

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 28, 2023

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2024

DATE: December 21, 2023

TO: Public Utility Commission

FROM: Anna Kim

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

SUBJECT: PACIFIC POWER:
(Docket No. UE 420/Advice 23-021)
2024 Transition Adjustment Mechanism Compliance Filing and
2022 Power Cost Adjustment Mechanism Compliance Filing.

STAFF RECOMMENDATION:

Informational Only

DISCUSSION:

Applicable Law

Compliance filings are not defined in statute or rule, but are a mechanism used to implement a rate change resulting from a Commission decision. Compliance tariffs are generally implemented without Commission action.¹

Analysis

Rate changes going into effect on January 1 and 2, 2024 will cause rates to increase overall by 12.6 percent. The impact on residential customers is 10.8 percent. This change is driven by increases in power costs.

This memo describes the conclusions and impact of PacifiCorp's annual power cost dockets: PacifiCorp 2024 Transition Adjustment Mechanism (TAM) and 2022 Power Cost Adjustment Mechanism (PCAM). Staff concludes with a summary of total

¹ See Order No. 07-273, p. 4.

ratepayer impacts of these and other dockets that go into effect on or soon after January 1, 2024.

What are the power cost dockets?

There are two power cost dockets that set rates for power costs. The Company's annual TAM forecasts the next year's (2024) power costs in UE 420. In docket UE 421, the Company's annual PCAM compares the forecast adopted by the Commission in 2021 for 2022 power costs to the actual costs PacifiCorp incurred in the prior year (2022).

Due to increases in power costs, rates are increasing. The outcome of UE 420 results in a \$149.6 million increase in predicted future energy costs. The outcome of UE 421 results in a \$131.1 million. Because the combined increase from UE 420 and UE 421 would otherwise be a large rate increase to customers, PacifiCorp proposed to spread the UE 421 rate increase over two years instead of recovering it all in one year. That reduces the rate increase customers will experience come January 1, 2024. These increases in power costs are driven by increases in natural gas costs, reduced power sales, and a reduced reliance on lower-cost coal generation. For a more detailed discussion of the cost of gas, please see the Special Public Meeting on Purchase Gas Adjustments.²

UE 420 Proceeding

On April 3, 2023, PacifiCorp filed its 2024 Net Power Cost (NPC) projection, consistent with the terms of its Schedule 201, which is the result of the Company's annual TAM. The TAM is designed to allow PacifiCorp to revise customer rates to reflect those changes in PacifiCorp's projected NPC resulting from new power cost related information and to set transition credits for Oregon customers who choose direct access in the open enrollment window. PacifiCorp's forecast NPC consists of wholesale sales, fuel expense, purchased power, and wheeling expense. The TAM also includes forecasts for Energy Imbalance Market (EIM) benefits and costs and Production Tax Credits (PTCs).

The initial filing included direct testimony in support of the 2024 NPC projection of \$2.642 billion on a total company basis, or approximately \$39.65 per megawatt-hour (MWh) on a Company-wide basis compared to \$32.30 \$/MWh for the 2023 TAM. Oregon rate payers were originally allocated \$674.3 million.

The following table shows how the Oregon-allocated TAM cost changed based on activities associated with the docket, including updated market and load information.

² The PGA memos and presentations can be found here:
https://oregonpuc.granicus.com/GeneratedAgendaViewer.php?view_id=2&clip_id=1235.

This table also illustrates how settlement and model updates interact throughout the proceeding, changing the price forecast.

Table 1: Oregon Allocated TAM Costs

Activity	Total TAM net of adjustments (millions)	Change net of load impacts (millions)
Prior TAM (UE 400)	\$426.9	
Initial Filing	\$674.1	\$163.6
Reply Filing and Model Update	\$641.3	\$130.8
Settlement Filing	\$622.8	\$112.3
Indicative Filing	\$670.0	\$159.5
Final Update	\$660.1	\$149.6

UE 421 Proceeding

The PCAM is the mechanism that allows the Company to recover the difference between actual NPC incurred to serve customers and the base NPC established in the Company's 2021 TAM filing.

