

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2347

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Commission Support for
Asset Reclassification.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

In this order, we adopt an uncontested stipulation between Portland General Electric Company, Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board (CUB), and the Alliance of Western Energy Consumers (AWEC) (collectively, stipulating parties), resolving all issues related to PGE's application for Commission support for asset reclassification. The stipulation is attached to this order as Appendix A.

II. PROCEDURAL HISTORY

On September 27, 2024, PGE filed an application requesting our support of a PGE petition to the Federal Energy Regulatory Commission (FERC) to reclassify certain 57 kilovolt (kV) assets from distribution to transmission. CUB filed a notice of intervention on October 15, 2024. Staff submitted its testimony on November 11, 2024. CUB filed comments on the same date. AWEC filed a petition to intervene on November 26, 2024, which was granted on December 9, 2024. PGE filed reply testimony on January 21, 2025. The parties participated in settlement discussions on November 18, 2024, January 22, 2025, and January 27, 2025, and reached a settlement resolving all issues related to PGE's application. The stipulating parties submitted a stipulation and supporting testimony on February 12, 2025. AWEC submitted a separate brief in support of the stipulation.

III. STANDARD OF REVIEW (SEVEN-FACTOR TEST)

In Order 888, FERC formulated a seven-factor test to determine whether unbundled facilities should be classified as transmission and subject to FERC jurisdiction, or as local distribution and subject to state jurisdiction. Whether facilities are used in transmission is a question of fact to be decided by FERC. As a prerequisite to filing a transmission or local distribution facility classification at FERC, however, FERC requires that utilities consult with their state regulatory authorities. FERC will defer to determinations by state regulatory authorities as to which facilities are local distribution, provided that the state regulatory authority applies FERC's seven factors.¹

The seven factors are:

1. Local distribution facilities are normally in close proximity to retail customers.
2. Local distribution facilities are primarily radial in character.
3. Power flows into local distribution systems; it rarely, if ever, flows out.
4. When power enters a local distribution system, it is not reconsigned or transported on to some other market.
5. Power entering a local distribution system is consumed in a comparatively restricted geographical area.
6. Meters are based at the transmission/local distribution interface to measure flows into the local distribution system.
7. Local distribution systems will be of reduced voltage.²

FERC recognizes that in some cases the seven factors may not be fully dispositive, and that states may find other technical factors that may be relevant. Application of the seven-factor test involves case-specific determinations based on the totality of the circumstances.³

IV. BACKGROUND AND INITIAL PARTY POSITIONS

In its application, PGE seeks to reclassify 343 circuit miles of 57 kV lines, leaving 120 miles, or 26 percent of the 57 kV lines, classified as distribution. PGE's application seeks to reclassify 1.4 percent of the current distribution system to transmission. PGE estimates that the facilities to be reclassified total approximately \$39 million in net book value (i.e., gross plant less accumulated depreciation) as of May 2024.

¹ *In the Matter of Portland General Electric Company Application for Support for the Reclassification of Plant in Service*, Docket No. UM 2031, Order No. 19-400 at 3 (Nov. 21, 2019) (citations omitted).

² FERC Order No. 888 at 21,620.

³ Order No. 19-400 at 4 (citations omitted).

PGE states that reclassification of these assets will benefit customers and align the ratemaking classification of PGE's networked 57 kV assets with how they are currently operated.⁴ PGE explains that its retail customers will benefit from reclassification by ensuring that wholesale transmission customers who benefit from these assets contribute to their current and anticipated costs. PGE states that retail customers will receive an appropriate revenue credit from third-party transmission customers, once the reclassification is reflected in future rate cases at FERC and in Oregon. PGE also states that reclassification would allow the company to maximize the Bonneville Power Administration (BPA) residential exchange credit and provide a direct benefit to PGE residential and small farm customers. PGE notes that the reclassification is consistent with how distribution assets are defined within PGE's distribution system plan (DSP). Finally, PGE adds that reclassification will potentially reduce the company's revenue requirement by moving the assets to different depreciation categories.⁵

PGE states that its application of the seven-factor test supports the conclusion of reclassifying most of its 57 kV lines from distribution to transmission. PGE notes that its application did not rely on factor six, which it found was not indicative due to the numerous metered points across both the distribution and transmission systems. PGE's analysis included review of one line and connectivity diagrams, and powerflow analysis, which were provided as exhibits to its application. PGE explains that its witness relied on an "in-depth knowledge of PGE's system and engineering judgment" to apply the seven-factor test to the specific 57 kV facilities.⁶ PGE describes its application of each factor in opening testimony, addressing FERC precedent for each factor as applicable.⁷

