



February 9, 2022

Via electronic filing

puc.filingcenter@puc.oregon.gov

Public Utility Commission of Oregon
Attn: Filing Center
201 High St. SE, Suite 100
Salem, OR 97301

Re: UE 394 Portland General Electric Company Request for 2022 General Rate Revision

Dear Filing Center:

Attached for filing in the above-mentioned docket, is the ex parte letter from the Natural Resources Defense Council (NRDC) and the Northwest Energy Coalition (NWEC) regarding the Objection to Proposed Termination of PGE's Revenue Decoupling Mechanism in the Partial Stipulation Filed in UE 394 [Portland General Electric Company's Request for 2022 General Rate Revision].

Thank you for your assistance. If you have any questions, please do not hesitate to contact me via email at swalker@nrdc.org.

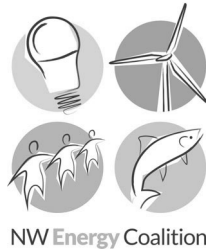
Sincerely,

/s/ Shari Walker
Shari Walker
Western Region Administrator
NRDC

Enclosure

NATURAL RESOURCES DEFENSE COUNCIL

111 SUTTER STREET | SAN FRANCISCO, CA | 94104 | T 415.875.6100 | F 415.875.6161 | NRDC.ORG



February 9, 2022

Chair Megan Decker
Commissioner Letha Tawney
Commissioner Mark Thompson
Oregon Public Utility Commission
201 High Street SE, Suite 100
Salem, OR 97301-3398

Re: Objection to Proposed Termination of PGE’s Revenue Decoupling Mechanism in the Partial Stipulation Filed in UE 394 [Portland General Electric Company’s Request for 2022 General Rate Revision]

Commissioners:

In two lines buried deep in a Partial Stipulation filed in this proceeding on January 13, 2022,¹ signers propose a fundamental change in PGE’s institutional incentive structure, reintroducing a long-discredited commodity-based business model that the Commission eliminated in 2009 after extensive testimony and deliberation. Yet the record in this proceeding contains no evidence in support of this dramatic retrograde shift in regulatory policy.

The Natural Resources Defense Council and the NW Energy Coalition submit this ex parte letter in opposition to those two lines of the Partial Stipulation, which would eliminate “revenue decoupling” for PGE.² We are not parties to this proceeding, although we would certainly have sought intervention earlier if there had been any reason to anticipate such a recommendation. But PGE’s direct testimony “propose[d] to continue [revenue decoupling,] which aligns customer and PGE interests in pursuing energy efficiency.”³ To our knowledge, no party has filed testimony justifying or even endorsing abolition. We have no objection to the rest of the Partial Stipulation. The remainder of this submission reviews the importance of revenue decoupling to Oregon’s ongoing clean energy transition and proposes a course of action for the Commission if it is not prepared to abolish revenue decoupling on this record.

¹ <https://edocs.puc.state.or.us/efdocs/HAR/ue394har142447.pdf>. See p. 4, section 7a.

² NRDC is a nonprofit environmental advocacy organization with more than 12,000 Oregon members and a 50-year history of clean energy advocacy on their behalf before this Commission. NWEC is a nonprofit clean energy advocacy organization with 32 Oregon based organizational members who represent thousands of individuals in Oregon. NWEC has intervened in numerous dockets before this Commission.

³ See UE 934, PGE Direct Testimony of MacFarlane, Tang, p. 40: 15-16.

