



Portland General Electric Company  
Legal Department  
121 SW Salmon Street • 1WTC1301 • Portland, OR 97204  
Phone 503-464-7822 • Fax 503-464-2200  
portlandgeneral.com

**Loretta I. Mabinton**  
Managing Assistant General Counsel  
loretta.mabinton@pge.com

March 2, 2022

***Via Electronic Filing***

Public Utility Commission of Oregon  
Attention: Filing Center  
201 High Street Southeast, Suite 100  
Post Office Box 1088  
Salem, Oregon 97308-1088

**Re: UE 394 – In the Matter of Portland General Electric Company, Request for a General Rate Revision**

Dear Filing Center:

On behalf of Portland General Electric Company, Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board, Alliance of Western Energy Consumers, the Kroger Co., Walmart, and Small Business Utility Advocates enclosed for electronic filing today in the above-captioned docket is Supplemental Joint Testimony in Support of Partial Stipulation.

Thank you for your assistance. If you have any questions, please do not hesitate to call me.

Sincerely,

A handwritten signature in blue ink that reads "Loretta I. Mabinton".

Loretta I. Mabinton  
Managing Assistant General Counsel

LM:dm  
Enclosures

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2  
3 **BEFORE THE PUBLIC UTILITY COMMISSION**  
4 **OF THE STATE OF OREGON**

5 **UE 394**  
6 **General Rate Revision**

7  
8 **PORTLAND GENERAL ELECTRIC**  
9 **COMPANY**

10  
11 **Supplemental Joint Testimony in Support of a Partial**  
12 **Stipulation**

13  
14 **Direct Testimony of:**

15 *Michelle Scala, OPUC Staff*

16 *Bob Jenks, CUB*

17 *Bradley G. Mullins, AWEC*

18 *Justin Bieber, Kroger*

19 *Steve Chriss, Walmart*

20 *William A. Steele, SBUA*

21 *Robert Macfarlane, PGE*

22 **March 2, 2022**  
23

1 **Q. Please state your names and positions with your respective organizations.**

2 A. My name is Michelle Scala. I am a Senior Utility Analyst employed in the Strategy Integration  
3 Division of the Public Utility Commission of Oregon (OPUC). My qualifications appear in  
4 Stipulating Parties/102.

5 My name is Bob Jenks. I am the Executive Director of the Oregon Citizens' Utility Board  
6 (CUB). My qualifications appear in CUB/101.

7 My name is Bradley G. Mullins. I am an independent consultant testifying on behalf of  
8 the Alliance of Western Energy Consumers (AWEC). My qualifications appear in Stipulating  
9 Parties/100.

10 My name is Justin Bieber. I am a regulatory consultant for Fred Meyer Stores and Quality  
11 Food Centers, Division of The Kroger Co. (Kroger). My qualifications appear in Stipulating  
12 Parties/100.

13 My name is Steve W. Chriss. I am Director, Energy Services for Walmart Inc. (Walmart).  
14 My qualifications appear in Stipulating Parties/100.

15 My name is William A. Steele. I am a Financial Analyst and a private consultant for  
16 Small Business Utility Advocates. My qualifications appear in SBUA / 101.

17 My name is Robert Macfarlane. I am Manager of Pricing and Tariffs for Portland General  
18 Electric Company (PGE). My qualifications appear in PGE Exhibit 1100.

19 **Q. What is the purpose of your testimony?**

20 A. The purpose of our testimony is to respond to the National Resources Defense Council and  
21 NW Energy Coalition's letter and add to the record regarding one item included in the Third  
22 Partial Stipulation (Stipulation) reached on December 17, 2021, between Parties to this  
23 proceeding, OPUC Staff (Staff), CUB, AWEC, Walmart, Kroger, SBUA and PGE

1 (Stipulating Parties), regarding various topics in this general rate case (Docket UE 394). That  
2 item is the agreement to eliminate PGE’s decoupling mechanism.<sup>1</sup> While Calpine is also Party  
3 to this case, Calpine did not take any position on the issues resolved in the third Stipulation  
4 and did not oppose the Stipulation.

5 **Q. When was PGE’s decoupling mechanism approved?**

6 A. PGE’s Schedule 123 Decoupling was initially approved in 2009 in Docket UE 197 by  
7 Commission Order No. 09-020.

8 **Q. Did parties initially support PGE’s proposed decoupling mechanism?**

9 A. No, Staff argued that the Sales Normalization Adjustment (SNA) would most likely over-  
10 collect PGE’s fixed costs and would shift risks from shareholders to customers. Staff also  
11 argued that it was unlikely the removal of the disincentive for efficiency would change PGE’s  
12 behavior because the Energy Trust of Oregon (ETO) functions as the primary entity for  
13 encouraging energy efficiency and conservation separate from the utilities.

