

ITEM NO. CA1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 12, 2023**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2024

DATE: November 21, 2023

TO: Public Utility Commission

FROM: Bret Stevens

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1546/Advice No. 23-18)
Schedule 123 Decoupling Adjustment.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) Advice No. 23-18, 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, effective with service rendered on and after January 1, 2024.

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. 23-18 updates PGE's Schedule 123 rates effective January 1, 2024, 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.

In UE 394, PGE's decoupling mechanisms were discontinued after 2022 through the Commission adoption of a multi-party stipulation. This agreement would make this decoupling filing PGE's last decoupling filing. However, in UE 416, the Commission adopted a multi-party stipulation that requires PGE to make an SNA filing for 2024 and parties are free to support or object to the filing. The combined result of these stipulations is that there will be no decoupling filing for 2023, but the possibility of the SNA returning in 2024.

PGE calculates the 2024 amortization of the 2022 results of the SNA balancing account will rebate approximately \$1.1 million to residential customers through Schedule 7, will charge approximately \$3.3 million to small non-residential customers through Schedule 32, and will charge approximately \$0.8 million to large non-residential customers through Schedule 83. If approved, this results in a Schedule 123 rate of -0.014 cents per kWh for Schedule 7 customers, 0.212 cents per kWh for Schedule 32 customers, and 0.062 cents per kWh for Schedule 83 customers.

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 2022 LRRRA balancing account will lead to a charge of approximately \$1.6 million to applicable schedules. This results in a Schedule 123 rate of 0.062 cents per kWh for cost-of-service customers and a 0.013 cents per kWh Schedule 123 rate for cost of service opt-out customers.

Staff does note a change in methodology for the LRRRA calculation in this filing. In the calculation of the LRRRA, PGE uses projected savings data from energy efficiency measures provided by the Energy Trust of Oregon (ETO). In the past, the ETO would provide these projected savings for projects funded by SB 838 and projects funded by SB 1149. PGE would use the savings from SB 838 to calculate the LRRRA as only savings stemming from SB 838 funds are applicable. When HB 3141 was passed in 2021, the ETO's funding streams were consolidated and projects were no longer tracked by their funding source. As such, ETO reported savings from projects that in the past would have been considered to be funded under SB 1149. This greatly increased the LRRRA.

To adjust for this, PGE used the historical data provided by the ETO to calculate the typical ratio of savings between SB 838 and SB 1149 projects. PGE then applied this ratio to the cumulative savings amount provided by the ETO to estimate the SB 838 savings. PGE has communicated that it is not anticipating continuing the LRRRA even if their new SNA filing is adopted. Since this estimation method would not carry forward and would not be precedential, Staff views the estimation of the SB 838 savings as reasonable for this single filing.

The changes to Schedule 123 will affect approximately 940,000 customers. PGE's overall revenues are projected to increase by \$12.2 million as compared to not having the decoupling mechanism. A typical Schedule 7 residential customer, using 795 kWh per month, will see a \$1.68, or 0.4 percent, increase in their monthly bill due to the proposed changes to Schedule 123. While the Schedule 7 adjustment in this filing does increase the overall price of energy, current rates include a much larger decrease from Schedule 123. This leads to a moderate 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. Staff met

with PGE on November 8, 2023 and November 14, 2023, to discuss the workpapers and methodological change in the LRRRA. PGE also confirmed via written correspondence with the ETO that the estimate performed by PGE was reasonable and that ETO was not able to provide PGE with the data needed to more accurately assess SB 838 savings.

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. 23-18, 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, 2024.