

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 28, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A**

DATE: December 4, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2019(4))
Reauthorization of deferral accounting for costs related to Wildfire Risk Mitigation Measures and Vegetation Management.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric (PGE, or Company) request to defer costs associated with Wildfire Risk Mitigation and Vegetation Measures for the 12-month period beginning January 1, 2023, through December 31, 2023.

DISCUSSION:

Issue

Whether the Commission should approve PGE's requests for reauthorization to defer accounting for costs related to Wildfire Risk Mitigation Measures and Vegetation Management.

Applicable Law

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs.

OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as reason for the deferral, estimated amount of the deferral, etc.

Commission Order No, 23-173 adopted Stipulations in which, among other things, Staff agreed to “support, or not oppose, approval of PGE's UM 2019 Applications for Deferred Accounting of Costs Associated with Wildfire Risk Mitigation Measures” for 2022 and 2023.

In Order 23-370 the Commission approved PGE’s recovery of \$27.3 million in costs associated with wildfire risk mitigation measures, including 2022 O&M amounts above what was included in rates and capital placed in service from July 2022 through June 2023.

Analysis

Background

In 2019, PGE filed its initial application for the deferral of costs related to wildfire mitigation measures. The initial application sought to defer for later ratemaking treatment the incremental WM-related operating and maintenance (O&M) costs.

PGE’s initial application indicated that while the development and implementation of a comprehensive wildfire mitigation plan is a multi-year effort, immediate steps could be taken to reduce wildfire risks.

PGE filed an application to reauthorize the deferral from July 1, 2020, through June 30, 2021. An additional 2021 Deferral Application was filed seeking to reauthorize the deferral for the July 1, 2021, through June 30, 2022, time period.¹

On June 30, 2022, PGE filed an application to update its prior reauthorization request and to reauthorize deferred accounting of WM-related costs for the period of January 1, 2022, through December 31, 2022. Staff has not yet made any public meeting presentations on these filings and so, the Commission has not acted on these deferral applications. Staff intends to bring the initial deferral filings to a later public meeting as they pose different issues, including predated the wildfire automatic adjustment clause (AAC).

¹ On August 19, 2022, PGE submitted Advice Filing 22-18 to create a new Schedule 151 for Wildfire Mitigation Cost Recovery; this request was moved into Docket No. UE 412, currently in progress.

Consistent with the requirements of SB 762, PGE filed its 2022 Wildfire Mitigation Plan (WMP) in December 2021 ² and filed its 2023 WMP on December 22, 2022.³

PGE files this deferral reauthorization application to defer wildfire mitigation related costs that are incremental and decremental compared to what is included in base rates for the period of January 1, 2023, through December 31, 2023.

Estimated 2023 Costs.

PGE estimates that the incremental WM-related O&M costs for the twelve months of January 1, 2023, through December 31, 2023, to be approximately \$23.6 million, as shown in Table below, which equals the amounts already included in rates.

Table 2
Forecast of 2023 WM-Related O&M Expenses

Activity	\$ millions
Wildfire Mitigation Program	4.7
Inspections	3.1
WM-Related Vegetation Management (including AWRR and EVM)	14.8
Support Areas (including Community Resource Centers (CRCs), Communications, Engineering, Portable Battery Pilot)	1.0
Total 2023 WM-Related O&M Forecast	23.6
Total amount included in base rates	23.6
Total Incremental WM-Related O&M Expenses Forecasted for Deferral in 2023	0.0

Because the expenses forecasted equals the amounts already included in rates, no dollars are expected to be included in this deferral request. However, Staff recommends the deferral application be approved because actual expenditures are likely to be different than projected and the deferral will capture the difference.

In addition, for the same period, PGE anticipates including capital expenditures consistent with PGE's 2023 WMP.

Description of expenses

The Company's 2022 & 2023 WMPs describe the efforts PGE undertakes to reduce the risk that electric utility infrastructure could cause a fire, while limiting the impacts of

² Docket No. UM 2208, Order No. 22-132, *In the Matter of Portland General Electric Company Wildfire Protection Plan* (April 28, 2022).

³ Docket No. UM 2208, Order No. 23-221, *In the Matter of Portland General Electric Company Wildfire Protection Plan* (June 26, 2023).

specific mitigation activities, such as Public Safety Power Shutoff (PSPS) events, on customers.

The Company's states that its WMP discusses PGE's wildfire risk mitigation assessment, including designation of High Fire Risk Zones (HFRZ), operating protocols, asset management and inspections, wildfire mitigation related vegetation management (including the advanced wildfire risk reduction (AWRR) program and Enhanced Vegetation Management (EVM) techniques), community outreach and public awareness, PSPS events, and research and development.

PGE states that wildfire-related planning and research are a year-round endeavor and PGE will continually adapt and evolve its practices and actions to mitigate wildfire risk. Based on the 2023 WMP and related requirements under SB 762, PGE has updated its forecasted expenses and capital to be incurred in the development, implementation, and operation of the 2023 WMP.

Reason for Deferral

Pursuant to ORS 757.259(2)(e), and for the reasons discussed above, PGE seeks deferred accounting treatment for incremental and decremental WM-related costs. The granting of this Application will minimize the frequency of rate changes and/or match appropriately the costs borne and benefits received by customers.

Proposed Accounting

The Company proposes to record it as a regulatory liability in FERC Account, 254 Other Regulatory Liability, with a debit to FERC Account 407.3 Regulatory Debits. If the deferred amount is a debit (collection), PGE proposes to record it as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets) and credit the appropriate FERC expense accounts. When specific identification of the particular source of the regulatory asset cannot be reasonably made, then FERC Account 407.4 (Regulatory Credits) will be credited.

Information Related to Future Amortization

- Earnings review – Recovery of incremental wildfire mitigation related costs is not subject to an earnings review consistent with the Commission adopted PGE, Staff, and AWEC Stipulation in Order 23-173.
- Prudence Review – A prudence review should be performed by the Commission Staff as part of their review of this deferral's annual reauthorization filings or upon approval of an automatic adjustment clause application to update the relevant schedule.

- Sharing – All prudently incurred cost and benefits will be collected from or refunded to customers with no sharing mechanism.
- Rate Spread/Design – will be consistent with the prevailing rate spread/rate design at the time of amortization.
- Three Percent Test (ORS 757.259(6)) – The amortization of the deferred costs will be subject to the three percent test in accordance with ORS 757.259(6), which absent certain exceptions limits aggregated deferral amortizations during a year to no more than three percent of the utility's gross revenues for the preceding calendar year.

Conclusion

Staff reviewed the Company's application, and it is consistent with Order 23-173. Accordingly, Staff recommends the application be approved.

The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve PGE's application and re-authorization to defer costs associated with Wildfire Risk Mitigation Measures and Vegetation Management for the 12-month period beginning January 1, 2023, and ending December 31, 2023.