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VIA ELECTRONIC FILING

Oregon Public Utility Commission
Attn: Filing Center
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: AR 676—PacifiCorp's Comments on the Energy Advocates' Proposal on Performance Incentive Mechanisms

PacifiCorp d/b/a Pacific Power (PacifiCorp) respectfully submits the following comments in response to the Energy Advocates' Proposal on Performance Incentive Mechanisms (PIMs) as part of Docket No. AR 676, the multiyear rate plan (MRP) rulemaking.

PacifiCorp appreciates the opportunity to respond to the stakeholder perspectives on PIMs in Phase 2 of AR 676. PacifiCorp is committed to working with Staff and stakeholders to build a PIM portfolio that is workable, transparent, and aligned with the MRP framework. The company agrees with the core principle behind the comments: a well-designed PIM should align with measurable outcomes that matter to customers. It should also avoid adding costs that aren't justified by real improvements in performance.

The following comments are guided by the same principles that Staff set out in Phase 1. PIMs should be within reasonable utility influence, aligned with statutory and Commission priorities, and designed to avoid duplicative rewards or penalties. The framework requires PIMs in six areas: three backstop PIMs (reliability, safety, and customer service) and three outcome-based PIMs (customer disconnections, asset utilization, and community-based renewable energy (CBRE) progress or acquisition targets). PacifiCorp shares the view that PIM designs should stay simple, avoid redundancy with existing dockets and obligations, and not favor specific technologies.

At the same time, some of the proposals raise practical and design concerns that need careful attention before they are adopted. These include how targets are set, how well a utility can actually influence an outcome compared with external factors, and how data would be obtained, verified, and reported. They also include how backstop and outcome-based PIMs would interact with each other and with other regulatory mechanisms. In the sections that follow, PacifiCorp responds to each proposed PIM area, followed by a comprehensive table to summarize adjustments to the initial proposal from the Energy Justice Advocates.

Overall Design of PIM Portfolio

Under the decision of Phase I in this rulemaking and as shown on the Energy Advocates' proposal, there are two categories of PIMs - Backstop PIMs and Outcome-Based PIMs.

PacifiCorp's understanding of the Backstop PIMs is that since utilities will be subject to a MRP framework where they are held to a "budget" these PIMs are intended to prevent the utility from falling down on its basic quality of service to customers. In other words, the utility should not react to the MRP construct by cutting its costs in ways that erode reliability, safety or customer service. As such, these Backstop PIMs are designed as penalty-only PIMs. Given this context, PacifiCorp recommends that when actual quantitative goals are established for these PIMs they be set at levels that would reflect a degradation in service. For example, the targets could be set at a level that reflects 10 percent below what the utility has achieved in recent years. It is important for these targets to be at a level that represents degradation of service, because some variation of some of these PIMs may be outside the utility's control. For example, a small decline in reliability could be the result of the weather in a particular year rather than under-investment by the utility. Penalty-only PIMs should be designed carefully to avoid penalizing normal year-to-year variation in performance.

Backstop PIMs and Outcome-Based PIMs serve different regulatory purposes. Backstop PIMs are intended to protect customers by ensuring that core service quality does not deteriorate under an MRP framework. Outcome-Based PIMs, by contrast, are intended to encourage achievement of specific policy objectives beyond baseline requirements. Because these categories address different objectives, PacifiCorp believes it is reasonable for Backstop PIMs to be penalty-only and for Outcome-Based PIMs to be upside-only. This PIM structure protects customers from deterioration in core utility service while providing utilities with incentives to pursue outcomes that create incremental customer value.

Reliability

PacifiCorp highly recommends only using System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) metrics. Customer Average Interruption Duration Index (CAIDI) is calculated based on a ratio of SAIDI and SAIFI so improvements in SAIDI or SAIFI may not accurately be reflected in CAIDI. The Momentary Average Interruption Frequency Index (MAIFI) is not useful for the goals of the proposed PIMs because MAIFI is used for outages under five minutes. Outages under five minutes do not have the same impacts to customers as longer outages and therefore should be treated separately.

PacifiCorp requests that exclusions are made for major events, as defined by IEE 1366[1], encroachment de-energization, public safety power shutoffs, and enhanced system settings. Events outside of a utility's control may unfairly skew the performance score for this PIM. Utilities already submit separate reports for these exclusionary circumstances.

[1] IEEE 1366 is the industry guide that defines electric distribution reliability indices, published by the Institute of Electrical and Electronics Engineers. Its full title is *IEEE Guide for Electric Power Distribution Reliability Indices*, and the current version is IEEE 1366-2022 https://standards.ieee.org/ieee/1366/7243/.

