

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1050

IN THE MATTER OF:)	
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PACIFICORP INITIATES)	OBJECTIONS OF SMALL
INVESTIGATION INTO MULTI-)	BUSINESS UTILITY ADVOCATES
JURISDICTIONAL ISSUES)	TO STIPULATION
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I. INTRODUCTION

Pursuant to Administrative Law Judge Moser Prehearing Conference Memorandum of December 10, 2019 in this docket Small Business Utility Advocates (“SBUA”) submits the following as objections to the Stipulation between PacifiCorp, Staff, CUB, AWEC, and Sierra Club (“Stipulation”) and the Stipulating Parties Joint Testimony (“Joint Testimony”). An expert analysis focuses on the December 3, 2019 filing by PacifiCorp (“Company”), the Stipulation filed in this docket on December 30, 2019, and the Oregon Public Utility Commission (“Commission”) public presentation of January 15, 2019. To summarize, the 2020 PacifiCorp inter-jurisdictional allocation protocol involves a very large amount of money and will impact the ratepayers and as a result the Commission should have a hearing in order to determine whether accepting the Stipulation is in the public interest and will result in just and reasonable rates.

II. BACKGROUND

In compliance with Commission Order No. 19-392 PacifiCorp d/b/a Pacific Power (PacifiCorp) submitted its Petition, a 2020 PacifiCorp Inter-Jurisdictional Allocation Protocol (2020 Protocol) on December 3, 2019. Accompanying its Petition were Direct Testimony and Exhibits. The purpose of the 2020 Protocol is to update PacifiCorp’s inter-jurisdictional

allocation methodology previously updated in 2015 with the Commission, approved by Order No. 16-319 on August 23, 2016 and extended for a third year in Order No.17-124 issued March 29, 2017.

This Petition consisted of 219 pages including the new 2020 Protocol Agreement, and the Company's testimony and exhibits in support of this agreement. It is a lot information to review and analyze, since multi-state allocation cost allocation methodologies are often complex and take time to evaluate. The need to evaluate is complex since one wants to make sure each state jurisdiction is paying only its fair share of the cost of providing service. The Company in its December 3, 2019 pleading requested expedited treatment. SBUA suggests that a fair amount of time should be spent evaluating the new Protocol Agreement, because it will have a big financial impact on all customers in each state, including small nonresidential customers which is a very large class of PacifiCorp customers in Oregon.

PacifiCorp provides retail electric service to more than 1.9 million customers in Oregon and five other western states. PacifiCorp owns substantial generation, transmission, and distribution facilities. Augmented with wholesale power purchases and long-term transmission contracts, these facilities operate as a single system on an integrated basis to provide service to all customers in a cost-effective manner. PacifiCorp recovers costs of owning and operating its generation, transmission, and distribution system in retail prices established in state regulatory proceedings.

The 2020 Protocol is intended to supersede the 2017 Protocol for California, Idaho, Oregon, Utah, and Wyoming and the West Control Area. Inter-jurisdictional Request for Approval of 2020 Protocol PacifiCorp's multi-state allocation methodology and process became a significant

issue when PacifiCorp acquired Utah Power and Light because this acquisition greatly expanded the Company's multi-state footprint.

The 2020 Protocol contains a description of the way costs and revenues associated with all components of PacifiCorp's regulated service, including costs and revenues associated with generation, transmission, distribution, and wholesale transactions, should be assigned or allocated among the six states.

III. ANALYSIS

The Commission has a duty to ensure that rates are fair, just, and reasonable, and PacifiCorp bears the burden to demonstrate that its 2020 Protocol is fair, just, and reasonable.¹ In addition, the findings that the PUC makes to support a fair and reasonable determination must be based on the evidence *in the record*.² Even given the work having gone into the Petition and the Stipulation, including the many meetings and workshops, the analysis below supports creating a more robust record and the Commission asking questions and not just accepting this as a black box settlement.

1. Analysis of PacifiCorp Docket UM 1050—2020 PacifiCorp Inter-Jurisdictional Allocation Protocol

a. Cost allocation issues need to be discussed here in this docket in order not to preclude a discussion of this issue in a general rate case because of the complexity of the allocation factors including statutory deadlines in which a Commission renders a decision.

