Decision 24-11-007 November 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 ALL-PARTY SETTLEMENT RESOLVING REMAINING ISSUES REGARDING PACIFICORP'S 2024 ENERGY COST ADJUSTMENT CLAUSE

TABLE OF CONTENTS

Title **Page**

DECISION APPROVING ALL-PARTY SETTLEMENT RESOLVING REMAINING ISSUES REGARDING PACIFICORP'S 2024 ENERGY COST ADJUSTMENT CLAUSE 2
Summary 2
1. Background 2
2. Settlement Agreement Standard of Review 8
3. PacifiCorp ECAC History 8
4. Salient Terms of the Proposed Settlement 10
5. Discussion 11
5.1. Reasonable in Light of the Whole Record 11
5.2. Consistent with the Law 12
5.3. In the Public Interest 13
6. Summary of Public Comment 17
7. Conclusion 18
8. Comments on Proposed Decision 18
9. Assignment of Proceeding 18
Findings of Fact 18
Conclusions of Law 20
O R D E R 21

DECISION APPROVING ALL-PARTY SETTLEMENT RESOLVING REMAINING ISSUES REGARDING PACIFICORP'S 2024 ENERGY COST ADJUSTMENT CLAUSE

Summary

This decision approves the June 28, 2024, Joint Motion for Approval of Written Settlement filed by PacifiCorp d/b/a Pacific Power (PacifiCorp), the California Farm Bureau Federation, and the Commission's Public Advocates Office, requesting approval and adoption of the attached Settlement regarding PacifiCorp's 2024 Energy Cost Adjustment Clause (ECAC) Application (Settlement). The Settlement resolves all aspects regarding PacifiCorp's 2024 ECAC Application, including reconciliation of costs and revenue, that remained at issue following Decision 24-03-011, which approved an all-party settlement regarding that Application's greenhouse gas emissions allowance program costs and climate credits. Primarily, this decision approves the all-party settlement regarding the ECAC Offset Rate increase to approximately $44.94 per MWh and the ECAC Balancing Rate increase to approximately $16.48 per MWh, resulting in a combined ECAC increase total of approximately $23,487,061 (19.3%), primarily due to higher net power costs, with the Balancing Rate to be amortized over a period of 21 months. This decision also assures clarity regarding billing for emissions costs.

This proceeding is closed.

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. In California, PacifiCorp does business as Pacific Power. As a California electric utility, it services approximately 46,000 customers.

On September 15, 2023, PacifiCorp filed Application (A.) 23-09-008.[1] Principally, PacifiCorp's Application requested authority to: i) update its Balancing Rate and Offset Rate pursuant to its Energy Cost Adjustment Clause (ECAC); ii) update the surcharge that recovers costs for the procurement of Greenhouse Gas (GHG) allowances; and iii) update the 2024 California Climate Credit that returns revenue from the consignment at auction of GHG allowances to eligible customer classes. On October 26, 2023, both the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) and the California Farm Bureau Federation (CFBF)[2] filed timely protests to PacifiCorp's Application.

On November 28, 2023, the assigned Administrative Law Judge (ALJ) held a prehearing conference to discuss the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. On December 8, 2023, an Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued. The Scoping Memo established the issues to be determined in the proceeding, set forth the proceeding schedule, and enabled parties to seek an evidentiary hearing.

On January 5, 2024, pursuant to the Commission's Rules of Practice and Procedure (Rules or Rule) Rule 12, PacifiCorp, Cal Advocates, and CFBF jointly filed the Motion for approval of their all-party Partial Settlement regarding all issues concerning the GHG Emissions Allowance program costs and regarding

[1] Schedule ECAC-94 of PacifiCorp's California Tariff, approved as part of Advice Letter 603-E, provides that PacifiCorp shall file its annual ECAC application on or before August 1st each year. On June 20, 2023, PacifiCorp submitted a timely request for a 45-day extension to the filing deadline for its 2024 ECAC application from August 1, 2023, to September 15, 2023. The Commission authorized the ECAC application extension request.

