BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 435

In the Matter of	)
	)
PORTLAND GENERAL ELECTRIC COMPANY,	)
	)
Request for a General Rate Revision	)

OPENING BRIEF

OF THE

OREGON CITIZENS' UTILITY BOARD

October 28, 2024

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Pursuant to Administrative Law Judge (ALJ) Mapes September 27th Ruling to Modify the Procedural Schedule, the Oregon Citizens' Utility Board (CUB) hereby submits its Opening Brief in the above-captioned proceeding.

The issue here is whether the Oregon Public Utility Commission (Commission) is going to permit Portland General Electric Company (PGE or the Company) another rate increase this January, the worst time for residential customers. If approved, this latest request will increase rates another 9.2% from the 18% residential customers saw this year.[1] Instead, CUB proposes to move the rate effective date to mid-June 2025 to coincide with the date Seaside battery project comes online which would, 1) move the rate effective date out of the winter and 2) allow recovery of Seaside without regulatory lag.[2] CUB also proposes measures to improve affordability, supported by both Commission Staff (Staff) and the environmental justice intervenor, Verde. Finally, CUB asks that the Commission address the elephant in the room, Schedule 90 data centers, whose significant growth is outpacing all other customers.

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[1] This includes a 7.9% increase in January and a 1.3% increase in June when the Seaside Battery comes online.

[2] CUB/400/Jenks/33-34.

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I. Factual and Procedural History

A. Ten Years of Residential Rate Increases

On February 29, 2024, Portland General Electric (PGE) filed a request for a rate increase. This request was fewer than two months after the Company received an 18% rate increase—nearly $25/month on average—from residential customers from Docket No. UE

416.[3] Following that UE 416 rate increase in January, residential customers experienced a record number of disconnections for non-payment in the spring-with PGE disconnecting more customers these consecutive months than any other months since disconnection reporting began in 2018. [4]

If approved, this new request (UE 435) will increase rates another 9.2%. This includes a 7.9% increase in January and a 1.3% increase in June when the Seaside Battery comes online.[5] In testimony CUB proposed to move the rate effective date to coincide with the date Seaside battery project online which would, 1) move the rate effective date out of the winter and 2) allow recovery of Seaside without regulatory lag.[6] CUB also put forward additional disallowances or recommendations, including mechanisms for the Commission to consider to limit rate shock and help make bills more affordable for residential customers. These mechanisms included setting the lowest reasonable ROE (also supported by Verde);[7] placing a cap on rate increases, which Commission Staff (Staff) supports;[8] imposing a temporary shut-off moratorium following a large rate increase; and requiring PGE to implement an arrearage management plan.[9] Staff also repeatedly expressed their concerns regarding rate pressure and

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[3] Oregon Public Utility Commission, Media Release: Combined Decisions Finalized, Rates Increase for PGE Customers Starting January 1 (Dec. 28, 2023); *See also* UE 416 - *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision; and 2024 Annual Power Cost Update* (rate effective date Jan. 1, 2024).

[4] CUB/100/11-14; CUB/400/Wochele-Jenks/19.

[5] PGE predicts there will be a .3% decrease in March to account for the Clearwater Wind Project's impact on rates.

[6] CUB/400/Jenks/33-34.

[7] CUB/100/Jenks/71\; Verde/200/Segovia Rodriquez/4.

[8] Staff/200/Scala/6.

[9] CUB/400/Wochele-Jenks/31-34.

affordability for customers, particularly the impact of PGE's lack of balance between its shareholders' interests and customer impacts and value.[10]

This will be PGE's tenth rate increase for at least its general rate cases and renewable adjustment clauses in the past ten years.[11] PGE's rates have increased approximately 43.8% since December 2021, or four times the inflation rate.[12] For the past decade PGE has continued to request rate effective date in January. This is great for Company earnings but the worst time for residential customers. The rate increase in January 2024 led to a record number of consecutive months of disconnections for non-payment this past spring since the Commission started requiring reporting in 2018.[13] As CUB testified, "[f]rom January–May 2024, PGE issued 14,834 household disconnections."[14] PGE responded that disconnections and arrears are consistent with historical trends prior to the COVID-19 pandemic, calling the current state of arrearages and disconnections a "perceived crisis" and acceptable number of customers to disconnect for nonpayment stating "the data does not substantiate statements that urgent, unprecedented, and procedurally expedited actions must be pursued through this rate case."[15] The Commission needs to stop the revolving door of rate increases that go into effect in the winter.[16]

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[10] *See* Staff's Rebuttal Testimony and Exhibits, Staff/2300-2301/Dlouhy-Scala and Staff/2500/Dlouhy-Ayres; *See also* Staff's Opening Testimony and Exhibits, Staff/200-202/Scala and Staff/1900-1902/Ayres (July 15, 2024).

[11] CUB/113.

[12] CUB/100/Jenks/13.

[13] CUB/100/11-15; CUB/00/Wochele-Jenks/19.

[14] CUB/400/Wochele-Jenks/19.

[15] PGE/2300/Sheeran – Latu – Newman/4-5 (PGE referenced data from 2009).

[16] *See CUB's Motion to Dismiss or Segregate Certain Issues* (March 14, 2024).

Figure 1. PGE's General Rate Case and Renewable Adjustment Clause rate increases since 2014[17]

Docket No.	Price effective date	Rate Base ($000s)
UE 262	1/1/2014	$3,054,217
UE 283	1/1/2015	$3,785,421
UE 294	1/1/2016	$3,931,735
UE 294 - Carty Tracker	8/1/2016	$4,440,172
UE 319	1/1/2018	$4,505,374
UE 335	1/1/2019	$4,744,710
UE 370 (Wheatridge RAC)	1/1/2021	$4,884,314
UE 370 Update	5/5/2021	$4,892,035
UE 394 (with Colstrip)	5/9/2022	$5,559,077
UE 416 (with Colstrip and Wildfire Mitigation)	1/1/2024	$6,299,232

B. PGE's Rate Increase Requests for 2025

PGE's rate increase request initially sought an increase of $202 million in rates; approval of $878 million of capital improvement projects; a tracking mechanism for its Constable Battery Storage Energy Project, slated to come online in January 2025; a tracking mechanism for its Seaside Battery Energy Storage Project, slated to come online in June 2025; `approve its proposal to amortize the battery storage investment tax credits to customers over a five-year period; increase its ROE from 9.5% authorized in last year's rate case, to 9.75%; approve its proposed investment recovery mechanism; approve its renewable automatic adjustment clause (RAAC) changes; and approve its rate spread and design, which included increasing the basic charge for residential customers again.[18]

While PGE has a number of schedules that it typically adjusts in January, the primary components that affect customer rates are the General Rate Case (GRC) increase and the increase associated with Net Power Costs (NPC).[19] In this docket, PGE initially requested a

[17] CUB/100/Jenks/13.

