Portland General Electric Company
121 SW Salmon Street • 1WTC0306 • Portland, OR 97204
portlandgeneral.com

December 8, 2021

Via Electronic Filing

Public Utility Commission of Oregon
Attention: Filing Center
P.O. Box 1088
Salem, OR 97308-1088

Re: UE 394 – Portland General Electric Company's Request for a General Rate Revision

Dear Filing Center:

Included for filing in the above referenced docket, is Portland General Electric Company's Reply Testimony.

- PGE / 2300 –Testimony of Alex Tooman and Greg Batzler

Work papers will be emailed to puc.workpapers@puc.oregon.gov.

Please direct all formal correspondence, questions, and requests related to this filing to pge.opuc.filings@pgn.com.

Additionally, PGE requests that all data requests in this docket be submitted via Huddle and addressed to:

Jaki Ferchland
Portland General Electric Company
Manager, Revenue Requirement
121 SW Salmon Street, 3WTC0306
Portland, OR 97204

Sincerely,

/s/ Jay Tinker

Jay Tinker
Director, Rates & Regulatory Affairs

Enclosure

BEFORE THE PUBLIC UTILITY COMMISSION

OF THE STATE OF OREGON

UE 394

Deferrals

PORTLAND GENERAL ELECTRIC COMPANY

Reply Testimony of

Alex Tooman, Ph.D.
Greg Batzler

December 8, 2021

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I. Introduction

Q. Please state your names and positions with Portland General Electric Company (PGE).

A. My name is Alex Tooman. I am a Senior Regulatory Consultant for PGE.

My name is Greg Batzler. I am a Regulatory Consultant for PGE.

Our qualifications were previously provided in PGE Exhibit 200.

Q. What is the purpose of your supplemental reply testimony?

A. The purpose of our testimony is to address issues and proposed adjustments raised by the Public Utility Commission of Oregon (OPUC or Commission) Staff (Staff), the Oregon Citizens' Utility Board (CUB), and the Alliance of Western Energy Consumers (AWEC) (collectively, Parties) relating to deferred accounting. We also provide supplemental testimony to PGE Exhibit 1400 to address two AWEC proposals unrelated to deferrals.

Q. Why are you separately filing this supplemental reply testimony?

A. The Parties proposed to bring certain deferred accounting issues into this general rate case (GRC) over PGE's objection. On November 24, 2021, the Commission entered Order No. 21-436 allowing testimony on these issues. The Commission also allowed PGE additional time to file reply testimony on these issues. PGE is filing this supplemental reply testimony on deferrals in accordance with Order No. 21-436.

PGE is submitting supplemental reply testimony on the unrelated AWEC issues because PGE inadvertently failed to address these issues in its reply testimony, as explained below. PGE is offering this supplemental reply testimony now to ensure that the record is complete.

II. Deferred Accounting

Q. As background, did the Commission issue a Bench Request on September 1, 2021, asking PGE to provide information on its pending deferrals?

A. Yes. The Commission's Bench Request asked PGE to provide information on its pending deferrals, including the deferrals PGE proposed to amortize in this case.[1] In its September 21, 2021 response, PGE identified four minor deferrals for which it had filed amortization schedules in the case.[2] As to its three emergency deferrals, PGE indicated that it planned to file in 2022 for amortization beginning in 2023, and would propose a multi-year schedule to reduce rate impacts.[3] These deferrals are: 1) the 2020 Wildfire Emergency deferral, which was filed in Docket UM 2115 and approved by Commission Order No. 20-389 on October 27, 2020;[4] 2) the Ice Storm deferral, filed on February 15, 2021 in Docket UM 2156 and still pending authorization; and 3) the COVID-19 costs deferral, filed in Docket UM 2064 and approved by Commission Order No. 20-376 on October 27, 2020. PGE sought reauthorization of the COVID-19 deferral on March 23, 2021, and PGE expects to incur costs under this deferral through approximately November 30, 2022.

Q. What issues have Parties raised regarding deferrals?

A. CUB Exhibit 100, Staff Exhibit 1100, Staff Exhibit 1800, AWEC Exhibit 100, and AWEC-CUB Exhibit 100 raise issues regarding deferrals. Regarding deferrals in general, CUB recommends an adjustment to PGE's return on equity (ROE) based on the number of deferrals

[1] Docket UE 394, Bench Request (Sept. 1, 2021). The Bench Request allowed other parties to file a reply, but no party did so.
[2] Docket UE 394, PGE Revised Response to Bench Request at 2, 5 (Sept. 21, 2021) (referencing Schedule 138 (Microgrid Storage and Residential Battery Storage deferrals) and Schedule 150 (EV Charging Station and Transportation Electrification Pilot deferrals)
[3] *Id.* at 5.
[4] PGE sought reauthorization of this deferral on September 14, 2021, noting that it had not yet achieved full restoration.

that PGE has,[5] and Staff "invites the Company to discuss in its next round of testimony the outstanding deferrals and discuss options as to how it might mitigate impact of these outstanding balances to ratepayers."[6] AWEC-CUB and AWEC raise issues with respect to three specific deferrals: the Boardman deferral (Docket UM 2119), the wildfire emergency deferral (Docket UM 2115), and the ice storm emergency deferral (Docket UM 2156). In essence, these parties request the Commission to authorize amortization of these deferrals as part of this general rate case.[7] Staff supports the AWEC-CUB Boardman deferral request.[8]

Q. How do you respond to these proposals?

A. We will first address CUB's and Staff's general proposals and then the Parties' proposals regarding the Boardman, wildfire, and ice storm deferrals.

