

Decision 24-03-011 March 7, 2024

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PacifiCorp (U901E) for Approval of its 2024 Energy Cost Adjustment Clause and Greenhouse Gas-Related Forecast and Reconciliation of Costs and Revenue.

Application 23-09-008

DECISION APPROVING SETTLEMENT REGARDING PACIFICORP’S 2024 GREENHOUSE GAS EMISSIONS ALLOWANCE PROGRAM COSTS AND CLIMATE CREDITS

Summary

This decision approves the January 5, 2024 Joint Motion for Approval of Written Settlement filed by PacifiCorp d/b/a Pacific Power, the California Farm Bureau Federation, and the Public Advocates Office at the California Public Utilities Commission, requesting Commission approval and adoption of the attached Partial Settlement regarding PacifiCorp’s 2024 Energy Cost Adjustment Clause Application (Settlement). The Settlement resolves all the issues raised with respect to the Greenhouse Gas Emissions Allowance program costs and Climate Credits in PacifiCorp’s 2024 ECAC Application. This proceeding remains open to address all other issues within the scope of PacifiCorp’s Energy Cost Adjustment Clause filing.

This decision approves a semi-annual California Climate Credit for 2024 for residential and small business customers of \$174.25, a decrease of 35.12% from \$268.56, the 2023 semi-annual amount.

1. Background

PacifiCorp d/b/a Pacific Power (PacifiCorp) is an investor-owned utility providing electric retail service to customers in California, Idaho, Oregon, Utah, Washington and Wyoming. As a California electric utility, PacifiCorp is annually allocated Greenhouse Gas (GHG) Emissions Allowances to consign to auction as part of California’s Cap-and-Trade Program. PacifiCorp is required to consign all of its allocated GHG allowances in the year they are allocated and return the net proceeds from their consignment to eligible California ratepayers.¹ After program expenses and funding for clean energy and energy efficiency programs, the remaining net revenue is returned to residential and small business customers through the California Climate Credit, which is applied to bills twice a year (in April and October).² PacifiCorp and other California electric 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. In Decision (D.) 12-12-033, the Commission adopted a methodology for allocating proceeds from the consignment of GHG allowances to eligible customers and directed utilities to record GHG allowance proceeds and compliance costs in certain accounts, which are then reviewed annually within an Energy Cost Adjustment Clause (ECAC) and GHG-Related Forecast and Reconciliation of Costs and Revenue proceeding.³ This methodology was updated in D.21-08-026 to remove the volumetric small business return and

¹ See Joint Motion for Approval of Written Settlement (hereinafter “Motion”) at 3.

² *Ibid.*

³ See D.12-12-033 at 213.

replace it with a flat credit equal in size to the residential California Climate Credit.⁴

On September 15, 2023, PacifiCorp filed Application (A.) 23-09-008 requesting authority to: i) update its Balancing Rate and Offset Rate pursuant to its ECAC; ii) update the surcharge that recovers costs for the procurement of GHG allowances; and iii) update the California Climate Credit that returns revenue from the consignment at auction of GHG allowances to eligible customer classes.⁵ On October 26, 2023, both the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and the California Farm Bureau Federation (Farm Bureau) filed timely protests to PacifiCorp’s Application. A prehearing conference was held on November 28, 2023, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. An Assigned Commissioner’s Scoping Memo and Ruling (Scoping Memo) was issued on December 8, 2023.

The parties held a settlement conference on December 29, 2023, as required by Rule 12.1(b) of the Commission’s Rules of Practice and Procedure (Rules) with due notice to all parties to the proceeding. On January 5, 2024, PacifiCorp, the Farm Bureau, and Cal Advocates (the Settling Parties) jointly filed the Motion for approval of their Partial Settlement regarding PacifiCorp’s 2024 ECAC Application (the Settlement) and for the admission of documents into evidence

⁴ See D.21-08-026 at 34.

⁵ See Application of PacifiCorp for Approval of Its 2024 Energy Cost Adjustment Clause and Greenhouse Gas-Related Forecast and Reconciliation of Costs and Revenue (hereinafter “Application”).

supporting the Settlement (Request for Admission of Documents).⁶ The Settlement resolves all the issues raised with respect to the GHG Emissions Allowance program costs and California Climate Credits in PacifiCorp’s 2024 ECAC Application. The Settlement is appended as Attachment A. On January 8, 2024, PacifiCorp moved for confidential treatment for certain exhibits admitted into evidence supporting the Settlement (Motion for Confidential Treatment). On February 1, 2024, a ruling was issued granting the Request for Admission of Documents and the Motion for Confidential Treatment. This matter was submitted on February 1, 2024, upon the issuance of that ruling.

In its Application, PacifiCorp requests 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), and the California Climate Credit that returns proceeds from the consignment to auction of allocated GHG allowances to residential and small business customers.⁷ The GHG Surcharge consists of a true-up related to actual GHG allowance costs and related interest set forth in PacifiCorp’s 2023 A.22-08-001 and a forecast of 2024 GHG allowance costs.⁸ The impact of the proposed change to the GHG Surcharge is an overall rate decrease of \$5.6 million, a decrease of 26.01% from \$21.64 million in 2023 to \$16.01 million in 2024.⁹ The change in the California Climate Credit is a decrease of 35.12% from

⁶ See Motion at 1-2.

⁷ See Application at 1.

⁸ *Id.* at 7.

⁹ See PacifiCorp’s Exhibit PAC 703 at 2.

\$268.56, the 2023 semi-annual amount, to \$174.25 in 2024.¹⁰ 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 was delayed until the conclusion of the proceeding on other issues in the 2024 ECAC Application.

