BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 394

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision.	STAFF PREHEARING BRIEF

Staff of the Public Utility Commission of Oregon files this prehearing brief pursuant to the administrative law judge (ALJ)'s January 6, 2021 Ruling modifying the procedural schedule in this matter. Under the original schedule adopted on August 3, 2021 and as slightly modified by the ALJ, the parties have the opportunity to file three briefs, the Prehearing brief due on February 7, 2022, the Opening Brief due on February 22, 2022, and the Closing Brief due on March 2, 2022.

The Prehearing Brief is typically used to present a summary of each party's case to establish a roadmap for the ALJ and Commission for the scheduled hearing. The prehearing typically does not contain a thorough discussion of other parties' position and counter arguments. Instead, this discussion is found in the parties' Opening and Closing Brief; at least this is what Staff intends. PGE filed its extensive testimony on the remaining contested issues in this docket one week ago on February 1, 2022. To the extent not done so in this Prehearing Brief, Staff will address that testimony in its Opening Brief filed on February 22, 2022.

Portland General Electric Company (PGE) filed a request for a general rate revision on July 9, 2021. Most of the issue identified in testimony regarding PGE's rate filing have been resolved by four stipulations previously filed in this case, leaving the following contested issues:

(1) Whether and how PGE's Level III Outage Mechanism should be modified?

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(2) Whether the Commission should conduct a Phase II of this rate case to determine the ratemaking treatment for PGE's Faraday Repowering Project scheduled to come on-line seven months after the rate effective date for this general rate case?

(3) Whether five percent of the proposed $55.3 million of Test Year expense for wildfire mitigation and vegetation management should be subject to a performance-based rate mechanism?

(4) Whether the Commission should approve the pending request to defer amounts PGE collected in rates for the Boardman Plant (Boardman) after Boardman closed?

(5) Whether and how the Commission should authorize PGE to amortize amounts deferred for Boardman, the 2021 Ice Storm, and 2020 Wildfires?

(6) Whether the Commission should approve PGE's proposal to include non-bypassable charges for certain programs on all customers' bills, even Direct Access customers?

(7) Whether the Commission should require PGE to adopt a "subtransmission rate" for Schedule 90 Large Nonresidential Standard Service (>4,000 kW and Aggregate to >100 MWa)?

1. The Commission should adopt Staff's proposed modifications to PGE's Level III Outage Mechanism.

The Commission authorized PGE's "Level III Outage Mechanism" in PGE's 2009 general rate case docketed as UE 215. The Mechanism allows PGE to include expense for Level III outage events in its revenue requirement and requires PGE to accrue the unused amounts collected in rates for Level III Outage restoration costs incurred in subsequent years. A Level III outage is an event that (1) impacts at least 50,000 customers; (2) qualifies for Institute of Electrical and Electronics Engineers (IEEE) Major Event Day exclusion; or (3) puts several substations and feeders out of service.

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The annual amount included in PGE's rates is updated each general rate case based on a ten-year rolling average of Level III outage costs, adjusted to reflect present value costs. In Docket No. UE 319, the Commission approved the parties' stipulation increasing the annual amount recovered in rates from $2 million to $2.6 million based on an updated rolling 10-year average of Level III outage costs from 2007-2016. In Docket No. UE 335, the Commission increased the amount recovered annually for Level III outage costs to $3.8 million, based on an updated ten-year rolling average. In both UE 319 and UE 335, the Commission rejected PGE's request to create a "balancing account," that would allow PGE to defer costs that exceed those PGE had accrued for Level III outages and offset them against future accruals.

In this case, PGE once again proposes to modify the Level III Outage Mechanism to allow the balance to go negative when costs exceed accrued amounts. Put another way, PGE proposes a mechanism that would allow dollar-for-dollar recovery of expense incurred in response to Level III outages, albeit subject to some sharing. Under PGE's proposal, PGE would absorb ten percent of costs that cause the accrual to dip below -$12 million and ten percent of accruals that exceed $12 million. Otherwise, ratepayers would pay all costs of Level III outages.

