

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



December 15, 2020

Mr. Michael Wilding  
Director, Regulation  
PacifiCorp  
825 NE Multnomah, Suite 2000  
Portland, Oregon 97232

Dear Mr. Wilding:

On June 30, 2020, PacifiCorp filed Advice Letter (AL) 622-E, transmitting an interim Risk Spending Accountability Report (iRSAR) on behalf of Pacific Power, pursuant to California Public Utilities Code Section 591 and Decision (D.)19-04-020. AL 622-E was filed as a Tier 1 Information Only AL and is considered effective on the filing date of June 30, 2020. The CPUC's Energy Division (ED) prepared the enclosed review of PacifiCorp's 2019 iRSAR and provides recommendations for the utility to consider for its upcoming 2020 RSAR to be filed in 2021.

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."<sup>1</sup> Reasonableness review of the utility's spending is accomplished in the general rate case (GRC) process.<sup>2</sup> 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.<sup>3</sup> 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 finds that while PacifiCorp has complied with California Public Utilities Code Section 591 and D.19-04-020 by filing its 2019 iRSAR by June 30, 2020, the report lacks the granularity to provide an accountability of how the utility spends its authorized budget to manage safety risks, improve system reliability, and maintain services. The report indicates that PacifiCorp does not track specific program/activity costs and is unable to provide the authorized and actual amounts for specific programs or activities.<sup>4</sup>

In the 2019 iRSAR, PacifiCorp presented information on authorized and actual spending on safety, reliability, and maintenance programs at a functional level (transmission/distribution). Overall, PacifiCorp slightly overspent its authorized amounts in programs associated with safety, reliability,

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<sup>1</sup> D.19-04-020, pp. 39-40.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid, p. 40.

<sup>4</sup> PacifiCorp's Response to ED's Data Request 1.1, dated October 16, 2020.

and maintenance activities in 2019 (1%). PacifiCorp exceeded its authorized amounts for operating and maintenance (O&M) and Capital Programs by 1% and 3%, respectively.

## RECOMMENDATIONS

In February 2020, the CPUC issued D.20-02-025, adopting Test Year 2019 revenue requirements for PacifiCorp. While PacifiCorp's GRC Decision deferred to D.19-04-020 for directions and guidance on the filing of annual RSARs,<sup>5</sup> ED recommends that PacifiCorp make a greater effort in reporting its spending in all safety, reliability, and maintenance programs to meet the intent of RSARs. In the attached staff analysis, ED provides some recommendations for PacifiCorp to consider incorporating into future (i)RSARs to provide greater transparency and accountability of its risk spending.

The 2020 iRSAR should be filed and made available to the CPUC's Safety and Enforcement Division, Safety Policy Division, and Public Advocates Office. PacifiCorp should also provide the 2020 iRSAR to ED's Tariff Unit by emailing the report to [edtariffunit@cpuc.ca.gov](mailto: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](mailto:jenny.au@cpuc.ca.gov)

Sincerely,

Handwritten signature of Edward Randolph in black ink, with the initials "(for)" written to the right of the signature.

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

*Enclosure*

*cc: Danjel Bout, Director – Safety Policy Division  
Dorothy Duda, Program Manager - Market Structure, Costs and Natural Gas Branch  
Franz Cheng, Program and Project Supervisor – Electric Costs*

*Service Lists for A.18-04-002*

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<sup>5</sup> D.20-02-025, p. 40.

## **Energy Division Review of the 2019 Interim Risk Spending Accountability Report of PacifiCorp**

The California Public Utilities Commission’s (CPUC) Energy Division (ED) reviewed PacifiCorp’s interim Risk Spending Accountability Report (iRSAR), filed on June 30, 2020. ED conducted the review to provide the CPUC and PacifiCorp with information that may be useful in future proceedings 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 small multi-jurisdictional utilities (SMJUs) such as Liberty CalPeco 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 in A.15-05-002 (*Safety Model Assessment Proceedings*), the assigned ALJ included a “General Guidance for the Small and Multi-Jurisdictional Utilities on the Risk Spending Accountability Report”<sup>6</sup> (*General Guidance*). The *General Guidance* suggested that SMJUs should file interim annual RSARs beginning on June 30, 2019 for the 2018 record year and provided six principles that the SMJUs should adhere to when filing interim RSARs.<sup>7</sup>

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 February 2020, the CPUC issued D.20-02-025, *Approving a revenue requirement for PacifiCorp pursuant to its 2019 General Rate Case (GRC) Application (A.)18-04-002*. PacifiCorp submitted testimony, detailing the development and implementation of its risk-based decision-making framework to comply with D.14-12-025 in its 2019 GRC application.<sup>8</sup> In addition, PacifiCorp described its existing practice of using risk assessment processes to inform its capital, maintenance, and operational spending decisions.<sup>9</sup>

On June 30, 2020, PacifiCorp filed Advice Letter 622-E, providing information on recorded expenditures and authorized budgets for activities associated with safety, reliability, and maintenance. The information provided in AL 622-E meets the reporting requirements of D.19-04-020 and California Public Utilities Code Section 591 but fell short of meeting the *General Guidance* and requirements for Risk Spending Accountability Reporting, as specified in D.19-04-020.

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<sup>6</sup> 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.

<sup>7</sup> Ibid.

<sup>8</sup> A.18-04-002, Exhibit PAC/1000 Testimony of Brett S. Allsup, p. 2.

<sup>9</sup> Ibid, pp. 2-3.

