

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: December 14, 2021

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2022

DATE: December 6, 2021

TO: Public Utility Commission

FROM: Ryan Bain

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1327/Advice No. 21-27)
Schedule 123 Decoupling Adjustment

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) Advice No. 21-27, which updates the final prices of the Sales Normalization Adjustment (SNA) portion of the Schedule 123 Decoupling Adjustment for Schedules 32 and 83, for service rendered on and after January 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve PGE's updated prices for the SNA portion of its Schedule 123 Decoupling Mechanism.

Applicable Law

ORS 757.205(1) states that a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time.

OAR 860-022-0025 requires that new tariff filings include statements showing the new rates, the number of customers affected, the impact on annual revenue, and the reasons supporting the proposed tariff. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes.

The Commission reviews tariffs filed under ORS 757.205 and 757.210 to determine whether they are fair, just, and reasonable.

ORS 757.259 allows certain deferred amounts to be included in utility rates upon application of a utility or ratepayer or upon the Commissions' own motion identifiable 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.

Analysis

Background

Advice No. 21-27 updates PGE's Schedule 123 rates effective January 1, 2022, to amortize the variances deferred pursuant to Schedule 123. Schedule 123 is designed to allow PGE to recover the variance between forecasted and actual revenue using two mechanisms: the Sales Normalization Adjustment (SNA) and Nonresidential Lost Revenue Recovery Adjustment (LRRRA). The SNA applies to Schedules 7, 32, 83, and 532, and the Nonresidential LRRRA applies to the remaining nonresidential schedules.

Sales Normalization Adjustment

The SNA addresses the non-weather related deviation between actual and forecasted energy sales. The monthly SNA deferral is calculated as fixed charge revenue less weather-adjusted actual revenues. The monthly deferral is booked to the SNA balancing account in the month of usage. The SNA balancing account accrues interest at the modified blended treasury rate.

PGE submitted its initial filing on October 26, 2021. PGE submitted a Supplemental Filing of Advice No. 21-27 on November 17, 2021, after submitting its final AUT filing in Docket No. 391 with final estimated revenues for 2022. The updated Advice No. 21-27 filing does not affect the 2020 decoupling results, but the 2022 approximate revenues for Schedules 32 and 83 are revised up by approximately \$2 million and \$3 million respectively. The updated filing did not change PGE's responses in its initial Advice Filing on October 26, 2021, pursuant to OAR 860-022-0025(2), as to the reason for the increase or the ratepayers affected by it.

PGE calculates the 2022 amortization of the 2020 results of the SNA balancing account will rebate approximately \$17.2 million to residential customers through Schedule 7, will charge approximately \$4.2 million to small non-residential customers through Schedule 32, and will charge approximately \$6 million to large non-residential customers through Schedule 83. If approved, this results in a Schedule 123 rate of -0.227 cents per kWh

for Schedule 7 customers, 0.262 cents per kWh for Schedule 32 customers, and 0.211 cents per kWh for Schedule 83 customers.

Staff notes that Schedule 123 methodology is an open issue in PGE's ongoing general rate case, UE 394. In UE 394, PGE states that "the protracted lockdowns caused a loss of demand from both commercial and industrial sectors. A prolonged period of decreased demand and economic downturn is expected by unanticipated and extended constraints on economic activity."¹ Conversely, the increased demand from residential customers' extended time spent at home during this period drove the increase in Schedule 7 usage. It is unclear how protracted economic uncertainty during the COVID-19 pandemic will affect Schedule 123 customers in the future. Staff reviewed this advice filing to ensure it complies the Commission's currently approved methodology for Schedule 123. Certainly, the impacts on commercial/industrial users and residential users that have already been felt are uneven, but Staff and stakeholders will continue to address those concerns in UE 394.

Lost Revenue Recovery Adjustment

The LRRRA portion of Schedule 123 addresses the deviation of actual SB 838 funded energy efficiency measures from forecasted SB 838 funded energy efficiency measures embedded in the most recent rate case. The difference between actual and forecasted energy efficiency savings is assigned to the LRRRA balancing account based on the fixed cost portion of energy charges. The LRRRA applies to all Schedules except 7, 32, 83, and 532. PGE calculates that the amortization of the 2020 LRRRA balancing account will lead to a charge of approximately \$0.63 million to applicable schedules. This results in a Schedule 123 rate of 0.010 cents per kWh for cost-of-service customers and 0.002 cents per kWh Schedule 123 rate from cost of service opt-out customers. Staff reviewed the work papers underlying the SNA and LRRRA values and found the assumptions and calculations to be accurate.

Effects of Filing

The changes to Schedule 123 will affect approximately 902,800 customers (2022 forecast). PGE's overall revenues are projected to decrease by \$6.3 million. A typical Schedule 7 residential customer, using 800 kWh per month, will see a \$1.87, or 1.7 percent, decrease in their monthly bill due to the proposed changes to Schedule 123. Staff reviewed PGE's workpapers and analyses and confirmed that the proposed Schedule 102 rates are properly computed.

¹ See UE 394 PGE Exhibit 1200 "Pricing", page 43 (pdf page 1157), Macfarlane – Tang, found here: <https://edocs.puc.state.or.us/efdocs/HTB/ue394htb155528.pdf>.

Conclusion

Based on Staff's analysis of PGE's application and the workpapers associated with the filing, Staff finds that the calculations associated with the filing are accurate and consistent with past Commission Orders. Staff also finds that the Company's update to Schedule 123 results in rates that are fair, just, and reasonable. Staff recommends the Commission approve PGE's application.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's Advice No. 21-27, which updates the final prices of the Sales Normalization Adjustment portion of the Schedule 123 Decoupling Adjustment for Schedules 32 and 83, for service rendered on and after January 1, 2022.