

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



October 27, 2022

Mr. Santiago Gutierrez
PacifiCorp
Regulatory Operations Coordinator
933 Eloise Avenue
South Lake Tahoe, CA 96150

**SUBJECT: PacifiCorp
2021 Risk Spending Accountability Report Review**

Dear Mr. Gutierrez:

On May 25, 2022, PacifiCorp filed their 2021 Risk Spending Accountability Report (RSAR) in their General Rate Case (GRC) that authorized the spending, Application (A.)18-04-002 pursuant to D.19-04-020. The CPUC's Energy Division (ED) has reviewed PacifiCorp's 2021 RSAR and provides recommendations for the utility to consider future RSARs.

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 the utility's spending is accomplished in the general rate case (GRC) process. In addition, review and verification of the utility's safety, reliability and maintenance (SRM) activities and spending that took place during the reporting period are part of Safety Performance Metrics reporting. Therefore, ED's review of the utility's RSAR 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.

ANALYSIS

Decision (D.)20-02-025² approved a revenue requirement of \$71,951,494³ for the Test Year (TY) 2019 GRC, A.18-04-002 with post year adjustment mechanisms for 2020 and 2021. PacifiCorp filed an extension request and in D.21-01-006⁴ the commission granted an extension for the next rate

¹ [D.19-04-020](#), Finding of Fact 32, p. 58

² [D.20-02-025](#)

³ In the Matter of the Application of PacifiCorp (U901E), an Oregon Company, for an Order Authorizing a General Rate Increase Effective January 1, 2019, A.18-04-002, D.20-02-025, Ordering Paragraph 1, Appendix A, (Feb. 18, 2020)

⁴ [D.21-01-006](#) in A.180-04-002 and I.17.04-019 extended the next GRC test year to 2023.

case test year to change from 2022 to 2023, as such, there will be one more RSAR for attrition year 2022 corresponding to the revenue under authorized in A.18-04-002.

The SRM spending is broken down into capital and O&M expenses and then broken into Transmission and Distribution for a total of four items. For O&M expenses PacifiCorp included FERC accounts related to SRM but did not report authorization or spending at the individual account level. Distribution accounted for 92 percent of authorized O&M spending for 2019 through 2021. From 2019 to 2021, Distribution O&M overspent \$4.5 million (11 percent) and Transmission O&M overspent \$83,726 (3 percent) and.

For capital spending PacifiCorp reported the gross in-service capital and not annual spending. Annual spending on capital can be calculated by the year over change of gross in-service capital. In 2021, the authorized change in in-service capital is \$1.5 million representing California's share of a large transmission project and the reported change was \$16.6 million resulting a \$15.1 million overspend on Transmission Capital. Between 2019 and 2021 the difference in authorized in-service capital for Distribution is \$59.1 million and the reported change is \$22.7 million resulting in a calculated \$36.4 million underspend. Without reporting on individual capital programs, determining what programs did not receive authorized spending is not possible.

CONCLUSIONS

While the Energy Division reviewed concludes the Pacific Corp's 2021 RSAR complies with D.19-04-020, the report lacks the granularity to provide accountability of how the utility spends its authorized budget to manage safety risks, improve system reliability, and maintain services. This conclusion was included in the 2019 Energy Division review⁵ of the interim RSAR. PacifiCorp stated they do not track specific program costs and are unable to provide the authorized and actual amounts spent on specific programs. PacifiCorp should review the relevant decisions from Rulemaking (R.)20-07-013⁶ that provide specific guidance on the RSAR report format and expand the granularity of tracked program. Failure to meet these new requirements and expand granularity of program expenditures in future RSAR reports will be deemed non-compliance.

