BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 420

In the Matter of	)
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PACIFICORP, dba PACIFIC POWER,	)
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2024 Transition Adjustment Mechanism.	)
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OPENING TESTIMONY
OF THE
OREGON CITIZENS' UTILITY BOARD

June 23, 2023

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I. INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Bob Jenks. I am the Executive Director of the Oregon Citizens' Utility Board (CUB). My business address is 610 SW Broadway, Ste. 400 Portland, Oregon 97205.

Q. Please describe your educational background and work experience.

A. My witness qualification statement is found in exhibit CUB/101.

Q. What is the purpose of your testimony?

A. My testimony details the current regulatory setting at the Public Utility Commission of Oregon (Commission) before responding to specific issues in PacifiCorp's (PAC or the Company) initial filing in this proceeding.

Currently, there are a lot of major utility proceedings in Oregon – from large general rate cases to planning dockets that affect billions of dollars of investments and future rates. Due to the press of business, at this point, CUB's review of the 2024 Transition Adjustment Mechanism (TAM) has been somewhat limited. However, there are some elements that CUB would like to address.

First, CUB's remains concerned about customer rate shock during the winter when utility bills are at their highest. While CUB raised this issue last year, here, we propose a methodology that would allow the Commission to address the rate shock associated with the TAM. Second, CUB addresses concerns about the Company's assumption that modeling changes from last year represent the currently-approved methodology. Third, CUB raises concerns about the Ozone Transport Rule's application to Wyoming and its impact on the Company's dispatch of its coal facilities.

II. RATE SHOCK

Q. What is rate shock?

A. In the context of utilities, rate shock occurs when there is a sudden, large rate increase of sufficient magnitude that customers find it difficult to adjust their budgets to absorb the increase. Many customers who live paycheck-to-paycheck will have a hard time absorbing an electricity bill increase of more than 15% or 20%.

Rate shock is particularly a concern for big increases that fall on January 1, which is the middle of the winter heating season when customers have their highest bills. The average residential electricity usage across all of 2021 was 947 kWh per month.[1] Meanwhile, the average usage in January 2021 was 1321 kWh. However, we know that not all homes have electric heat, so some customers are using more electricity in the winter than others. PAC's territory overlaps with all three of Oregon's natural gas utilities. If we assume that half of the homes have electric heating, then the bulk of this increase in usage falls on just half of PAC's residential customers and is twice as high—1695 kWh for the month of January. Based on current revenues,[2] this means an average January bill for a heating customer is approximately $217. A 20% increase in that bill would be $43 dollars. However, it is important to remember that weather varies in the winter and heating bills can be significantly higher if abnormally cold weather hits, if the heating equipment is old, or the home is poorly weatherized. Rather than a $43 dollar increase on a $217 bill, a customer could face a $60 increase on a $300 bill. Due to a variety of factors, rate shock can quickly accrue for many customers.

Rate shock is a big problem for customers who do not have savings, but live paycheck-to-paycheck. Surveys suggest that more than half of households live paycheck-to-paycheck.[3] These customers have a variety of bills they have to pay:

Rent
Electricity
Other utilities (water, sewer, garbage, wireless phone)
Food
Medicine

[1] Oregon PUC 2021 Utility Statistics.
[2] *See* UE 420, PacifiCorp Exhibit 303, page 1.
[3] *See* https://www.cnbc.com/2023/04/11/58percent-of-americans-are-living-paycheck-to-paycheck-cnbc-survey-reveals.html *and* https://fortune.com/recommends/banking/more-than-half-of-americans-living-paycheck-to-paycheck/.

Adjusting to rate shock from a big increase in electric bills means adjusting how much the person pays for other, non-electricity costs in order to offset the increase in their electric bill. For customers who live paycheck-to-paycheck, absorbing a $40 to $60 increase in one bill can be very difficult and may mean that they are able to spend less on other essential items.

Q. PacifiCorp isn't proposing a 20% increase in residential rates in this case, is it?

A. No. PacifiCorp's modeling suggests that the residential increase will be 8.2%. However, based on our experience from last year's final TAM update, the increase in this case may turn out to be much higher than what is currently forecast. It could also be significantly higher than what is proposed in the Commission's final order in this docket. And this is only one of several costs that the Company will likely be asking to add to customer rates in 2024. There will be additional increases due to wildfire mitigation, the Power Cost Adjustment Mechanism, and other assorted single-issue ratemaking mechanisms. Last year demonstrated how difficult it is to address rate shock when ratemaking is spread through multiple dockets that are subject to separate updates. Last year also demonstrated that we should not assume that the rate increase in January will not be large enough to cause rate shock based on TAM forecasts before the final update. Instead we should prepare our tools, so we have a plan to address rate shock if necessary.

