

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UE 416**

In the Matter of

PORTLAND GENERAL ELECTRIC COMPANY,

Request for a General Rate Revision; and
2024 Annual Power Cost Update.

**PORTLAND GENERAL ELECTRIC COMPANY'S
STATEMENT OF POSITION**

Pursuant to the March 13, 2023 Prehearing Conference Memorandum, Portland General Electric Company (PGE or “the Company”) hereby submits its Statement of Position for the unresolved issues in the above referenced matter.

1. Power Cost Adjustment Mechanism

(PGE: 400, 2800, 3200)

A. Should the Commission modify the existing PCAM Principles?

Background:

In PGE’s opening testimony,¹ the Company proposed changes to the existing guiding principles established by the Commission regarding the design of a PCAM.

Current PCAM principles:²

1. PCAM limited to unusual events and captures power costs variances that exceed those considered normal business risk.
2. No adjustment if overall earnings are reasonable
3. PCAM application should result in revenue neutrality.
4. PCAM should operate in long-term to balance the interest of shareholders and ratepayers.
5. PCAM should provide incentive to utility to manage its costs effectively.

PGE’s Proposed PCAM Principles:

1. Prudently incurred power costs should be fully recoverable/refundable
2. PCAM should incorporate reasonable pricing tools to manage long-term customer price volatility.

¹ PGE/400.

² See Docket No. UE 165, Order No. 05-1261; Docket No. UE 180, Order No. 07-015.

3. PCAM should fairly balance the interests of utility and its customers
4. PCAM's design should incentivize efficient operations and management of costs that are within the utility's control.

PGE's Position:

The power cost principles were initially established in 2005 prior to any knowledge of the changes in policies and markets that PGE has experienced in the past few years.

PGE proposes that the principles, reflect the current energy market supply and demand environment, including the increased power cost risk, and support PGE's obligation and commitment to meet Oregon's GHG reduction requirements under House Bill 2021, while continuing to provide safe, reliable, and affordable electric service to customers. Accordingly, PGE has proposed modifications to the five principles.

B. Should the Commission modify the current cost recovery mechanism for PGE's PCAM? If so, how?

PGE's Position:

In opening testimony, PGE proposes the following changes to its Schedule 126 PCAM:

- Removal of current PCAM deadbands with the sharing of recovery/refund of all prudently incurred Net Variable Power Costs (NVPC) above/below power costs recovered in base rates; subject to a sharing variance between forecast/budget at a 90/10 ratio between customers and PGE.
- Recovery/refund prudently incurred NVPC with no earnings tests.
- Recovery/refund all NVPC incurred during Reliability Contingency Events (RCE).
- Impose +/- 2.5% rolling cap on customer price changes year-over-year, with any amounts beyond the cap rolling to the next year.³

PGE's proposed PCAM structure more appropriately balances the risks between customers and the utility and is consistent with power cost recovery mechanisms that exist elsewhere.⁴ The existing PCAM structure includes a -\$15 million/+\$30 million deadband, a 90/10 sharing mechanism, and a +/- 100 basis point earnings test. Since the current PCAM mechanism was first adopted by the Commission in 2007,⁵ changing

³ PGE/400, Sims-Outama/4.

⁴ *Id.* at 25.

⁵ Docket NO. UE 180, Order No. 07-015.

circumstances⁶ have resulted in extreme volatility and higher market prices and extreme volatility, causing PGE to face current and future exposure to power cost variability that goes beyond the Commission’s original notions of normal utility business risk.⁷ The changing resource mix, impacts from climate change, and changing wholesale market dynamics are examples of the challenges facing PGE that necessitate a revision to the PCAM.⁸

PGE supports the recovery of all prudent NVPC incurred during a Reliability Contingency Event (RCE), which are “no touch” contingency events that aim to prevent an outage by restricting discretionary activities.⁹ Since an RCE is only declared when there are concerns about the ability to meet the needs of customers or to maintain the stability of the electric grid, PGE thinks it is appropriate all prudent power costs incurred during RCEs are fully recoverable.¹⁰

Under PGE’s proposal, prudent power costs sustained during an RCE would qualify for full recovery if: PGE calls an RCE and any two of the following criteria are met:

1. Price: Day-ahead Mid-Columbia index price exceeds \$150/MWh
2. Resource Deficit: PGE is eligible to request or acquire RA assistance through a regional RA program in which it participates
3. A neighboring BAA (e.g. BPA, CAISO) has declared an event that indicates impending or realized resource adequacy constraints (e.g. Flex Alerts, Restricted Maintenance Operations, EEA Watch, EEAs, etc.)¹¹

2. Decoupling

(PGE: 1300, 2600, 4200)

A. Should a decoupling mechanism be reinstated? If so, how should it be designed?

⁶ PGE/400, Sims-Outama/10.

