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VIA ELECTRONIC FILING

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

Attn: Filing Center

Re: UM 1826—PacifiCorp's Clean Fuel Programs

PacifiCorp, d/b/a Pacific Power submits for filing with the Public Utility Commission of Oregon (Commission) the company's proposed Oregon Clean Fuels Programs (CFP) in response to Commission Order 18-376, requesting utilities to file a proposal for the first program year that utilizes Oregon Clean Fuels funds in accordance with Commission approved principles.

I. Background

The CFP is a product of House Bill 2186 (2009), Senate Bill 324 (2015), and the rules promulgated by the Oregon Department of Environmental Quality (DEQ) and codified in OAR Chapter 340, Division 253. The goal of the CFP is to reduce the carbon intensity of the transportation fuels used in the state by 10 percent from 2015 levels by 2025. Fuel importers that do not otherwise meet the annual carbon intensity reduction standards may comply with CFP requirements by purchasing credits from entities that generate them. Electricity is a transportation fuel under the CFP rules, and registered electric utilities are eligible to generate credits from residential charging of plug-in electric vehicles (PEVs) in their service territories.[1]

In Order 17-250 (July 12, 2017), the Commission determined that utility participation in residential credit generation was in the public interest and directed Pacific Power to register as a generator of residential CFP credits.[2] In that same Order, the Commission also determined that it was appropriate to provide guidance to the utilities on how credits should be monetized and how resulting revenue should be spent. Over the course of several subsequent Orders in UM 1826, the Commission adopted principles related to credit monetization (Order 17-512 on November 3, 2017) and program design (Order 18-376 on October 1, 2018).

On March 22, 2018, Pacific Power received 12,575 CFP credits from residential PEV charging in its service territory in 2016 and 2017. Pacific Power sold all of these credits in December 2018

[1] OAR 340-253-0330 includes guidance regarding the role of electricity providers as clean fuels credit generators.
[2] Pacific Power will separately be generating non-residential credits from its public charging and grant funding pilots, which will be used to offset the costs of those programs. Non-residential credits are outside the scope of this document.

and January 2019 in accordance with the Commission's credit monetization principles. Proceeds from the sale of CFP credits totaled $1,496,875.[3]

In Order 18-376, the Commission directed the utilities to develop programs using the revenues generated from the sale of CFP credits and provided guidance to the utilities in the form of six Program Design Principles as follows:

1. Support the goal of electrifying Oregon's transportation sectors.
2. Provide majority of benefits to residential customers.
3. Provide benefits to traditionally underserved communities.[4]
4. Design programs to be independent from ratepayer support.
5. Develop programs collaboratively and transparently.
6. Maximize use of funds for implementation of programs.[5]

On the basis of these principles, Pacific Power developed two program concepts that it proposes to fund with the revenues generated from the sale of its 2016-2017 CFP credits.

II. Pacific Power's CFP Programs

Pacific Power intends to use the $1,496,875 generated from the sale of its 2016-2017 CFP credits to develop and operate two programs for its customers: 1) an incentive program for Pacific Power residential customers who drive plug-in electric vehicles (PEVs); and 2) a grant program designed to enable transportation electrification in traditionally underserved communities.

1. Drive Electric Incentive Program

Program Type: Incentive to PEV drivers
Incentive value: $300
Eligibility: Up to 2,500 residential customers with PEVs registered in Pacific Power territory
Total Program Budget: $900,000
Incentive budget: $750,000
Administration budget: $150,000 (third-party administrator or in-house)
Term: One year from the date of program launch, or until incentive funds are exhausted

Pacific Power's proposed Drive Electric Incentive Program is a means to give direct financial benefits to PEV drivers in its service territory, while gathering information that will be useful in both the development of future transportation electrification programs and its distribution system planning efforts.

[3] Pacific Power will provide further information about the monetization of its 2016-2017 CFP credits in a future Credit Monetization Report.
[4] The Commission clarified that "[c]ommunities traditionally underserved by access to electric vehicles include but are not limited to multi-family housing, low-income communities, and areas with a low density of public charging stations." Order 18-376 (October 1, 2018), Appendix A at 6 fn. 7.
[5] Order 18-376 Appendix A at 5-7.

a) Incentives and eligibility

Pacific Power will offer a one-time $300 incentive to up to 2,500 residential customers who demonstrate ownership or lease of a PEV.[6] The incentive will be available to new and existing drivers of battery electric or plug-in hybrid electric vehicles whose vehicles are registered in Pacific Power's Oregon service territory. Pacific Power has approximately 4,000 PEV in its service territory that may be eligible to receive an incentive. The 2,500 incentives available for this program balances total program costs and anticipated participation levels.