[2] CFBF asserts it is California's largest farm advocacy organization, with more than 26,000 members statewide and part of a nationwide network of more than 5.8 million members.

all issues concerning the California Climate Credits (GHG Settlement). On January 5, 2024, the parties also jointly filed a Motion Requesting Admission of Documents into evidence, and on January 8, 2024, PacifiCorp filed a Motion for Confidential Treatment for certain exhibits admitted into evidence. On February 1, 2024, a Ruling was issued granting the Request for Admission of Documents and the Motion for Confidential Treatment.

On March 14, 2024, the Commission issued Decision (D.) 24-03-011. That Decision granted in full the Joint Motion for GHG Settlement. The Joint Motion had included the proposed GHG Settlement, and that GHG Settlement was attached to D.24-03-011.

In sum, the GHG Settlement set the GHG Emission Allowance auction proceeds to be returned through the California Climate Credit, less GHG Administration Expenses, Customer Outreach Costs, and funding for energy efficiency programs. The 2024 California Climate Credit was set for approximately $15.4 million, or approximately $348.50 for California PacifiCorp's residential and small business customers. Also, the 2024 GHG Surcharge was set at approximately $16.01 million, an overall rate decrease of $5.6 million or approximately 26.01%. These 2024 forecasted figures were reasonably based on costs for the procurement of GHG Emission Allowances for PacifiCorp's retail compliance obligation under California's Cap-and-Trade Program. The figures also accounted for actual true-up costs and adjustment for prior years.

Following approval of the GHG Settlement, the following scoped issues remained to be determined:

1. Requested modification to the ECAC Balance Rate: PacifiCorp proposed a $29.97 per megawatt hour (MWh) ECAC Balancing Rate, which would result in a rate increase of approximately $23.4 million.

2. Requested modification to the ECAC Offset Rate: PacifiCorp proposed a $48.14 per MWh ECAC Offset Rate, which would result in a rate increase of approximately $12.6 million.
3. Requested amendment of PacifiCorp's "Adjusted Actual Net Power Cost": PacifiCorp requested that the Commission amend that definition to reflect a recent change to the Federal Energy Regulatory Commission (FERC)'s Uniform System of Accounts by adding FERC Account 509 as a new cost category in its ECAC cost recovery accounting mechanism in future ECAC proceedings.
4. Requested amendment of PacifiCorp's ECAC analysis requirement: PacifiCorp requested that the Commission remove a requirement that PacifiCorp run analyses to investigate various economic cycling scenarios of its coal units in future ECAC proceedings.

On May 15, 2024, an ALJ Ruling requested additional information regarding the remaining Application requests. On May 17, 2024, pursuant to a joint party request that reported their efforts to reach an all-party settlement on all remaining Application requests, a further ALJ Ruling was issued that suspended all scheduled proceeding events. That Ruling also directed that a proposed settlement must include certain issues to be expressly addressed and certain information to be specifically reported. On June 12, 2024, PacifiCorp served certain revised Exhibits.[3]

On June 28, 2024, all parties to this proceeding filed a Joint Motion for approval of their Proposed Settlement of the remaining ECAC Application issues. The all-party Joint Motion included the Proposed Settlement as an attachment. In their Joint Motion and in the Proposed Settlement, the parties

[3] PacifiCorp served revised Exhibits identified as PAC/201 Rev, PAC/701 Rev. and PAC/707 Rev.

seek acceptance of some of the remaining Application requests verbatim, and the parties modified some of the remaining Application requests.