[18] PGE/100/Pope – Sims/ 29-30.

[19] CUB/400/Jenks/6.

total rate increase of 7.9% (an expected residential customer rate increase of 7.2%), excluding its net variable power cost adjustment expected later in the year,[20] with the total impact expected to fall to 7.3%, given its Seaside battery project coming online and expected income tax credits (ITC) associated with both Seaside and Constable battery projects.[21] However, as CUB has testified, PGE's case summary does not reflect the actual rate increase that PGE is proposing.[22] The Company would actually receive a 9.5% rate increase in 2025, when you account for the Jan. 1 increase request, a second increase mid-year 2025 associated with the online date of its Seaside battery project, and projected power cost adjustment at the time of filing.[23]

In its Reply Testimony, PGE dropped its requests for its Investment Recovery Mechanism (IRM) and storage policy proposals, which it states dropped 0.6% of its rate increase request.[24] And the Company has since dropped its request to a 9.65% ROE.[25] While the Company states the rate increase request dropped to 6.3%, CUB pointed out that the expected increase is higher when you account for the rate increase associated with the Seaside battery mid-year, and power cost adjustments—resulting in a nearly 11% rate increase.[26]

In Surrebuttal Testimony, PGE put forward a new expected rate change. PGE explained that the changes were due to Commission-ordered delays in the procedural schedule for Docket UE 427 resulting in a March 1, 2025 effective date for the Clearwater Wind facility renewable

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[20] *See* UE 436 – *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, 2025 Annual Power Cost Update Tariff.*

[21] PGE/200/Batzler – Ferchland/2-3; PGE/900/Macfarlane – Pleasant/2.

[22] CUB/400/Jenks/5-11.

[23] CUB/400/Jenks/6.

[24] PGE/1000/Ferchland – Liddle/8.

[25] PGE/1000/Ferchland – Liddle/7.

[26] CUB/400/Jenks/6.

automatic adjustment clause (RAAC).[27] It also reflects updates to PGE's known supplemental schedules.[28] PGE explained that base rates for residential customers would increase 7.9% (8.6%overall) and that the total for the 2024 rate year for residential customers would be 8.4% (8.6% overall). Clearwater wind would move to March 1, 2025 and include an approximately 1% decrease in rates. The Seaside battery energy storage system (BESS) would increase 1.3% when it came online in mid-year 2025.[29]

C. PGE's Dramatic Trends in Capital Spending

CUB pointed out in testimony the dramatic trends in PGE's capital spending, seeming to look for opportunities to increase capital spending and that this is not sustainable or affordable.[30] CUB expressed concern over the trend to operate with an "all of the above" strategy, rather than demonstrating strategic thinking by setting priorities and deploying resources to meet those priorities.[31] CUB has found little evidence to show that PGE's capital review and control systems effectively constrain or control capital spending, rather seeming to facilitate higher and higher spending.[32] Staff also expressed "a desire for more transparency into the cost control measures that underly utility spending decisions and the level of value customers are receiving in exchange for cost increases."[33] As CUB pointed out:

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[27] PGE / 2100 Ferchland - Liddle / 1-2.

[28] *Id.*

[29] *Id.* at 2.

[30] CUB/100/Jenks/35-55.

[31] CUB/100/Jenks/50-55 ("Those words come directly from PGE's CEO. Earlier this year, in a podcast for S&P Global PGE's CEO said that: At Portland General we have an expression where we say, "how to" not "why not." at CUB/100/Jenks/52).

[32] CUB/100/Jenks/45.

[33] Staff/2300/Dlouhy – Scala/6.

> "[i]n 2019, PGE established a target for 2023 capital spending of $500 million. By February of 2023, that target had grown to $1.21 billion. As it continued to grow through 2023, the target ended up at $1.475 billion, almost three times where it was when it was established in 2019."[34]

Further, PGE capital spending was approximately $790 million in 2022, nearly doubling to $1.37 billion in 2023.[35] CUB noted that "[f]rom a customer perspective, a 73% escalation in one year is not reasonable and does not represent the time value of money. And there is no reason to believe that this will not continue to grow."[36] CUB does not dispute that PGE must make certain capital investments to serve customers, only in this case, it is necessary to look at PGE's overall approach to capital spending, not investment-by-investment.[37] And this analysis raised concerns over how PGE is managing the timing of its investments in consideration of customer affordability, and whether PGE has adequate oversight of capital investment.[38] Given the lack of evidence of proper controls on capital spending by PGE, CUB proposed adjustments to PGE's 2025 compensation since the Company is not meeting is obligation to customers to maintain affordable rates.[39]

D. Rate Spread/Rate Design

On January 1, 2024, PGE increased its residential customer basic charge for single-family home customers from $11 to $13 a month, and in this docket, PGE proposed increasing

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[34] CUB/400/37 (referencing CUB/112).

[35] CUB/404.

[36] CUB/400/37.

[37] CUB/400/Jenks/38-39.

[38] CUB/400/Jenks/39.

[39] PGE/100/Pope – Sims/29; CUB/100/Jenks/54-55; CUB/400/Jenks/43-44.

it again to $15/month.[40] This year the multi-family basic charge increased from $8/month to $10/month, and PGE proposed increasing it to $12/month next year. PGE did not conduct an analysis on how the basic charge increase would impact low-income customers, stating its Income-Qualified Bill Discount Program (IQBD), a tiered percentage discount program based upon State Median Income (SMI) of the customer, would help mitigate those increased costs for qualifying customers.[41] Yet in CUB's analysis of the rate increase impact on PGE's customers living in mobile or manufactured homes, given the high electricity usage of those customers, even a customer receiving the highest discount would still have a bill double the 6% energy burden threshold, only going below that threshold in their September and October bills.[42]

CUB rejects PGE's request for an increase in the residential basic charges and recommended that the Commission keep its basic charge as-is until it examines the findings of its June 2024 Energy Burden Assessment (EBA) and analyzes the impacts an increased basic charge would have on its customers, particularly those most vulnerable to rate shock and with high energy burdens.[43] Staff does not support an increase in the residential basic charge.[44] CUB supported Staff's recommendation for adherence to gradualism and granting customers more flexibility.[45] Relatedly, CUB recommended that PGE change its bill design so customers

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[40] CUB/300/Wochele-Jenks/4; CUB/200/Tran/5-10.