On May 15, 2023, the Company made its initial filing, requesting recovery of \$131.1 million.

The following rules apply to sharing costs between customers and the Company.

- Asymmetrical Deadband: Any PCAM difference between negative \$15 million and positive \$30 million will be absorbed by the Company.
- Sharing Band: Any PCAM difference above or below the deadband will be shared 90 percent by customers and 10 percent by PacifiCorp.
- Earnings Test: If PacifiCorp's earned return on equity (ROE) is within plus or minus 100 basis points of the authorized ROE, there will be no recovery from or refund to customers.
- Amortization Cap: The amortization of deferred amounts is capped at six percent of the revenue for the preceding calendar year.

Actual power costs experienced in 2022 greatly exceeded the 2021 forecast and so the amount PacifiCorp recorded in the deferral balance exceeded the deadband. For the deferral period, PacifiCorp earned a ROE of 3.07 percent which was more than 100 basis points lower than the 9.5 percent the Commission authorized for PacifiCorp. After applying the sharing band, PacifiCorp requested a rate change to Schedule 206 for the remaining costs. The Company proposed to amortize the deferral cost recovery

over two years starting January 1, 2024, again in order to lessen the rate impact come January 1, 2024.

Because the total impact of rates effective January 1, 2024, is below 15 percent, no delay of a portion of the increase was necessary.

Effect of Docket No. UE 420/Advice No. 23-021 and UE 421/Advice No. 23-026
Advice No. 23-021 updates Schedule 201, which updates NPC and also updates Schedule 220 (Standard Offer Supply Service) and Schedules 294-296 (Transition Adjustments). Schedule 220 is updated based on the forward price curves established in the TAM. Schedules 294–296 provide the transition adjustments for those customers electing direct access during the upcoming election window. In total, nine sheets are updated through Advice No. 23-021, a list of which can be found on the first page of the Company's application.

Advice No. 23-026 updates Schedule 206, which implements the annual Power Cost Adjustment Mechanism. In total, two sheets are updated through Advice No. 23-026, a list of which can be found on the first page of the Company's application.

For a typical single-family customer using 900 kWh a month, the result of these two filings alone will increase a typical residential bill by \$8.75 for Advice No. 23-021 and \$4.03 for Advice No. 23-026. However, additional filings will make minor adjustments to these numbers.

Total Rate Impact for January 2024

The cumulative effect of this year's NVPC-related rate filings and other filings going into effect at the beginning of the year is an increase of \$215.3 million. In addition to the TAM and PCAM, additional rate changes are going into effect in the new year, including the PAC 2024 Renewable Adjustment Clause, Schedule 204 OSIP Deferral Supply Service Agreement, and Schedule 91 Low Income Bill Assistance.

Table 2: Total Rates Effective January 2024

Title	Total Oregon Allocated Impact	Impact Percentage	% Impact on Residential Customers
PAC 2024 Transition Adjustment Mechanism (TAM)	\$149.6 million	8.7%	7.5%
PAC 2022 Power Cost Adjustment Mechanism (PCAM)	\$69.0 million	4.0%	3.5%
PAC 2024 Renewable Adjustment Clause (RAC) - Schedule 202	\$3.0 million	0.2%	0.2%
Schedule 204 OSIP Deferral Supply Service Agreement	(\$2.3 million)	-0.1%	-0.1%
(Effective 1/2/24) Schedule 91 Low Income Bill Assistance HB 2739 Adjustments	(\$4.0 million)	-0.2%	-0.3%
Total	\$215.3 million	12.6%	10.8%

These changes do not include updates to Schedule 190 Wildfire Mitigation Plan Cost Recovery Adjustment, which is scheduled to be heard at the January 9, 2024 Public Meeting.

When adding up all of these impacts, for a typical single-family customer using 900 kWh a month, the result of these cumulative filings will increase a typical residential bill by \$12.47, bringing the average bill up from \$115.83 to \$128.30. This represents a 10.8 percent increase for residential customers.

Staff met with PacifiCorp to discuss the work papers relevant to these filings on December 11, 2023. Staff also sent email correspondence for smaller clarifications.

PROPOSED COMMISSION MOTION:

Informational only