⁷ PGE/400, Sims-Outama/8.

⁸ PGE/400, Sims-Outama/10-22.

⁹ PGE/400, Sims-Outama/23-25.

¹⁰ PGE/400, Sims-Outama/33-35; PGE/3200/17.

¹¹ *Id.*

PGE’s Position:

In PGE’s last general rate case (Docket No. UE 394), the Commission directed PGE to address decoupling in the next GRC.¹² Because PGE does not support reinstatement of decoupling due to the existing PCAM structure, a new revenue decoupling mechanism was not proposed by the Company. For revenue decoupling to be viable and effective, PGE thinks PCAM reform is first necessary to allow for a fair and reasonable balance of benefits and risks between PGE and its customers. However, if PGE’s PCAM proposals are approved by the Commission, PGE would accept a decoupling mechanism based on a sales Normalization Adjustment with a 3% soft cap.¹³

3. Associated Energy Storage Treatment

(PGE 1300/45-51, 2700, 3300)

A. Should the Commission recognize standalone energy storage at the transmission-voltage level as “Associated Energy Storage” for purposes of the Renewable Automatic Adjustment Clause (RAAC), Schedule 122?

PGE’s Position:

The Commission should recognize standalone energy storage at the transmission-voltage level as “Associated Energy Storage” for purposes of PGE’s Renewable Automatic Adjustment Clause (RAAC). The intermittent nature of renewable energy resources necessitates investment in energy storage resources to firm and integrate renewables and to maintain system reliability in order to achieve RPS compliance. ORS 469A.120(2)(a)¹⁴ provides that timely recovery in the RAAC includes “costs related to associated energy storage.” ORS 469A.120(1) allows recovery of “costs associated with using physical or financial assets to *integrate, firm or shape* renewable energy sources on a firm annual basis to meet retail energy needs.” [emphasis added] Energy storage, whether on-site or standalone, serves the purpose of integrating, firming, and shaping renewable resources and provides reliability functions as more intermittent resources

¹² See Order No. 22-129.

¹³ PGE/1300, Macfarlane-Pleasant/35-40; PGE/2600/16-19; PGE/4200/2-6.

¹⁴ PGE 2700/6-8, PGE 3300/14 at 12 to PGE 3300/16 at 4.

are added to the energy supply portfolio for RPS compliance.¹⁵ The evidence demonstrates that standalone energy resources provide these services for RPS compliant renewable energy resources.

B. Should the Commission adopt Staff’s recommendation to open an investigatory docket into the definition of associated energy storage under the renewable portfolio standard and the use of the RAAC in light of HB 2021?

PGE’s Position:

PGE disagrees that it is necessary to hold a separate proceeding to determine the definition of associated energy storage, particularly when Staff has already held a separate rulemaking on this topic that included all of the utilities.¹⁶ PacifiCorp’s position has not changed since that rulemaking, agreeing that standalone energy storage be included within the definition of “associated energy storage”.¹⁷ There is uncertainty in the timing, scope and duration of a future proceeding and PGE will have energy storage resources in-service in late 2024 and mid-2025 resulting from the 2021 RFP. There may be value in a future proceeding to determine the use of the RAAC in light of HB 2021 and the definition of associated transmission, but that does not prevent a decision in this GRC on whether “associated energy storage” includes standalone energy storage resources.

4. Deferrals and AACs

(PGE: 1400, 2900, 3400)

A. Should the Commission recognize the deferral mechanism as a separate mechanism from the AAC mechanism?

PGE’s Position:

Requests for deferred accounting fall strictly under ORS 757.259. When PGE files an application under this statute, it is to request authorization from the Commission,

¹⁵ PGE 1300, Macfarlane-Pleasant/47 at line 21 to PGE 1300/50 at line 16; PGE 3300/8 at line 12 to PGE/3300/10.