2. Settlement

The Settling Parties agree that the GHG Emission Allowance auction proceeds, 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 of 2024. The total amount of the proposed residential and small business California Climate Credit to be distributed in 2024 is approximately \$15.4 million.¹¹ The proposed semi-annual residential and small business per-customer California Climate Credit for California PacifiCorp customers in 2024 is \$174.25, or a total for 2024 of \$348.50.¹²

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 and 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.¹³

¹⁰ See Settlement at 3. The GHG Surcharge and California Climate Credit have different percentage changes since the costs and benefits are tracked and calculated separately based on different accounts.

¹¹ *Id.* at 6.

¹² *Id.* at 4.

¹³ *Id.* at 5-6.

3. Discussion

3.1. Settlement Agreement Standard of Review

The Settlement is uncontested and is evaluated under the criteria set forth in Rule 12.1(d). Rule 12.1(d) states, “The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with the law, and in the public interest.” As explained below, the Settlement meets the standard of review established in Rule 12.1(d) and is approved.

3.2 Reasonable in Light of the Whole Record

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 instant Settlement. The evidentiary record and this decision admitting exhibits into evidence and granting confidential treatment to certain exhibits provide 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. Therefore, the Settlement is reasonable in light of the whole record before the Commission.

3.3 Consistent with the Law

Rule 12.1(d) requires a settlement to be consistent with applicable law. The applicable law includes state and federal law and Commission decisions. Relevant Commission decisions are those establishing the methodologies used to arrive at the GHG Surcharge and the California Climate Credit as well as ECAC calculations established in previous PacifiCorp ECAC decisions. We find that the Settlement is consistent with relevant statutes, rules and Commission decisions.

3.4 In the Public Interest

Rule 12.1(d) requires a settlement to be in the public interest. The impact of the proposed change to the GHG Surcharge is an overall decrease of \$5.6 million to be recovered in PacifiCorp’s rates in 2024. This amount is reasonable because it is based on forecast 2024 costs for the procurement of GHG Emission Allowances for PacifiCorp’s 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.¹⁴ The Settlement is in the public interest because it fully addresses the GHG-related issues raised in this case without the need for hearing, provides an accurate price signal to ratepayers of the cost of compliance with California’s Cap-and-Trade Program, and provides a semi-annual California Climate Credit to ratepayers.

4. Summary of Public Comment

There was one comment posted to the Public Comments page in the Commission’s Docket Card for this proceeding from a resident of Crescent City, CA, opposing the rate increase in A.23-09-008.

5. Conclusion

The Settlement addressing the GHG Surcharge and California Climate Credit satisfies all of the requirements for a settlement pursuant to Rule 12.1(d) and therefore should be approved. This proceeding remains open. All remaining issues identified in the Scoping Memo will be addressed through a subsequent decision.

6. Comments on Proposed Decision

The proposed decision of Administrative Law Judge (ALJ) Syche Cai in this matter was mailed to the parties in accordance with Section 311 of the Public

¹⁴ *Id.* at 3.

Utilities Code and comments were allowed under Rule 14.3 of the Commission’s Rules of Practice and Procedure. This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to Section 311(g)(2) of the Public Utilities Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

7. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Syche Cai is the assigned ALJ in this proceeding.

Findings of Fact

1. The Settling Parties held a settlement conference on December 29, 2023, as required by Rule 12.1(b) of the Commission’s Rules of Practice and Procedure with due notice to all parties to the proceeding.
2. The total amount of the residential and small business California Climate Credit to be distributed in 2024 is approximately \$15.4 million.
3. The proposed semi-annual residential and small business per-customer California Climate Credit for California PacifiCorp customers in 2024 is \$174.25.
4. The proposed 2024 GHG Surcharge is \$16.01 million. The impact of the proposed change to the GHG Surcharge is an overall rate decrease of \$5.6 million or approximately 26.01%. This amount is reasonably based on forecast 2024 costs for the procurement of GHG Emission Allowances for PacifiCorp’s 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.
5. On January 5, 2024, the Settling Parties jointly moved for approval of their Settlement regarding PacifiCorp’s 2024 GHG Allowance Program Costs and Climate Credits and requested the admission of documents into evidence, and

PacifiCorp moved for confidential treatment of exhibits admitted into evidence on January 8, 2024.

6. No party has stated any opposition to the Settling Parties' proposed partial settlement.

Conclusions of Law

1. The GHG Emissions Allowance program costs and California Climate Credits determined 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 California Climate Credits to be returned to customers in 2024.

3. The Settling Parties' Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

4. Hearings on the issues the Settling Parties agreed to in the Settlement are not necessary.

5. This proceeding should remain open to address the remaining issues identified in the Scoping Memo.

O R D E R

IT IS ORDERED that:

1. The Settlement (Settlement) of PacifiCorp d/b/a Pacific Power, the California Farm Bureau Federation, and the Public Advocates Office at the California Public Utilities Commission (collectively Settling Parties) dated January 5, 2024, and attached to this decision as Attachment A, is approved, and the Settling Parties' Motion for approval of the Settlement is granted.

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 \$15.4 million through issuance of the semi-annual California Climate Credit for PacifiCorp California residential and small business customers in 2024 of \$174.25.

3. Within 30 days of the effective date of this decision, PacifiCorp d/b/a Pacific Power (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 in accordance with the Settlement of PacifiCorp, the California Farm Bureau Federation, and the Public Advocates Office at the California Public Utilities Commission dated January 5, 2024, and attached to this decision as Attachment A.

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. Application 23-09-008 remains open.

This order is effective today.

Dated March 7, 2024, at San Francisco, California.

ALICE REYNOLDS
President
DARCIE L. HOUCK
KAREN DOUGLAS
JOHN REYNOLDS
Commissioners

Commissioner Matthew Baker recused himself from this agenda item and was not part of the quorum in its consideration.

/s/ MATTHEW BAKER
Commissioner