

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE 412

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

Request to Approve Schedule 151 to Recover  
Wildfire Mitigation Plan Costs Through the  
Automatic Adjustment Clause.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

This order memorializes our decision, made and effective at our October 17, 2023 Regular Public Meeting, to adopt Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

In addition, we adopt the stipulation entered into by the parties in this docket. That stipulation is attached to the Staff Report in Appendix A.

Made, entered, and effective Oct 18 2023.



**Megan W. Decker**  
Chair



**Letha Tawney**  
Commissioner



A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ITEM NO. RA4

**PUBLIC UTILITY COMMISSION OF OREGON  
REDACTED STAFF REPORT  
PUBLIC MEETING DATE: October 17, 2023**

**REGULAR**  X  **CONSENT** \_\_\_\_\_ **EFFECTIVE DATE**  October 20, 2023

**DATE:** October 10, 2023

**TO:** Public Utility Commission

**FROM:** Luz Mondragon and Bret Stevens

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

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. UE 412/Advice No. 23-08)  
Requests approval of Schedule 151 to recover Wildfire Mitigation Plan costs through the automatic adjustment clause.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Portland General Electric's (PGE or Company) Advice No. 23-08, as updated on October 9, 2023, implementing Schedule 151 to recover incremental costs associated with the development and implementation of PGE's annual Wildfire Mitigation Plan (WMP) Automatic Adjustment Clause (AAC), with less than statutory notice.

**Wildfire Mitigation Automatic Adjustment  
UE 412/ Advice No. 23-08**

INITIAL FILING	Spend	RR
O&M (incremental)	27,982,672	27,982,672
Capital Investments	27,819,434	2,176,000
Revenue sensitive adj, interest and other amortizations		(4,590,544)
<b>Advice No. 23-08 Initial filing recovery amount</b>		<b>25,568,128</b>
Revenue sensitive adjustment correction		(1,199,271)
<b>Recovery amount after correction</b>		<b>24,368,857</b>
Adjustments:		
Incentives and Bonuses		(150,000)
Capital indirect loadings	(7,000,000)	
O&M indirect loadings		(90,000)
UPDATED FILING	Spend	RR
O&M (incremental)	27,742,672	27,742,672
Capital Investments	20,819,434	3,732,000
Revenue sensitive adj, interest and other amortizations*		(4,100,006)
<b>Advice No. 23-08 Updated filing recovery amount</b>		<b>27,374,666</b>

## **DISCUSSION:**

### Issue

Whether the Commission should approve Advice No. 23-08, PGE's request to implement its Schedule 151 (WMP) to recover costs authorized for recovery through the AAC mechanism in accordance with Commission Order No. 23-173.

### Applicable Law

ORS 757.205 requires public utilities file 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 and 860-022-0030 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.

ORS 757.963(1) provides that "[a] public utility that provides electricity must have and operate in compliance with a risk-based wildfire protection plan that is filed with the Public Utility Commission and has been evaluated by the commission."

ORS 757.963(8) provides that "[a]ll reasonable operating costs incurred by, and prudent investments made by, a public utility to develop, implement or operate a wildfire protection plan are recoverable in the rates of [a] public utility..." ORS 757.963(8) further provides that the Commission "shall establish an automatic adjustment clause, as defined in ORS 757.210, or another method to allow timely recovery of these costs."

### Analysis

#### *Background*

In June 2021, Oregon legislature passed Senate Bill (SB) 762, which directs utilities that provide electricity to have a wildfire mitigation plan (WMP) to be filed with, and evaluated by, the Commission. Section 3 of SB 762 outlines the utility's responsibilities and requirements, such as a plan that is based on reasonable and prudent practices and in a manner that seeks to protect public safety, reduce risk to utility customers, and promote electrical system resilience to wildfire damage.<sup>1</sup>

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<sup>1</sup> Senate Bill 762.