¹⁶ PGE 3300, Sheeran-McCarthy-Murtaugh/19-20.

¹⁷ PGE 3300, Sheeran-McCarthy-Murtaugh/19-21, PGE 3101, PGE/3303 and PGE/3304.

consistent with Financial Accounting Standards (FAS) No. 71, to move costs or revenues from the income statement to the balance sheet to create a regulatory asset or liability for transactions that otherwise would have been recognized in the income statement per accounting standards. Those costs or revenues can then be recovered or refunded through a tariff schedule at a later date, subsequent to an amortization proceeding and a finding that the resultant rates are just and reasonable.

In contrast, costs that are deemed recoverable through AACs are defined as exceptions to standard deferral requests by ORS 757.259(5). This is because approval by the Commission of an AAC allows contemporaneous cost recovery based on ORS 757.210 which authorizes “provision of a rate schedule that provides for rate increases or decreases or both, without prior hearing, reflecting increases or decreases or both in costs incurred, taxes paid to units of government or revenues earned by a utility.” PGE disagrees that the true-up associated with an AAC falls under the definition of retroactive ratemaking. Retroactive ratemaking covers expenditures and revenues entirely unknown to the utility or stakeholders prior to setting rates. In contrast, an AAC is based on a forecast of known expenditures, but without knowing the exact amounts for those expenditures. It is known at the time that the rate is set that a later true up will occur relative to actual amounts spent in the categories that have been forecasted. Therefore, the true up element of an AAC conflicts with the concept of “retroactive ratemaking.” Additionally, PGE finds this treatment of the true up to be inconsistent with the treatment of these by other regulating bodies, such as the FERC.

B. Should all AACs be presumed to be subject to an earnings test?

Background:

CUB and Staff argue that there should be a presumption of an earnings test on each tracker unless the utility can meet its burden to prove that there should not be.

PGE's Position:

PGE disagrees that an earnings test should be added to all AACs. The proposal made by parties is based on sweeping statements and assumptions that are not supported by sound policy or any applicable laws. PGE argues that the law does not support an earnings test on AACs. PGE disagrees that there can be an earnings test on the “deferred portion” of the AAC. First, the Company disagrees that a true up should result in a deferral, consistent with its position that the deferral and AAC should exist as separate mechanisms. The AAC is defined under ORS 757.210, and the only reference to the AAC under ORS 757.259 is to clarify that an earnings test should be applied *unless* it is an AAC.

Additionally, no party provided sufficient analysis or data to support the recommendation, and the proposal lacks sufficient design detail. Neither Staff nor CUB provided an explanation as to how the utility will experience “sufficient” or “reasonable” earnings under their proposal. No details as to the size and type of earnings tests were provided either.

As such, the Commission should reject this proposal given its lack of legal basis, its absence of analytical support, and its ambiguous state and lack of structure. It should be clear to all how a significant change to the decades-long treatment of a specific cost recovery tool will impact the company's risk profile moving forward.

C. Regardless of whether an earnings test is presumed for all AACs, should an earnings test apply to schedules 150 and 153, as CUB proposes?

PGE's Position:

PGE disagrees that an earnings test should be applied to these two schedules. Schedule 150 is driven by a legislative mandate to collect $\frac{1}{4}$ of one percent of revenues from customers to be used for implementing transportation electrification programs. Unlike an account whereby PGE first knows what will be spent and later true up actuals, this account is designed such that the information first known is the amount to be collected and then, upon knowing how much will be collected, it is decided how the money will

be spent. To deny the collection of the ¼ of one percent due to an earnings test would violate the legislative mandate.

Schedule 153 is also driven by a legislative mandate. In this case the mandate calls upon the utility to create a Community Benefits and Impacts Advisory group (CBIAG). When this Schedule was first established, Staff recommended no earnings test given the basis of these expenses. Their reversal of position is unclear. Not only does the legislation mandate that the utility engage in this spending, but the legislation calls for the contemporaneous recovery of the expenses. The only mechanism that would allow for such timely recovery would be an AAC, which, as previously identified, does not include an earnings test.

D. Should the Commission adopt CUB’s proposal that all trackers should have sunset dates of not more than three years from their inception and that once the sunset date is reached, PGE must justify continuing the tracker in the opening testimony of the next general rate case?

