

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 412

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Requests Approval of Schedule 151
(Advice No. 23-16) to Recover Wildfire
Mitigation Plan Costs through the
Automatic Adjustment Clause.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 23, 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:

A handwritten signature in blue ink, appearing to read "Alison Lackey".

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. CA2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 23, 2024**

REGULAR _____ CONSENT X EFFECTIVE DATE August 1, 2024

DATE: July 1, 2024

TO: Public Utility Commission

FROM: Luz Mondragon

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UE 412/Advice No. 23-16)
Requests approval of Schedule 151 to recover Wildfire Mitigation Plan costs through the automatic adjustment clause.

STAFF RECOMMENDATION:

Staff recommends the Commission authorize Portland General Electric (PGE) to recover a prospective 2024 amount associated with the development and implementation of PGE's annual Wildfire Mitigation Plan (WMP) through its Automatic Adjustment Clause (AAC), subject to the adjustments recommended by Staff; permanently suspend the tariff filed by PGE; and direct PGE to make a compliance filing reflecting rates that would recover the Staff-adjusted amount of \$43.7 million.

DISCUSSION:

Issue

Whether the Commission should approve Advice No. 23-16, PGE's request to update Schedule 151 Wildfire Mitigation Cost Recovery to recover prospective costs for 2024, 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 require 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 investor-owned 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 that seeks to protect public safety, reduce risk to utility customers, and promote electrical system resilience to wildfire damage.¹

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 in 2022 introducing Schedule 151, a cost recovery mechanism for wildfire mitigation costs, docketed as UE 412.

In that docket, the Commission issued Order No. 23-173² adopting a stipulation ("Stipulation") agreeing to an AAC for PGE's wildfire mitigation costs. The Stipulation, adopted by the Commission, does not include the use of performance-based rate mechanisms or earnings tests for these costs and excludes indirect loadings from future Wildfire Mitigation cost recovery filings. The Stipulation and Commission order specify

¹ Senate Bill 762.

² *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Advice No. 22-18, New Schedule 151, Wildfire Mitigation Cost Recovery*, UE 412, Order No. 23-173 (May 10, 2023).

that the AAC would be revisited at a special public meeting in three-years' time (2026).³ The filing at issue in this memorandum is intended to implement Order No. 23-173.

In May 2023, PGE submitted Advice No. 23-08, its first filing to recover Wildfire Mitigation costs. This filing sought recovery of wildfire mitigation costs incremental to costs included in PGE's base rates. Order No. 23-370 approved the filing on October 18, 2023, and rates became effective October 20, 2023.⁴

On September 29, 2023, the Company filed Advice No. 23-16 to update Schedule 151 to start collecting January 1, 2024, for Plant placed in service through December 31, 2023, and to collect projected O&M costs. PGE then updated its filing on November 30, 2023, in response to the ALJ Bench Request,⁵ and changed the effective date of the filing to April 1, 2024. On March 14, 2024 PGE requested additional time to analyze and present assessments that demonstrate an affordable risk mitigation vegetation management program in the WMP and changed the effective date to July 1, 2024. Finally, on June 6, 2024 the Company filed to move the effective to August 1, 2024 to further align with Commission's public meeting schedule.

Plant in Service and 2024 Prospective WMP O&M

Wildfire Mitigation Plant in Service

PGE asks to update Schedule 151 to collect \$3.6 million in revenue for \$28 million net plant placed in service as of December 31, 2023.

Capital placed in service by the Company include installation of weather stations, reclosers and fuses, replacement of distribution and transmission poles, and design of reconductor miles and Overhead and Underground conversion.

2024 Prospective Wildfire Mitigation O&M

PGE asks to update Schedule 151 to include \$45.3 million in O&M expenses for 2024.

O&M Cost Area	2024
Wildfire Mitigation Program	\$4.4 M
Vegetation Management	\$36.2M
Inspections	\$3.7 M
Support Areas (Includes CRCs, Communications, Engineering, Battery Pilot)	\$1.0 M
TOTAL	\$45.3 M

³ Order No. 23-173.

