

ORDER NO. 24-317

ENTERED Sep 23 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2265(1)

In the Matter of

PACIFICORP, dba PACIFIC POWER,

Application for Reauthorization to Defer
Costs Related to the Demand Response
Programs Approved in Schedule 106.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 19, 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:

Alison Lackey
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.

ITEM NO. CA9

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 19, 2024**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: September 9, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

SUBJECT: PACIFIC POWER:
(Docket No. UM 2265(1))
Request Reauthorization of Deferred Accounting for Costs Related to the Demand Response Programs Approved in Schedule 106.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Pacific Power's (PacifiCorp, PAC, or Company) application for authorization to defer costs associated with Demand Response Programs Approved in Schedule 106, for the 12-month period beginning January 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PacifiCorp's request for authorization to record and defer costs associated with Demand Response (DR) Programs approved in Schedule 106.

Applicable Law

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs.

OAR 860-027-0300(3) requires that applications for deferred accounting include: (a) a description of the utility expense or revenue, (b) the reason for the deferral and a

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citation to the statute authorizing the deferral, (c) the account proposed for recording the deferred amounts, (d) an estimate of the amounts to be recorded in the deferred account for the 12-month period subsequent to the application, and (e) a copy of the application notice. Notice of the application must be provided to all parties in the utility's last general rate case pursuant to OAR 860-027-0300(6).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings. ORS 757.259(6) prohibits a company's amortization of amounts deferred under ORS 757.259(5) from exceeding an amount equal to three percent of the company's gross revenues from the preceding year with some limited exceptions.

Analysis

Background

On December 14, 2022, the Company filed an application requesting Commission authorization to establish and maintain a balancing account for all demand response programs approved by the Commission under Schedule 106. The Commission approved the Company's request through adopting Staff's recommendation and issuing Order No. 23-115 on March 23, 2023.

The Company's Schedule 106 enables multiple demand response programs that are approved by the Commission, in which eligible customers can participate.

These voluntary programs are part of the continuing implementation of resources identified in PacifiCorp's integrated resource plans. The following lists the demand response programs that have been approved under Schedule 106 to date.

Demand Response Program	Approved
Irrigation	May 5, 2022 (Advice 22-004 / ADV 1383)
Commercial and Industrial	November 16, 2022 (Advice 22-011 / ADV 1436)
Residential	May 16, 2023 (Advice 23-010 / ADV 1496)

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The Company filed this first reauthorization on December 28, 2023. The Company confirmed that the deferred amounts associated with its demand response programs would be recovered through Schedule 291 in a future Commission proceeding.¹

Reason for Deferral

The Company continues to annually submit this deferral to match the costs borne and benefits received by customers.

Proposed Accounting

The Company would continue to record deferred amounts to Federal Energy Regulatory Commission (FERC) Account 182.3, Other Regulatory Assets. This account will accrue interest at the Commission-authorized rate for deferred accounts.

Description of Expense

The Company requests authorization under ORS 757.259(2)(e) to establish and maintain a balancing account to record costs and revenues associated with implementing demand response programs approved by the Commission under Schedule 106.

The Company expects that it will incur costs associated with the irrigation, commercial and industrial, and other demand response programs that may be approved by the Commission under Schedule 106. These costs would include vendor costs, customer incentives, customer outreach/advertising, evaluation, measurement and verification, and utility staffing directly attributable to managing these programs.

Estimate of Amounts

In its December 23, 2023, reauthorization filing, the Company provided the table on the following page that includes estimates of the costs that will be deferred through 2026.²

¹ In Advice Filing 22-004 and 22-001, the Company indicated its intent to utilize Schedule 291 (System Benefit Charge) for the recovery of costs associated with both the Irrigation and Commercial and Industrial demand response programs.

² The table includes all irrigation demand response program costs previously tracked under the UM 2158 deferral.

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Program	2021*	2022**	2023	2024	2025	2026	Totals
Irrigation Pilot	\$302,869	\$81,785					\$384,654
Irrigation		\$276,035	\$610,042	\$3,152,477	\$2,856,283	\$2,913,216	\$9,808,054
Commercial & Industrial		\$-	\$511,279	\$6,121,068	\$6,121,068	\$6,105,098	\$18,858,512
Residential		\$-	\$273,488	\$1,786,093	\$2,103,261	\$2,237,344	\$6,400,187
Total	\$302,869	\$357,820	\$1,394,809	\$11,059,638	\$11,080,612	\$11,255,658	\$35,451,407

* Year-end balance

** Irrigation Pilot is sum of March, April, May 2022. 2022 Irrigation costs are sum of expenses from June – December.

Information Related to Future Amortization

- Earnings Review – Staff recommends that the cost recovery associated with this deferral not be subject to an earnings review because of the program costs pertaining to demand response programs (PacifiCorp Schedule 106).
- Prudence Review – A prudence review should be performed by the Commission Staff as part of PacifiCorp’s deferral or amortization filings. The prudence review will include the verification of the accounting methodology used to determine the deferred amounts, as well as a review of all costs and revenues proposed for amortization.
- Sharing – These deferrals are not subject to a sharing mechanism.
- Rate Spread/Rate Design – Costs will be allocated to each schedule using the applicable schedule’s forecasted energy based on an equal percent of generation revenue applied on a cents-per-kWh basis, as approved in PAC Schedule 106.
- Three Percent Test (ORS 757.259(6)) – The amortization of the Pilots’ deferred costs will be subject to the three percent test, which measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (with exceptions) 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.

Conclusion

Based on Staff’s review of PacifiCorp’s application, Staff concludes that the Company’s application is reasonable and meets the requirements of ORS 757.259 and OAR 860-027-0300 without detriment to customers.

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

PROPOSED COMMISSION MOTION:

Approve PacifiCorp 's application for authorization to defer costs associated with Demand Response Programs approved in Schedule 106, for the 12-month period beginning January 1, 2024.

PAC UM 2265(1)