Safety

PacifiCorp does not support measuring safety performance as violations per hour based on Commission safety audits, because the metric does not reflect how safety violations are found or fixed. The Commission's safety staff audit PacifiCorp's system continually, with five to six audits a year. Before each audit, PacifiCorp provides records, and it corrects any violations found under the National Electrical Safety Code and Oregon's administrative rules. Each violation has a set time frame for correction, so a metric based on correction within a number of days makes more sense than one based on hours. For example, PacifiCorp aims to fix "A-conditions" within 30 days. It records each violation, inspection, correction date and post-inspection photos in its tracking system, and it routinely corrects a high share of conditions by their required dates.

PacifiCorp also requests that any safety PIM exclude violations caused by third-party attachers, such as telecommunications companies. PacifiCorp has limited control over the facilities attached to distribution poles. Consistent with all other states PacifiCorp operates in, PacifiCorp should be accountable only for conditions on its own electric facilities.

PacifiCorp supports the proposed metric on timely correction of immediate hazards, as defined by Commission safety audits, without changes. When an inspector identifies an immediate hazard, the condition must be fixed before the inspector leaves the site. PacifiCorp can report each of these conditions and the date it was fixed, which is generally within a day or two.

Customer Service

PacifiCorp already has internal goals set for call answer times. These goals are part of how the company manages its customer service operations, and it tracks performance against them regularly. PacifiCorp is committed to timely, responsive service for its Oregon customers and supports the goal behind a customer service backstop PIM. Any PIM in this area should build on the metrics and processes that already exist rather than adding a separate set of targets that may not line up with how call center performance is actually managed.

There are a number of challenges to obtaining information required by the proposed PIMs. For example, PacifiCorp sends surveys to customers who have called but there is a low response rate. With so few responses, survey results may not reflect the experience of customers as a whole. Customers with especially positive or negative experiences may also be more likely to respond, which can skew the results. Tying a financial reward or penalty to survey data could mean that a small, unrepresentative sample of customers drives the outcome of the PIM.

It is also difficult for a multi-state utility to track calls specific to one state. PacifiCorp can use area codes of phone numbers to estimate where customers are calling from, but this can be difficult when customers move without changing their cellphone number. As a result, any Oregon-specific metric would rely on estimates instead of measured values. PacifiCorp recommends that a customer service PIM use data the company can measure reliably. It also recommends that the PIM account for the limits of state-level reporting for a multi-state utility.

Some possible alternatives PIMs could be based upon 3rd party surveys that the utility conducts such as JD Powers, call center service level (X% of calls answered in Y minutes), and/or results from the LID program survey. PacifiCorp is open to discussing a Customer Service PIM in more detail with stakeholders.

Disconnections

PacifiCorp agrees that utilities should have goals to reduce disconnections, especially at a time when many customers are economically strained. However, some level of disconnections is necessary to ensure that customers pay their bills. Disconnection is ultimately a last resort, used only after notices, payment arrangements, and bill assistance options have been offered. Without it, some customers would have little reason to resolve past-due balances.

In PacifiCorp's experience, if disconnections decrease, arrearages increase. To decrease both, a utility would need to write-off arrearage amounts, which would then in turn create higher rates for other customers. Uncollectible costs are recovered from all customers through rates. That means a PIM pushing both metrics down at once could shift costs onto other customers, including those who are also struggling financially but are keeping up with their bills.

The standard set to reduce disconnections and arrearages by a certain percent each year is unattainable. Utilities may be able to reduce these amounts in the first few years, but the target will eventually be too low for any utility to reasonably meet. A percentage reduction that compounds every year doesn't account for the floor that will always exist for both metrics. It also ignores factors outside the utility's control, such as economic conditions, net power cost volatility, and the availability of assistance funding. Under this design, a downside or symmetrical PIM would eventually penalize a utility no matter how well it performs. PacifiCorp recommends setting targets against a reasonable baseline that accounts for these factors and is reviewed regularly, rather than requiring continuous annual reductions. PacifiCorp also recommends that this like all other outcome-based PIMs be upside only and not have penalties.