Staff conducted an independent application of the seven-factor test to PGE's 57 kV assets. In its opening testimony, Staff concluded that only four of the 57 kV lines should be reclassified as transmission assets, and requested that PGE provide additional evidence in its reply testimony.⁸ Staff also argued that PGE's request should only be supported subject to certain conditions that would provide transmission and distribution planning transparency and revisions to cost allocation methodology. Staff made several recommendations, including requiring PGE to address revisions to the current cost allocation methodology associated with transmission and distribution assets serving large customers. Staff noted stakeholders are currently examining the cost risks associated with substantial investment in localized system upgrades for new large nonresidential

⁴ PGE/100 Galaway-Sporborg/2.

⁵ *Id.* at 30-32.

⁶ *Id.* at 13 (Sept. 27, 2024).

⁷ *Id.* at 16. PGE notes FERC precedent for establishing the definition of "electrical proximity" in its application of the first factor.

⁸ Staff/200, Rashid/16.

customers in another docket, and that such revisions could be addressed in this or similar proceedings.⁹

In reply testimony, PGE presented additional analysis in response to Staff's testimony, including additional proximity calculations for the first factor and geographic area calculations for factor five.¹⁰

V. STIPULATION

The stipulating parties agree that PGE's request to reclassify the assets based on PGE's application of the seven-factor test is uncontested. They explain that PGE and Staff initially reached different conclusions regarding the appropriate classification of the assets included in PGE's application, but after a detailed discussion of their analyses, PGE's assurances regarding the effects of the proposed reclassification, and after reviewing PGE's reply testimony and responses to Staff data requests, the stipulating parties do not object to PGE's proposed reclassification. After we issue a final order, PGE will file our final order and related materials with FERC. AWEC states that it supports the conclusions in the stipulating parties' joint testimony and recommends the Commission approve the stipulation as a just and reasonable resolution of the issues.

As a part of the stipulation, PGE agrees not to object to additional process in docket UE 430, or another docket opened by the Commission in connection with docket UE 430, regarding retail rate spread and cost allocation related to transmission investments to serve large non-residential customers. PGE agrees to participate in workshops to investigate and discuss potential revisions to transmission cost allocation. PGE further agrees that it will not take the position that reclassification of these assets precludes potential solutions around retail cost allocation for transmission assets that may be discussed in those dockets.¹¹

⁹ Staff/100, Bolton/8-9. *Also see, In the Matter of Portland General Electric Company, Investigation into New Load Connection Costs.*, Docket No. UE 430, Order No. 25-091 (Mar. 6, 2025).

¹⁰ PGE/200, Galaway-Sporborg/18, 23.

¹¹ Stipulation at 2.

Upon our adoption of the stipulation, PGE will incorporate performance and reliability information for all lines operated above 35 kV, including Section 1600 requests from the North American Electric Reliability Corporation into its annual May 1 reliability report.¹² At a minimum, this will include outage data from the transmission availability data system.

PGE agrees to provide the stipulating parties: (1) a summary of its stakeholder engagement process for the existing local and regional transmission planning processes and provide access information for documents and meeting materials, and (2) specific information on the future requirements under FERC Order 1920, as addressed in the stipulation. PGE agrees to provide this information within 60 days of this order.

In its next DSP filing, PGE will address how transmission investments that are posted in the FERC open planning process are communicated outside of that process. The company will additionally describe the costs and alternatives for these transmission investments in its next and subsequent DSP filings.¹³ To the extent that PGE's current DSP filed on December 18, 2024, does not address Staff's questions regarding how the company's distribution system planning and transmission planning impact each other, PGE will work with Staff within certain timeframes to append additional information within 90 days of this order.

PGE agrees to incorporate into future DSPs information demonstrating how transmission investments within PGE's service area influence budgeting and planning for distribution investments. PGE will include assets operated above 35 kV in this information and add specific study information about these projects as described in the stipulation. Details that implicate critical energy infrastructure information (CEII) will be provided in a secure manner to Staff. Non-CEII details will be provided to support the DSP as outlined in the stipulation.¹⁴

PGE acknowledges that the classification of assets as transmission does not impact the Commission's and its Staff's access to information about these assets.

