BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UE 435

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision.	STAFF POSITION STATEMENT

Pursuant to the Administrative Law Judge's Ruling on September 27, 2024, Staff files this Staff Position Statement.

<u>Cost of Capital</u>

1. What should be PGE's authorized return on equity?

Staff recommends that the Commission select a point ROE from within a range of reasonable ROEs from 9.02 percent to 9.46 percent, with a mean ROE of 9.34. This recommendation is presented by Staff witness Matt Muldoon, whose range estimate is derived from two separate Three-Stage Discounted-Cash-Flow (DCF) models, which are the models the Commission has traditionally favored for ROE analysis. Staff employed two simpler models to check the reasonableness of its findings: Single-Stage DCF or Gordon Growth Model and a Capital Asset Pricing Model (CAPM). Staff did not provide a point estimate recommendation to the Commission. (Staff/100, Muldoon/9; Staff/3000, Muldoon).

2. What should be PGE's capital structure?

Staff recommends a capital structure of 50 percent equity and 50 percent long-term debt. (Staff/400, Muldoon/5; Staff/3000, Muldoon.)

3. What should be PGE's cost of long-term debt?

Staff recommends a 4.641 percent cost of long-term debt. (Staff/500, Pileggi/5; Staff/2900, Pileggi/2.)

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Rate Base

4. What method should be used to calculate rate base and to calculate depreciation expense?

Staff recommends that the Company calculate its EPIS rate base value using a 13- month Test Year Average-of-Monthly Averages methodology only including capital that is compliant with ORS 757.355. (Staff/900, Stevens/27-39; Staff/3800, Stevens/21-28).

5. What amount of Cash Working Capital (CWC) should be included in rate base?

Staff recommends the Commission adjust PGE's CWC in rate base by ($22,949,000) to remove the impact of the depreciation and amortization expense PGE included in its cash working capital calculation. Staff disagrees with the assumption the Company has a daily need for a cash to cover depreciation and amortization expenses and removing depreciation and amortization expenses for the purposes of the CWC calculation. (Staff/300, Chipanera/14-15; Staff/2700, Chipanera/11-12.)

6. What is the appropriate amount for PGE to recover in rate base of fuel stock?

Staff recommends a total adjustment of ($8,780,000) to the Company's initial fuel stock request of $24.2 million. However, if juxtaposed to the Company's revised revenue requirement request in its Reply Testimony, Staff's recommended adjustment is ($6,700,000), because the Company removed $2.1 million in CO2 allowances in) its Reply Testimony. (Staff/1400, Dyck/15-16; Staff/3600, Dyck/4-6.

a. Should a year-end or average balance method be used to set the amount of fuel stock?

An average balance should be used. Staff's recommendation regarding fuel stock is consistent with Staff's recommendation to calculate rate base using a 13-month average rather than a single point in time. (Staff/1400, Dyck; Staff/3600, Dyck/9-10.)

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b. Should PGE be required to conduct an analysis to show economic value of holding a minimum of 1.2 million dth of natural gas at North Mist?

Yes, and this is an analysis that the Company has not opposed. Staff allows the Company to pass through 80 percent of the RCE costs that exceed the RCE forecast. Allowing a pass through of these costs in addition to an inflated value on which shareholders earn a return, increases both rate base and risk to customers. The Company has other options for ensuring that it has enough fuel for generation to meet load, which is why Staff is recommending an analysis to justify keeping a minimum balance of 1.2 million dth. (Staff/1400, Dyck; Staff/2600, Dyck/12.)

c. Should fuel stock be valued at "actual price at time of purchase" or should fuel stock be valued at weighted average cost?

Fuel stock should be valued at time of purchase. (Staff/1400, Dyck; Staff/3600, Dyck/15-17.)

d. What is the appropriate way to value Beaver oil fuel stock?

The Company is implying that the oil reserves for beaver would either be sold or used in 2025. In the case that they are used, they should not be included in rate base and in the case that they are sold, the Company is forecasting a higher value than is necessary to keep in reserves for the Test Year. The Company does not justify why the value of oil in fuel stock should be maintained near the same level for the Test Year as was seen in 2018-2023. Therefore, even though the Company states that oil will be phased out in 2026, a lesser value should be considered used and useful in the Test Year. Staff recommended the Company reduce its oil stock barrels by half to reflect the upcoming Beaver conversion. (Staff/3600, Dyck/18-22.)

7. What is the appropriate method to determine the amount for PGE to recover in rates for Materials and Supplies?

Staff recommends use of a three-year historical average escalated by the All-Urban Consumer Price Index to calculate the Company's non-fuel materials and supplies balance for

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the test year. This results in an Oregon-allocated adjustment of ($19.9 million). Staff used a three-year average, which minimizes the impact of anomalous events. (Staff/1200, Moore/2-3.)