[41] PGE/900/Macfarlane – Pleasant/20.

[42] CUB/200/Tran/24.

[43] CUB/300/Wochele-Jenks/7, 18.

[44] Staff/200/Scala/8.

[45] CUB/500/Tran/5, citing Staff/900/Stevens/20-21.

have a better understanding of the volumetric charges to they can better understand their energy use and respond accordingly, as best they can.[46]

E. Income-Qualified Bill Discount Program

PGE did not bring a proposal for making changes to its Income-Qualified Bill Discount Program (IQBD) in this rate case. CUB, concerned about the impact of rates on IQBD-qualified customers with this rate increase request and given there now exists data on energy burden in PGE's service territory, testified that the program should be analyzed and revised given the data-driven information in the Company's Energy Burden Assessment (EBA) released in June 2024.[47] CUB's analysis found that "having an existing tiered bill discount program is not an automatic shield from rate increases, nor is it a stand-in for equity impact analyses."[48] CUB argued that with a rate increase requires an analysis of the impact on energy burden with higher rates and that PGE should offer an alternative proposal by the end of August 2024, with a new program in effect before PGE's rate increase effective date.[49]

CUB made many additional recommendations the Company could take to mitigate the impact of rate increase on customers and help prevent disconnections and avoid arrearage balances, including collaborating with stakeholders to implement an updated IQBD program, informed by the Company's EBA, prior to the rate effective date in this case; extend the bill

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[46] CUB/400/Jenks/15-16; CUB/500/Tran/5-10; CUB/300/Wochele-Jenks/13-.

[47] CUB/300/Wochele-Jenks/7 (citing UM 2211 - *In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Implementation of House Bill 2475*, PGE's Energy Burden Assessment (July 3, 2024)).

[48] CUB/300/Wochele-Jenks/12.

[49] CUB/300/Wochele-Jenks/13-18 ("…, if the IQBD program remain as-is each time PGE proposes to raise rates, a customer living on a fixed income, and any customer who does not *See* an increase in their income—or who perhaps *See*s a decrease in income, will experience an increase to their energy burden despite being on the tiered discount program.")

due date to 30 days rather than 20 days; and remove and stop charging late fees until a robust energy burden reduction program is put into place.[50] Staff has made similar recommendations, including adding an arrearage management program, adding an IQBD component to master-metered dwellings in PGE's service territory; work with communities to improve outreach on energy assistance programs; and convene Staff and stakeholders after PGE's EBA is filed to review opportunities to refine energy burden reduction assistance.[51] Verde also supports more customer protections like increasing low-income bill discounts, an arrearage management program, and changes to disconnection processes.[52]

F. Large Load Customers

PGE indicated it wanted to continue its load following/integration credit for its Schedule 90 customers, and updated this credit price based upon the flexibility value of a four-hour battery in its Integrated Resource Planning Docket No. LC 80.[53] Staff found PGE did not provide significant justification to change the price, and that when it is updated it should reflect the value of Schedule 90 provides to the system and that it should remain unchanged and warrants further investigation.[54] PGE indicated it is "imperative" to update it here.[55] Staff responded:

> PGE has not provided convincing evidence that the benefits represented by the Load Following Credit are not already represented in rates. Schedule 90's load profile

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[50] CUB/600/Wochele-Jenks/25-56.

[51] Staff/1900/Ayres, generally.

[52] *See* Verde's Opening Testimony and Exhibits of Anahi Segovia Rodriguez (July 15, 2024) and Verde's Rebuttal Testimony and Exhibits of Anahi Segovia Rodriguez (Sep. 10, 2024).

[53] PGE/900/Macfarlane – Pleasant/17 (Schedule 90, Large Non-residential: "customers whose Facility Capacity exceeds 4,000 kW and whose aggregate energy consumption exceeds 30 MWa with a second set of energy prices for customers whose aggregate energy consumption exceeds 250 MWa. The rate design is similar to Schedule 89, but with higher customer charges.").

[54] Staff/900/Stevens/25-26; Staff/3000/Stevens/19.

[55] PGE/2000/Macfarlane-Pleasant/17.

> decreases the amount of flexibility reserves needed to be purchased by the utility. As such, the Company's rate base is lower than it would be otherwise. This in turn lowers rates for all customers, including Schedule 90. At the very least, the avoided costs are already partially being passed through to Schedule 90. Further, because of Schedule 90's high load factor, Schedule 90 customers already pay less generation costs than they would otherwise. This means that they pay for less generation costs, including batteries partially used for flexibility purposes than they would otherwise. Assigning the full flexibility value of a lithium-ion battery to Schedule 90 for its flat load is inappropriate, as the benefits of Schedule 90's high load factor are already reflected in current rates.[56]

Staff's secondary recommendation was to eliminate the Load Following Credit, but indicated it was amenable to "continuing the credit at its current level, while continuing to investigate its appropriateness in a future proceeding or in UE 430."[57] CUB does not support this increase either, also finding PGE did not provide evidence to support its request.[58]

Seaside and Constable Battery Projects

About 8% of PGE's initial rate increase request, $17.5 million, is for the Constable battery storage project set to go online by December 31, 2024 and to be included in the January 1, 2025, rate increase. PGE also requested that its Seaside battery project be placed into rates in June 2025, when it goes into service, but that it be allowed to track the costs of Seaside in January, and start to recover those costs from customers in June 2025.[59] CUB opposes this request given that the battery is not expected to go into service until next summer, and the costs from a tracker would be in addition to the total ratepayers are expected to see from this general rate case.[60]

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[56] Staff Rebuttal/3000/Stevens/19-20.

[57] Staff/3000/Stevens/20.

[58] CUB/500/Tran/13.

[59] PGE/200/Batzler – Ferchland/3.