14 CUB argued that decoupling would move the risk of a recession from the utility to  
15 customers and ensure that utilities earned the same profit they would have earned if loads had  
16 not declined. CUB also raised questions as to the effectiveness of decoupling, pointing out  
17 that PGE reduced its energy efficiency investments in the 1990s when it also had a decoupling  
18 mechanism that was designed to remove the disincentive for PGE to invest in energy  
19 efficiency. Finally, CUB raised concerns that decoupling was a shift of risk from shareholders  
20 to customers and was not being offset with benefits such as new energy efficiency programs.

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<sup>1</sup> Stipulating Parties / 301, Muldoon–Gehrke–Mullins–Bieber–Chriss–Steele–Ferchland /4 (Item 7).

1 Kroger opposed decoupling, viewing it as a “revenue assurance” mechanism and noting  
2 that arguments for decoupling are weak given ETO’s role in administering energy  
3 conservation.

4 PGE contended that its proposal ensured that risks and rewards are balanced.

5 **Q. How does decoupling impact customer rates?**

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7 A. For example, for Schedule 32, per the Company’s proposal the anticipated charge in  
8 Schedule 123 would result in a \$2.4 million increase in revenues from the current Schedule 123  
9 charge designed to collect \$1.5 million from Schedule 32 customers. The company estimated a  
10 collection of approximately \$4 million in 2022 based on 2020 results. The 2020 decoupling results  
11 for Schedule 32 customers would be \$10 million and limited materially by the 2% limit. (PGE /  
12 1200 Macfarlane – Tang 42).

13 **Q. Did PGE’s initial proposal in UE 197 include a hard cap based on the two percent limiter**  
14 **per rate schedule?**

15 A. No, PGE proposed a soft cap that would enable balances to roll over into the next year in order  
16 to minimize the risk that the SNA would result in bill impacts greater than two percent in any  
17 particular year.<sup>2</sup>

18 **Q. Following the Commission’s initial decision Order 09-020, did CUB request**  
19 **reconsideration?**

20 A. Yes. CUB raised several issues for the Commission to reconsider including an argument that  
21 the recession in 2009 would lead to a decoupling adjustment that would last several years due  
22 to the rolling over balances that exceed two percent of revenues. In Order 09-176, the  
23 Commission recognized CUB’s concern by implementing a hard cap on collections over two

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<sup>2</sup> Docket UE 197, PGE/1200, Kuns-Cody/29.

1 percent. The Commission provided PGE with ten days to accept or reject the 2-year  
2 decoupling mechanism in light of this change. PGE accepted.

3 **Q. Did PGE request renewal of the 2-year decoupling mechanism?**

4 A. Yes. PGE has requested a series of extensions to the decoupling mechanism. In this case,  
5 PGE requested an extension of the decoupling mechanism through December 31, 2025.

6 **Q. Have the energy policies in Oregon changed since the current decoupling mechanism  
7 was first adopted in 2009?**

8 A. Yes, quite significantly. When decoupling was adopted for PGE the original Renewable  
9 Portfolio Standard (RPS) had been recently passed by the Oregon legislature. However, since  
10 then a number of bills have been passed which collectively make clear that the goals of the  
11 State are to decarbonize and electrify the energy system, culminating in the recently passed  
12 Clean Energy Standard through HB 2021. Further, SB 1547 mandates that PGE “plan for and  
13 pursue all available energy efficiency resources that are cost effective, reliable and feasible.”<sup>3</sup>  
14 This binding language removes the disincentive to invest in energy efficiency that decoupling  
15 was meant to help eliminate, thus greatly diminishing decoupling’s importance in Oregon.

16 **Q. Isn’t decoupling a standard mechanism used in ratemaking to address declining sales  
17 due to energy efficiency and conservation?**

18 A. Yes, decoupling is a standard mechanism, but a decoupling mechanism is just one of many  
19 regulatory tools to address the issue of promoting energy conservation and energy efficiency.  
20 There are numerous other regulatory tools and options, such as the Energy Trust energy efficiency  
21 and transportation electrification in Oregon.

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<sup>3</sup> SB 1547 Section 19(2)(a).

