



Portland General Electric Company

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February 15, 2023

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
201 High Street SE, Suite 100
Salem, Oregon 97301

Re: UE 416 - Portland General Electric Company's Request for a General Rate
Revision

Dear Filing Center:

Enclosed for filing in the above-captioned docket is Portland General Electric
Company's Executive Summary of Portland General Electric Company.

Thank you for your assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "KSB", is written over a light blue horizontal line.

Kim S. Burton
Assistant General Counsel III

KMB:mb

**BEFORE THE PUBLIC UTILITY COMMISSION
OF THE STATE OF OREGON**

UE 416

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Request for a General Rate Revision.

**EXECUTIVE SUMMARY OF
PORTLAND GENERAL
ELECTRIC COMPANY**

I. INTRODUCTION

Portland General Electric Company (PGE) is a public utility pursuant to Oregon Revised Statute (ORS) 757.005. The Public Utility Commission of Oregon (Commission) has jurisdiction over the price and terms of service provided by PGE to its customers. PGE is filing this request to revise its tariff schedules pursuant to ORS 757.210 and ORS 757.220 with a January 1, 2024, effective date. PGE submits this executive summary pursuant to the requirements of OAR 860-022-0019. Within this filing, PGE requests an increase in revenues of approximately \$338 million. This represents a roughly 9.5% increase attributable to base rates and a 4.5% increase attributable to fuel and power costs, for a total average increase of approximately 14.0% in customer prices.

II. SUMMARY OF THIS CASE

As described in Section IV below, fourteen pieces of testimony discuss the basis for our request in this case. Aside from one witness on the appropriate return on equity, all witnesses are PGE officers and/or employees. The testimony discusses the cost drivers in each area and the projected 2024 costs incorporated into this case.

Test Year. This case is based on a normalized future test period of calendar year 2024, except that for rate base we use the balances as of December 31, 2023, and in order to comply with IRS normalization requirements, we base depreciation expense on plant-in-service through this date. PGE seeks a procedural schedule in this docket that will allow for a Commission order by mid-December 2023 and revised tariff schedules implemented on January 1, 2024.

Rate of Return. PGE requests an authorized return on equity (ROE) of 9.80% with a forecasted capital structure of 50% equity and 50% debt. The projected test year results show that without a price increase, PGE will earn an ROE of approximately 2.24%, which is significantly lower than PGE's currently authorized ROE of 9.5%, and below the level needed to maintain PGE's credit ratings and attract capital. In an environment of higher interest rates, authorized ROEs are increasing in the industry. As the testimony of Dr. Bente Villadsen sets forth, the range of appropriate ROE for PGE is 9.7% to 10.4%, with PGE's request at the lower end of this range. While PGE is requesting an increase in the ROE to 9.8%, this reflects the commensurate return for PGE's risk profile and needed return for PGE to continue to access capital markets and make investments on behalf of our customers.

Factors Driving Rate Change Request. As set forth in the testimony in this docket, PGE is making significant infrastructure investments to meet our customers' needs for safe, reliable service. Prices need to be set to allow PGE the opportunity to earn a return on invested capital that is commensurate with similar companies, allowing it to maintain its credit and attract capital on terms that will ultimately be beneficial to customers.

Key investments and drivers of this case are as follows:

- Faraday Resiliency and Repowering Project: The replacement of the Faraday Powerhouse in our Clackamas River Hydroelectric Project with a new, modern

facility which mitigates seismic and safety risks and provides customers with a new, non-emitting modern plant (Faraday Units 7-8) that will optimize the generation potential and reliability at Faraday for the remaining FERC license period (i.e., until 2055) and likely beyond.

- **Transmission and Distribution System Investments:** PGE has completed or is in the process of completing numerous projects, large and small, to modernize and upgrade our transmission and distribution (T&D) system for enhanced reliability and resilience. PGE continues to invest the capital and labor required to meet new connections and meet customer demand. PGE's total T&D capital additions for May 1, 2022, through December 31, 2023, are \$754.8 million, net of Wildfire Mitigation investments. Grid modernization investments, such as Distribution Automation, Field Area Network, Advanced Distribution Management System, and enhancements to our operations, including the Virtual Power Plant desk, are advancing a clean energy future where all PGE customers and communities can fully participate and benefit.
- **Inflationary Pressures:** The COVID-19 pandemic and ensuing economic impacts have resulted in exceptionally high inflation levels not seen for several decades. PGE continues to prudently manages costs, while increasing operational effectiveness; however, inflation is widespread across our operations to serve customers. A few examples of inflationary cost increases beyond PGE's control are: energy market prices, insurance, interest rates, labor, materials, and technology associated costs.
- **Additional increased costs, and upward pressure on prices, in this case include:**

- Increasing cyber and physical security and emergency management costs, due to additional security risks and the increase in extreme climate-driven weather events (e.g., wildfires, severe storms, floods) that drive the need to harden and protect critical energy infrastructure.
- Higher property taxes due to increasing net plant assets plus additional construction work in progress balances that will be assessed property tax expense.
- Higher insurance expense driven by worsening overall market conditions and catastrophic events have resulted in premium increases while available coverage is decreasing.
- Increase in the uncollectible expense rate reflects anticipated impacts of Division 21 Rulemaking changes and reduced recoveries from credit agencies.

