

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: December 14, 2021

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2022

DATE: December 1, 2021

TO: Public Utility Commission

FROM: Michelle Scala

THROUGH: Bryan Conway, Caroline Moore, and Scott Gibbens **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1330/Advice No. 21-30)
Schedule 122, Renewable Resource Automatic Adjustment Clause
Update.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) proposed update to Schedule 122, Renewable Resource Automatic Adjustment Clause prices, as described in Advice No. 21-30, effective for service rendered on and after January 1, 2022.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (Commission) should approve PGE's Advice No. 21-30, which updates Schedule 122, Renewable Resource Automatic Adjustment Clause prices, effective with service rendered on and after January 1, 2022.

Applicable Law

ORS 469A.120 specifies cost recovery allowances and procedures for electric companies, including the establishment of an automatic adjustment clause to allow for timely recovery of costs prudently incurred to comply with Oregon's Renewable Portfolio Standard (RPS), as set forth in ORS 469A.005 to 469A.210.

ORS 757.205 requires public utilities to file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. Pursuant to

ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just, and reasonable.

ORS 757.210(1)(b) further specifies “automatic adjustment clause” to mean a 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 subject to review by the commission at least once every two years.

ORS 757.220 requires that any change in rates, tolls, charges, rules, or regulations be filed with the Commission at least 30 days before the effective date of the change.

OAR 860-022-0025 and OAR 860-022-0030 set forth the requirements for tariff filings naming increased rates. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules 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.

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.

Analysis

Background

Schedule 122 is PGE’s Renewable Resources Automatic Adjustment Clause (RAC), allowing the Company to recover the revenue requirements of qualifying Company owned or contracted new renewable resource and energy storage projects, not otherwise included in rates. The Company filed Advice No. 21-30 on November 5, 2021, to update the annual revenue requirement as required in the Schedule 122 tariff for rates effective January 1, 2022. Currently, PGE’s Wheatridge facility is the only renewable resource included in the Company’s Schedule 122.

In November of 2020, the Company determined the Wheatridge facility would achieve commercial operations before the start of 2021 and filed Advice No. 20-39 to move Net Variable Power Cost (NVPC) impacts associated with the facility from Schedule 122 to the Company’s Annual Power Cost Update, Schedule 125. This action was consistent

with the tariff and the Commission approved the update, effective January 1, 2021.¹ Since then, only the fixed costs, transmission, operation and maintenance costs, income taxes, property taxes and other applicable fees associated with Wheatridge have been deferred and included in Schedule 122 rates. Staff notes that following the resolution and approval of 2022 base rates, to be determined in PGE's (open) general rate case, Docket No. UE 394, all costs associated with Wheatridge will be removed from Schedule 122 and recovered either in base rates (fixed costs) or Schedule 125 (NVPC). However, until such a time, PGE continues to use the RAC to defer and recover fixed costs for Wheatridge.

According to the Company's initial filing, the proposed changes decrease Cost of Service (COS) revenues from the Schedule 122 prices by \$0.3 million or 0.01 percent. This change will impact approximately 918,600 COS customers. On a per customer basis, a typical Schedule 7 customer consuming 780 kWh each month will see a bill decrease of \$0.06 or 0.06 percent.

Staff Review

In correspondence with the Company, PGE informed Staff that the Schedule 122 changes were attributable to pricing updates that used more current information for plant and depreciation amounts used in the target revenue requirement calculation. PGE was able to use September 30, 2021 actual balances to develop a December 31, 2021 forecast. The Company also indicated that the most significant update affecting Schedule 122 prices was the use of a more current accumulated deferred income tax amount (ADIT). ADIT is largely a function of temporary timing differences between the financial statement and tax basis related to accelerated depreciation; and in the case of wind assets, any Production Tax Credit (PTC) balances related to the project. The Wheatridge ADIT balance had not been updated within the April 2021 filing for 2022 prices, nor with the update to include holdback amounts² beginning in May of 2021 and was still based on a December 31, 2020 balance. This filing updates the ADIT balance to be consistent with December 31, 2021 plant and PTC balances. Altogether, the updates result in a reduction to PGE's 2022 RAC target revenue requirement.

In order to determine the Wheatridge Annualized Revenue, the Company combines total operating expenses and taxes with rate base multiplied by the authorized return on equity and debt, less other revenues. Staff analyzed the Company workpapers providing the inputs for this calculation and was able to confirm the updates and impacts described by the Company; including that updates to PGE's ADIT associated with Wheatridge is the primary driver of the \$0.3 million decrease in COS revenues from

¹ Docket No. ADV 1201; [ADV 1201 Letter encrypted .pdf \(state.or.us\)](#).

² Docket No. UE 370, Order No. 20-279; [UE 370 UE 372 Order on Stipulation.pdf&i=true \(state.or.us\)](#).

Schedule 122 prices. As described earlier in this report, the ADIT update reduced net utility plant costs in rate base and thus reduced the overall target revenue requirement for Wheatridge.

Staff reviewed the filing, tariff schedule, and workpapers to ensure the proposed filing is accurately calculated and consistent with past Commission orders. The Company provided Staff detailed calculations on the updated revenue requirements, price development, and percentage impacts on customers. Staff notes that the pricing methodology used to calculate the proposed updates for 2021 remain consistent with that shown in previous updates to Schedule 122 prices and Staff did not find any errors in the calculations during its review.

Conclusion

Staff concludes that the updated prices in Schedule 122 are appropriately calculated and reflect reasonable updates to the target revenue requirement inputs associated with the RAC. As such, Staff recommends that the Commission approve the proposed tariff as filed.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's proposed updates to Schedule 122, Renewable Resource Automatic Adjustment Clause prices, as described in Advice No. 21-30, effective for service rendered on and after January 1, 2022.