

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 22, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** January 6, 2022

DATE: March 10, 2022

TO: Public Utility Commission

FROM: Michelle Scala and Curtis Dlouhy

THROUGH: Bryan Conway and Caroline Moore **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2222)
Application for Deferral of Costs and Revenues Associated with Section 6 of House Bill 2021 and the Establishment of the Utility Community Benefits and Impacts Advisory Group.

STAFF RECOMMENDATION:

Approve PacifiCorp's (PAC or Company) application to defer costs and revenues associated with Section 6 of House Bill (HB) 2021 and the establishment of the Utility Community Benefits and Impacts Advisory Group (UCBIAG or Community Advisory Group) for the twelve months beginning January 6, 2022.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's application to defer costs and revenues associated with Section 6 of HB 2021 and the establishment of the UCBIAG.

Applicable Rule

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. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

ORS 757.259(2)(e).

In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

In Order No. 05-1070, Docket No. UM 1147, the Commission determined that interest may accrue on deferred accounts at the authorized rate of return until amortization. Subsequent orders in Docket No. UM 1147 establish the rate during amortization. See Order Nos. 08-263 and 10-279.

Section 6 of House Bill (HB) 2021, effective September 25, 2021, and codified at ORS 469A.425, requires electric companies filing a clean energy plan under ORS 469A.415, to convene a Community Benefits and Impacts Advisory Group with input from stakeholders that represent the interests of customers or affected entities within the electric company's service territory. ORS 469A.425 further stipulates reporting requirements and provides examples of intended issues on which the Community Advisory Group may provide input. Under ORS 469A.425(3), the legislature directs the Commission to "establish a process for an electric company to contemporaneously recover the cost associated with the development of biennial reports and the costs associated with compensation or reimbursement for time and travel of members of a Community Benefits and Impacts Advisory Group."

Analysis

Background

HB 2021 centers on clean energy targets in Oregon and put forth language to transition the state's electricity to 100 percent clean energy by 2040. The legislation further adds provisions to ensure direct and indirect benefits to environmental justice communities, including communities of color, communities experiencing lower incomes, tribal communities, rural communities, coastal communities, communities with limited infrastructure and other communities traditionally underrepresented in public processes and adversely harmed by environmental and health hazards. As part of the effort to ensure adequate representation from a diverse group of stakeholders, Section 6 of

HB 2021 requires electric utilities proposing a clean energy plan to convene a Community Advisory Group with input from stakeholders on whom and how to best represent the interests of customers and affected entities, including environmental justice communities.

In its January 6, 2022 application, PacifiCorp requests authority to defer all incremental costs of operating and administering the efforts described in Section 6 of HB 2021. PacifiCorp plans to track the incremental costs for operating and administering this work in the deferral account along with the revenue received to fund the program. PacifiCorp also stated that the Company will make a subsequent filing in 2022 for approval of an Automatic Adjustment Clause (AAC) to begin recovery of these costs.¹ The Company cites language in Section 6(3) of HB 2021 that allows for contemporaneous recovery of costs associated with the development of the Community Advisory Group.²

On February 11, 2022, Staff met with PacifiCorp to discuss the deferrals and proposed cost recovery in Docket Nos. UM 2222 and UM 2223, the latter of which is PacifiCorp's deferral application for costs associated with HB 2475 that includes a similar cost recovery proposal.³ Staff discussed a desire to ensure that the proposed accounting and recovery would allow for sufficient review, particularly with regard to incremental costs. The utility agreed that any proposed AACs should not preclude a regular and thorough review of costs being deferred and recovered. Regarding UM 2222 specifically, PacifiCorp indicated that it was important to have the deferral authorization to give the Company the option to defer costs associated with the law. PacifiCorp also pointed out that it would be possible to conduct a check in of recorded and projected costs once development of the Community Advisory Group and cost recovery begins.

Reason for Deferral

Granting this 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). Prudence review is required prior to amortization and a separate Commission approval will be needed prior to the use of an automatic adjustment clause and associated balancing account, but authorization of deferred accounting will allow the utility to first track the costs and revenues from the program separate from PacifiCorp's other costs and revenues.

¹ Docket No. UM 2222 Initial Filing, page 1.

² Docket No. UM 2222 Initial Filing, page 2.

³ HB 2475 passed in 2021 as part of a package of transformative legislation from a coalition representing the environmental justice community. HB 2475 expands the Commission's authority to mitigate energy burden and other equity issues through rates and programs.

Proposed Accounting

In its application, PacifiCorp proposes to record deferred amounts to Federal Energy Regulatory Commission Account 182.3, Other Regulatory Assets. This account will accrue interest at the Commission-authorized rate for deferred accounts. PacifiCorp has stated its intention to file an AAC for this deferral, meaning that it would accrue interest at the Modified Blended Treasury rate if the AAC is approved.

Estimate of Amounts

PacifiCorp is currently developing a plan for implementing this work, including development of a budget. An estimate of the amount of the deferral was not provided at this time. The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Staff Review

Staff reviewed PacifiCorp's application to defer costs and revenues associated with Section 6 of HB 2021 and the Community Advisory Group and found the proposal to be consistent with the applicable statute and rule regarding deferred accounting and the relevant language in HB 2021. During the February meeting with the Company, Staff discussed the Company's experiences regarding costs, accounting, and recovery with its similar advisory group in Washington.⁴ The Company explained how developing the Washington Advisory Group was roughly an eight-month process with significant work related to identifying members and communities. PacifiCorp said it was possible that in the early stages of developing the Oregon Advisory Group, the Company may look at a third-party facilitator and work out more collaboration strategies, compensation, and other issues prior to recovery. The intent would be to have the group organized by the Fall of 2022.

Conclusion

Staff supports these efforts and acknowledges the challenges and unknowns related to organizing an effective Advisory Group that provides adequate representation for various communities across a diverse service territory. Staff also agrees that having the deferral in place gives the Company the ability to move forward with development and have an accounting structure set up for costs associated with this effort. Finally, Staff notes that subsection (3) of ORS 469A.425 specifies that the Commission establish a

⁴ PacifiCorp's Washington Equity Advisory Group (EAG) was formed pursuant to the WA Clean Energy Transformation Act (CETA), which in addition to clean energy milestones, requires electric utilities to ensure that customers and communities are benefiting equitably from the transition to renewable energy.

mechanism for contemporaneous recovery related to the UCBIAG and that this also aligns with the Company's intent to file an AAC for these purposes, later this year.

Based on Staff's review of the application and discussions with PacifiCorp as outlined above, Staff recommends the Commission approve the Company's application to defer costs and revenues associated with Section 6 of HB 2021 and the establishment of the Community Advisory Group.

The Company has reviewed this memo and expresses no objections to Staff's recommendation.

PROPOSED COMMISSION MOTION:

Approve PacifiCorp's application to defer costs and revenues associated with Section 6 of House Bill 2021 and the establishment of the Utility Community Benefits and Impacts Advisory Group for the twelve months beginning January 6, 2022.