

Applicable Law

PacifiCorp makes this filing in accordance with ORS 757.259, OAR 860-027-0300, and HB 2475. ORS 757.259 authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses, or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for applications to defer.

House Bill 2475(7)(1), codified at ORS 757.695(1), provides that the Commission may address the mitigation of energy burdens through bill reduction measures or programs that may include, but need not be limited to, demand response or weatherization.

House Bill 2475(7)(2), codified at ORS 757.695(2), provides that the costs of tariff schedules, rates, bill credits, or program discounts allowed pursuant to HB 2475(7)(1) must be collected in the rates of an electric company through charges paid by all retail electricity consumers, such that retail electricity consumers that purchase electricity from electricity service suppliers pay the same amount to address the mitigation of energy burdens as retail electricity consumers that are not served by electricity service suppliers

Analysis

Background

In May 2021, the Governor of Oregon signed into law HB 2475, the Energy Affordability Act. This bill amends ORS 757.230(1) to provide that utilities may take into account the “differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers” when designing rates; and provides utilities with the opportunity to offer a bill discount to income-qualified eligible residential customers.

On January 6, 2022, PacifiCorp filed an application for authorization to defer the incremental costs and revenues associated with implementation and administration of HB 2475. The Commission approved the deferral application on March 24, 2022, in Order No. 22-094, to defer costs and revenues to implement rate mitigation measures authorized under HB 2475(7)(1).

However, in Order 22-094, PacifiCorp was directed to establish a separate deferral account to track the incremental administrative costs associated with the rate mitigation measures.¹

¹ On March 29, 2022, in accordance with Order No. 22-094, PacifiCorp filed an application under UM 2238 to defer the incremental administrative costs associated with HB 2475. The Commission

On June 16, 2022, PacifiCorp filed Advice No. 22-008/Docket No. UE 409 to implement Schedule 7, Low-Income Discount, its interim low-income bill discount for residential customers. The filing also included implementation of Schedule 92, Low-Income Discount Cost Recovery Adjustment. The Commission approved the Company's filing on September 1, 2022, in Order No. 22-317.

PacifiCorp requested reauthorization to continue deferral of the costs and revenues to implement rate mitigation measures authorized under HB 2475(7)(1) for the 12-month period beginning January 6, 2023. The reauthorization request was approved June 22, 2023, in Order No. 23 215.

Reason for Deferral

Granting this second reauthorization deferral will minimize the frequency of rate changes and match appropriately the costs borne by, and benefits received by, customers, in accordance with ORS 757.259(2)(e).

Proposed Accounting

PacifiCorp proposes to record deferred amounts to FERC Account 182.3, Other Regulatory Assets.

Estimate of Amounts

PacifiCorp estimates annual cost for Schedule 7 will be Approximately \$12.2 million.

Information Related to Future Amortization

- Earnings Review – Staff is not proposing an earnings review be applied for non-administrative costs due to the type and purpose of the costs being deferred in this instance.
- Prudence Review – A prudence review will be performed when updating the amounts for amortization as part of the AAC.
- Sharing – All prudently incurred costs are recoverable by PacifiCorp with no sharing mechanism.
- Rate Spread/Design – Costs will be allocated when updating the AAC.
- Three Percent Test (ORS 757.259(6)) – The three percent would not apply because of the AAC.

Conclusion

The Company note that is directed by the Commission to track and defer incremental administrative costs associated with rate mitigation measures authorized under HB 2475(7)(1) under docket UM 2238 Based on discussions with PacifiCorp and PGE regarding the appropriate recovery mechanism for costs incurred under HB 2475(7), Staff recommends the Commission reauthorize PacifiCorp to defer of all costs and revenues incurred to implement rate mitigation measures implemented under HB 2475(7), subject to the following conditions:

- Incremental administrative costs will be separately deferred and tracked under Docket No. UM 2238 for later rate making.
- Consistent with the initial deferral all costs would accrue interest at the modified blended treasury (MBT) rate.

The Company has reviewed this memo and has no concerns.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's application for reauthorization to defer costs and revenues for rate mitigation measures implemented under HB 2475(7) for the 12 months beginning January 6, 2024. PacifiCorp is directed to separately track and defer incremental administrative costs associated with implementation of rate mitigation measures authorized by HB 2475(7) under the Docket No. UM 2238; as well as use the MBT rate for any deferral balances.