

ORDER NO. 24-204

ENTERED Jun 27 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2219(2)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization to Defer
Costs and Revenues Associated with the
Energy Affordability Act.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on June 25, 2024, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Alison Lackey

Chief Administrative Law Judge



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. CA10

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 25, 2024.

REGULAR **CONSENT** X **EFFECTIVE DATE** **N/A**

DATE: June 11, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Russell Beitzel **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2219(2))
PGE's Application for Deferral of Costs and Revenues Associated with the Energy Affordability Act.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) application to defer, for the 12-month period beginning January 1, 2024, costs and revenues to implement rate mitigation measures reauthorized under House Bill (HB) 2475(7)(1). Staff also recommends the Commission require PGE to establish a separate account to track and defer incremental administrative costs associated with rate mitigation measures authorized under HB 2475(7)(1).

DISCUSSION:

Issues

Whether the Commission should approve PGE's application to defer costs and revenues associated with rate mitigation measures authorized under HB 2475(7)(1) to support PGE's recovery of these costs through an automatic adjustment clause (AAC) and balancing account.

Whether the Commission should require PGE to establish a separate account to track and defer all other costs contained in this deferral beginning January 1, 2024, through December 31, 2024.

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Applicable Law

PGE makes this filing in accordance with ORS 757.259, OAR 860-027-0300, and HB 2475. ORS 757.259 authorizes the Commission to allow a utility to defer, for later recovery in rates, expenses, or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth several requirements for application to defer.

House Bill A2475(7)(1) provides that Commission may address the mitigation of customer energy burdens through bill reduction measures or programs that may include, but need not be limited to, demand response or weatherization.

House Bill 2475(7)(2) provides that the costs of tariff schedules, rates, bill credits, or program discounts allowed pursuant to HB 2475(7)(1) must be collected in the rates of an electric company through charges paid by all retail electricity consumers, such that retail electricity consumers that purchase electricity from electricity service suppliers pay the same amount to address the mitigation of energy burdens as retail electricity consumers that are not served by electricity service suppliers.

Analysis

Background

On December 30, 2021, PGE requested OPUC approval to defer incremental O&M costs and revenues associated with the Energy Affordability Act. On March 24, 2022, the Commission authorized PGE's deferral request through Commission Order No. 22-101. On December 30, 2022, PGE filed an application to reauthorize the deferral from January 1, 2023, to December 31, 2023. The Commission approved PGE's application at a public meeting and formalized that decision through Order No. 23-498, issued December 29, 2023. PGE states that continuance of this deferral will minimize the frequency of rate changes or the fluctuation of rate levels, and match appropriately the costs borne, and benefits received by customers.

Historically, on May 24, 2021, the Governor of Oregon signed into law HB 2475, the Energy Affordability Act. The bill amended ORS 757.230 to allow the additional classification of service for "differential energy burdens on low-income customers and other economic, social equity or environmental justice factors that affect affordability for certain classes of utility customers."¹

As a result of this law, PGE became able to provide an income-qualified discount to

¹ See, HB 2475.

<https://olis.oregonlegislature.gov/liz/2021R1/Downloads/MeasureDocument/HB2475/Enrolled>.

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eligible residential customers and did so through the Income Qualified Bill Discount (IQBD) program.

On June 13, 2023, as a part of PGE's 2024 general rate case, UE 416, OPUC Staff, the Citizens' Utility Board of Oregon (CUB), and Community Action Partnership of Oregon (CAPO) all offered proposals for PGE's IQBD program in their opening testimony, including new discount structures and a low income needs assessment (LINA).

On October 6, 2023, PGE, Staff, and Parties entered a partial stipulation whereby PGE agreed to file a tariff that would expand the existing IQBD program with more tiers to include larger discounts for participants at lower income levels.

The Company would complete a low income needs assessment (LINA) no later than June 30, 2024. The partial stipulation was later adopted by the Commission through Order No. 23-386.2

Reason for Deferral

The Company requests this second reauthorization to defer costs and revenues associated with the Energy Affordability Act, including the updated discount tier structure and the LINA, from January 1, 2024, through December 31, 2024.

Proposed Accounting

PGE proposed no change from the last year's accounting treatment. The Company proposes to record the balancing account in FERC Account 182.3 (Other Regulatory Assets). Income-qualified payments (i.e., payments to support income-qualified energy discounts) will be debited to FERC Account 182.3 and credited to FERC Account 903 (Customer Records & Collection Expense). Energy Affordability Act amortization (i.e., revenues collected from PGE's customer) will be credited to FERC Account 182.3 and debited to FERC Account 903. Interest will accrue on the balance at the approved blended treasury rate.

Estimate of Amounts

The Company estimates the income-qualified energy discount amount to defer during 2024 to be approximately \$46 million² and an additional \$600,000 in incremental administrative costs.

Staff supports various parties' prior requests that the administrative costs should be separately tracked to allow for differing rate treatment.

² See, this increase is due to the new, higher discount tiers being offered in 2024 as well as increased program enrollments.

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Information Related to Future Amortization

- Earnings Review – The cost recovery associated with this deferral should not be subject to applying an earnings review given the purpose of the funds being used.
- Prudence Review – A prudence review should be performed by the Commission Staff as part of PGE’s amortization filing.
- Sharing – No sharing mechanism applies to the Energy Affordability Act costs or revenues.
- Rate Spread/Design – Applicable costs will be allocated consistent with established Commission policy.
- Three Percent Test (ORS 757.259(6)) –The amortization of the deferred costs will be subject to the three percent test in accordance with the ORS 757.259 (6), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility’s gross revenues for the preceding year, unless authorized by the Commission under ORS 757.259(8).

Conclusion

Based on discussions with PacifiCorp and PGE regarding the appropriate recovery mechanism for costs incurred under HB 2475(7), Staff recommends the Commission authorize PGE to defer all costs and revenues incurred to implement rate mitigation measures implemented under HB 2475(7). Staff recommends the Commission require PGE to separately track the administrative costs incurred.

The Company has reviewed a draft of this memo.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric’s application to defer, for the twelve-month period beginning January 1, 2024, costs and revenues to implement rate mitigation measures authorized under House Bill (HB) 2475(7)(1). Staff also recommends the Commission require PGE to establish a separate account to track and defer incremental administrative costs associated with rate mitigation measures authorized under HB 2475(7)(1).