In support of its proposal PGE testifies "that with the impacts of climate change: 1) the types of [Level III Outage] Events PGE is experiencing are changing over time; and 2) there appears to be an increasing frequency and intensity of Events."[1] PGE suggests that Level III outages are increasing in both frequency and cost, and therefore it is appropriate to modify the mechanism to ensure PGE gets dollar-for-dollar recovery of Level III outage restoration costs.[2]

PGE's filing does not satisfy the Commission's criteria for a change to the Level III Outage Mechanism specified in its opinion in Docket No. UE 335. In that case, the Commission stated that any future request for "an alternative Level III storm deferral mechanism based, in part, on claims of greater storm intensity due to climate change, however, should include some

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[1] PGE/2400, Bekkedahl-Tooman/16.

[2] See Staff/2700, St. Brown/4-5.

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foundational analysis to justify this claim, and provide a chain of causation that connects evidence of expected increases in storm frequency and intensity to increased costs."[3] While Staff does not dispute that the frequency of Level III Outage events may be increasing, the costs subject to the Mechanism are not, Staff showed that costs for the Level III outages covered by this Mechanism have not increased since the last general rate case, contravening PGE's arguments that changing circumstances warrant modifications to the Mechanism.

Furthermore, PGE's concern regarding exposure to excessive Level III outage restoration costs is out of place in the current regulatory environment. The Commission has approved PGE's Application for a Pre-Filed Emergency Deferral of Costs Associated with Declared Emergencies.[4] Now, restoration costs associated with an event for which the Governor has declared a State of Emergency are automatically deferred. Deferred costs are not recovered through the Level III Outage Mechanism but are recovered separately. In fact, updating the ten-year average of the Level III outages covered by this Mechanism (i.e., excluding those events that are the subject of a separate deferral) results in a reduction of the expense collected in rates for Level III outages from $3.8 million to $3.6 million.

Staff does support a modification to the Mechanism to alleviate PGE's concern that the Mechanism does not capture the impact of increasing outage events. Under Staff's proposed modification, the amount collected in rates for Level III outages would be updated annually based on the average of the most recent ten years' Level III outage expense. In its Opening Testimony, Staff proposed that this update occur mid-year and incorporate data from the most recently ended calendar year. However, Staff now supports a proposal made by CUB to update the rates for Level III outages on January 1of each year to coincide with other annual rate changes and minimize the frequency of rate changes. With this modification, there would be

[3] *In the Matter of Portland General Electric Company Request for a General Rate Increase* (UE 335), Order No. 18-464, p. 14.

[4] *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application for a Pre-Filed Emergency Deferral of Costs Associated with Declared Emergencies* (UM 2190), Order No. 21-309).

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twelve months between the last year of the ten-year rolling average and the date of the rate change.

Staff believes that its proposed change to the Mechanism, along with the Commission's approval of PGE's Emergency Deferral account, balances the interests of customers and shareholders with respect to Level III outage costs.

2. The Commission should reject PGE's request for a special ratemaking mechanism for the Faraday Project.

The Faraday Repowering Project ("Faraday Project") involves the replacement of PGE's original Faraday Hydro Plant on the Clackamas River, specifically Units 1 – 5 and the original powerhouse. The new powerhouse will consist of two higher efficiency turbines (Units 7 and 8), and a reinforced concrete powerhouse with new flood protection systems.[5] In its original testimony, PGE estimated the Faraday Project would be finished in March 2022. In its most recent round of testimony filed February 1, 2022, PGE estimates Faraday will be on-line in December 2022. In the Third Partial Stipulation previously filed in this case, stipulating parties agreed to the removal of the Faraday Project from PGE's proposed revenue requirement underlying PGE's proposed rate change on May 9, 2022.

In its final round of testimony, PGE asks the Commission to conduct a "Phase II" of this general rate case to determine the ratemaking treatment of the Faraday Project. PGE is open to suggestions for the particulars of Phase II but suggests it could commence in July or August 2022 when the repowering project is nearing completion include three rounds of testimony, a hearing and briefing.[6]

Staff opposes PGE's proposal for a Phase II in this rate case to address the Faraday Project. In addition to challenging the prudence of PGE's decision to proceed with the Project, both AWEC and Staff have raised issues related to PGE's management of the Project.

