for reauthorization; and

(b) The reason(s) for continuation of deferred accounting.

(5) Exceptions: Authorization under ORS 757.259 or 759.200 to use a deferred account is necessary only to add amounts to an account, not to retain an existing account balance and not to amortize amounts which have been entered in an account under an authorization by the Commission. Interest, once authorized to accrue on unamortized balances in an account, may be added to the account without further

authorization by the Commission, even though authorization to add other amounts to an account has expired.

(6) Notice of Application: The applicant shall serve a notice of application upon all persons who were parties in the energy or large telecommunications utility's last general rate case. If the applicant is other than an energy or large telecommunications utility, the applicant shall serve a copy of the application upon the affected utility. A notice of application shall include:

(a) A statement that the applicant has applied to the Commission for authorization to use deferred accounting; or for an order requiring that deferred accounting be used by an energy or large telecommunications utility;

(b) A description of the utility expense or revenue for which deferred accounting is requested;

(c) The manner in which an interested person can obtain a copy of the application;

(d) A statement that any person may submit to the Commission written comment on the application by the date set forth in the notice, which date may be no sooner than 25 days from the date of the application; and

(e) A statement that the granting of the application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

(7) Public Meetings: Unless otherwise ordered by the Commission, applications for use of deferred accounting will be considered at the Commission's public meetings.

(8) Reply Comments: Within ten days of the due date for comments on the application from interested persons, the applicant, and the energy or large telecommunications utility if the utility is not the applicant, may file reply comments with the Commission, and shall serve those comments on persons who have filed the initial comments on the application.

(9) Amortization: Amortization in rates of a deferred amount shall only be allowed in a proceeding, whether initiated by the energy or large telecommunications utility or another party. The Commission may authorize amortization of such amounts only for utility expenses or revenues for which the Commission previously has authorized deferred accounting. Upon request for amortization of a deferred account, the energy or large telecommunications utility shall provide the Commission with its financial results for a 12-month period or for multiple 12-month periods to allow the Commission to perform an earnings review. The period selected for the earnings review will encompass all or part of the period during which the deferral took place or must be reasonably representative of the deferral period. Unless authorized by the Commission to do otherwise:

(a) An electric, gas, or steam heat utility shall request that amortizations of deferred accounts commence no later than one year from the date that deferrals cease for that particular account; and

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(b) In the case of ongoing balancing accounts, the electric, gas, or steam heat utility shall request amortization at least annually, unless amortization of the balancing account is then in effect; or

(c) A large telecommunications utility shall request amortization of deferred accounts as soon as practical after the deferrals cease but no later than in its next rate proceeding.

(10) An electric utility customer may prepay under ORS 757.259(11) all or a portion of its obligation of deferred power supply expense. The obligation must be calculated as the customer's pro rata share of the utility's total energy usage within the state of Oregon during 2001, multiplied by the unrecovered deferral balance at the time of prepayment. When such customer has prepaid its obligation in full, the customer may no longer be charged the power supply adjustment related to the deferral.

Stat. Auth.: ORS Ch. 183, 756, 757 & 759

Stats. Implemented: ORS 756.040, 756.105, 757.259 & 759.200

Hist.: PUC 11-1988, f. & cert. ef. 6-9-88 (Order No. 88-597); PUC 2-1990, f. & cert. ef. 3-2-90 (Order No. 90-235); PUC 12-1997, f. & ef. 10-30-97 (Order No. 97-413); PUC 4-1998, f. & cert. ef. 2-24-98 (Order No. 98-057); PUC 16-2001, f. & cert. ef. 6-21-01 (Order No. 01-488)