

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 7, 2023**

REGULAR **CONSENT** **EFFECTIVE DATE** March 10, 2023

DATE: February 27, 2023

TO: Public Utility Commission

FROM: Michelle Scala and Bret Stevens

THROUGH: Bryan Conway and Caroline Moore **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. ADV 1453/Advice No. 22-36)
Establishes PGE Schedule 153, Community Benefits and Impact Advisory
Group Cost Recovery Mechanism

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) filing of Advice No. 22-36 which establishes Schedule 153 – Community Benefits and Impact Advisory Group (CBIAG) Cost Recovery Mechanism, effective for service on and after March 10.

DISCUSSION:

Issue

Whether the Oregon Public Utility Commission (OPUC or Commission) should approve PGE's request to establish new Schedule 153, CBIAG Cost Recovery Mechanism and its associated pricing structure, terms, and conditions.

Applicable Law

Energy utilities must file tariffs for services provided to retail customers pursuant to ORS 757.205 and 757.210. The Commission may approve tariff changes if they are deemed to be fair, just, and reasonable. ORS 757.210.

Filings that propose 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 change. ORS 757.220; OAR 860-022-0015.

OAR 860-022-0025 sets forth filing requirements for filing tariffs or schedules changing rates. OAR 860-022-0030 provides requirements for filing tariffs or schedules naming increased rates. Schedule 50 does not alter other existing rates.

ORS 757.210 defines an automatic adjustment clause as 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, taxes paid to units of government or revenues earned by a utility and that is subject to review by the commission at least once every two years.

2021's House Bill 2021 (HB 2021) codified at ORS 469A.425, requires an electric company that files a clean energy plan under ORS 469A.415 to convene a Community Benefits and Impacts Advisory Group. The members of the electric company's Community Benefits and Impacts Advisory Group will be determined by the electric company with input from stakeholders that represent the interests of customers or affected entities within the electric company's service territory. The authorized activities of the Group are set out in ORS 469A.425(2). Under ORS 469A.425(3): "The commission shall establish a process for an electric company to contemporaneously recover the cost associated with the development of biennial reports and the costs associated with compensation or reimbursement for time and travel of members of a Community Benefits and Impacts Advisory Group."

Analysis

Background

In July 2021, Governor Brown approved HB 2021 with an effective date of September 25, 2021. Section 4 of this law requires electric companies to file a clean energy plan (CEP) to the Commission and the Oregon Department of Environmental Quality. Section 6(1) states that all electric companies which file a CEP must convene a CBIAG. The CBIAG will be an enduring body, that will consult with the company on the development of a biennial report that describes the companies' impact on an array of customer relations, environmental justice, social justice, and equity issues.¹ The group may also consult the company on how to implement its clean energy plan more equitably.²

¹ See ORS 469A.425(2)(a).

² See ORS 469A.425(2)(b).

ORS 469A.425(3) calls for the contemporaneous recovery of costs associated with the development of the biennial reports and the with compensation or reimbursement for time and travel for members of the CBIAG.³ PGE's Advice No. 22-36 represents PGE's proposal for this cost recovery mechanism.

On July 7, 2022, PGE filed a deferral application in Docket No. UM 2249 to track the costs associated with the development of the CBIAG. The deferral application was approved at the September 8, 2022, Public Meeting. Since approval, PGE has recorded a debit of \$128,000 in the deferral account. This amount, along with the forecasted \$334,411 forecasted to be accrued over the rest of 2023, would be amortized through Schedule 153. Currently, the deferral is accruing interest at the approved modified blended treasury rate (MBTR) of 1.82 percent.

Initial Filing and Deferral

PGE's Advice No. 22-36 proposes an Automatic Adjustment Clause (AAC) to serve as the mechanism from which the Company will recover costs associated with the CBIAG and biennial report. If approved, the AAC would allow for "contemporaneous" recovery of CBIAG related costs by authorizing the Company to assess a new volumetric charge on customer bills where annual collections are synchronized with forecasted CBIAG costs for the same year. Even though the current amounts are small, costs may increase in the future and an AAC is a useful rate mechanism that can have the rates updated outside of a general rate case.