RECOMMENDATIONS

The subsequent 2022 RSAR report will present the final attrition year for TY 2019 GRC. PacifiCorp should pay close attention to the D.20-07-013 and guidance on RSAR reporting. For the 2022 RSAR ED staff recommends:

1. PacifiCorp to list FERC accounts individually for O&M expenses and list capital programs for spending for all years in the GRC cycle, not just 2022. If PacifiCorp cannot list spending by individual programs, at minimum, total SRM capital and O&M spending by year (2019 – 2022) should listed. When the TY 2019 GRC authorizes gross in-service capital, the annual “authorized” should be traceable to the gross in-service capital

⁵ December 15, 2020 [Energy Division Review](#)

⁶ October 6, 2022 CPUC approved a decision in R.20-07-003 refining reporting requirements for RSARs. A decision number has not been assigned as of the date of this letter.

2. When spending variances exceed 20 percent, PacifiCorp Utilities should provide an explanation of the variance and estimate if the program will be completed and forecast if the authorized budget accurately covers program.

If you have any questions or comments, please contact Franz Cheng at Franz.Cheng@cpuc.ca.gov.

Sincerely,

 For

Leuwam Tesfai
Deputy Executive Director for Energy and Climate Policy/
Director Energy Division

Enclosure: ATTACHMENT A – PacifiCorp SRM Spending 2019 through 2021

cc: Bruce Kaneshiro, Energy Division
Franz Cheng, Energy Division
Pooja Kishore, PacifiCorp
Service Lists for A.22-05-006 and A.18-04-002

ATTACHMENT A - PacifiCorp Safety, Reliability and Maintenance Reported Spending 2019 -2021

Authorized				Authorized Change in in-service capital				
	2019	2020	2021	2019 to 2021	2020	2021	2019 to 2021	
Capital¹								
Transmission	91,652,375	112,777,063	114,267,153		21,124,688	1,490,091	22,614,778	
Distribution	223,218,925	282,349,459	282,349,459		59,130,534	0	59,130,534	
	314,871,300	395,126,521	396,616,612		80,255,221	1,490,091	81,745,312	
O&M²								
Transmission	1,037,837	1,147,180	1,147,180	3,332,197				
Distribution	12,091,256	14,477,082	14,477,082	41,045,420				
	13,129,093	15,624,262	15,624,262	44,377,617				
Reported				Reported Change in in-service capital				
	2019	2020	2021	2019 to 2021	2020	2021	2019 to 2021	
Capital								
Transmission	113,009,017	106,004,736	122,581,856		-7,004,281	16,577,120	9,572,839	
Distribution	276,802,157	282,694,520	299,489,116		5,892,363	16,794,596	22,686,959	
	389,811,174	388,699,256	422,070,972		-1,111,918	33,371,716	32,259,798	
O&M								
Transmission	1,234,284	1,066,574	1,115,065	3,415,923				
Distribution	14,839,250	13,319,377	17,385,672	45,544,299				
	16,073,534	14,385,951	18,500,737	48,960,222				
Variance				%				
	2019	2020	2021	2019 to 2021	2019	2020	2021	2019 to 2021
Capital								
Transmission	21,356,642	-6,772,327	8,314,703		23%	-6%	7%	
Distribution	53,583,232	345,062	17,139,658		24%	0%	6%	
	74,939,874	-6,427,265	25,454,361		24%	-2%	6%	
O&M								
Transmission	196,447	-80,606	-32,115	83,726	19%	-7%	-3%	3%
Distribution	2,747,994	-1,157,705	2,908,590	4,498,879	23%	-8%	20%	11%
	2,944,441	-1,238,311	2,876,475	4,582,605	22%	-8%	18%	10%

1. Authorized capital was determined by starting with the capital in-service gross plant balances for each function authorized in the company's last General Rate Case, plus any major transmission or distribution capital addition projects approved for recovery in California rates in the company's approved PTAM.

2. Authorized costs were determined by starting with the costs included in the company's last General Rate Case for the FERC accounts identified, increasing annually for the company's approved PTAM attrition filings to determine "authorized" in rates

2019 AL 622-E

2020 AL 651-E

2021 Filed 6/30/2022 in A.18-04-022