Finally, PGE will track the incremental benefits to retail customers of reclassification compared with the treatment of reclassified assets in current retail rates so that the

¹² In accordance with Section 1600 of the North American Electric Reliability Corporation (NERC) Rules of Procedure, NERC may request data or information that is necessary to meet its obligations under section 215 of the Federal Power Act, as authorized by Section 39.2(d) of the Federal Energy Regulatory Commission's regulations. *See*, [https://www.nerc.com/pa/RAPA/PA/Pages/Section1600DataRequests.aspx#:~:text=In%20accordance%20with%20Section%201600,d\)%20of%20the%20Federal%20Energy](https://www.nerc.com/pa/RAPA/PA/Pages/Section1600DataRequests.aspx#:~:text=In%20accordance%20with%20Section%201600,d)%20of%20the%20Federal%20Energy).

¹³ Stipulation at 3.

¹⁴ *Id.* at 4.

incremental benefits can flow to retail customers at a date determined by the Commission. Specifically, PGE will defer revenues associated with the incremental benefits of reclassification as of the FERC-established effective date of the tariff change in its FERC rate case.

VI. RESOLUTION

We reviewed the stipulation, testimony and exhibits on the record. We find the terms of the stipulation are supported by sufficient evidence, appropriately resolve the issues in this case, and contribute to an overall settlement in the public interest. Accordingly, we adopt the stipulation as discussed below.

As we noted in our order for a previous request for classification of assets:

Whether a facility is local distribution or transmission is determined based on the seven factor test. In order to accept the reclassifications set forth in the stipulation, such reclassifications must be consistent with the seven factor test. A determination under the seven factor test is based on the totality of the circumstances after considering all factors.¹⁵

We recognize that PGE and Staff initially presented different analyses of certain factors, but that ultimately, after further discussion and exchange of information, PGE's proposed reclassification of the 57 kV assets, based on the seven-factor test, is uncontested.¹⁶ We are satisfied that the proposed reclassification of assets as set forth in PGE's direct and reply testimonies represents a reasonable result that is consistent with the seven-factor test.

We note that the stipulation provides for avenues to explore and resolve issues related to cost shifting with regard to certain assets, requires PGE to provide additional, important information about its system planning and reliability, and will capture benefits for customers that result from the reclassification.

VII. ORDER

IT IS ORDERED that:

1. The stipulation between Portland General Electric Company, Staff of the Public Utility Commission of Oregon, the Oregon Citizens' Utility Board, and the Alliance of Western Energy Consumers filed on February 12, 2025, attached as Appendix A, is adopted.

¹⁵ Order No.19-400 at 6 (citations omitted).

¹⁶ Stipulating Parties/100, Galaway-Sporborg-Bolton-Jenks/6.

- Portland General Electric Company shall file a deferral application to defer revenues associated with incremental benefits of reclassification no later than the FERC-established effective date of the tariff change in its FERC rate case.

Made, entered, and effective Mar 14 2025.



Megan W. Decker
Chair



Letha Tawney
Commissioner



Les Perkins
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 Court of Appeals in compliance with ORS 183.480 through 183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2347

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Commission Support for Asset
Reclassification.

STIPULATION

1 This Stipulation (Stipulation) is among Portland General Electric Company (PGE or the
2 Company), Staff of the Public Utility Commission of Oregon (Staff), the Oregon Citizens' Utility
3 Board (CUB), and the Alliance of Western Energy Consumers (AWEC) (collectively, the
4 Stipulating Parties) and resolves all issues in this proceeding between the Stipulating Parties. There
5 are no other parties in this docket.

I. INTRODUCTION

6 On September 27, 2024, PGE filed its Application requesting that the Public Utility
7 Commission of Oregon (Commission) support PGE's request that the Federal Energy Regulatory
8 Commission (FERC) reclassify as transmission assets certain 57 kilovolt (kV) assets currently
9 classified as distribution plant, affirm PGE's application of FERC's Seven Factor Test, and find
10 that reclassification of the assets is appropriate. On October 14, 2024, Administrative Law Judge
11 (ALJ) Christopher J. Allwein issued a Ruling adopting the procedural schedule proposed by the
12 parties.

13 Following the ALJ's entry of a procedural schedule, PGE responded to discovery requests
14 from Staff. Staff held a workshop on October 15, 2024, in which PGE provided an overview of
15 its filing and responded to questions. PGE also met with Staff on October 17, 2024, to discuss
16 Staff's questions about PGE's Application. CUB intervened on October 15, 2024. On November

1 22, 2024, Staff filed its Opening Testimony, and CUB filed public comments in lieu of testimony.
2 AWEC filed a petition to intervene on November 26, 2024, which was granted on December 9,
3 2024. Staff responded to discovery from PGE, and on December 31, 2024, the ALJ granted PGE's
4 Motion to Modify the Procedural Schedule to permit the parties additional time to complete
5 discovery. Pursuant to the revised procedural schedule adopted by the ALJ, PGE filed its Reply
6 Testimony on January 21, 2025.

