



Oregon

Kate Brown, Governor

Public Utility Commission

201 High St SE Suite 100

Salem, OR 97301-3398

Mailing Address: PO Box 1088

Salem, OR 97308-1088

503-373-7394

December 13, 2022



BY EMAIL

Portland General Electric Company

pge.opuc.filings@pgn.com

RE: Advice No. 22-26

At the public meeting on December 13, 2022, the Commission adopted Staff's recommendation in this matter docketed as ADV 1439. The Staff Report and a receipted copy of the sheets in your advice filing are attached.

Nolan Moser

Chief Administrative Law Judge

Public Utility Commission of Oregon

(503) 378-3098

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 13, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2023

DATE: November 23, 2022

TO: Public Utility Commission

FROM: Bret Stevens

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1439/Advice No. 22-26)
Schedule 123 Decoupling Adjustment.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) Advice No. 22-26, which updates the final prices of the Sales Normalization Adjustment (SNA) and Lost Revenue Recovery (LRRRA) portions of the Schedule 123 Decoupling Adjustment for Schedules 7, 32, and 83, for service rendered on and after January 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve PGE's updated prices for the SNA and LRRRA portions 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

Advice No. 22-26 updates PGE's Schedule 123 rates effective January 1, 2023, 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.

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. These rate mechanisms are no longer in place on a going forward basis given the Commission's order in UE 394 adopting the multi-party stipulation. However, the mechanisms are still in play with regards to the prior balances accrued while the mechanism was in force.

PGE calculates the 2023 amortization of the 2021 results of the SNA balancing account will rebate approximately \$17.5 million to residential customers through Schedule 7, will charge approximately \$4.6 million to small non-residential customers through Schedule 32, and will charge approximately \$2.7 million to large non-residential customers through Schedule 83. If approved, this results in a Schedule 123 rate of -0.222 cents per kWh for Schedule 7 customers, 0.301 cents per kWh for Schedule 32 customers, and 0.088 cents per kWh for Schedule 83 customers.

Using the standard decoupling methodology, the Schedule 32 recovery would have been \$8.1 million. However, this would have violated Special Condition 3 of Schedule 123. Special Condition 3 states:

No revision to any SNA or LRRRA Adjustment Rate will result in an estimated average annual rate increase greater than 2% to the applicable SNA or LRRRA rate schedule, based on the net rates in effect on the

effective date of the Schedule 123 rate revisions. Rate revisions resulting in a rate decrease are not subject to the 2% limit.

PGE's estimated annual revenue for Schedule 32 is roughly \$223.6 million. Without the 2 percent cap, Schedule 32 rates would have increased by roughly 3.6 percent as a result of the SNA mechanism. By capping recovery at \$4.6 million, Special Condition 3 is satisfied.

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 2021 LRRRA balancing account will lead to a charge of approximately \$2.6 million to applicable schedules. This results in a Schedule 123 rate of 0.1 cents per kWh for cost-of-service customers and a 0.017 cents per kWh Schedule 123 rate for cost of service opt-out customers.

The changes to Schedule 123 will affect approximately 931,000 customers. PGE's overall revenues are projected to decrease by \$7.6 million as compared to not having the decoupling mechanism. A typical Schedule 7 residential customer, using 780 kWh per month, will see a \$0.04, or 0.03 percent, increase in their monthly bill due to the proposed changes to Schedule 123. While the Schedule 7 adjustment in this filing does decrease the overall price of energy, current rates include a slightly larger decrease from Schedule 123. This leads to a slight increase in rates for residential consumers compared to current rates.

Staff reviewed PGE's work papers and analyses and confirmed that the proposed Schedule 123 rates are properly computed. Staff also met with PGE on multiple occasions to ask questions about the worksheet and confirm calculations. During the review of the work papers, an error in the calculations was discovered. PGE updated their work papers and proposed tariff schedule to reflect these changes. The analysis above only assess these updated materials.

Conclusion

Based on Staff's analysis of PGE's application and the work papers associated with the filing, Staff finds that the calculations associated with the corrected 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.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's Advice No. 22-26, which updates the final prices of the Sales Normalization Adjustment and Lost Revenue Recovery Adjustment portions of the Schedule 123 Decoupling Adjustment, for service rendered on and after January 1, 2023.

SCHEDULE 123 (Continued)

NONRESIDENTIAL LOST REVENUE RECOVERY ADJUSTMENT (LRRRA) (Continued)

For the purposes of this Schedule, the Lost Revenue Recovery Adjustment is the product of: (1) the reduction in kWh sales resulting from ETO-reported EEMs plus the energy savings associated with the conversion to LED streetlighting in Schedule 95, and (2) the weighted average of applicable retail base rates (the Lost Revenue Rate). Applicable base rates for Nonresidential Customers are defined as the schedule-weighted average of transmission, distribution, and fixed generation charges; including those contained in Schedule 122 and other applicable schedules. System usage or distribution charges will be adjusted to include only the recovery of Trojan Decommissioning expenses and the Customer Impact Offset. Franchise fee recovery is not included in the Lost Revenue Rate. The applicable Lost Revenue Rate is 5.548 cents per kWh.

