BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 435

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In the Matter of

PORTLAND GENERAL ELECTRIC COMPANY,

OREGON CITIZENS' UTILITY BOARD'S MOTION TO DISMISS OR SEGREGATE CERTAIN ISSUES

Request for a General Rate Revision.

I. INTRODUCTION

Pursuant to OAR 860-001-0420 and ORS 756.528, the Oregon Citizens' Utility Board (CUB) files this Motion to Dismiss or, in the alternative, Segregate Certain Issues (Motion) in the above-captioned proceeding. Due to the unnecessary complexity of this proceeding, coupled with the fact that the Public Utility Commission of Oregon (Commission) recently approved a significant rate increase for Portland General Electric Company (PGE or the Company), CUB respectfully requests that the Commission exercise its broad authority to dismiss this proceeding.¹ In the alternative, CUB respectfully requests that the Commission exercise its authority under ORS 756.528 to segregate certain unnecessary and likely contentious issues from the above-captioned proceeding and address them through its public meeting process.

PGE filed its Docket No. UE 435 Request for a General Rate Revision (general rate case) on February 29, 2024, less than sixty days after the significant rate increase from its UE 416 general rate case became effective on January 1, 2024. UE 416 was a complex and contentious

¹ See, e.g., ORS 756.040(1); ORS 756.062(2); *P.N.W. Bell Tel. Co. v. Sabin*, 534 P.2d 984, 991 (Or. App. 1975) ("The Commissioner appears, therefore, to have been granted the broadest authority—commensurate with that of the legislature itself—for the exercise of his regulatory function.").

docket that included multiple rounds of testimony, a robust evidentiary record, and eventually culminated in Public Utility Commission of Oregon (Commission) orders adopting six partial stipulations, agreed to by PGE, that resulted in just and reasonable rates.² These stipulations addressed a variety of complex issues that went well beyond the typical revenue requirement adjustments found in a general rate case.³

Now, in UE 435, the Company seeks to re-litigate many of the contentious issues that were collaboratively resolved and determined to result in just and reasonable rates mere weeks earlier. With three other concurrent general rate case filings amid a flurry of other regulatory activity, the resources of the Commission, CUB, Commission Staff (Staff), and all stakeholders are spread thin. Further, the ability and capacity of the general public to meaningfully participate in a proceeding as broad and sweeping as UE 435 is significantly constrained due to the docket's complexity. Rather than shifting the burden to Staff and stakeholders to spend significant time and resources to scrutinize the Company's overly broad and one-sided filing, the Commission should use its authority and discretion to grant this Motion and dismiss the proceeding on the grounds that circumstances have not sufficiently changed since PGE's rates were determined to be just and reasonable just weeks earlier. In the alternative, the Commission should segregate certain issues identified in this Motion that do not bear on the calculation of PGE's revenue requirement and address those issues in a public meeting process, including but not limited to: the Company's repeated request to increase its Return on Equity (ROE); its request to increase the customer charge again; and to institute an investment recovery mechanism that would permit PGE to circumvent the ratemaking process and potentially over earn on its investments and inevitably result in rates that are not just and reasonable, not to mention unaffordable.

³ *Id*.

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² See OPUC Order Nos. 23-476 and 23-386.

CUB offers this Motion in the spirit of advancing a constructive dialogue in this proceeding while ensuring the Commission is able meet its mandate to establish just and reasonable rates to balance the interest of the Company and its customers.⁴ In order to facilitate a robust discussion that will allow for fulsome public participation, CUB respectfully requests that the Commission consider the merits of this Motion at an upcoming public meeting, rather than issuing a ruling through the Administrative Hearings Division. CUB has contacted all parties to this proceeding—PGE, Staff, Calpine Energy Solutions, LLC (Calpine) and AWEC regarding this Motion. CUB is authorized to indicate that AWEC supports the Motion, PGE opposes, and Calpine takes no position.