[5] Staff/1000, Enright/13.

[6] PGE/2600, Bekkedahl-Tinker/14-15.

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Importantly, PGE only recently replaced the general contractor for the Project. In light of the previous delays in the Project and Staff's concerns with PGE's cost management and cost overruns, Staff believes it is inappropriate to begin the review of PGE's project costs before the project is complete and the total costs are reasonably known. Staff believes that a rigorous revie is required, not only into the costs of the Project but into the prudence of the decision to proceed with the investment.

Even assuming that the general contractor PGE has hired will meet the target on-line date (an assumption for which there is little foundation), the earliest a Phase II of this rate case could commence would be December 2022. This would mean a Phase II rate effective date sometime in in the second or third quarter of 2023. PGE has not demonstrated that this extraordinary ratemaking treatment is warranted.

3. The Commission should approve Staff's proposed performance-based ratemaking mechanism for a portion of PGE's expense for wildfire mitigation and vegetation management.

PGE's proposed 2022 Test Year includes $55.3 million for wildfire mitigation and vegetation management overhead and management (O&M) expense. Staff, PGE, CUB and AWEC have stipulated to the inclusion of $55.3 million in PGE's 2022 Test Year. The only contested issue is whether the recovery of the "last" $3 million, which is approximately five percent of PGE's requested $55.3 million, should be subject to a performance-based ratemaking mechanism proposed by Staff. Under Staff's proposed Wildfire Mitigation and Vegetation Management (WMVM) mechanism PGE could recover the last $3 million of PGE's proposed Test Year expense, plus $3 million more, if PGE actually incurs the expense (i.e., incur more than $52.3 million for wildfire mitigation and vegetation management in a calendar year) and has not received more than a specified number of Notices of Violations from OPUC Safety Staff violating requirements related to vegetation management. Thus, the conditions placed on recovering the $3 million protects customers in the even the Company fails to fully make its

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project expenditures and also provides parties an opportunity to review the prudence of such expenditures.

PGE opposes Staff's proposed WMVM mechanism, arguing that it violates the dollar-for-dollar recovery of prudently incurred costs guaranteed in SB 762 (2021) and is therefore not allowed. PGE also argues that Staff's mechanism, which is based on a mechanism adopted by the Commission for PacifiCorp in 2020, is outdated and not properly tailored to achieving the mechanism's goal of incenting wildfire mitigation efforts.[7]

PGE's vehement opposition to Staff's proposed mechanism overlooks several significant points. First, PGE's proposed Test Year expense for this rate case represents a dramatic increase for wildfire mitigation and vegetation management. In its Opening Testimony, PGE stated that its 2022 Test Year includes $6.6 million for wildfire mitigation O&M expense, which is an increase of $4.6 million over 2020 actuals, representing a 230 percent increase in spending. PGE also stated that its 2022 Test Year includes $48.7 million for vegetation management O&M expense, which is an increase of $22.6 million over 2020 actuals representing an 87.9 percent increase in spending. This dramatic increase in spending introduces uncertainty into the accuracy of PGE's forecasted expense. Given the unprecedented increase in spending, it is appropriate to place some safeguards to ensure the money PGE collects in rates for wildfire mitigation and vegetation management is actually used for those purposes and used effectively. The mechanism provides such safeguards.

Third, PGE's objections to the mechanism on the ground it is inconsistent with SB 762's requirements regarding wildfire mitigation overlooks the fact Staff's WMVM mechanism applies to both wildfire mitigation and vegetation management expense, much like the mechanism adopted for PacifiCorp in UE 374. In PGE's opening testimony, PGE stated that $48.7 of the $55.3 million of Test Year expense was for <u>vegetation management</u>. PGE subsequently amended that statement, testifying that $19.4 million of the $55.3 million is properly classified as

[7] PGE/2800, Bekkedahl-Tinker-Brownlee/1-2.

