

ITEM NO. CA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 13, 2022**

REGULAR **CONSENT** **EFFECTIVE DATE** January 1, 2023

DATE: November 23, 2022

TO: Public Utility Commission

FROM: Bret Stevens

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1439/Advice No. 22-26)
Schedule 123 Decoupling Adjustment.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) Advice No. 22-26, which updates the final prices of the Sales Normalization Adjustment (SNA) and Lost Revenue Recovery (LRRRA) portions of the Schedule 123 Decoupling Adjustment for Schedules 7, 32, and 83, for service rendered on and after January 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve PGE's updated prices for the SNA and LRRRA portions of its Schedule 123 Decoupling Mechanism.

Applicable Law

ORS 757.205(1) states that a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. OAR 860-022-0025 requires that new tariff filings include statements showing the new rates, the number of customers affected, the impact on annual revenue, and the reasons supporting the proposed tariff. Filings that make any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the changes.

The Commission reviews tariffs filed under ORS 757.205 and 757.210 to determine whether they are fair, just, and reasonable.

ORS 757.259 allows certain deferred amounts to be included in utility rates upon application of a utility or ratepayer or upon the Commissions' own motion identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

Analysis

Advice No. 22-26 updates PGE's Schedule 123 rates effective January 1, 2023, to amortize the variances deferred pursuant to Schedule 123. Schedule 123 is designed to allow PGE to recover the variance between forecasted and actual revenue using two mechanisms: the Sales Normalization Adjustment (SNA) and Nonresidential Lost Revenue Recovery Adjustment (LRRRA). The SNA applies to Schedules 7, 32, 83, and 532, and the Nonresidential LRRRA applies to the remaining nonresidential schedules.

The SNA addresses the non-weather related deviation between actual and forecasted energy sales. The monthly SNA deferral is calculated as fixed charge revenue less weather-adjusted actual revenues. The monthly deferral is booked to the SNA balancing account in the month of usage. The SNA balancing account accrues interest at the modified blended treasury rate. These rate mechanisms are no longer in place on a going forward basis given the Commission's order in UE 394 adopting the multi-party stipulation. However, the mechanisms are still in play with regards to the prior balances accrued while the mechanism was in force.

PGE calculates the 2023 amortization of the 2021 results of the SNA balancing account will rebate approximately \$17.5 million to residential customers through Schedule 7, will charge approximately \$4.6 million to small non-residential customers through Schedule 32, and will charge approximately \$2.7 million to large non-residential customers through Schedule 83. If approved, this results in a Schedule 123 rate of -0.222 cents per kWh for Schedule 7 customers, 0.301 cents per kWh for Schedule 32 customers, and 0.088 cents per kWh for Schedule 83 customers.

Using the standard decoupling methodology, the Schedule 32 recovery would have been \$8.1 million. However, this would have violated Special Condition 3 of Schedule 123. Special Condition 3 states:

No revision to any SNA or LRRRA Adjustment Rate will result in an estimated average annual rate increase greater than 2% to the applicable SNA or LRRRA rate schedule, based on the net rates in effect on the

effective date of the Schedule 123 rate revisions. Rate revisions resulting in a rate decrease are not subject to the 2% limit.

PGE's estimated annual revenue for Schedule 32 is roughly \$223.6 million. Without the 2 percent cap, Schedule 32 rates would have increased by roughly 3.6 percent as a result of the SNA mechanism. By capping recovery at \$4.6 million, Special Condition 3 is satisfied.

The LRRRA portion of Schedule 123 addresses the deviation of actual SB 838 funded energy efficiency measures from forecasted SB 838 funded energy efficiency measures embedded in the most recent rate case. The difference between actual and forecasted energy efficiency savings is assigned to the LRRRA balancing account based on the fixed cost portion of energy charges. The LRRRA applies to all Schedules except 7, 32, 83, and 532. PGE calculates that the amortization of the 2021 LRRRA balancing account will lead to a charge of approximately \$2.6 million to applicable schedules. This results in a Schedule 123 rate of 0.1 cents per kWh for cost-of-service customers and a 0.017 cents per kWh Schedule 123 rate for cost of service opt-out customers.

The changes to Schedule 123 will affect approximately 931,000 customers. PGE's overall revenues are projected to decrease by \$7.6 million as compared to not having the decoupling mechanism. A typical Schedule 7 residential customer, using 780 kWh per month, will see a \$0.04, or 0.03 percent, increase in their monthly bill due to the proposed changes to Schedule 123. While the Schedule 7 adjustment in this filing does decrease the overall price of energy, current rates include a slightly larger decrease from Schedule 123. This leads to a slight increase in rates for residential consumers compared to current rates.

Staff reviewed PGE's work papers and analyses and confirmed that the proposed Schedule 123 rates are properly computed. Staff also met with PGE on multiple occasions to ask questions about the worksheet and confirm calculations. During the review of the work papers, an error in the calculations was discovered. PGE updated their work papers and proposed tariff schedule to reflect these changes. The analysis above only assess these updated materials.

Conclusion

Based on Staff's analysis of PGE's application and the work papers associated with the filing, Staff finds that the calculations associated with the corrected filing are accurate and consistent with past Commission Orders. Staff also finds that the Company's update to Schedule 123 results in rates that are fair, just, and reasonable. Staff recommends the Commission approve PGE's application.

The Company has reviewed this memo and agrees with its content.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's Advice No. 22-26, which updates the final prices of the Sales Normalization Adjustment and Lost Revenue Recovery Adjustment portions of the Schedule 123 Decoupling Adjustment, for service rendered on and after January 1, 2023.