II. APPLICABLE LAW

Since 1911, the Oregon legislature has delegated the authority to regulate public utilities exclusively to the Commission.⁵ A key component of this regulatory authority is the responsibility to protect public utility customers. Specifically, the Commission:

is expressly charged with representing utility customers and the public generally 'in all controversies respecting rates, valuations, service, and all matters of which the commission has jurisdiction,' and to use those powers 'to protect such customers, and the public generally, from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates.'⁶

Therefore, at the core of the Commission's legislatively-delegated general powers enumerated in ORS 756.040(1) is the responsibility to protect utility customers from unreasonable practices and to ensure that rates are just and reasonable. This core function is distilled into the Commission's mission "[t]o ensure Oregon utility customers have access to safe, reliable, and high quality utility services at just and reasonable rates."⁷

⁴ ORS 756.040.

⁵ OPUC Order No. 08-487 at 4.

⁶ *Id.* citing ORS 756.040(1).

⁷ Oregon Public Utility Commission, About Us, available at

The "just and reasonable" standard was articulated in a landmark U.S. Supreme Court case entitled *Federal Power Commission v. Hope Natural Gas Co.*⁸ As described by the Court, this standard generally requires that the Commission balance the interests of the customer and investor. This means Commission-approved rates must be affordable to the customer to the extent that they do not qualify as an unreasonable exaction, but the rates must also provide the utility with sufficient revenue for both operating expenses and to cover the capital costs of the business. The Commission has acknowledged this balance:

[t]he Commission sets rates within a reasonable range that protects the competing interests of the utility and its customers. To protect customers, the rates must be set at a level sufficiently low to avoid unjust and unreasonable exactions. To protect the utility investor, the rates must provide sufficient revenue not only for operating expenses, but also for the capital costs of the business.⁹

In reaching a determination that utility rates are set at a just and reasonable level, the

Commission has significant flexibility. The Court in Hope found that "under the statutory

standard of 'just and reasonable,' it is the result reached, not the method employed, that is

controlling."¹⁰ This allows regulators like the Commission tremendous flexibility to employ a

variety of ratemaking tools, as long as they reach a just and reasonable result.¹¹ The

Commission has addressed this flexibility, acknowledging that it:

sets rates under a comprehensive and flexible regulatory scheme. The legislature has expressed no specific process or method the Commission must use to determine the level of just and reasonable rates, and the Commission has great freedom to determine which of the many possible methods it will use.¹²

Under its broad, legislatively-delegated powers codified in part at ORS 756.040, the

https://www.oregon.gov/puc/aboutus/Pages/default.aspx.

⁸ Federal Power Comm'n v. Hope Natural Gas Co., 320 U.S. 591, 603 (1944) (hereinafter Hope).

⁹ OPUC Order No. 08-487 at 5.

¹⁰ *Hope* at 602.

¹¹ Id.

¹² OPUC Order No. 08-487 at 5.

Commission can consider whether to dismiss a general rate case if it is unlikely to lead to rates that are just and reasonable.¹³ Such a motion could be filed under OAR 860-001-0420 or couched as an ORCP 47 Motion for Summary Judgment.¹⁴ Here, the Motion is filed under the Commission's general powers and its administrative rules governing motion practice. Requests for a general rate revision have been rejected by Commissions in the past, including Avista Utilities' 2016 request for a general rate revision filed before the Washington Utilities and Transportation Commission.¹⁵

Further, "[a]t any time before the taking of evidence in a proceeding, the Public Utility Commission may segregate the issues involved and order separate hearings thereon at such times and places as the commission may prescribe."¹⁶ Under the flexible procedures that the Commission may employ to determine whether rates are just and reasonable,¹⁷ CUB submits that the Commission may address certain segregated issues from this general rate case in its established public meeting process.

III. ARGUMENT

In the 1993 film *Groundhog Day*, actor Bill Murray plays a TV weather forecaster who is forced to live the same day over and over again. While this predicament initially leads him to distraction and general malaise, he is eventually able to turn the situation to his advantage. In this proceeding, PGE raises issues related to its ROE, treatment of energy storage under its

¹³ See generally in re Revised Tariff Schedules Applicable to Electric Service Filed by PacifiCorp, OPUC Docket No. UE 111, Order No. 00-091 at 1 (Feb. 14, 2000).

 $^{^{14}}$ Id.

¹⁵ Washington Utilities and Transportation Commission, Avista Utilities Request for a General Rate Revision, Dockets UE-160228 and UG-160229, Order 06 (Dec. 15, 2016).