Revenues

8. What is the appropriate amount of Other Revenue for Joint Pole Attachments and Steam Revenue?

Staff recommends increasing PGE's forecasted Test Year revenue by $2,514,000, to include a more reasonable forecast of revenue from Joint Pole Attachments and steam sales. (Staff/500 Abraham/2-6.)

Compensation

9. What adjustments, if any, should be made to the following employee compensation items?

a. Labor expense as they relate to FTE count, union expenses, non-union expenses, and contract labor expenses?

Staff recommends the Commission adjust PGE's proposed Test Year Labor expense and capital by ($31,866,262), allocated (18,884,827) to O&M and ($13,001,435) to rate base. (Staff/3300, Yamada/29.) Staff's recommendation would result in an increase of $5.89 million over 2023 actuals. In contrast, PGE seeks to increase the UE 416 labor Test Year expense and capital for labor by $37.75 million, or approximately 8.7 percent, over 2023 actuals and 6.6 percent over the Company's 2024 budget. PGE's actual labor costs increased by 2.2 percent between 2021 and 2023, and PGE has not justified its forecast assuming an 8.7 percent increase between 2023 and 2025. (Staff/1200, Yamada; Staff/3300, Yamada/11.)

b. Annual incentives

Staff recommends the Commission adjust PGE's Test Year expense and capital for annual incentives by ($7,692,000), allocated ($4,553,000) to O&M and ($3,138,000) to capital. This reflects the removal of 75 percent of cash incentives rather than 50 percent because 75/25 is an appropriate split of the cost considering the split of benefits between shareholders and ratepayers.

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(Staff/3300, Yamada/22-24.)

c. Capitalized incentives (from 2024)

Staff recommends an adjustment of ($1,872,052) to remove from rate base incentive expense that PGE actually capitalized between January 1, 2024, and January 31, 2024, and added to plant in service. (Staff/3300, Yamada/27.)

d. Stock incentives

Staff recommends the Commission adjust PGE's Test Year expense and capital by ($3,668,000), allocated ($2,171,000) to O&M and ($1,497,000) to capital, to remove 100 percent of stock incentives from Revenue Requirement. (Staff/3300, Yamada/22.)

e. Incentives overheads

Staff did not take a position on this issue in testimony.

f. Costs related to compensation amounts, i.e., payroll takes and key customer management department costs.

Staff recommends an adjustment of ($557,150) to adjust depreciation expense related to Staff's adjustments to capital and an adjustment of ($1,769,978) to payroll taxes. (Staff/3300, Yamada/29.)

10. Should the Commission adopt AWEC's recommendation to split director's fees and expense between shareholders and ratepayers?

Staff did not take a position on this issue in testimony.

<u>**Capital Projects**</u>

11. Should PGE be required to provide project attestations for plant put in service by December 31, 2024?

Yes, Staff recommends the Commission order PGE to use the attestation process outlined in AWEC testimony.

If attestations are required:

a. What should the project value threshold be?

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b. What in-service dates should be covered?

c. What should the attestation timing be?

d. Should the attestation process be allowed for both over and under-budget amounts in this rate proceeding?

12. What is the appropriate level for contingency funds? What adjustments, if any, should be made to the contingency funds from forecasted capital costs?

PGE's forecasted Test Year Rate Base for plant not in service by the date Staff filed its Rebuttal Testimony includes $28,819,359 for project contingency funds. Staff believes it is unreasonable to assume use of all these contingency funds for the purpose of establishing rate base. Accordingly, Staff recommends adjusting PGE's Test Year rate base forecast by ($28,819,359). To the extent PGE is required to use the contingency funds to complete any of the projects, PGE can include the contingency fund expenditures in its next general rate request. (Staff/3400, Ball/14-15.) Staff opposes PGE's alternate proposal to include any contingency funds in rate base in this case that are spent prior to the rate effective date as Staff and stakeholders have little ability to present evidence regarding the prudence of the additional spending after filing Rebuttal Testimony.

13. Has the Company demonstrated that the actual project costs for the three transmission and distribution capital investments, Horizon-Keeler BPA #2 230kV Line, Shute WJ1 and WJ2 Upgrade, and Shute Feeder Reconfiguration, identified by Staff are prudent?

Staff believes PGE demonstrated the projects were prudent and the investments recoverable, subject to the removal of $7,212,092 from total costs of the three projects for unused contingency funds. (Staff/3400, Ball/12-13.)

14. Should the Commission remove forecasted investment for Diesel Particulate Filter Installations that are not complete by the rate effective date?

Yes, Staff recommends the Commission require PGE to provide an officer attestation with the project completion date and actual project cost for each Account Work Order for Diesel

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Particulate Filter program that was not complete at the time Staff filed its Rebuttal Testimony. (Staff/3400, Ball/18.)

15. What amount should be included in rate base for IT capital additions?

a. Should PGE recover its investments in the Zero Trust Program and EMS upgrade in rate base at the lower of the forecasted amount in PGE's filing ($5.7 million and $4.3 million, respectively), or the actual cost?