To be eligible to receive an incentive, Pacific Power will require customers to complete a survey providing information related to their PEV ownership, driving and charging behaviors and interest in programs or rates offered by Pacific Power. In addition, the survey may also contain questions intended to help gauge customer interest in future potential offerings. Information garnered from survey responses will benefit Pacific Power's distribution system planning efforts and inform future development of transportation electrification programs, rates and policies. The types of information that Pacific Power expects to solicit includes the location and type of PEV owned or leased; the location and type of charging infrastructure regularly used; driving and charging behaviors; and the outstanding needs and concerns of PEV drivers. Pacific Power plans to include key findings from the survey results as a component of the lessons learned in its report to the Commission described in Part V below.

Pacific Power intends to provide incentives in the form of a credit on eligible customers' electricity bills, but Pacific Power will work with a third-party program administrator (if applicable) to identify other potential cost-effective methods of delivery. The credit will be applied to an eligible customer's Pacific Power account and will offset charges on their monthly bill. Any credit amount remaining after a monthly billing period will be carried forward to future months until the balance is exhausted.

Eligible customers will be required to provide a copy of their vehicle registration from the Oregon Department of Motor Vehicles (DMV) for the purposes of verifying PEV ownership or lease.

An individual vehicle—as identified by the unique Vehicle Identification Number (VIN) included in a PEV driver's DMV registration information—will be eligible for up two incentive claims during the term of the program. This policy is intended to accommodate the purchase and sale of PEVs, while limiting the potential for abuse of the incentive program. Two specific circumstances exist where this policy may become relevant: 1) when an existing PEV owner receives an incentive early in the program and then elects to sell the PEV within the program term; and 2) when a PEV lessee receives an incentive prior to the expiration of their lease and then returns the PEV to the lessor. In those circumstances, it is in the spirit of the program to permit a residential customer who buys or leases a used PEV to submit an incentive claim, even if the previous driver received an incentive for the vehicle. At the same time, the limit on incentives for individual vehicles will reduce the opportunity to game the program by executing

[6] According to DEQ estimates, Pacific Power had around 3,956 PEVs in its service territory at the end of 2018.

meaningless transfers of title among Pacific Power customers for the purpose of filing incentive claims.

b) Program administration

Pacific Power plans to hire a third-party program administrator to process incentive claim applications. The program administrator will be responsible for tracking incentive claim approvals and notifying Pacific Power that incentive amounts are owing and to whom. A similar internal process will be used if Pacific Power elects to administer the program itself. Once claims have been approved, Pacific Power will affect the payment of incentive claims by either transferring funds from its CFP account to the appropriate customer accounts and directing that the customers' monthly bills reflect those payments, or by issuing a check to that customer. Pacific Power employee time will also be reimbursed from the administrative budget in accordance with Commission guidance.

Pacific Power will endeavor to minimize the administrative costs of the Drive Electric Incentive Program by considering alternative methods of achieving program objectives, including evaluating the cost efficiency of potential program elements. The $150,000 administrative budget reflects all non-incentive costs, including third-party program administrator costs and costs internal to Pacific Power. Third-party program administrator costs will include project management costs, costs associated with customer communications and marketing, eligibility verification costs, and data input and transfer costs. Internal Pacific Power costs will include project management costs, marketing costs, costs associated with bill credit issuance, and program reporting costs.

A portion of the administrative budget will cover startup costs associated with the development and launch of a new program, such as the costs to develop and administer the survey, the costs of establishing the processes necessary to transfer data between the third-party program administrator and Pacific Power, and the costs associated with the development of a process by which to issue bill credits. Pacific Power may offer an incentive program with a similar framework in the future, in which case these costs will not recur.

Pacific Power will roll any unspent administrative funds over into its CFP budget for use in future program years.

c) Program budget

The budget for the Drive Electric Incentive Program will be $900,000, of which $750,000 will be allocated for the payment of incentive claims. The incentive budget will be sufficient to pay up to 2,500 claims. The budget for administrative costs will be $150,000. The program will run for one year from the date of program launch or until incentive funds are exhausted, whichever happens first. If money remains in the budget after one year, Pacific Power will roll those funds over into future CFP programs.

d) Program term and projected timelines

Pacific Power projects a launch date of January 1, 2020, with the program running for one year from the date of its launch. Based on information gathered in year one of the program, Pacific Power will evaluate whether to use future CFP revenue or another funding source to carry the incentive program forward into future years.

2. Underserved Community Grant Program

Program Type: Grant program for traditionally underserved communities **Grant value:** Suggested range of up to $50,000 per project **Eligible Expenses:** Non-infrastructure costs associated with studying, planning, or deploying electric transportation technology and projects. **Customer Eligibility:** Non-profit organizations and governmental entities serving or representing traditionally underserved communities **Total Program Budget:** $596,875 **Incentive budget:** $536,875 **Administration budget:** $60,000 (third-party administrator or in-house) **Term:** One or more rounds of grant funding until funds are exhausted

Pacific Power's Underserved Community Grant Program is directly targeted to provide a meaningful benefit to communities that are often absent in the transportation electrification conversation.