⁴ Order No. 23-370.

⁵ UE 412 Law Judge Ruling memoranda 11/15/23.

Staff Analysis

Net Plant in Service (Rate Base): Staff reviewed and analyzed transaction detail of plant investments that were placed in service. Staff issued DRs and reconciled net plant in service between the two Wildfire Mitigation cost recovery filings.⁶

Wildfire Mitigation Net Plant in Service⁷

	Net Plant	Description
Advice No. 23-08 filing	26,288,295	Original filing Plant in Service
Forecast True up	(996,840)	True up of May and June 2023 forecasted to be placed in service
Indirect loadings	(5,226,436)	Removal of indirect loadings from Plant in service in Advice No. 23-08
Plant Placed in Service	4,836,416	Plant placed in Service 7/1/23-12/31/23
Existing WM Plant	3,103,719	Wildfire Mitigation Plant added after being removed from Rate Base in UE 416.
Advice No. 23-16 filing	28,005,154	

2024 Prospective O&M: The analysis of the projected amount proved to be challenging. Rates Group Staff worked alongside Safety and Engineering Staff to develop an approach to reviewing the projected amount requested. The difficulty in reviewing was the lack of specificity in the Company's filing and responses to Staff data requests.

Staff maintains that the Commission direction to the utilities to provide a multi-year plan in each year's WMP would bridge this informational gap and make the review of the projected amount a much simpler process. Staff would like to clarify that its perspective is that a multi-year spend forecast without plan details for types and amounts of plant investment and without clarity about the risk reduction being achieved that serves to back up spend forecast development, does not constitute a multi-year plan.

With the lack of a detailed multi-year plan, Staff approached the review by trying to answer the following questions:

- What are the areas of focus in the un-approved 2024 WMP and do the dollars in the tariff filing support those areas?
- Does the tariff filing provide evidence of thoughtful development of forecasted amounts?
- What is the change in forecast amount over the previous year (2023) and what factors are driving the variances?
- Do the cost estimates clearly identify why forecast levels sum to the spend forecasts provided?

Staff went about its review of projected O&M expense as it would review costs and projections in a general rate case.

⁶ PGE response to IR 62.

⁷ PGE response to IR 62.

What are the areas of focus in the un-approved 2024 WMP and do the dollars in the prospective filing support those areas?

Although Staff did not find a summarized “areas of focus” section or table in the 2024 WMP, Staff did review PGE’s four risk mitigation approaches⁸ as well as a more detailed version of 2024 Forecasted O&M costs provided in this filing.

2024 Wildfire Mitigation Forecasted O&M Costs⁹

Cost Area	2024
Wildfire Mitigation Program & Compliance	\$2.1
Risk Mapping & Simulations	\$0.8
Grid Operations & Protocols	\$0.5
PSPS Program	\$0.9
WMP Engagement, Public Awareness & Education, and Public Safety Partner Coordination	\$0.7
Asset Management & Inspections	\$3.6
Vegetation Management & Inspections (AWRR)	\$36.2
Investment O&M	\$0.5
WMP Total	\$45.3

Does PGE’s tariff filing provide evidence of thoughtful development of forecasted amounts?

Staff finds PGE’s actual tariff filing did not include sufficient information to support its projected O&M expenses. Staff issued Information Requests to determine how the forecast amounts were developed. After multiple attempts, PGE was able to provide certain details to support the summary totals above. However, Staff remained concerned with some of the quantities, frequencies, and percentages used in the development of the forecast, especially in the Advanced Wildfire Risk Reduction (AWRR) forecast. This was observed when contrasted against cost information provided in the past by the Company as well as when compared against cost information from other utilities.

What is the change in forecast amount over the previous year (2023) and what factors are driving the variances?

Staff analyzed the variances between the forecasts for 2023 and 2024. Overall, PGE is forecasting Wildfire Mitigation expenditures to increase by 92 percent in 2024. PGE provided responses to IRs to explain the variances.

