

ORDER NO. 25-053

ENTERED Feb 19 2025

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE 447

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY,

Advice No. 25-01 (ADV 1698),  
Schedule 151 Wildfire Mitigation Cost  
Recovery Update.

ORDER

**DISPOSITION: STAFF'S RECOMMENDATION ADOPTED**

At its public meeting on February 18, 2025, 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. CA2

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 18, 2025**

**REGULAR** \_\_\_\_\_ **CONSENT**   X   **EFFECTIVE DATE** March 1, 2025

**DATE:** February 10, 2025

**TO:** Public Utility Commission

**FROM:** Luz Mondragon

**THROUGH:** Scott Gibbens and Matt Muldoon **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. ADV 1698/Advice No. 25-01)  
Requests approval of Schedule 151 to recover Wildfire Mitigation Plan costs through the automatic adjustment clause.

**STAFF RECOMMENDATION:**

Staff recommends the Commission:

1. Authorize Portland General Electric (PGE) to recover amounts 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;
2. Permanently suspend the tariff filed by PGE; and
3. Direct PGE to make a compliance filing reflecting rates that would recover the Staff-adjusted amount of \$63.3 million.

**DISCUSSION:**

Issue

Whether the Commission should approve Advice No. 25-01, PGE's request to update Schedule 151 Wildfire Mitigation Cost Recovery for costs associated with the development and implementation of PGE's annual Wildfire Mitigation Plan (WMP).

### 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.<sup>1</sup>

In response to SB 762, ORS 757.968, and Commission Order No. 22-129 in Docket No. UE 394, PGE submitted Advice No. 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. 23-173<sup>2</sup> adopting a stipulation ("Stipulation") agreeing to an automatic adjustment clause (AAC) for PGE's wildfire

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<sup>1</sup> Senate Bill 762 (2021).

<sup>2</sup> *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).

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

As shown in Table 1, PGE submitted Advice No. 23-08, its first filing to recover Wildfire Mitigation costs in May 2023. Since then, PGE has updated Schedule 151 twice, with this filing being the third.

**Table 1: Recovery of WMP costs through AAC**

<u>Advice Filing</u>	<u>Purpose</u>
No. 23-16	Recovery of 2024 Properspective O&M and EPIS thru 12/31/23
No. 24-17	Removal of Fully amortized 2022 amount
No. 25-01	Current Filing

Schedule 151 affects approximately 953,000 customers. The overall impact of the update PGE is proposing to Schedule 151, as well as the impact of Staff's recommendation, are pictured in Table 2 below, assuming a residential customer using 784 kilowatt-hours per month.

**Table 2: Rate Impact of PGE's Filing**

<b>Advice No. 25-01</b>	<b>Company filing</b>	<b>Staff Recommended</b>
First Half of 2025 Prospective amount	23,948,000	23,948,000
2023 Incremental O&M	529,541	529,541
Deferred RR on EPIS in 2022/2023	3,704,631	3,552,796
Rev Sensitive	856,714	856,714
<b>Advice No. 25-01 Increase</b>	<b>\$29,038,886</b>	<b>\$28,887,050</b>
<b>Advice No. 25-01 Revenue Requirement</b>	<b>\$ 63,467,886</b>	<b>\$ 63,316,050</b>
<b>Monthly Impact to Residential customer-795 kWhs</b>		
Bill increase \$\$	\$ 1.79	\$ 1.78
Bill increase %	1.11%	1.10%

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

*2025 Prospective Wildfire Mitigation O&M (First half)*

PGE is forecasting O&M expenditures in 2025 to range from \$53.3 to \$56.6 million.<sup>4</sup> In this filing, PGE asks to include in the AAC \$23.95 million of the forecasted O&M. The Company is filing 2025 cost recovery in two parts to phase into rates its 2025 projected O&M costs and mitigate bill impacts to customers. PGE anticipates this March 1, 2025, rate change to be offset by the requested benefits to customers from the inclusion of Clearwater Wind Project, pending Commission approval.<sup>5</sup> The second half of the 2025 projected amount is proposed to become effective on May 1, 2025.<sup>6</sup>