PGE’s Position:

PGE disagrees with CUBs position and points to ORS 757.210, which already requires a prudence review of AACs at least every two years. The additional requirement requested by CUB is unnecessary and unduly burdensome given the provision that already exists. PGE views this recommendation as an effort to force a requirement that does not exist within the law.

E. Should certain deferrals be consolidated or eliminated?

Background:

Staff proposes consolidating Schedules 136 (Community Solar Program), 137 (Customer-Owned Solar), 150 (Transportation Cost Recovery) and 153 (Community-Benefits and Impacts Advisory Group) into a single tariff, as well as combining Schedules 135 (Demand Response) and 138 (Energy Storage) into a single tariff. CUB proposes moving Schedule 138 into base rates.

PGE’s position:

PGE’s position is that Schedules 135 and 138 can be consolidated, but PGE does not support Staff’s proposal to consolidate Schedules 136, 137, 150 and 153 into a single tariff because the four schedules have different allocation methodologies that would make it too complex to consolidate the four into one. PGE is open to consolidating Schedules 136 and 137 into a single tariff as well as combining Schedules 150 and 153 into a single tariff. In these instances the allocation methodologies are aligned and would reduce the complexity and challenges of combining all four items.

PGE opposes the proposal to move the costs in Schedule 138 to base rates. The projects included in this schedule are a part of HB 2193 and were approved under Docket Number UM 1856. These projects were a part of a stipulation between parties in Docket No. UE 370/372 allowing for recovery of all of the projects through an AAC.

5. Miscellaneous Revenue Requirements Items:

(PGE: 200, 1700, 3500)

A. Should the Commission adopt AWEC’s proposal to change State Income Tax accounting from the current normalization method to a flow-through method?

PGE’s Position:

Both PGE and Staff oppose AWEC’s proposal. AWEC’s proposal would provide a one-time benefit to current customers, while ensuring that future customers pay a higher cost. PGE’s current method of normalization provides a smoothed benefit to customers that matches the life of the asset. The State of Oregon has a “rolling” conformity with respect to federal taxable income, such that normalization requirements are contained in Oregon law as well as federal law. As such, PGE believes that changing to a flow-through method of accounting for state income taxes would be a violation of Normalization Rules in Oregon.¹⁸

¹⁸ PGE/3500, Batzler-Ferchland/3-6.

B. How should rate base be determined?

PGE's Position:

PGE supports maintaining the methodology for calculating rate base that utilizes year end values for both capital additions and accumulated depreciation. PGE opposes Staff's method and disagrees with the fundamental basis and support underlying Staff's proposal. Staff's method mixes time periods (i.e., using a 2023 amount for capital additions versus a 2024 amount for accumulated depreciation) and average and year end methods to calculate an amount that is not reflective of PGE's net plant. Staff's proposal is not fair and reasonable, and PGE demonstrates in testimony that will lead to persistent and systematic under-earning as it is not representative of PGE's prudently invested capital. Based upon PGE's research, there is no record of Staff's proposed method ever being used in Oregon and it is not the method previously used by PGE or any other utility in the state. Staff was unable to provide any evidence of their method ever being employed. Whereas PGE's current method has been used consistently by the two largest utilities in the state for approximately ten years and, as Staff concedes, is consistent with ORS 757.355.

PGE opposes AWEC's adjustment and arguments. PGE's test year depreciation expense is entirely consistent with accumulated depreciation amounts included in rate base and appropriately reflects a 2024 test year depreciation expense amount that is reflective of PGE's December 31, 2023 plant in service. Staff reviewed PGE's depreciation expense in detail and stated in testimony that PGE's depreciation expense is in compliance with Commission Order No. 21-463 (PGE's depreciation study), PGE's depreciation expense is reasonable, and that they have no adjustment to this forecast. Finally, it is inappropriate for AWEC to recommend an entirely new adjustment in their final round of testimony, undermining the Commission's established process and the agreed-upon schedule.¹⁹

¹⁹ PGE/3500, Batzler-Ferchland/7-22.

C. Should the Commission adopt AWEC's proposal to adjust the rental rate charged to PGE for the World Trade Center location?