A. CUB and Staff General Proposals Regarding Deferrals

Q. Please summarize CUB's proposal.

A. CUB specifically proposes that "At the time of a GRC, for every 1% of revenue requirement that is held within deferrals, the ROE will be adjusted downwards by 5 basis points."[9] This is based on CUB's concern that deferrals represent single-issue ratemaking, which enable PGE "to avoid regulatory lag, … and … shift a wide range of risks onto customers."[10]

Q. Do you agree with CUB's proposal?

A. No. CUB's proposal is particularly inappropriate because parties to this proceeding, including CUB, filed a stipulation on September 30, 2021 that settled all issues related to cost of capital, including ROE. Consequently, we request that the Commission disregard CUB's proposal

[5] CUB/100, Jenks/13.
[6] Staff/1100, Moore/15.
[7] AWEC/100, Mullins/49-50; AWEC-CUB/100, Mullins-Gehrke/2.
[8] Staff/1800, Storm/7.
[9] CUB/100, Jenks/13.
[10] CUB/100, Jenks/12.

regarding ROE. Because CUB raises the overall issue regarding PGE's deferrals, however, we will address that aspect.

Q. What is CUB's overall issue with deferrals?

A. CUB argues that "Through its extensive use of these [deferral] mechanisms, PGE is able to avoid regulatory lag, is ensured dollar for dollar recovery once approved for amortization and is able to shift a wide range of risks onto customers."[11] CUB also states that "While some of the Company's outstanding single-issue ratemaking proceedings are the result of unprecedented emergencies (i.e., UM 2115 Wildfire Deferral) or for statutorily authorized costs (i.e., UM 2113 BPSC Microgrid), the broad balance represent improper single-issue ratemaking that erode traditional ratemaking principles."[12]

Q. Do you agree that this is an accurate representation of PGE's use of deferrals?

A. No. It is inaccurate because CUB does not consider the nature of the individual deferrals, any of the reasons PGE requested them, and/or why the Commission approved them. Instead, CUB makes a sweeping and inaccurate generalization about them and what they represent. This topic is more complex than CUB's oversimplification and should be evaluated as such.

Q. How would you characterize PGE's deferrals?

A. Referencing Staff Exhibit 1103, PGE's deferrals can be grouped into the following four categories:

- Extraordinary and/or limited duration costs (rows 3-12 of Staff/1103), including:
    - Declared emergencies,
    - Oregon Corporate Activity Tax until rolled into base rates,
    - OPUC fee increase until rolled into base rates;

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[11] CUB/100, Jenks/12.
[12] CUB/100, Jenks/9.

- Pilots, which entail considerable uncertainty in activity, variability in costs from year to year, and possible unknown duration (rows 13-19 of Staff/1103), comprising:
    - Demand response and electric vehicle charging (part of PGE's Flexible Load Plan as discussed in PGE Exhibit 600 and Docket UM 2141),
    - Transportation electrification,
    - Energy storage;
- Balancing accounts (rows 20-23 of Staff/1103) comprising:
    - Major maintenance accruals – already in base rates,
    - Multnomah County and Metro Taxes – necessary with separate tariffs because they only apply to certain customers,
    - Energy efficiency customer service – necessary with a separate tariff because it only applies to certain customers; and
- On-going but irregular deferrals where one year's costs are not representative of any other years' costs (rows 24-32 of Staff/1103), including:
    - Power Cost Adjustment Mechanism (PCAM),
    - Research and Development tax credits, and
    - Decoupling.

Q. Are any of these categories appropriate for inclusion in base rates?

A. No. While all of these costs and activities reflect the prudent and reasonable costs of providing utility service, none represent regular, on-going costs/activities that are typical of those included in base rates and determined in GRCs. Instead, they are irregular, extraordinary, of limited duration, or all of the above. This distinction was recognized in PGE's 2002 GRC

(Docket UE 115) when parties agreed to remove a forecast of property sale gains from PGE's test year forecast and apply deferred accounting treatment because it was not representative of a regular, on-going cost or benefit (approved by Commission Order No. 01-777). In short, given the distinct nature of these items, it is appropriate for them to be subject to deferred accounting, and doing so does not erode traditional ratemaking principles.

