

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

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

DATE: December 18, 2023

TO: Public Utility Commission

FROM: Bret Stevens

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1559/Advice No. 23-29)
Update to the Schedule 152 Major Event Cost Recovery.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) Advice No. 23-29, Schedule 152 Major Event Cost Recovery, effective for service on and after January 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PGE's proposed update to its Schedule 152 related to costs associated with the 2020 Labor Day Wildfire Emergency, 2021 Ice Storm Emergency, and COVID-19 Pandemic.

Applicable Law

Under ORS 757.205(1), all tariff changes must be filed with the Commission. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change made with the filing; the number of customers affected by the proposed change and the resulting change in annual

revenue; and the reasons or grounds relied upon in support of the proposed change. Filings that propose 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 change. ORS 757.220; OAR 860-022-0015. Tariff filings to be effective on less than 30 days following notice of the change may be authorized with a waiver of less than statutory notice (LSN) pursuant to ORS 757.220 and OAR 860-022-0020.

OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

Amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review. A review of the utility's earnings is required, unless subject to an automatic adjustment clause. With some exceptions, a company's amortization of amounts deferred cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

Analysis

Background

In Order No. 22-435, the Commission adopted a joint stipulation which outlined the recovery of costs related to the 2020 Labor Day Wildfire Emergency and the 2021 Ice Storm Emergency. Then on December 27, 2022, the Commission adopted Staff's recommendation to establish Schedule 152 in accordance with Order No. 22-435. As per Order No. 22-435, these costs were to be amortized over a seven-year period beginning on January 1, 2023. Any revenue requirement associated with these emergencies were to be moved into base rates in UE 394.¹ As such, any expense related to these events incurred after May 9, 2022, are not included in Schedule 152.

Since Order No. 22-435, costs associated with two other items have been included in Schedule 152. On March 21, 2023, the Commission adopted Staff's recommendation in ADV 1474 to amortize costs associated with the COVID-19 pandemic through Schedule 152. Lastly, in UE 410 a refund to customers associated with the deferred 2020 Boardman decommissioning costs was dispersed through Schedule 152 as well.

¹ *In the Matter of Portland General Electric Company, Request for a General Rate Revision*, Docket No UE 394, Order No. 22-129, at 52-55.

Staff Analysis

In this filing, PGE is requesting to update three distinct components of Schedule 152. First, PGE is requesting to recover incremental capital-related costs that were incurred between January 1, 2022, and May 9, 2022, that stem from the 2020 Labor Day Wildfire Emergency. Second, PGE is requesting to recover incremental capital-related costs that incurred between January 1, 2022, and May 9, 2022, that stem from the 2021 Ice Storm Emergency. Lastly, PGE is requesting to update the COVID-19 balancing account to reflect actual amortization and to adjust the rate to fully amortize the balance by April 2025.

PGE originally requested to recover an additional \$537,749 in capital-related expenses stemming from the 2020 Labor Day Wildfire Emergency. However, Staff and PGE identified certain costs that were incorrectly coded to this deferral. On December 18, 2023, PGE submitted a supplementary filing. The corrected amount to be recovered is \$437,235. These costs are not necessarily related to additional plant being placed into service in 2022, but primarily stem from the depreciation expense and property taxes related to capital placed in service in 2021. Including the forecasted amount of interest to be applied, PGE expects the recovery of these incremental costs to lead to an additional total amortization of \$567,364 through Schedule 152.

PGE is requesting to recover an additional \$1.3 million in capital related expenses stemming from the 2021 Ice Storm Emergency. These costs are not necessarily related to additional plant being placed into service in 2022, but primarily stem from the depreciation expense and property taxes related to capital placed in service in 2021. Including the forecasted amount of interest to be applied, PGE expects the recovery of these incremental costs to lead to an additional total amortization of roughly \$1.5 million through Schedule 152.

In this filing PGE has also updated the COVID-19 balancing account to reflect actual amortization from April of 2023 to October of 2023. In this period, PGE amortized roughly \$1.9 million less than anticipated. To account for this, PGE updated the rate associated with COVID-19 costs to deplete the balancing account by April 2025, as directed by the Commission in ADV 1474. This change does not affect any other aspect of what was approved in ADV 1474, such as the spread of this amortization across rate schedules. In total, this change increases the total amount to be amortized by \$107,343. This amount stems from additional interest from the under-recovery in 2023.

In sum, these three changes will increase collection under Schedule 152 by roughly \$1.8 million through April 2025. This represents a 5.64 percent increase in Schedule 152 revenues. In UE 394, the Commission directed that an earnings test

would be applied to the 2020 Labor Day Wildfire Emergency and 2021 Ice Storm Emergency costs by the calendar year in which they were incurred. The earnings test to be applied was PGE's authorized rate of return on equity (ROE) minus 20 basis points, or 9.3 percent. In 2022, PGE's ROE was 9.02 percent. As such, this earnings test does not apply to these 2022 costs. There is no sharing mechanism associated with these costs.

Staff independently reviewed the Company's changes to Schedule 152 and its associated workpapers. Staff also met with PGE through conference calls on November 28, 2023, and December 15, 2023. PGE informally Staff sent additional workpapers that detailed the 2020 Labor Day Wildfire Emergency and 2021 Ice Storm Emergency costs. With the inclusion of the supplemental filing made on December 18, 2023, Staff is satisfied that the Company's changes to Schedule 152 and its associated workpapers are sufficient.

Conclusion

PGE is proposing to update its Schedule 152 related to the costs associated with the 2020 Labor Day Wildfire Emergency, 2021 Ice Storm Emergency, and COVID-19 Pandemic. As a result of the proposed tariff revisions, a typical Schedule 7 residential customer consuming 795 kWh a month will see a bill increase of approximately \$0.17 or 0.1 percent. Staff reviewed PGE's workpapers and confirmed that the proposed Schedule 152 rates are properly computed.

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

PROPOSED COMMISSION MOTION:

Approve PGE's Advice No. 23-29 effective for service on or after January 1, 2024.