¹ ORS 757.210(1)(a); *Calpine Energy Solutions LLC v. OPUC*, 298 Or.App. 143, 163 (2019); *See also* ORS 756.040.

² *See* ORS 756.558(2) (“After the completion of the taking of evidence, and within a reasonable time, the commission shall prepare and enter findings of fact and conclusions of law *upon the evidence received in the matter* and shall make and enter the order of the commission thereon”).

In fact the Company has one witness whose testimony discusses the allocation factors, including the five appendixes.³

As the Company discusses in its testimony “multi-state cost-allocation agreements been used by the states and PacifiCorp using Inter-jurisdictional cost-allocation methods have been used for over 30 years. They have evolved and been refined over time, with each cost-allocation method allocating to each state a portion of PacifiCorp’s total system costs through a combination of both dynamic system factors and state-specific, or situs, factors.”⁴

One can easily make the argument that the industry is facing a change in the generation mix with the shift from coal fired power plants to renewable energy generation.⁵

“For example, requirements to remove coal from rates in certain states will necessarily result in some states being allocated the costs and benefits of coal-fueled generation while other states are not. Similarly, diverging state policies related to implementation of the Public Utilities Regulatory Policy Act of 1978, retail choice, and private generation increasingly present challenges to PacifiCorp’s long-standing practice of planning for a single, integrated system.”⁶

Generation is the most expensive part of the business with energy resources being located in other states which transport their energy to neighboring states. So, allocation methodology has a big financial impact to each state’s customer base. This review process takes time and should not be rushed since public policy considerations, as well as setting rates which are just and reasonable are a crucial part of the function of the Commission.

³ Petition, PAC 200 / McDougall 16-18

⁴ Petition, PAC 100 / Lockey 4, lines 7-10

⁵ Petition, PAC 100 / Lockey 3, lines 17 to 24

⁶ Petition, PAC 100 / Lockey 5, lines 15 to 19

This is evidenced by the statement in witness Lockey:

“The 2020 Protocol represents a fundamental shift in how the company proposes to address inter-jurisdictional cost allocation, with the ultimate goal of moving away from dynamic allocation factors and a common generation resource portfolio to a cost-allocation protocol with fixed allocation factors for generation resources and state-specific resource portfolios.”⁷

b. It is important to take the time to conduct a thorough review and evaluate the impact the 2020 Protocol will have on Oregon ratepayers.

The need for a thorough examination of this filing is found again in witness Lockey:

“The 2020 Protocol identifies prospective Exit Dates for Oregon and Washington that allow for compliance with state statutes regarding removal of coal-related costs and benefits from rates. The 2020 Protocol establishes several different groupings of coal-fueled Interim Period Resources: the first group of resources for which the company assumes common operating lives for all states before 2030 where the states would continue to share in the cost responsibility; the second group of resources for which the proposed Oregon Exit Dates are identified ranging from 2023 to 2027; the third group of resources for which the proposed Oregon Exit Dates are identified ranging from 2028 to 2029; fourth, the 2020 Protocol addresses the treatment of Exit Orders for Washington; and finally, it addresses a process to establish recommendation by the company on the operating life for the Hayden units.”⁸

c. Neither the Petition nor the Stipulation set forth the alternatives in much detail.

This is another reason to take the time to fully analyze all the issues now with the 2020 Protocol versus later action when it maybe too late make changes. The Company states “The Parties to the 2020 Protocol have spent considerable time and effort investigating inter-jurisdictional cost-allocation methodologies and approaches to respond to the needs and interests of the stakeholders. The 2020 Protocol has been negotiated in good faith as an integrated, interdepen-

⁷ Petition, PAC 100 / Lockey 8, lines 8 to 12

⁸ Petition, PAC 100 / Lockey 18-19

dent agreement that balances the interests of the Parties”⁹10 Yet neither the Petition nor the Stipulation, including testimony, give much detail of what other methodologies were examined.

2. Analysis of Stipulation in Docket UM 1050—2020 PacifiCorp Inter-Jurisdictional Allocation Protocol

The preceding paragraphs may also be applied to analysis of the Stipulation. The following paragraphs specific to the Stipulation, including the Joint Testimony, also support a hearing by the Commission.