PGE has not proposed to include that an earnings test be applied to the prospective rate portion of the AAC. However, the Commission may use an earnings review on the deferral portion. At this time, no earnings test or review is proposed by Staff given the nature (purpose behind) of the costs involved.

PGE proposes using a balancing account to track cost over and under-runs from year to year. The balancing account would accrue interest at the Commission authorized rate of return. PGE plans to file a yearly deferral request associated with CBIAG costs. This deferral would be amortized over a year through Schedule 153. A prudence review will be performed when updating the amounts for amortization. In this review, Staff will verify that the funds recovered through Schedule 153 are being used to effectively facilitate group meetings and develop the biennial report. This prudence review may involve discussions with the Company and stakeholders to better understand the effectiveness of the program.

³ See ORS 469A.425(3)

Supplemental Filings

Following a meeting with Staff, PGE filed their first supplemental filing on December 20, 2022. This filing changed the original effective date from January 1, 2023, to March 1, 2023, to provide time for the Company to develop additional material in support of the cost forecast and CBIAG activity as well as give Staff more time for review. On February 7, 2023, PGE filed its second supplemental filing for this docket. The second supplemental filing again extended the effective date to March 10, 2023, and provided the requested detail and additional narrative on the proposed budget. The second supplement also revised the dollar amount forecasted to align with the current timing of CBIAG activity. The Company anticipates nine months of CBIAG activity in 2023 and thus decreased the amount requested for recovery from the original 2023 forecast of approximately \$0.8 million to \$461,375.

Summary of costs

PGE’s Advice No. 22-36 proposal includes cost recovery for both 2022 actual activities and a forecast of 2023 activities and expenses. Expenditures in 2022 were recorded in the Company’s authorized deferral,⁴ and include the costs of an interim third-party facilitator for PGE’s Ad Hoc Committee (AHC) phase and stipend for AHC members. According to the filed work papers, total 2022 expenditures were \$61,250.

The estimated 2023 expenses are based on 15-20 members of PGE’s CBIAG meeting for six hours per month, including regular committee meetings and subcommittee meetings. This includes CBIAG member accommodation and compensation (technology, childcare, language services, transportation) and meeting costs (food, facilities, and facilitation for meetings).⁵

Table 1 depicts the CBIAG costs to be recovered in new Schedule 153 as proposed in PGE’s Advice No. 22-36.

Table 1. CBIAG 2022 Actual and 2023 Forecasted Costs

	Advisory Group Formation	CBIAG Member Accommodation and Compensation	Meeting Costs (food, facilities, facilitation)
2022	\$61,250		
2023	\$ -	\$ 240,825	\$ 159,300
% of total to be recovered in Sch 153	13.3%	52.2%	34.5%

⁴ See PGE Docket No. UM 2219.

⁵ See PGE Supplemental Filing.

Customer Rate Impacts

The revised amortization and recovery of the CBIAG expenses through Schedule 153 prices result in an approximate \$0.5 million or 0.02 percent overall average rate increase for the 931,000 (2023 forecasted average) applicable cost-of service customers. If approved, a typical Schedule 7 Residential Customer consuming 780 kWh monthly will see a \$0.02 or 0.02 percent increase in their monthly bill as a result of this filing, inclusive of the Public Purpose Charge.

Staff Review

Staff met with the Company to discuss this docket on November 29, 2022, December 9, 2022, and January 23, 2023. In response to concerns raised during Staff's initial meeting with the Company, PGE provided a supplemental filing that shared additional detail and narrative around the Schedule 153 forecasted costs. Included in the additional materials were revised work papers and a summary of various CBIAG activities and engagement. Further, PGE shared its rationale behind cost drivers and engagement related to budget development.

