**Portland General Electric Company**
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204
portlandgeneral.com

May 17, 2023

***Via Electronic Filing***

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

RE: UE 416 – In the Matter of Portland General Electric Company, Request for a General Rate Revision

Dear Filing Center:

Enclosed for filing today in the above-reference docket is Portland General Electric Company's (PGE) Errata to PGE's Request for a General Rate Revision originally filed on February 15, 2023.

Upon further review, PGE has identified five separate items to be corrected.

1) The percentage included in this GRC filing for Collection Agency Recovery Rate was understated by 0.0175 percentage points. This correction directly effects PGE's Forecasted Uncollectible Rate, causing an equal (0.0175 percentage point) understatement of that figure. These amounts have been corrected in PGE Exhibit 900. The corrected pages are attached in both redline and clean formats.

2) The percentage included in this GRC for 2021 Collection Agency Recovery percentage was understated by 3.1 percentage points. This amount has been corrected in PGE Exhibit 900. These corrected pages are attached in both redline and clean formats.

3) In PGE Exhibit 900, on page Lynn – Nestel / 18, at line 19, PGE has a misstatement regarding bill assistance. It should state that $1.5 million of bill assistance provided was applied to accounts that were written off, not $1.5 million in write offs that were associated with accounts receiving bill assistance.

4) In PGE Exhibit 900, on page Lynn – Nestel / 19, at line 14, PGE has a misstatement regarding customer balance rollover. It should state that the adjustment represents 90 days

of rollover balance, including 30 extra days of rollover balance, not 90 extra days of rollover balance.

5) In PGE Exhibit 900, on page Lynn – Nestel / 19, at line 18 PGE has a misstatement regarding additional notification days. It should state that this adjustment is due to additional notification days in general, not due to additional notification days in the winter months.

If you have any questions, please feel free to contact me at (503) 464-7488. Please direct all formal correspondence and requests to the following e-mail address:
pge.opuc.filings@pgn.com.

Sincerely,
Jaki Ferchland
Manager, Revenue Requirement

## IV. Uncollectible Expense

**Q. What is the 2024 test year forecast for uncollectible expense?**

A. The 2024 test year forecast for uncollectible expense is $13.4 million. This is $6.4 million higher than 2022 uncollectible expense of $7.0 million, however the 2022 amount reflects a lower amount than would have otherwise been experienced due to the deferral of bad debt under the COVID-19 deferral. If not for the deferral of uncollectible expenses above the previously approved GRC amount in 2022, uncollectible expense would have been approximately $8.9 million higher than shown in Table 1.[11] Uncollectible expense is higher in 2024 compared with 2022 due to the deferral of excess uncollectible expense in 2022, making 2022 lower and also a higher forecasted uncollectible rate in 2024 due to the forecasted economic conditions in 2023 and 2024 and changes to Oregon Administrative Rules, Chapter 860, Division 21 (Division 21 rulemaking) following the COVID-19 pandemic. Adjusting for the deferral, this would indicate a net ***reduction*** of approximately $2.5 million between 2022 and 2024, as excess uncollectible expense is no longer deferrable since the end of the COVID-19 deferral at the end of 2022.

**Q. How did you forecast PGE's uncollectible expense for 2024?**

A. The 2024 uncollectible expense is calculated using an uncollectible rate which is forecasted using a combination of historical uncollectible rate trends, with adjustments for forward looking economic conditions, Division 21 rulemaking changes, and factoring in the end of COVID-19 bill assistance programs. The result of these adjustments is an uncollectible rate estimated at 0.5447%~~0.5272%~~, as shown in Table 2 below. To mitigate the customer price

[11] PGE deferred $26.8 million of uncollectible expense for the years 2020 to 2022 (i.e., bad debt) and bill assistance under the COVID-19 deferral. This is approximately $8.9 million per year if divided evenly over the three years.

increase in this GRC, we have assumed a lower uncollectible rate of 0.5% which is applied to the 2024 test year revenue requirement, as uncollectible expense is revenue sensitive. This customer price mitigation (i.e., reduction to PGE's test year request) by using a lower rate than supported by our analysis is approximately $0.7 million.

**Table 2**
**Uncollectible Rate Forecast Itemized**

| Description | Uncollectible Rate |
|---|---|
| UE-335 (2019 GRC Workpaper, used in the 2022 GRC), Uncollectible Rate in Strong Economic Conditions | 0.3262% |
| Impact of mild recession/balanced economic conditions assumption | 0.0842% |
| COVID bill assistance going away | 0.0265% |
| Deposit Adder | 0.0258% |
| Division 21: Weather Disconnect Provisions | 0.0544% |
| Division 21: Notice perspective 15 day to 20 day | 0.0272% |
| Collection Agency Recovery Rate trending lower | 0.0720%~~0.0545%~~ |
| IQBD (lowers bill amounts) | -0.0716% |
| **Forecasted Uncollectible Rate** | **0.5447%~~0.5272%~~** |
| **Proposed Uncollectible Rate in Revenue Requirement** | **0.5000%** |

**Q. How did you forecast PGE's uncollectible expense in prior GRCs?**

A. In Docket No. UE 335, the 2019 test year GRC, the uncollectible rate was estimated based on a 3-year historical average from 2015 to 2017 at 0.3262%. In Docket No. UE 394, after reviewing the effects of increasing our uncollectible expense to reflect economic conditions, and because we had the COVID-19 deferral in place to address the additional uncollectible expense, we chose not to increase the uncollectible rate at that time. The historical average of 2015 to 2017 reflects strong economic conditions in PGE's service territory and is used as the starting point for the establishment of the uncollectible rate for 2024.