1 **Q. Do the Stipulating Parties agree on all of the details of how to best implement this**  
2 **evolving policy landscape?**

3 A. No. However, the Stipulating Parties do agree that the primary policy arguments used to  
4 justify decoupling (promotion of energy efficiency, disconnecting profits from through-put)  
5 are simply less valid given the evolution of legislative mandates on decarbonization, energy  
6 efficiency, and electrification in Oregon.

7 **Q. The National Resources Defense Council and NW Energy Coalition object to the**  
8 **removal of PGE's decoupling mechanism, arguing "[t]he principal point of revenue**  
9 **decoupling is to break the linkage between utilities 'commodity sales and their financial**  
10 **health, and in the process to eliminate an otherwise inevitable conflict of interest between**  
11 **utility shareholders and customers over many forms of clean energy progress[,] and that**  
12 **"[r]evenue decoupling eliminates major obstacles to utilities 'full engagement in a clean**  
13 **energy transition (including but not limited to energy efficiency gains)."**<sup>4</sup> **What is the**  
14 **Stipulating Parties 'response to these statements?**

15 A. The Stipulating Parties do not disagree that NRDC and NWEC have correctly described the  
16 purposes of a decoupling mechanism. The history of decoupling in Oregon shows that it has  
17 been adopted for the specific purpose of reducing the disincentive for utilities to invest in  
18 energy efficiency as a resource. However, Oregon law now requires utilities to acquire all  
19 cost-effective energy efficiency. The Stipulating Parties believe that a legal mandate is more  
20 effective than a mechanism at removing a disincentive. PGE must acquire all cost-effective  
21 energy efficiency under SB 1547. In addition, the parties disagree that the decoupling

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<sup>4</sup> NRDC/NWEC Objection to Proposed Termination PGE's Revenue Decoupling Mechanism in the Partial Stipulation filed in UE 394, p. 2.

1 mechanism is necessary to “remove major obstacles to utilities’ full engagement in a clean  
2 energy transition.” In fact, it is possible that decoupling could be a disincentive to PGE  
3 investing in Transportation Electrification.

4 **Q. Please elaborate on the potential impact of the current decoupling mechanism on PGE’s**  
5 **incentive to pursue the State’s goal of transportation electrification under ORS 757.357?**

6 A. The Stipulating Parties have concerns about how decoupling affects the utility’s incentive to  
7 accelerate transportation electrification and how decoupling affects ratemaking for  
8 transportation investments. Diminishing PGE’s incentive to accelerate transportation  
9 electrification is problematic because it would run counter to Oregon policy.<sup>5</sup> NRDC argues  
10 that decoupling will discourage PGE from implementing energy efficiency with regards to  
11 transportation electrification:

12 For example, a recent assessment of untapped energy efficiency potential in  
13 electric vehicles demonstrates the cost-effective potential to more than  
14 triple fleet average miles/kWh. With revenue decoupling eliminated, PGE  
15 would lose money with every efficiency upgrade in its customers’ electric  
16 vehicles, or any other efficiency improvements in its service territory’s  
17 buildings or industry<sup>6</sup>.

18  
19 Oregon law requires that utilities acquire all cost-effective energy efficiency. If there is a  
20 cost-effective program that would shift the electric vehicle marketplace to one with triple the  
21 fleet average miles/kWh, the law requires PGE to implement it. The bigger issue is how  
22 decoupling affects transportation electrification (TE) investments and the ratemaking  
23 treatment of those investments.

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<sup>5</sup> SB 1547 Section 20.

<sup>6</sup> Docket 394, NRDC, Objection to Proposed Termination of PGE’s Revenue Decoupling Mechanism in the Partial Stipulation Filed in UE 394 [Portland General Electric Company’s Request for 2022 General Rate Revision]



1 PGE’s incentives to undertake transportation electrification could be reduced by decoupling  
2 because decoupling means PGE does not retain additional revenues associated with increased  
3 electricity usage from electric vehicle charging. According to NRDC, more than 80% of EV  
4 charging happens at people’s homes.<sup>7</sup> PGE’s proposed decoupling rate from this case  
5 (Schedule 123) resets the residential decoupling charge/credit at 9.265 cents/kWh.<sup>8</sup> When  
6 new EVs are added in PGE’s territory, most of the charging revenue is passed back to  
7 residential customers as decoupling credits. Because decoupling limits PGE’s ability to retain  
8 the additional revenues created by EV’s being added to its system, it reduces the incentive  
9 PGE has to accelerate transportation electrification.