Background:

AWEC is recommending a \$9.2 million reduction to PGE's base rental rate for the usage of the WTC, which is equal to the percentage of the building used by PGE multiplied by \$2.5 million. Prior to November 2018, the WTC was owned by a third-party unaffiliated entity, and a master lease agreement existed between the owner and PGE's non-utility subsidiary, 121 SW Salmon Corporation (121 Salmon). Lease terms between 121 Salmon and the third-party owner established the base rental rate in 1978, when the WTC was built. 121 Salmon purchased the building in 2018 and becoming an affiliated, third-party owner. All elements of the lease agreement remain the same, and the structure of costs charged to PGE's utility business is the same as under ownership by a non-affiliated, third-party owner.

AWEC's recommendation is based on a calculated "terminal value" or "transfer price" of the building and the impact of this value on the determination of the lower of cost or market. The lower of cost or market standard provided by OAR 860-027-0048 states that goods and services provided by an affiliate or the non-utility operations of a regulated company should be transferred at the lower of the cost of providing the service or the prevailing market rate. In addition, it says that "[t]he nonregulated activity's cost shall be calculated using the energy utility's most recently authorized rate of return."

PGE's Position:

PGE opposes AWEC's proposal to decrease to base rent paid by PGE for space used at the WTC by \$9.2 million, resulting in a significant negative value. PGE disagrees that the calculation of lower of cost or market contains theoretical future values. 121 Salmon's current return on equity and rate of return for 2022 is 0.82%. Based on this value for all of 121 Salmon's business, if isolated for PGE utility activity only, the rate of return charged to customers is even less than the 0.82% return earned by 121 Salmon. This is

far below that amount 121 Salmon could charge to PGE utility, which would allow for a 9.5% return based on the law. 121 Salmon maintained the original lease terms for PGE utility, resulting in the exceptional discount paid by PGE.

The price calculated by AWEC serves to return the future potential gain on the WTC to PGE's customers now. This denotes an unrealized future value of money that 121 Salmon does not currently have and may never have. PGE customers have never paid for ownership of the WTC – that is to say it has never been placed in rate base or financed by PGE customers.

Contrary to AWEC's statements, in all rate cases dating back to the inception of the lease agreement, the amount in rates for the rental of space at the WTC has been consistent with the terms of the lease agreement. That has not changed under ownership of 121 Salmon.²⁰

D. Should the Commission adopt Staff's proposal to adjust the price and quantity of Fuel Stock?

PGE's Position:

PGE opposes Staff's proposal and adjustments to both the price and quantity of PGE's fuel stock.²¹ The entirety of PGE's fuel stock is used and useful and in service to customers. PGE's fuel stock currently provides both financial benefits, through PGE's annual power cost forecast, and provides system reliability benefits, serving as inexpensive insurance should PGE be faced with a scenario where next marginal unit of gas or electricity is unavailable to be purchased at any price. Staff's method for calculating the value of PGE's fuel stock does not comply with Generally Accepted Accounting Principles (GAAP). In comparison, PGE's current weighted average cost method does comply with GAAP and is the most common used method for valuing these types of commodities. As stated in PGE's surrebuttal testimony, PGE offers a counter proposal for gas stock, which aligns PGE's 2023 year-end forecast of gas stock

²⁰ PGE/3500, Batzler-Ferchland/35-47.

²¹ PGE/3500, Batzler-Ferchland/23-33.

with the amount forecast in PGE's 2023 annual update tariff. This results in an adjustment to PGE's forecasted gas reserve balance of \$7,835,064.²²

E. Should the Commission allow PGE to include the current balance of CO2 Allowances?

PGE's Position:

PGE opposes Staff's proposal and adjustment. PGE has a compliance obligation under California's cap and trade program for GHG emissions associated with imported electricity into the state of California and customers have and will continue to benefit from PGE purchasing low priced CO2 allowances to meet this obligation. While PGE inadvertently excluded this item from our fuel stock balances filed with initial testimony, we request the Commission allow for the inclusion in rate base of PGE's current CO2 balance of approximately \$2.3 million.

6. T&D: Routine Vegetation Management (RVM)
(PGE: 700, 2200, 3600)

A. What amount of RVM cost should PGE recover in base rates for the 2024 test year?

PGE's Position:

PGE thinks the Commission should allow the amount of RVM cost recovered in base rates to be the amount PGE identified in testimony²³ without modification. PGE opposes the inclusion of Staff's proposed managerial disallowance or the adjustment proposed by AWEC to lower amounts to 2022 actual spend with inflation adjustments. The Company has provided specific details justifying its budget.²⁴ Staff's proposed managerial disallowance for lack of sufficient attention to the tight labor market is not

²² PGE/3500, Batzler-Ferchalnd/33.