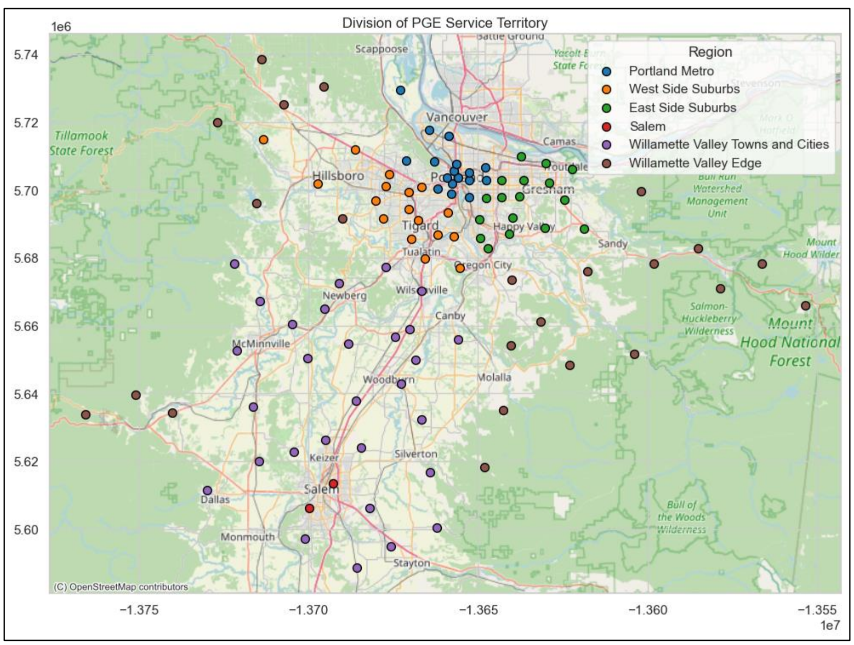
[60] CUB/500/Tran/4.

II.PGE’s customers

A. For PGE’s Residential Customer Base, January is the worst month for rate increases.

PGE’s service territory encompasses a myriad of cultures, ethnicities, economic backgrounds, housing types, and urban and rural households.[61] Of the over 800,000 customers that make up the residential customer class, the different regions that PGE serves record distinct seasonal usage. That said, **January is the worst month for a rate increase**. While PGE’s annual coincidental peak usage is often in the summer, residential bills peak in the winter to account for the higher energy demand to heat a home than to cool it.[62]

Figure 2: map of the zip code designations divided into regions within PGE’s service territory.[63]



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[61] CUB/100 Jenks/ 6; *See also* UE 416, *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision; and 2024 Annual Power Cost Update*, PGE 2024 Energy Burden Assessment at 33. https://edocs.puc.state.or.us/efdocs/HAD/ue416had329702054.pdf.

[62] CUB/100 Jenks/7-8.

[63] *See* CUB/206 – PGE Response to CUB DR 48.

Figure 3: Average monthly usage of PGE's residential customers by region.[64]

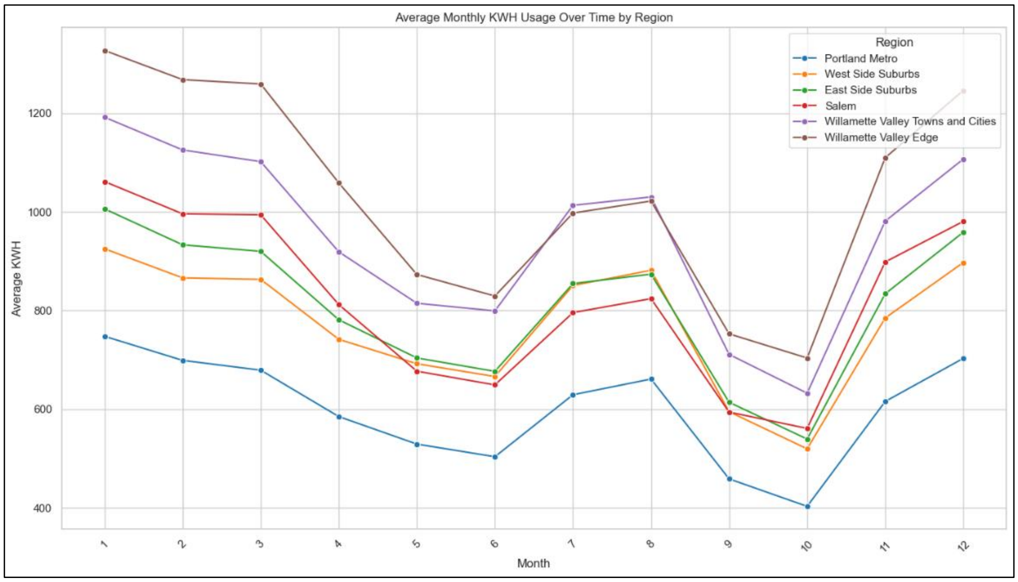


Table 1: Average KWH correlating with above graph

Region withing PGE service territory	**Average KWH**
East Side Suburbs	807
Portland metro	601
Salem	820
West Side Suburbs	773
Willamette Valley Edge	1036
Willamette Valley Towns and Cities	952

A. A January rate increase will hit certain customers the hardest

A January rate increase will hit certain customers the hardest. A rate increase in January will hit certain customers the hardest. This is true of customers with electric heat, housing types that statistically use more energy during the winter, and those who are living paycheck-to-paycheck. As discussed below, customers in housing types that statistically use more energy

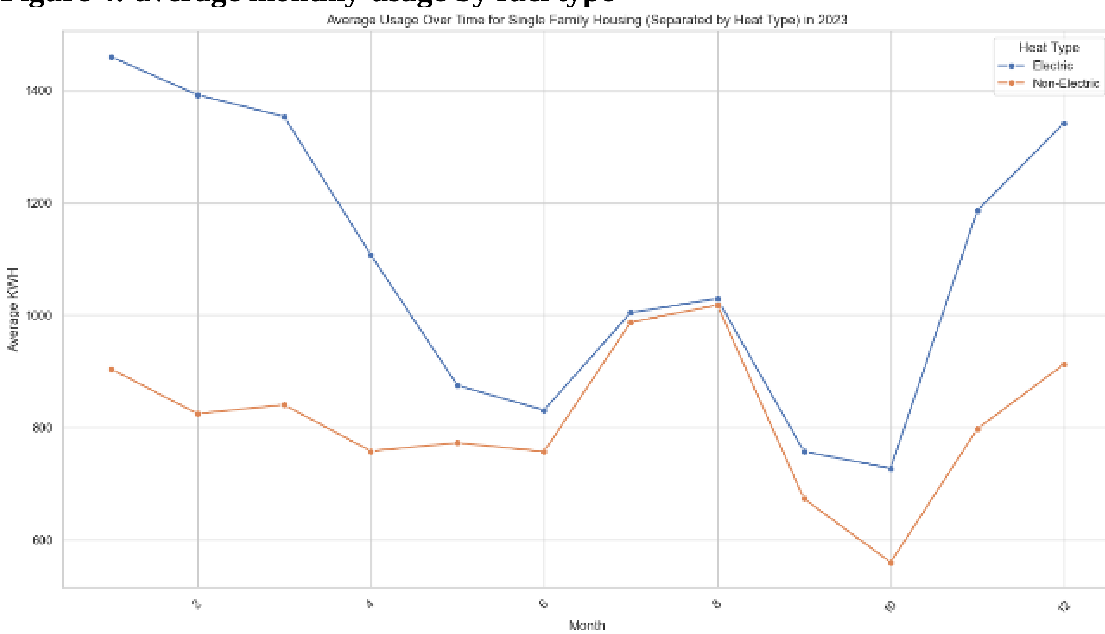
[64] *See* CUB/206 – PGE Response to CUB DR 48.

during the winter and those who are living paycheck-to-paycheck have less flexibility to adapt to a winter increase.