7 The parties convened settlement discussions on November 18, 2024,¹ January 22, 2025,
8 and January 27, 2025. As a result of those discussions, the parties reached a settlement resolving
9 all issues related to PGE's Application.

10 The Stipulating Parties request that the Commission issue an order adopting this
11 Stipulation, which is supported by Stipulating Parties Exhibit 100, Joint Testimony in Support of
12 Stipulation. The Stipulating Parties request that the Commission issue an order on or before March
13 28, 2025, consistent with the target order date in the procedural schedule adopted on October 14,
14 2024.

II. TERMS OF STIPULATION

15 1. The Stipulating Parties do not object to PGE's reclassification request in this
16 docket. The Stipulating Parties will not object to PGE's Petition for a Declaratory Order from
17 FERC requesting approval of the reclassification.

18 2. PGE agrees not to object to further proceedings, within docket UE 430 or another
19 docket opened by the Commission in connection with docket UE 430, regarding retail rate spread
20 and cost allocation related to transmission investments to serve large non-residential customers.
21 As part of that process, PGE will participate in workshops to investigate and discuss potential

¹ Although AWEC had not yet filed a petition to intervene at the time of the November 18 settlement conference, AWEC attended this settlement discussion, so all parties were in attendance.

1 revisions to transmission cost allocation. PGE agrees that it will not take the position that the fact
2 that certain assets were reclassified in docket UM 2347 and the related FERC proceeding removes
3 potential solutions around retail cost allocation for transmission assets that may be discussed in
4 docket UE 430 or another docket opened by the Commission in connection with UE 430.

5 3. PGE will incorporate performance and reliability information for all lines operated
6 above 35 kV, including any Section 1600 Requests initiated by the North American Electric
7 Reliability Corporation subsequent to Commission approval of this Stipulation, into its annual
8 reliability report, which is due on May 1 annually. Such information will include, at a minimum,
9 Transmission Availability Data System outage data.

10 4. No later than 60 days after Commission approval of this Stipulation, PGE will
11 provide the Stipulating Parties with a summary of the stakeholder engagement process for the
12 existing local transmission planning process and the regional transmission planning process,
13 including where to access documents and meeting materials. No later than 60 days after
14 Commission approval of this Stipulation, PGE will also provide the Stipulating Parties information
15 on the future requirements under FERC Order 1920, including the Assumptions, Needs, Solutions,
16 and regional meetings. In the next filed Distribution System Plan (DSP), PGE will clarify how
17 transmission investments that are posted in the FERC open planning process are communicated
18 outside of that process. The costs and alternatives for these transmission investments will be
19 clearly described in the next and future DSPs.

20 5. To the extent that PGE's current DSP filed on December 18, 2024, does not address
21 Staff's questions regarding how the Company's distribution system planning and transmission
22 planning impact each other, PGE will work with Staff within 90 days of Commission approval of
23 this Stipulation to determine what additional information PGE can append to its current DSP to

1 address Staff's questions. PGE will append this additional information no later than 90 days after
2 PGE and Staff reach agreement regarding the information to be appended. PGE will incorporate
3 into future DSPs information demonstrating how transmission investments within PGE's service
4 area influence budgeting and planning for distribution investments. PGE will include assets
5 operated above 35 kV in this information.

6 a. The information included in future DSPs will include an explanation with
7 supporting evidence demonstrating why projects above 35 kV were selected in relation to
8 grid need, will break down estimated costs by project, and will provide each project's
9 voltage and purpose. The study details should include the reasons the project is required,
10 when it is necessary, whether any Company or industry standards are relevant, and how
11 directly the project mitigates any standard issues. At a minimum, area planning studies,
12 delivery point actuals and forecasts under various conditions, and other details should be
13 provided. To the extent details implicate critical energy infrastructure information (CEII)
14 those elements only will be provided in a secure manner to Staff. Non-CEII details will
15 be provided to support the DSP (i.e. facility location, but not ratings, construction methods,
16 etc.).

17 b. In future DSPs, alternatives considered (whether within the transmission,
18 distribution, or substation assets), including any load management alternatives, will be
19 discussed thoroughly.

20 6. PGE acknowledges that the classification of assets as transmission does not impact
21 the Commission's and its Staff's access to information about the assets.