## REPORTING REQUIREMENTS

While D.19-04-020 adopted a “general, simplified approach for the SMJUs to follow” to report risk spending, the CPUC directed SMJUs to follow the general RSAR procedures outlined in the Voluntary Agreement between the Safety Enforcement Division and SMJUs.<sup>10</sup> The *General Guidance* provided SMJUs with six guiding principles for preparing RSARs similar to those required of large investor own utilities. The guiding principles include direction to provide a comparison of actual spending to authorized amounts for **programs** with activities relating to safety, reliability, and maintenance and an explanation of spending variance. In addition to grouping capital and expense programs separately along general lines of business, SMJUS should provide a discussion on balancing accounts and memorandum accounts cost recovery.<sup>11</sup>

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

In its 2019 iRSAR, PacifiCorp provided authorized and actual operating and maintenance (O&M) expenses and capital expenditures for activities associated with safety, reliability, and maintenance. Overall, PacifiCorp spent slightly more than its 2019 authorized amount<sup>12</sup> in Capital Programs and Operating and Maintenance (O&M) Expense by 1% as shown in Table 1 below.

**Table 1: Summary of PacifiCorp’s 2019 Spending Variance<sup>13</sup>**

<b>Budget</b>	<b>Authorized Budget (\$000)</b>	<b>Recorded Budget (\$000)</b>	<b>Variance (\$000)</b>	<b>Variance (%)</b>
Total Capital Expenditures	384,457	389,811	5,353	1%
Total O&M Expense	15,624	16,074	449	3%
<b>Total - company wide</b>	<b>400,082</b>	<b>405,885</b>	<b>5,803</b>	<b>1%</b>

### Balancing and Memorandum Account Reporting

ED confirmed with PacifiCorp via data request<sup>14</sup> that the utility did not have any balancing or memorandum accounts associated with safety, reliability, and maintenance activities to report, except for its Catastrophic Events Memorandum Account (CEMA), which has a balance of \$710,494 at the end of 2019. ED recommends that PacifiCorp include information on its CEMA in future iRSAR.

<sup>10</sup> D.19-04-020, p. 50. It should be noted that the Voluntary Agreement did not specify requirements or recommendations for accountability reporting (Voluntary Agreement, p. 2). (Emphasis Added)

<sup>11</sup> 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.

<sup>12</sup> 2019 Authorized Budget are from D.20-025, provided in an email from PacifiCorp’s Pooja Kishore to ED’s Jenny Au on 10/14/2020 2:37PM.

<sup>13</sup> 2019 Recorded Budget are from PacifiCorp’s 2019 iRSAR Exhibit A.

<sup>14</sup> PacifiCorp’s Response to ED’s Data Request 1.4, dated October 16, 2020.

## Using Most Updated Authorized Budget

In its 2019 iRSAR, PacifiCorp presented the authorized budget using information from its last GRC filing (A.09-11-015) even though the CPUC issued D.20-02-025, adopting a revenue requirement for Test Year 2019 on February 18, 2020. At ED's request, PacifiCorp updated its 2019 iRSAR information and compared its 2019 spending level against the budget authorized in its TY 2019 GRC, which is shown in Table 1 above.

ED recommends that PacifiCorp strive to use the most recent authorized budgets to prepare future (i)RSARs. If the information is not available at the time of RSAR submittal, PacifiCorp should update the report as soon as data become available.

## Reporting at Program/Activity Level for Future (i)RSARs

PacifiCorp's 2019 iRSAR presented total capital and expense spending for its transmission and distribution functions. The data lacks the granularity to provide an accountability of PacifiCorp's spending in safety, reliability, and maintenance activities. PacifiCorp's most recent GRC filings pointed to an existing risk assessment process and a developing risk-based decision-making process to support its spending decision.<sup>15</sup> PacifiCorp also identified many existing and new programs within its capital and O&M budgets, which are proposed to mitigate safety risks, improve reliability, and maintain services. They include "program funding to perform transmission and distribution inspections and maintenance, pole test and treat, vegetation management, asset replacements, planned capital construction, and targeted reliability improvements"<sup>16</sup> and wildfire mitigation programs.

At a minimum, PacifiCorp's iRSAR should include its authorized and actual spending in individual program identified as part of its risk-based decision-making process. ED recommends that PacifiCorp provide the authorized and actual expenses and capital expenditures associated with each risk mitigation program, reliability improvement program, and maintenance activity.

PacifiCorp has indicated that the utility does not maintain detailed workpapers on program costs<sup>17</sup> and information on its "authorized and actual for specific programs or activities are not available for 2019."<sup>18</sup> While D.20-02-005 did not authorize specific amounts on a program by program basis, PacifiCorp should be able to impute the authorized amounts for each program from the total budget presented in the GRC filing. Not maintaining information on specific program costs would limit PacifiCorp's ability to provide an accountability reporting of its spending. Therefore, ED recommends that PacifiCorp implement a system to record and track spending associated with safety, reliability, and maintenance activities at a program and/or activity level.

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<sup>15</sup> A.18-04-002, Exhibit PAC/1000 Testimony of Brett S. Allsup, pp. 2-3.

<sup>16</sup> Ibid, p. 26.

<sup>17</sup> A.18-04-002, PacifiCorp's Response to ORA Data Request ORA-PacifiCorp-049-PWL-1. ORA Testimony quoted PacifiCorp's Response as: "Costs are not tracked on a program basis...Detailed workpapers that explicitly define costs on a program-by-program basis are not prepared in the normal course of business and are not readily available."

<sup>18</sup> PacifiCorp's Response to ED's Data Request 1.1, dated October 16, 2020.