

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

REGULAR CONSENT EFFECTIVE DATE March 29, 2022

DATE: May 2, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2238)
Application for Authorization to Defer Costs Associated with
House Bill 2475 Energy Affordability Act.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve the application of PacifiCorp dba Pacific Power (PacifiCorp, PAC, or Company) for authorization to defer incremental administrative costs associated with House Bill 2475 (HB 2475), the Energy Affordability Act, for the 12-month period beginning on March 29, 2022.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for authorization to defer accounting of costs associated with House Bill 2475.

Applicable Law

Under Oregon Revised Statute (ORS) 757.259, the Commission may authorize deferred accounting for later incorporation in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred 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.

ORS 757.259(2)(e).

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Notice of the application must be provided pursuant to OAR 860-027-0300(6).

In Order No. 05-1070, Docket No. UM 1147, the Commission determined that interest may accrue on deferred accounts at the authorized rate of return until amortization. Subsequent orders in Docket No. UM 1147 establish the rate during amortization.¹

ORS 757.230 provides the Commission authority to take certain considerations into account when determining a comprehensive classification of service for each public utility; including, the quantity used, the time when used, the purpose for which used, the existence of price competition or a service alternative, the services being provided, the conditions of service, differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers.

Analysis

Background

In May 2021, the Governor of Oregon signed into law HB 2475, the Energy Affordability Act. Among other provisions, this bill amends ORS 757.230(1) to provide that the Commission's service classifications may take into account the "differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers". Under Section 2 of the bill, the Commission may address the mitigation of energy burdens through measures including customer classifications, tariff schedules, rates, and bill credits.

Description of Expense

With this application, PacifiCorp requests an order authorizing deferred accounting treatment for incremental administrative costs associated with implementing and administering the low-income bill discount program. The proposed deferral of incremental administrative costs, including marketing costs, associated with the Company's planned income-eligible bill discount program, expected to be filed in 2022.

¹ See Order Nos. 08-263 and 10-279.

Description of Deferral Application

In Docket No. UM 2223, the Commission, with Order No. 22-094, approved PacifiCorp's deferral application to defer costs and revenues associated with a low-income bill discount program. That order further requires PacifiCorp to file a new deferral application, in a separate docket, for incremental administrative costs incurred after issuance of that order. On March 29, 2022, PacifiCorp filed this deferral application, requesting that the Commission authorize the Company to defer for later ratemaking treatment incremental administrative costs associated with HB 2475 for the 12-month period March 29, 2022 through March 28, 2023.

Proposed Accounting

PacifiCorp proposes to record deferred amounts to Federal Energy Regulatory Commission (FERC) Account 182.3, Other Regulatory Assets. This account will accrue interest at the Modified Blended Treasury Rate, consistent with the program costs and revenues deferred in UM 2223.

Information Related to Future Amortization

PacifiCorp is currently working on the design of the low-income bill assistance program and developing an administrative budget. An estimate of the total expected deferral for administrative costs is not known at this time.

- Earnings Review – Staff finds that an earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is also required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance. The prudence review will be held after PacifiCorp files for amortization.
- Sharing – One hundred percent (100%) of the deferred costs are subject to utility recovery, pending an earnings and prudence review.
- Interest Rate – As agreed to by the Company, the deferred balance will accrue interest at the current MBT at all times until revised by a subsequent Commission order based on discussions described earlier in this memo.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

Based on Staff's review of PacifiCorp's application, Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259(2)(e) and OAR 860-027-0300. Thus, Staff recommends the Commission authorize deferral of incremental administrative costs associated with HB 2475 Energy Affordability Act for the 12-month period beginning March 29, 2022. PacifiCorp has reviewed and agrees with this memo.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's application request to defer incremental administrative costs associated with the HB 2475 Energy Affordability Act for the 12-month period beginning March 29, 2022.