These are the Proposed Settlement's major features:

- Regarding PacifiCorp's Application request proposing an amendment to its Adjusted Actual New Power Cost by adding the FERC Account 509 cost category, the Joint Motion for approval of the Proposed Settlement seeks Commission acceptance of that PacifiCorp request.
- Regarding PacifiCorp's Application request proposing an amendment to remove the coal unit analysis from its ECAC analysis requirement, the Joint Motion for approval of the Proposed Settlement seeks Commission acceptance of that PacifiCorp request.
- Regarding PacifiCorp's Application request proposing a 2024 ECAC Balancing Rate, the Joint Motion for approval of the Proposed Settlement reduces PacifiCorp's proposed ECAC Balance Rate from $29.97 per MWh to $16.48 per MWh (a $17.82 per MWh increase over the 2023 ECAC Balancing Rate), but extends the amortization period from 12 months to 21 months.[4]
- Regarding PacifiCorp's Application request proposing a 2024 ECAC Offset Rate, the Joint Motion for approval of the Proposed Settlement reduces PacifiCorp's proposed ECAC Offset Rate from $48.14 per MWh to $44.94 per MWh (a $13.61 per MWh increase over the 2023 ECAC Offset Rate).[5]
- Together, compared to the 2023 ECAC Balancing Rate and Offset Rate totals, the 2024 ECAC Balancing Rate and

[4] Joint Motion at Attachment C.

[5] *Ibid.*

Offset Rate will result in a combined ECAC increase total of $23,487,061 (19.3%).[6,7]

- The Joint Motion for approval of the Proposed Settlement makes clear that PacifiCorp only seeks recovery in rates of California's allocated share of the Climate Commitment Act (CCA) costs related to the Washington State Cap-and-Invest Program, and it does not include any CCA costs allocated to other states where PacifiCorp provides service.

On August 23, 2024, pursuant to Rule 13.8(c), the parties filed a Joint Motion To Admit into the proceeding record all served testimony and all served exhibits. That Motion is hereby granted. That Joint Motion contained an Attachment A, which expressly identified all testimony and all exhibits. Attachment A also included identification distinguishing public versions of certain exhibits from confidential versions of those exhibits. Those Exhibits admitted into evidence that are identified as confidential in the Joint Motion's Attachment A are subject to the following: the protected information contained in those Confidential Exhibits identified in Attachment A of the Joint Motion is properly treated as market sensitive/competitive data, and shall remain under seal for three years and during that period shall not be made accessible or disclosed to anyone other than the Commission staff except on the further order or ruling of the Commission, the assigned Commissioner, the assigned ALJ, or the ALJ then designated as Law and Motion Judge.

With the filing of the August 23, 2024 Joint Motion To Admit, the record was deemed complete, and the proceeding submitted for decision.

---

[6] *Id*. at Attachment A.

[7] For the Settlement, PacifiCorp has recalculated its Net Power Costs (NPC) and the proposed Offset Rate and Balancing Rate using the allocation factors contained in the 2020 Allocation protocol approved by D.23-12-016 in PacifiCorp's most recent General Rate Case, and on May 12, 2024, it served revised Exhibits regarding the revised NPC, Offset Rate, and Balancing Rate.

2. 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."

The Commission has previously noted that "in order to consider [a] proposed Settlement Agreement… as being in the public interest, we must be convinced that the parties have a sound and thorough understanding of the application and all of the underlying assumptions and data included in the record. This level of understanding of the application and development of an adequate record is necessary to meet our requirements for considering any settlement."[8] The Commission has also previously noted that "While we understand that a settlement agreement represents an integrated agreement which contain various concessions and trade-offs from parties to a settlement agreement, the Commission should not be prohibited from disapproving, rejecting or proposing modifications to certain provisions in a settlement agreement that are not supported by the evidence, not in accordance with law, or not in the public interest."[9]

3. PacifiCorp ECAC History

The ECAC entitles PacifiCorp to a dollar-for-dollar recovery of its Net Power Costs (NPC). The ECAC essentially acts as a true-up mechanism between

[8] D.20-12-005 at 25-26.