Yes, this is Staff's recommendation. (Staff/3400, Ball/21.)

b. Should PGE's recovery of its investments in Network Fitness and CTO Desktop Fitness in rate base be reduced to the three-year average of expenditure?

Yes, and accordingly, Staff recommends an adjustment of ($3,341,209) to PGE's Test Year Expense. Staff's analysis shows that PGE's annual costs for the CTO Desktop Fitness Program range between $2.6 million and $3.6 million, PGE's annual costs for the Network Fitness program range between $3.0 to $4.5 million, and that PGE consistently makes management decisions to delay or increase finding for these projects each year. Based on this analysis, Staff recommends determining the appropriate amount to include in rate base using a three-year average of actual costs, escalated using the 2.2 All-Urban CPI. (Staff/3400, Ball/19-20.)

<u>Constable and Seaside Energy Storage Projects</u>

16. Constable Battery Project:

a. If PGE's Constable investment is not operating prior to the rate effective date of this rate case, should the Commission authorize PGE's proposed tracker for the Constable project? If so, what if any conditions should be included?

Yes, subject to the condition the battery must be in service no later than January 31, 2024. If the battery is not in service by January 31, 2024, there should be no tracker.

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(Staff/2400, Dlouhy/18.)

b. If the Constable project is included in rates through a tracker or otherwise, should the Commission adopt Staff's recommended $14 million reduction to rate base?

In part. Staff recommends the disallowance to maintain the integrity of PGE's Request for Proposals (RFP) process. Allowing PGE to rate base its own project at costs significantly higher than the purported costs in the RFP sends an inappropriate signal to the bidding community and would do little eliminate any incentive for utilities to under bid the costs of a Company benchmark projects in future RFPs. (Staff/1700, Dlouhy/21; Staff/2400, Dlouhy/11.) However, following a review of workpapers submitted in response to Staff DR 171, Staff realized that it improperly excluded AFUDC and PGE ownership costs that were considered in the 2021 RFP. After reviewing the workpapers, Staff revises its position to recommend a $10.1 million reduction to rate base.

17. Seaside Battery Project:

a. Should the Commission approve PGE's request for a tracker? If so, what conditions should be included?

No. PGE chose to file its rate case six weeks after the rate effective date of its last rate case knowing the Seaside project would not be in service until six months after the rate effective date for this rate case. No circumstances weigh in favor of allowing PGE both the benefit of its January 1, 2025, rate effective date and a tracker for a project scheduled to be on-line mid-2025. (Staff/1700, Dlouhy/31; Staff/2400, Dlouhy/17-18.)

b. If the tracker for the Seaside Battery Project is approved, should the Commission adopt Staff's recommended $44 million reduction to rate base?

In part. Staff recommends the disallowance to maintain the integrity of PGE's RFP process. Allowing PGE to rate base its own project at costs significantly higher than the purported costs

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in the RFP sends an inappropriate signal to the bidding community and would do little eliminate any incentive for utilities to under bid the costs of a Company benchmark projects in future RFPs. (Staff/1700, Dlouhy/28; Staff/2400, Dlouhy/11.) However, following a review of workpapers submitted in response to Staff DR 171, Staff realized that it improperly excluded AFUDC and PGE ownership costs that were considered in the 2021 RFP. After reviewing the workpapers, Staff revises its position to recommend a $35.1 million reduction to rate base.

18. What amortization period and treatment should apply to ITCs for Constable and Seaside?

a. Should the ITC reduce rate base within the revenue requirement or be amortized through a separate schedule?

It is Staff's understanding that amortizing the ITCs over the life of the asset has approximately the same effect as using the ITCs as a credit against rate base. (Staff/1700, Dlouhy/37). Staff did not specify whether these be amortized through a *separate* schedule and is amenable to either amortizing the ITCs through a separate schedule over the life of the asset or as a reduction to rate base.

b. Should the ITC be amortized over the life of Seaside or five years?

Staff believes that the ITCs should be amortized over the life of Seaside to reduce intergenerational equity concerns that arise from frontloading the ITC amortization. (Staff/1700, Dlouhy/36-37.)

c. Should the value of the ITC to refunded to customers be equal to the actual value of the ITCs received net of the cost to sell up to 10% of the sale value?

Yes.

d. Should the Commission condition a finding that the Constable and Seaside projects are prudent on PGE's agreement to opt out of

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Investment Tax Credit (ITC) normalization for ITCs associated with Seaside.

Staff is not sure it is necessary to secure PGE's agreement. The Commission can order the ratemaking treatment for the ITCs. It is incumbent on PGE to ensure there are no normalization violations associated with the ordered ratemaking treatment.

