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March 2, 2022

Via Electronic Filing

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem OR 97301

Re: In the Matter of PORTLAND GENERAL ELECTRIC CO.
Request for a General Rate Revision.
Docket No. UE 394

Attention Filing Center:

Please find enclosed the Closing Brief of the Alliance of Western Energy Consumers in the above-referenced docket.

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

Sincerely,

/s/ Jesse O. Gorsuch
Jesse O. Gorsuch

Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 394

In the Matter of)
)
Portland General Electric Company,)
)
Request for a General Rate Revision.)
_____)

CLOSING BRIEF

ON BEHALF OF THE

ALLIANCE OF WESTERN ENERGY CONSUMERS

March 2, 2022

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I. INTRODUCTION

Pursuant to the Administrative Law Judge's January 6, 2022 Ruling in the above-referenced docket, the Alliance of Western Energy Consumers ("AWEC") files this Closing Brief with the Oregon Public Utility Commission ("Commission").

Although parties to this case have worked hard to successfully resolve many issues through four partial stipulations, outstanding issues remain that will substantially affect Portland General Electric Company ("PGE" or "Company") customer rates and Commission policy. AWEC addresses five outstanding issues in this Closing Brief and requests the Commission grant the following relief. First, the Commission should approve the Boardman Deferral in this case and initiate a new consolidated proceeding to evaluate the Wildfire Deferral, Ice Storm Deferral, and Boardman Deferral (collectively, the "Deferrals"), and either approve the approximate \$15 million in annual amortization related to the Wildfire and Ice Storm Deferrals in this case, with both deferrals earning interest at the Modified Blended Treasury ("MBT"), or approve no amortization at this time.

Second, AWEC requests that the Commission adopt AWEC's proposed Schedule 90 subtransmission rate. Third, the Commission should reject PGE's nonbypassability proposal for Schedule 150. Fourth, AWEC requests that the Commission reject PGE's 2022 GRC - Phase II proposal for the Faraday Repowering project. Fifth, the Commission should reject PGE's proposed balancing account and retain the existing Level III storm mechanism. Finally, AWEC

requests the Commission approve the four partial stipulations as filed.^{1/} The four partial stipulations are the result of substantial effort on the part of the stipulating parties and will result in rates that are fair, just and reasonable and further the public interest.

II. ARGUMENT

A. The Commission should approve the Boardman Deferral in this case and initiate a new consolidated proceeding to evaluate all the Deferrals together.

PGE requests that the Commission deny authorization of the Boardman Deferral and consider amortization issues for the three Deferrals in separate dockets.^{2/} As explained below, the authorization of the Boardman deferral is statutorily and discretionarily warranted in this case. Further, consideration of the three Deferrals in separate dockets is unnecessary and does not support judicial efficiency. AWEC recommends the Commission reject PGE's request and approve the Boardman Deferral in this case and initiate a new consolidated proceeding to evaluate the three Deferrals together.

In arguing that each of the three Deferrals be addressed in its own existing docket outside this case, PGE continues to note, as it did in its prehearing brief,^{3/} that parties' recommendations regarding the three Deferrals "continue to evolve and diverge[.]"^{4/} Notably, AWEC's recommendations set forth herein are consistent with its Prehearing and Opening Briefs. Nonetheless, it should not surprise PGE that parties' positions on issues have evolved

^{1/} The first partial stipulation was entered on September 30, 2021; the second partial stipulation was entered December 2, 2021; the third stipulation was entered on January 18, 2022; and the fourth partial stipulation was entered on February 7, 2022.

^{2/} PGE Opening Brief at 29:3; 32:15-17.

^{3/} PGE Prehearing Brief at 39:14-15.

^{4/} PGE Opening Brief at 26:13-14.

given the four partial stipulations^{5/} and the additional information provided by PGE throughout this case showing continued contributions to the Wildfire Deferral that have raised concerns.^{6/}

Evolution of parties' positions throughout a case is not novel.

PGE argues that addressing the three Deferrals in their own existing dockets is appropriate and that “there is little efficiency or benefit to be gained by addressing the three deferrals in this GRC.”^{7/} PGE’s concern regarding efficiency is remedied with AWEC’s recommendation to initiate a new consolidated proceeding. In fact, AWEC’s recommendation to initiate a consolidated proceeding is far more judicially efficient than PGE’s recommendation to address the three Deferrals in their own existing dockets and should therefore be adopted.

- i. The Commission should authorize the Boardman Deferral in this case regardless of whether the Commission determines amortization is appropriate at this time.**

PGE recommends that the Commission deny authorization of the Boardman Deferral.^{8/} As explained in AWEC’s Opening Brief, authorization of the Boardman Deferral is statutorily and discretionarily warranted.^{9/} PGE notes that AWEC and CUB have the burden of proof regarding the Boardman Deferral and argue that “[t]he parties have provided no compelling reason to depart from traditional ratemaking principles under the facts present in this

^{5/} The first partial stipulation was entered on September 30, 2021; the second partial stipulation was entered December 2, 2021; the third stipulation was entered on January 18, 2022; and the fourth partial stipulation was entered on February 7, 2022.