Q. What happened last year?

A. PacifiCorp's residential customers got a large increase on January 1, 2023 – an increase large enough to cause rate shock. According to the Commission's news release regarding the increase, the "typical residential customer using 900 kilowatt hours per month can expect monthly bills to increase from $91.89 to $111.34."[4] That typical customer received a 21% increase. But as discussed above, 900 kWh per month does not represent what a typical customer with electric heat would use in January. This increase included both the TAM and the increase from the company's general rate case. It would have been higher, but the settlement of the rate case delayed the rate effective date for seven deferrals until April 2023, after the winter heating season.

CUB was the stakeholder that proposed delaying the deferrals. It was part of a series of proposals by CUB that were designed to keep the increase in winter heating bills below 15%. While we reduced the increase, we were not successful in keeping the increase below 15%. Further, while delaying deferrals can mitigate the up-front impacts of rate increases, they were added to customers' bills later in the year.

Q. What prevented you from being successful in limiting the January increase?

A. The biggest problem was last year's TAM. When the Commission issued its final order in the TAM in late October, it was projecting a 5.3% increase, but three weeks later the Company updated its power costs and the final increase was more than twice that high—11.1%.

- March, 2022, PacifiCorp initial filing — 5.6%[5]
- October 25, 2022, Commission Order – 5.3%[6]

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[4] OPUC News Release, PACIFIC POWER CUSTOMER RATES INCREASING JANUARY 1, 2023, *available at* https://www.oregon.gov/puc/news-events/Documents/PR-202226.pdf.
[5] See UE 400, PacifiCorp Exhibit 303, page 1.
[6] OPUC Order No. 22-389.

- November 15, 2022, Company filing – 11.1%

Q. What happened in the three weeks after the final order that doubled the size of the increase?

A. The cause of the increase was not limited to those three weeks. Part of the problem is that the Commission was operating on stale information when it made its decision in last year's TAM. The forward price curve the Company used for its March filing was the December Official Forward Price Curve (OFPC). The Company updated its projections in July, using the March OFPC. When the Commission made its decision in the middle of October, it was based on the March OFPC. In November, after the Commission issued its order, the Company updated its OFPC in order to provide accurate indicative pricing for customers who are eligible for direct access. It updated its OFPC a second time in November for its final update. The effect of this update schedule means that direct access customers have better information when they make their annual direct access decisions than the Commission does when it sets rates for all customers who do not have direct access.

Q. How often does the Company update its forward price curve?

A. The Company is an active market participant. This means that it is constantly updating its forward price curve. It cannot afford to be buying and selling in the wholesale market without the most updated pricing information possible. However, the "Official" forward price curve that is used to forecast and ultimately set rates is updated quite infrequently. But it can have a big impact on rates.

PacifiCorp's testimony describes the relationship between wholesale market prices and retail rates.[7]

Q. Does CUB have a recommendation with regards to rate shock?

A. Yes. CUB continues to be concerned about the impact of a big increase in January bills to all customers, especially those with space heating. While the Company is currently projecting a residential increase of 8.2% for the 2024 TAM, this is of limited reassurance. The TAM is only one source of increased rates. There are also costs associated with the PCAM, with wildfire mitigation and, of course, any deferrals from which the Company requests amortization. In addition, the OFPC in this case will be updated, and last year showed that the TAM increase can double with the final update. CUB continues to believe that a cap of 15% should be placed on residential rate increases that occur in the middle of the winter heating season. However, CUB recognizes that when the Commission makes its decision in this case, it will not know what the rate impact will be after the Company updates its OFPC. CUB respectfully recommends that the Commission take the following actions:

> First, the Commission should not be satisfied with seeing the rate impact double within three weeks of its final order and should consider requesting better information from the Company. CUB is unable to propose updating the TAM Guidelines to require a new OFPC, since those guidelines can only be changed through a general rate case. But the Commission can issue a bench request and ask the Company to provide better, more updated information before the Commission issues a final order.

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[7] *See* UE 420 – PAC/100/Mitchell/10-15.

> Second, the Commission should be prepared to suspend the collection of certain single issue cost recovery items during the winter heating season, if necessary, to reduce the impact TAM. There are a number of them to choose from including: Wildfire Mitigation Cost Recovery, the Power Cost Adjustment Mechanism, Transportation Electrification deferral, Cedar Springs deferral, TB Flats deferral, Cholla Unit 4, property tax deferral, and the COVID-19 deferral. CUB does not propose eliminating those collections but does recommend suspending them from January 1 to May 1 if necessary to keep the overall increase to a level below 15%. Specifically, CUB recommends that the Commission's final order adopt CUB's proposed 15% cap on winter increases and propose a set of single-issue collections that the Commission would support suspending from January 1 to May 1 if that is necessary to ensure that the rate shock cap could be implemented.