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wildfire mitigation expense.[8] Notwithstanding, PGE's arguments based on SB 762 overlook that the fact that the majority of the $55.3 million of Test Year expense is simply not subject to the provisions of that bill.

Similarly, PGE's argument that the mechanism's cost recovery limitation related to vegetation management requirements is not a reasonable method of incenting wildfire mitigation overlooks the fact that the WMVM applies to expense collected from ratepayers for vegetation management! Contrary to PGE's assertions, it is reasonable to condition PGE's recovery of a fraction of its expense for vegetation management on a requirement that PGE maintain a reasonable level of efficacy in its vegetation management program.

Finally, PGE's argument that SB 762 mandates dollar for dollar recovery of expense related to wildfire mitigation is not supported by Commission precedent. In its 2007 opinion regarding PGE's and PacifiCorp's request for a special ratemaking mechanism for the variable power costs associated with its renewable resources, the Commission addressed whether the following language in ORS 169A.160 required dollar-for-dollar rate recovery:

> (1) Except as provided in ORS 469A. 180(5), all prudently incurred costs associated with compliance with a renewable portfolio standard are recoverable in the rates of an electric company[.]
>
> (2) The Public Utility Commission shall establish an automatic adjustment clause as defined in ORS 757.210 or another method that allows timely recovery of costs prudently incurred by an electric company to construct or otherwise acquire facilities that generate electricity from renewable energy sources and for associated electricity transmission.[9]

The Commission concluded,

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[8] PGE/2800, Bekkedahl-Tinker-Brownlee/5.

[9] *In the Matter of Portland General Electric Company and PacifiCorp dba Pacific Power Request for Generic Power Cost Adjustment Mechanism* (UM 1662), Order No. 14-508, p. 5.

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> Based on our plain reading of the statute, we agree with Staff, CUB, and ICNU ***that ORS 469A. 160(1) does not mandate dollar for dollar recovery of all RPS costs, but rather allows the utilities the opportunity to recover their variable costs.*** The current ratemaking treatment of the utilities' resources provides this opportunity for the utilities to fully recover the costs of all their generation resources, including renewables—subject to the deadbands, sharing bands, and earnings test in their respective PCAMs.[10]

Based on this Commission precedent language in SB 762 that is essentially the same as the language in ORS 469A.160 discussed above does not require dollar for dollar recovery of wildfire mitigation costs. The pertinent language of SB 762 is as follows, "[a]ll reasonable operating costs incurred by, and prudent investments made by, a public utility to develop, implement or operate a wildfire protection plan under this section are recoverable in the rates of the public utility from all customers through a filing under ORS 757.210 to 757.220. The commission shall establish an automatic adjustment clause, as defined in ORS 757.210, or another method to allow timely recovery of the costs." SB 762 requires that the Commission provide PGE with the opportunity to recover costs to implement or operate a wildfire protection plan adopted pursuant to SB 762 but does not guarantee dollar for dollar recovery. Even with respect to the five percent of PGE's proposed Test Year amounts for wildfire mitigation and vegetation management that is subject to the WMVM, this requirement is satisfied.

4. The Commission should approve AWEC's and CUB's request to defer amounts PGE collected in rates for Boardman after Boardman was no longer in service.

On October 8, 2020, CUB and AWEC filed a request to defer PGE's expenses and capital costs associated with the Boardman Plant ("Boardman") currently included in the Company's base rates established in its 2019 general rate case, beginning on the date that Boardman ceases operations. CUB and AWEC filed a request to re-authorize the deferral in October 2021.[11] The

[10] Id., p. 6 (emphasis added).

[11] Staff/2600, Moore-Dlouhy-Storm/9.

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deferrals satisfy the criteria for deferral in the Commission's two-step inquiry and should be approved.

In the first step of its inquiry, the Commission's determines whether the requested deferral satisfies the statutory criteria of ORS 757.259(2)(e). Under ORS 757.259(2)(e) the Commission may authorize a deferral of "[i]dentifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers."