Q. Are there other aspects of PGE's deferrals that warrant consideration?

A. Yes. As noted above, three of the largest outstanding deferrals relate to the declared emergencies of COVID-19, the Labor Day 2020 wildfires, and the February 2021 ice storm. For such extraordinary events, the Commission has created a mechanism that specifically addresses the impact of declared emergencies on utilities and how deferred accounting is appropriate. Further, if Commission Order Nos. 21-259 and 21-309 (authorization for PGE's pre-filed emergency deferral) had been issued prior to March 2020, these three deferrals would have been automatically approved subject to PGE's filing the Notices of Deferral within 30 days of the declaration of emergency. Another major deferral is for environmental remediation, which the Commission also recognized as important and approved a deferral mechanism to address. In addition, a number of PGE's other deferrals involve credit amounts that may provide significant refunds to customers. These are also inappropriate to include in base rates.

Q. Do you have any additional comments in response to CUB's arguments?

A. Yes, CUB's argument is based on a categorization of PGE's deferrals without consideration of either the nature of the deferrals, what the balances mean, or the fact that the deferrals (including any pertaining to Commission Order Nos. 21-259 and 21-309) are subject to the requirements of Oregon Revised Statutes (ORS) 757.259. In addition, the Commission can evaluate whether PGE is unfairly shifting risks by exercise of its authority in connection with PGE's annual Results of Operations Report. This Report provides the basis for an earnings review as required by ORS 757.259 and, over the years, it has demonstrated that PGE is consistently not over-earning, even with the amortization of specific PGE deferrals.

Q. What is Staff's proposal regarding PGE's deferrals?

A. Staff does not have a specific recommendation regarding deferrals generally. Instead, Staff invites the Company to discuss how it might mitigate the impact to ratepayers of outstanding deferral balances.[13]

Q. How do you address Staff's request for proposals to mitigate the rate impact of the emergency deferrals?

A. PGE takes the issue of rate impacts very seriously and plans to address this with Staff and other parties to establish appropriate means for amortizing the emergency deferrals once the deferrals have reached this stage. As stated in PGE's response to the Commission's Bench Request, PGE plans to propose a multi-year amortization schedule to reduce rate impacts.

Q. In response to the Bench Request, PGE indicated that it planned to file in 2022 for amortization of the emergency deferrals beginning in 2023. Please explain this timing.

A. PGE intends to seek amortization once all of the deferrals are authorized (the Commission has not yet authorized the February 2021 Ice Storm deferral, a subject addressed in the Second Stipulation), costs are final (the COVID-19 and wildfire emergency deferrals are still incurring costs), and PGE's 2021 Results of Operations Report is available to support an earnings review (addressed in more detail below).

[13] Staff/1100, Moore/15.

B. Parties' Proposals Regarding Specific Deferrals

Q. Please summarize AWEC-CUB's and AWEC's proposals regarding specific deferrals.

A. AWEC-CUB propose that the Boardman deferral "be amortized to the benefit of ratepayers over a three-year period through Schedule 145 and earn interest at the Modified Blended Treasury Rate."[14] AWEC further recommends that "the UM 2119 Boardman deferral, the UM 2156 Storm Cost deferral, and the UM 2115 Wildfire deferral all be amortized in in (sic) this proceeding in an offsetting manner over the same three-year period."[15]

Q. Do you agree with the request to amortize PGE's 2021 Ice Storm and 2020 Wildfire deferrals as part of this general rate case?

A. No. As outlined above, PGE intends to seek amortization of the Docket UM 2156 Ice Storm deferral and the Docket UM 2115 Wildfire deferral in 2022 when these deferrals and the COVID-19 deferral have reached the amortization stage. Amortization of any of these deferrals at this time is premature for the reasons noted above.

Q. Does AWEC contest this position?

A. Yes. Regarding the UM 2156 Storm Cost deferral and the UM 2115 Wildfire deferral (collectively the Emergency Deferrals), AWEC states that "Given that PGE had the opportunity to being (sic) amortizing the balances in this case, it would be inappropriate for PGE to recognize additional financing charges associated with the delay in amortization, particularly carrying charges incurred at its authorized rate of return. Since it was PGE's decision to delay amortization, it should not be provided with additional benefits in connection with the delay."[16] Although AWEC's assertion relates to interest on the Emergency Deferral

[14] AWEC-CUB/100, Mullins-Gehrke/2.
[15] AWEC/100, Mullins/49.
[16] AWEC/100, Mullins/47.

balances, it is based on erroneous assumptions that we will address prior to the question of interest rates.

Q. What are the erroneous assumptions, and how do you respond to them?

A. AWEC erroneously assumes that PGE had the opportunity to begin amortizing the balances in this case and that it was PGE's decision to delay amortization. This is erroneous because, among other reasons, these deferrals are subject to ORS 757.259, which requires an earnings review. In conducting an earnings review prior to amortizing a deferral, the Commission considers the reasonableness of PGE's historical earnings during the deferral period.[17] Since the 2021 earnings review is a significant portion of the deferrals, that determination cannot be made as part of this rate case.