In response to SB 762, ORS 757.968, and Commission Order No. 22-129 in Docket No. UE 394, PGE submitted Advice Filing 22-18 and introduced Schedule 151, a cost recovery mechanism for wildfire mitigation costs, docketed as UE 412. In that docket, the Commission issued Order No. 23-173 adopting a non-unanimous stipulation ("Stipulation") agreeing to an AAC for PGE's wildfire mitigation costs. The filing at issue in this memorandum directly responds to the Commission Order No. 23-173 on May 10, 2023.

PGE submitted Advice No. 23-08 in response to Order No. 23-173 on May 17, 2023. PGE subsequently agreed to extend the effective date of Schedule 151 on multiple occasions to allow Staff and parties additional time to review PGE's filing and to allow parties opportunity to come to agreement on the amount of deferred costs that will be recovered under Schedule 151. On October 9, 2023, PGE filed a revised Schedule 151 adopting the revisions agreed to by Staff and The Oregon Citizens' Utility Board (CUB) and asking that the Schedule be allowed to take effect with less than statutory notice on October 20, 2023.

In Order No. 23-173, the Commission authorized PGE to recover incremental WMP costs, both capital and operation and maintenance (O&M), through an Automatic Adjustment Clause (AAC).<sup>2</sup> The Stipulation, adopted by the Commission, does not include the use of performance-based rate mechanisms or earnings tests for these costs. The Stipulation and Commission order specify that the AAC would be revisited at a special public meeting in three-years' time (2026).<sup>3</sup>

Order No. 23-173 requires the following information to be provided by the Company in each annual filing:

- a) Transactional level data detailing non-labor O&M using the same format as SDR 57;
- b) A comparison of Wildfire Mitigation Plan budget vs actuals at the program level; and
- c) Forecast of expenditures at the program level.

In its 2022 general rate case docketed as UE 394, PGE proposed to include in rates \$6 million in wildfire mitigation capital projects, \$6.6 million for O&M, and \$46.7 million for vegetation management costs. Of the \$46.7 million for vegetation management, \$12.8 million is for Advanced Wildfire Risk Reduction (AWRR) and \$4.2 million is for Enhanced Vegetation Management (EVM). The resulting Commission Order No. 22-129 approved the \$23.6 million for WM related O&M costs in base rates.

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<sup>2</sup> Incremental to the \$23.6 million included in UE 394 base rates.

<sup>3</sup> Order No. 23-173.

### WMP O&M and Capital Investment Spending – 2022

In the filing for this docket, PGE reported spending \$43.3 million in Oregon-allocated O&M expenses. These include costs for Public Safety Power Shutoff (PSPS) event(s), Training, Community Resources, Staff, and Outreach and Education. Of this amount, PGE states that \$15.3 million<sup>4</sup> is included in base rates, and \$27.9 million is incremental. O&M amounts deferred for the period of January 1 through May 8, 2022, are to be amortized over a two-year period; amounts deferred on or after May 9 will be amortized over 12-months.<sup>5</sup>

The Company reported investing \$27.8 million in capital through June of 2023; in PGE's initial filing, they were seeking to recover a revenue requirement of \$4.4 million. The initial filing amount of \$25.5 million was revised to an agreed-to \$27.4 through a filing by PGE dated October 9, 2023.

#### *Vegetation Management and Wildfire Mitigation O&M*

PGE spent \$32.7 million in vegetation management, the costliest being wildfire mitigation in Burn Scar Zones, totaling \$19 million. Burn scar areas contain trees that were initially believed to be healthy but have experienced delayed mortality from the fires.<sup>6</sup>

Based on PGE's revised forecast provided in June 2022,<sup>7</sup> PGE underspent on vegetation management by 17 percent. This was due to a shift in funds to non-vegetation management-related wildfire mitigation efforts, while a lack of available workforce and early snow fall contributed to the underspend.<sup>8</sup>

#### *Wildfire Mitigation Capital Investments*

Capital investments made by the Company include the purchase and installation of HD Cameras, replacement of distribution poles (UAM), removing attachments, installing poles, and installation of VIPER recloser among other investments. Although these projects are consistent with the objectives outlined in PGE's 2022 Wildfire Protection Plan,<sup>9</sup> the investment amounts doubled the Company's projected amount of \$10 million. PGE states this is due to an accelerated deployment of UHD AI Cameras, reclosers, and wildfire-safe fuses.<sup>10</sup>

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<sup>4</sup> Prorated from the annualized amount of \$23.6 million. May 9, 2022–Dec 31, 2022.