Fuel type – Electric Heat

Customers with electric heat experience a greater shock in January than others. As shown below, a family in PGE's service territory that heats their home using electricity averages about 600 kWh higher in January than their non-electric neighbors. According to the Oregon Department of Environmental Quality, nearly half the homes in Multnomah County have electric heat.[65]

Figure 4: average monthly usage by fuel type

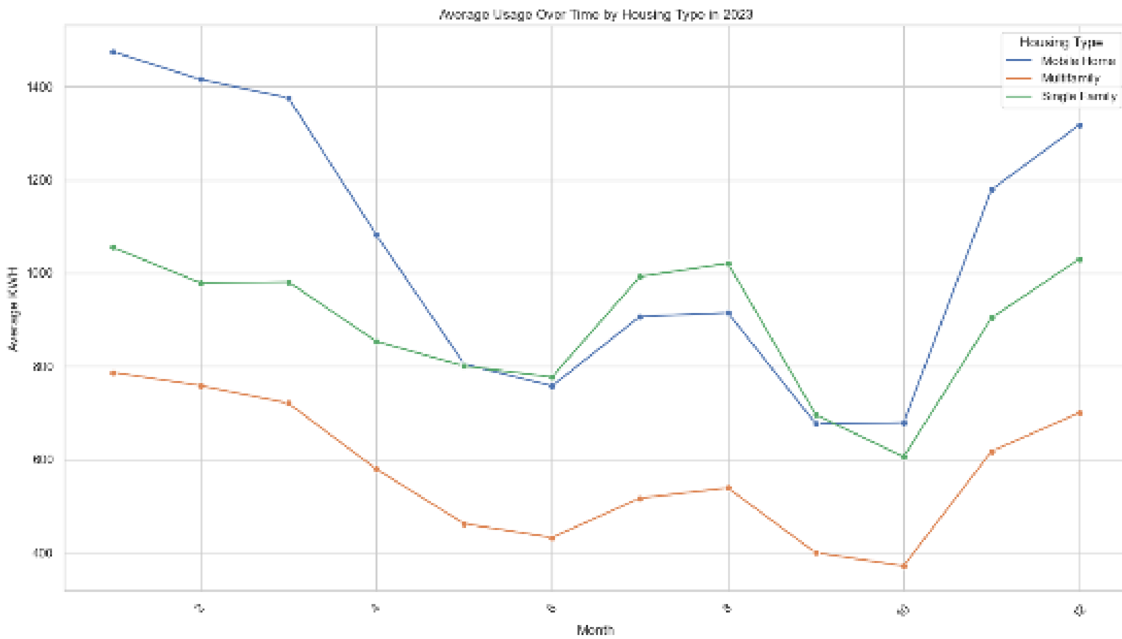


[65] Or. Dep't of Energy, *Oregon's Energy Sector Profiles* (2020), https://www.oregon.gov/energy/Data-and-Reports/Documents/2020-BER-County-Profiles-Supplement.pdf.

Housing type

Additionally, the type of home can indicate the severity of the rate shock. As shown below, customers in mobile homes have some of the highest usage compared to those living in multifamily and single-family homes.

Figure 5: average monthly usage by housing type



Income

CUB recognizes that there are situations where the Commission will want to focus on strategies to address overall affordability rather than the timing of the rate change.[66] Customers who live pay-check-to-paycheck will experience some of the worst outcomes of a rate increase in January.[67] Low-income customers, can experience both energy burden and the distress caused by sudden increases to bills, i.e., rate shock. Indeed, rate shock can push households into deeper energy burden, and already significantly burdened households into energy poverty,

[66] UG 490, *In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Request for a General Rate Revision*, Order No. 24-359 at 47 (October 25, 2024) (hereinafter Order No. 24-359).

[67] CUB/100 Jenks/70.

"a state where households are challenged by everyday situations in meeting basic energy needs because of an assemblage of socio-economic, technical and environmental–political factors."[68] For example, in addition to high usage for heating, in January people suffer from the seasonality of employment[69] and high consumer debt.[70] This leaves many households with fewer resources to pay January bills. Adjusting to the rate increase means adjusting how much a person pays for food, medicine, other utilities, and other expenses in order to make up for the increase in their electric bill.[71] For customers who live paycheck-to-paycheck, absorbing a $40 to $60 increase in one bill can be very difficult, and absorbing a bill that is more than $100 above normal can be nearly impossible.[72]

B. Rethinking the winter rate increase

The combination of winter weather and January rate increases often leads to a spike in utility shut offs. Last winter the region experienced a devastating winter storm that lasted several days. As a result, in April PGE recorded the highest number of disconnections ever reported.[73] If we maintain the status quo, this winter will again strain PGE's residential

[68] CUB/600 Wochele-Jenks/9 (quoting Dominic J. Bednar and Tony G. Reames, *"Fleeting Energy Protections: State and Utility Level Policy Responses to Energy Poverty in the United States during COVID-19,"* Energy Research & Social Science 99 (May 2023), *available at* https://doi.org/10.1016/j.erss.2023.103045); *See* also CUB/608, fn. 35.

[69] CUB/100 Jenks/10. Employment falls in January as jobs in retail, shipping, dining and other parts of the economy decline. Government statistics about the unemployment rate are usually adjusted each month to hide the seasonality, but unadjusted employment numbers are available and show that for most sectors of the economy, employment drops in January. US Bureau of Labor Statistics, United States: Nonfarm Employment and Labor Force Data, Not Seasonally Adjusted, https://www.bls.gov/regions/mid-atlantic/data/xg-tables/ro3fx9585.htm.

[70] CUB/100 Jenks/10. For many households financing travel, gifts, and socializing during the December holiday season is financially challenging, leading to consumer debt increasing in December. CNN, US Consumer Debt Soared to New Heights In The Run-Up To The Holiday Season, January 8, 2024. https://www.cnn.com/2024/01/08/economy/inflation-expectations-december-2023/index.html.