Mitigating Actions. To mitigate the price increase while still allowing us to make essential system improvements, we have managed our costs carefully to keep the increase in O&M to a level well below the average rate of inflation.

In addition to bill assistance programs, which include preferred due date and payments plans, Energy Assistance funds, and a Medical Certificate program, PGE worked proactively with stakeholders and the Commission to successfully launch an income-qualified bill discount (IQBD) program that mitigates the price increase for eligible residential customers. In addition, PGE offers a number of customer choice programs to help customers manage their energy usage outside of peak demand.

PGE has also set up a team to aggressively pursue competitive federal grants to benefit customers. Through February 10, 2023, we have submitted 10 concept papers or grant applications totaling \$478 million in total grant requests, as well as \$85 million in Federal Emergency Management Agency Building Resilient Infrastructure and Communities applications. These potential federal grants will help to mitigate future price increases.

In addition, we modified our request as follows: 1) this case does not include any officer incentive compensation and we have removed 50% of all other forecasted incentive compensation costs; 2) this case does not include 50% of meals and entertainment costs based on 2022 actuals; 3) this case removes 50% of all layers of Directors and officers liability insurance; and 4) this case sets the uncollectible rate to 0.500% compared with a forecast of 0.527%.

Key Policy Issues. Within this case are several policy proposals that seek to better align key regulatory mechanisms with decarbonization and resource adequacy requirements. These include:

- Power Cost Adjustment Mechanism (PCAM) reform proposes to modernize the PCAM for the rapidly changing power market landscape and separately collect or refund net variable power costs (NVPC) incurred during Reliability Contingency Events. The PCAM must be updated to reflect foundational changes in conditions and priorities, while abiding to the key principles of providing proper incentives for cost management, aligning interests, and fairly balancing risks and benefits. Doing so will support our collective ability to deliver a safe, reliable, affordable, and clean energy future for PGE customers.
- Energy Storage Resources in the Renewable Automatic Adjustment Clause proposal would define “associated storage” for purposes of addressing battery

energy storage resources within renewable automatic adjustment clause filings to support renewable resource integration and firming for 24/7 reliable energy service.

- Deferral and Automatic Adjustment Clause policy proposal clarifies that a deferral and an automatic adjustment clause (AAC) are two separate mechanisms with different purposes and, therefore, each AAC does not require a deferral application filing in addition to the tariff filings.
- IT Capitalization Mechanism proposal would rate base certain cloud-based IT prepaid expenses and investments to bolster physical and cyber security protections.

Accounting Orders and Tariff changes. PGE also requests that as part of this rate case the Commission approve the following:

- PGE's E-19 tariff in its entirety, as discussed in PGE Exhibit 1300.
- Modifications to PGE's Schedule 125 Annual Update Tariff, as discussed in PGE Exhibits 300 and 1300.
- Modifications to PGE's Schedule 126 Power Cost Adjustment Mechanism, as discussed in PGE Exhibits 400 and 1300.
- Renewal and modification of PGE's Schedule 122 Renewable Automatic Adjustment Clause mechanism, as discussed in PGE Exhibit 1300.
- That deferrals and Automatic Adjustment Clauses are separate and distinct mechanisms. This proposal is discussed in PGE Exhibit 1400.
- Accounting treatment for the capitalization of certain IT cloud computing expenditures. This proposal is discussed in PGE Exhibit 600.

Net Variable Power Costs. Each year under Schedule 125 Annual Update Tariff, PGE’s prices are adjusted to reflect projected NVPC for the coming year, and transition charges or credits for those customers opting for an alternate electricity supplier are calculated. Schedule 125 requires PGE to file estimates of the adjustments on or before April 1. In addition to the NVPC forecast and Minimum Filing Requirements (MFRs) with this filing, PGE intends to file and update within this docket additional MFR documentation by April 1. PGE requests a schedule that will allow for a Commission decision of NVPC issues by mid-October consistent with the requirements of PGE’s Tariff Schedules 125 and 128, and the November 2023 direct access window.