^{6/} See AWEC/300, Mullins/4:1-9; 8:19-9:3.

^{7/} PGE Opening Brief at 27:1-2.

^{8/} PGE Opening Brief at 29:3.

^{9/} AWEC Opening Brief at 3-6.

docket.”^{10/} Contrary to PGE’s statements, AWEC and CUB, jointly and separately, have met both aspects of the burden of proof: the burden of persuasion and the burden of production.^{11/}

PGE notes that the Company, Staff and CUB “agree that Boardman’s closure represents a stochastic event.”^{12/} Given the Commission’s direction in Order No. 10-457, AWEC came to the same conclusion.^{13/} Nonetheless, authorization of the Boardman Deferral is warranted given the magnitude of the Boardman retirement. The balance associated with the Boardman Deferral is \$109,904,915 as of May 9, 2022.^{14/} As explained in AWEC’s Opening Brief, based on the total cost of service revenue requirement provided by PGE,^{15/} the percentage revenue requirement impact is 5.29%. This is materially higher than the revenue requirement increase the Commission would approve by adopting the four partial stipulations in this general rate case. The Boardman Deferral is, accordingly, substantial.

PGE incorrectly states that leaving Boardman in rates does not violate the “used and useful” statute, ORS § 757.355.^{16/} ORS § 757.355(1) ensures that “property that is not ‘reasonably necessary to and actually providing utility service’ is ineligible for either inclusion in the rate base or for a rate of return payable by utility customers[.]”^{17/} According to PGE, “[t]he Commission has been clear that if utility rates are just and reasonable, not discriminatory, and not confiscatory, they are legal even if the rates include depreciation expense and a return for a

^{10/} PGE Opening Brief at 29:11-12 (internal citations omitted); 30:9-10.

^{11/} See In Re Portland General Electric Co., Application to Amortize the Boardman Deferral, Docket No. UE 196, Order No. 09-046, at 7 (Feb. 5, 2009); See CUB Confidential Opening Brief, at 3, 5-15; See AWEC CUB/100 Mullins-Gehrke; See AWEC Opening Brief at 3-6.

^{12/} PGE Opening Brief at 29:13 (internal citations omitted).

^{13/} See AWEC Opening Brief at 5 (internal citations omitted).

^{14/} AWEC/301 Mullins/2 .

^{15/} See PGE Prehearing Brief, Attachment 1, at 1.

^{16/} PGE Opening Brief at 29:16-17 (internal citations omitted).

^{17/} Citizens' Util. Bd. v. PUC, 154 Or. App. 702, 708-710, 962 P.2d 744, 747-748 (1998).

retired plant.”^{18/} In support of this statement PGE cites Gearhart v. Pub. Util. Comm’n of Or., 356 Or 216, 237 n. 15, 339 P3d 904 (2014), noting that “the fact that rates include a component that is prohibited by statute does not necessarily mean that ratepayers have been injured.”^{19/} PGE further states that its rates “remain just and reasonable because the amount of Boardman depreciation and return in rates is more than offset by PGE’s rate base investments not yet in rates.”^{20/} According to PGE, adhering to the “used and useful” statute, ORS § 757.355(1), “would be unworkable in practice, because utilities would be required to change their rates every time they replace a transformer or pole.”^{21/}

However, PGE misinterprets Gearhart v. Pub. Util. Comm’n of Or. There, the Court explicitly “[did] not address whether rates that include a component prohibited by the law can be just and reasonable”, and instead “determine[d] only that the fact that rates include a component that is prohibited by statute does not necessarily mean that ratepayers have been injured.”^{22/} Here, ratepayers will clearly be injured if the Boardman Deferral is not authorized, given its magnitude, \$109,904,915 as of May 9, 2022.

Further, the Boardman Deferral cannot be compared to replacement of a transformer or pole. The Boardman Deferral is a large, discrete generation asset, not a mass plant category such as poles that have average service lives. Notably, PGE appears to agree with this, stating that “Boardman’s retirement is a single event that should be addressed on the

^{18/} PGE Opening Brief at 30:12-14.

^{19/} PGE Opening Brief at fn.128.

^{20/} PGE Prehearing Brief at 45:14-17 (internal citations omitted).

^{21/} PGE Prehearing Brief at 45:17-18.

^{22/} Gearhart v. Pub. Util. Comm’n of Or., 356 Or 216, 237 n. 15, 339 P3d 904 (2014).

specific facts and circumstances related to its closure.”^{23/} PGE attempts to compare the retirement of Boardman to a transformer and pole replacement while simultaneously arguing that it is a unique event and should be treated as such. Regardless, PGE’s contradictory arguments fail.