The program is intended to fill a gap in funding that exists for organizations serving or representing traditionally underserved communities.[7] In discussions with stakeholders, Pacific Power heard that communities interested in electrifying their transportation options often have needs that extend beyond installing personal vehicle charging infrastructure. By broadly defining the types of costs that will be eligible for funding through the Underserved Community Grant Program, underserved communities with have the flexibility to identify and take the steps necessary to achieve their transportation electrification objectives.

Pacific Power will encourage grant applicants to seek funding from complementary sources, including Pacific Power's Electric Vehicle Charging Station Grant Pilot.

a. Grant program eligibility

Pacific Power will offer financial assistance for projects related to transportation electrification in traditionally underserved communities in Pacific Power's Oregon service territory. As defined in Order 18-376, "Communities traditionally underserved by access to electric vehicles include but are not limited to multifamily housing, low-income communities, and areas with a low density of public charging stations."

[7] *See* fn 4 for the Commission's definition of "traditionally underserved communities."

Pacific Power will engage stakeholders in refining eligibility requirements and identifying grant evaluation criteria prior to the solicitation of grant applications. Eligible costs will be broadly defined to provide applicants with the flexibility to identify the needs of the targeted communities and the appropriate means of addressing them. Applicants will be expected to provide information supporting the alignment of their proposals with the Commission's concept of "traditionally underserved communities" described in Program Design Principle #3. Pacific Power plans to hire a third-party grant evaluator to make recommendations about grant funding awards.

Eligible expenses will include any transportation electrification project costs except charging infrastructure costs, which are eligible for funding through Pacific Power's Electric Vehicle Charging Station Grant Pilot.[8] These expenses may include, but are not limited to, project management costs, costs associated with conducting transportation needs assessments, or a portion of the cost to purchase an electric vehicle.

b. Grant value

Pacific Power will offer grants with a suggested range of up to $50,000 per project. An applicant may apply for grant funding of up to 100 percent of project costs, but priority in the grant evaluation scoring process will be afforded to applicants that demonstrate the ability to leverage other funding sources. In the absence of any prior arrangement with Pacific Power, a grant recipient will have one year in which to spend its grant funding.

c. Grant evaluation

Pacific Power plans to hire a third-party grant evaluator to assist with the administration of the Underserved Community Grant Program. Evaluations will be conducted based on the grant evaluation criteria developed in coordination with stakeholders. Pacific Power will make the ultimate decision on grant recipients on the basis of the recommendations of the grant evaluator.

d. Grant program budget

The budget for the Underserved Community Grant Program will be $596,875, with an estimated $536,875 allocated for the payment of grant amounts, which will be sufficient to fund at least ten projects in the suggested grant value range. The budget for administrative costs will be $60,000, split between Pacific Power's internal expenses and third-party program administrator costs (if applicable). Any funds that are not used for the administration of the program will be rolled into the grant award budget.

e. Grant program term and timelines

The Underserved Community Grant Program will consist of one or more rounds of grant funding until all program funds are exhausted, or until one year has elapsed from the date of program

[8] With the CFP grant program, Pacific Power's intent is to avoid duplicating funding available from other sources.

launch. If money remains in the Underserved Community Grant Program budget after one year, Pacific Power will roll those funds over into future CFP programs, which may include an extension of this program. Limiting the rounds of grant funding will reduce administrative costs, so Pacific Power will seek to promote broad stakeholder involvement in the initial round of grant funding.

Given the straightforward design of the Underserved Community Grant Program, Pacific Power anticipates that it will be able to launch the program in 2019. Pacific Power will evaluate whether it can leverage any existing vendor relationships to fill the role of grant evaluator and accelerate program launch.

III. Alignment with Program Design Principles

Pacific Power designed these two CFP programs to align with the six Program Design Principles that the Commission identified in Order 18-376.

a) The programs support the goal of electrifying Oregon's transportation sectors

The CFP programs support the goal of electrifying Oregon's transportation sectors in several ways.

First, the Drive Electric Incentive Program will supply Pacific Power with data collected through PEV driver surveys, which will inform Pacific Power's in distribution system planning efforts. That data will also be valuable in informing future programs, rates and policies to promote transportation electrification. In addition, the Drive Electric Incentive Program will encourage Pacific Power customers to purchase or lease a new or used PEV by providing an incentive that will complement available state and federal incentives.