**Q. How do economic conditions affect uncollectible expense?**

A. Uncollectible expense typically increases during periods of economic downturn and is lowest during strong economic conditions. History has shown that in prior years of economic downturns, uncollectible rates can reach 0.5% or higher, which is approximately 0.2% higher than during strong economic conditions. The increase in uncollectible rates in economic downturns also show persistence or lag following the beginning of a recession.

**Q. What is the economic forecast for the 2024 test year?**

A. Current economic forecasts from the Oregon Office of Economic Analysis (OEA) and IHS Markit, among other mainstream forecasts, now show a mild recession occurring in 2023 into 2024. The Oregon OEA included a recession in their baseline Economic and Revenue forecast released in December 2022 with job losses beginning in the third quarter of 2023 until job growth resumes in the second quarter of 2024, with Oregon recovering the job losses by the end of 2024.

**Q. How did you factor economic conditions into the proposed uncollectible rate?**

A. An increase of 0.084% was added to the baseline uncollectible rate to be more balanced between the historically stronger economic conditions and forecasted future downturns or periods of lower growth and due to the economic environment forecasted for 2023-2024. The 0.084% adjustment represents half of the estimated impact of economic downturns to reflect this balancing of strong and weaker economic conditions. We also use half of the recessionary impact to reflect the milder nature of the expected 2023 recession.

**Q. How do you factor in the expiration of COVID-19 related bill assistance?**

A. We estimate that the expiration of COVID-19 bill assistance will increase the uncollectible rate by approximately 0.0265%. There was approximately $1.5 million of bill assistance provided ~~in write offs that were associated with accounts that received bill assistance~~ after February 2021 that was applied to accounts that were written off. During that same time period, there were $18.5 million in gross write offs. Therefore, gross write offs would have been 8.1% higher. Applying the 2021 collection agency recovery percentage of 31.6~~28.5~~% results in a 0.0265% ~~2.6%~~ increase. The COVID-19 related bill assistance was in addition to strong federal fiscal policies that also mitigated gross write-offs over the past two years.

**Q. How does PGE anticipate Division 21 rulemaking will affect uncollectible expense?**

A. Division 21 includes several rule changes for collection activities for residential customers which we expect to affect uncollectible expenses. Any rule changes that increase arrearage balances, such as additional notification time, reduced options for holding security deposits, smaller disconnection windows or seasonal moratorium on disconnects, will increase the uncollectible rate.

**Q. How did you adjust the uncollectible rate for the changes in the Division 21 rulemaking?**

A. The following adjustments were made to the forecasted uncollectible rate for Division 21 rulemaking changes:

- With respect to the weather credit limitations, an adjustment of 0.054% was added to the uncollectible rate. This represents 90 ~~extra~~ days (30 extra) of balance rollover caused by the expected reduced ability to disconnect in the winter months.
- With respect to the additional notification days, an adjustment of 0.027% was added to the uncollectible rate. This represents five extra days of balance rollover caused by the expected inability to disconnect due to the additional notification days ~~in the winter months~~.
- With respect to the end of deposits for residential customers, an adjustment of 0.026% was added to the uncollectible rate. This represents the residential deposits that were associated with write offs in 2019, the last year before the COVID-19 pandemic. In 2019 there were

approximately $0.5 million deposits paid that were associated with write offs. Thus, these balances were deducted from PGE's write offs.

**Q. How did you adjust the uncollectible rate for the Income Qualified Bill Discount Program?**

A. The Income Qualified Bill Discount Program (IQBD) reduces the billed amount for certain eligible residential customers. While this program has not had a discernible impact on the uncollectible rate so far, a program that reduces billed amounts could lower uncollectible expense in the future. Therefore, we decreased the estimated uncollectible rate by -0.072% to take into account the potential impact from IQBD. This was estimated by extrapolating the potential reduction in uncollectible expense based on enrollees in IQBD which are 61+ days arrears.

**Q. How did you adjust the uncollectible rate for collection agency recovery rate trends?**

A. We have seen a reduction in collection agency recovery percentage in recent years. Additionally, in response to inflationary pressures, the Federal Reserve has implemented policies and Federal Fund Rate increases to raise interest rates. Higher interest rates and economic uncertainty reduces collection agency recovery rates. Changes to Fair Debt Collection Regulation enacted in late 2021 have further eroded collection agency recovery rates through provisions addressing and limiting collectors' use of email, text messages, and other electronic media. With respect to reduced collection agency recovery percentage, an adjustment of 0.072% ~~0.055%~~ was added to the uncollectible rate. This represents the change from a recovery percentage in 2021 of ~~28.5~~31.6% to 16.5% in 2022.

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[11] PGE deferred $26.8 million of uncollectible expense for the years 2020 to 2022 (i.e., bad debt) and bill assistance under the COVID-19 deferral. This is approximately $8.9 million per year if divided evenly over the three years.

this GRC, we have assumed a lower uncollectible rate of 0.5% which is applied to the 2024 test year revenue requirement, as uncollectible expense is revenue sensitive. This customer price mitigation (i.e., reduction to PGE's test year request) by using a lower rate than supported by our analysis is approximately $0.7 million.

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30.6% results in a 0.0265% increase. The COVID-19 related bill assistance was in addition to strong federal fiscal policies that also mitigated gross write-offs over the past two years.

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