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May 14, 2018

***VIA ELECTRONIC FILING***

Public Utility Commission of Oregon  
201 High Street SE, Suite 100  
Salem, OR 97301-3398

Attn: Filing Center

**RE: UM 1909—PacifiCorp's Supplemental Closing Brief**

PacifiCorp d/b/a Pacific Power encloses for filing its Supplemental Closing Brief in the above-referenced proceeding.

If you have questions about this filing, please contact Natasha Siores, Manager, Regulatory Affairs, at (503) 813-6583.

Sincerely,

A handwritten signature in black ink, appearing to read "Etta Lockey". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Etta Lockey  
Vice President, Regulation

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UM 1909**

In the Matter of

PUBLIC UTILITY COMMISSION OF  
OREGON

Investigation of the Scope of the  
Commission's Authority to Defer Capital  
Costs

PACIFICORP'S SUPPLEMENTAL  
CLOSING BRIEF

**I. INTRODUCTION**

PacifiCorp d/b/a Pacific Power files this Supplemental Closing Brief in combination with the Joint Utilities' Closing Brief filed in the above-captioned proceeding. The Joint Utilities' Closing Brief discusses the plain language and legislative intent of ORS 757.259, and how Staff's strained interpretation contradicts the legislative history of the statute, and Staff's failure to acknowledge previous Public Utility Commission of Oregon (Commission) decisions. PacifiCorp's Supplemental Closing Brief describes PacifiCorp's history of capital deferrals, addressing the policy implications raised by Commission Staff, the Oregon Citizens' Utility Board (CUB), the Alliance of Western Energy Consumers<sup>1</sup> (collectively, Intervenors), not otherwise addressed in the Joint Utilities' Closing Brief.

The Commission has previously approved the deferral of capital costs for a range of reasons to appropriately balance benefits and costs. PacifiCorp's requests for such deferrals have not been frequent, and illustrate why deferral of such costs is in the public interest. PacifiCorp's 2012 request for deferral of costs associated with a November 2012 storm event in a portion of its Oregon service area is an example of why such deferrals support the public

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<sup>1</sup> Formerly known as the Industrial Customers of Northwest Utilities (ICNU) and, separately, the Northwest Industrial Gas Users.

interest by ensuring the utility had a mechanism to track costs for a later prudency review. The Commission should not change its well established policy of using its discretion to approve deferrals of any appropriate costs on a case-by-case basis to support utility operations in Oregon.

## **II. DISCUSSION**

ORS 757.259(2)(e) provides that deferrals may be authorized “in order 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.” The Commission has found that each of PacifiCorp’s previously authorized revenue requirement deferrals met the public interest standard and provided other public benefits. Staff has supported each of PacifiCorp’s previous applications to defer capital costs, which have been limited to specific issues where the public interest is supported by such deferrals. In its Closing Brief, Staff has failed to acknowledge the benefits of supporting the Commission’s current policy, instead taking an overly simplistic interpretation that ignores the wide range of circumstances and operational needs faced by utilities that supports the need to protect the Commission’s broad discretion.

### **A. Storm Related Damages**

In docket UM 1634, PacifiCorp requested deferral of costs due to damages caused by a severe storm on the Oregon coast in November 2012. Staff determined that the Commission’s deferred accounting policy was specifically designed to cover costs associated with this type of unanticipated event and recommended approval of PacifiCorp’s application.<sup>2</sup> ICNU intervened in the proceeding, but did not protest the application.

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<sup>2</sup> *In the Matter of PacifiCorp, dba Pacific Power’s Request for Deferred Accounting Order for Network Damage from November 2012 Storm*, Docket No. UM 1634, Order No. 12-489 at Appendix A, p. 2 (Dec. 18, 2012).

The Commission approved the deferral in Order No. 12-489.<sup>3</sup> PacifiCorp subsequently withdrew its application when it was determined that the costs of the storm would be fully covered by its self-insurance reserves,<sup>4</sup> but the deferral provided an option to reduce the need to advance a general rate case while matching costs to benefits.

#### **B. Black Cap Solar**

In docket UM 1627, PacifiCorp sought to defer costs relating to the Black Cap Solar Project. PacifiCorp sought to defer the revenue requirement, net of net power costs, related to the project from September 20, 2012, through December 31, 2012. The Black Cap Solar Project was a 2.0 megawatt utility scale photovoltaic solar system. PacifiCorp filed its application because the project, at the time of filing, would not have been reflected in rate base, but the deferral was appropriate under ORS 757.259(2)(e), ORS 370(5), and ORS 469A.120(1). Staff agreed and determined that the application met the requirements of ORS 757.259, recommending approval. The Commission approved the application in Order No. 12-450.<sup>5</sup>

#### **C. Renewable Adjustment Clause Deferrals**

In docket UM 1330, the Commission established the Renewable Adjustment Clause and affirmed the use of deferred accounting. Staff, CUB, ICNU, and the Joint Utilities supported the deferral and agreed that the earnings review in ORS 757.259(5) should not apply to these deferrals. The Commission authorized revenue requirement deferrals for

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<sup>3</sup> *In the Matter of PacifiCorp, dba Pacific Power's Request for Deferred Accounting Order for Network Damage from November 2012 Storm*, Docket No. UM 1634, Order No. 12-489 (Dec. 18, 2012).

<sup>4</sup> *See In the Matter of PacifiCorp, dba Pacific Power, Request for Deferred Accounting Order for Network Damage from November 2012 Storm*, Docket No. UM 1634, Order No. 13-026 (Jan. 13, 2013).

<sup>5</sup> *In the Matter of PacifiCorp, dba Pacific Power, Application for Deferred Accounting for Costs Relating to the Black Cap Solar Project*, Docket No. UM 1627, Order No. 12-450 (Nov. 20, 2012).

PacifiCorp's investments in the company's Leaning Juniper, Marengo, and Blundell resources in 2008,<sup>6</sup> and Seven Mile Hill II and Glenrock III resources in 2009.<sup>7</sup>

Staff and Intervenors now claim that that these capital cost deferrals fail to meet the "fair, just and reasonable standard" applied by the Commission.<sup>8</sup> Staff and Intervenors fail to explain their prior positions, or justify the drastic change in Commission policy for which they now advocate.

### III. CONCLUSION

As demonstrated by the Commission's authorizations of PacifiCorp's revenue requirement deferrals, and Staff's support of those deferrals based on the clear public benefits, there is no support for the Intervenors' assertion that deferring capital investments is somehow inconsistent with established Commission precedent or contrary to the public interest. As anticipated by ORS 757.259(2)(e), capital investment deferrals have been used in limited and appropriate situations to successfully minimize the frequency of rate cases and better match the costs borne and benefits received by customers. Accordingly, PacifiCorp requests that the Commission continue to exercise its discretion to approve capital investment deferrals on a case-by-case basis consistent with its current policy.

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<sup>6</sup> *In the matter of PacifiCorp, dba Pacific Power, Application for an Accounting Order Approving Deferral of Costs Relating to Renewable Resources Pursuant to Senate Bill 838*, Docket No. UM 1338, Order No. 08-508 (Oct. 22, 2008).

<sup>7</sup> *In the matter of PacifiCorp, dba Pacific Power, Application for Deferred Accounting*, Docket No. UM 1412, Order No. 09-072 (March 2, 2009).

<sup>8</sup> Intervenors' Brief at 10; *see also* Staff's Closing Brief at 11.

Respectfully submitted this 14<sup>th</sup> day of May, 2018, on behalf of PacifiCorp



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