

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: September 5, 2023

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

DATE: August 8, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: PACIFIC POWER:
Docket No. UM 2238(1)
Request for Reauthorization of Deferred Accounting for Administrative
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 reauthorization 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, 2023.

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

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs. The Commission's final determination on the number of deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

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 addition, 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. This bill amends ORS 757.230 (1) to provide that utilities 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” when designing rates and provides utilities with the opportunity to offer a bill discount to income-qualified eligible residential customers.

On March 22, 2022, in Order No. 22-094, the Commission adopted staff’s proposal to approve the Company’s deferral application for the costs and revenues associated with the low-income bill discount program but required the Company to file a new deferral application, in a separate docket, to establish a separate account to track and defer incremental administrative costs associated with the implementation of HB 2475 mitigation measures.

The Commission approved the initial deferral application on June 2, 2022, in Order No. 22-198, for the 12 months beginning on March 29, 2022.

Reason for Deferral

The Company filed this request for reauthorization on March 23, 2023, to defer the incremental administrative costs to implement and administer the low-income bill discount program. ORS 757.259(2)(e) allows the deferral of identifiable utility expenses in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and benefits received by customers.

Description of Expense

On Exhibit B the Company provides the entries in the deferred account to date. On the follow page.

HB2475 Admin Costs

Period	Beginning Balance	Deferral	Interest	Ending Balance
May-22	-	2,195.00	6.53	2,201.53
Jun-22	2,201.53	(450.55)	11.75	1,762.73
Jul-22	1,762.73	-	10.48	1,773.21
Aug-22	1,773.21	-	10.55	1,783.76
Sep-22	1,783.76	-	10.61	1,794.37
Oct-22	1,794.37	3,279.00	20.42	5,093.79
Nov-22	5,093.79	2,200.30	36.84	7,330.93
Dec-22	7,330.93	445.00	44.92	7,820.86
				-
FY 2022 TOTAL		\$ 3,827.00	\$ 152.11	
				-
Jan-23	7,820.86	887.95	48.96	8,757.77
Feb-23	8,757.77	2,186.52	58.36	11,002.65
FY 2023 TOTAL		\$ 3,074.47	\$ 411.53	

Proposed Accounting

The Company proposes to record deferred amounts to Federal Energy Regulatory Commission Account 182.3.

Estimate of Amounts

The Company has estimated an annual budget of \$215,000 for administrative costs on 2023.

Information Related to Future Amortization

- 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 – The deferred balance will accrue interest at the current MBT at all times until revised by a subsequent Commission order, Consistent with Order No. 22-198.
- 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 reauthorize deferral of incremental administrative costs associated with HB 2475 Energy Affordability Act for the 12-month period beginning March 29, 2023.

The Company has reviewed this memo and has no objection.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's application for reauthorization to defer incremental administrative costs associated with the HB 2475 Energy Affordability Act for the 12-month period beginning March 29, 2023.