PGE further cites Order No. 08-478 in support of its argument that “if utility rates are just and reasonable, not discriminatory, and not confiscatory, they are legal even if the rates include depreciation expense and a return for a retired plant.”^{24/} PGE is again mistaken. In Order No. 08-487, the Commission concluded “that removal of a return on investment would have led to higher rates and that the [Commission’s] legal error therefore did not ‘result in unjust and unreasonable rates[.]’”^{25/} The Commission explained that “[r]ates are unlawful in three circumstances: (1) rates are unjust and unreasonable; (2) rates are unjustly discriminatory; or (3) rates are confiscatory.”^{26/} Here, authorizing the Boardman Deferral will not lead to higher rates; in fact, the opposite is true. Based on the total cost of service revenue requirement provided by PGE,^{27/} the percentage revenue requirement impact of the Boardman Deferral is 5.29%. Failure to authorize the Boardman Deferral violates ORS § 757.355(1) and will result in rates that are unjust and unreasonable, and are thereby unlawful.

PGE further argues that “[f]rom a practical perspective, utilities do not and could not remove assets from rates immediately upon their retirement—doing so would require almost daily rate changes and would be contrary to the deferral statute’s aim of “minimiz[ing] the

^{23/} PGE Opening Brief at 31:15-16.

^{24/} PGE Prehearing Brief at 45:12-14.

^{25/} Gearhart v. Pub. Util. Comm’n of Or., 356 Or 216, 237 n. 15, 339 P3d 904 (2014).

^{26/} Docket Nos. DR 10, UE 88, and UM 989, Order. No 08-487, at 21 (Sep. 30, 2008).

^{27/} See PGE Prehearing Brief, Attachment 1, at 1.

frequency of rate changes.”^{28/} PGE is arguing in favor of the Boardman Deferral – indeed, its position is the very reason the Deferral statute exists. Utilities cannot change rates every time an event occurs that substantially impacts rates. Deferrals allow utilities (and their customers) to capture those costs and revenues without having to file rate changes at each occurrence. The Boardman Deferral “minimizes the frequency of rate changes” for this reason.

Finally, PGE incorrectly states that “[u]nexpectedly pulling Boardman out of rates is not required by state law or policy and does not support PGE’s efforts to decarbonize the grid.”^{29/} This is simply confusing. There is no requirement that parties put PGE “on notice” that they intend to file a deferral to capture cost savings; PGE certainly does not provide its customers with reciprocal treatment. Regardless, a deferral filing for Boardman should not have been unexpected given the costs at issue and PGE’s opposing efforts to avoid regulatory lag for generation resources on the front end of an investment’s useful life. Further, PGE’s decarbonization argument appears to be based on the implication that it invested in new plant without filing a rate case earlier. But PGE does not suggest that it would not have invested in this plant absent the Boardman Deferral, and any argument that PGE would have acted differently had it been “put on notice” that parties intended to file the Boardman Deferral is pure speculation.

^{28/} PGE Opening Brief at 30:17-31:1 (internal citations omitted).

^{29/} PGE Opening Brief at 32:13-14.

- ii. **The Commission should initiate a new consolidated proceeding to evaluate the three Deferrals and either approve the approximate \$15 million in annual amortization related to the Wildfire and Ice Storm Deferrals in this case, with both deferrals earning interest at the MBT, or approve no amortization at this time.**

A new consolidated proceeding in which the Commission evaluates the three Deferrals supports judicial efficiency. AWEC continues to further recommend that the Commission either approve the approximate \$15 million in annual amortization related to the Wildfire and Ice Storm Deferrals in this case, with both Deferrals earning interest at the MBT, or approve no amortization at this time given outstanding questions regarding costs booked to the Wildfire Deferral.

PGE argues that “amortization should be considered in the individual deferral dockets, which is consistent with the Commission’s statement when it allowed the deferrals into this GRC[.]”^{30/} However, AWEC’s recommendations regarding the three Deferrals adheres to the Commission’s direction in Order No. 21-436. The Commission explained that “any remaining issues” regarding the Deferrals may be addressed in subsequent deferral dockets.^{31/} Evidence on the record supports that \$15 million related to the Wildfire and Ice Storm Deferrals be amortized in this case. As explained in AWEC’s testimony and briefing, the balance associated with the Boardman Deferral is \$109,904,915 as of May 9, 2022.^{32/} Evidence on the record further shows that the balances associated with the Wildfire and Ice Storm Deferrals may now exceed the Boardman Deferral.^{33/} Approval of approximately \$15 million in annual

^{30/} PGE Opening Brief at 32:19-21 (internal citations omitted).

^{31/} Docket No. UE 394, Order No. 21-436 at 4 (Nov. 24, 2021).

^{32/} AWEC/301, Mullins/2.