Q. Why couldn't the earnings review be made part of this rate case?

A. The earnings review is based on PGE's annual Results of Operations Report (ROO), which cannot be prepared and filed for a given year until after: 1) year-end closing is complete (i.e., the accounting books are closed for the year and the books are audited by outside accountants); and 2) PGE's FERC Form 1 is issued on which the ROO is based. In recognition of this timing, the Commission requires the ROO to be filed by May 1 of each year for the prior year's results. This means that PGE will not have completed the 2021 ROO for earnings review purposes until well after the record is closed for this rate case.

Q. Do you currently have any estimates or projections of the 2021 earnings review?

A. PGE has preliminary estimates of 2021 results. The current indication is that PGE's regulated results will be below its authorized ROE, and the 2021 power cost adjustment mechanism (PCAM) will result in a collection from customers. Further, given the structure of the PCAM,

[17] OAR 860-027-0300(9); *see also* Docket UM 1224, Order No. 09-316 at 14 ("ORS 757.259(2) directs us to review a utility's earnings for an interval that includes the deferral period").

a collection would only raise PGE's ROE to 100 basis points below authorized ROE (i.e., 8.5% based on the UE 335 authorized ROE of 9.5%). This post-PCAM earnings result would indicate that amortization of the Emergency Deferrals is likely. We cannot know this for certain until the 2021 earnings review is properly prepared and reviewed in 2022 and further subjected to the PCAM proceeding. The PCAM proceeding, in turn, will likely not be concluded until late 2022. In summary, based on the requirements of ORS 757.259, it is premature to address amortization of the Emergency Deferrals in this GRC.

Q. Does your testimony regarding the unavailability of PGE's 2021 ROO for purposes of earnings reviews under ORS 757.259 also apply to potential amortization of the Boardman deferral?

A. Yes, it would be premature for the Commission to address amortization of the Boardman deferral in this case because the deferral remains unauthorized and because PGE's 2021 ROO will not be available until after the record is closed. Most of the costs related to the Boardman deferral would depend on the 2021 earnings review,[18] and as explained above, PGE's preliminary 2021 results indicate that its earnings would not warrant amortization of the Boardman deferral.

Q. How do you respond to AWEC's assertions about the applicable interest rate for the three deferrals?

A. PGE is following the requirements of ORS 757.259 and Commission Order No. 06-507, which provided interest guidelines as part of the Docket UM 1147 investigation into deferrals. PGE also notes that recent Commission Order Nos. 21-259 (Docket UM 2181) and 21-309 (Docket

[18] If authorized, the Boardman deferral would run from the date the plant ceased operations in October 2020 until the rate effective date of this GRC.

UM 2190) do not specify alternative requirements for interest rates or the amortization of deferrals for declared emergencies, such as the Ice Storm and Wildfire deferrals.

Q. Do AWEC-CUB or AWEC raise other issues in relation to these deferrals?

A. Yes. AWEC raises issues with respect to labor loadings and deferring capital costs in the Emergency Deferrals.[19] For labor loadings, AWEC states: "a portion of the deferred costs includes utility overheads and items such as advertising expenses that are not appropriately considered in the deferral, since PGE is already recovering those costs in base rates."[20]

Q. How do you respond to the issue of labor loadings?

A. This is an issue that would require a detailed look at the individual costs and the applicability of the specific loadings. Because we do not believe the Emergency Deferrals should be addressed in this GRC, those costs are more appropriately addressed in the prudence review of the respective deferrals.

Q. What issues does AWEC raise regarding the deferral of capital costs?

A. AWEC states that "Traditionally, storm cost deferrals have not included the impacts of capital costs and have been limited to operating expenses. While the Commission has authority to defer capital costs, it has emphasized that 'any request for deferral of a capital project will need to be analyzed closely.'"[21] Based on this, AWEC concludes that "In this case, capital cost recovery is not appropriate for the wildfire and ice storm deferrals because those capital additions are already included in revenue requirement in this proceeding and are not so abnormal to warrant extraordinary treatment."[22]

Q. How do you respond to this issue?

[19] AWEC/100, Mullins/48-49.
[20] AWEC/100, Mullins/48.
[21] AWEC/100, Mullins/48-49.
[22] AWEC/100, Mullins/49.

A. We disagree with AWEC's statements and conclusions. First, AWEC's reference to traditional storm cost deferrals does not apply because the Ice Storm and Wildfire deferrals relate to declared emergencies and not "traditional" events. The Commission recognized this fact in Order No. 21-259, which established a distinct treatment for such events and did not require the exclusion of capital-related costs. Further, all capital-related deferrals remain in place only until they are rolled into the utility's next GRC. This would be true of the ice storm and wildfire capital as it would for a capital deferral associated with a resource subject to PGE's Renewable Adjustment Clause (RAC). In summary, having these capital costs rolled into Docket UE 394 is precisely how such a capital-related deferral should work and does not indicate an abnormality or extraordinary treatment.