In the second step, the Commission determines whether to exercise the discretion granted by ORS 757.259 to grant the deferral.[12] To do this, the Commission examines the magnitude of the underlying event in terms of the potential harm. The type of event, whether it was foreseeable or not, will affect the amount of harm that must be shown by the utility. If the event was modeled or foreseen, without extenuating circumstances, the magnitude of harm must be substantial to warrant the Commission's exercise of discretion in opening a deferred account. If the event was neither modeled nor foreseen, or if extenuating circumstances were not foreseen, then the magnitude of harm that would justify deferral likely would be lower (that is, material rather than substantial).

The requested deferral satisfies the statutory criteria for deferral because if granted, it would allow the Commission to match the benefits and costs of the Boardman facility. There was no Boardman facility during the deferral period and therefore no associated benefits for ratepayers. If the deferral is approved, the amounts ratepayers paid for non-existent benefits can be returned to them through amortization of the deferral balance.

The requested deferral also satisfies the Commission's discretionary criteria. The closure of Boardman was foreseen. Accordingly, the amounts at issue must be substantial to

[12] *In the Matter of the Public Utility Commission of Oregon Staff Request to Open an Investigation Related to Deferred Accounting* (UM 1147), Order No. 06-507.

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warrant deferral or there must be extenuating circumstances. Staff believes both criteria are met. The amounts at issue exceed $100 million,[13] which is sufficient to satisfy the standard for a foreseen event. Additionally, there are "extenuating circumstances." As of the date of this testimony, PGE has collected money from customers for over two years for a plant that is no longer in service. Customers should not have to pay for a generating plant that no longer operates and has been fully paid off. Further, it is the policy of the State to eventually remove from rates all costs of coal resources and application of a deferral will allow this policy to be carried out for the Boardman plant consistent with this State objective.

5. The Commission should approve Staff' proposal for amortizing amounts deferred for Boardman, Labor Day wildfires in 2020, and the February 2021 ice storm.

Staff recommends the Commission approve the Boardman deferral and address issues related to the amortization of all three deferrals in this general rate case and authorize amortization of amounts deferred in 2020. Staff recognizes that the Commission could address amortization of the three deferrals in separate dockets. However, the parties to this docket have testified regarding amortization issues and there will be three rounds of briefs filed before this matter is submitted to the Commission. Staff anticipates that the record will be sufficient for the Commission to at least determine the parameters of the earnings review and any sharing for the three deferrals in this docket. Also, because a report of PGE's earnings for calendar year 2020 is available, the Commission is able to conduct an earnings review for amounts deferred in 2020. Accordingly, amounts deferred in 2020 could be amortized if they are found prudent.

a. Earnings review parameters.

ORS 757.259(5) specifies that amounts deferred under that statute "shall be allowed in rates only to the extent authorized by the commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral" and that the "commission's final determination on the amount of deferrals allowable in

[13] Staff/2300, Moore-Dlouhy-Storm/10.

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the rates of the utility is subject to a finding by the commission that the amount was prudently incurred by the utility." The Commission has previously stated that it tailors the earnings review in ORS 757.259(5) to suit the underlying deferral. "For example, if the Commission authorized deferral of an emergency increase in cost, the earnings test applied might allow a utility to amortize the deferral to the extent that it brings the utility's earnings for the period up to the bottom of a reasonable range."[14] Conversely,"[i]f the deferral was designed to create a fund for the benefit of customers, the earnings test might require the utility to refund the deferral except for the portion necessary to bring the utility's earnings up to the bottom of the range of reasonable rates of return."[15]

For multi-year deferrals, the Commission has reviewed the utility's earnings and the deferral amounts by calendar year, applying a separate earnings review for each year of the deferral.

Based on these precedents, Staff recommends the Commission adopt an earnings test benchmark of 100 basis points below PGE's authorized ROE. PGE would be allowed to amortize deferred costs only to the extent the amortization does not increase PGE's earnings above this benchmark. PGE would also not be able to amortize any portion of a credit that would cause PGE's earnings to go below this benchmark. Staff's recommended earnings test benchmark both incents the Company to minimize recovery costs for catastrophic events and ensures customers are refunded as much of the amounts collected for Boardman as possible, without endangering the financial health of the company.

