

OAR 860-027-0300(3) requires that applications for deferred accounting include: (a) a description of the utility expense or revenue, (b) the reason for the deferral and a citation to the statute authorizing the deferral, (c) the account proposed for recording the deferred amounts, (d) an estimate of the amounts to be recorded in the deferred account for the 12 month period subsequent to the application, and (e) a copy of the application notice. Notice of the application must be provided to all parties in the utility's last general rate case pursuant to OAR 860-027-0300(6).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings. ORS 757.259(6) prohibits a company's amortization of amounts deferred under ORS 757.259(5) from exceeding an amount equal to three percent of the company's gross revenues from the preceding year with some limited exceptions.

Analysis

Background

On December 14, 2022, PacifiCorp d/b/a Pacific Power (PacifiCorp or Company) filed an application with the Public Utility Commission of Oregon (Commission) for an order authorizing deferred accounting to establish and maintain a balancing account to record the deferral of program costs related to demand response programs approved by the Commission under Tariff Schedule 106.

The Company also proposes in its application to cease tracking the irrigation demand response program costs under the existing deferral authorized in docket UM 2158 and instead track those costs under the new deferral requested in this docket.

These voluntary programs are part of the continuing implementation of resources identified in PacifiCorp's integrated resource plans (IRPs), including the Company's 2019 IRP. To date, the Commission has approved two demand response programs under Schedule 106.

On May 5, 2022, the Commission approved an irrigation demand response program under Schedule 106. On November 16, 2022, the Commission approved a commercial and industrial demand response program under Schedule 106. The Company will seek amortization of the deferred amount through Schedule 291 in a future Commission proceeding.

Description for Expenses

PacifiCorp anticipates that it will incur costs associated with the irrigation, commercial and industrial, and other demand response programs that may be approved by the Commission under Schedule 106.

These costs will include vendor costs, customer incentives, customer outreach/advertising, evaluation, measurement and verification, and utility staffing directly attributable to managing these programs.

Reason for Deferral

ORS 757.259(2)(e) allows the deferral of utility expenses or revenues where necessary to match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

PacifiCorp proposes to record deferred amounts to Federal Energy Regulatory Commission account 182.3, Other Regulatory Assets.

Estimated Deferral in Authorization Period

The following table provides an estimate of the costs that will be deferred under the deferral requested in this application through 2026.

This table also provides irrigation demand response program costs tracked under the UM 2158 deferral. PacifiCorp will consolidate the deferral of the amounts outstanding under the UM 2158 deferral into the deferral account requested in this application.

2022 irrigation is the ADV 22-004 forecast—June through October costs.

Program	2021*	2022**	2023	2024	2025	2026	Totals
Irrigation Pilot	\$302,869	\$81,785					\$384,654
Irrigation		\$1,767,241	\$1,860,915	\$2,238,451	\$1,942,257	\$1,999,190	\$9,808,054
Commercial & Industrial		\$3,293,417	\$3,906,166	\$3,891,633	\$3,891,633	\$3,875,663	\$18,858,512
Total	\$302,869	\$5,142,443	\$5,767,081	\$6,130,084	\$5,833,890	\$5,874,853	\$29,051,220

Information Related to Future Amortization

- Earnings Review – Staff recommends that the cost recovery associated with this deferral will not be subject to an earnings review because of the program costs pertaining to demand response programs (PacifiCorp Schedule 106).
- Prudence Review – A prudence review should be performed by the Commission Staff as part of PacifiCorp's deferral or amortization filings. The prudence review will include the verification of the accounting methodology used to determine the deferred amounts, as well as a review of all costs and revenues proposed for amortization.
- Sharing – These deferrals are not subject to a sharing mechanism.
- Rate Spread/Rate Design – Costs will be allocated to each schedule using the applicable schedule's forecasted energy based on an equal percent of generation revenue applied on a cents-per-kWh basis, as approved in PAC Schedule 106.
- Three Percent Test (ORS 757.259(6)) – The amortization of the Pilots' deferred costs will be subject to the three percent test, which measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (with exceptions) 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 Company's application is reasonable and meets the requirements of ORS 757.259 and OAR 860-027-0300 without detriment to customers.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's application for authorization to defer costs associated with Demand Response Programs approved in Schedule 106, for the 12-month period beginning January 1, 2023.