

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

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

DATE: December 11, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2219(1))
PGE's Application for Deferral of Costs and Revenues Associated with the Energy Affordability Act.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) application to defer, for the time period of calendar year 2023, costs and revenues to implement rate mitigation measures authorized under HB 2475(7)(1). Require PGE to establish a separate account to track and defer incremental administrative costs associated with rate mitigation measures authorized under HB 2475(7)(1).

DISCUSSION:

Issue

Whether the Commission should approve PGE's application to defer costs and revenues associated with rate mitigation measures authorized under HB 2475(7)(1) to support PGE's recovery of these costs through an automatic adjustment clause (AAC) and balancing account. Whether the Commission should require PGE to establish a separate account to track and defer all other costs contained in this deferral.

Applicable Law

PGE makes this filing in accordance with ORS 757.259, OAR 860-027-0300, and HB 2475. ORS 757.259 authorizes the Commission to allow a utility to defer, for later

recovery in rates, expenses, or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for application to defer. HB 2475(7)(1) provides that Commission may address the mitigation of energy burdens through bill reduction measures or programs that may include, but need not be limited to, demand response or weatherization.

HB 2475(7)(2) provides that the costs of tariff schedules, rates, bill credits, or program discounts allowed pursuant to HB 2475(7)(1) must be collected in the rates of an electric company through charges paid by all retail electricity consumers, such that retail electricity consumers that purchase electricity from electricity service suppliers pay the same amount to address the mitigation of energy burdens as retail electricity consumers that are not served by electricity service suppliers.

Analysis

Background

On May 24, 2021, the Governor of Oregon signed into law HB 2475, the Energy Affordability Act. The bill amends ORS 757.230 to allow additional classification of service for, “differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers.” As a result of this law, PGE is able to provide an income-qualified discount to eligible residential customers.

On December 30, 2021, PGE requested OPUC approval to defer incremental O&M costs and revenues associated with the Energy Affordability Act. On March 24, 2022, the Commission authorized PGE’s deferral request through Commission Order No. 22-101. The continuance of this deferral will minimize the frequency of rate changes or the fluctuation of rate levels, and match appropriately the costs borne, and benefits received by customers.

Reason for Deferral

PGE seeks reauthorization to defer costs and revenues associated with the Energy Affordability Act from January 1, 2023, through December 31, 2023 (Deferral Period 2023). Without reauthorization, this deferral will expire on December 31, 2022. The continuance of this deferral will minimize the frequency of rate changes or the fluctuation of rate levels, and match appropriately the costs borne, and benefits received by customers.

Proposed Accounting

PGE proposes to record the balancing account in FERC Account 182.3 (Other Regulatory Assets). Income-qualified payments (i.e., payments to support income-qualified energy discounts) will be debited to FERC Account 182.3 and credited to FERC Account 903 (Customer Records & Collection Expense). Energy Affordability Act amortization (i.e., revenues collected from PGE's customer) will be credited to FERC Account 182.3 and debited to FERC Account 903. Interest will accrue on the balance at the approved blended treasury rate.

Estimate of Amounts

PGE estimates the income-qualified energy discount amount to defer during 2023 to be approximately \$20.9 million and an additional \$300,000 in incremental administrative costs.

Information Related to Future Amortization

- Earnings review – The cost recovery associated with this deferral should not be subject to applying an earnings review given the purpose of the funds being used.
- Prudence Review – A prudence review should be performed by the Commission Staff as part of PGE's amortization filing.
- Sharing – No sharing mechanism applies to the Energy Affordability Act costs or revenues.
- Rate Spread/Design – Applicable costs will be allocated consistent with established Commission policy.
- Three Percent Test (ORS 757.259(6)) – The amortization of the deferred costs will be subject to the three percent test in accordance with the ORS 757.259 (6), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year, unless authorized by the Commission under ORS 757.259(8).

Conclusion

Based on discussions with PacifiCorp and PGE regarding the appropriate recovery mechanism for costs incurred under HB 2475(7), Staff recommends the Commission authorize PGE to defer of all costs and revenues incurred to implement rate mitigation measures implemented under HB 2475(7).

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

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's application to defer costs and revenues for rate mitigation measures implemented under HB 2475(7) for calendar 2023. Require PGE to establish a separate account to track and defer incremental administrative costs associated with implementation of rate mitigation measures authorized by HB 2475(7).

PGE UM 2219 (1) Deferral of HB 2475 Costs and Revenue