Second, the Underserved Community Grant Program will support the goal of electrifying Oregon's transportation sectors by affording non-profits and governmental entities the opportunity to evaluate the needs of underserved communities and increasing their access to electric transportation options.

b) The majority of program benefits will go to residential customers

The CFP programs were designed to provide the majority of benefits to residential customers. Only residential customers will be eligible to participate in the Drive Electric Incentive Program, so all benefits from the program will flow directly to those customers. Additionally, investment in traditionally underserved communities through the Underserved Community Grant Program will provide benefits to residential customers in those communities.

c) The programs will benefit traditionally underserved communities

Taken together, the CFP programs will provide meaningful benefits to traditionally underserved communities as they are defined in Order 18-376.

Pacific Power directly targeted its Underserved Community Grant Program to benefit traditionally underserved communities, by providing both a funding source and a potential tool by which those communities may leverage state and federal incentives, other sources of grant funding, and Pacific Power's Drive Electric Incentive Program.

While the Drive Electric Incentive Program is not targeted specifically to underserved communities, Pacific Power is optimistic that members of those communities will be able to access the benefits of the program through resources provided through the Underserved Community Grant Program and other mechanisms.

d) The programs will operate independent from ratepayer support

Both the Drive Electric Incentive Program and the Underserved Community Grant Program will be completely funded through the CFP revenues that are already in Pacific Power's account. Ratepayers will be held indifferent to the program.

e) The programs were developed collaboratively and transparently

Pacific Power engaged with stakeholders throughout the process of developing these CFP programs, adjusting elements of the programs based on formal and informal stakeholder input. More detail on the stakeholder engagement process is included in Part IV below.

f) Pacific Power designed the programs to minimize administrative costs and maximize use of funds for program implementation

Pacific Power prioritized straightforward program mechanics and administrative efficiency in designing its CFP programs in order to maximize the use of funds available to further CFP objectives.

The Drive Electric Incentive Program will use CFP revenues to provide direct financial benefits to PEV drivers in Pacific Power's Oregon service territory. Although administrative costs represent a significant portion of the program budget in year one, those costs include one-time startup expenses that will not be incurred if Pacific Power elects to carry the program forward in future years. One-time startup expenses will include the cost of selecting a third-party program administrator (if applicable), developing the PEV driver survey and administration process, and establishing the steps involved in verifying eligibility and paying incentive claims. Pacific Power will base its decision on whether to continue to offer an incentive program in subsequent program years on information gathered during year one of the program and future CFP revenues.

The Underserved Community Grant Program will maximize the use of funds by providing direct grant funding to underserved communities in Pacific Power's Oregon service territory. A straightforward program design will ensure that administrative costs are kept to a minimum.

IV. Stakeholder Input

Pacific Power endeavored to engage stakeholders throughout the process of developing these CFP programs, including active participation in the UM 1826 process, conversations with interested stakeholders on initial program concepts, and circulating draft program proposals for stakeholder review.

On February 11, 2019, Pacific Power emailed an overview of its proposed CFP programs to the UM 1826 service list, requesting feedback on those proposals by February 25, 2019. In response, Pacific Power received input from an array of stakeholders, including Climate Solutions, the Northwest Energy Coalition, Oregon Environmental Council, the Union of Concerned Scientists, Forth, Greenlots and DEQ. While Pacific Power received many comments on the specific program elements in its proposal, there was broad stakeholder consensus that the types of programs proposed represented a reasonable use of CFP revenues.

Pacific Power appreciates the valuable stakeholder feedback received before and after sending out the draft program proposal. Based on that stakeholder input, Pacific Power made several revisions to the CFP program proposal that it circulated on February 11, 2019. Those modifications include:

- Reallocating a portion of the proposed Drive Electric Incentive Program budget to the Underserved Community Grant Program.
- Establishing a single, higher incentive value ($300) to entice the purchase or lease of a PEV and minimize potential customer confusion.
- Adding a step of soliciting stakeholder feedback in the process of developing grant evaluation criteria.

In several instances, Pacific Power elected not to follow specific stakeholder recommendations. Those instances include circumstances where multiple stakeholders presented conflicting suggestions, as well as situations where stakeholder recommendations ran counter to the Commission's Program Design Principles or Pacific Power's program objectives.

Overall, Pacific Power is confident that these proposed programs represent an appropriate balance of the Commission's Program Design Principles and the objectives that stakeholders identified in the program development process.

V. Reporting

Pacific Power will provide a report to the Commission within six months following the completion of both of the programs described in this proposal. This report will include details related to program participation and spending, in addition to information describing the lessons learned during the development and operation of the programs.

VI. Conclusion

PacifiCorp appreciates the opportunity to provide this informational filing and looks forward to working toward the implementation of these programs.

Informal questions concerning this filing may be directed to Cathie Allen at (503) 813-5934.

Sincerely,

Etta Lockey
Vice President, Regulation