Table 3: Comparison of WMP Costs by Initiative Category<sup>7</sup>

Initiative Category	2025 Forecast (2024 WMP)		2025 Forecast (2025 WMP Update)		Difference	
	Capital	O&M	Capital	O&M	Capital	O&M
Community Outreach & Public Awareness	\$0	\$837	\$0	\$1,050	\$0	\$213
Grid Design & System Hardening	\$69,840	\$0	\$63,862	\$200	(\$5,978)	\$200
Grid Operations & Protocols	\$0	\$701	\$140	\$680	\$140	(\$21)
Industry Engagement	\$0	\$100	\$0	\$100	\$0	\$0
Inspect / Correct	\$5,800	\$3,700	\$3,992	\$4,125	(\$1,808)	\$425
Overview of the Service Territory	\$0	\$0	\$0	\$0	\$0	\$0
PSPS / Emergency Preparedness	\$0	\$1,095	\$460	\$1,420	\$460	\$325
Risk Methodology & Assessment	\$0	\$794	\$1,050	\$5,490	\$1,050	\$4,696
Situational Awareness & Forecasting	\$1,750	\$794	\$3,286	\$2,260	\$1,536	\$1,466
Vegetation Management	\$0	\$39,270	\$70	\$37,000	\$70	(\$2,270)
Wildfire Mitigation Strategy Development	\$0	\$2,611	\$0	\$2,585	\$0	(\$26)
<b>Total</b>	<b>\$56,600 to \$78,300</b>	<b>\$48,000 to \$50,000</b>	<b>\$56,600 to \$78,300</b>	<b>\$53,260 to \$56,560</b>	<b>\$0</b>	<b>\$5,008</b>

As the analysis of the projected amount can be challenging, Staff used the same approach developed when reviewing Advice No. 23-16<sup>8</sup> for the 2024 Prospective amount by trying to answer the following questions:

<sup>4</sup> UM 2208, PGE 2025 Wildfire Mitigation Plan, p.21, Table 2, Dec. 21, 2024.

<sup>5</sup> ADV 1698/Advice No. 25-01, PGE Schedule 151 Wildfire Mitigation Cost Recovery Update, p.1, Jan. 3, 2025.

<sup>6</sup> *Id.* at 1 (citing to ongoing consideration of PGE's Renewable Resource Automatic Adjustment Clause in Docket No. UE 427).

<sup>7</sup> PGE 2025 Wildfire Mitigation Plan, p.21.

<sup>8</sup> UE 412/Advice No. 23-16, Staff Report, July 18, 2024 (adopted in Order 24-251)

<https://edocs.puc.state.or.us/efdocs/HAU/ue412hau330161025.pdf>.

- What are the areas of focus in the un-approved 2025 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 (2024) and what factors are driving the variances?

Staff has started conversations with PGE and issued IRs in order to review the projected 2025 O&M expense. Staff does not oppose the inclusion of the \$23.95 million in this filing, but will continue conversations with the Company on the overall forecasted amount for 2025. The final analysis, similar to the review of costs and projections in a general rate case, will be included in the filing for the second half of the 2025 Prospective amount.<sup>9</sup>

#### *2023 Incremental O&M-Overall*

In the filing for this docket, PGE reported spending \$24.6 million in Oregon-allocated O&M expenses in 2023. These include costs for Vegetation Management and Wildfire Mitigation Program costs, which include expenses in Analytics Research and Development, Compliance, and Other Wildfire Mitigation program costs. Of this amount, \$677,885 was included in the 2022 recovery filing and \$23.6 million<sup>10</sup> was collected through base rates in 2023. The resulting incremental O&M eligible for recovery through Schedule 151 is \$370,497. The revenue requirement increases to \$529 thousand when including interest accruals.

Overall, this is a decrease of 44 percent when compared to the 2022 O&M actual expenditures. This is mostly attributed to a decrease in costs associated with Non-PGE Labor, Union Overtime, and Tree-Trimming services, as well as smaller, but notable decreases in Meals & Incidental Expenses and Other Employee Business Expenses.<sup>11</sup> When comparing actual expenditures to the 2023 budget, the variance of 1.6 percent is tolerable.