Q. Does AWEC raise any other issues with respect to deferring the capital-related costs?

A. Yes. AWEC states that "PGE spent $55,922,466 in total capital in February 2021 during the 2021 Ice Storm. The average monthly capital spending budgeted for 2021, however, was $69,355,671. Therefore, the capital spending in February 2021 associated with the February ice storm was still below average relative to the rest of the year. This means that no capital deferral is necessary, as capital costs are included in this case and will be recovered through base rates."[23]

Q. Do you agree with AWEC's statement?

A. No. The point of deferring capital-related costs is that they are incremental to what is currently in base rates, but not what will be in the next GRC's base rates. As noted above, these costs will always become part of base rates in the next GRC. Consequently, AWEC's statements

[23] AWEC/100, Mullins/49.

regarding February capital expenditure amount to comparing apples to oranges and are not relevant to determining deferrable costs.

Q. What is your response to the proposal to amortize the AWEC-CUB Boardman deferral?

A. This proposal is inappropriate for several reasons. Most fundamentally, the Commission has not authorized the Boardman deferral, nor should it. This deferral seeks to defer the costs of the now-retired Boardman plant currently in base rates until these costs are removed through the final order in this case. But the deferral ignores the offset for PGE's much larger new capital investments subject to regulatory lag during the same period. We understand that the Commission has made clear that any capital deferral request "will be analyzed closely under our well-established deferral policy," which "emphasize[s] that deferred accounting treatment is appropriate only for costs or revenues that are truly exceptional in some way, whether due to unpredictability or magnitude, or a combination of both factors."[24] There is nothing exceptional or unpredictable about the Boardman plant retiring as scheduled and remaining in rate base until new rates are set—this is standard ratemaking practice.[25]

Q. Did PGE file a response in opposition to the Boardman deferral in Docket UM 2119?

A. Yes. PGE filed a timely response in opposition to the Boardman deferral application. AWEC and CUB have the burden of proof with respect to the Boardman deferral but have not sought authorization of the deferral in Docket UM 2119, and Staff has made no filings in Docket UM 2119 at all. In this case, Staff filed testimony supporting authorization of the Boardman deferral, but AWEC and CUB have not addressed this predicate issue in any meaningful way.

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[24] In re Public Utility Commission of Oregon, Investigation of the Scope of the Commission's Authority to Defer Capital Costs, Docket UM 1909, Order No. 20-147 at 13 (Apr. 30, 2020).
[25] *Id.*

If the Commission addresses the Boardman deferral in this rate case, the Commission should reject authorization of the deferral.

Q. Please explain why the Commission should reject the Boardman deferral.

A. PGE's rates have remained just and reasonable even though Boardman is no longer in-service. This can be shown by calculating the amount of regulatory lag PGE has been experiencing in its plant-related costs since PGE's last rate case in Docket UE 335, which established rate base as of December 31, 2018. To do this, we consider the plant that PGE has added since year-end 2018 and the revenue requirement of the incremental plant-related costs that PGE has not been recovering. This information is available in PGE's filed 2019 and 2020 ROOs where the actual costs can be compared to the year-end 2018 ROO amounts.[26] For 2021, we use the plant additions from Docket UE 394, which provides the lag through April 30, 2022. Summary results of this analysis are provided in Table 1, below.[27]

Table 1
Plant-Related Revenue Requirement Lag
($000)

Category	2019 Lag	2020 Lag*	2021 Lag*^	Total for Period
Incremental plant-related revenue requirement	$43,248	$81,320	$108,141	$232,709
Less Wheatridge revenue requirement**			(26,787)	(26,787)
Less Boardman non-plant revenue requirement		(7,730)	(41,125)	(48,855)
Net PGE incremental plant-related revenue requirement	$43,248	$73,590	$40,229	$157,067

Notes:

* *Reflects Boardman service termination in October 2020*

** *Annual revenue requirement excluding O&M and NVPC expense based on 1-1-21 and 5-5-21 price changes*
^ *2021 Lag through 4-30-22*

[26] See "2018 Plant-Related RevReq" tab in the "Plant-Related RevReq Lag" file in work papers to PGE Exhibit 2300 for a comparison of 2018 ROO and UE 335 plant-related revenue requirement. For this analysis, we use the 2018 ROO because it provides a slightly higher baseline.
[27] See the "Plant-Related RevReq lag" file in work papers to PGE Exhibit 2300 for additional details.

Q. Please explain the results of your analysis.

A. This analysis demonstrates that even with the Boardman plant removed from rate base (i.e., Boardman removal is reflected in Table 1 amounts), PGE's additional plant produces a revenue requirement lag of approximately $157.1 million over the 40-month period from January 1, 2019 through April 30, 2022. The reduced cost from Boardman, along with load growth and rigorous management of operation and maintenance costs (O&M), have allowed PGE to absorb this lag and delay filing this rate case as long as possible. However, the key point here is that PGE's incremental plant more than offsets the reduction in costs due to the Boardman closure.