<u>Non-labor Operations and Maintenance (O&M) expense</u>

19. What is the appropriate amount of recovery for PGE's Virtual Power Plant (VPP) O&M expense? What adjustments, if any, should be made to the amount proposed by PGE? How should VPP items be addressed in the future?

Staff recommends the Commission reject PGE's proposal to recover an incremental $4.0 million in O&M costs related to its VPP. Accordingly, Staff recommends the Commission adjust PGE's non-labor O&M Test Year expense by ($1.5 million) and reducing costs related to labor PGE failed to adequately show justification or this increase in spending. (Staff/2400, Dlouhy/5-7.) The ($2.5 million) labor adjustment is not separately identified but is subsumed into the adjustments to Test Year labor expense proposed by Staff witness Stephanie Yamada.

Staff recommends the Commission direct PGE to create a standalone annual filing for its VPP, which would include information about the size of the VPP, its costs, a list of resources, and how they have been used. (Staff/1700, Dlouhy/15.)

20. What adjustments, if any, should be made to the amount proposed by PGE for non-labor generation O&M?

Staff recommends the Commission adjust PGE's non-labor generation O&M expense by ($2,000,000) to remove expense for a $2 million fee that will not continue after 2026. PGE's 2023 O&M expense for wind plant maintenance was $17.1 million and its 2024 budget was $20.8 million. Staff believes the Test Year expense established for wind maintenance in Docket No. UE 435 (that reflected in PGE's budget) is sufficient to absorb the $2 million fee in 2025 and 2026. (Staff/1000, Anderson/3.)

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Staff recommends the Commission adjust PGE's Test Year expense for employee health insurance and benefits by ($485,000) to take into account updated information related to escalation. (Staff/1100, Peterson/18-19; Staff/3800, Peterson/8.)

a. What adjustments, if any, should be made to the amount proposed by PGE for the following corporate support (A&G) items:

a. General A&G category reduction

N/A

b. FERC Account 921 (office supplies)

Staff recommends adjusting PGE's Test Year forecast for office supplies (FERC Account 921) by ($1,780,000) to a more reasonable forecast than the 14 percent increase over 2023 actuals that PGE assumes in its Test Year. (Staff/1100, Peterson/16-17; Staff/3800/Peterson7).

c. Directors' and Officers' expense

Staff recommends an adjustment of ($78,925) to Test Year expense for D&O insurance to properly split the premium cost 50/50 between the Company and ratepayers. (Staff/1200, Yamada/20-22; Staff/3300, Yamada/27-28.)

d. Memberships and Dues

Staff's recommendation regarding memberships and dues is set forth under Issue No. 26.

21. What is the appropriate amount of recovery for the following insurance expense:

a. Property insurance expense – What adjustments, if any, should be made to the amount proposed by PGE?

Staff recommends the Commission adjust PGE's proposed Test Year expense for property insurance expense by ($2,149,000). Staff's adjustment is based PGE's actual property insurance premiums for 2024 and assumes no change for the 2025 Test Year. Although PGE forecasted an increase in property insurance, the increase was not sufficiently supported and fails to account for the fact that under the post-loss funding model that PGE is now part of, future year property insurance costs will fluctuate based on the losses incurred by PGE as well as other

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entities in the overall pool. (Staff/800, Ball/4-5; Staff/3400, Ball/2-5.)

b. Casualty Insurance expense – What is the appropriate amount of recovery for General & Auto Liability? What adjustments, if any, should be made to the amount proposed by PGE?

Staff recommends the Commission adjust the Company's Test Year expense for General and Auto Liability insurance by ($5,597,769.00). Staff's adjustment is based on using PGE's actual insurance expense for the most recent calendar year actual data is available (either 2024 or 2023, depending on the category of insurance), and escalating that expense and escalating with growth factors from Market Scout for each policy line. (Staff/800, Ball/8-14; Staff/3400, Ball/6.)

c. What adjustments, if any, should be made related to insurance rebates and credits?

Staff's recommended adjustment to casualty insurance expense set forth in Issue No. 22 includes a $482,020 offset to PGE's forecasted expense for reasonable forecast of Policy holder Credits/Bonuses that are based on a three-year average of credits and bonuses received in 2021, 2022, and 2023. (Staff/800, Ball/15; Staff/3400, Ball/11.)

22. What adjustments, if any, should be applied to the recovery of the following:

a. Revolver fees

Staff recommends no adjustment related to revolver fees. (Staff/2900, Pileggi.)

b. Margin net interest

Staff recommends no adjustment related to margin net interest. (Staff/2900, Pileggi/5.)

c. Broker fees

Staff recommends no adjustment related to broker fees. (Staff/2900, Pileggi/6.)

d. Memberships

Staff's recommended adjustment to O&M for memberships is set forth under Is. No. 26.

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<u>Transmission and Distribution</u>

23. What is the appropriate amount to set in Test Year expense for Routine Vegetation Management O&M? What adjustments, if any, should be made to the amount proposed by PGE?