#### *2023 Vegetation Management*

PGE spent \$16.16 million in vegetation management, the majority of the spend, with \$15.4 million spent on PGE's Advanced Wildfire Risk Reduction (AWRR) program, with a focus on Distribution lines (97 percent). Tree-trimming costs make up 96 percent of this category, while salaries and related expenses make up the rest. The Company overspent their budgeted \$14.85 million in Vegetation Management by \$1.3 million, or nine percent.

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<sup>9</sup> PGE Schedule 151 Wildfire Mitigation Cost Recovery Update, p.1.

<sup>10</sup> Prorated from the annualized amount of \$23.6 million. May 9-Dec 31, 2022.

<sup>11</sup> PGE UE 412/Advice No. 22-18 Workpapers, 2023 Full Year Wildfire Retrospective Rpt\_Attach A CONF.



*Prudence Review of 2023 Actuals*

Staff reviewed transaction level data of all costs to be recovered for prudence. Staff's review did not result in unexpected or unusual findings; therefore Staff concludes expenditures to be prudent and reasonable.

*2022-2023 Deferred Capital*

PGE is requesting \$3.7 million in deferred revenue requirement for Plant in Service for the time period of May 2022 through October 2023. PGE states that these amounts were not recoverable in UE 394 and were not included in the first filing of the WMP AAC, Advice No. 23-08, which went into effect on October 20, 2023, and recovered revenue from Plant placed in service through June of 2023. Staff questioned a portion of the interest accrual as it appeared PGE had the opportunity to request these amounts earlier and avoid additional costs to ratepayers. Staff discussed the issue with the Company and PGE agreed to forgo the interest accrual from August 2024 through end of February 2025. This results in \$147 thousand decrease to the recovery amount.

*Interest Rate on Amortized amounts*

In Staff's review of PGE's calculations of recovery amounts, Staff noticed that for both the 2023 incremental O&M and the deferred revenue requirement on capital amounts, the interest charged to the deferred amounts was 2024's MBT+100 interest rate, modified blended treasury rate plus 100 basis points, of 6.40 percent. Per Order No. 08-263 "[t]he Blended Treasury Rate in effect when the Commission authorizes amortization of a deferred account shall be applied to the deferred account beginning on the date of the Commission's approval of the amortization..."<sup>12</sup> Given the direction provided in the order, it is Staff's position that the interest rate that should be applied to the amortization of deferred amount should be the 2025 MBT +100 of 6.16 percent. This results in an approximate savings of \$5,155 to ratepayers.

*Earnings Test*

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

*Staff Review*

Staff completed a series of checks and analyses, and issued Information Requests to assess whether the costs proposed for recovery were consistent with Commission Order No. 23-173. The following tasks were completed:

- Confirmed that prospective and incremental recovery amounts were consistent with Commission Order No. 23-173 and the Stipulation reached in UE 412/Advice 23-08.

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<sup>12</sup> In the matter of Staff Request to Open an Investigation Related to Deferred Accounting, UM 1147, Order No. 08-263, p. 15 (May 22, 2008).

- 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.
- Began review of the Company's forecast at the program level.
- Began review forecast development calculation for all costs to be recovered.

Staff also communicated via email and met with the Company to discuss the filing.

### Conclusion

For the reasons stated above, Staff recommends the Commission authorize PGE to recover amounts associated with the development and implementation of PGE's annual Wildfire Mitigation Plan through its Automatic Adjustment Clause, suspend the tariff sheets filed by PGE in this docket, and direct PGE to make a compliance filing reflecting rates that would recover the Staff-adjusted amount of \$63.3 million through Schedule 151.

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

### **PROPOSED COMMISSION MOTION:**

1. 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;
2. Permanently suspend the tariff filed by PGE; and
3. Direct PGE to make a compliance filing reflecting rates that would recover the Staff-adjusted amount.