PGE should use the components of the authorized ROR in effect for each calendar year of the deferral periods to calculate the deferred balances for each calendar year as well as the impact to the PGE's annual earnings and ROE. Staff recommends that for each calendar year, the earnings review for the deferrals be conducted after aggregating the deferrals applicable for

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[14] *In re* Portland *General Electric Company* (UE 82), Order No. 93-257, pp. 11-12.
[15] *Id.*

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that year. Using this approach, the Commission will determine the impact of the net amount on PGE's earnings.

b. Sharing.

The Commission has stated a policy that even when a utility incurs substantial costs for a single stochastic or scenario event, the utility is expected to absorb a certain amount of the costs associated with normal business risk.[16] This expectation is typically implemented with a deadband on the deferral, so that only amounts that exceed an amount that represents normal business risk are actually deferred.[17] In addition, the Commission has required sharing for the amounts that are deferred for a catastrophic event like the Wildfire or Winter Storm. In its order regarding PGE's request to defer costs associated with a catastrophic outage at its Boardman plant, the Commission stated:

> [A] utility should be given appropriate incentives to minimize costs incurred during any event that may be the subject of a deferral application. Consequently, after the 80 basis points deadband on ROE is applied, PGE should be allowed to defer 90 percent of the deadband-adjusted replacement costs eligible for deferral. Requiring a utility to absorb 10 percent of the deadband-adjusted replacement costs provides an incentive to the utility to minimize the duration of, and costs associated with, future plant outages.[18]

To incent PGE to prudently manage its restoration costs, Staff recommends 90/10 sharing between ratepayers and PGE, with PGE absorbing ten percent of the prudently incurred deferred

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16 *See e.g.*, *In the Matter of Portland General Electric Company* (UM 1817), Order No. 19-274, p. 12 (Denying request to defer storm recovery costs when the "impact of 36 basis points on ROE is well within the range of risk a company can be expected to absorb between rate cases.").

17 Order No. 07-049, p. 10 (UM 1234) ("For the Boardman Outage, we find the appropriate measure of normal risk to be the range of foreseeability we earlier defined as a reasonable deviation range around the pertinent forced outage rate. We find that PGE should not be allowed to defer costs that would likely be associated with an outage within this range of normal risk.")

18 *Id.*

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costs. This sharing would be applied before application of the earnings test and accordingly, only 90 percent of the prudently incurred amounts that have been approved for deferral would subject to the earnings test.

Staff does not recommend sharing for the Boardman deferral. Unlike the recovery of costs in the Wildfire and Winter Storm Deferrals, allowing PGE to keep a percentage of the deferred amounts will not incent behavior that is beneficial for customers. In fact, allowing PGE to keep a portion of the amounts collected from customers for a plant that was not operational incents PGE to continue to charge customers for as long as it can for the retired plant rather than seeking a rate change to eliminate recovery for Boardman from its revenue requirement. Idaho Power sought a rate change in Idaho soon after Boardman ceased operating to eliminate Boardman from its revenue requirement.[19] It would be unfair to allow PGE to benefit from not taking a similar action by allowing PGE to keep a portion of the amounts it collected from customers for Boardman.

c. Earnings Review and Amortization for 2020 Deferrals.

The actual annual balances of the Wildfire deferral for 2020 through September 2021, and the expected amount deferred from September 2021 through the rate effective date are included below in Table 1.

Table 1: Annual UM 2115 Deferred Amounts[20]

	Actual Amounts		Future Expected Incremental Amounts	
	9/10/20-12/31/20	1/1/21-9/30/21	10/1/21-12/31/21	1/1/22-4/30/22
O&M	$ 18,389,536	$ 25,887,890	$ 7,453,500	$ 9,884,000
Capital	$ 6,144,359	$ 7,704,508	Not given	Not given

[19] See Case Number IPC-E-20-32 with the Idaho Public Utilities Commission.

[20] Figure constructed using data from PGE's attachment D to Staff DR No 126.