<sup>5</sup> UE 412\_Advice No. 22-18/Page 2. "As PGE discussed with parties during a meeting on July 13, 2022."

<sup>6</sup> Company's response to IR 33.

<sup>7</sup> UM 2019 PGE's Application to Update Prior Reauthorization Request and Reauthorize Deferred Accounting of Costs Associated with Wildfire Risk Mitigation Measures.

<sup>8</sup> Company's response to IR 47.

<sup>9</sup> 2022 PGE WMP, Section 10, Wildfire Program Costs.

<sup>10</sup> Company's response to IR 47.

### Earnings Test

Order No. 23-173 prohibits the use of earnings test for the Wildfire Mitigation Plan Automatic Adjustment Clause recovery mechanism.

### Prudence Review

Staff reviewed transaction level data of all costs to be recovered for both O&M and capital for prudence. Staff found most expenditures to be prudent and reasonable, with the exception of Employee Incentives & Bonuses and Loadings.

Employee Incentives & Bonuses in O&M summed to [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] and [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] in capital expenditures. The bulk of these incentives and bonuses were incurred in relation to the PSPS event that occurred on September 6, 2022. PGE states that a response recognition program was used during the PSPS event to recognize exempt employees in their response efforts.

Staff supports applying the common practice used in general case proceedings of sharing 50 percent of Incentives and Bonuses for non-executive employees. In conversations with the Company, Staff and PGE agreed to exclude from Advice Filing 23-08, \$150,000 in revenue requirement for Incentives and Bonuses. Staff and the Company agree that this is a one-time treatment of the issue and does not represent precedential treatment for future UE 412 compliance filings.

Total loadings in PGE's filing, are [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] in O&M,<sup>11</sup> and [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] in capital expenditures. In initial conversations, Staff proposed to exclude indirect loading costs of [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] in O&M, and [BEGIN CONFIDENTIAL] [REDACTED] [END CONFIDENTIAL] in capital expenditures, resulting in recovery of only incremental loading costs directly associated with wildfire. PGE states that the loadings relate to incremental FTEs and/or labor hours needed to complete wildfire mitigation tasks, such as employee benefits, payroll taxes, vacation accrual, pension costs, and materials. In UE 394, PGE testified that "all labor loadings and allocations, except the payroll tax loading, are inapplicable for [wildfire and storm] deferrals."<sup>12</sup> Staff is proposing a similar treatment for loadings in this case. After several meetings, Staff and PGE agreed to exclude from Advice filing 23-08 indirect loadings. Pursuant to this agreement, \$7 million in capital investments would be removed from wildfire-related rate base and \$90 thousand in revenue requirement from O&M.<sup>13</sup> In exchange for this agreement,

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<sup>11</sup> Company' response to IR 48-CONFIDENTIAL.

<sup>12</sup> UE 394/PGE/2900 Tooman-Ferchland/27. PGE's Surrebuttal Testimony regarding Wildfire and Storm Cost deferrals.

<sup>13</sup> PGE moved the rate base amounts to the UE 416 general rate case.

PGE would agree, for regulatory purposes, to only include direct loadings in future wildfire filings. PGE would allocate its common and shared costs over non-wildfire O&M and Capital activities and capital build.

PGE states that capital expenditures were used in developing the loading factors. Staff feels this was never demonstrated. If the loadings were double counted, then they are double counted regardless of where the amounts reside. The agreement between PGE and Staff will establish what type of loadings can be included in future filings and is a step toward a more defined recovery mechanism and will include those amounts in rate base that is includable in UE 416 as base capital. The agreement would also avoid a contested issue before the Commission at the public meeting. CUB is a signator to this agreement and the Alliance of Western Energy Consumers (AWEC) does not oppose it.