⁸ PGE’s 2024 WMP/Section 3 Wildfire Risk Mitigation Program /Page 16.

⁹ PGE’s 2024 WMP/Table 22. PGE 2024-2027 Wildfire Mitigation Forecasted O&M Costs/Section 11 Expected Wildfire Mitigation Program Costs/Page 81.

Forecast Variances: 2023 vs 2024

Amounts in thousands (\$000)	2023	2024	Change in Forecast	
	Forecast	Forecast	2023 vs 2024	
			\$\$	%
Wildfire Mitigation Program				
WM-Related Vegetation Management (AWRR)	14.85	36.20	21.35	144%
Advanced Wildfire Risk Reduction (AWRR)			-	-
Wildfire Mitigation in Burn Scar Zones			-	-
Non-Vegetation Management Related Wildfire Mitigation	8.75	9.10	0.35	4%
Wildfire Mitigation Program	4.10	4.40	0.30	7%
Inspections (FITNESS)	3.50	3.70	0.20	6%
Support Areas Total	1.15	1.00	(0.15)	-13%
Public Safety Power Shutoff Event(s)	-	-	-	0%
TOTAL	\$ 23.60	\$ 45.30	21.70	92%
*2023 Forecast updated in Advice No. 23-16 retrospective filing.				

- Wildfire Mitigation Program and Support Areas were combined and then escalated for inflation.
- Inspection program (FITNESS): The variance is due to increases in contract labor and fuel costs as well as in poles inspected.¹⁰
- Vegetation Management (AWRR): This is the biggest contributor to the increase in forecast, more than doubling from the 2023 forecast. Increasing by \$21 million, or 144 percent. PGE attributes the change in placing each High Fire Risk Zone on a two-year cycle and utilizing a removal rate of up to five percent in certain areas, as well as increasing the crew levels from 19 crews to 39 crews in 2024.¹¹

Staff has reservations regarding the increase in AWRR, specifically what the risk buy reduction is in comparison to the increase in costs. Staff also questions whether increasing O&M on an ongoing basis is the best option as opposed to capital investment options.

Supporting Staff concerns is the Independent Evaluator’s (IE) most recent report published on June 12, 2024, in which she states the effectiveness of the AWRR program is “unable to be determined and improvement may be needed”.¹² The IE made the following recommendations regarding PGE’s AWRR program:

1. PGE should describe how identified vegetation moves through the AWRR levels and how those levels relate to the AWRR inspection and maintenance strategies.

¹⁰ PGE response to IR 59.

¹¹ PGE response to IR 59.

¹² Docket No. UM 2208. PGE Wildfire Mitigation Plan 2024 Independent Evaluator's Report. Page 19. <https://edocs.puc.state.or.us/efdocs/HAH/um2208hah329271025.pdf>

2. PGE should detail how vegetation inspections and work are prioritized based on risk-ranking of circuits.
3. PGE should explain if areas requiring extensive remediation are evaluated for alternative near-term or hardening mitigations, and if so, the thresholds that are considered in pursuing non-vegetation alternatives.
4. PGE should demonstrate how vegetation inspection findings are integrated into future inspection protocols.¹³

PGE would like to note that comments were filed in response to the IE report. PGE expressed concern with the word “effectiveness” in the IE report as it was developed “without stakeholder process”. Regarding the listed recommendations, PGE provided the following comments, numbered to match the IE recommendation:

1. PGE addressed this in the 2024 wildfire mitigation plan and provided further detail in the second deep dive presentation on May 2, 2024.
2. PGE addressed this in the vegetation deep dive presentation that was held on May 2, 2024.
3. PGE addressed this issue in the April 11th and May 2nd deep dives and section 4 of our comments on the draft IE report. The difference between vegetation and non-vegetation mitigation is the speed of execution. If non-vegetation mitigation cannot be executed in time for the current fire season, vegetation management is required.
4. PGE partially addressed this issue in the second deep dive presentation, held on May 2, 2024 and will be integrating this into the 2025 wildfire mitigation plan. PGE also explained at the special public hearing on IOU wildfire mitigation plans and other deep dives that the 2024 Vegetation plan was developed based on 2023 patrol findings and forestry and weather/drought data.

