

Decision 22-03-014 March 17, 2022

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

In the Matter of the Application of  
PacifiCorp (U901E) for Approval of its  
2022 Energy Cost Adjustment Clause and  
Greenhouse Gas-Related Forecast and  
Reconciliation of Costs and Revenue.

Application 21-08-004

**DECISION APPROVING SETTLEMENT REGARDING  
PACIFICORP'S 2022 GREENHOUSE GAS  
EMISSIONS ALLOWANCE PROGRAM  
COSTS AND CLIMATE CREDITS**

**Summary**

This decision approves the partial settlement proposed by PacifiCorp d/b/a Pacific Power (PacifiCorp) and the Public Advocates Office at the California Public Utilities Commission (Cal Advocates)<sup>1</sup> resolving all issues raised with respect to the Greenhouse Gas (GHG) 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 settlement.

The decision directs PacifiCorp to complete the actions set forth in their settlement, including distributing an increased California Climate Credit in 2022 for California PacifiCorp residential and small business customers of \$132.85. The decision approves this credit in time for its semi-annual distribution in April 2022.

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<sup>1</sup> Joint Motion for Approval of Written Settlement filed January 7, 2022 (Motion).

In addition, this decision updates PacifiCorp's surcharge that recovers the costs for the procurement of GHG allowances for its retail compliance obligation under California's Cap-and-Trade Program GHG Surcharge. The impact of the proposed change to the GHG Surcharge is an overall rate increase of \$3.4 million or approximately 3.3% overall.

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.<sup>2</sup> 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.<sup>3</sup> After program expenses and funding for clean energy and energy efficiency programs, the remaining net revenue is returned to small business customers 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 costs and the CAP-and-Trade Program.<sup>4</sup>

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<sup>2</sup> Application of PacifiCorp (U901E) for Approval of Its 2022 Energy Cost Adjustment Clause and Greenhouse Gas-Related Forecast and Reconciliation of Costs and Revenue (Application) filed August 3, 2021

<sup>3</sup> Motion, Attachment A, at 1-4.

<sup>4</sup> An allowance or offset is typically defined as the right to emit one ton of carbon dioxide or its equivalent in other GHGs. Motion, Attachment A, at 2.

In Decision (D.) 12-12-033, the Commission adopted a methodology for allocating revenue from the sale of GHG allowances to eligible customers and 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. This methodology was updated last August in D.21-08-026 to remove the volumetric small business return and replace it with a flat credit equal in size to the residential California Climate Credit.

On August 3, 2021, PacifiCorp filed its 2022 ECAC Application (Application). The Application was timely protested by the Sierra Club on September 2, 2021 and by Public Advocates Office (Cal Advocates) on September 7, 2021. The parties held a settlement conference on January 4, 2022, as required by Rule 12.1(b) with due notice to all parties to the proceeding. On January 7, 2022, PacifiCorp filed an amended Application<sup>5</sup> and the PacifiCorp and Cal Advocates (Settling Parties) jointly moved for approval of their partial settlement regarding PacifiCorp's 2022 Energy Cost Adjustment Clause Application (Settlement), appended as Attachment A.

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

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<sup>5</sup> PacifiCorp filed an amended application in accordance with ruling paragraph 6 of the Scoping Memo and Ruling of Commissioner Martha Guzman Aceves, dated November 22, 2021 in Application (A.) 21-08-004. The amended application updates the original filing to incorporate currently updated ECAC rates approved in D.21-11-001 and to utilize the new GHG Climate Credit procedure adopted in D.21-08-026. The updated climate credit procedure includes the use of updated GHG templates and the modification of small business customers from a volumetric GHG climate credit to a semiannual climate credit, similar to residential customers.

(GHG Surcharge), 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 allowance costs and related interest set forth in PacifiCorp's 2021 application A.20-08-002 and a forecast of 2022 GHG allowance costs. The impact of the proposed change to the GHG Surcharge is an overall rate increase of \$3.4 million or approximately 3.3%.<sup>6</sup>

The Settling Parties seek approval of the Settlement as soon as possible in order to effectuate the GHG Surcharge and avoid delays in distribution of California Climate Credits. Timely distribution would not be possible if approval of the GHG costs and credits were delayed until the conclusion of the proceeding on other issues in the 2022 ECAC Application.<sup>7</sup>

## **2. Settlement**

The Settling Parties agree that the GHG Emission Allowance revenue, less GHG Administration Expenses, Customer Outreach Costs, and funding for energy efficiency programs, will be returned to residential and small business customers through the semi-annual California Climate Credit distributed in customer bills in April and October each year. The total amount of the proposed residential California Climate Credit to be distributed in 2022 is approximately \$11.7 million. The proposed semi-annual residential and small business

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<sup>6</sup> Based on rates currently in effect, PacifiCorp requests an overall rate increase of \$6.7 million or 6.6 percent for the combined effect of the proposed changes in its ECAC rates and GHG cost recovery rates. This increase is comprised of an increase in the ECAC Balancing Rate of approximately \$2.4 million compared to current rates, an increase in the ECAC Offset Rate of approximately \$0.9 million from the amount currently in rates, and an increase of approximately \$3.4 million in the GHG allowance costs to be recovered in rates. Amended Application at 2.

<sup>7</sup> Motion at 6.

per-customer California Climate Credit for California PacifiCorp customers in 2022 is \$132.85.

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

Finally, the Settling Parties request that PacifiCorp's updated GHG Surcharge be effective upon the filing of a Tier 1 Advice Letter by PacifiCorp within 30 days of a Commission decision approving the Settlement.