(C)

SNA and LRRRA BALANCING ACCOUNTS

The Company will maintain a separate balancing account for the SNA applicable rate schedules and for the Nonresidential LRRRA applicable rate schedules. Each balancing account will record over- and under-collections resulting from differences as determined, respectively, by the SNA and LRRRA mechanisms. The accounts will accrue interest at the Commission-authorized Modified Blended Treasury Rate established for deferred accounts.

DECOUPLING ADJUSTMENT

The Adjustment Rates, applicable for service on and after the effective date of this schedule will be:

<u>Schedule</u>	<u>Adjustment Rate</u>
7	(0.222) ¢ per kWh
15	0.100 ¢ per kWh
32	0.301 ¢ per kWh
38	0.100 ¢ per kWh
47	0.100 ¢ per kWh
49	0.100 ¢ per kWh
75	
Secondary	0.100 ¢ per kWh
Primary	0.100 ¢ per kWh
Subtransmission	0.100 ¢ per kWh
83	0.088 ¢ per kWh

(I)

(I)

(R)

SCHEDULE 123 (Continued)

DECOUPLING ADJUSTMENT (Continued)

<u>Schedule</u>	<u>Adjustment Rate</u>
85	
Secondary	0.100 ¢ per kWh
Primary	0.100 ¢ per kWh
89	
Secondary	0.100 ¢ per kWh
Primary	0.100 ¢ per kWh
Subtransmission	0.100 ¢ per kWh
90	
Primary	0.100 ¢ per kWh
Subtransmission	0.100 ¢ per kWh
91	0.100 ¢ per kWh
92	0.100 ¢ per kWh
95	0.100 ¢ per kWh
485	
Secondary	0.017 ¢ per kWh
Primary	0.017 ¢ per kWh
489	
Secondary	0.017 ¢ per kWh
Primary	0.017 ¢ per kWh
Subtransmission	0.017 ¢ per kWh
490	
Primary	0.017 ¢ per kWh
Subtransmission	0.017 ¢ per kWh
491	0.017 ¢ per kWh
492	0.017 ¢ per kWh
495	0.017 ¢ per kWh
515	0.100 ¢ per kWh
532	0.301 ¢ per kWh
538	0.100 ¢ per kWh
549	0.100 ¢ per kWh

(I)

(I)

SCHEDULE 123 (Continued)

DECOUPLING ADJUSTMENT (Continued)

<u>Schedule</u>	<u>Adjustment Rate</u>	
575		
Secondary	0.100 ¢ per kWh	(I)
Primary	0.100 ¢ per kWh	
Subtransmission	0.100 ¢ per kWh	(I)
583	0.088 ¢ per kWh	(R)
585		
Secondary	0.100 ¢ per kWh	(I)
Primary	0.100 ¢ per kWh	
589		
Secondary	0.100 ¢ per kWh	
Primary	0.100 ¢ per kWh	
Subtransmission	0.100 ¢ per kWh	
590		
Primary	0.100 ¢ per kWh	
Subtransmission	0.100 ¢ per kWh	
592	0.100 ¢ per kWh	
591	0.100 ¢ per kWh	(N)
595	0.100 ¢ per kWh	
689		
Secondary	0.012 ¢ per kWh	
Primary	0.012 ¢ per kWh	
Subtransmission	0.012 ¢ per kWh	(I)

TIME AND MANNER OF FILING

Commencing in 2014, the Company will submit to the Commission the following information by November 1 of each year:

SCHEDULE 123 (Concluded)

TIME AND MANNER OF FILING (Continued)

1. The proposed price changes to this Schedule to be effective on January 1st of the subsequent year based on a) the amounts in the SNA Balancing Accounts and b) the amount in the LRRR Balancing Account.
2. Revisions to this Schedule which reflect the new proposed prices and supporting work papers detailing the calculation of the new proposed prices and the SNA weather-normalizing adjustments.

(T)
(M)
|
(M)

SPECIAL CONDITIONS

1. The Fixed Charge Energy Rate, Monthly Fixed Charge per Customer and the Lost Revenue Rate will be updated concurrently with a change in the applicable base revenues used to determine the rates.
2. Weather-normalized energy usage by applicable rate schedule will be determined in a manner equivalent to that used for determining the forecasted loads used to establish base rates.
3. No revision to any SNA or LRRR Adjustment Rate will result in an estimated average annual rate increase greater than 2% to the applicable SNA or LRRR rate schedule, based on the net rates in effect on the effective date of the Schedule 123 rate revisions. Rate revisions resulting in a rate decrease are not subject to the 2% limit.
4. The LRRR prices for Customers served under the provisions of Schedules 485, 489, 490, 491, 492, 495 and 689 will be calculated to apply to distribution services only.
5. The SNA and LRRR mechanisms will terminate on May 8, 2022. Balances accrued up to that point will be subject to subsequent adjustment.