^{33/} See AWEC/300 Mullins 3:8-12; 4:1-9.

amortization, subject to refund, would roughly balance the outstanding amounts in the Boardman deferral on one hand, and the Ice Storm and Wildfire deferrals on the other. If the Commission adopts AWEC's recommendation to amortize \$15 million related to the Wildfire and Ice Storm Deferrals, it will not constitute a remaining issue. It has been litigated and may be adequately resolved based on the record in this case. AWEC's alternative recommendation to initiate a new consolidated proceeding to evaluate the three Deferrals and approve no amortization in this case similarly adheres to Order No. 21-436. Given the outstanding questions regarding the Wildfire Deferral,^{34/} the Commission may, in accordance with Order No. 21-436, take up this remaining issue in AWEC's recommended consolidated proceeding. This recommendation is judicially efficient.

PGE states that opening a consolidated docket "would likely cause confusion of the issues...[because] [d]ifferent parties have the burden of proof for the Boardman deferral (AWEC/CUB) and the Emergency Deferrals (PGE)."^{35/} PGE made this same argument in response to AWEC and CUB's motion to consolidate in Docket No. UM 2119^{36/} and the Commission rejected this argument when it allowed the three Deferrals to be considered in this case.^{37/} The Commission and all parties to this case acknowledge that different parties have the burden of proof for the Boardman Deferral and the Wildfire and Ice Storm Deferral. AWEC has confidence that the Commission and all parties to a newly initiated consolidated proceeding will continue to understand the burden of proof associated with the three Deferrals. PGE's

^{34/} See AWEC/300, Mullins/4:1-8; 8:17-9:5.

^{35/} PGE Opening Brief at 33:1-3.

^{36/} See Docket No. UM 2119, PGE Response in Opposition to Motion to Consolidate at 3 (Oct. 15, 2021).

^{37/} See Docket No. UE 394, Order No. 21-436 (Nov. 24, 2021).

unsubstantiated concerns regarding potential confusion should not override the judicial efficiency that will result from a consolidated proceeding.

PGE further argues that a consolidated proceeding would cause confusion because “[t]he Commission has yet to decide whether to authorize the Boardman deferral, and even if it is authorized, the deferrals involve different types of events—the Boardman closure is a stochastic event, whereas the Emergency Deferrals involve scenario events.”^{38/} As explained above, authorization of the Boardman Deferral is statutorily and discretionarily warranted. Additionally, the Commission has previously acted upon its discretion to consolidate cases pursuant to OAR § 860-001-0600 “when consolidation was efficient and logical and when consolidation would clarify and simplify resolution of issues.”^{39/} Initiating a consolidated proceeding to address the three Deferrals is efficient and logical because it will allow the Commission to determine the proper amortization schedule for the three Deferrals simultaneously and in one proceeding, promoting efficiency,^{40/} and make the processing of the three Deferrals “less burdensome on the parties.”^{41/}

Further, in the ALJ’s October 25, 2021 Ruling denying AWEC and CUB’s Motion to Consolidate, the Commission reasoned that consolidation of the Boardman Deferral and this case would require amending the schedule.^{42/} Nonetheless, the Commission allowed the Boardman Deferral to be addressed in this case^{43/} because doing so was logical given the

^{38/} PGE Opening Brief at 33:3-6.

^{39/} Docket Nos. UP 415 and UE 219, Ruling at 1 (Jan. 26, 2021).

^{40/} See Docket Nos. UP 415 and UE 219, Ruling at 2 (Jan. 26, 2021), in which the Commission consolidated two dockets because doing so would “promote efficiency”.

^{41/} Docket Nos. UP 344, UM 1789, and UE 311, Order No. 16-270, at 2 (July 18, 2016).

^{42/} Docket No. UE 394, Ruling at 2-3 (Oct. 25, 2021).

^{43/} Docket No. UE 394, Ruling at 2-3 (Oct. 25, 2021).

interrelatedness of the Boardman Deferral and PGE's GRC. Initiating a new consolidated proceeding for the three Deferrals would remedy any scheduling issues. Further, a consolidated proceeding is logical given that, as PGE notes, the three Deferrals are large and have similar timeframes.^{44/} Therefore, for the reasons above and in accordance with Commission precedent, AWEC continues to recommend that the Commission initiate a consolidated proceeding to address the three Deferrals.

B. A Schedule 90 subtransmission rate is fair, just, and reasonable and will further the public interest.

PGE's cost and safety concerns regarding AWEC's proposed Schedule 90 subtransmission rate are unfounded. Therefore, PGE has failed to present any compelling evidence in opposing AWEC's proposal. Further, a Schedule 90 subtransmission rate proposal is logical given PGE's proposal to reduce the eligibility threshold for Schedule 90 to 30 aMW and should therefore be adopted.

In opposing AWEC's Schedule 90 subtransmission rate proposal, PGE states that the Company is "willing to convene a process with Staff and stakeholders to discuss the appropriate terms and conditions for new subtransmission service."^{45/} PGE argues that such a process is necessary to remedy the Company's concerns regarding customer substation safety standards.^{46/} This preemptive step to establishing a Schedule 90 subtransmission rate would unduly delay institution of a subtransmission rate, would require valuable Staff and stakeholder time and resources, and is unnecessary. Notably, PGE has already offered a solution to mitigate

^{44/} PGE Opening Brief at 33:6-8.