Q. For clarity, please confirm the annual Boardman revenue requirement.

A. The annual Boardman revenue requirement is $66.5 million[28]—not $89.5 million as stated in AWEC-CUB Exhibit 100 (i.e., Table 1 in AWEC-CUB Exhibit 100 incorrectly grosses up the entire Boardman revenue requirement for taxes). Depreciation and O&M make up the bulk of the costs in rates, with only a small portion ($4.3 million) associated with the return on investment.

Q. How do you respond to AWEC-CUB's and Staff's assertions regarding PGE benefitting from elimination of regulatory lag through the RAC and the equity of customers similarly getting the benefit of retiring coal resources without regulatory lag?[29]

A. The RAC is unique as it is specifically provided for by law, an issue PGE will address in legal briefing in this case. See ORS 469A.120. To consider the Parties' assertions regarding the RAC in our analysis, however, we deducted the revenue requirement of the Wheatridge wind project (covered by the RAC) from the 2021 lag to show that PGE still had significant lag for

[28] See "Boardman Revreq" tab in the "Plant-Related RevReq Lag" file in work papers to PGE Exhibit 2300.
[29] AWEC-CUB/100, Mullins-Gehrke/3.

2021 and for the 40-month-period, which fully offset the costs of the Boardman plant. To make our comparative analysis more thorough and non-biased, we: 1) did not reduce the Wheatridge revenue requirement by its Net Variable Power Cost (NPVC) benefit; and 2) we included the benefit of Boardman's reduction in O&M costs. Deducting Boardman O&M is done here only for emphasis as PGE used this cost reduction to address other current O&M issues such as Advanced Wildfire Risk Reduction and Enhanced Vegetation Management. Despite these impacts, however, PGE's lag is still significant in each year of the analysis even with adjustments for the costs of Boardman and Wheatridge.

Q. AWEC and CUB have claimed that PGE has gone to great lengths to avoid regulatory lag in recovering the costs of its capital investments, and therefore it is appropriate to promptly remove Boardman from rates.[30] How do you respond?

A. We strongly disagree. In Order No. 20-147, the Commission stated that "under traditional ratemaking, a utility continues to recover a return of and return on the plant balances included in rate base during its last rate case, even though the value of the assets has depreciated since the case. Normally this benefit to the utility is countered to some extent by the fact that the utility continues to make capital investments that are not placed into rates during that period." The Commission has been clear that PGE bears the potential burdens and benefits of regulatory lag and has not allowed PGE to deviate from traditional ratemaking by using deferrals to reduce regulatory lag absent specific statutory authorization (e.g., the RAC discussed above) or through uncontested settlements.[31] For large capital investments, PGE has worked to mitigate regulatory lag through traditional ratemaking processes, including

[30] Docket UM 2119, Joint Reply Comments of AWEC and CUB at 4.
[31] *See* Docket UM 1909, Order No. 18-426 at 9 (capital deferrals have historically been "limited and were made as a part of uncontested negotiated agreements among the presenting parties…") (rescinded on different ground in Order No. 20-106).

timing its rate cases or proposing trackers in rate cases to avoid serial rate case filings. In contrast, AWEC-CUB's proposed deferral is a stark and unprecedented deviation from traditional ratemaking, unsupported by statute or an uncontested settlement.

Q. AWEC and CUB also claim that their proposal would match the Commission's regulatory treatment of Idaho Power's share of the Boardman plant with PGE's.[32] Is it appropriate to implement the same approach for PGE and Idaho Power?

A. No. PGE and Idaho Power had differing regulatory treatment of Boardman costs before the plant closed, and therefore it is not appropriate to use the same approach for both utilities following the closure. Specifically, Idaho Power's Schedule 92 included accelerated depreciation for Boardman. PGE's Schedule 145 includes only decommissioning costs, not depreciation, O&M, or return on—all of which are included in PGE's base rates. PGE's Schedule 145 originally included these components but after PGE reflected these amounts in base rates, PGE revised Schedule 145 to include only decommissioning costs.

Q. Prior to the shutdown of Boardman, did the Commission signal a change in its traditional ratemaking policy indicating that PGE should remove Boardman's revenue requirement from PGE's base rates in advance of this GRC?

A. No.

Q. Did the Commission have opportunities to signal such an intent?

A. Yes. PGE had GRCs with 2016 (UE 294), 2018 (UE 319), and 2019 (UE 335) test years all approaching a known date by which Boardman would cease operations. In any of these dockets the Commission could have stated such an intention, either on its own accord, or in

[32] AWEC-CUB/100, Mullins-Gehrke/4.

response to a request by parties, and directed PGE to develop a mechanism to remove Boardman from base rates before this GRC.