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As noted above, in Order No. 20-389 the Commission adopted Staff's recommendation to net the amounts included in the table above against deferred revenue requirement amounts associated with plant that is no longer used and useful. According to Attachment E to PGE's response to Staff DR 126, the current net book value of retirement of plant that is no longer used and useful is $448,471.10 as of the end of September, 2021.[21] This amount would be subtracted from the capital amounts included in the table above.

Further, Staff agrees with AWEC that the amounts for utility overheads and items such as advertising expenses should be excluded from the deferral because PGE is already recovering those costs in base rates.[22] Based on AWEC's calculations, the impact of removing the overhead labor loadings and other miscellaneous costs is a reduction of $913,556 to the UM 2115 Wildfire Deferral balance.[23] Using PGE's updated values contained in Attachment E to PGE's response to Staff DR 126, Staff calculates the impact of removing non-labor overhead results in a reduction to UM 2115 of $907,897 in 2020 and $4,820 through September of 2021. Staff notes that this value is negligibly different than the value that AWEC calculated. When Non-Labor Overheads are taken out, the deferral balance becomes $17,481,548 for 2020, meaning that $15,733,393 is available for the earnings test for the calendar year after the 90/10 sharing is applied. Staff proposes no prudence disallowance for this 90 percent share of the 2020 deferral balance.

Staff estimates the Boardman deferral balance for 2020 as of May 1, 2022, would be $15.4 million.[24] Staff recommends no prudence allowance for the deferred Boardman amounts.[25] Accordingly, the net amount eligible for amortization 2020 is a charge of $433,393. However, this amount must be subject to the prudence earnings test described above.

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[21] Staff/2601.

[22] AWEC/100, Mullins/48.

[23] AWEC/100, Mullins/48; AWEC/106, Mullins.

[24] Staff/2300, Moore-Dlouhy-Storm/21.

[25] *Id.*

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The Company's earnings, after Type 1 regulatory adjustments, were $359.170 million, which equated to an ROE of 9.65 percent.[26] PGE's authorized ROE used in its 2020 PCAM (UE 395) was 9.65 percent. The deadband values used in UE 394 were 8.5 percent to 10.5 percent ROE, the former of which equates to an earnings decline of $15 million.[27] Staff will discuss in its Opening Brief the extent to which PGE should be allowed to amortize the deferral in light of its earnings.

d. Earnings Review and Amortization of 2021 Deferrals.

PGE does not anticipate makings its 2021 earnings public in its Results of Operation Report in time for the Commission to conduct an earnings review for deferrals accrued in 2021. And, Staff and other parties have concerns regarding the prudence of the costs PGE deferred in 2021 for the 2020 wildfires. Accordingly, Staff does not recommend the Commission actually authorize amortization of 2021 deferrals prior to the 2022 rate effective date for this rate case. However, that when the Commission determines the amortization of amounts deferred in 2021, it uses the same earnings review parameters and sharing recommended by Staff for 2020.

6. The Commission should approve AWEC's proposal regarding a subtransmission rate for Schedule 90.

Staff testified that it is convinced by AWEC's analysis regarding the appropriateness of a subtransmission rate for Schedule 90. Accordingly, Staff recommends that the Commission adopt AWEC's proposal.[28]

7. The Commission should approve PGE's proposal to spread Schedule 137 charges to Direct Access customers.

PGE's Schedule 137 recovers costs associated with its Customer Owned Solar Payment Option, aka its Volumetric Rate Incentive Plan. Staff concurs with PGE that legislation aimed to lower statewide carbon emissions should benefit everyone in the state. This aligns incentives in

[26] Page 1 of PGE's revised 2020 Results of Operation Report filed April 22, 2021.

[28] Staff/2800, St. Brown/18.

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that direct access customers will better be able to support decarbonization proposals when they are also financially impacted by them.[29] Accordingly, Staff supports PGE's proposal to make Schedule 137 charges nonbypassable.

DATED this 7th day of February, 2022.

Respectfully submitted,

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Attorney General

/s/ Stephanie Andrus

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[29] Staff/1400, St. Brown/27.

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