^{45/} PGE Opening Brief at 43:16-18.

^{46/} PGE Opening Brief at 43:19-44:44:2.

safety concerns, suggesting that if the Commission adopts a Schedule 90 subtransmission rate, “the Commission ensure standards are in place to ensure customer owned substations are built and maintained to the same standards applicable to PGE.”^{47/} AWEC does not oppose PGE’s recommendation to maintain consistent safety standards for customer-owned substations.

Additionally, AWEC expert Dr. Lance Kaufman calculated a Schedule 90 subtransmission rate using an identical methodology to PGE’s method of calculating the Schedule 89 subtransmission rate,^{48/} which PGE has not raised any concerns with. Clearly, a Schedule 90 subtransmission rate may be established with minimal or no issues. PGE’s request for additional process is unnecessary.

PGE continues to argue that “[a]lthough PGE has very few customers on its legacy Schedule 89 subtransmission rate, PGE has experienced a number of situations where a customer has failed to properly maintain a substation or neglected meaningful safety issues. These maintenance issues have impacted subtransmission customers as well as other customers on the bulk electric system.”^{49/} The number of customers on PGE’s Schedule 89 subtransmission rate is irrelevant to the of issue of whether a Schedule 90 subtransmission rate is appropriate. Further, as shown in testimony, briefing, and during the February 10th hearing, the safety examples offered by PGE in support of its concerns are unsubstantiated. Specifically, PGE’s witness Robert MacFarlane testified that he was unaware of any reliability or safety issues to the bulk electric system as a result of the mere two examples PGE cites.^{50/} PGE has offered

^{47/} UE 394 / PGE / 3000 Macfarlane – Tang / 22:17-18.

^{48/} See AWEC/200, Kaufman/51:12-16.

^{49/} PGE Opening Brief at 44:2-5 (internal citations omitted).

^{50/} Hearing Audio at 16:40-17:00.

no evidence in this case to support the Company's concerns regarding substation maintenance as it relates to the bulk electric system.

In requesting a process to discuss a Schedule 90 subtransmission rate, PGE now suggests that a transmission service may be appropriate, stating that "[t]aking additional time to review these issues would also provide an opportunity to discuss whether other types of service, such as transmission service, would actually be preferable to subtransmission."^{51/} PGE is free to offer a transmission service if it chooses to do so. However, at issue here is AWEC's proposal to offer a Schedule 90 subtransmission rate. PGE has failed to provide compelling evidence opposing AWEC's proposal.

PGE states that "[t]he subtransmission service offered by PGE to legacy customers under its current Schedule 89 involves non-networked service that may be inadequate to provide the reliability and service quality issues that some industries require."^{52/} It is concerning that PGE offers a rate that may raise reliability and service quality issues. However, PGE has offered no evidence in support of this issue. Further, if PGE's concerns regarding subtransmission rates were material, it is unclear why PGE has not made a filing to remedy these purported issues.

Finally, PGE states that a Schedule 90 subtransmission rate raises unique cost issues.^{53/} PGE fails to cite to any testimony in support of this statement. As AWEC has shown through testimony, briefing, and during the February 10th hearing,^{54/} PGE's concerns regarding

^{51/} PGE Opening Brief at 44:16-18.

^{52/} PGE Opening Brief at 44:18-20 (internal citations omitted).

^{53/} See PGE Opening Brief at 45:7-8

^{54/} Hearing Audio at 22:50-23:14; 23:18-24:10; 23:45-45:38

cost are unsubstantiated. Further, as explained in AWEC’s Opening Brief, any concerns that PGE has regarding potential risks may be addressed in Docket Nos. UM 2024 and AR 651. Docket Nos. UM 2024 and AR 651, combined with the time frame explained in AWEC’s Opening Testimony,^{55/} allows for more than enough time for stakeholders and the Commission to thoroughly investigate and resolve any potential risks before those risks materialize.

C. The Commission should reject PGE’s proposal to initiate a single-issue general rate case to address the Faraday Repowering project.

PGE’s request that the Commission initiate a single-issue general rate case to address the Faraday Repowering project^{56/} should be rejected because final costs and the in-service date associated with the project remain unknown. Faraday is a distinctive project that cannot be compared to previous instances in which extraordinary ratemaking treatment was warranted. PGE has failed to present compelling evidence to the contrary. The Company’s single-issue GRC proposal should be rejected.

PGE states that AWEC’s concerns regarding PGE’s proposal “are unfounded and are outweighed by the efficiencies and fairness of PGE’s proposal.”^{57/} This is simply untrue. Outstanding questions regarding the final budget and in-service date remain. Although PGE notes that “[b]y the time Phase II begins in July or August 2022, the project will be even closer to completion.”^{58/} “Closer to completion” is not completion. PGE’s attempt to rationalize its proposal misses the point put forth by AWEC in testimony and briefing – the Faraday

^{55/} See AWEC Opening Brief at 12.

