PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

April 8, 2020

Ms. Etta Lockey
Pacific Power
Vice President, Regulation
825 NE Multnomah, suite 2000
Portland, OR 97232

Dear Ms. Lockey:

The California Public Utilities Commission (CPUC) received PacifiCorp's 2018 Interim Risk Spending Accountability Report (iRSAR) that was filed on June 17, 2019, according to the schedule set forth in the August 31, 2018 ALJ Ruling (ALJ Ruling) in proceeding A.15-05-002. PacifiCorp filed the iRSAR in AL586-E, which is effective on June 17, 2019. The CPUC's Energy Division (ED) prepared the enclosed review of PacifiCorp's 2018 iRSAR and provides recommendations for PacifiCorp to consider for its upcoming 2019 RSAR to be filed in June 2020.

In D.19-04-020, the CPUC affirmed that ED's review of RSARs serves to raise concerns and seek understanding of the data and "does not constitute a reasonableness [review] of the utility's proposed risk mitigation budgets or programs as required in Public Utilities Code Section 451."[1] Reasonableness review of utilities spending is accomplished in the general rate case (GRC) process.[2] In addition, review and verification of the utility's risk and management activities and spending that took place during the reporting period are part of Safety Performance Metrics reporting.[3] Therefore, ED's review of PacifiCorp's iRSAR in this letter is limited to the reporting on and highlighting of information and does not make any findings regarding the reasonableness of the utility's spending.

CONCLUSIONS

ED reviewed the utility's report and finds PacifiCorp has generally complied with guidance for the 2018 iRSAR provided by the ALJ Ruling's Attachment B, though some deficiencies were found. If PacifiCorp follows the guidance provided in D.19-04-020, future RSARs will be more useful.

PacifiCorp presented authorized and actual 2018 spending for its FERC accounts, which included spending on safety, reliability, and/or maintenance activities. PacifiCorp explained that its 2018 authorized budgets were determined by escalating its last general rate case authorized amounts to 2018 dollars. In addition, PacifiCorp notes that it is a Small and Multi-Jurisdictional Utility (SMJU) and its most recent GRC (Application 09-11-015) authorized budgets were not based on a risk-based decision-making framework. Therefore, PacifiCorp asserts its "revenue requirements in A.09-11-015 did not include recovery or approval of any specific safety, reliability, or maintenance projects."[4] Given this lack of specificity, ED finds there is no reliable way of comparing the constructed

[1] D.19-04-020, pp. 39-40.
[2] Ibid.
[3] Ibid, p. 40.
[4] PacifiCorp's response to ED's Data Request 2.1, dated January 16, 2020.

projects against "authorized" projects for 2018. ED staff expects future PacifiCorp RSARs to have more detailed information.

RECOMMENDATIONS

In April 2019, the CPUC issued Decision (D.) 19-04-020 that modified the selection criteria and revised the reporting guidance for utilities. ED staff calls attention to Ordering Paragraph 13 in D.19-04-020 which requires PacifiCorp to file annual Risk Spending Accountability Reports in the GRC proceeding in which funding for risk mitigation spending was authorized, starting with a report covering 2019.

In addition, D.19-04-020 provides SMJUS the following direction: "We direct the SMJUs to follow the general RSAR procedures outlined in Attachment [2], providing the same level of detail on the utility's risk mitigation and risk spending as presented in its GRC, unless otherwise directed by Commission Staff."[5] Attachment 2, Section I contains eight guiding principles for preparing RSARs that expand on the General Guidance six principles. As a result, PacifiCorp should prepare its future RSARs by following procedures outlined in D.19-04-020, Attachment 2, consistent with Commission direction.

PacifiCorp filed its 2019 Test Year (TY) General Rate Case (GRC) application in April 2018, which included a "risk-based investment decision making framework" to comply with D.14-12-025.[6] Therefore, pursuant to D.14-12-025 and D.19-04-020, PacifiCorp's 2019 RSAR should contain more meaningful metrics on PacifiCorp's risk mitigation expenditures and should be filed and made available to the CPUC's Safety and Enforcement Division (formerly Office of the Safety Advocate), Safety Policy Division, and Public Advocates Office. PacifiCorp should also provide the 2019 RSAR to the ED Tariff Unit by emailing the report to edtariffunit@cpuc.ca.gov.