PacifiCorp stated that it explored other allocation methodologies or options. Testimony states that as part of the 2017 Protocol, PacifiCorp agreed to certain state-specific provisions.¹¹ One of the Oregon provisions was a requirement to assess alternative inter-jurisdictional allocation methods, including a corporate structural alternative. Failure to conduct such assessments would have resulted in financial penalties levied by the Commission. PacifiCorp conducted those assessments and discussed its review with the MSP parties and at a commissioner forum.”¹²

On page 6 of the Joint Testimony it states “the 2020 Protocol establishes an allocation methodology that is substantially similar to the allocation methodology under the 2017 Protocol, previously approved by the Commission. One exception is the termination of the equalization adjustment to the embedded cost differential, as discussed in the testimony of Ms. Lockey.”⁸

The chart on the following page utilizes the public presentation of January 15, 2019 to demonstrate the significance of analyzing the Stipulation in comparison to other alternatives.

⁹ Lockey page 18, lines 18 to page 19 line 6)

¹⁰ Lockey page 29 lines 13 to 18

¹¹ Joint Testimony, Stipulating Parties 100 / Lockey, Storm, Jenks, Mullins, Hausman 5

¹² Id. MSP=Multi-State Process.

UM-1824 Public Update of January 15, 2019¹³

Slide #	Slide Title	Key Wording	Comments
2	Summary	<p>1. Staff is exploring various cost allocation methods</p> <ul style="list-style-type: none"> • Conceptual basis • Need information to perform a thorough quantitative evaluation within timeframe constraints • Methods differ in their merits (alignment with cost-causation, ease of RPS accommodation, etc.) 	Although the Stipulation says other cost allocation methods were reviewed it doesn't get any specifics of which cost allocation methods were reviewed.
6	Focus on G&T Cost Allocations	<ul style="list-style-type: none"> • Generation (61%) and transmission costs (8%) represented the majority of PacifiCorp's total utility operating expenses in 2017. 	These percentages underscore the importance of a thorough review.
7	States' Dissimilar Load Growth	<p>Load and capacity requirements in the West have remained relatively stable since the merger, but have grown significantly in the East.</p> <ul style="list-style-type: none"> • Utah's 1989 (pre-merger) coincident peak was significantly less than Oregon's and was more than double Oregon's in 2016. • Growth is projected for the West, although at a slower rate than for the East. 	Calls to question whether allocation process is working since Oregon has less growth than Utah but more than double allocated to Oregon.
9	PacifiCorp's Rate History by State	Average residential rates are now higher in Oregon than in Utah, even though Oregon's load has not grown.	Makes one wonder about the allocation process
10	Cost Allocation Methods	<p>Cost allocation approaches to be presented:</p> <ul style="list-style-type: none"> • System Rolled-in <ul style="list-style-type: none"> • Variations have been used for decades • Resource Assignment • Rolled-in by Balancing Authority Area • Rolled-in by Augmented West Balancing Authority Area 	I believe I have seen some of these in the filing.

¹³ Staff's Presentation of January 15, 2019 found at: <https://edocs.puc.state.or.us/efdocs/HAH/um1824hah171147.pdf>

IV. CONCLUSION

The Commission has a duty to ensure that rates are fair, just, and reasonable, and Pacific Corp bears the burden to demonstrate that its 2020 Protocol is fair, just, and reasonable.¹⁴ In addition, the findings that the PUC makes to support a fair and reasonable determination must be based on the evidence in the record.¹⁵ The Commission may conclude after asking questions that the 2020 Protocol and the Stipulation is in the public interest but there should be a record and a hearing in which Oregonians can see their Commission discharging its duties. For the foregoing reasons, SBUA objects to adoption of the Stipulation and supports a hearing before the Commission on the issues.

RESPECTFULLY SUBMITTED January 14, 2020.



s/ Diane Henkels

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¹⁴ ORS 757.210(1)(a) CASE; *see also* ORS 756.040.

¹⁵ *See* ORS 756.558(2) ("After the completion of the taking of evidence,