

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
SPECIAL PUBLIC MEETING DATE: September 25, 2023**

REGULAR X CONSENT EFFECTIVE DATE September 25, 2023

DATE: September 22, 2023

TO: Public Utility Commission

FROM: Madison Bolton

THROUGH: Caroline Moore **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1534)
Rule 13 Line Extension Policy Changes.

STAFF RECOMMENDATION:

The Commission should approve PacifiCorp's advice filing to modify its Oregon Rule 13 with an effective date of September 25, 2023, subject to investigation and refund under O.R.S. § 757.215(4). The Commission should also direct PacifiCorp to file replacement sheets with the updated effective date on an expedited timeline.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (Commission) should approve Pacific Power's (PacifiCorp or the Company) advice filing to modify PacifiCorp's Oregon Rule 13 – Line Extensions to limit the Line Extension Allowance provided to customers requiring more than 25,000 kilowatts (kW) to the cost of metering equipment necessary to measure the Customer's usage but subject to investigation and refund.

Applicable Law

O.R.S. § 757.205 requires that every public utility file with the Commission all rates, tolls, and charges which are established and in force for any service performed by it within the state. Public utilities must also file all rules and regulations that affect rates charged or to be charged with the Commission. *Id.*

Utilities may not make any change to any rate schedule without at least 30 days' notice to the Commission. O.R.S. § 757.220.

When a utility files for a rate or schedule changes under O.R.S. § 757.210, the Commission may suspend the rate or schedule or allow it to go into effect pursuant to O.R.S. § 757.215. If the rate or schedule goes into effect, the Commission may subject such rate or rate schedule to a refund pending an investigation. O.R.S. § 757.215(4). If the Commission later approves the rate or rate schedule for a lesser increase or no increase, the utility must refund the amount of revenues received that exceeds the amount approved as nearly as possible to the customers from whom such excess revenues were collected. *Id.*

If the Commission orders refunds pursuant to O.R.S. § 757.215(4), the refunds must include interest on the amount determined to be subject to refund from the date such interim rate or rate schedule took effect. O.R.S. § 757.215(4).

OAR 860-022-0025(2) sets for the requirements for filing tariffs or schedules changing rates. Each energy or large telecommunications utility filing tariffs or schedules changing existing tariffs or schedules shall submit therewith the following information:

- (a) A statement plainly indicating the increase, decrease, or other change thereby made in existing rates, charges, tolls, or rules and regulations;
- (b) A statement setting forth the number of customers affected by the proposed change and the resulting change in annual revenue; and
- (c) A detailed statement setting forth the reasons or grounds relied upon in support of the proposed change.

Analysis

Background

On August 17, 2023, PacifiCorp filed Advice No. 23-016 to revise the Company's Oregon Rule 13 – Line Extensions, which was subsequently docketed under ADV 1534. Rule 13 governs PacifiCorp's line extension policies, including the calculation of line extension allowances for different customer classes and sizes.¹

PacifiCorp's main revision adds a requirement that customers with loads of 25,000 kilowatts (kW) or greater will not receive an extension allowance above the cost of metering necessary to measure the applicant's usage. Prior to this revision, an applicant

¹ A line extension allowance is an amount the utility will pay to cover upfront costs associated with connecting a new customer to the utility system. It is often calculated based on guaranteed annual revenue of the customer.

over 1,000 kW taking delivery at Secondary or Primary voltage would receive an extension allowance equal to the estimated annual revenue that the applicant would pay the Company in one year.

Staff Analysis

PacifiCorp states that the Company is increasingly receiving service requests from large customers, such as data center owners and developers, for tens to hundreds of megawatts of load.² Customers of this size require very high-cost equipment that is unique to their demand on the system, such as a dedicated substation.

In the event the applicant's load does not reach the expected amount, other customers would be responsible for the cost of the unused capacity and infrastructure. There is no method to recover the remaining portion of the line extension allowance in this case because its calculation is based on annual revenue of the applicant. There are also questions around the proper cost allocation of substantial system investments made for a single customer. Investments of this size may not be in line with the considerations that went into line extension policies that allocate certain costs across the system. The result is that other customers could end up bearing large investment costs for equipment that singularly serves a large customer.

PacifiCorp claims that this line extension policy change is necessary to protect other customers from cost shifting and stranded assets at such an extreme scale.

Staff also notes that a customer this size would typically take service at the transmission level, forgo a line extension allowance, and own and operate the necessary electrical equipment while receiving lower rates. However, under the Company's current rule 13, customers can opt to take delivery at Primary or Secondary voltage and receive a line extension allowance.

Staff shares PacifiCorp's concern about stranded investments in the event the Company makes large infrastructure improvements for single large loads that may not materialize, and the impact it would have on all cost-of-service customers. Given these risks to customers, Staff believes that it is imperative for the Commission to make these protections effective on an expedited basis.

Due to the complexity of this issue, Staff believes that this decision should be subject to refund after a more extensive public process and investigation can occur.

² PacifiCorp Advice Filing 23-016 – Rule 13 Line Extensions, Docket No. ADV 1534 at 1-2 (August 17, 2023).

Public Process

On September 15, Amazon Data Service, Inc. (ADS) filed a Notice of Interest in the docket and requested a formal process for stakeholder engagement including an opportunity for written comments and a workshop. Staff set a deadline for comments for October 2 and planned to address the item at a public meeting on October 17.

Staff anticipates holding a longer stakeholder engagement process to revisit the issues raised in this advice filing and will provide an updated schedule following the Commission's decision at the September 25, 2023, Special Public Meeting.

Conclusion

Given the urgency and scale of cost shifting risk, Staff believes that it is in the public interest to put the proposed customer protections into place on an expedited basis. Due to the complexity of these issues, Staff believes that this decision should be subject to refund upon further investigation. Staff will release an updated schedule for broader investigation following the Commission's decision at the September 25, 2023, Special Public Meeting.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's advice filing to modify its Oregon Rule 13 with an effective date of September 25, 2023, subject to investigation and refund under O.R.S. § 757.215(4) and direct PacifiCorp to file replacement sheets with the updated effective date on an expedited timeline.