¹⁶ ORS 756.528; see, e.g., in the Matter of PACIFICORP, dba PACIFIC POWER, Application for Authority to Implement Revised Depreciation Rates, OPUC Docket No. UM 1968, ALJ Ruling (on Motion to Segregate) (Apr. 13, 2020); <u>Re Portland Gen. Elec. Co.</u>, OPUC Docket No. UA 37 & UA 41, Order No. 92-557, 133 P.U.R.4th 145 (Apr. 16, 1992); <u>Re Elec. Lightwave, Inc</u>, OPUC Docket No. UM 381, Order No. 92-345, 131 P.U.R.4th 187 (Mar. 9, 1992)

¹⁷ *Supra*, note 13.

Renewable Resources Automatic Adjustment Clause (RAC), its Power Cost Adjustment Mechanism (PCAM), and its employee compensation that have been examined repeatedly in a multitude of recent general rate cases and other Commission proceedings.

However, rather than re-living—and re-litigating—these issues while assembling an offrepeated administrative record for the Commission's consideration, the Commission has an opportunity to flip the script. Instead of placing the burden on under-resourced parties and the Commission to litigate these contentious issues, the Commission can dismiss PGE's filing, leaving it free to re-file in a more streamlined and efficient manner that truly considers the impact of the proceeding on its customers. In the alternative, the Commission can streamline the proceeding itself—segregating certain oft-repeated or inappropriate proposals for examination in a different setting, while allowing UE 435 to proceed in a manner that examines truly necessary costs that will actually be incurred in the test year of this proceeding.

A. The Commission Should Dismiss PGE's General Rate Case Filing

CUB respectfully requests that the Commission exercise its authority to dismiss PGE's general rate case request on the basis that it seeks to re-litigate many issues from its UE 416 general rate case proceeding. As discussed, the final rate adjustments were approved as just and reasonable in late 2023, and only became effective on January 1, 2024.¹⁸ For its part, the Company admits that the numerous UE 416 settlements "were approved by the Commission *only after they were determined to result in just and reasonable rates.*"¹⁹ PGE filed the proceeding that is the subject of this Motion on February 29, 2024, less than sixty days after the Commission determined that its rates were set at a just and reasonable level. PGE has failed to meet its burden to demonstrate that its existing rates are unjust and unreasonable.

¹⁸ *Supra*, note 3.

¹⁹ UE 435 – PGE/100/Pope – Sims/4 (emphasis added).

Utilities are expected to control costs between rate cases. The utilities under the Commission's regulatory apparatus enjoy a tremendous information asymmetry over Staff and intervenors, and can control the timing of rate cases to maximize profits for their shareholders. However, the Commission has broad authority to set rates within a reasonable range, and can find that rates are already sufficient within said range.²⁰ Here, the Commission should do so.

Inclusive of a forthcoming supplemental tariff filing that will increase residential rates an additional 2.7% on April 1, 2024, the Company's rates have increased by approximately 33% since December 2022.²¹ Dating back to January 2022, rates have gone up by 40%.²² In UE 435, PGE seeks an additional 7.3% increase to its annual revenue requirement.²³ During what have been troubling economic times wrought with significant inflation, PGE's customers can only absorb so much. The Commission should use the broad authority delegated to it to consider the impact of the UE 435 filing on PGE's customers and "protect such customers, and the public generally, from unjust and unreasonable exactions."²⁴ Rather than merely considering the reasonableness of the Company's requested increase through the lens of cost recovery, the Commission should use its authority to protect PGE customers from the third significant rate increase in as many years.

CUB has received many concerned communications from customers,²⁵ and PGE

²⁰ OPUC Order No. 08-487 at 5.

²¹ The Oregonian, *5 takeaways: Why are Oregon power rates going up so fast?*, Wozniacka, Gosia (Mar. 10, 2024) (*available at:* https://www.oregonlive.com/environment/2024/03/5-takeaways-why-are-oregon-power-rates-going-up-so-fast.html).

²² KOIN News, *Push back, petitions arise amid PGE's 'unaffordable' proposed rate increase*, Thompson, Brandon (Mar. 4, 2024) (*available at* https://www.koin.com/news/portland/push-back-petitions-arise-amid-pges-unaffordable-proposed-rate-increase/).

