

June 27, 2023

A Public Comment Pertaining to RA1, i.e. the Energy Regular Agenda Item Re:  
PACIFIC POWER Docket No. UM 1050, 2020 Multi-State Protocol Extension

Good morning. My name is George R. Compton. After retiring to Oregon following 28 years of employment with the Utah Division of Public Utilities (which followed earning a Ph.D. in economics at UCLA), I became employed part-time by this Oregon commission, where I served for nearly 14 years.

My purpose today is to argue against extending the 2020 PacifiCorp (or Company) interstate cost allocation Protocol for two years beyond the original deadline of Dec. 31, 2023. Conservatively estimated, Oregon ratepayers are subsidizing Utah to the tune of over \$66 million per year. There is no legitimate reason why that huge burden can't be lifted by the end of this year.

The source of the huge subsidy is the Protocol's rolled-in cost allocation approach whereby all generation plant costs, for example, are combined into a single figure and states receive cost shares in proportion to their load shares. Accordingly, if Oregon's is one-fourth of the total load, Oregon must pay one-fourth of the total generation plant costs. That is despite a disproportionate share of those costs relate to the expensive new plants that are located in Utah and that were installed to meet growing Utah loads. Washington avoids those Utah-centered costs by only paying for its share of the generation plants that actually serve Washington loads.

To get a feel for the nature of the Utah subsidy coming from Oregon, consider this average per-kWh residential price history between the time of the merger, 1987, and now. In 1987, Oregon's average residential price was a little over five cents per-kWh, and Washington's was a little under five cents. At that time, Utah's average was over eight cents. Since then, Utah's average has gone to 11.5 cents per-kWh, for about a three cent increase. By contrast, Oregon's increase has been in excess of six cents per-kWh, to where **Oregon's average residential price is now greater than Utah's**—11.7 cents versus 11.5 cents. So while the large system *cost* increase has taken place in Utah, the largest *price* increase occurred here in Oregon. That would constitute prima facie evidence that Oregon has been subsidizing Utah's electricity rates.

Now here's how I produced the \$66 million Oregon subsidy estimate: As shown in the Pacific Power web site, on an annualized basis a typical Washington residential customer pays \$102 per month for 1000 kWh per month. The monthly figure for Oregon is \$117, for an amount exceeding Washington's of \$15 per month. Ten of those fifteen dollars represents the increased spread between Oregon's and Washington's average rates that has occurred since the merger. The added revenues produced by the increase in the amount by which Oregon's rates exceed Washington's provide a good, first-order estimate of the amount by which Oregon ratepayers subsidize Utah's. Annualizing that \$10 amount yields \$120. Applying that \$120 to the 517 thousand Oregon residential customers yields \$62 million per year. Applying that same \$120 to the entire 555,070 Oregon customer base, which would be conservative because the commercial and industrial customers use on average more electricity per month, yields \$66.6 million.

Now I'll try to give some idea as to how Oregon rate relief by the end of this year can be feasible. To facilitate new rates being in place by the end of 2023, PacifiCorp should first be required to produce within a three-week, expedited time period an alternative Oregon revenue requirement based on the Washington, cost-causation model. Such timing is feasible because the model is already in place. At the same time, or soon thereafter, there should be confirmation that the application of the "Washington" approach would, if applied to all the states, yield revenues that would cover PacifiCorp's economically justified, full G&T (i.e., generation and transmission) costs. (Particular cost specifically assigned to given jurisdictions would be recognized.) Lacking full cost recovery, an enhanced model should be developed, with the modified Oregon revenue requirement indicated.

Concurrently, and no more than a month should be allowed for the Company to present its case for extenuating circumstances, if any, as to why it would be just and reasonable for Oregon's rate increases to have exceeded, or should continue to exceed, the increase in Utah's rates. Following the submitted alternative Oregon revenue requirement, the Company should be allowed only ten days to produce customer rate schedules consistent with those requirements. Commission Staff responsibilities would include validating the Company's application of the Washington method to Oregon, possibly proposing alternative customer-class rate schedules for consideration, and also responding to PacifiCorp's arguments for continued Utah subsidization/rate increase disparity compared to Oregon's. Backdrop to Staff's work should be language found repeatedly in the original Pacific Power-Utah Power merger agreement to the effect that Oregon should never have to subsidize Utah.

The merit of having all of PacifiCorp's jurisdictions' costs allocated on the same basis so as to foster full corporate cost recovery has been acknowledged. But rate relief for Oregon should not have to await an attempt to get agreement among all the PacifiCorp jurisdictions to adopt the Washington model or a reasonable approximation thereof. I say "attempt" because just as Washington never came on board with rolled-in, Utah is wedded to roll-in and the subsidy that attends it. For Utah to relinquish its subsidy will most likely require a duly conscientious ruling from that state's Supreme Court. Such would follow an appeal by the Company of a Utah Commission's rejection of a proposed application of the Washington cost-causation model to that state. Who knows how long that whole process might take? As far as Idaho and Wyoming are concerned, their residential rates are already very close to Washington's. The bottom line is that the difficulty of achieving cost allocation model unanimity in practice was recognized in the original merger agreement by the expression of the Company's willingness to bear the burden of the risk of failure to achieve such. Justice for Oregon shouldn't be held ransom by Utah's unwillingness to forsake the spoils of a cost allocation scheme that spreads its costs over to other states.

Oregon's generosity towards Utah has already gone on far too long. It would be unconscionable for this Commission to unnecessarily prolong the Utah subsidy by extending the 2020 Multi-State Protocol for another two years.

Thank you.