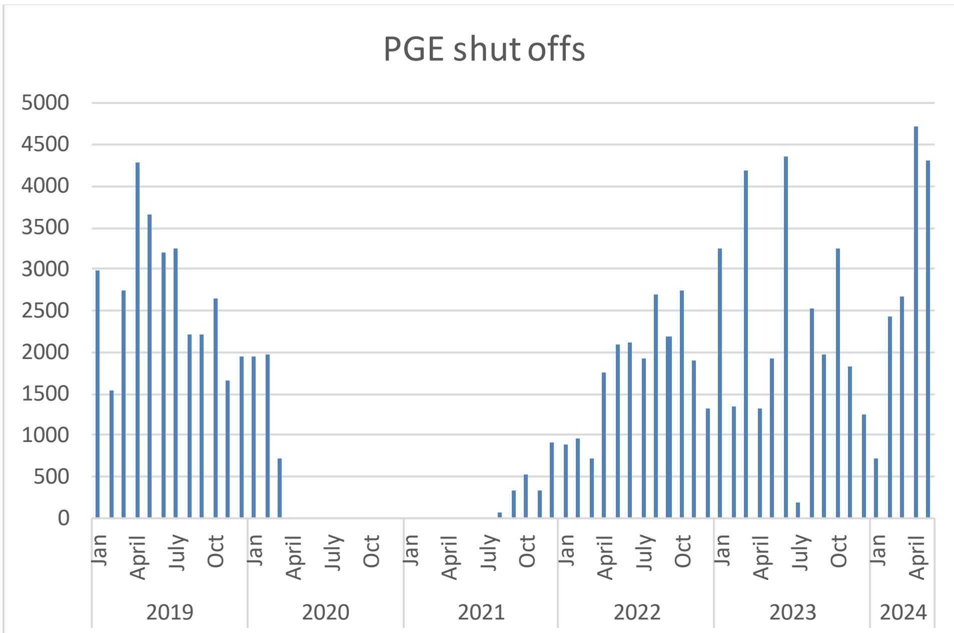
[71] CUB/100 Jenks/70.

[72] *Id.*

[73] *See* CUB/100 Jenks 9-12.

customers as a rate increase in January will be compounded by the effects of La Niña,[74] threatening a wetter, colder, and more expensive winter than ratepayers typically experience.

Figure 6: PGE Shut Offs Since 2018[75]



But residential customers and public officials, including the Mayor of Portland, are demanding that we do things differently.[76] Centering the customer in utility ratemaking means rather than focusing on the utility's desire for cost recovery without regulatory lag, the Commission should be addressing the problems customers are experiencing – things like rate hikes in the middle of winter, high rates of disconnections, indecipherable billing practices, rate levels that are increasingly unaffordable, incentives to control capital spending, and

[74] *See* National Oceanic and Atmospheric Administration, *U.S. Winter Outlook: Warmer and drier South, wetter North* (October 17, 2024), https://www.noaa.gov/news-release/us-winter-outlook-warmer-and-drier-south-wetter-north.

[75] CUB/100 Jenks/12; CUB/105.

[76] City of Portland Mayor Ted Wheeler's Comments (Aug. 27, 2024).

outstanding arrearages. While the regulatory process is often described as a balancing act between the interests of shareholders and customers, Oregon law centers the customer.

III. Standards of Utility Ratemaking

A. The Commission has an affirmative duty to protect the utility's customers

The Commission has an affirmative duty, as imposed by the legislature, to protect customers and the public generally. The Commission's enabling statute provides that:

> The commission *shall* represent the customers of any public utility or telecommunications utility and the public generally in all controversies respecting rates, valuations, service and all matters of which the commission has jurisdiction. In respect thereof the commission shall make use of the jurisdiction and powers of the office to protect such customers, and the public generally, from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates.[77]

The use of the word "shall" in the enabling statute, implies that the legislature intended that the Commission should affirmatively guarantee, to the extent of its jurisdiction and power of its office, that customers receive fair, reasonable, and affordable service. So too the Oregon Court of Appeals has recognized that the statute requires the Commission to secure for customers "fair and reasonable rates."[78] Therefore, at the core of the Commission's legislatively-delegated powers is the responsibility to protect PacifiCorp's residential customers from unreasonable practices and to ensure that rates are just and reasonable.

Furthermore, the enabling statute requires the Commission to protect customers from unjust and unreasonable exactions and practices.[79] Unjust and unreasonable exactions may be

[77] ORS 756.040(1) emphasis added.

[78] *Publishers Paper Co. v. Davis*, 28 Or. App 189, 193 (1977).

[79] ORS 756.040(1).

defined as charging customers rates which they cannot afford.[80] Indeed, just as ratemaking has a capital attraction function, it also has an income transfer function.[81] As discussed in Bonbright's influential treatise "Principles of Public Utility Rates", the income transfer function of ratemaking considers the customer's ability to pay and in turn, the ability of customers to maintain reliable utility service and a safely operating electric grid – not just for the individual customer, but also for the public welfare of Oregon.[82]

The principle of the ability to pay has in the past been used to support the idea of services and rates designed for low-income residential ratepayers.[83] But the core concept that every consumer "has an inherent right" to enjoy electric utility service[84] is the basis of the core function distilled into the Commission's mission "[t]o ensure Oregon utility customers have access to safe, reliable, and high quality utility services at just and reasonable rates."[85]

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[80] UE 88 – *In the Matter of the Revised Tariffs Schedules for Electric Service in Oregon Filed By Portland General Electric Company,* Order No. 08-487 at 5 ("The Commission sets rates within a reasonable range that protects the competing interests of the utility and its customers. *To protect customers, the rates must be set at a level sufficiently low to avoid unjust and unreasonable exactions*. To protect the utility investor, the rates must provide sufficient revenue not only for operating expenses, but also for the capital costs of the business.").

[81] *See* JAMES BONBRIGHT, PRINCIPLES OF PUBLIC UTILITY RATES 58-62 (1961).

[82] *See e.g.*JAMES BONBRIGHT, PRINCIPLES OF PUBLIC UTILITY RATES at 112 (1961) (Bonbright explains that under the diffusion-of-benefit principle, the benefits derived by the community are not limited to those that pay for the service directly as consumers. And further explaining that some kinds of service may be sold at less than cost for the purpose of attaining social benefits or avoiding social costs not attainable under the principle of "service at cost" in the ordinary sense.). It is likely this concept that Oregon's legislature had in mind when it introduced HB 3575 into the 2003 regular season to expand the authority of the Commission. Specifically, the bill proposed to allow the Commission to "[a]djust rates to mitigate or phase in an increase in rates if the increase is of such magnitude that, if applied at the higher rate or all at one time, *the increase would affect the ability of customers to maintain adequate utility service or could materially affect the economy of the state*." H.B. 3575, 72nd OREGON LEGISLATIVE ASSEMBLY § 9 (2003) emphasis added.