### **3. Discussion**

The Settlement is not contested by the Sierra Club. The Settlement 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 Settlement 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 Settlement. The record provides sufficient evidence to support the Settling Parties' determination that the proposed GHG Surcharge and California Climate Credit are accurate and to enable the Commission to implement the Settlement and to discharge the Commission's regulatory obligations. As result, the Commission may give the parties evaluation of the record material weight.<sup>8</sup> Therefore, the Settlement 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, including

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<sup>8</sup> Southern California Gas Co. (1999) D.00-09-034, 2000 Cal. PUC LEXIS 694 at \*29.

the new GHG Climate Credit procedure adopted in D.21-08-026. In addition, the parties submit that the ECAC calculations are consistent with Commission decisions in previous PacifiCorp cases. For example, the ECAC calculations provided for in the Settlement will mirror the ECAC methodologies adopted in D.06-12-011 (and amended by D.07-12-015), D.12-12-033, and D.21-08-026. 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. The Settlement is in the public interest because it fully addresses the GHG related issues raised in this case without the need for hearing. 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.<sup>9</sup>

The impact of the proposed change to the GHG Surcharge is an overall increase of \$3.4 million to be recovered in PacifiCorp's rates in 2022. This amount is reasonable because it is based on forecast 2022 costs for the procurement of GHG Emission Allowances for its retail compliance obligation under California's Cap-and-Trade Program, plus a true-up related to actual costs for prior years, and adjustments for franchise fees and uncollectibles.

This proceeding remains open. All remaining issues identified in the Assigned Commissioner's Scoping Memo and Ruling dated November 22, 2021 will be addressed through a subsequent decision.

#### **4. Waiver of Comment Period**

As a result of the settlement, this is now an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to

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<sup>9</sup> D.12-12-033 at 8.

Section 311(g)(2) of the Public Utility Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

### **5. Assignment of Proceeding**

Alice Reynolds is the assigned Commissioner, and John H. Larsen is the assigned Administrative Law Judge in this proceeding.

### **Findings of Fact**

1. The Settling Parties held a settlement conference call on January 4, 2022, as required by Rule 12.1(b) with due notice to all parties to the proceeding.
2. The total amount of the residential California Climate Credit to be distributed in 2022 is approximately \$11.7 million.
3. PacifiCorp does not have any known EITE customers as of the date of its application.
4. The proposed semi-annual residential and small business per-customer California Climate Credit for California PacifiCorp customers in 2022 is \$132.85.
5. The impact of the proposed change to the GHG Surcharge is an overall rate increase of \$3.4 million or approximately 3.3%. This amount is reasonably based on forecast 2022 costs for the procurement of GHG Emission Allowances for its retail compliance obligation under California's Cap-and-Trade Program, plus a true-up related to actual costs for prior years, and adjustments for franchise fees and uncollectibles.
6. On January 7, 2022, the Settling Parties jointly moved for approval of their Settlement regarding PacifiCorp's 2022 GHG Allowance Program Costs and Climate Credits.
7. No party has stated any opposition to the Settling Parties' proposed partial settlement.

8. On January 7, 2022, the Settling Parties moved to admit into evidence the following PacifiCorp exhibits: Exhibits PAC/200 through PAC/209, Exhibits PAC/300 through PAC/304, Exhibits PAC/400 through PAC/403, Exhibits PAC/600 through PAC/605.

### **Conclusions of Law**

1. The Settling Parties determined the GHG Emissions Allowance program costs and Climate Credits in this proceeding are consistent with the methodologies set forth in prior Commission decisions.

2. The Settling 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 2022.

3. The partial Settlement 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 Settling Parties agreed to in the Settlement are not necessary.

5. The motion of the Settling Parties to admit into evidence the following PacifiCorp exhibits should be granted: Exhibits PAC/200 through PAC/209, Exhibits PAC/300 through PAC/304, Exhibits PAC/400 through PAC/403, Exhibits PAC/600 through PAC/605.

### **O R D E R**

**IT IS ORDERED** that:

1. The partial settlement of PacifiCorp d/b/a Pacific Power and the Public Advocates Office at the California Public Utilities Commission dated January 7, 2022 is approved.



2. Within five days of the effective date of this decision, PacifiCorp d/b/a Pacific Power (PacifiCorp) shall file a Tier 1 Advice Letter with tariffs to distribute approximately \$11.7 million through issuance of the semi-annual California Climate Credit for PacifiCorp California residential and small business customers in 2022 of \$132.85. The revised tariffs shall become effective upon filing.

3. Within 30 days of the Commission decision approving the partial settlement regarding PacifiCorp d/b/a Pacific Power's (PacifiCorp's) 2022 Energy Cost Adjustment Clause Application, PacifiCorp shall file a Tier 1 Advice letter to update its surcharge that recovers the costs for the procurement of greenhouse gas allowances for its retail compliance obligation under California's Cap-and-Trade Program consistent with this agreement.

4. 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.

5. The following PacifiCorp d/b/a Pacific Power exhibits are admitted into evidence: Exhibits PAC/200 through PAC/209, Exhibits PAC/300 through PAC/304, Exhibits PAC/400 through PAC/403, Exhibits PAC/600 through PAC/605.

Application 21-08-004 remains open.

This order is effective today.

Dated March 17, 2022, at San Francisco, California.

ALICE REYNOLDS

President

CLIFFORD RECHTSCHAFFEN

GENEVIEVE SHIROMA

DARCIE HOUCK

JOHN R.D. REYNOLDS

Commissioners