^{56/} PGE Opening Brief at 4:15-17.

^{57/} PGE Opening Brief at 5:1-3.

^{58/} PGE Opening Brief at 5:8-9.

Repowering project should be considered when final costs and prudence are known and can be fully evaluated. This is not possible until the project is complete.

PGE incorrectly states that AWEC concerns “can be evaluated before the final in-service date...[and] there is no need to delay commencement of the prudence review until after the project is complete.”^{59/} As explained in AWEC’s Prehearing and Opening Briefs, this is not the case. There is potential for further delays associated with the project.^{60/} Additionally, PGE has yet to provide an updated budget estimate associated with the new in-service date.^{61/} Therefore, final costs and the in-service date for the project remain unknown and cannot be evaluated until the final in-service date is known.

PGE argues that AWEC’s concerns regarding single-issue ratemaking and revenue requirement issues are untrue because “[t]he Commission has approved allowing the costs of major assets into rates without conducting a full ratemaking hearing after time periods similar to those at issue here, including, for example, Port Westward, Tucannon, and Carty.”^{62/} AWEC rebutted this argument in its Opening Brief, explaining how Port Westward and Carty were substantially different instances than Faraday.^{63/} Regarding Tucannon, stipulating parties to Docket No. UE 283 “agree[d] that PGE’s decision to construct...Tucannon [was] prudent[.]”^{64/} Furthermore, as a renewable resource, Tucannon was statutorily authorized to be included in rates upon commercial operation via a PGE’s renewable adjustment clause

^{59/} PGE Opening Brief at 5:16-18.

^{60/} AWEC Opening Brief at 14.

^{61/} AWEC Prehearing Brief at 19-20; AWEC Opening Brief at 15.

^{62/} PGE Opening Brief at 6:1-4 (internal citations omitted).

^{63/} AWEC Opening Brief at 15-17.

^{64/} Docket No. UE 283, Order No. 14-422, at 8 (Dec. 4, 2014).

(“RAC”).^{65/} Here, there is no agreement among parties regarding the prudence of Faraday, nor has PGE claimed that Faraday qualifies for its RAC. Parties further agreed that “[i]f the actual capital cost for [Tucannon] is lower than the stated amount, in 2016 PGE will refund the 2015 revenue requirement difference resulting from the lower capital costs, with interest, at its overall authorized cost of capital. If costs exceed the agreed amounts, the prudence of the incremental investments may be examined in the company’s next general rate case.”^{66/} No such agreement has been reached regarding the costs associated with Faraday. In fact, PGE disregards AWEC’s recommendation that if the Commission adopts PGE’s proposal, the Commission should allow parties to the proceeding to raise any relevant issues that may impact PGE’s overall revenue requirement, not just the Faraday Repowering project, in order to mitigate single-issue ratemaking concerns.^{67/} As explained by AWEC in its Opening Brief, if only Faraday is considered in a subsequent proceeding, there is substantial risk of the Company over-collecting its total costs.^{68/} Unlike Faraday, such concerns were addressed and remedied for Tucannon through stipulated terms. PGE’s attempt to compare Faraday to Port Westward 2, Tucannon, and Carty is misguided at best. The extraordinary treatment afforded to Port Westward 2, Tucannon, and Carty is unwarranted for Faraday.

PGE sets forth three reasons why its single-issue GRC proposal is fair and efficient: “First, PGE’s net plant is not expected to decrease between the rate-effective date and Faraday’s estimated in-service date due to depreciation; in fact, it is intended to increase, thus

^{65/} ORS 469A.120.

^{66/} Docket No. UE 283, Order No. 14-422 at 8 (Dec. 4, 2014).

^{67/} PGE Opening Brief at 5:19-6:1.

^{68/} AWEC Opening Brief at 19.

eliminating a key concern about adding investments to rate base in isolation.”^{69/} As explained in AWEC’s Opening Brief and testimony, regulatory lag associated with unrelated capital projects is irrelevant to a determination of whether Faraday should be subject to a separate proceeding.^{70/} As explained by Mr. Mullins, in the context of the Boardman Deferral, regulatory lag is only one component of the Company’s overall earnings, which also includes additional revenue that PGE does not consider.^{71/} AWEC further noted in its Opening Brief that it is also one-sided and contradictory for PGE to raise concerns about regulatory lag it may incur on assets between rate cases while simultaneously seeking to retain the benefits of this lag for its shareholders with respect to the Boardman Deferral.^{72/}

Second, PGE argues that “it would be an inefficient use of the Commission’s and parties’ resources to require an entirely new GRC less than one year after this GRC concludes, particularly when the parties have engaged on this record on key issues relevant to Faraday repowering.”^{73/} To be clear, no party is requesting that the Commission require PGE to file a rate case to include Faraday in rates in less than a year. Whether PGE does so is entirely its decision.

