

ORDER NO. 24-167

ENTERED May 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2223(2)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization to Defer
Costs and Revenues Associated with
House Bill 2475 Energy Affordability Act.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on May 28, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Nolan Moser

Chief Administrative Law Judge



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 28, 2024**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: May 7, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PACIFIC POWER:
(Docket No. UM 2223(2))
PacifiCorp's Application for Deferral of Costs and Revenues Associated with the Energy Affordability Act, House Bill 2475.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Pacific Power's (PacifiCorp, PAC, or Company) application to defer costs and revenues to implement rate mitigation measures authorized under House Bill (HB) 2475(7)(1) for the 12 months beginning January 6, 2024, subject to the following conditions:

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

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's application to defer costs and revenues associated with rate mitigation measures authorized under HB 2475(7)(1) to support PacifiCorp's recovery of these costs through an automatic adjustment clause (AAC) and balancing account.

Whether the Commission should require PacifiCorp to establish a separate account to track and defer all other costs contained in this deferral.

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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

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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.

approved the deferral application and subsequent reauthorization in Order Nos. 22-198 and 23-329.

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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.

PAC UM 2223(2) HB 2475 Deferral