

Decision 21-03-007 March 4, 2021

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PacifiCorp (U901 E) for Approval of
its 2021 Energy Cost Adjustment
Clause and Greenhouse Gas-Related
Forecast and Reconciliation of Costs
and Revenue

Application 20-08-002

**DECISION APPROVING STIPULATION REGARDING PACIFICORP'S 2021
GREENHOUSE GAS EMISSIONS ALLOWANCE PROGRAM
COSTS AND CLIMATE CREDITS**

Summary

This decision approves the Partial Settlement and Stipulation proposed by PacifiCorp and the Public Advocates Office¹ to distribute the California Climate Credit to PacifiCorp's California customers. Their stipulation resolves all issues raised with respect to the Greenhouse Gas Emissions Allowance Program Costs and Climate Credits determined in this proceeding. Sierra Club, the only other active party in this proceeding, does not oppose the stipulation. The decision directs PacifiCorp to complete the actions set forth in their stipulation, including distributing a residential California Climate Credit for 2021 of \$97.23 per household. This decision allows PacifiCorp to distribute the payment to

¹ Joint Motion for Approval of Written Stipulation filed December 18, 2020 (Motion).

California ratepayers in time for its semi-annual distribution in April 2021. This proceeding remains open.

1. Background

PacifiCorp is a public utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington and Wyoming.² As a California electric utility, PacifiCorp is annually granted Greenhouse Gas (GHG) Emissions Allowances to sell at auction as part of California's Cap-and-Trade Program. PacifiCorp is required to sell all of its allocated GHG allowances in the year they are allocated and return the net proceeds from their sale to eligible California ratepayers.³ After program expenses and funding for clean energy and energy efficiency programs, the remaining net revenue is returned to Emissions-intensive Trade-exposed (EITE) industries,⁴ small business customers through a monthly volumetric credit, and residential customers through the California Climate Credit, which is paid twice a year (in April and October). PacifiCorp and other California utilities must also surrender or make contractual arrangements for other parties to surrender a sufficient number of GHG Compliance Instruments (allowances and/or offsets) to cover their annual GHG emissions under the Cap-and-Trade Program.⁵

In Decision (D.) 12-12-033, the Commission adopted a methodology for allocating revenue from the sale of GHG allowances to eligible customers and

² Application of PacifiCorp (U901E) for Approval of Its 2021 Energy Cost Adjustment Clause and Greenhouse Gas-Related Forecast and Reconciliation of Costs and Revenue (Application) filed August 3, 2020, at 11.

³ Motion, Attachment, at 2.

⁴ PacifiCorp has not identified eligible EITE customers within their service territory.

⁵ An allowance or offset is typically defined as the right to emit one ton of carbon dioxide or its equivalent in other GHGs. Motion, at 14.

directed utilities to record GHG allowance revenues and compliance costs in certain accounts which are then reviewed annually within an Energy Cost Adjustment Clause and Greenhouse Gas-Related Forecast and Reconciliation of Costs and Revenue (ECAC) proceeding.

On August 3, 2020, PacifiCorp filed its 2021 ECAC Application (Application). The Application was timely protested by the Public Advocates Office (Cal Advocates) and the Sierra Club on September 3, 2020. The parties held a settlement conference on December 8, 2020, as required by Rule 12.1(b) with due notice to all parties to the proceeding.

In its Application, PacifiCorp requested authorization to update both the surcharge that recovers the costs for procurement of GHG allowances for its retail compliance obligation under California's Cap and Trade Program (GHG Surcharge), the Small Business Climate Credit, and the California Climate Credit that returns revenue from the sale of GHG allowances to eligible customer classes. The GHG Surcharge consists of a true-up related to actual GHG compliance costs and related interest set forth in PacifiCorp's 2020 Application⁶ and a forecast of 2021 compliance costs.

PacifiCorp's 2021 ECAC application proposed decreasing rates by \$5.9 million. This decrease is comprised of a decrease in the ECAC Balancing Rate of approximately \$1.9 million compared to current rates, a decrease in the ECAC Offset Rate of approximately \$4.8 million compared to current rates, and an increase of approximately \$0.8 million in GHG compliance costs.⁷

⁶ Application 19-08-002.

⁷ Motion, at 8.

PacifiCorp and Cal Advocates (Stipulating Parties) request that the Commission issue a decision on this motion as soon as possible to avoid delays in distribution of the California Climate Credit. They state timely distribution of this credit will not be possible if approval of the GHG costs and credits is delayed until the conclusion of hearings on remaining issues.⁸

2. Stipulation

The Stipulating Parties agree that the GHG Emission Allowance revenue, less GHG Administration Expenses, Customer Outreach Costs, and funding for energy efficiency programs, should first be returned to PacifiCorp's small business customers through a monthly kilowatt-hour based California Climate Credit that offsets 50 percent of the GHG Emission Compliance costs they pay. The total amount of the proposed small business California Climate Credit to be distributed in 2021 is approximately \$0.4 million.