²³ UE 435 – PGE/200/Batzler – Ferchland/2.

²⁴ ORS 756.040(1).

²⁵ See, e.g., https://oregoncub.org/news/blog/pge-asks-for-even-more-rate-increases/2956/; and https://oregoncub.org/news/blog/switching-to-an-electric-heat-pump/2953/; and

https://oregoncub.org/news/blog/legislative-preview/2951/; https://oregoncub.org/news/blog/100-clean-electricity-how-are-utilities-doing/2950/; and https://oregoncub.org/news/blog/is-oregon-utility-regulation-part-of-the-problem/2944/.

customers have circulated a petition to Oregon lawmakers that seeks to limit these types of increases.²⁶ The increase that PGE has been given, and now seeks to add onto, has far outpaced inflationary pressures the Company is under. Further, not only is PGE requesting a significant rate increase associated with certain new investments on its system, many of the largest issues in the case are utterly one-sided proposals that would shift significant cost and risk onto customers. Most of these were just litigated in UE 416.

For the fourth time, PGE again is attempting to improperly parse SB 1547's clear legislative directive and seeks to expand its RAC to include standalone battery storage.²⁷ It seeks to increase its shareholders' profit margin.²⁸ It seeks a tracking mechanism for its Seaside Battery Energy Storage that will not even be operational until the "first half of 2025,"²⁹ despite the fact that regulatory lag is a fundamental piece of fair regulation that PGE has been able to largely avoid on most capital investments since 1995.³⁰ Finally, PGE seeks an improperly broad "investment recovery mechanism" that would enable it to recover the costs of conceivably any capital investment without any consideration of its overall earnings or updating the depreciation of assets recovered through the mechanism.³¹ This utterly baseless, one-sided mechanism flies in the face of over 100 years of Oregon utility regulation and sends the message that the

²⁶ State Regulation of Portland General Electric's Unfair Rate Hikes, *available at* https://www.change.org/p/state-regulation-of-portland-general-electric-s-unfair-rate-hikes.

²⁷ UE 435 – PGE/500/Felton/1.

 $^{^{28}}$ UE 435 - PGE/100/Pope - Sims/30.

²⁹ *Id*. at 29.

³⁰ In re Alliance of Western Energy Consumers and Oregon Citizens' Utility Board, Application for an Accounting Order Requiring Portland General Electric Company to Defer Expenses and Capital Costs Associated with the Boardman Power Plant, OPUC Docket No. UM 2119, Joint Reply Comments at 4 ("PGE, perhaps more so than any other Commission-regulated utility, has historically gone to great lengths to avoid any regulatory lag on the front-end of its capital investments. PGE was able to track the capital and fixed costs associated with its Coyote Springs plant into base rates 90 days prior to the expected in-service date. It received immediate cost recovery provided its Port Westward plant became operational within 60 days of its March 1, 2007, online date. The Company received similar treatment with phase 1 of Biglow Canyon. PGE received special tariff riders for its Port Westward 2, Tucannon, and Carty generating plants. The Company is also able to avoid regulatory lag on all Renewable Portfolio Standard investments through its Renewable Resources Automatic Adjustment Clause.").

Company is more concerned about its shareholders than Oregon families. The Company's proposals saddle the Company's customers with costs and risk without meaningful corresponding benefit.

PGE could have filed a streamlined proceeding that sought to modestly update costs for investments that will be used and useful during the UE 435 test year. Instead, it requests a long list of one-sided policy initiatives that would unfairly shift cost and risk to customers, including an attempt to bring the costs of a battery storage investment into ratebase that will not even be in service for a year and a half under the most conservative estimates.