[83] *See* Oregon's Energy Affordability Act, HB 2475 (2021).

[84] *See* JAMES BONBRIGHT, PRINCIPLES OF PUBLIC UTILITY RATES 61-62.

[85] Oregon Public Utility Commission, About Us, *available at* https://www.oregon.gov/puc/aboutus/Pages/default.aspx.

B. The Ratemaking Process in Oregon

The Commission's enabling statutes require the Commission to examine three key components in ratemaking.[86] As explained by the Oregon Supreme Court in *Gearheart*, first, the Commission determines the utility's operating expenses, such as wages, fuel, maintenance, and taxes. Second, the statute provides that rates should provide adequate revenue "for capital costs of the utility," which is represented in rate base. And third, the Commission must determine the appropriate rate of return on the utility's capital investment.[87]

In determining each component, the Commission may also consider the data for the test year, using either a past, hybrid, or future test year.[88] In a general rate case where we examine a test year to determine an appropriate rate level that will be in place going forward without subject to true up, the rate effective date and the beginning of the test year do not have to match.[89] While utilities traditionally used historic test years, Oregon utilities have used future test years since the 90s. Commissions have permitted utilities to use both future test years and hybrid test years.[90] Regardless of the type of test year used, "use of a test year results in rates that inherently are based on estimates that may overcompensate or undercompensate utilities."[91] As this Commission has explained, "[t]he utility absorbs the expenses if they are

[86] *Gearhart v. Pub. Util. Comm'n of Oregon*, 356 Or. 216, 220 (2014).

[87] *Id.*

[88] *Id. at* 221.

[89] CUB/100 Jenks/25.

[90] *See e.g.*, UE 426, *In the Matter of IDAHO POWER COMPANY, Request for a General Rate Revision, CUB Opening Testimony*. Idaho Power uses a 2024 test year and a rate effective date of October 15, 2024.

[91] *Gearhart v. Pub. Util. Comm'n of Oregon*, 356 Or. 216, 221

higher than expected and benefits if the expenses are lower, which gives the utility the incentive to manage its operations efficiently."[92]

Though this appears at first glance to be a strict formulaic approach, in *Gearheart* the Court explained that there is no single correct sum or precise formula for setting rates, but rather a range of reasonable rates.[93] The Commission is "not obligated to use any single formula or combination of formulas to determine what are, in each case, just and reasonable rates."[94] Rather, the Commission has a broad authority to set rates. When the Commission makes those calculations and sets rates, it is performing a quasi-legislative function.[95] When the legislature has not acted this Commission is "empowered to regulate and, in so doing, to make delegated policy choices of a legislative nature within the broadly stated legislative policy."[96]

C. Rates must be Just and Reasonable

The culmination of the above analysis must return rates that are fair, just and reasonable.[97] This "just and reasonable" standard was first articulated in the landmark U.S. Supreme Court case *Federal Power Commission v. Hope Natural Gas Co.*[98] It provides the Commission with flexibility and discretion to determine the appropriate rate as there is no one fixed sum or practice that can be said to be just and reasonable, but rather the just and

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[92] UE 88 – *In the Matter of the Revised Tariffs Schedules for Electric Service in Oregon Filed By Portland General Electric Company*, Order No. 08-487 at 7 (Sept. 30, 2008).

[93] *Gearhart v. Pub. Util. Comm'n of Oregon*, 356 Or. 216, 220–21 (2014).

[94] UM 1909 - *Investigation of the Scope of the Commission's Authority to Defer Capital Costs*, Order No. 18-423 (Oct. 29, 2018) (citing *Pacific Northwest Bell Tel. Co. v. Eachus*, 135 Or App 41, 56, 898 P2d 774 (1995)).

[95] *Gearhart v. Pub. Util. Comm'n of Oregon*, 356 Or. 216, 221.

[96] *Springfield Educ. Ass'n v. Springfield Sch. Dist. No. 19*, 290 Or. 217, 230 (1980).

[97] ORS 757.210.

[98] *Federal Power Comm'n v. Hope Natural Gas Co.,* 320 U.S. 591, 603 (1944) (hereinafter *Hope*).

reasonable standard creates a range of possibilities. As described by the Court, this standard generally requires that the Commission balance the interests of the customer and investor, but in doing so "under the statutory standard of 'just and reasonable,' it is the result reached, not the method employed, that is controlling."[99] The *Hope* decision also provides guidance for regulatory "adjustments."[100] Accordingly, it's possible that allowing the utility to include *all* its prudently incurred costs into rates could result in rates that were in fact *not* just and reasonable.[101]

This Commission, quoting the Oregon Supreme Court, included that this "end result" test in rate proceedings is under its jurisdiction.[102] This allows the Commissioners tremendous flexibility to employ a variety of ratemaking tools, as long as they reach a just and reasonable end result.[103] The Commission has addressed this flexibility, acknowledging that it:

> sets rates under a comprehensive and flexible regulatory scheme. The legislature has expressed no specific process or method the Commission must use to determine the level of just and reasonable rates, and the Commission has great freedom to determine which of the many possible methods it will use.[104]

Certainly, the Commission has broad discretion on how and to what extent it may exercise its vested powers.[105] In authorizing this Commission with the power to regulate, the legislature impliedly directed the Commission to make use of this flexibility and power. The

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99 *Hope* at 602.

100 Jonathan A. Lesser, Leonardo R. Giacchino, *Fundamentals of Energy Regulation*, 132 (2nd ed. 2013).

101 *Id.* (discussing the examples of debates on failed nuclear plants where costs were prudently incurred but including them in rates was not just and reasonable.)

102 UE 94 - *Re PacifiCorp dba Pacific Power and Light Company*, Order No. 96-175 (July 10, 1996) ("it is 'the end result of an order of a regulatory authority which determines the question of its validity and not the process by which the authority reached the result.'" (quoting *Valley & Siletz R.R. v. Flagg* 195 Or 683, 699 (1952))).

103 *Id.*

104 UE 88 – *In the Matter of the Revised Tariffs Schedules for Electric Service in Oregon Filed By Portland General Electric Company*, Order No. 08-487 at 5 (Sept. 30, 2008).

105 *Citizen's Utility Board of Oregon v. Public Utility Comm'n of Oregon*, 154 Or. App 702, (1998).

power to supervise and regulate the electric service industry would not have been delegated without a corresponding responsibility to protect its customers.