The Stipulating Parties further agree that the remainder of the GHG Allowance Revenue will be returned to residential customers through the semi-annual on-bill California Climate Credit distributed in April and October of each year. The total amount of the proposed residential California Climate Credit to be distributed in 2021 is approximately \$7.0 million. The proposed residential semi-annual, per-household California Climate Credit for California PacifiCorp customers in 2021 is \$97.23.

The Stipulating Parties agree that approval of PacifiCorp's update to both the GHG Surcharge and the California Climate Credit is in the public interest.

⁸ Motion, at 5.

Finally, the Stipulating Parties agree PacifiCorp's GHG Surcharge should be effective upon the filing of a Tier 1 Advice Letter by PacifiCorp within 30 days of a Commission decision approving their stipulation.⁹

3. Discussion

The Stipulation is not contested by the Sierra Club. As a proposed settlement, the stipulation is evaluated under the criteria set forth in Rule 12.1(d) of the Commission's Rules of Practice and Procedure. As explained below, the Stipulation satisfies these criteria.

Rule 12.1(d) requires a settlement to be reasonable in light of the whole record. The record in this proceeding consists of the exhibits and testimony filed with PacifiCorp's Application, and the Stipulation.¹⁰ The record provides sufficient evidence to support the Stipulating parties' determination that the proposed GHG and California Climate Credit are accurate, and the Commission may give the parties evaluation of the record material weight.¹¹ Therefore, the Stipulation is reasonable in light of the whole record before the Commission.

Rule 12.1(d) requires settlements to be consistent with applicable law. The applicable law includes Commission decisions establishing the methodologies used to arrive at the GHG Surcharge and the California Climate Credit.¹² In addition, the parties submit that the ECAC calculations are consistent with Commission decisions in previous PacifiCorp cases, including D.06-12-011 and

⁹ Stipulation, at 6.

¹⁰ The Stipulating Parties moved to offer Attachments A-Y of the Application into evidence and to designate Attachments B-J and U of the Application as confidential; Stipulation, at 4-5.

¹¹ Southern California Gas Co. (1999) D.00-09-034, 2000 Cal. PUC LEXIS 694, at *29.

¹² D.12-12-033, D.13.-12-041, and D.14-10-033.

D.07-12-015. The parties' determination that the GHG Surcharge and California Climate Credit are consistent with these Commission Decisions is reasonable.

Rule 12.1(d) requires settlements to be in the public interest. Providing a semi-annual climate credit to ratepayers is in the public interest of easing the transition toward electricity rates that fully reflect the cost of carbon.¹³ In addition, the Stipulation is estimated to decrease rates approximately \$5.9 million.

Approving the California Climate Credit now is also in the public interest. The climate credit currently authorized following the 2020 ECAC proceeding of \$167.22 is significantly higher than the updated amount of \$97.23. If it is not updated before April 2021, when the initial credit is required to be distributed, PacifiCorp will overspend from its GHG accounts, which will negatively impact funding for PacifiCorp's 2022 residential California Climate Credit. Approving this Stipulation before April 2021 prevents the overspending that would occur if this credit is not approved until the conclusion of the hearing on the remaining issues in May 2021. This proceeding remains open. All remaining issues identified in the Assigned Commissioner's Scoping Memo and Ruling dated October 14, 2020 will be addressed through a subsequent decision.

4. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) John Larsen in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code. Comments allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure were filed by Sierra Club and PacifiCorp on February 22, 2021. The proposed decision was revised to reflect that the stated

¹³ D.12-12-033, at 8.

rate decrease of \$5.9 million is only an estimate based on figures that are still at issue in this proceeding.

5. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner, and John H. Larsen is the assigned ALJ in this proceeding.

Findings of Fact

1. The Stipulating Parties held a settlement conference call on December 8, 2020, as required by Rule 12.1(b) with due notice to all parties to the proceeding.

2. The Industry Assistance Factor for the Small Business Climate Credit adopted in D.13-12-002 is 50 percent for the year 2021.

3. The total amount of the small business California Climate Credit to be distributed in 2021 is approximately \$0.4 million.

4. The total amount of the residential California Climate Credit to be distributed in 2021 is approximately \$7.0 million.

5. PacifiCorp does not have any known EITE customers as of the date of its application.

6. The Stipulating Parties calculated a 2021 semi-annual, residential, California Climate Credit for California PacifiCorp customers of \$97.23 per household.

7. The Stipulation is estimated to decrease rates approximately \$5.9 million.

8. PacifiCorp's 2020 California Climate Credit is significantly higher than its 2021 California Climate Credit.

9. Updating the 2021 California Climate Credit before April 2021 will prevent overspending from PacifiCorp's GHG account and prevent a negative impact on PacifiCorp's 2022 residential California Climate Credit.