[9] D.16-12-067 at 60. This quote continues as follows: "[A]ny party to a settlement agreement may elect not to accept modifications proposed by the Commission, and withdraw its request to adopt a proposed settlement agreement, or to seek other relief available."

the forecasted NPC that is set in customer rates and the actual NPC as demonstrated by the utility's evidence of costs incurred. NPC includes the costs of fuel expenses, wholesale purchase power expenses, wheeling expenses, and fuel stock carrying charges, minus the wholesale sales revenue. Rates for NPC are unbundled from other rates. These NPC rates are collected through PacifiCorp's Schedule ECAC-94.[10]

The Commission initially approved PacifiCorp's request for annual recovery of NPCs through the ECAC in its 2005 General Rate Case.[11] The Commission reauthorized PacifiCorp to continue using the ECAC in its 2019 General Rate Case. PacifiCorp has requested that the Commission reauthorize the ECAC in its pending 2023 general rate case.[12]

PacifiCorp's Schedule ECAC-94 provides that PacifiCorp shall annually file its ECAC Application. PacifiCorp's 2023 ECAC was generally approved in D.23-08-030. PacifiCorp's 2024 ECAC Application, filed September 15, 2023, reflects the outcome of, and is consistent with, PacifiCorp's 2023 ECAC Application.

At the time that PacifiCorp filed its 2024 ECAC Application, the Commission had not yet decided PacifiCorp's 2023 General Rate Case, which contained PacifiCorp's revised proposed 2020 Allocation Protocol factors. In D.23-12-016, the Commission adopted PacifiCorp's 2023 General Rate Case and approved the 2020 Allocation Protocol factors. Based upon those 2020 Allocation Protocol factors, PacifiCorp served revised Exhibits that recalculated its

[10] Application at 2-3; PacifiCorp's Schedule ECAC-94 was approved as part of Advice Letter 603-E.

[11] D.06-12-011.

[12] D.20-02-025; A.22-05-006.

proposed ECAC Offset Rate and Balancing Rate. That recalculation resulted in slight reductions in PacifiCorp's proposed ECAC Offset Rate and Balancing Rate. The Proposed Settlement is in part premised upon the proposed ECAC Offset Rate and Balancing Rate that apply the 2020 Allocation Protocol factors.[13,14]

On October 26, 2023, Cal Advocates and CFBF filed Protests in response to the Application. Both parties timely submitted testimony on April 2, 2024. Cal Advocates recommended amortizing the balance to be recovered by the Balancing Rate over a 24-month period rather than the standard 12-month period, in order to reduce the customer rate increase impact.[15] CFBF argued that PacifiCorp's Application is ambiguous as to the bases for its proposed 2024 ECAC Offset Rate and Balancing Rate, and it further questioned the possible inclusion of PacifiCorp's costs from its involvement in the Washington State Cap-and-Invest program to be recovered from PacifiCorp's California customers.[16]

4. Salient Terms of the Proposed Settlement

The following is an outline of the all-party Proposed Settlement's salient terms:

> TERMS OF THE SETTLEMENT:
>
> 1. An ECAC Offset Rate of $44.94 MWh, effective March 1, 2024, is reasonable;
> 2. A Balancing Rate at $16.48 MWh, designed to amortize the undercollected ECAC balancing account balance over a period of 21 months, is reasonable and in the public interest;

[13] Joint Motion at 4-5, 8: Exhibits PAC/201 Rev, PAC 701/Rev, PAC/707Rev.

[14] Because D.24-03-011 addressed PacifiCorp's 2024 Application regarding the ECAC GHG and related issues, their history is not recounted here.

[15] Exhibit CA-01 at 1-2.

[16] Exhibit CFBF-1 at 1-7.