Compliance with OAR 860-022-0019. Attached as Exhibit 1 is the information required by OAR 860-022-0019. That exhibit shows the impact of the proposed price change on each customer class. The impact on residential customers of the requested price change is an increase of 15.7%, and the monthly increase for an average residential customer using 795 kWh per month is \$20.29.

III. TESTIMONY

PGE’s testimony and exhibits demonstrate that the Commission should approve this Application. The prices and tariffs proposed result in prices that are just and reasonable and allow PGE to continue to provide safe, reliable, and affordable service. PGE is introducing fourteen pieces of testimony sponsored by the following witnesses:

<u>EXHIBIT NO.</u>	<u>TITLE</u>	<u>WITNESSES</u>
100	Policy	Maria Pope and Brett Sims
200	Revenue Requirements	Greg Batzler and Jaki Ferchland
300	Net Variable Power Costs	Erin Schwartz, Darrington Outama, and Stefan Cristea
400	Power Cost Adjustment Mechanism	Brett Sims and Darrington Outama

500	Compensation	Anne Mersereau and Tamara Neitzke
600	Corporate Support	Jim Ajello and Greg Batzler
700	Transmission and Distribution	Larry Bekkedahl and Brad Jenkins
800	Production	Brad Jenkins and Larry Bekkedahl
900	Customer Service	Michaela Lynn and Dain Nestel
1000	Cost of Capital	Chris Liddle and Bente Villadsen
1100	Load Forecast	Amber Riter and Shannon Greene
1200	Marginal Cost of Service Study	Robert Macfarlane and Ashleigh Keene
1300	Pricing	Robert Macfarlane and Christopher Pleasant
1400	Deferrals and AAC	Jaki Ferchland and Greg Batzler

IV. TESTIMONY SUMMARY

Exhibit 100. Maria Pope, President and Chief Executive Officer and Brett Sims, Vice President Strategy Regulation and Energy Supply present the opening testimony. They provide the business context for this filing and describe the customer value and benefits from investments PGE has made to enable a clean energy future with a smarter, more resilient, better integrated, and more flexible power grid. Ms. Pope and Mr. Sims further discuss what PGE is doing to keep electricity prices as low as possible as PGE makes these investments. They then summarize the proposed average price increase and introduce the other testimony in this docket.

Exhibit 200. Greg Batzler, Senior Regulatory Consultant, and Jaki Ferchland, Manager of Revenue Requirement, summarize the overall \$2,671.5 million test year revenue requirement, comparing the request with that most recently approved in our last general rate case, Docket No. UE 394 (2022 test year). In Exhibit 200, PGE identifies a specific Wildfire Mitigation revenue requirement and proposes that all identifiable Wildfire Mitigation costs be included in a separate tariff schedule. The revenue requirement of \$2,671.5 million includes \$33.0 million of Wildfire

Mitigation related capital and expense costs. Mr. Batzler and Ms. Ferchland also discuss PGE's net rate base, plus associated depreciation and amortization expense, and unbundled results.

Exhibit 300. Erin Schwartz, Manager, Gross Margin and Power Cost Forecasting & Analysis; Darrington Outama, Senior Director, Energy Supply; and Stefan Cristea, Regulatory Consultant, provide our initial Net Variable Power Cost (NVPC) forecast for 2024. Based on contracts and forward curves as of December 31, 2022, PGE's initial forecast is \$860.1 million, which is an increase of approximately \$129.8 million relative to the Company's final 2023 NVPC forecast.

Exhibit 400. Brett Sims, Vice President Strategy Regulation and Energy Supply and Darrington Outama, Senior Director, Energy Supply, present PGE's proposed changes to the Power Cost Adjustment Mechanism and describe how these changes address risk imbalance in power markets and operating environment under the current PCAM.

Exhibit 500. Anne Mersereau, Vice President of Human Resources, Diversity and Inclusion, and Tamara Neitzke, Director of Total Rewards, present total compensation costs for the 2024 test year and describe how PGE's compensation philosophy is designed to address compensation challenges.

Exhibit 600. Jim Ajello, Chief Financial Officer and Treasurer, and Greg Batzler, Senior Regulatory Consultant, explain PGE's request for Corporate Support, administrative and general (A&G) costs in 2024.

Exhibit 700. Larry Bekkedahl, Senior Vice President of Grid Architecture, Integration, and System Operations and Bradley Jenkins, Vice President, Utility Operations, discuss T&D capital expenditures from May 2022 through December 2023, and incremental O&M costs for the 2024 test year. Their testimony includes a detailed discussion of Routine Vegetation Management,

apprentice training in utility operations, grid modernization, PGE's Distribution System Plan, and Level III storm restoration costs.