22 7. PGE will track the incremental benefits to retail customers of reclassification
23 compared with the treatment of reclassified assets in current retail rates so that the incremental

1 benefits can flow to retail customers at a date determined by the Commission. To do this, PGE
2 will start to defer revenues associated with the incremental benefits associated with the
3 reclassification on the FERC-established effective date for the tariff change in the transmission
4 rate case. If FERC sets the transmission rate case for hearing and settlement judge procedures, the
5 deferral start date will be the FERC-established effective date in the order accepting and
6 suspending PGE's transmission rate revisions for filing and establishing hearing and settlement
7 judge procedures with the deferral subject to refund or surcharge per the final FERC order on the
8 tariff change.

9 8. The Stipulating Parties rely on different analytics and methodologies but agree that
10 they will support the Stipulation's final conclusions as memorialized herein.

11 9. The Stipulating Parties agree that, upon resolution of docket UM 2347 through
12 issuance of a Commission order, PGE will file the final order and related materials with FERC.

13 10. The Stipulating Parties recommend and request that the Commission approve this
14 Stipulation as an appropriate and reasonable resolution of the issues in this docket.

15 11. The Stipulating Parties agree that this Stipulation is in the public interest and will
16 result in rates that are fair, just, and reasonable and will meet the standard in ORS 756.040.

17 12. The Stipulating Parties agree that this Stipulation represents a compromise in the
18 positions of the parties. Without the written consent of all Stipulating Parties, evidence of conduct
19 or statements, including but not limited to term sheets or other documents created solely for use in
20 settlement conferences in this docket, are confidential and not admissible in the instant or any
21 subsequent proceeding, unless independently discoverable or offered for other purposes allowed
22 under ORS 40.190.

1 13. The Stipulating Parties have negotiated this Stipulation as an integrated document.
2 If the Commission rejects all or any material part of this Stipulation, or adds any material condition
3 to any final order that is not consistent with this Stipulation, each Stipulating Party reserves its
4 right: (i) to withdraw from the Stipulation, upon written notice to the Commission and the other
5 Stipulating Parties within five (5) business days of service of the final order that rejects this
6 Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-
7 001-0350(9), to present evidence and argument on the record in support of the Stipulation,
8 including the right to cross-examine witnesses, introduce evidence as deemed appropriate to
9 respond fully to issues presented, and raise issues that are incorporated in the settlements embodied
10 in this Stipulation; and (iii) to seek rehearing or reconsideration pursuant to ORS 756.561 and
11 OAR 860-001-0720, or appeal the Commission order pursuant to ORS 756.610, in any manner
12 that is consistent with the agreement embodied in this Stipulation. Nothing in this paragraph
13 provides any Stipulating Party the right to withdraw from this Stipulation as a result of the
14 Commission's resolution of issues that this Stipulation does not resolve.

15 14. This Stipulation will be offered into the record in this proceeding as evidence
16 pursuant to OAR 860-001-0350(7). The Stipulating Parties agree to support this Stipulation
17 throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if
18 specifically required by the Commission), and recommend that the Commission issue an order
19 adopting the settlements contained herein.

20 15. If this Stipulation is challenged, the Stipulating Parties agree that they will continue
21 to support the Commission's adoption of the terms of this Stipulation. The Stipulating Parties
22 agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond

1 fully to the issues presented, which may include raising issues that are incorporated in the
2 settlements embodied in this Stipulation.

3 16. Except as provided in this Stipulation, by entering into this Stipulation, no
4 Stipulating Party shall be deemed to have approved, admitted, or consented to the facts, principles,
5 methods, or theories employed by any other Stipulating Party in arriving at the terms of this
6 Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have
7 agreed that any provision of this Stipulation is appropriate for resolving issues in any other
8 proceeding.

9 17. The substantive terms of this Stipulation are not enforceable by any Stipulating
10 Party unless and until adopted by the Commission in a final order. Each Stipulating Party avers
11 that it is signing this Stipulation in good faith and that it intends to abide by the terms of this
12 Stipulation unless and until this Stipulation is rejected or adopted only in part by the Commission.

13 18. This Stipulation may be signed in any number of counterparts, each of which will
14 be an original for all purposes, but all of which taken together will constitute one and the same
15 agreement.

///

///

///

DATED this 12th day of February 2025,


EA

Angelica Espinosa (Feb 12, 2025 13:30 PST)

PORTLAND GENERAL ELECTRIC
COMPANY

/s/ Stephanie S. Andrus

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

/s/ Claire Valentine-Fossum

OREGON CITIZENS' UTILITY
BOARD

/s/ Corinne O. Olson

ALLIANCE OF WESTERN ENERGY
CONSUMERS