3. PacifiCorp has recalculated its NPC and the above-proposed Offset Rate and Balancing Rate using the allocation factors contained in the 2020 Allocation protocol approved by D.23-12-016 in PacifiCorp's most recent General Rate Case, and will serve revised exhibits to document the revised rates and NPC;
4. The Commission should modify the ECAC mechanism to amend the "Adjusted Actual Net Power Cost" definition by adding FERC Account 509 as a cost category for recovery in rates. This change will allow PacifiCorp to recover Account 509 costs when FERC's amendments become effective on January 1, 2025;
5. Economic cycling of PacifiCorp's coal units will materially increase NPC for the Company's California customers, and the Commission should act in the public interest by removing the requirement for PacifiCorp to provide analyses investigating various economic cycling scenarios of the Company's coal units in future ECAC Applications;
6. The Parties agree that the 2024 PacifiCorp ECAC Application only seeks recovery in rates of California's allocated share of Climate Commitment Act (CCA) costs from the Washington State Cap-and-Invest program, and does not include any CCA costs allocated to other states where PacifiCorp provides service. This issue remains open in future ECAC proceedings, and this Settlement is not binding on the parties as to this issue in those future proceedings.

5. Discussion

5.1. Reasonable in Light of the Whole Record

Rule 12.1(d) requires a settlement to be reasonable in light of the whole record. Here, the record consists of the PacifiCorp Application, the parties' testimony and exhibits, various party filings, the prehearing conference discussion, D.24-03-011, and the Joint Motion for the Proposed Settlement. That record must demonstrate that the Proposed Settlement is reasonable.

The evidentiary record in the ECAC Proposed Settlement portion of this proceeding admitted a total of 55 Exhibits into evidence (and additionally grants confidential treatment to certain Exhibits). This evidentiary record is sufficient to support the assertions presented in the Joint Motion for the Proposed Settlement. The Joint Motion's Proposed Settlement contains sufficient information to ensure that it addresses all remaining issues from the PacifiCorp Application and PacifiCorp's ECAC obligations, that it relates back to the proceeding record, and that the Commission is able to implement the PacifiCorp's ECAC treatment and to discharge the Commission's regulatory obligations.

Therefore, given the sufficiency of the record in support of the Proposed Settlement, we find that the Proposed Settlement is reasonable in light of the record before the Commission.

5.2. Consistent with the Law

Rule 12.1(d) requires a settlement to be consistent with applicable law, which many include state and federal law. For many purposes, including those related to the review of the Proposed Settlement, relevant Commission decisions are also reviewed to ensure consistency. Here, relevant Commission decisions are those establishing the analysis and/or methodologies used to arrive at the Proposed Settlement's five major elements.

The first two elements for review are the Offset Rate and the Balancing Rate. The Proposed Settlement calculates the Offset Rate and the Balancing Rate in accordance with the PacifiCorp 2020 Allocation Protocol factors (the methodology approved in the PacifiCorp 2023 General Rate Case, per D.23-12-

016). The record supports that substantially higher Net Power Costs[17] result in a combined Balancing Rate and Offset Rate increase total of $23,487,061 (19.3%).[18]

In addition to the Balancing Rate and Offset Rate changes, the Proposed Settlement Agreement seeks modification of the ECAC "Adjusted Actual Net Power Cost" definition for 2025 by adding FERC Account 509 as a cost category for recovery in rates. Also, the Proposed Settlement proposed to remove the requirement for PacifiCorp to provide analyses investigating various economic cycling scenarios of the Company's coal units in future ECAC Applications. Lastly, the Proposed Settlement includes a party agreement for the 2024 PacifiCorp ECAC Application to only seek recovery in rates of California's allocated share of the CCA costs from the Washington State Cap-and-Invest program, and it does not include any CCA costs allocated to other states where PacifiCorp provides service.

Each of the elements set forth above are consistent with the methodologies set forth in prior Commission decisions. We also find that the Proposed Settlement to be consistent with relevant statutes and Commission Rules.

5.3. In the Public Interest

Rule 12.1(d) requires a settlement to be in the public interest. The Rule requires the public interest and the interests of ratepayers to be considered before the Commission approves a proposed settlement.