Exhibit 800. Bradley Jenkins, Vice President, Utility Operations, and Larry Bekkedahl, Senior Vice President of Grid Architecture, Integration, and System Operations, explain the O&M expenses associated with PGE's long-term power supply resources. They also discuss the Faraday Resiliency and Repowering Project and the plant performance of PGE's generation fleet.

Exhibit 900. Michaela Lynn, Senior Director of Customer Service, and Dain Nestel, Director of Sales, explain PGE's forecast of Customer Service O&M costs and discuss the Transportation Electrification Program.

Exhibit 1000. Christopher Liddle, Senior Director, Controller and Assistant Treasurer, recommends our cost of capital and capital structure for the 2024 test year; and Dr. Bente Villadsen, economist and principal at The Brattle Group, estimates our required ROE and describes the supporting analyses. These witnesses also address PGE's current and proposed test-year capital structure. In this case PGE proposes the same capital structure for ratemaking as was approved in immediately previous rate cases, 50% equity and 50% debt.

Exhibit 1100. Amber Riter, Economist and Lead Load Forecasting Analyst, and Shannon Greene, Economist and Load Forecast Analyst, provide PGE's 2024 test year load and customer forecast.

Exhibit 1200. Robert Macfarlane, Manager, Pricing and Tariffs, and Ashleigh Keene, Regulatory Consultant, describe the methodologies and results of PGE's generation, transmission, distribution, customer service, and street lighting marginal cost of service studies.

Exhibit 1300. Robert Macfarlane, Manager, Pricing and Tariffs, and Christopher Pleasant Senior Regulatory Analyst, describe how the proposed tariff changes recover our 2024 revenue

requirement to achieve fair, just, and reasonable prices for our customers, and changes to various supplemental schedules. They respond to Commission Order No. 22-129 concerning decoupling. They discuss updating PGE's Time of Day rate and closing the Legacy Time of Use rate to new enrollments. They also discuss PGE's proposal to define "associated storage" for purposes of addressing battery energy storage within renewable automatic adjustment clause filings to support renewable resource integration and firming for 24/7 reliable energy service.

Exhibit 1400. Jaki Ferchland, Manager of Revenue Requirement and Greg Batzler, Senior Regulatory Consultant, explain the difference between deferrals and automatic adjustment clauses and request the Commission recognize the deferral mechanism under ORS 757.259 as separate and distinct from the automatic adjustment clause mechanism as defined under ORS 757.210. In this testimony they explain why the current process where PGE must always file deferral authorization applications when an automatic adjustment clause has been established is administratively burdensome and unnecessarily duplicative since the applications should only be required in those circumstances where a deferral is truly warranted under ORS 757.259.

V. COMMUNICATIONS

PGE requests that communications regarding this filing be addressed to:

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Director, Rates and Regulatory Affairs
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VI. REQUEST FOR APPROVALS

PGE requests that the Commission issue an order:

- (1) Approving the requested changes in prices, ROE and cost of capital;
- (2) Approving the proposed tariffs;

- (3) Approving the proposed revised power cost adjustment mechanism;
- (4) Approving the updates to power cost modeling and permitting modeling enhancements between rate cases;
- (5) Approving the rate base treatment of certain cloud-based IT prepaid expenses and investments;
- (6) Approving a definition of associated storage to include standalone energy storage; and
- (7) Approving the treatment of deferrals and AACs as separate and distinct mechanisms.

DATED this 15th day of February, 2023.

Respectfully submitted,

PORTLAND GENERAL ELECTRIC COMPANY



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Exhibit 1
Case Summary
(\$Millions)

Total Revenue Requirement	\$2,671.5
Change in Revenues Requested	
Total Change in Revenues Requested	\$337.8
Total Change net of RPA	\$337.8
Percent Change in Base Revenues Requested	14.0%
Percent Change net of RPA	14.4%
Test Period	2024
Requested Rate of Return on Capital (Rate Base)	7.06%
Requested Rate of Return on Common Equity	9.80%
Proposed Rate Base	\$6,290.5
Results of Operation	
A. Before Price Change	
Utility Operating Income	\$206.0
Rate Base	\$6,286.3
Rate of Return on Capital	3.28%
Rate of Return on Common Equity	2.24%
B. After Price Change	
Utility Operating Income	\$444.0
Rate Base	\$6,290.5
Rate of Return on Capital	7.06%
Rate of Return on Common Equity	9.80%
Base Rate Effect of Proposed Price Change	
A. Residential Customers	15.7%
B. Small Non-residential Customers	15.9%
C. Large Non-residential Customers	12.1%
D. Lighting & Signal Customers	3.7%
Note: Percent Changes are on a cycle basis for Cost of Service Customers	