Q. Were Boardman costs, other than decommissioning, included in base rates in each of these rate cases?

A. Yes.

Q. Did PGE perform subsequent planning efforts, including considerations of how and when to file future rate cases, with the understanding that Boardman costs other than decommissioning costs were in base rates?

A. Yes.

Q. Would it be good regulatory policy to allow deferred accounting for Boardman without advanced notice to PGE of this change in Commission policy, especially after multiple GRCs in which Boardman costs in base rates were approved with an understanding of Boardman's 2020 closure date?

A. No. Good regulatory policy should provide reasonable advance notice so that utilities can plan accordingly, including the timing of possible future rate cases.

C. Deferrals in PGE Rate Cases

Q. Previously you stated that PGE had identified four small deferrals for which it had filed amortization schedules in the case. In addition, the Parties have stated that "PGE itself has previously proposed to amortize separately docketed deferrals in its general rate cases."[33] How do you reconcile this with your arguments that the Boardman deferral and two emergency deferrals should not be amortized in this case?

[33] Joint Response of the Oregon Citizens' Utility Board, Alliance of Western Energy Consumers, and Staff of the Public Utility Commission of Oregon to Portland General Electric's Motion to Strike, filed November 4, 2021, pages 5-6.

A. The four small deferrals consist of the following:

- Proposed for Schedule 138:
  - UM 1938, Transportation Electrification Pilots – approved by Commission Order 20-381 for deferral of costs starting in April 2018 as ten-year pilots.
  - UM 2003, Electric Vehicle Charging Pilots – approved for deferral by Commission Orders 20-381 and 21-132 as fourteen-year pilots.
- Proposed for Schedule 150:
  - UM 2113, Beaverton Public Safety Center (BPSC) Energy Storage Microgrid Pilot – approved for deferral and an automatic adjustment clause by Commission Order 20-370 as a ten-year pilot.
  - UM 2078, Residential Battery Energy Storage Pilot – approved for deferral by Commission Orders 20-208 and 21-156 as a five-year pilot.

When PGE proposed to amortize these deferrals in PGE Exhibit 1200, it was to establish Schedules 138 and 150 for on-going recovery of these approved, multi-year pilots. PGE did not need a rate case for submitting these tariffs and could have submitted separate, independent Advice filings. Plus, the rate impact of these deferrals is nominal—they will total approximately $3.3 million in annual collections—but given their longer-term nature, they are appropriate for automatic adjustment clause treatment. These aspects do not apply to the Boardman or Emergency Deferrals.

Q. Does PGE's proposal to establish Schedules 138 and 150 benefit the Commission and stakeholders?

A. Yes. Grouping the costs of similar types of activities allows stakeholders to more readily identify the rate impacts of those activities. Schedule 138 (energy storage) and Schedule 150 (transportation electrification) would accomplish this along with the existing Schedule 135[34] (demand response). Even though they are not appropriate for base rates, as discussed above, having separate tariffs for such costs makes more sense than individual amortizations, especially since they are longer-term pilots. Again, PGE did not need to submit these tariff proposals in a GRC, but the timing of Docket UE 394 made that an efficient approach.

Q. The Parties have claimed that PGE sought to amortize an unauthorized deferral in its last GRC.[35] How do you respond?

A. The Parties' claim is based on PGE's testimony in Docket UE 335 requesting that the Commission approve the deferral pending in Docket UM 1817 "[t]o the extent that UM 1817 is unresolved."[36] PGE's request is not analogous to the Parties' attempt to bring unauthorized deferrals into this case. The UM 1817 deferral pertained to the 2017 Level III outage costs. PGE needed clarity regarding the UM 1817 deferral because the outage costs at issue in UM 1817 related directly to the 10-year average of costs for the Level III reserve included in UE 335 base rates, as well as the mechanism that PGE proposed in that proceeding. To avoid double-collection or non-collection, we needed to establish if the 2017 Level III costs were to be included in the 10-year average and mechanism or subject solely to the UM 1817 deferral. Parties recognized this in the Second Stipulation of the current GRC to resolve the same types of issues between the Level III accrual and UM 2156 deferral of the February 2021 ice storm emergency costs.[37]

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[34] Schedule 135 will likely be replaced by a new schedule established for the multi-year plan as discussed in PGE Exhibits 600 and 1400.
[35] Joint Response of the Oregon Citizens' Utility Board, Alliance of Western Energy Consumers, and Staff of the Public Utility Commission of Oregon to Portland General Electric's Motion to Strike, filed November 4, 2021, page 8.
[36] Docket UE 335, PGE/800, Nicholson-Bekkedahl/17.
[37] Second Partial Stipulation filed December 2, 2021, Docket UE 394, page 2.

Q. The Parties have also relied on Docket UE 262 to support their claim that PGE has requested that the Commission address pending deferrals in past rate cases.[38] Please respond.