If you have any questions or comments, please contact Jenny Au, Senior Utilities Engineer, at (213) 620-6502 or jenny.au@cpuc.ca.gov

Sincerely,

Edward Randolph

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

Enclosure

cc: Dorothy Duda,
Branch Manager
Market Structure, Costs and Natural Gas Branch

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[5] Decision language contains typographical error referring to Attachment 3. Attachment 2 is the correct reference.
[6] A.18-04-002, Exhibit PAC/1000 Direct Testimony of Brett S. Allsup, pp. 3-6.

Service Lists for A.18-04-002

Energy Division Review of the 2018 Interim Risk Spending Accountability Report of the PacifiCorp

The California Public Utilities Commission's (CPUC) Energy Division (ED) reviewed the 2018 Interim Risk Spending Accountability Report (2018 iRSAR) of PacifiCorp that was filed on June 17, 2019. ED conducted the review to provide the CPUC and PacifiCorp with information that may be useful in a future proceeding. The review verifies compliance with the guidance provided by the Energy Division in its April 23, 2019, email to PacifiCorp and serves as a precursor to the review of RSARs required by CPUC Decision (D.) 19-04-020.

BACKGROUND

In December 2014, the CPUC issued D.14-12-025, *Decision Incorporating a Risk-Based Decision-Making Framework into the Rate Case Plan and Modifying Appendix A of D.07-07-004*, and directed only the large investor-owned utilities (not SMJUS) under its jurisdiction to prepare and submit to the CPUC annual RSARs that would compare authorized and actual spending on risk mitigation projects.

In an August 31, 2018, ruling, the assigned ALJ included "General Guidance for the Small and Multi-Jurisdictional Utilities on the Risk Spending Accountability Report"[7] (General Guidance). The General Guidance suggested six principles the SMJUs should adhere to when filing RSARs.

In April 2019, the CPUC issued D.19-04-020, *Phase Two Decision Adopting Risk Spending Accountability Report Requirements and Safety Performance Metrics for Investor-Owned Utilities and Adopting a Safety Model Approach for Small and Multi-Jurisdictional Utilities*, and directed SMJUs to file annual RSARs, starting in June 2020 for the 2019 recorded year.

In accordance with the General Guidance, on April 23, 2019, ED requested PacifiCorp to file and serve an annual "interim" RSAR for year 2018. The interim reports for SMJUs should follow the General Guidance, which would ultimately help prepare the utility for the new risk-based decision-making framework. On June 17, 2019, PacifiCorp filed its 2018 interim RSAR with a comparison of recorded and authorized dollar amounts and provided it to the service list of its 2009 GRC Proceeding (A.09-11-015).

REPORTING REQUIREMENTS

The General Guidance provided SMJUs with six principles for preparing the interim 2018 RSARs. A summary of the General Guidance six principles follows below: [8]

[7] A.15-05-002 SMAP, Energy Division Guidance for the Standardized Reporting and Outline of the Risk Spending Accountability Report, ALJ Ruling dated August 31, 2018. Attachment B - General Guidance for the Small and Multi-Jurisdictional Utilities on the Risk Spending Accountability Report.
[8] Ibid.

1) A comparison of actual spending to authorized spending for programs that address safety or reliability risk within the utility's electric system under CPUC jurisdiction with an explanation of the variance.

2) The report should include programs with maintenance activities.

3) For each program, the utility should report the authorized and actual spending and calculate the difference from authorized in dollars and percent. The utility should compare the total authorized and actual spending for all expensed and capital programs to the spending on the programs included in the report.

4) The utility may identify programs at the Federal Energy Regulatory Commission (FERC) account level depending on the presentation in the GRC.