Asset Utilization – Shadow Reporting

As an initial matter, PacifiCorp disagrees that asset utilization should be a goal. A goal of asset utilization presupposes that a utility should strive to have a higher throughput of energy on its equipment. As discussed by PacifiCorp's in Phase I of this proceeding, a transmission line is often a once in a generation investment that must be sized to serve decades of load growth. It may not be in customers' interest to undersize a transmission line and then have a need to build a second transmission line soon after constructing the first. It is also important to note that equipment often comes in standard sizes, and this goal may be particularly unreasonable for a more rural utility where segments of that utilities system will always have a low utilization. PacifiCorp feels more comfortable couching this goal in terms of Asset Efficiency and is comfortable with incentives for utilities to pursue lower cost non-traditional solutions to distribution and transmission investment rather than metrics that presuppose that more a greater

utilization of equipment is per se beneficial. That being said, PacifiCorp acknowledges that this is a goal for PIMs that was approved in Phase I.

PacifiCorp has concerns about the shadow reporting requirements outlined in the proposal. It is unclear what is meant by several of the reporting metrics identified and whether the information is tracked in existing systems. Building new data collection processes to support shadow reporting could require significant administrative effort and cost.

PacifiCorp is also unsure that the requested data would meaningfully inform the development of targets. Without a clear link between the data and the outcomes the metric is meant to measure, shadow reporting may not produce useful insight for setting future targets. Much more discussion with stakeholders and subject matter experts is needed before a decision is made on shadow reporting. Like the Totex/Opex issue, PacifiCorp recommends that further discussion on this topic proceed after the initial FAIR Act rulemaking concludes to give this highly technical topic the attention it deserves.

Asset Utilization – Non-Wires Alternatives (NWA)

PacifiCorp recommends expanding the terminology of this PIM to cover grid-enhancing technologies (GETs) in addition to NWAs. GETs fall within the intended effect of the proposed PIM, which is to get more value out of existing infrastructure and to ensure that alternatives to traditional poles-and-wires investments are pursued when appropriate. NWAs and GETs already overlap, and both include technologies such as batteries that can relieve constraints on the system. Defining the PIM narrowly around NWAs could leave out cost-effective solutions that serve the same purpose. It could also create confusion about which projects qualify. Broader terminology would give utilities the flexibility to pursue the best solution for each system need, so the PIM rewards better asset efficiency. This approach also responds to stakeholder concerns that PIMs should not be technology-specific. Collectively, PacifiCorp recommends that this PIM that would encompass NWAs and GETs could be reframed as “Shared Savings from Non-Traditional Solutions.”

PacifiCorp recommends that this PIM be a reward only for delivery of projects that have shared savings and not have a penalty. Non-traditional solutions should only be pursued if they benefit customers and the availability of such solutions is not always reasonably within the utility’s control. For example, NWAs may be more feasible for utilities with service territories that have higher concentrations of customers who can afford enabling technologies such as smart thermostats, battery storage systems, EVs, and managed charging equipment. This raises equity concerns for utilities such as Pacific Power that serve significant rural and lower-income populations, where adoption of these technologies may be limited and rate designs such as TOU service may provide less value or participation potential.

Additionally, non-wires solutions are only viable when they are cost-effective relative to avoided resource costs identified through the IRP, combined with demonstrable transmission and distribution deferral benefits.

Asset Utilization - Interconnection

PacifiCorp agrees that the time it takes to interconnect distributed energy resources (DERs), such as solar and battery storage, is reasonable for a PIM. However, PacifiCorp recommends measuring the average time needed to secure a *tendered interconnection agreement* rather than an "approved interconnection permit." PacifiCorp is able to track when a project enters the interconnection queue and when it goes into service. However, the full queue-to-service timeline can be extended for reasons outside the company's control, sometimes at the customer's own request. The time required to complete an interconnection can be affected by factors outside the company's control, including supply chain constraints, rights-of-way issues, and customer delays. PacifiCorp also recommends limiting the metric to community solar and small generator interconnections. Stakeholders should consider whether performance can be reported for these projects together or by review tier.

Community Based Renewable Energy (CBRE)

PacifiCorp supports an upside-only PIM for progress on CBRE acquisition, provided it recognizes the cost trade-offs these resources carry for customers. A workable metric would measure the MW of qualifying CBRE that reach commercial operation each year against an annual procurement trajectory.

PacifiCorp does not currently have CBRE acquisition targets. As explained in its Clean Energy Plan filings, acquiring resources that aren't cost-effective, without a statutory basis, creates serious risk of disallowance in ratemaking. CBRE projects may provide real community value, especially local resilience. The Study on Small-Scale and Community-Based Renewable Energy Projects[2], submitted to the Oregon Legislature by the Oregon Department of Energy, concluded that, "the key unique benefit for small-scale or community-based projects is local resilience." However, their price per MWh is much higher than energy from qualifying facilities or the Oregon Community Solar Program. Utilities therefore have to weigh community benefits against the price customers pay for these resources. To keep that balance, PacifiCorp recommends that only CBRE acquired at or below the community solar price count toward the trajectory. An upside-only design would reward the company for adding CBRE at a reasonable cost, without penalizing it for passing on projects that would be uneconomic for customers.