#### Additional Remarks of Staff Analysis of Filing

During the review and analysis of the Company's workpapers, Staff noted a discrepancy in PGE's calculation of revenue sensitive adjustment and interest. In discussions with the Company, they agreed and adjusted their workpapers to reflect the correction. The initial recovery amount of \$25.5 million was corrected to \$24.3 million.

Additionally, the Company made two other changes that affect the recovery amount. First, in its original filing the Company pro-rated the revenue requirement associated with Capital investments. Second, PGE updated the deferred interest rate from MBT + 100 bps to cost of capital at 6.813 percent. In its updated filing on October 9, 2023, the Company is requesting the full annual amount in recovery before accepting the terms of the UE 412 Stipulation. By correcting to the full annual amount of revenue requirement of capital investment, the amount requested by PGE changes to roughly \$28.8 million.

The overall impact of the Oregon-allocated incremental WMP costs PGE is proposing to recover through Schedule 151 is \$27.4 million, which results from the corrected \$28.8 million, correcting the interest rate on deferred amounts, the change in revenue requirement for Capital investments, and reducing that amount by the agreement reached by Staff, CUB, and PGE. The proposed change will affect approximately 930,000 customers. A residential customer using 780 kilowatt-hours per month will see a monthly bill increase of approximately \$1.66, or 1.3 percent, per month.

Staff completed a series of checks and analyses, and issued several data requests to determine that the costs proposed for recovery were incremental, prudent, accurate, and consistent with Commission Order No. 23-173. The following tasks were completed:

- Confirmed revenue targets and amortizations were correctly calculated and consistent with Commission Order No. 23-173;

- Confirmed Rate Spread and Design were calculated to produce revenues in accordance with Commission Order No. 23-173;
- Reviewed the Company's comparison of budget to actuals at the program level;
- Reviewed the 2023 forecast of expenditures at the program level;
- Reviewed transaction detail for all costs to be recovered; and
- Attended a Loadings workshop held by PGE.

Staff issued three sets of information requests, communicated via email, and met with the Company to discuss the filing on several occasions from September 7, 2023, through October 3, 2023. As a result of the discussions, Staff, the Oregon Citizens' Utility Board, and PGE agreed to certain adjustments to the amounts collected under Schedule 151 and the recovery of incremental construction overheads in this and future filings. The stipulating parties do not seek approval of the Stipulation in this docket. However, it is attached to this memorandum to support Staff's proposed recommendation and inform future proceedings related to recovery of PGE's wildfire mitigation costs.

Staff appreciates the Company's willingness to voluntarily extend the effective date of Schedule 151 to allow Staff opportunity to review and to allow parties to come to agreement on the costs that will be recovered. Staff supports the Company's request to allow Schedule 151 to go into effect with less than statutory notice on October 20, 2023.

### Conclusion

For the reasons stated above, Staff recommends that the Commission approve PGE's updated Advice No. 23-08.

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

### **PROPOSED COMMISSION MOTION:**

Approve Advice No. 23-08, PGE's rate filing, dated October 9, 2023, to update its Schedule 151 to recover \$27.4 million in incremental costs for recovery through the WMP AAC mechanism in accordance with Commission Order No. 23-173, with less than statutory notice; for rates effective for service on and after October 20, 2023.



**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
UE 412**

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

Advice No. 23-08, New Schedule 151,  
Wildfire Mitigation Cost Recovery

**STIPULATION**

This Stipulation (Stipulation) is entered into by Portland General Electric Company (PGE or Company), Staff of the Oregon Public Utility Commission (Staff), and the Citizens' Utility Board (CUB), (collectively, the Stipulating Parties). This Stipulation resolves all issues concerning the Company's filing of Schedule 151 rates to be effective October 20, 2023. The Alliance of Western Energy Consumers is not a signatory to the Stipulation but indicated they do not oppose the Stipulation. There are no other parties in this docket.