I. PGE'S thirteen-year-old revenue decoupling mechanism was never needed more.

The principal point of revenue decoupling is to break the linkage between utilities' commodity sales and their financial health, and in the process to eliminate an otherwise inevitable conflict of interest between utility shareholders and customers over many forms of clean energy progress. Revenue decoupling eliminates major obstacles to utilities' full engagement in a clean energy transition (including but not limited to energy efficiency gains).⁴ As this Commission found in the 2009 order establishing revenue decoupling for PGE, in words that ring just as true today:⁵

The parties opposing PGE's [revenue decoupling] proposal raise three basic arguments which we address in turn. First, while the parties do not disagree that relying on volumetric charges to recover fixed costs creates a disincentive to promote energy efficiency, they contend that decoupling is unnecessary because, with the ETO running energy efficiency programs in PGE's service territory, the Company has limited influence over customers' energy efficiency decisions. We find this position unpersuasive, because PGE does have the ability to influence individual customers through direct contacts and referrals to the ETO. PGE is also able to affect usage in other ways, including how aggressively it pursues distributed generation and on-site solar installations; whether it supports improvements to building codes; or whether it provides timely, useful information to customers on energy efficiency programs. We expect energy efficiency and on-site power generation will have an increasing role in meeting energy needs, underscoring the need for appropriate incentives for PGE.

Staff also argues that [revenue decoupling] would create a disincentive for customers to improve their energy efficiency because the SNA would increase rates and reduce the bill savings. We believe that the opposite is true: an individual customer's action to reduce usage will have no perceptible effect on the decoupling adjustment, and the prospect of a higher rate because of actions by others may actually provide more incentive for an individual customer to become more energy efficient.

What has changed that would alter these conclusions? Certainly nothing to which the record of this proceeding speaks. Oregon's strengthened clean energy goals will require extensive electrification, but it would be wrong to assume that somehow this removes the need to shift utilities away from a business model linked to commodity sales, or that the value of end-use efficiency is somehow diminished as electrification increases.⁶ For example, a recent assessment of untapped energy efficiency potential in electric vehicles demonstrates the cost-effective potential to more than triple fleet average miles/kWh.⁷ With revenue decoupling eliminated, PGE

⁴ For a recent analysis of the importance of revenue decoupling to utilities' engagement with the nation's accelerating clean energy transition, see R. Cavanagh, *Energy Efficiency and Decarbonization: Priorities for Regulated Utilities*, The Electricity Journal (March 2021).

⁵ <https://apps.puc.state.or.us/orders/2009ords/09-020.pdf>, pp. 27-28 (January 2009).

⁶ For an extensive NRDC rebuttal to such contentions, see <https://www.nrdc.org/experts/max-baumhefner/are-efficiency-and-electrification-policies-conflict>.

⁷ See AB Lovins, *Reframing Automotive Fuel Efficiency*, SAE Mobilus (April 16, 2020) [<https://saemobilus.sae.org/content/13-01-01-0004>].

would lose money with every efficiency upgrade in its customers' electric vehicles, or any other efficiency improvements in its service territory's buildings or industry. By contrast, PGE would profit automatically from reductions in efficiency or slowdowns in installation of cost-effective distributed generation. How could any of that possibly serve the public interest? Shouldn't the Commission at least inquire before acquiescing?

II. The Commission should not approve the Partial Stipulation unless the parties substitute a renewal of PGE's decoupling mechanism for its abolition.

If the Commission is understandably reluctant to eliminate revenue decoupling on this record, we ask that it invite the parties to strike section 7a of the Partial Stipulation and substitute a recommendation to retain PGE's current revenue decoupling mechanism (which will expire without reauthorization).

Yours sincerely,

/s/ Ralph Cavanagh

/s/ Nancy Hirsh

/s/ Angus Duncan

/s/ Lauren McCloy

For the Natural Resources Defense Council

For the NW Energy Coalition

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 394

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	CERTIFICATE OF SERVICE
COMPANY)	
)	
Request for 2022 General Rate Revision)	

I hereby certify that I have this day served a copy of an ex parte letter from the Natural Resources Defense Council (NRDC) and the Northwest Energy Coalition (NWEC) regarding the Objection to Proposed Termination of PGE’s Revenue Decoupling Mechanism in the Partial Stipulation Filed in UE 394 [Portland General Electric Company’s Request for 2022 General Rate Revision] in the above-mentioned proceeding by delivering a copy via email.

Executed on Wednesday, February 9, 2022 at San Francisco, California.



Shari Walker
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(as of 02/09/22)**

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(as of 02/09/22)**

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