Now is the time for the Commission to exercise its significant authority to protect PGE's customers. Rather than shifting the burden on Staff and stakeholders to winnow down and oppose PGE's filing on an issue-by-issue basis, CUB asks the Commission to grant the Motion and deny the filing in its entirety. PGE cannot effectively claim that such treatment would unfairly disadvantage it, but it would be free to file another rate case that would seek to recover necessary costs. Had this rate case filing truly been narrow and focused on new costs *within* the test year, had PGE not requested significant policy changes that have been recently reviewed by the Commission, and had PGE not received its last rate increase mere weeks ago, CUB would not have filed this Motion. However, enough is enough.³²

B. In the Alternative, the Commission Should Segregate Certain Issues

Should the Commission deny CUB's Motion to Dismiss, CUB respectfully requests that it exercise its authority under ORS 756.528 to segregate certain issues from the proceeding. These issues have either already been examined in prior rate cases or are fundamentally imbalanced and therefore unlikely to lead to just and reasonable rates. If granted, CUB's

³² Oregon CUB, PGE Asks for Even More Rate Increases, Shuff, Charlotte (Mar. 5, 2024) available at https://oregoncub.org/news/blog/pge-asks-for-even-more-rate-increases/2956/.

alternative motion to segregate would remove the following issues from the proceeding, allowing them to be addressed in a separate process, like a public meeting:

- The Company's request to increase its ROE from 9.5% to 9.75%. This proposal would increase ROE by \$10 million and increase taxes by \$2.7 million. Mere weeks ago the Commission denied PGE's request to increase its ROE from 9.5% to 9.8%, concluding that that keeping PGE's ROE at 9.5% resulted in just and reasonable rates.³³
- The Company's request to expand the RAC to include standalone storage investments. As PGE notes, this is the fourth time that it has brought this proposal forward,³⁴ and CUB has opposed the filing the prior three times.³⁵ This issue was resolved. It would be an inefficient use of resources to re-litigate it, especially given that the Company can recover the costs of these types of resources in a future general rate case proceeding. Indeed, in its request, the Company seeks recovery of several energy storage resources. Finally, if allowed to remain in the case, PGE could utilize potential settlement of the RAC as leverage to achieve a desirable result on other issues that would impact customer rates. If desired, the Commission could set an alternative schedule and allow for briefing on this narrow issue in a separate proceeding "at such times and places as the commission may prescribe."³⁶
- The Company's request to update employee compensation to allow for non-bargaining employees to receive a 4% increase.³⁷ Employee compensation was recently re-set in UE 416, and it is not common practice for the Commission to update employee compensation

³³ *Supra*, note 3.

³⁴ UE 435 – PGE/500/Felton/35, line 20.

 ³⁵ See, e.g., OPUC Docket Nos. UM 1856, UE 335, and UE 416; see also OPUC Docket No. AR 616, CUB's Comments available at https://edocs.puc.state.or.us/efdocs/HAC/ar616hac133734.pdf.
 ³⁶ ORS 756.528.

³⁶ ORS /56.528.

 $^{^{37}}$ UE 435 - PGE/200/Batzler - Ferchland/10.

each year. Due to load growth, increased revenue, and the ability to identify other efficiencies across its system, utilities are expected to manage employee compensation based on the levels set in a general rate case for several years, rather than seeking to adjust it on an annual basis.

- The Company's request to increase the basic customer charge. In UE 416, the fixed customer charge was increased to \$13 for single-family and \$10 for multi-family residential customers. PGE now seeks to shift further cost and risk onto customers by increasing the fixed charge to \$15 and \$12 for single and multi-family customers, respectively.³⁸ Like employee compensation, rate design is not typically revisited on an annual basis. Rather than placing a significant burden on Staff and intervenors to address this one-sided proposal, PGE should utilize the customer charge that was found to be just and reasonable mere weeks earlier.
- The Company indicates that it will jointly propose changes to its PCAM with other Oregon-regulated electric utilities at a later date.³⁹ While this issue is technically not in this proceeding, this issue has been thoroughly addressed in many rounds of testimony in various proceedings throughout the last twenty years.⁴⁰ The electric utilities, including the Company, continue to assert that challenges to integrating renewable energy and the proliferation of regional markets, among others, are making power costs increasingly difficult to forecast.⁴¹ Rather than re-litigating these issues in a proceeding that is brought by the utilities at a later date, CUB believes that it is time to examine this from a novel perspective: look to the future. Oregon utilities are increasingly participating in

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³⁸ UE 435 – PGE/900/Macfarlane – Pleasant/20.

³⁹ UE 435 - PGE/100/Pope - Sims/6.