²³ PGE/3600, Putnam – Ferchland/2 at 12-14.

²⁴ PGE/700, Bekkedahl – Jenkins/13-17.

warranted. PGE has undertaken numerous efforts.²⁵ Finally, AWEC’s proposal to limit budget increase based on inflation disregards the extensive record justifying the budget increase due to the tight labor market for qualified line clearance tree trimmers.²⁶ Staff also “does not agree” with AWEC’s proposal.²⁷

B. Should the Commission adopt Staff’s proposed performance-based rate (PBR) mechanism for RVM to impose an earnings test on the first \$6 million of incremental RVM spend beyond what is in base rates?

Staff proposes a PBR based on the number of probable vegetation violations identified by OPUC Safety Staff at the following levels:²⁸

Table 1. Proposed RVM PBR Thresholds

Level	Threshold	Earnings Test
Level I	175<	+100 bps
Level II	260	+0 bps
Level III	345	-50 bps
>Level III	>345	-100 bps

PGE’s Position:

The Commission should not adopt Staff’s proposed PBR mechanism. We are unaware of any PBR mechanism imposed on a utility in Oregon without it being part of a settlement or agreement with the utility.²⁹ It would be unreasonable to adopt a mechanism based on an audit that is not transparent, repeatable, and statistically valid methodology that is applied consistently year-to-year, which OPUC Safety Staff’s annual audit it not.³⁰ Staff’s proposed thresholds are incongruous with PGE’s historical number of probable vegetation violations – 13 of the last 16 years would have fallen in the highest threshold (Level IV)³¹ – despite Staff having not indicated a concern with the current level of violations and OPUC Safety Staff’s last audit indicates optimism and

²⁵ PGE/3600, Putnam – Ferchland/ 5-8.

²⁶ PGE/3600, Putnam – Ferchland/7, PGE/2200, Bekkedahl – Putnam/4-14.

²⁷ Staff/3300, Stevens/5 at 6.

²⁸ Staff/3300, Stevens/14, Table 1.

²⁹ PGE/3600, Putnam – Ferchland/12 at 1-6

³⁰ PGE/3600, Putnam – Ferchland/12-15.

³¹ PGE/3600, Putnam – Ferchland/15-16.

that vegetation contacts continue to decrease.³² PGE remediates all identified probable vegetation violations within the timelines requested by Safety Staff and sends in documentation.³³

C. Should there be a balancing account for any incremental/decremental amount spent beyond the levels established in subpart A.? If so, should the amounts in the balancing account be subject to a deferral and an earnings test?

PGE's Position:

PGE' Establishing a balancing account for any incremental/decremental spend beyond the amount included in base rates for the 2024 test year. This would "increase PGE's accountability"³⁴ as desired by Staff and addresses AWEC's concern that PGE has an "incentive to overstate its routine vegetation management expense."³⁵ PGE would not be supportive of the balancing account if proposed to be treated as a deferral with an earnings test on amounts included in the balancing account since that would carve out otherwise base rate spending and PGE would consider that as an improper effort to limit utility earnings.³⁶

7. Production

(PGE: 800, 2000, 3700)

A. Should the Commission adopt a proposed reduction to costs recovered for generation outside services?

PGE's Position:

PGE disagrees with AWEC's cherry-picking of a single cost element over a narrow time frame. PGE has explained that the tangible rise in capacity factors for gas plants necessitates more outside services work, and even proved that our budgeting process was concrete and accurate by matching the 2023 monthly budget with current actuals.

³² PGE/3600, Putnam – Ferchland/16-17

³³ PGE/3600, Putnam – Ferchland/19 at 18-21

³⁴ Staff/2000, Stevens/25 at 6-7

³⁵ AWEC/600, Mullins/9 at 1-8.

³⁶ PGE/3600, Putnam – Ferchland/21 at 10-13.

Ultimately, outside services are necessary to keep plants running at sustained high capacity factors, and PGE proposes that its original forecast be upheld.

B. Should a Qualifying Facilities Pass-Through Mechanism be established to address the volumetric and price risk associated with PURPA mandated QF projects?