10. On December 18, 2020, the Stipulating Parties jointly moved for approval of their Stipulation regarding PacifiCorp's 2021 GHG Allowance Program Costs and Climate Credits.

11. No party has stated any opposition to the Stipulating Parties' proposed Partial Settlement and Stipulation.

12. On December 18, 2020, the Stipulating parties filed a motion to offer the public and confidential versions of Exhibits PAC/201 through PAC/209, Exhibits PAC 301 through PAC/304, Exhibits PAC/401 through PAC/403, Exhibits PAC/503 through PAC/506, and direct testimony identified as Attachments A, K, P, T, and U in the Partial Settlement and Stipulation into evidence.

13. On December 18, 2020, the Stipulating Parties filed a motion for confidential treatment of select information contained in Exhibits PAC/201 through PAC/209 and Exhibit PAC/502 in the Partial Settlement and Stipulation.

Conclusions of Law

1. The Stipulating Parties determined the GHG Emissions Allowance Program Costs and Climate Credits in this proceeding are consistent with the methodologies set forth in D.14-10-033, D.13.-12-041, and D.14-10-033.

2. The Stipulating Parties appropriately calculated the amounts of the GHG Emissions Allowance Program Costs determined in this proceeding and Climate Credits to be returned to customers in 2021.

3. The Partial Settlement and Stipulation of PacifiCorp and Cal Advocates is reasonable in light of the whole record, consistent with law, and in the public interest. It should therefore be adopted as set forth in the following order.

4. Hearings on the issues the parties agreed to in the Stipulation are not necessary.

5. The Stipulating Parties' motions to receive the public and confidential versions of Exhibits PAC/201 through PAC/209, Exhibits PAC 301 through PAC/304, Exhibits PAC/401 through PAC/403, Exhibits PAC/503 through PAC/506, and direct testimony identified as Attachments A, K, P, T, and U in the Partial Settlement and Stipulation into the record should be granted.

6. The Stipulating Parties' motions for confidential treatment of the select information contained in Exhibits PAC/201 through PAC /209 and Exhibit PAC/502 in the Partial Settlement and Stipulation should be granted. This information will remain under seal for the applicable period of time set forth in the Confidentiality Matrix in D.14-10-033. During this period, this information will remain under seal and confidential and shall not be made accessible or disclosed to anyone other than the Commission staff or on further Commission order or ruling of the Commission, assigned Commissioner, the assigned ALJ, the Law and Motion ALJ, the Chief ALJ, or the Assistant Chief ALJ, or as ordered by a court of competent jurisdiction. If PacifiCorp believes that it is necessary for this information to remain under seal for longer than three years, PacifiCorp may file a new motion stating the justification for further withholding of the information from public inspection. This motion shall be filed at least 30 days before the expiration of today's limited protective order.

O R D E R

IT IS ORDERED that:

1. The Partial Settlement and Stipulation of PacifiCorp and the Public Advocates Office dated December 18, 2020 is approved.
2. Within five days of the effective date of this decision, PacifiCorp shall file a Tier 1 Advice Letter with tariffs to implement the rate adjustments authorized by approval of Stipulating Parties' stipulation. The Advice Letter shall distribute

approximately \$7.0 million through issuance of the semi-annual, residential, per household California Climate Credit for PacifiCorp California customers in 2021 of \$97.23. The revised tariffs shall become effective upon filing.

3. All Greenhouse Gas (GHG) related forecasts approved in this proceeding are subject to reconciliation of costs and proceeds in subsequent proceedings. GHG outreach and administrative expenses are subject to further review at the time of reconciliation.

4. The Stipulating Parties' motions to receive the public and confidential versions of Exhibits PAC/201 through PAC/209, Exhibits PAC 301 through PAC/304, Exhibits PAC/401 through PAC/403, Exhibits PAC/503 through PAC/506, and direct testimony identified as Attachments A, K, P, T, and U in the Partial Settlement and Stipulation are granted.

5. The Stipulating Parties' motions for confidential treatment of select information contained in Exhibits PAC/201 through PAC /209 and Exhibit PAC/502 in the Partial Settlement and Stipulation are granted. This information will remain under seal for the applicable period of time set forth in the Confidentiality Matrix in Decision 14-10-033. During this period, this information will remain under seal and confidential and shall not be made accessible or disclosed to anyone other than the Commission staff or on further Commission order or ruling of the Commission, assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Law and Motion ALJ, the Chief ALJ, or the Assistant Chief ALJ, or as ordered by a court of competent jurisdiction. If PacifiCorp believes that it is necessary for this information to remain under seal for longer than three years, PacifiCorp may file a new motion stating the justification for further withholding of the information from public

inspection. This motion shall be filed at least 30 days before the expiration of today's limited protective order.

6. Application 20-08-002 remains open.

This order is effective today.

Dated March 4, 2021, at San Francisco, California

MARYBEL BATJER

President

MARTHA GUZMAN ACEVES

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE HOUCK

Commissioners