Staff recommends the Commission adjust PGE's forecasted Test Year expense for routine vegetation management of $58.1 million by ($6.2 million), resulting in Test Year expense of $51.9 million, which is the amount included in PGE's Test Year in its last rate case. (Staff/1300, Mondragon/8; Staff/3500, Mondragon/11.)

PGE's forecasted Test Year expense for routine vegetation management is a 94 percent increase, from $29.2 million to $58.1 million, from the last full year of historical, provable data in calendar year 2023. (Staff/3500, Mondragon/12.) Staff does not support PGE's proposal to increase the amount included in rates for routine vegetation management assumed for purposes of setting current rates. At this time, it is unclear whether PGE's current level of funding is justified and Staff believes increasing PGE's recovery for this category of expense without some examination of the efficacy of PGE's spending is not warranted. (Staff/3500, Mondragon/10-11.)

24. What is the appropriate amount to set in Test Year expense for Utility Asset Management? What adjustments, if any, should be made to the amount proposed by PGE?

Staff recommends the Commission adjust PGE's forecasted Test Year expense of $31.8 million by ($5.9 million), resulting in Test Year expense $25.9 million. (Staff/1300, Mondragon/21; Staff/1300, Mondragon.) PGE's forecasted Test Year expense is based on its 2024 budgeted amount of $26.1 million, which is slightly higher than the Test Year expense included in rates in PGE's last rate case. PGE has not justified its proposed increase in spending over expense currently included in rates and has failed to provide sufficient justification for its proposed Test Year expense. (Staff/3500, Mondragon/18-21.)

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25. What is the appropriate amount to set in Test Year expense for Customer Accounts and Service O&M? What adjustments, if any, should be made to the amount proposed by PGE?

Staff recommends adjusting PGE's Customer Assistance Expense (FERC Account 908) by ($1,500,000) to reflect a more reasonable forecast of expense for the Test Year, rather than the assumed increase of $2.5 million (10.2 percent) increase over 2023 actuals, which is what PGE's forecast amounts to. (Staff/1100, Peterson; Staff/3800, Peterson/3-5.)

Staff recommends adjusting PGE's Customer Records & Collections (FERC Account 903) by ($2,000,000) to reflect a more reasonable forecast for Test Year expense than the $3,000,000 over 2024 budgeted amounts forecasted by PGE. (Staff/1100, Peterson; Staff/3800, Peterson/3-5.)

26. What is the appropriate amount to set in Test Year expense for memberships and dues? What adjustments, if any, should be made to the amount proposed by PGE?

Staff recommends the Commission adjust PGE's Test Year expense for Memberships and Dues by ($301,984) to remove expense associated with activities conducted by trade associations that ratepayers should not be responsible for. (Staff/2100, Rossow/6; Staff/4100, Rossow/2.)

<u>Taxes</u>

27. How should Production Tax Credit ("PTC") carryforwards be considered in revenue requirement considering that PGE received approval to sell PTCs in Docket UP 426?

PGE should record any difference in the value as provided to customers and the discounted value (the amount that PGE will receive for PTCs through sales as they occur) in PGE's property sales balancing account. (Staff/1000, Anderson/8.)

28. Should the accumulated deferred income taxes ("ADIT") associated with the emergency wildfire and storm deferrals be considered in rate base?

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Staff did not provide testimony on this issue.

29. How should the rate base and amortization benefit of the Anderson Readiness Center investment tax credits ("ITCs") be considered in revenue requirement?

Staff did not provide testimony on this issue.

Grants

30. What is the appropriate amount that PGE should recover for O&M costs related to PGE's Federal Grant request for the Grid Edge Computing Grant? What adjustments, if any should be made to the amount proposed by PGE?

Staff recommends the Commission PGE's Test Year expense by ($600,000) to remove an amount equal to the $600,000 Grid Edge Computing Grant received by PGE. (Staff/3800, Peterson/9-10.)

Rate Spread/Rate Design

31. What proposed changes, if any, should apply to the generation marginal cost study?

Staff recommends no changes, other than those PGE has agreed to in testimony. AWEC proposed several changes, and PGE agreed to some of them. Staff does not support other proposed changes with which PGE did not agree, including AWEC's proposed changes to the calculation of the cost of energy and capacity and its proposal to assume firm transmission for all energy resources. (Staff/3000, Stevens/4-6.)

32. Should the Commission adopt proposed adjustments to PGE's cap to customer class rate increases? If so a cap and/or floor for customer class rate increases as a percentage of the overall (or average) increase? If so, what should be the parameters?

Staff recommends the Commission adopt a cap equal to 125 percent of the average increase and a floor equal to 89.4 percent of the average increase to mitigate the impact of cumulative rate changes and to promote equity among the rate classes. (Staff/900, Stevens/13; Staff/3000, Stevens/9.)