PGE's Position:

Not in this GRC. PGE proposes to withdraw its QF Pass-Through mechanism proposal from this GRC and respectfully requests that the Commission reject Staff's proposed method of calculation. PGE and parties would maintain the right to propose a more detailed mechanism and calculation in future GRCs or annual update tariffs (AUTs).

8. Compensation

(PGE: 500, 1800, 3800)

A. Should the Commission adopt Staff's unresolved adjustment to the Test Year wages and salary expense and rate base?

Background:

Staff proposes a permanent reduction to PGE's capitalized total labor of \$3,977,560, including \$458,856 of wages and salaries and \$3,518,704 related to an FTE adjustment, and a permanent reduction to capitalized incentives of \$2,208,099.

PGE's Position:

We recommend that the Commission reject Staff's proposed adjustment and approve PGE's full test year request. Staff's proposal ignores that a holistic consideration of PGE's total labor expense clearly demonstrates that our request represents a \$25.5 million dollar decrease in real terms when compared to the base year and that during this same period non-officer incentives have decreased slightly as a percent of total compensation. Staff's entire remaining proposed adjustment relates to amounts in capital additions to rate base that have already been settled in this proceeding, to remove them now undermines those agreements. For these reasons we find the

amounts of the adjustment unsupported. Additionally, Staff's proposal calls for the *permanent* removal of these amounts, however they have not demonstrated that the related capital additions are imprudent, and therefore we also find the method of this adjustment unsupported and unreasonable.

B. Should the Commission adopt CUB's proposal to reduce the PGE-offered employee discount on electric service from the current 25% to 5%?

Background:

Cub proposes to reduce the PGE-offered employee discount on electric service from the current 25% to 5%.

PGE's Position:

We recommend that the Commission reject CUB's proposed reduction of PGE's electric service employee discount. CUB's argument relies on comparisons to other discount programs that are unrelated to our employee offering. PGE's long-standing, industry-standard employee discount represents only 0.3% of our total compensation, however, this modest offering aids in our efforts to attract and retain employees in the challenging employment market of today. If adopted CUB's recommendation will represent a significant change to a venerable benefit offering, impacting PGE's ability to attract and retain qualified candidates which would only serve to harm customers in the long term.

9. Property Insurance Premiums

(PGE 600, 1900, 3900)

A. What amount of costs should be recognized for Property Insurance premium rates?

PGE's Position:

PGE requested cost recovery of \$16,597,053 for forecasted 2024 property insurance premium. AWEC proposes an adjusted reduction of \$1,788,313 based on the use of a "known and measurable" for 2023 property insurance premium amounts. PGE does not

oppose the removal of \$325,100 for Clearwater. We recommend that the Commission reject AWEC's proposed adjustment and approve PGE's full test year request except for the \$325,100 related to Clearwater. Both PGE and Staff agree on this recommendation and agree that AWEC's proposal seems untenable.

AWEC's proposal to use "known and measurable" premium amounts is not supported by analysis and is unreasonable and unjustified. This is especially true considering PGE's historical and forecasted property premiums, current market pricing trends, PGE's growing asset base, PGE's losses, industry-wide challenges, and broader macro-economic influences affecting all more than just utilities. Setting PGE's 2024 property insurance premiums to current levels would result in a significant under-recovery of PGE's prudently incurred property insurance costs, which serve to protect PGE and customers from unforeseen property damages, liability claims, and potential financial losses.

10. ROE

(PGE: 1000, 2400, 4000)

A. What should be PGE's authorized Return on Equity (ROE)?

Background:

PGE requests an authorized ROE of 9.8 % (range of 9.7%-10.4%).

Staff recommends an authorized ROE of 9.4% (range of 9.13%-9.53%).

AWEC/CUB proposes an authorized ROE of 9.5% (range of 9.2%-9.9%) and

Walmart supports an ROE of 9.5%

PGE's Position:

PGE's consultant maintains a recommendation for a 9.8% ROE. This value is consistent with the ROE values that have been awarded through 2023 to other utilities. An ROE of 9.8% would allow PGE to remain competitive relative to its peers as it seeks to access capital markets. This is particularly important as PGE seeks to invest in its systems to achieve its own goals to decarbonize and the goals set forth in HB 2021.