Q. Are those single-issue ratemaking mechanisms part of this case?

A. No. They are not. Part of the problem is the difficulty placed on the Commission and stakeholders to manage overall rate levels – and total incremental increases to those levels – when ratemaking is spread through multiple dockets. CUB is not proposing to bring those dockets into the TAM. CUB is not proposing to change ratemaking treatment of those dockets. However, CUB is identifying them as potential tools that would be available to the Commission if it is necessary to offset some of the costs of this proceeding in order to maintain affordability during the winter months.

CUB recognizes that this is an unusual proposal to make in the TAM, but the alternative is to keep our fingers crossed that this increase based on a November OFPC, when combined with others increases will not create affordability problems.

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III. OTHER ISSUES

Q. What is CUB's concern about last year's modeling changes?

A. The methodology associated with the modeling changes that PacifiCorp proposed last year were never formally approved or adopted by the Commission. According to the Stipulation:[8]

> Modeling Adjustments: This stipulation allows for the settlement of this case without agreement of parties on the methodology for market caps, regulating reserves, planned maintenance, and the day-ahead/real-time price adder. Approval of the stipulation does not represent the Commission adopting any parties' methodologies for those adjustments.

The Commission adopted the stipulation, but according to its very terms this does not mean that the Commission adopted the Company's methodology. The parties were explicit in the stipulation that it allowed for the settlement of that specific case without agreement on various methodologies used by PAC in that proceeding.

Q. What evidence does the Company provide in support of its 2023 modeling adjustments?

A. None. The Company assets that it started with last year's methodology without saying that that methodology was not adopted[9].

Q. Why did CUB stipulate to using these modeling adjustments, if you did not support them?

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[8] OPUC Order No. 22-839, Appendix A, page 8

[9] *See* UE 420 – PAC/100/Mitchell/4.

A. In our testimony, CUB proposed rejecting the modeling changes and proposed a specific dollar adjustment associated with their removal. The Stipulation that was adopted included changes in revenue requirement that were approximately what CUB had recommended. So, the financial impact of the stipulation with the modeling changes was similar to what CUB proposed even if the adjustments came from a different source. If the adjustments that we proposed in our Opening Testimony resulted in just and reasonable rates, then the stipulation also did, but used a different path to get there.

Part of CUB's concern with the modeling changes was whether they would be impacted by the switch to Aurora. Aurora, for example, forecasts a smaller amount of market activity than GRID did, and this might change the need for (or impact of) market caps. Revisiting these modeling changes after parties have more experience with Aurora seemed reasonable.

But the Company is not revisiting these modeling changes. It is acting as if they are the approved methodology and require not analysis or support.

Q. What is CUB's recommendation as to the 2023 modeling changes?

A. At this point they have not been adopted and there is no testimony on the record in this docket supporting them. CUB is interested in reading Staff's and other parties' analysis of how these modeling changes interacted with Aurora, whether any parties are challenging these modeling changes. But currently, they have not been approved and there is no evidence on the record in this case supporting or opposing them.

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Q. What are CUB's concerns regarding the Ozone Transport Rule (OTR)?

A. CUB has two concerns. The first is that the Company expresses some uncertainty as to whether the OTR will apply to Wyoming in 2024.[10] The Company states that it will apply to Utah in 2024 and is assuming that it will also apply to Wyoming. CUB believes it would be proper to exclude the impact of the rule from Wyoming, unless its application to Wyoming is known and measurable.

The second concern is the relationship between the OTR and the minimum take/liquidated damages requirements of coal contracts. PacifiCorp discusses the requirements of new coal contracts and discusses the OTR but does not address any interaction between the two. CUB is concerned that the OTR could reduce economic coal plant operation, and this could lead to PacifiCorp incurring penalties associated with the minimum coal volume provisions of coal contracts.

While the OTR is new, it is not a surprise. We have seen a pattern where democratic administrations propose regulations that restrict coal. It is not a surprise that the EPA is adopting rules that put pressure on coal plants and reduce the economics of coal-fired generation. PacifiCorp could and should have planned for this when it negotiated coal contracts. CUB believes that customers should be

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[10] *See* UE 420 – PAC/100/Mitchell/18.

held harmless for any impact the OTR has on minimum take/liquidated damages provisions of coal supply contracts.

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Q. Does this conclude your testimony?

A. Yes.

WITNESS QUALIFICATION STATEMENT

NAME: Bob Jenks

EMPLOYER: Oregon Citizens' Utility Board of Oregon

TITLE: Executive Director

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: Bachelor of Science, Economics
Willamette University, Salem, OR

EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UE 207, UE 208, UE 210, UE 233, UE 246, UE 283, UG 152, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, UM 1209, UM 1355, UM 1635, UM 1633, and UM 1654. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
Board of Directors, OSPIRG Citizen Lobby
Telecommunications Policy Committee, Consumer Federation of America
Electricity Policy Committee, Consumer Federation of America
Board of Directors (Public Interest Representative), NEEA