10  
11 This pass through of TE load benefits through decoupling limits the Commission’s tools for  
12 cost recovery for TE expenses. TE represents new load on the system. When a new home is  
13 added to PGE’s system, PGE incurs costs to connect that building to the grid. Between rate  
14 cases, PGE retains both the cost of connecting the building to the distribution system and the  
15 revenue from that new customer. At the next general rate case, the cost of the distribution  
16 investment is added to rate base and the revenue from the customer offsets the revenue  
17 requirement of the investment. There is never a need for special ratemaking treatment through  
18 deferrals or automatic adjustment clauses for new load when that new load is a building.  
19 But when that new load is a vehicle, things work differently. The vehicle is most likely  
20 charged at a residential customer’s location and decoupling forces the revenues from that load  
21 to flow back to residential customers. This means that even as electric vehicles become

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<sup>7</sup> <https://www.nrdc.org/experts/patricia-valderrama/electric-vehicle-charging-101>.

<sup>8</sup> See UE 394 -- PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision. Schedule 123.

1 mainstream and meeting that load becomes a consistent, predictable core responsibility of the  
2 utility, it will be hard to eliminate the use of deferrals or automatic adjustment clauses for  
3 costs between rate cases. Removing decoupling is an administratively simple method of  
4 keeping the electric charging revenues with the company. Absent eliminating decoupling, the  
5 utility is forced into seeking other regulatory mechanisms that provide uncertain and lagged  
6 monies and thus reduces utility incentives to effectuate transportation electrification.

7 **Q. If the Commission were inclined to study the role of decoupling in light of the State's**  
8 **recent legislation ordering carbon reduction and transportation electrification would**  
9 **this change the Stipulating Parties' suggestion to eliminate the existing decoupling**  
10 **mechanism as reflected in the stipulation?**

11 A. No. The Stipulating Parties collectively support eliminating PGE's existing decoupling  
12 mechanism.

13 **Q. Are there other reasons to support elimination of decoupling?**

14 A. Yes, business as usual needs to evolve for customer classes. Oregon has undergone significant  
15 evolution in energy legislation using more mechanisms calling for more energy conservation  
16 and COVID-19 impacted residential and small businesses creating a context to reasonably  
17 reevaluate standard mechanisms like decoupling, especially where there are other tools to  
18 balance the sales volume, such as the Oregon legislation promoting transportation  
19 electrification.

20 **Q. Did PGE ultimately propose to eliminate Schedule 123 Decoupling?**

21  
22 A. Yes. PGE initially proposed modifying the mechanism. In PGE's view, the two percent  
23 limiter reflects an asymmetrical mechanism. Other parties see the 2% cap as a rarely invoked  
24 control that offers essential customer protection in the case of a severe recession.

1 The Commission asked, in 2009, if PGE would like to implement decoupling with a soft cap.  
2 It revisited that decision. PGE did not have success in moving parties or the Commission to  
3 support changes to the limiter in Docket UE 335 and did not see support from any parties in  
4 this case. Therefore, during this case PGE proposed, given the increasing likelihood of  
5 exceeding the limiter, to eliminate the decoupling mechanism completely.

6 **Q. Please describe the Stipulation regarding decoupling.**

7 A. In testimony, Staff opposed PGE’s request to modify the decoupling mechanism but was  
8 willing to support continuing the mechanism in its current form. In testimony, CUB opposed  
9 PGE’s modifications to the rate limiter for the decoupling mechanism but did not oppose the  
10 Company’s request to extend the decoupling mechanism to 2025. During the Settlement  
11 Conference, PGE proposed to end the decoupling mechanisms, both the SNA and Lost  
12 Revenue Recovery Adjustment (LRRA), completely as of the rate effective date of this case.  
13 The Stipulating Parties agree that the decoupling mechanisms will end as of the rate effective  
14 date and that any amount accrued up to that point will be subject to future amortization through  
15 Schedule 123. Decoupling is a full year mechanism and the adjustment related to 2022 will  
16 be time prorated based on the period from January 1, 2022, to the day before the rate effective  
17 date of this case. The decoupling mechanism partially disincentives PGE from pursuing the  
18 State’s goal of transportation electrification. Achieving conservation will not be harmed as  
19 the Energy Trust remains intact and funded through customer rates.

20 **Q. Does this conclude your testimony?**

21 A. Yes.