11. Income Qualified Discount Program

(PGE: 2600, 4100)

A. What changes does the Commission think are appropriate design for the Income Qualified Bill Discount Program?

Background:

PGE indicated in reply and rebuttal testimony that it would adjust the existing Schedule 18 (IQBD) program design to allow for a new tier. Staff, CUB, and CAPO-CEP recommend the Company adopt a higher level of discount than the Company's intended offering.

PGE's Position:

PGE intends to alter the current IQBD program structure as shown in Table 2. PGE does not agree with the proposals made by the parties. While PGE is pleased with the engagement and enrollment levels it has achieved so far in the IQBD program, it is still a relatively new program that has been in place for a year and a half. The program is not yet at a stable level of enrollment and the cost-impact for the program under the parties' various proposals could be significant.³⁷ The true cost of these programs is currently uncertain. PGE is concerned with rolling out significant modifications to the program prior to reaching a stable enrollment level or fully understanding the impacts of such a program.

³⁷ PGE/4100, Radcliff-Macfarlane/13 (Table 2 from PGE's surrebuttal testimony duplicated in PGE's position statement.)

Table 2

SMI Bins	Current Program	PGE Proposal	CUB	Staff (low)	Staff (high)	CEP-CAPO
0-5%		60%		70%	90%	90%
6-15%	25%	40%	60%	40%	70%	75%
16-30%		25%	25%	25%	25%	40%
31-45%	20%	20%	20%	20%	20%	20%
46-60%	15%	15%	15%	15%	15%	15%
Parties' 2025 estimate			\$67*	\$62	\$70	\$85
PGE's 2025 estimate ³⁸	\$53	\$66	\$70	\$69	\$81	\$94

* CUB provided a 2024 cost estimate in their rebuttal testimony (\$55 million). PGE estimates the 2025 equivalent for their estimate is \$67 million.

B. Should PGE conduct or contract for a Low Income Needs Assessment Study and if so, what requirements should apply, i.e., date by which study is completed?

PGE's Position:

In response to Staff, CEP, CAPO and CUB's specific recommendations in their rebuttal testimonies, PGE has committed to conducting a LINA to better understand the extent and distribution of energy burden throughout our service territory.³⁹ We commit to incorporating input from community stakeholders by tasking PGE's Community Benefits and Impact Advisory Group (CBIAG) with facilitation of the RFP and resulting study.

Regarding the parties' recommendation that it be completed by January 1, 2025, we can meet this timeline. Per our research with potential vendors, a LINA may take 7-8 months and PGE estimates the time needed to scope the project and run an RFP could take up to four months. PGE expects the cost of the LINA to be no more than \$250,000, which should be deferred and recovered through Schedule 118 following a prudence review, but without an earnings test.⁴⁰

³⁸ PGE's 2025 program cost estimates assume 120,000 participants throughout the year, that future enrollments distribute across the discount tiers similar to past enrollments and estimate price increases for both years.

³⁹ PGE/4100, Radcliff-Macfarlane /16.

⁴⁰ *Id.*

12. Additional Energy Justice Items

- A. Should the Commission initiate a proceeding (which authorizes discovery or discovery like access to data) to reform residential customer rates to limit energy burden in the long run?
- B. Should the Commission initiate an investigation to determine criteria/metrics/processes all utilities shall employ to comprehensively integrate energy justice into decision making and, specifically, all facets of a general rate case?
- C. Should the Commission convene a multi-agency (including OHCS, ETO, ODOE) proceeding to identify how to better utilize weatherization programs to address energy burden as directed by HB 2475 (2021)?

PGE's Position:

To address all three questions, PGE thinks that Docket No. UM 2211 would be a suitable docket to address the more foundational changes to regulatory procedures and the utility cost-causation model presented by Staff, CEP and CAPO and would allow input and feedback from all utilities, interested agencies and stakeholders. PGE thinks it would be beneficial to get clear guidance on how HB 2475 should be applied to cost allocation and rate design and understand the specific requirements inferred from the bill's language on these issues. Specifically, language does not appear to indicate a specific 6% energy burden threshold cap nor prescribe how eligibility for discounts should or shouldn't be implemented. Additionally, a continued point of concern for PGE is the level of data stakeholders desire a utility collect from and about customers, how it's used, and with whom it's shared. PGE thinks these issues may best be addressed in UM 2211 or a similar docket.

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Respectfully submitted,



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