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33. Should the Commission adopt PGE's revisions to the Customer Impact Offset (CIO) to equalize the distribution charge for lighting schedules?'

Yes. Staff agrees with PGE that the CIO is necessary to temper the range of increases in the rate spread. (Staff/3000, Stevens/10.)

34. Should the Commission adopt PGE's proposed increase to its residential basic charge?

No. Staff does not believe the increase to the basic charge, on top of the increase in PGE's 2023 rate case, is supported by the important ratemaking concepts of cost causation, gradualism, or equity. (Staff/900, Stevens/16-22; Staff/3000, Stevens/13-16.)

35. Has PGE established that its proposed revisions to the load following credit for Schedule 90 are warranted?

No, PGE has not provided a convincing argument that the benefits provided by Schedule 90 to the system justify more than tripling the current load following credit as PGE proposes. (Staff/3000, Stevens/18-19.)

36. Should PGE be required to apply Time of Use (TOU) to Schedule 90 customers?

Yes. Staff notes that the point of a TOU rate is to align costs to provide power to customers with the rates charged to those customers (Staff/1700, Dlouhy/47.) Staff is not compelled by the Company's argument that Schedule 90 customers should be exempt from this charge due to their flat load shapes. (Staff/2400, Dlouhy/22.)

Transportation Line Extension Allowance

37. Should the Commission adopt PGE's proposal to make the Transportation Line Extension Allowance program a permanent offering? If so, what adjustments, if any, should apply?

No, PGE has yest to show a cost-benefit analysis that justifies making the pilot program permanent. The Company will have opportunity to make such a showing in proceedings related to its Transportation Electrification Plan in Docket No. UM 2033, which provides a venue for a more thorough and rigorous review of TE programs. (Staff/3100, Bolton/12.)

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<u>Transportation Electrification & PGE Fleet</u>

38. How much should PGE recover for the following customer-related transportation electrification items?

a. UM 1811 pilots rate base

Staff recommends the Commission permanently remove from PGE's rate base $352,000 for imprudent capital expenditures. (Staff/2200, Shierman/3; Staff/3200, Shierman.)

b. Electric Island rate base

Staff recommends the Commission disallow $1.4 for imprudent investment in Electric Island, which is a joint venture heavy-duty vehicle public charging site on Swan Island. (Staff/2200, Shierman/3200, Shierman/6-7.)

c. TE database rate base

Staff recommends the Commission remove $177,000 from PGE's Test Year Rate Base for acquisition of an unnecessary data base. (Staff/2200, Shierman/3-8; Staff/3200, Shierman/3-16.)

d. Line extension rate base amounts related to customer TE projects from 2019 to 20223.

Staff recommends the Commission decrease rate base by $1.1 million for excess Line Extension allowances paid to customers based on unreasonably high load estimates. (Staff/200, Shierman/18-19.)

e. TE plan and program development expense

Staff recommends the Commission reduce PGE's Test Year expense by the amount set forth at Staff/3200, Sheirman/21, line 2, to eliminate expense asked for in this proceeding that exceeds the TE Budget for base rate operating expenses approved in Order No. 23-380 in Docket No. UM 2033. (Staff/2200, Shierman/9; Staff/3200, Shierman/16-12.)

39. For the following fleet related items, what adjustments, if any, should be adopted?

a. PGE EV Fleet Vehicles rate base

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Staff recommends the Commission adjust PGE's rate base by ($831,000) to remove costs of electrifying PGE's own fleet done as a stand-alone exercise rather than part of its TE program subject to a TE budget approved by the Commission. (Staff/2200, Shierman/11-13; Staff/3200, Shierman/22-32.)

Staff also recommends the Commission adjust PGE's rate base by ($2.9 million) for the premature retirement of vehicles. (Staff/2200, Shierman/16; Staff/3200, Shierman/33.)

b. PGE Fleet EV Charger rate base

Staff recommends the Commission adjust PGE's rate base by ($20.7 million) for imprudent capital expenditures on private fleet charges outside of its ET program. (Staff/3200, Shierman/22-32.)

c. PGE EV Charger Maintenance expense

Staff recommends the Commission adjust PGE's Test Year expense for maintenance on its imprudently acquired private fleet. The number is confidential and will be provided in brief. (Staff/3200, Shierman/22-32.)

<u>Customer Service Issues</u>

40. What other party proposals, if any, related to bill design, and sharing of information with customers should the Commission require? If so, should the Commission adopt CUB's proposed disallowance related to billing information?

Staff does not oppose CUB's proposals related to bill design and information sharing. Staff did not investigate and does not take a position CUB's proposed disallowance related to billing information.

41. What adjustments, if any, should be made to the amount proposed by PGE for non-labor Customer Accounts O&M?

Staff's proposed adjustments to non-labor Customer Accounts O&M are set forth above under Issue No. 27.

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42. What adjustments, if any, should be made to the amount proposed by PGE for Key Customer Management labor O&M?