A. The Parties' characterization of what happened in Docket UE 262 is inaccurate. In Docket UE 262, PGE stated, "This base rates request includes approximately $26.8 million of revenue requirements associated with capital projects that were subject to a deferral authorized in UE 215 (capital deferrals)."[39] PGE's testimony merely indicates that in Docket UE 262 (2014 test year), PGE appropriately included in UE 262 rate base certain plant that <u>had been</u> subject to a deferral already authorized in UE 215 (2011 test year). The referenced deferral terminated as of the rate effective date of UE 262. In addition, in UE 215, Parties had stipulated to "support deferred accounting treatment under ORS 757.259 for the revenue requirement associated with the recovery of both the return on and return of the capital costs of the Four Capital Projects, under conditions specified in the stipulation."[40] In short, PGE's testimony in Docket UE 262 simply explained that PGE was completing the deferred accounting treatment to which Parties had agreed in Docket UE 215 to allow PGE cost recovery until PGE's next GRC for four large capital projects that were expected to "close-to-plant" during the 2011 test year. Docket UE 262 is not an example of PGE attempting to bring a pending deferral into a rate case.

Q. Did PGE recover all the deferred costs of the four capital projects included in the Docket UE 215 deferral?

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[38] Joint Response of the Oregon Citizens' Utility Board, Alliance of Western Energy Consumers, and Staff of the Public Utility Commission of Oregon to Portland General Electric's Motion to Strike, filed November 4, 2021, page 3, footnote 3.
[39] Docket UE 262, PGE/300, Tooman-Liddle/2.
[40] Commission Order No. 10-478, page 6.

A. No. The authorized deferral for the four capital projects was docketed as UM 1513, which ran from the plant closing dates in 2011 until the rate effective date of PGE's next GRC (i.e., UE 262 on January 1, 2014). However, 2011 is the most recent year in which PGE's regulated ROE was greater than authorized. Consequently, PGE did not request recovery of any of the 2011 costs associated with the four capital projects. Years 2012 and 2013, in contrast, had PGE under-earning ROE so those years did result in amortization of the UM 1513 deferred amounts. Those earnings reviews were based on PGE's ROO and its associated timing, as discussed above.

Q. Please summarize your conclusions regarding the Parties' recommendations regarding the Boardman and Emergency Deferrals.

A. The Commission should not authorize the AWEC-CUB Boardman deferral. PGE has absorbed significant lag since UE 335 rates went into effect, and the Boardman closure has simply helped PGE absorb some of this lag in order to delay filing this GRC as long as possible. Even if the Commission authorizes the Boardman deferral, it is premature to review amortization of the Boardman deferral and PGE's Emergency Deferrals in this case. To properly address all of these deferrals, the Commission needs to perform an earnings review when PGE's 2021 ROO is available, which will not be until well after the record closes in this case.

III. Supplement to PGE Exhibit 1400

Q. Do you have additional testimony with which to supplement PGE Exhibit 1400?

A. Yes. Given the number and magnitude of adjustments proposed by Parties in their direct testimony, PGE inadvertently omitted replies to two of AWEC's proposals. We respond to those issues here.

Q. What is AWEC's first issue?

A. AWEC adjustment A-12 proposes to remove approximately $56.1 million from PGE's plant in service and $1.8 million of depreciation expense. This adjustment is based on AWEC's review of PGE's updated plant closing and projections for plant closings.[41]

Q. Do you agree with this adjustment?

A. No. This adjustment is inappropriate because outside of authorized updates (i.e., NVPC and load forecast), PGE is unable to use updated information with which to revise its initial revenue requirement as filed in PGE Exhibit 200. Consequently, we do not believe Parties should have this opportunity especially if, as in AWEC's proposal, they selectively choose adjusting items that only reduce PGE's revenue requirement.

Q. What is AWEC's second issue?

A. AWEC adjustment A-14 proposes to remove approximately $5.3 million from PGE's plant in service and $0.2 million of depreciation expense. This adjustment is based on AWEC's interpretation that joint-pole make ready work is all offset by billings to the attaching entity and that "PGE will be fully reimbursed for the Joint Pole Construction costs."[42]

Q. Do you agree with this adjustment?

[41] AWEC/100, Mullins/17-19.
[42] AWEC/100, Mullins/22

A. No. PGE's net costs and revenue requirement accurately reflect offsets for the billings to attaching entities for the applicable make ready work. This, however, does not mean that joint-pole make ready costs will always net to zero. Instead, PGE's joint-pole make ready capital costs are positive for the following reasons:

- Transmission pole replacements – Overloaded transmission poles that are identified during the pole attachment permitting process and replaced via that project but with no reimbursement from the requesting pole attaching entity.
- PGE driven pole replacements – Poles that require replacement where PGE is the requesting pole attaching entity.
- Foreign-owned pole replacements – PGE replaces foreign-owned poles when PGE primary is attached and PGE is the driver for the need of the replacement (e.g., reconductor).

Q. Does this conclude your testimony?

A. Yes.