5) The programs may include CPUC-jurisdictional transmission, distribution, generation, or other and can follow the contents of the GRC application. Capital programs and expensed programs should be grouped separately. Items within a capital program should include direct capital expenditures and exclude allocations for retirements, cost of financing and other adjustments.

6) The utility should identify the programs subject to a balancing or memorandum account and the effect the account has on the authorized spending.

In addition, D.19-04-020, Attachment 2, Section IX requires SMJUs to file and serve RSARs on the prior GRC service list until the next GRC proceeding is opened.

STAFF ANALYSIS

ED approached its review of PacifiCorp's 2018 iRSAR with the objective of providing an analysis of spending variance in safety, reliability and maintenance programs, while also providing an analysis of PacifiCorp's compliance with the General Guidance provided in the ALJ ruling and subsequent guidance provided in D.19-04-020. However, the availability (or lack) of data limits ED's ability to analyze PacifiCorp's spending variances. As PacifiCorp explained in its response to ED's data request, the utility's 2018 "authorized" budget is derived from revenue requirements approved in its most recent general rate case filing (A.09-11-015). Thus, PacifiCorp's 2018 "authorized" budget is not based on a risk-based investment decision making framework and does not include a list of approved projects. Consequently, ED staff's analysis of PacifiCorp's 2018 interim RSAR is limited to examining PacifiCorp's conformity with the General Guidance and D.19-04-020, Attachment 2, Section IX. Table 1 below provides a summary of PacifiCorp's programs and associated spending information.

Table 1: PacifiCorp 2018 Program Variance

Program	Authorized Budget	Actual Budget	Variance	% Difference
Administrative & General	$ 2,934,854	$ 2,385,759	$ (549,095)	-18.71%
Customer Accounts	$ 1,069,368	$ 972,320	$ (97,048)	-9.08%
Customer Service	$ 358,793	$ 443,510	$ 84,716	23.61%
Distribution	$ 12,091,256	$ 10,449,939	$ (1,641,317)	-13.57%

Hydro Production	$ 711,437	$ 689,608	$ (21,830)	-3.07%
Other Generation	$ 1,039,995	$ 845,172	$ (194,823)	-18.73%
Other Power Supply	$ 1,084,288	$ 664,503	$ (419,784)	-38.72%
Steam Production	$ 5,313,002	$ 5,338,453	$ 25,451	0.48%
Transmission	$ 1,037,837	$ 1,217,581	$ 179,744	17.32%
Grand Total	**$ 25,640,829**	**$ 23,006,846**	**$ (2,633,984)**	**-10.27%**

The data shows that PacifiCorp underspent its 2018 authorized budget by over 10% or $2.6 million. Approximately $1.6 million in under-expenditure is in the Distribution Program. PacifiCorp explained that its 2018 expenditures of $10.45 million in the Distribution Program is within the range of its most recent 7-year expenditures in this program.

Overall, PacifiCorp underspent its CPUC-authorized budget in programs such as Generation, Distribution, and Supply and overspent its Transmission budget.

While the General Guidance allows the utilities to report programs on a FERC level, the ED cautions that an evaluation of programs solely at the FERC level may not yield much information. For example, an examination of PacifiCorp's FERC Account 502 for Steam Production expense shows a 92% under-expenditure. However, the variance level for the overall Steam Production Program is less than 0.5%, as seen in Table 1. In addition, PacifiCorp explains that it does "not manage costs at a specific FERC account level." Thus, it is more informative to evaluate expenditures at a program level.

PacifiCorp stated that it made a good faith effort with its 2018 RSAR to provide an account of its spending on safety, reliability and maintenance activities. However, PacifiCorp's 2018 RSAR did not distinguish between capital and expensed programs and did not provide a discussion on its balancing and memorandum accounts. These two reporting principles were both included in the General Guidance and in D.19-04-020, Attachment 2 and PacifiCorp should incorporate them in future RSARs.

In sum, although PacifiCorp provided its 2018 RSAR, there is ample room for improvement in future RSARs. By closely adhering to the guidance provided in D.19-04-020, Attachment 2, future PacifiCorp RSARs will prove more useful.