The Commission previously explained that a settlement serves the public interest when it "commands broad support among participants fairly reflective

[17] Exhibits PAC/201, PAC/202, PAC/203, and PAC/204, as well as PacifiCorp witness testimony discussing these Exhibits.

[18] Joint Motion at Attachment A.

of the affected interests" and "does not contain terms which contravene statutory provisions or prior Commission decisions." .[19]

Here, the Proposed Settlement was approved by all parties. It includes adjustment to the ECAC Balancing Rate and the Offset Rate. It includes modification of the "Adjusted Actual Net Power Cost" definition for the 2025 ECAC. It includes removal of the PacifiCorp economic cycling scenarios of its coal units in future ECAC Applications. Lastly, it only seeks rate recovery for the CCA costs from the Washington Cap-and-Invest program.

Regarding the ECAC Balancing Rate and Offset Rate adjustments, these are factually supported by the evidence presented in this proceeding. Cal Advocates, which questioned these rate adjustments and sought a longer amortization period, was party to the settlement. The settlement presents a reduction from the Application's rate adjustment, and a longer amortization period.

Regarding changes to the Adjusted Actual Net Power Cost definition, this element of the prospective 2025 ECAC requires change to be in conformance with a FERC ruling that amended the Uniform System of Accounts. This element of the Proposed Settlement is support by the testimony of PacifiCorp's person most knowledgeable on the subject.[20] It is in the public interest for PacifiCorp to be consistent with FERC's Uniform System of Accounts.

Regarding removal of the PacifiCorp economic cycling scenarios of its coal units in future ECAC Applications, the Proposed Settlement states that retaining the economic cycling of PacifiCorp's coal units would materially increase NPC

[19] San Diego Gas & Elec., D.92-12-019, 46 CPUC 2d 538, 552.

[20] Exhibit PAC/200 at 4-5.

for its California customers.[21] Further, no party argued in favor of retaining the economic cycling of the coal units. Removal of the economic cycling of PacifiCorp's coal units is a cost-effective modification of the ECAC process.

Regarding the Proposed Settlement's address of emissions compliance costs, we identify a possible issue requiring clarification. Depending upon an additional to-be-determined fact, the Proposed Settlement's final financial figures may require some small adjustment. It concerns the allocation of California Cap-and-Trade program emission compliance costs in regard to Washington State Cap-and-Invest program emissions compliance costs.

The Proposed Settlement provides for the 2024 PacifiCorp ECAC Application to only seek recovery in rates of California's allocated share of the Climate Commitment Act (CCA) costs from the Washington Cap-and-Invest program, and to not include any CCA costs allocated to other states where PacifiCorp provides service. This is principally reasonable and in the public interest. However, a further clarification of this settlement term is in order to remove any risk of confusion and to ensure that the Proposed Settlement's execution fully supports its intention.

PacifiCorp's 2024 Net Power Costs forecasted in the ECAC contain costs for compliance with Washington's Cap-and-Invest program related to emissions from the Chehalis Generation Facility, a natural gas-fired combined cycle electric generation facility located within Washington State. Article 2.6 of the Settlement Agreement clarifies that:

> The Parties agree that the 2024 PacifiCorp ECAC Application only seeks recovery in rates of California's allocated share of Climate Commitment Act ("CCA") costs from the Washington State Cap and Invest program, and does not include any CCA

[21] Proposed Settlement at 8.

> costs allocated to other states where PacifiCorp provides service…

There is a risk of confusion regarding the interaction of the California Cap-and-Trade program and the Washington State Cap-and-Invest program as it relates to the recovery of costs for emissions. The Washington Department of Ecology has deferred compliance until 2027 to allow time to develop an agreement between Washington and California on treatment of electricity exported from Washington to California. Consequently, it would not be appropriate to include the Washington Cap-and-Invest costs within ECAC at this time. Yet, this delay in the resolution of the issues surrounding the Washington Cap-and-Invest program and the California Cap-and-Trade system is not reflected in the Proposed Settlement language. In an abundance of caution, we direct clarification regarding one issue involved in the interaction of the Cap-and-Trade program and the Cap-and-Invest program as it relates to the Proposed Settlement.