Finally, PGE states that its “2022 annual update tariff (AUT) included the value of Faraday repowering production tax credits and an energy benefit of approximately \$5 million associated with Faraday’s total forecast generation based on an estimated online date of

^{69/} PGE Opening Brief at 7:4-6 (internal citations omitted)

^{70/} AWEC Opening Brief 18

^{71/} AWEC/300, Mullins/7:6-14.

^{72/} AWEC Opening Brief at 18.

^{73/} PGE Opening Brief at 7:6-9

December 1, 2022 for the Faraday repowering project.”^{74/} This consequence is partially a mismatch of timing and partially a consequence of PGE’s own actions in the AUT. By filing this rate case several months after the AUT, it was clear that any resolution on Faraday would not occur until after power costs were established in the AUT. Thus, PGE accepted the risk that the costs and benefits of Faraday would not match. As part of the settlement in the AUT, PGE was allowed to update Faraday’s online date up to its November MONET filing. PGE could have argued that no benefits from Faraday should be included unless and until the investment was found prudent and allowed in rates, but it did not do that.

D. PGE has failed to present the evidence necessary to support adoption of its Schedule 150 nonbypassability proposal.

PGE proposes to expand Schedule 150 “to allow it to recover additional costs associated with transportation electrification not otherwise included in customer prices”^{75/} and further requests that the Commission reject AWEC’s recommendation that “the Commission wait until the conclusion of Docket UM 2024 before deciding whether to allocate transportation electrification costs to direct access customers.”^{76/} According to PGE, “[t]he Commission must make an interim decision in this docket, and PGE’s proposal is supported by existing precedent, law, and regulatory policy.”^{77/} PGE is correct that the Commission “must make an interim decision in this docket.”^{78/} However, that decision must be made based on the evidentiary record in this case.^{79/} As explained in AWEC’s Prehearing and Opening Briefs, PGE has failed to meet

^{74/} PGE Opening Brief at 7:9-12.
^{75/} PGE Opening Brief at 37:5-7.
^{76/} PGE Opening Brief at 37:14-16
^{77/} PGE Opening Brief at 38:1-3.
^{78/} PGE Opening Brief at 38:1-2.
^{79/} ORS 756.558(2).

its burden of proof regarding its Schedule 150 nonbypassability proposal, and therefore the Commission may not approve PGE’s proposed cost allocation method.^{80/}

PGE states AWEC’s argument “to be that PGE has failed to support its policy proposal...with clear Commission precedent.”^{81/} As PGE concedes, “there are few Commission orders supporting PGE’s position.”^{82/} However, PGE is not limited to Commission orders in justifying its proposal. PGE has not yet identified, specified, or quantified the benefits to the electrical system from its electric vehicle (“EV”) pilot programs. Therefore, it is currently impossible to determine a fair and reasonable allocation of these costs to direct access customers based on the record in this proceeding. Nonetheless, PGE goes on to argue that PGE’s proposal is supported by Commission precedent, Oregon’s transportation electrification legislation, and is consistent with cost causation principles.^{83/}

According to PGE, its proposed cost allocation methodology “is substantially similar to the methodology adopted by the Commission in the context of community solar.”^{84/} This is incorrect. Not only was the Commission’s decision regarding the Community Solar Program non-precedential, as noted by PGE,^{85/} but PGE’s proposal for Schedule 150 deviates from the community solar program cost allocation. As explained by AWEC witness Dr. Kaufman, PGE failed to “limit its allocation to ‘above- market’ public policy costs similar to those associated with the Community Solar Program.”^{86/}

^{80/} See AWEC Prehearing Brief at 15-18; AWEC Opening Brief at 19-20.

^{81/} PGE Opening Brief at 38:8-11.

^{82/} PGE Opening Brief at 38:11-12.

^{83/} PGE Opening Brief at 38:14-17.

^{84/} PGE Opening Brief at 38:18-20.

^{85/} PGE Opening Brief at 39:1.

^{86/} AWEC/400, Kaufman/23.

Addressing Oregon legislation, PGE argues that HB 2165 and SB 1547 “indicates a clear intent to ensure that transportation electrification costs be shared broadly among all customers.”^{87/} As explained in AWEC’s Prehearing and Opening Briefs, ORS 757.357(5) sets forth transportation electrification infrastructure measures that benefit utility customers, which PGE has failed cite to in testimony or briefing.^{88/} PGE must specify and quantify the benefits associated with its transportation electrification efforts in order to fairly and reasonable allocate these costs to direct access customers.

PGE states that “cost causation principles support PGE’s proposed Schedule 150”^{89/} because “transportation electrification benefits all Oregonians, and its costs should be shared as broadly and equitably as the Commission has authority to spread them.”^{90/} As explained in AWEC’s Prehearing Brief, the cost-causation principle “seeks to identify and recoup costs from customers causing said costs to be incurred[.]”^{91/} Simply put, PGE has failed to present compelling evidence regarding how direct access customers cause costs associated with Schedule 150 to be incurred. Finally, PGE’s statement that “the issue of nonbypassability of public policy costs has been identified as an issue in need of long-term resolution in the

^{87/} PGE Opening Brief at 39:5-7.

