

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: December 28, 2021

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2022

DATE: December 20, 2021

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1344/Advice No. 21-022)
Tariff updates to implement House Bills 3141 and 2165 for Public Purpose, Energy Efficiency, and Transportation Electrification.

STAFF RECOMMENDATION:

Approve Pacific Power's (PacifiCorp or Company) Advice No. 21-022, revising Schedules 290 and creating Schedule 291, to adjust and implement rates for Public Purpose, Energy Efficiency and Transportation Electrification funds pursuant to HB 3141 and HB 2165, for service rendered on and after January 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve Advice No. 21-022, PacifiCorp's request to update its Schedule 290 (Public Purpose Charge) and create new Schedule 291 (System Benefits Charge) in accordance with House Bills 3141 and 2165.

Applicable Law

ORS 757.205 requires public utilities file to all rates, rules, and charges with the Commission.

ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just, and reasonable.

ORS 757.220 provides that no change shall be made in any schedule, except upon 30 days' notice to the Commission prior to the time the changes are to take effect.

OAR 860-022-0025 requires that filings revising tariffs include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

Analysis

Background

Senate Bill 1149 directed Oregon's two largest investor-owned electric utilities (Portland General Electric and PacifiCorp) to collect a public purpose charge from their customers equal to 3 percent of their revenues to fund energy efficiency, development of new renewable energy, and low-income weatherization projects throughout Oregon (Schedule 290). PacifiCorp currently collects energy efficiency funding through Schedule 297, Energy Conservation Charge. This schedule funds the acquisition of additional Energy Efficiency Measures (EEMs) for the benefit of the Company's customers pursuant to the Oregon Renewable Energy Act, Section 46, through programs administered by the ETO.

House Bill 3141, signed into law on July 27, 2021, reduces the public purpose charge (Schedule 290) for retail electricity consumers (including direct access) within service areas of electric companies and Oregon Community Power to 1.5 percent until January 1, 2036. The 1.5 percent is to be reallocated as follows:

Percentage	Purpose
0.30%	School districts located in the service territory
0.51%	Above-market costs of constructing and operating new renewable energy resources
	Customer investments in distribution system-connected technologies that support renewable energy resources
0.55%	New low-income weatherization
0.14%	Funding for the Housing and Community Services' Electricity Public Purpose Charge Fund for the purposes of providing grants
1.50%	

The legislation also stipulates, for the period beginning January 1, 2022, and ending December 31, 2025, consumers who use more than one average megawatt of electricity annually may not be charged more than 1.7 percent of the total revenue for

cost-effective energy efficiency measures. HB 3141 requires, for the period beginning January 1, 2026, and ending December 31, 2035, the following maximum combined amounts charged to retail electricity consumers that use certain megawatts of electricity:

1. Consumers that use more than one average megawatt and less than 10 average megawatts of electricity at any site in the prior year may not exceed \$250,000;
2. Consumers that use more than 10 average megawatts of electricity at any site in the prior year may not exceed \$4 million; and
3. Consumers that use more than 10 average megawatts of electricity at any site in the prior year may not exceed \$4.5 million.

House Bill 2165 provides that the funding for transportation electrification programs will be one quarter of one percent of revenues, which for PacifiCorp is approximately \$3.1 million.

Schedule 290 (Public Purpose Charge) proposed changes

PacifiCorp has reduced the PPC collection percentage to 1.5 percent of total revenues billed to the consumers for electricity services, distribution, ancillary services, metering, and billing. This charge will be kept separate from energy efficiency funding and will continue to be shown separately on customers' bills. The Company also proposes clarifying changes to the tariff layout and wording, and removal of special conditions eliminated as part of the House Bill 3141.

Schedule 297 (Energy Conservation Charge) cancellation

HB 3141 directs electric companies to pursue cost-effective energy efficiency resources, with costs to be collected in the rates of all retail consumers, including direct access customers or those receiving electricity from electricity service suppliers.

PacifiCorp currently collects energy efficiency funding through Schedule 297. The Company proposes to cancel Schedule 297 and create a new Schedule 291 (System Benefits Charge), which will collect funds for both energy efficiency and transportation electrification programs from all customers.

Schedule 291 (System Benefits Charge)

As noted above, PacifiCorp proposes cancelling Schedule 297 and consolidating the collection of energy efficiency and transportation electrification program funding into Schedule 291. Additionally, the Company proposes to incorporate demand response program funding into this schedule.

This consolidation of funds into a single tariff schedule allows for specific funding to each separate program while keeping a single line item on the customers' bills for all system beneficial program funding.

The total amount to be collected through Schedule 291 is approximately \$61.4 million. The Company proposes to allocate these funds to the customer schedules on a net revenue basis and collect the costs through per kilowatt-hour rates for most customers.

House Bill 3141 limits the collection for energy efficiency programs from sites with annual energy usage over one average megawatt to 1.7 percent of revenue. To meet this requirement, PacifiCorp proposes to collect a "Restricted System Benefits Charge" on a percentage basis for sites over one average megawatt where the energy efficiency portion of the rate is set at 1.7 percent.

Staff Analysis of Filing

PacifiCorp's proposed changes result in an annual increase of 0.4 percent for the approximately 642,000 (2022 forecasted) customers. The overall impact of both Schedule 290 and 291 changes result in an average monthly bill increase of \$0.42 for a residential consumer consuming 900 kWh's a month.

Staff's review of this filing and associated work papers finds that the updated rates in Schedule 290 and 291 are correctly calculated and costs included for recovery are appropriate and prudently incurred. As this filing meets applicable legal requirements, Staff recommends the Commission approve PacifiCorp's filing.

Staff is concerned, however, that Direct Access customers are not paying for cost-effective energy efficiency funding derived from energy charges from their respective ESS. The 1.7 percent charge on revenues related to energy charges is not collected from Direct Access customers because these amounts are unknown to PacifiCorp, as the service is provided by an ESS. Staff finds that this is likely contrary to the intended purpose of the bill, which sought to make cost-effective energy efficiency charges non-bypassable. This is an issue for both PGE and PacifiCorp, as no utility is able to correctly assess this charge due to similar lack of information.

Staff has discussed this concern with both PacifiCorp and PGE, who share the concern. Staff, PGE and PacifiCorp have agreed to explore additional options that would allow for Direct Access customers to pay the 1.7 percent for energy charges.

Conclusion

For the reasons stated above, Staff recommends that the Commission approve PacifiCorp's Advice No. 21- 022 for service rendered on and after January 1, 2022, with the understanding that Staff, PacifiCorp, and stakeholders will work together in early 2022 to address the issue and concern discussed above.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's Advice No. 21-022, revising Schedule 290 and creating Schedule 291 to adjust and implement rates for Public Purpose, Energy Efficiency and Transportation Electrification funds pursuant to HB 3141 and HB 2165, for service rendered on and after January 1, 2022.