⁴⁰ UE 416 – CUB/200/Jenks.

⁴¹ *Id*.

organized markets that dispatch resources to meet load over a wide regional footprint. Within a few years, our utilities will be participating in the day-ahead market. The dayahead market, along with the Energy Imbalance Market, will mean that the actual dispatch of resources is quite different from how we model variable power costs. Can we adapt our current modeling to account for market dispatch or do we need to change how we conduct ratemaking for variable power costs? Discussing power costs ratemaking with an eye towards the future is a better use of stakeholders' time than revisiting the old battle over the structure of the PCAM. CUB recommends that the Commission open an investigation towards the end of 2024 to consider variable power cost ratemaking and organized markets and deny any requests from PGE to hold another *Groundhog Day* review of the PCAM.

While not a new issue, in its Investment Recovery Mechanism, PGE is asking for one of
the most far reaching changes to ratemaking and utility incentives that CUB has ever
seen. Because of the amount of work that stakeholders have with multiple general rate
case proceedings and many other dockets, CUB recommends that the Commission
remove this from the case and decline to adopt it at this time. It is a fundamentally onesided proposal that completely ignores over 100 years of electricity regulation in Oregon.
It allows nearly all new rate base to be added to existing rate base on an annual basis,
without accounting for depreciation of that existing rate base. Mathematically, adding all
new capital investments without accounting for depreciation will lead to using an inflated
rate base for ratemaking purposes. Let us recall when CUB and AWEC filed for a
deferral of Boardman revenues after it was closed and PGE argued that declining rate

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base was used as an offset to increasing rate base.⁴² In the case of UE 435, PGE is proposing that declining rate base no longer offsets increasing capital investment which can simply be added to rate base. This will likely lead to overearning. PGE's mechanism does not include an earnings test, and therefore is highly likely to lead to overearning and, by proxy, rates that are not just and reasonable. It reduces the time allotted to prudency reviews from approximately 8-9 months to 3-4 months. And it guarantees large annual January rate increases, when PGE, the Commission and CUB have all heard a great deal from customers about the hardship that large increases can cause in the winter when they coincide with arctic weather. By making these changes and applying them to nearly all rate base, PGE is fundamentally changing ratemaking and realigning utility incentives. Without new capital investments needing rate case review, PGE will be unlikely to file a general rate case where the Commission and stakeholders have the opportunity to examine all aspects of the Company. Because this will facilitate recovery of rate base as opposed to expenses, PGE will be further incentivized to invest capital. For example, this would increase the incentive to invest in owned IT rather than expensing cloud computing. Due to the fundamental one-sided and inappropriate nature of this proposal, it should be removed from the rate case. If not dismissed in its entirety, it should be addressed in an accelerated proceeding that contains sufficient scrutiny to reveal the inequities and impermissible ratemaking that it would lead to.

 Similarly, the Company's battery storage investment tracker to allow costs related to Seaside into rates when it comes online in mid-2025 is unfair to its customers and makes for poor ratemaking. Regulatory lag is a fundamental precept that fairly balances the

⁴² UM 2119 – PGE Comments at 3 available at https://edocs.puc.state.or.us/efdocs/HAC/um2119hac16567.pdf.

interests of the Company and customers. If this Motion is approved, PGE could re-file the general rate case at a date that would enable the recovery of Seaside without the need for any tracking mechanism.

IV. CONCLUSION

For the foregoing reasons CUB respectfully requests that the Commission approve this Motion and dismiss PGE's UE 435 general rate case in its entirety. This action is squarely within the Commission's broad ratemaking authority and would enable the Company to file another general rate case with a more limited scope if it so chooses. In the alternative, CUB requests that the Commission approve its Motion to Segregate Certain Issues from this rate case, thereby leaving a more streamlined proceeding for Commission and stakeholder consideration. Rather than addressing this Motion through a ruling by the Administrative Hearings Division, CUB respectfully requests that the Commission consider the merits of this Motion, along with any applicable comments, at a forthcoming public meeting. Oregonians would rather watch, not live through, *Groundhog Day*, especially when the lived experience comes with utility bill increases each time.

Dated this 14th day of March 2024.

Respectfully submitted,

/s/Jennifer Hill-Hart

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