Staff did not make a specific proposal related to Test Year expense for Key Customer Management labor O&M.

<u>**Affordability, Income Qualified Bill Discount and other Environmental Justice Issues**</u>

43. What changes, if any, in response to the company's Energy Burden Assessment should be adopted in this docket to PGE's Schedule 18 Income Qualified Bill Discount Program discount levels, structure standards?

Although not necessarily in response to PGE's Energy Burden Assessment, Staff recommends the Commission order PGE to implement a master meter customer component to the Company's IQBD, that includes a reasonable discount to be passed onto Oregon residents housed in master metered dwellings that would otherwise qualify for the IQBD. (Staff/2500, Ayres/2.)

Staff does not support Verde's proposal to modify the IQBD discount tiers in this proceeding. Staff supports a data-driven approach to IQBD design and believes changes such as those Verde's proposed modifications to the tiers should be pursued in Docket No. UM 2211. (Staff/2500, Ayres/607.)

44. What changes, if any, should be adopted regarding post-enrollment verification or income verification?

Staff recommends the Commission adopt no changes to the current post-enrollment verification process in PGE's IQBD and opposes AWEC's proposal to require the Company to perform post-enrollment verification because it would conflict with Staff's core UM 2211 principle to provide low-barrier enrollment options through self-attestation for energy assistance programs. (Staff/2500, Ayres/7-8.)

45. What changes, if any, should be adopted in this docket to PGE's disconnection policies, generally or as related to IQBD customers specifically?

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Staff does not recommend the Commission order PGE take specific action related to its disconnection policies in this docket. Staff plans to address policies related to disconnection in UM 2211 to place any appropriate protections in place for the upcoming heating season.

46. What changes, if any should be adopted in this docket to PGE's arrearage policy and fees generally or as related to IQBD customers, specifically?

Although Staff explored the option throughout this rate case, Staff does not recommend the Commission order PGE to implement an arrearage management plan in UE 435. Staff believes that Docket No. UM 2211 provides a more optimum space for parties and the Company to collaborate and develop the elements of such a program and proposes to move quickly in that docket to enhance protections for the upcoming heating season. (Staff/2500, Ayres/23-24.)

47. What changes, if any, should be adopted in this docket to PGE's bill due date for residential customers?

Staff did not testify regarding the bill due date for residential customers.

48. What proposals by parties for additional reporting, stakeholder engagement, or customer engagement should PGE be directed in this docket for PGEs IQBD program, disconnections, arrearage or related issues? If required, what should be included and the parameters?

Staff recommends the Commission direct PGE to:

1. Engage with its Community Benefit and Impacts Advisory Group (CBIAG) and Community Action Partners (CAAs or CAP agencies) on additional outreach techniques for reaching IQBD eligible customers;
2. Engage with CAP agency partners in the presence of Staff to discuss program adjustment opportunities that optimize the lower barrier and timely enrollment for customers;
3. Monitor, track and report to the Commission a list of IQBD customers with a monthly usage of 2,000 kWh or more; and

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4. Convene Staff and stakeholders to discuss IQBD structure and discount levels, an arrearage management plan and/or forgiveness program for IQBD customers, adjustments to the definition of high usage customers for energy efficiency and weatherization reporting, and other opportunities for refinement. (Staff/2500, Ayres 2-3.)

49. Should there be a rate design change related to any increase in basic charge?

Staff opposes PGE's proposed increase to the Residential Basic Charge. (Staff/900, Stevens/16-22.)

50. What, if any, proposed adjustments to Schedule 118 allocation methodology should be adopted? (IQBD Recovery)

Staff does not propose changes to the Schedule 118 cost recovery mechanism in this proceeding but will continue to evaluate creative cost-recovery models that distribute costs equitably across customer classes within the ongoing UM 2211 process. (Staff/2500, Ayres/19.)

Staff opposes AWEC's proposal to modify the current limit on the Schedule 118 charges from a per site limit to a per customer limit and its proposal to recovery IQBD costs based on revenue rather than load because the record is unclear as to whether this shift in cost recovery is equitable to all customers. (Staff/2500, Ayres/16-18.)

51. Should the Company convert its ductless heat pump program pilot program into a fully funded program and increase coordination with ETO?

Staff does not support any modification or adjustment to energy efficiency measures offered by PGE. Staff does recommend the Company be directed to share data with the Energy Trust of Oregon (ETO) on IQBD participant heating type and should include IQBD enrollment data as part of its monthly data sharing with ETO. (Staff/1900, Ayres/41; Staff/2500, Ayres/25.)

52. Should the Company expand weatherization efforts and services, amend its schedules to recognize the long term, system-wide cost-efficiencies and implement targeted outreach to IQBD customers?

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See Staff response to Issue No. 51 above.

53. Should the Commission require PGE to center energy efficiency for low-income households in its rate scheme as a condition of any rate increase?