California Cap-and-Trade Program emissions costs, including imported emission costs, are levied by CARB and passed on to California customers under California's existing Cap-and-Trade system.[22] It appears possible that emissions costs related to the Washington State Cap-and-Invest program for the Chehalis Generation Facility are found to be included as part of the costs to be recovered by PacifiCorp pursuant to capture of California's imported energy costs under

[22] *See* D.14-10-033 OPs 1, 3, 5, 10, 12, 14 and Attachments B and D; Pub. Util. Code Section 95852(b); and, CARB Cap-and-Trade Regulation (Cap-and-Trade Regulation (Unofficial Electronic Version)).

Cap-and-Trade.[23,24] Therefore, PacifiCorp is directed to investigate, analyze, and if necessary clarify and correct the Proposed Settlement to ensure that the Chehalis Generation Facility's emission costs, if already scheduled to be levied by CARB pursuant to compliance with the California Cap-and-Trade program, are not again assessed by the Washington Cap-and-Invest program pursuant to the Proposed Settlement.

The Proposed Settlement is clarified to confirm that, if necessary, PacifiCorp will revise its rates to exclude certain Chehalis Generating Facility emissions costs related to the Washington State Cap-and-Invest program if these emissions costs are already levied or already scheduled to be levied under the California Cap-and-Trade program. PacifiCorp must file an Advice Letter regarding investigation and findings regarding this issue. PacifiCorp must explain and propose revised rates in its Advice Letter if certain Chehalis Generating Facility emissions costs must be excluded pursuant to this decision in order for this Proposed Settlement to be effectuated.

We find the Proposed Settlement, as clarified, to be prudent and in the public interest.

6. 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 proposed rate increase in A.23-09-008.

---

[23] The Joint Motion for Approval of Written Settlement at 9 expressly states "For purposes of this Settlement, the Settling Parties agree on the inclusion of only the California-allocated portion of the CCA costs in ECAC rates (Footnote 9: These costs are related to the operation of PacifiCorp's Chehalis plant.)."

[24] PacifiCorp Exhibit PAC/402's D-2 Template, identified as the "Annual GHG Emissions and Associated Compliance Obligation," at Line 7, may include the Chehalis Generation Facility as a cost to be recovered by PacifiCorp pursuant to Cap-and-Trade.

7. Conclusion

The Proposed Settlement addresses all of the scoped issues that remained from the Application following D. 24-03-011 and satisfies all of the requirements for a settlement pursuant to Rule 12.1(d) and therefore should be approved.

8. Comments on Proposed Decision

While this is an uncontested matter between the parties granting the relief requested, nonetheless the proposed decision directs a clarifying Advice Letter, and therefore comments will be received. Accordingly, the proposed decision of the ALJ in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on October 21, 2024 by PacifiCorp. We considered the comments and no modifications to the proposed decision were made.

9. Assignment of Proceeding

John Reynolds is the assigned Commissioner and Jason Jungreis is the assigned ALJ in this proceeding.

Findings of Fact

1. The Settling Parties held a settlement conference on May 29, 2024, as required by Rule 12.1(b) of the Commission's Rules of Practice and Procedure, with all parties to the proceeding waiving advanced notice.

2. The Proposed Settlement contains an ECAC Offset Rate of $44.94 MWh, effective March 1, 2024, a $13.61 per MWh increase over the 2023 ECAC Offset Rate.

3. The Proposed Settlement contains an ECAC Balancing Rate of $16.48 MWh, a $17.82 per MWh increase over the 2023 ECAC Balancing Rate, to be amortized over a period of 21 months.

4. The combined 2024 ECAC Balancing Rate and Offset Rate increase of $23,487,061 results in an 19.3% increase.

5. The Proposed Settlement's recalculation of PacifiCorp's NPC uses the allocation factors contained in the 2020 Allocation protocol approved by D.23-12-016 in PacifiCorp's most recent General Rate Case.

