

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 31, 2022

REGULAR CONSENT EFFECTIVE DATE January 1, 2022

DATE: May 16, 2022

TO: Public Utility Commission

FROM: Curtis Dlouhy

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2224)
Application for Deferred Accounting for Costs and Revenues Associated
with the Transportation Electrification Charge.

STAFF RECOMMENDATION:

Approve PacifiCorp d/b/a Pacific Power (PacifiCorp, PAC, or Company) application to defer costs and revenues associated with the Transportation Electrification (TE) Charge in House Bill (HB) 2165.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's application to defer costs and revenues associated with the TE Charge in HB 2165.

Applicable Rule

PacifiCorp makes this filing in accordance with ORS 757.259, OAR 860-027-0300, and HB 2165. ORS 757.259 authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for application to defer.

HB 2165(2)(2) states:

An electric company that makes sales of electricity to 25,000 or more retail electricity consumers in this state shall collect, through monthly meter charges, an amount from each retail electricity consumer served through the distribution system owned and operated by the electric company. The total amounts collected under this section must be set to one quarter of one percent of the total revenues collected by the electric company from all retail electricity consumers.

HB 2165(2)(3) states:

Funds collected under subsection (2) of this section must be expended by the electric company to support and integrate transportation electrification and must be consistent with a budget approved by the Public Utility Commission for use of funds collected under this section. Expenditures made by an electric company pursuant to this subsection must be made on elements contained within the electric company's transportation plan accepted by the commission pursuant to ORS 757.357.

Under HB 2165(4)(3)(a), utilities are required to submit a plan that integrates the Company's TE actions to the Commission for acceptance.

Analysis

Background

On May 17, 2021, the Transportation Electrification Rebates and Cost Recovery (HB 2165) was passed. As a result of the passage of this law, electric companies with more than 25,000 Oregon customers are required to collect an amount from their retail customers to support TE investments. The Companies are required to submit their TE investment plans to the Commission for acceptance under HB 2165(4)(3)(a).

HB 2165(2)(2) states that the revenues used to fund these expenditures must come through monthly meter charges through the distribution system and be set at 0.25 percent of the company's revenue from retail electric customers. HB 2165 went into effect on January 1, 2022.

In accordance with HB 2165, ORS 757.259, and OAR 860-027-0300, PacifiCorp requested an order authorizing the use of a deferral to track the costs and revenues associated with the TE Charge on January 7, 2022.¹ PacifiCorp states that this deferral

¹ Application, page 2.

will support a balancing account mechanism to track the ongoing revenues brought in from the monthly meter charge and the costs incurred through TE investments.² The deferral will be recovered through Schedule 291 as requested in PAC Advice Filing No. 21-022, which was approved at the December 28, 2021, public meeting.

Relationship to other TE Deferrals

Staff met with the Company on April 22, 2022, to clarify this deferral, particularly how it relates to the two other PacifiCorp deferrals regarding transportation electrifications and electric vehicles in UM 1964 and UM 2200. PacifiCorp notes that it has proposed the recovery of costs associated with UM 1964 in its ongoing rate case, UE 399, and is weighing whether to fund its UM 2200 deferral with the funds brought in by the TE charge. There is nothing that requires the utility to use funds collected through the TE charge on existing programs. However, Staff suggested this as an option at the November 30, 2021 Special Public Meeting.³

Reason for Deferral

In its application, PacifiCorp states that granting this deferral will minimize the frequency of rate changes and match appropriately the costs and benefits received by customers.⁴

Proposed Accounting

PacifiCorp intends to record the deferred amounts to FERC Account 182.3, Other Regulatory Assets and will accrue interest at the Commission-authorized rate for deferred accounts.⁵ Given that approval of this application to defer supports the use of a balancing account with an automatic adjustment clause, Staff would like to clarify that this deferral will accrue interest at the modified blended treasury (MBT) rate.

Estimate of Amounts

PacifiCorp expects that approximately \$3.1 million will be collected from customers through the TE charge annually.⁶ The money spent on TE programs is not known at this time, and will be approved in a separate, forthcoming docket where PacifiCorp will submit its TE budget.

Information Related to Future Amortization

- Earnings review – No earnings review is applicable due to the AAC.

² Application, page 3.

³ See Page 7 of [Item No. RA2 Staff Report](#) at the November 30, 2021, Special Public Meeting.

⁴ Application, page 3.

⁵ *Id.*

⁶ Application, page 4.

- Prudence Review – A prudence review will be performed when updating the amounts for amortization as part of the AAC.
- Sharing – All prudently incurred costs are recoverable by PacifiCorp with no sharing mechanism.
- Rate Spread/Design – Costs will be allocated to each schedule using the applicable schedule’s forecasted energy on the basis of an equal percent of revenue applied on a cents-per-kWh basis.
- Three Percent Test (ORS 757.259(6)) – Future amortization will be subject to the three percent test in accordance with ORS 757.259 (7) and (8).

Conclusion

Approval of this deferral is consistent with HB 2165 and past Commission activities regarding transportation electrification. Staff recommends that the Commission approve PacifiCorp’s application to defer costs and revenues associated with the TE charge in HB 2165.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp’s application to defer costs and revenues associated with the TE Charge in HB 2165.