^{88/} AWEC Prehearing Brief at 17; AWEC Opening Brief at 19; ORS 757.357(5) (“An infrastructure measure to support transportation electrification is a utility service and a benefit to utility customers if the infrastructure measure can be reasonably anticipated to: (a) Support reductions of transportation sector greenhouse gas emissions over time; and (b) Benefit the electric company’s customers in ways that may include, but need not be limited to: (A) Distribution or transmission management benefits; (B) Revenues to utilities from electric vehicle charging to offset utilities’ fixed costs that may otherwise be charged to customers; (C) System efficiencies or other economic values inuring to the benefit of customers over the long term; or (D) Increased customer choice through greater transportation electrification infrastructure deployment to increase the availability of and access to public and private electric vehicle charging stations.”).

^{89/} PGE Opening Brief at 39:8.

^{90/} PGE Opening Brief at 39:15-17.

^{91/} AWEC Prehearing Brief at 15; Docket No. UM 2124, Order No. 21-483, Appendix A at 13 (Dec. 23, 2021).

Commission’s ongoing investigation in Docket UM 2024”^{92/} supports AWEC’s recommendation to address the issue in Docket No. UM 2024.

PGE has failed to carry its burden in support of its Schedule 150 nonbypassability proposal. Based on the record in this case, the Commission may not adopt PGE’s Schedule 150 cost allocation proposal. As such, the Commission should reject PGE’s proposal and revisit this issue in UM 2024.

E. PGE’s current level III storm methodology should be retained.

PGE has presented no compelling evidence to support the Commission deviating from the current Level III storm methodology. PGE’s proposal should therefore be rejected, and the current Level III storm methodology should be retained. PGE cherry-picks a portion of AWEC’s brief, stating that “AWEC appears to concede that storm costs have increased over time when declared emergency events are considered in the analysis, but claims that a slight increase in storm costs over time is expected due to inflation and the expansion of PGE’s service territory.”^{93/} However, Mr. Mullins explained that slight increases in storm costs are expected over time and such impacts “are fairly captured in the context of the 10-year average”^{94/}

PGE further states that “the increase in costs associated with event trends is non-linear, undermining AWEC’s overly simplistic conclusions.”^{95/} However, Mr. Mullins identified flaws with PGE’s analysis.^{96/} To correct these flaws Mr. Mullins performed his own analysis

^{92/} PGE Opening Brief at 38:12-14.

^{93/} PGE Opening Brief 25:12-14 (internal citations omitted).

^{94/} AWEC/300, Mullins/22:8-11.

^{95/} PGE Opening Brief at 25:17-18.

^{96/} See AWEC/300 Mullins/21:10-18.

which showed that “Level III storm costs actually declined over the 27-year period.”^{97/} PGE has raised no issues with Mr. Mullins’ analysis. Further, PGE has not disputed evidence put forth by AWEC that shows PGE’s current methodology adequately captures the impacts of climate change.^{98/}

PGE argues that an update to the Level III mechanism is necessary because there are “no objective criteria governing which events are declared emergencies, and there will likely be severe Level III events that are not declared emergencies for which the new emergency deferral policy is not available.”^{99/} However, as Mr. Mullins explained, PGE sufficiently recovers storm costs through the current Level III mechanism in combination with the emergency deferral policy.^{100/} Taken together, “there is no valid reason to make a systematic change to the way Level III storm costs are recovered in this case.”^{101/}

III. CONCLUSION

For the foregoing reasons, AWEC recommends that the Commission grant the following relief, which will yield overall rates for PGE that are fair, just, and reasonable and policy decisions that further the public interest:

- (1) Approve the Boardman Deferral in this case and initiate a new consolidated proceeding to evaluate the Wildfire Deferral, Ice Storm Deferral, and Boardman Deferral and either approve the approximate \$15 million in annual amortization related to the Wildfire and Ice Storm Deferrals in this case, with both deferrals earning interest at the MBT, or approve no amortization at this time;
- (2) Adopt AWEC’s proposed Schedule 90 subtransmission rate;

^{97/} AWEC/300, Mullins/21:22-23.

^{98/} AWEC Opening Brief at 21; AWEC/300, Mullins/21:3-9.

^{99/} PGE Opening Brief at 26:1-3.

^{100/} AWEC/300, Mullins/20:15-17.

^{101/} AWEC/300, Mullins/20:17-19.

- (3) Reject PGE's nonbypassability proposal for Schedule 150;
- (4) Reject PGE's 2022 GRC - Phase II proposal for the Faraday Repowering project;
- (5) Reject PGE's proposed balancing account and retain the existing Level III storm mechanism; and
- (6) Approve the four partial stipulations as filed.

Dated this 2nd day of March, 2022.

Respectfully submitted,

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