Additionally, PacifiCorp is already building experience in this area through its CBRE Resilience Hub Pilot. The pilot supports solar-plus-storage resilience hubs at critical community facilities and is designed to show the benefits these projects provide to both customers and communities. What the pilot learns about costs, benefits, and barriers to completing projects can help set a reasonable trajectory and incentive level as the PIM is developed.

[2] Available at: https://www.oregon.gov/energy/Data-and-Reports/Pages/SSREP-Study.aspx.

Table Summary

The following table is a summary of proposed adjustments to the initial proposal:

PIM	Advocates' Proposed Outcome	PacifiCorp's Proposed Adjustments
Reliability	CAIDI, SAIDI, SAIFI, MAIFI Second phase - worst-performing circuits & highest energy-burdened communities.	Use SAIDI and SAIFI only.
Safety (audit)	Violations per hour as measured by PUC audit.	Adhere to set time frames based on National Safety Coade and Oregon administrative rules; Exclude violations caused by third-party attachers.
Safety (performance)	Timely correction of "immediate hazards" as defined by existing PUC safety audits.	No adjustments.
Customer Service	Percentage of customer contacts resolved on first contact with customer service resolution options within 72 hours, reflected by language, geography, and (if applicable) relevant program (e.g. community solar, BDP programs).	Recommend an alternative metric such as the results of a 3rd party survey, call center service level, and the results from the survey of LID participants.
Disconnections	Number of disconnections, supported by tracking of: customers in arrears by zip code; customers disconnected by zip code; customers in 90+ day arrears by zip code; and customers enrolled in a bill discount program who are also disconnected and enrolled in a payment arrangement.	Set targets at a reasonable baseline. Upside-only PIM.
Asset Utilization (reporting only)	Data Collection and Reporting on: System throughput, System performance during peak and minimum load periods, and Asset and reliability risk.	Do not require this reporting at this time but consider a deeper investigation after this initial rulemaking concludes.
Asset Utilization (NWA)	Total Cost: Total cost of NWA projects deployed by the utility or acquired through a customer	Expand to include GETs. Should be upside-only.

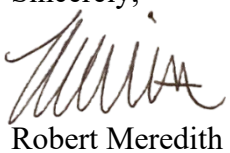
	program or competitive procurement.	
Asset Utilization (DER interconnection)	Average time needed to secure an approved interconnection permit.	Measure the average time needed to secure a “tendered interconnection agreement” rather than an "approved interconnection permit.” Should be upside-only.
Asset Utilization (DER effectiveness)	Grid Services Utilization: total incremental MW of DER systems capable of providing grid services.	No adjustments. Should be upside-only.
CBRE Option 1: per MW Growth	MW of qualifying CBRE reaching commercial operation in the year, measured against an annual procurement trajectory. Multiplier for projects with community ownership, peak reduction capability, or the ability to displace traditional generation investment. Qualification vetted by the CBIAG, or benefits pre-identified jointly by the CBIAG and energy justice advocates.	Preference for this CBRE option. Measure the MW of qualifying CBRE that reach commercial operation each year against an annual procurement trajectory. Should be upside-only.
CBRE Option 2: Shared Savings / Net Benefits	Net benefits and/or savings produced by the utility’s CBRE investments, measured relative to the utility’s reasonable alternative for meeting the same system or customer need. Rewards value created rather than MW procured.	No adjustments. Should be upside-only.
CBRE Option 3: Efficiency Carryover	Benefits produced by a CBRE over time, with incentive value earned in one year carrying forward into subsequent years –recognizing that a solar-plus-storage project or microgrid continues to reduce peak, provide grid services, and deliver resilience well beyond its commercial operation date.	No adjustments. Should be upside-only.

Conclusion

PacifiCorp appreciates the opportunity to comment on the Energy Advocates' Proposal and supports a PIM portfolio that is workable, transparent, and aligned with the MRP framework. PacifiCorp looks forward to continued collaboration with Staff and stakeholders as PIM designs are refined in Phase 2 of AR 676.

If you have any questions about this filing, please contact Amira Thompson, State Regulatory Affairs Manager, at (503) 260-4420.

Sincerely,



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