ITEM NO. CA2

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: April 30, 2024

REGULAR ____ **CONSENT** __X__ **EFFECTIVE DATE** __May 1, 2024__

DATE: April 22, 2024

TO: Public Utility Commission

FROM: Bret Stevens

THROUGH: Bryan Conway and Russ Beitzel **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. ADV 1603/Advice No. 24-006)
Low-Income Discount Cost Recovery Adjustment.

STAFF RECOMMENDATION:

Staff recommends that the Oregon Public Utility Commission (the Commission) approve PacifiCorp's (PAC or Company) filing docketed as ADV 1603 associated with Schedule 92, effective for service on and after May 1, 2024.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (Commission) should approve PacifiCorp's Advice No. 24-006 to adjust Schedule 92 to reflect forecasted 2024 program costs and amortize the balancing account effective May 1, 2024.

Applicable Law

ORS 757.205 requires public utilities to file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. Pursuant to ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable.

Under ORS 757.210(1)(b), "automatic adjustment clause" means "a provision of a rate schedule that provides for rate increases or decreases or both, without prior hearing, reflecting increases or decreases or both in costs incurred, taxes paid to units of government or revenues earned by a utility and that is subject to review by the commission at least once every two years."

Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice pursuant to ORS 757.220 and OAR 860-022-0020.

ORS 757.230, as amended by House Bill (HB) 2475, provides the Commission authority to take certain considerations into account when determining a comprehensive classification of service for each public utility; including, the quantity used, the time when used, the purpose for which used, the existence of price competition or a service alternative, the services being provided, the conditions of service, 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.[1]

ORS 757.695, codifying HB 2475's Section (7)(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. 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.

<u>Analysis</u>

Background
On January 1, 2022, Oregon House Bill 2475 became effective. The bill expanded language under ORS 757.230 to include additional factors the Commission may consider when establishing rate classifications, such as the "differential energy burdens on low-income customers and other economic, social equality or environmental justice factors that affect affordability for certain classes of utility customers." In response to HB 2475, the Commission has initiated a broad implementation effort that includes both interim actions to provide customers near-term relief under the new authority and a

[1] The Energy Affordability Act (HB 2475 – 2021 Regular Session) amended ORS 756.610, ORS 757.230, and ORS 757.072 and enacted new provisions to address equity in rate setting and participating in PUC proceedings, effective January 1, 2022. Or Laws 2021 Ch. 90.

longer-term investigation to fully explore and establish the Commission's policies for differential rate design and administration.[2]

On June 16, 2022, the Company filed their initial version of their Schedule 7 – Low-Income Discount (LID) program—later docketed as UE 409. This filing was suspended pending further Staff investigation. On September 1, 2022, the Commission issued Order No. 22-317 adopting Staff's recommendation, with additional directive, creating Schedule 92.

Staff Analysis

When Schedule 92 was adopted, rates were set in order to collect roughly $5 million. This target revenue level was set based on two primary factors—the program participation rate and forecasted bills. For their initial filing, the Company assumed a participation rate of 15 percent and based the discount on billing rates at the time.

Since the creation of Schedule 92, both of these factors have changed materially. From January 2023 to December 2023, the LID program has grown by 72 percent in terms of participating customers. Further, over the same time period, rates have increased by roughly 20 percent. The combination of these factors has led to a roughly $10.5 million debit in the balancing account related to Schedule 92 as of February 2024. This balancing is accruing interest at the 2024 Modified Blended Treasury (MBT) rate of 5.4 percent.

The Company is proposing a rate of 0.278 cents per kWh, for the 2024 Program Year.[3] This rate is intended to amortize the full $10.5 million balance in the balancing account over the course of one year and collect the forecasted 2024 Program Year budget of $25.2 million. Paired with the amortization of the balancing account, PacifiCorp is targeting a total Schedule 92 revenue of $35.8 million.

The Company's forecasted 2024 Program Year budget was created assuming that the growth rate seen by the program from July 2023 to December 2023 would persist throughout 2024-2025. By using this method, the Company is forecasting that the program will grow by 27.2 percent from May 2024–April 2025. The Company is also assuming that the average level of discount, adjusted to reflect current prices, will remain the same in each month in 2024-2025 period.

Staff notes a few potential issues with PacifiCorp's forecasting methodology. First, the Company is assuming a growth rate equal to that seen in the second half of 2023. In theory, the growth rate for the LID program should slow as the program reaches

[2] See Docket No. UM 2211.
[3] PacifiCorp is setting this rate based on forecasted costs from May 2024-April 2025.

maturity similar to an "S-Curve".[4] This is due to the fact that the population of eligible customers is given at any point in time and will likely grow in tandem with population barring any large negative macroeconomic shocks. By using the assumption that the program will grow at the same rate as the latter half of 2023, the Company is assuming the program either is not near maturity or that the population of eligible customers will be rising quickly over this time period. Staff does not necessarily agree with either of these assumptions. However, Staff does agree that estimating the participation growth for this program is difficult and thus is not offering an alternative estimate of program growth. In the event the Company's forecast overstates the 2024 Program Year budget, customers would be retuned any credit in the balancing account with interest in the 2025 Program Year.

Second, that the adjustment for current prices made by the Company does not reflect the rate increases proposed by the Company in UE 433. In this case, PacifiCorp is requesting to increase rates by 17.9 percent. While Staff agrees that it would be inappropriate to include this rate increase in the forecasted costs of the program, Staff does recognize that a rate increase near the magnitude that is proposed in UE 433 could lead to understatement of program costs during in the 2024 Program Year.

Third, in PacifiCorp's proposed flat rate for residential customers, the Company bases the charge off of an assumed average monthly usage of 950 kWhs. In Order No. 22-317, the Commission ordered that the Company base the rate off an assumed average residential usage of 900 kWhs. In the August 23, 2022, Regular Public Meeting, it was that the intention of this directive by the Commission was to use the most updated forecast of residential usage to parameterize this value. The Company's 950 kWh benchmark was calculated using the same methodology as in the compliance filing related to Order No. 22-317—but with updated data. As such, Staff understands the Company's methodology to follow the spirit of the Commission's directive in Order No. 22-317.

Lastly, Staff is currently investigating the 5 million kWh cap on non-residential customer cost recovery in PacifiCorp's ongoing rate case UE 433. Staff may offer recommendations to alter the cap in that proceeding. Staff's primary goal in the rate design for Schedule 92 is equitable cost recovery across all customer classes. Staff is not addressing this issue here as the ongoing rate case will offer a more inclusive and thorough space for this investigation.

[4] This function is also known as a "Sigmoid Curve."

Conclusion

Staff finds the Company has met the requirements of statute and administrative rule. Staff has reviewed the Company's workpapers and found no issues.

The Company has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's Advice No. 24-006, Schedule 92 – Low Income Discount Cost Recovery, effective for service on or after May 1, 2024.