Staff finds the additional detail provided in the Company's February 7, 2023, supplement to be a valuable inclusion that supports the integrity of the work behind the CBIAG formation and development process. Staff and the Company have collaborated on the value of increased visibility with regard to costs, particularly in the CBIAG space where a primary objective is improved engagement and inclusivity.

Staff also notes a point it raised earlier in its review and is called out in the Company's supplemental filing of Advice No. 22-36, page three; specifically, the CBIAG is still in the process of formation, and some cost details have yet to be considered once the group itself is formed. To mitigate concerns stemming from this ambiguity in cost forecasts, the Company has noted that the nature of the AAC structure will allow over and under-forecasts to be offset in the subsequent year's rate, thereby minimizing the risk of customers overpaying for the CBIAG. Staff recognizes and agrees generally with the safeguards AACs and balancing accounts provide; however, Staff does not take this minimization of risk to imply that its review of cost recovery for eligibility and reasonableness should be dispensed. Staff and the Company have agreed to set up a recurring meeting at a (tentatively) quarterly basis at which to discuss ongoing CBIAG activity, particularly as it relates to Schedule 153. This will allow Staff the opportunity to review the costs and variances from the forecast in advance of annual tariff updates, which are less able to accommodate iterative review.

In considering the appropriateness of an ACC for these expenses, Staff weighed a few tradeoffs. First, this is a relatively low dollar amount that does not, on its own, require cost recovery through an AAC, and this is particularly true given the Company's recently

filed general rate case.⁶ On the other hand, there is uncertainty around year over year costs and a desire to refine forecasts with multi-year actuals. Further, Staff seeks to recognize the importance of investing in CBIAG efforts and an AAC is a method to provide the contemporaneous cost recovery referenced in statute.⁷ While the forecasted costs have been informed by peer utility practices and a reasonable schedule of meetings, facilitation needs, etc., PGE's CBIAG is still developing its Charter and the first biennial report is still being scoped. To this end, there may be some volatility in year over year costs that Staff would like to review and understand prior to exploring other available mechanisms for cost recovery, such as inclusion in base rates.

For these reasons, Staff is comfortable with the Company's proposed approach at present and expects a conversation about moving these and other similarly situated programmatic costs into base rates to evolve over time.

Staff has not recommended an earnings test for Schedule 153, given the need to support development of the CBIAG and the use of a balancing account. The amount of expense at issue is relatively small. In addition, Staff has recommended a regular meeting between the Company, Staff, and interested parties to discuss and review ongoing CBIAG expenses and cost forecasts, as described earlier in Staff's review.

Conclusion

Staff appreciates the Company's willingness to meet and discuss the cost detail in length both during this initial review and going forward. Staff is also grateful for the Company's provision of additional materials that support transparency and clarity relative to this filing. Having reviewed the revised work papers supporting actual expenditures and forecast expenses, and supplemental cover letter, Staff does not find any inappropriate inclusions of costs and concludes the advice filing will result in just and reasonable rates.

Staff has reviewed Advice No. 22-36 in detail and finds no issue at this time. Staff finds that all listed expenses, actual and forecasted fall within the intended inclusions of HB 2021 and are just and reasonable. Further, Staff supports PGE's proposal of an AAC under new Schedule 153 from which to recover the CBIAG costs going forward. To this end, Staff recommends the Commission approve PGE's request to establish Schedule 153, CBIAG Cost Recovery Mechanism.

⁶ See PGE Docket No. UE 416.

⁷ ORS 469A.425(3).

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PROPOSED COMMISSION MOTION:

Approve PGE's Advice No. 22-36, establishing new Schedule 153, CBIAG Cost Recovery Mechanism, effective for service rendered on and after March 10, 2023.

PGE ADV 1453 / Advice No. 22-36 CBIAG Cost Recovery