Staff does not support conditioning PGE's rate increase on its agreement to center energy efficiency for low-income customers in its rate scheme.

54. Should the Commission require PGE to implement neutral (i.e., third-party) technical support related to rate case "walk-throughs" and other quasi-technical stakeholder engagement, in order to appropriately bolster PGE's procedural equity efforts, prioritizing this for CBIAG most immediately?

Staff does not recommend that the Commission take this action in a utility-specific rate case. Instead, Staff believes such an action is more appropriate in a general investigation applicable to utilities in addition to PGE as it would provide a better vehicle for stakeholders and utilities to collaborate and explore options.

<u>Other issues.</u>

55. Should PGE's rate filing be rejected due to the following:

a. Failure to meet requirements of ORS 757.210(1)(a) by not providing sufficient evidence that proposed rates are just, reasonable and in the public interest; or

Staff agrees with AWEC that it is within the Commission's authority to conclude in this case does not support any rate increase.

b. A collateral attack of issues resolved in Docket UE 416?

Any claim this rate case is an inappropriate collateral attack on revenue requirement issues decided in a previous case is meritless. The Commission did not rule in UE 416 that PGE was entitled to recover a minimum level of revenue requirement for all time and could not have done so if it wanted to. Further, issues in UE 416 were resolved by stipulations that specify "by entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or

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consented to the facts, principles, methods or theories employed by any other Stipulation Party in arriving at the terms of this Stipulation." Order No. 23-386, Attachments (First, Second, Third, and Fourth Partial Stipulations).

56. Should the Commission adopt CUB's proposed tracker to delay the rate effective date of PGE's rate request?

Staff did not testify regarding this proposal.

57. Should the Commission apply an overall or residential rate cap to address rate shock? If so, what parameters should there be for the rate cap?

Staff does not support a formal threshold or limit to establish a specific treatment for every general rate case. Staff supports setting a threshold for residential rate increases for purposes of setting a residential affordability checkpoint to allow for further consideration of the appropriate mechanisms to mitigate rate pressure. (Staff/300, Scala, Staff/2300, Dlouhy-Scala).

58. Should the Commission adopt CUB's rate shock proposal?

Staff supports exploring mechanisms that can mitigate rate pressure and respond to the statewide call to address the rising rates and energy insecurity faced by increasing numbers of Oregon utility customers. Staff views CUB's request as one such effort and deserving of dialogue. (Staff/300, Scala).

59. Should the Commission require PGE to amortize the deferral related to PGE's Clearwater project starting January 1, 2025?

No. Although Staff supported beginning amortization of the deferral beginning on January 1, 2025, Staff's support was premised on UE 427 resolving before the rate effective date of UE 435. (Staff/1700, Dlouhy/49.) Staff notes that the target rate effective date for UE 427 has been delayed to March 1, 2025. Staff believes it to be improper to begin to amortize this deferral until UE 427 is resolved.

60. What revenue requirement treatment should apply to the reflection of ITCs for the Anderson Readiness Center?

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Staff did not address this issue in testimony.

61. Should the Commission address PGE's request to modify the Renewable Automatic Adjustment Clause (RAAC) to allow PGE to recover costs of stand-alone batteries at the transmission level in this docket or in a separate investigation?

Staff recommends the Commission address PGE's request and deny it. Stand-alone batteries are not "associated energy storage" for purposes of cost recovery under ORS 469A.120, which includes costs to acquire facilities that generate electricity from renewable energy sources and "costs related to associated electricity transmission and costs related to associated energy storage." (Staff/2400, Dlouhy/4.)

62. Should the Commission open a docket investigating a framework for multi-year rate cases?

Yes, although Staff does not believe it is necessary to do in the order resolving the issues presented in this case. Other utilities have indicated interest in multi-year rate cases and Staff believes it would be prudent for utilities, Staff, and stakeholders to address parameters of such rate cases in a general investigation rather than in individual rate cases.

63. Should the Commission require PGE to file a public version of its rate increase forecasts, including forecasts contained in Monet updates and bench request, that has been designated as confidential?

Yes.

64. Should the Commission require PGE to provide information on customer bills showing average cost of electricity in a cents/kwh basis?

Staff does not oppose this proposal.

65. Should the Commission require PGE, when PGE seeks to increase a residential rate schedule, to file a plan for how it intends to communicate the rate change to residential customers?

Staff is not sure whether this rate case is the appropriate vehicle for a generally applicable

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requirement related to accessibility.

DATED this 8th day of October 2024.

Respectfully submitted,

ELLEN F. ROSENBLUM
Attorney General

/s/ Stephanie Andrus

Stephanie Andrus, OSB No. 925123
Sr. Assistant Attorney General
Of Attorneys for Staff of the Public Utility Commission of Oregon

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1162 Court Street NE
Salem, OR 97301-4096
(503) 947-4520 / Fax: (503) 378-3784