

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: December 28, 2021

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

DATE: December 20, 2021

TO: Public Utility Commission

FROM: Heather Cohen

THROUGH: Bryan Conway and John Crider **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1337/Advice No. 21-35)
Schedule 108 Public Purpose Charge and Schedule 109 Energy
Efficiency Funding Adjustment.

STAFF RECOMMENDATION:

Approve Portland General Electric Company's (PGE or Company) Advice No. 21-35, revising Schedule 108 (Public Purpose Charge) and Schedule 109 (Energy Efficiency Funding Adjustment), for service rendered on and after January 1, 2022.

DISCUSSION:

Issue

Whether the Commission should approve Advice No. 21-35, PGE's request to update its Schedule 108 (Public Purpose Charge) and Schedule 109 (Energy Efficiency Funding Adjustment) in accordance with House Bill 3141.

Applicable Law

ORS 757.205 requires public utilities file to all rates, rules, and charges with the Commission.

ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just, and reasonable.

ORS 757.220 provides that no change shall be made in any schedule, except upon 30 days' notice to the Commission prior to the time the changes are to take effect.

OAR 860-022-0025 requires that filings revising tariffs include statements showing the change in rates, the number of customers affected and resulting change in annual revenue, and the reasons for the tariff revision.

Analysis

Background

Senate Bill 1149 directed Oregon's two largest investor-owned electric utilities (Portland General Electric and Pacific Power) to collect a public purpose charge from their customers equal to 3 percent of their revenues to fund energy efficiency, development of new renewable energy, and low-income weatherization projects throughout Oregon (Schedule 108). Schedule 109 funds the acquisition of additional Energy Efficiency Measures (EEMs) for the benefit of the Company's customers pursuant to the Oregon Renewable Energy Act, Section 46, through programs administered by the ETO.

House Bill 3141, signed into law on July 27, 2021, reduces the public purpose charge (Schedule 108) for retail electricity consumers (including direct access) within service areas of electric companies and Oregon Community Power to 1.5 percent until January 1, 2036. The 1.5 percent is to be reallocated as follows:

Percentage	Purpose
0.30%	School districts located in the service territory
0.51%	Above-market costs of constructing and operating new renewable energy resources
	Customer investments in distribution system-connected technologies that support renewable energy resources
0.55%	New low-income weatherization
0.14%	Funding for the Housing and Community Services' Electricity Public Purpose Charge Fund for the purposes of providing grants
1.50%	

The legislation also stipulates, for the period beginning January 1, 2022, and ending December 31, 2025, consumers who use more than one average megawatt of electricity annually may not be charged more than 1.7 percent of the total revenue for cost-effective energy efficiency measures. HB 3141 requires, for the period beginning January 1, 2026, and ending December 31, 2035, the following maximum combined amounts charged to retail electricity consumers that use certain megawatts of electricity:

- 1) Consumers that use more than one average megawatt and less than 10 average megawatts of electricity at any site in the prior year may not exceed \$250,000;

- 2) Consumers that use more than 10 average megawatts of electricity at any site in the prior year may not exceed \$4 million; and
- 3) Consumers that use more than 10 average megawatts of electricity at any site in the prior year may not exceed \$4.5 million.

Schedule 108 (Public Purpose Charge) proposed changes

PGE has updated the PPC collection percentage to 1.5 percent of total revenue billed to the consumers for electricity services, distribution, ancillary services, metering, and billing. Disbursement of the PPC funds has been updated with the new disbursement amounts. PGE has updated Special Condition 1 to require Energy Service Suppliers (ESS) to provide supporting calculations for each Service Point enrolled in Direct Access when they remit monthly PPC collections to PGE in order to accurately allocate the applicable portions.

Schedule 109 (Energy Efficiency Funding Adjustment) proposed changes

HB 3141 directs electric companies to pursue cost-effective energy efficiency resources to be collected in the rates of all retail consumers, including direct access customers or those receiving electricity from electricity service suppliers. In compliance, PGE proposes to include Direct Access rate schedules at Cost-of-Service prices and to allocate Schedule 109 Energy Efficiency Funding on the basis of an equal percentage of base revenues. PGE is calculating volumetric rates to collect the funding. To comply with the cap of 1.7 percent for consumers using more than one average megawatt of electricity, PGE has calculated the annual base revenues by rate schedule for customer sites greater than one average megawatt and capped the cost recovery of Schedule 109 at 1.7 percent per rate schedule. Because PGE is not aware of the ESS revenues derived from energy sales to Direct Access customers, its tariff does not collect 1.7 percent of these amounts.

Staff Analysis of Filing

Schedule 108 changes result in an annual decrease of 1.5 percent for the approximately 918,600 (2022 forecasted) customers. The proposed change in Schedule 109 results in an annual increase of \$25 million, or 1.5 percent. The overall impact of both Schedule 108 and 109 changes result in no change for a residential consumer consuming 780 kWh's a month.

Staff's review of this filing and associated work papers finds that the updated rates in Schedule 109 are correctly calculated and costs included for recovery are appropriate and prudently incurred. As this filing meets applicable legal requirements, Staff recommends the Commission approve PGE's filing.

However, both Staff and the Alliance of Western Energy Consumers (AWEC) have a concern regarding PGE's calculation of cost-effective energy efficiency funding requirements for customers subject to the 1.7 percent cap in HB 3141, which includes both Cost of Service customers as well as Direct Access customers. Due to PGE's proposed methodology for implementing the cap, there is a possibility that customers greater than 1 aMW with higher-than-average load factors could pay more than the 1.7 percent cap because the rates are based on the average load factor for that load schedule. There are concerns about the consistency of this methodology with the requirements of HB 3141. However, the cap is an annual cap, and therefore, Staff, PGE, and AWEC are comfortable allowing this methodology to be used until a substitute methodology is identified. Staff, PGE, and AWEC have discussed potential "fixes" to the issue, but find that all require further exploration and that none will be ready to implement prior to the required January 1, 2022, implementation date required by relevant legislation.

Staff also has a concern that Direct Access customers are not paying for cost-effective energy efficiency funding derived from energy charges from their respective ESS. The 1.7 percent charge on revenues related to energy charges is only estimated because these amounts are unknown to PGE, as the service is provided by an ESS. Staff finds that this is likely contrary to the intended purpose of the bill, which sought to make cost-effective energy efficiency charges non-bypassable. This is not an issue for PGE alone as no utility is able to correctly assess this charge due to similar lack of information.

Staff has discussed this concern with both PGE and PacifiCorp, who share the concern. Staff, PGE, and PacifiCorp have agreed to explore additional options that would allow for Direct Access customers to pay no more than 1.7 percent for energy charges and observe the statutory restriction.

Conclusion

For the reasons stated above, Staff recommends that the Commission approve PGE's Advice No. 21-35 for service rendered on and after January 1, 2022, with the understanding that Staff, PGE, and stakeholders will work together in early 2022 to address the issues and concerns discussed above.

PROPOSED COMMISSION MOTION:

Approve PGE's Advice No. 21-35, revising the Schedule 108 (Public Purpose Charge) and Schedule 109 (Energy Efficiency Funding Adjustment), for service rendered on and after January 1, 2022.