Staff recommends the projected O&M expense for AWRR remain at the 2023 forecasted amount of \$14.85 million rather than accepting PGE’s projection of \$36.20 million. The resulting revenue requirement for this filing would decrease by \$21.9 million from the Company’s request. Staff’s recommendation would adjust the amount to be collected under Schedule 151 to \$43.7 million instead of \$65.6 million requested by the Company. If PGE’s prudent and actual spending exceeds what is included in rates, PGE will be eligible to recover those amounts in a future Schedule 151 update. For now, Staff believes it is better to be cautious and allow PGE to recover incremental amounts in a future Schedule 151 rather than relying on PGE’s insufficiently supported projections, subject to the possibility of a refund for overcollection or imprudence.

PGE does not object to Staff’s recommendation but maintains the position that these forecasted expenditures are reasonable and appropriate. PGE looks forward to

¹³ Docket No. UM 2208. PGE Wildfire Mitigation Plan 2024 Independent Evaluator's Report. Page 19. <https://edocs.puc.state.or.us/efdocs/HAH/um2208hah329271025.pdf>

continuing to work with Staff on the WMP and will reserve additional comment for the associated cost recovery process.

Staff Recommendation for Advice No. 23-16

Advice No. 23-16	Company filing	Staff Recommendation
Sch 151 2023 End Bal-O&M	\$26,277,967	\$26,277,967
PGE requested 2024 O&M Forecast	\$45,300,000	\$23,950,000
Rev Req on Plant in Service	3,649,000	3,649,000
Interest/Amortization/Rev Sensitive	(\$9,627,545)	(\$10,184,199)
Advice No. 23-16 Revenue Requirement	\$65,599,422	\$43,692,768
Increase to Sch 151	45,617,589	\$23,248,968
Monthly Impact to Residential customer-795 kWhs		
Bill increase \$\$	\$ 4.17	\$ 2.17
Bill increase %	2.70%	1.40%

The overall impact of the update PGE is proposing to Schedule 151, as well as the impact of Staff's recommendation, are pictured above, assuming a residential customer using 795 kilowatt-hours per month. The Schedule affects approximately 940,000 customers.

Staff completed a series of checks and analyses, and issued IRs to assess whether the costs proposed for recovery were 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 forecast at the program level;
- Reviewed forecast development calculation for all costs to be recovered; and
- Reviewed Plant in service, including revenue requirement calculation and Plant additions.

Staff also communicated via email, and met with the Company to discuss the filing on the following dates:

- October 3, 2023,
- November 6, 2023,
- November 13, 2023,
- January 3, 2024,
- February 22, 2024, and
- March 4, 2024.

Additional Remarks of Staff Analysis of Filing

As stated above, PGE made this filing in September of 2023, Staff issued IRs in October of 2023, but it was not until February 23, 2024, that Staff received responses that could be used in Staff's analysis. Staff would have greatly appreciated more detailed and comprehensive information with or nearer to the utility filing to allow an appropriate amount of time to complete the analysis.

Conclusion

For the reasons stated above, Staff recommends that the Commission authorize PGE to recover a prospective 2024 amount associated with the development and implementation of PGE's annual WMP through its AAC, suspend PGE's filed Schedule 151 in PGE's Advice No. 23-16, and direct PGE to file a revised rate consistent with Staff's recommended recovery amount of \$43.7 million.

PGE may choose to spend amounts above and beyond the amounts identified by Staff. In the look-back review, Staff will review the prudence of any actual amounts that PGE spends.

PROPOSED COMMISSION MOTION:

Authorize Portland General Electric to recover capital and projected costs associated with the development and implementation of PGE's annual Wildfire Mitigation Plan through its Automatic Adjustment Clause, subject to the adjustments recommended by Staff; permanently suspend the tariff filed by PGE; and direct PGE to make a compliance filing reflecting rates that would recover the Staff-adjusted amount.