6. Amending the "Adjusted Actual Net Power Cost" definition to add FERC Account 509 as a cost category for recovery in rates allows PacifiCorp to recover Account 509 costs when FERC's amendments become effective on January 1, 2025.

7. The Proposed Settlement results in the removal of a requirement that PacifiCorp run analyses to investigate various economic cycling scenarios of its coal units in future ECAC proceedings.

8. Because of delay in the resolution of the issues surrounding the Washington Cap-and-Invest program as applied to energy exported from Washington facilities subject to the California Cap-and-Trade system (specifically, the Chehalis Generating Facility, as referenced in the Joint Motion for Approval of Written Settlement), the Chehalis Generating Facility emissions compliance costs may be inadvertently included twice in PacifiCorp's costs.

9. An Advice Letter filing to clarify rate recovery of California and Washington emission compliance costs may result in a reduction to either or both the ECAC Balancing Rate and the ECAC Offset Rate.

10. The Proposed Settlement preserves the time and resources of all parties, as well as the time and resources of the Commission, by avoiding litigation.

11. Following discovery and settlement negotiations, the Settling Parties reached a reasonable compromise on each of the issues in contention.

12. There is no statutory provision nor prior Commission decision that would be contravened or compromised by the Proposed Settlement.

13. Together, the Settling Parties fairly represent the affected interests.

14. The Proposed Settlement is the product of good faith, arms' length negotiation between Parties reflecting most of the affected interests.

15. The Proposed Settlement raises no safety considerations.

16. The Proposed Settlement has no opposition.

Conclusions of Law

1. The Proposed Settlement's ECAC Offset Rate of $44.94 MWh is supported by the record and in the public interest.

2. The Proposed Settlement's ECAC Balancing Rate of $16.48 MWh is supported by the record and in the public interest.

3. The Proposed Settlement's ECAC Offset Rate and Balancing Rate combined 19.3% increase is supported by the record and in the public interest.

4. The Proposed Settlement's suggested Commission amendment of the "Adjusted Actual Net Power Cost" definition by adding FERC Account 509 as a cost category for recovery in rates when FERC's amendments become effective on January 1, 2025 is supported by the record and in the public interest.

5. The Proposed Settlement's removal of a requirement that PacifiCorp run analyses to investigate various economic cycling scenarios of its coal units in future ECAC proceedings is supported by the record and in the public interest.

6. The Proposed Settlement should be clarified to disallow PacifiCorp from seeking recovery in rates of the Chehalis Generation Facility's emissions compliance costs if such emissions costs are scheduled to be levied by CARB pursuant to compliance with California Cap-and-Trade program.

7. The Proposed Settlement as a whole is reasonable in light of the record.

8. The Proposed Settlement as a whole is consistent with past decisions and with applicable statutes and Rules.

9. The Proposed Settlement as a whole is prudent and in the public interest.

10. The Settlement Agreement as a whole meets the criteria for approval of settlements in Rule 12(1)(d).

11. The settlement agreement should be approved.

12. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. The Proposed 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 June 28, 2024, and attached to this decision as Attachment A, is approved, and the Settling Parties' Motion for approval of the Settlement is granted.

2. PacifiCorp d/b/a Pacific Power must file a Tier 1 Advice Letter to effectuate the Settlement Agreement in compliance with this decision, and if costs related to the California Cap-and-Trade emissions compliance program have been recovered or are scheduled to be recovered for the Chehalis Generation Facility, costs from Washington's Cap-and-Invest Program must be excluded from PacifiCorp's recovery pursuant to the Settlement and the Settlement's costs must be recalculated by PacifiCorp in its Advice Letter.

3. Application 23-09-008 is closed.

This order is effective today.

Dated November 7, 2024, at Bakersfield, California.

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

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