**I. INTRODUCTION**

In accordance with Senate Bill 762, ORS 757.963(8), and Commission Order No. 22-129, on August 19, 2022, PGE filed Advice No. 22-18 for new Schedule 151; an automatic adjustment clause to allow for the timely recovery of incremental costs associated with the development and implementation of the Company's Wildfire Mitigation Plan, which are submitted in Docket No. UM 2208. On September 7, 2022, Order No. 22-323 was issued suspending Advice No. 22-18 for a period of time not to exceed nine months from September 21, 2022. All parties in Docket No. UE 412 met multiple times to discuss settlement. After it became clear that CUB's position diverged from other parties, PGE, Staff and AWEC continued

negotiations and entered into the first stipulation based on a mutual understanding that it was a reasonable compromise of the positions in Docket No. UE 412.

The Commission issued Order No. 23-173 adopting the stipulation. PGE then filed Advice No. 23-08 to update new Schedule 151 consistent with the order and terms of the stipulation. PGE and Staff met multiple times to discuss the expenses associated with the Schedule 151 filing and ultimately Staff and PGE reached an agreement concerning the expenses eligible to be included for cost recovery in Schedule 151, now effective starting on October 20, 2023. The Stipulating Parties have reached agreement settling these issues as set forth below. The Stipulating Parties request that the Commission issue an order adopting this Stipulation without modification.

## II. TERMS OF STIPULATION

1. PGE agrees to a one-time reduction of \$150,000 for the Response Recognition Program (RRP). Parties agree this reduction will not be treated as precedential, and PGE may seek recovery for RRP expenses in future cost recovery proposals.
2. PGE will remove \$7 million in indirect loadings from the rate base amounts used to determine the revenue requirement for wildfire mitigation cost recovery from Schedule 151. Since these indirect loadings were identified as part of wildfire mitigation costs in PGE's initial UE 416 General Rate Case filing, Stipulating Parties agree that they will be reallocated to other base business capital in UE 416. PGE will also remove \$90,000 related to indirect loadings present in Operations and Maintenance (O&M) expense.
3. For regulatory purposes, PGE agrees in future wildfire mitigation cost recovery filings to only include incremental construction overheads for material (excluding warehouse

salaries) and direct loadings. PGE will allocate common and shared (for example, indirect loadings) construction overheads over non-wildfire mitigation base business capital. PGE will also agree to only include direct labor loadings in O&M and Capital costs. For the purpose of wildfire mitigation cost recovery, direct loadings are defined as: vacation overhead, benefits overhead, payroll taxes, pension costs, and materials.

4. Stipulating Parties recommend and request the Commission approve the Stipulation and all provisions described herein without modification as appropriate and reasonable resolutions of all issues addressed in this Stipulation.
5. Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just, and reasonable, consistent with the standard in ORS 756.040.
6. Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating Parties. Without the written consent of all the Stipulating Parties, evidence of conduct or statements, including but not limited to term sheets, presentations, or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in this instance or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.
7. Stipulating Parties have negotiated this Stipulation as an integrated document. The Stipulating Parties seek to obtain Commission approval of this Stipulation. Each Stipulating Party reserves the right to jointly or separately: present evidence and arguments on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, raise issues that are incorporated in the settlements embodied in this Stipulation, submit briefs; and if the Commission rejects all or any material part of this

Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation (ii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission's final order.

8. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal and provide witnesses to support this Stipulation (if required by the Commission) and recommend that the Commission issue an order adopting the settlement contained herein. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.
9. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.
10. This Stipulation settles all issues pertaining to Advice No. 23-08.

DATED this 6th day of October, 2023.

**PORTLAND GENERAL ELECTRIC  
COMPANY**

/s/Kim S. Burton

**STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON**

/s/Stephanie Andrus

**CITIZENS' UTILITY BOARD**

/s/Michael Goetz