D. Burden of Proof

In a utility dispute before the Commission, the burden of proof consists of two discrete components—the burden of persuasion and the burden of production.[106] In a utility proceeding, the burden of persuasion and the ultimate burden of producing sufficient evidence to support its claims is always with the utility.[107] Other parties to the proceeding have the burden of producing evidence to support their argument in opposition to the utility's position.[108] In a case in which a utility is requesting a change in rates or a schedule of rates—such as a general rate case—the utility bears the burden of showing that its proposed change will result in rates that are fair, just, and reasonable.[109]

IV. ARGUMENT

Cost of Capital

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

a) CUB's Recommendation:

PGE's ROE should be set at 9.2% if there is an increase in general rates in January. It should be set between 9.2% and 9.4% if the general rate increase is established in June. To mitigate rate shock, the Commission should consider reducing the ROE to the lowest that is allowable.

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[106] *In re Portland General Electric Company Application to Amortize the Boardman Deferral*, OPUC Docket No. UE 196, Order No. 09-046 at 7 (Feb. 5, 2009).

[107] *Id.*

[108] *Id.* at 7-8.

[109] ORS 757.210(1)(a).

b) Argument

(1) CUB recommends an ROE set at the lower point within the reasonable range.

In UE 416, CUB and AWEC's witness, Mr. Walters, supported a reasonable ROE range of 9.2% to 9.9%.[110] For the following three reasons, CUB believes the ROE should no longer be established as the midpoint of the reasonable ranges but should be set at a lower point.[111]

First, lowering the ROE, while still ensuring that it is set at a reasonable level, is a tool that the Commission has available to address rate shock.[112] Not only was this possibility raised by Commissioner Breyer, but principles of energy justice in utility ratemaking support using the ROE to "balance the need for utilities to earn a reasonable return with the interests of consumers in maintaining affordable utility rates."[113] If the Commission decides to raise rates in January, then customers will again struggle to pay their winter heating bills after a significant rate hike.[114] To offer relief, the Commission should establish the ROE at 9.2%. Per Mr. Walters testimony, 9.2% is still a reasonable level and would allow shareholders to be reasonably compensated.[115]

Second, the ROE reflects risk. PGE has reduced its risk by filing this case right after UE 416 and by continuing to propose mechanisms to reduce regulatory lag.[116]

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[110] CUB/100 Jenks/70 (citing UE 416 – AWEC – CUB / 100 / Walters /2; UE 35 – CUB/118).

[111] *Id.*

[112] *Id.*

[113] CUB/608 Wochele-Jenks/36.

[114] CUB/100 Jenks/70-71.

[115] *Id.* at 71.

[116] *Id.*

Correspondingly, PGE's ROE should be reduced to recognize that it is lowering its risk.[117] When the Commission is considering what ROE is part of a just and reasonable rate, back-to-back rate cases should not be overlooked.

Third, ROE compensates the Company for capital investment. Subjecting utilities to similar market discipline as the unregulated market, where if prices rise too quickly it will affect profits, creates a powerful incentive for a utility to prioritize its investments and think about the price impact it is placing on customers.[118] Historically, utilities have argued for rate increases to send price signals to customers to conserve electricity or otherwise change their behavior. So then too, rates can be used to send price signals to shareholders that expectations of certain returns must be adjusted when rates become unaffordable.

2. *What should be PGE's capital structure?*

a) CUB's Recommendation:

CUB does not take a position

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

a) CUB's Recommendation:

CUB does not take a position

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[117] *Id.*

[118] *Id.*

Rate Base

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

a) CUB's Recommendation:

CUB does not take a position

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

a) CUB's Recommendation:

CUB does not take a position

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

a. Should a year-end or average balance method be used to set the amount of fuel stock?
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?
c. Should fuel stock be valued at "actual price at time of purchase" or should fuel stock be valued at weighted average cost?
d. What is the appropriate way to value Beaver oil fuel stock?

a) CUB's Recommendation:

CUB does not take a position

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

a) CUB's Recommendation:

CUB does not take a position

<u>Revenues</u>

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

a) CUB's Recommendation:

CUB does not take a position.

<u>Compensation</u>

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
b. Annual cash incentives
c. Capitalized incentives (from 2024)
d. Stock incentives
e. Incentives overheads
f. Costs related to the above compensation amounts, i.e., payroll taxes and key customer management department costs.

a) CUB's Recommendation:

Until PGE can demonstrate that customers' interests are properly weighed when determining capital spending targets and the timing of rate cases, CUB recommends that the Company should be required to pick up 75% of cash incentives.

Correspondingly, to recognize the lack of proper controls on capital spending, CUB proposes to move the incentive level charged to customers from 50% to 25% by adjusting the test year amount charged to customers from $14.257 million to $7.128 million. The combination of these two adjustments would reduce the revenue requirement associated with incentives by $10.796 million.

CUB also recommends that the Commission remove $3.668 million in PGE's revenue requirement it includes to pay for company stock for its employees. Stock awards are designed to align the interests of employees and shareholders which does nothing to support affordable service to customers. CUB agrees with AWEC that providing stock to employees is inappropriate to include in revenue requirement because it does not require any cash outlay.

b) **Argument**

(1) Capital spending plans are subject to prudency review

To determine whether the costs were prudently incurred, the Commission has asked whether the actions at the time were reasonable "based on information that was available (or could reasonably have been available) at the time."[119] In doing so, the Commission has explained that "[t]he prudence standard examines all actions of the utility-including the process that the utility used to make a decision."[120] This means the Commission may also look to the Company's internal decision-making process to determine whether the utility's actions or investments were prudent in light of the circumstances which then existed.[121]

Prudence also requires effective management of costs.[122] For example in Order No. 24-359, the Commission approved a prudency disallowance after finding that NW Natural had not managed its cost overruns for its line extension allowances. In doing so, the Commission noted

[119] UE 246 - *In the Matter of PacifiCorp, dba Pacific Power Request for a General Rate Revision,* Order No. 12-493 at 25 (Dec. 20, 2012); UE 102 - *In The Matter Of The Application Of Portland General Electric Company For Approval Of The Customer Choice Plan*, Order No. 99-033 at 36-37 (Jan. 27, 1999)

[120] UE 246 - *In the Matter of PacifiCorp, dba Pacific Power Request for a General Rate Revision,* Order No. 12-493 at 26 (Dec. 20, 2012).

[121] *See Id.* at 25-26.

[122] Order No. 24-359 at 24.

that the "rate of underestimated costs points to a chronic shifting of cost and risk to existing ratepayers and suggests poor management of cost estimation procedures."[123]

Similarly, PGE's internal decision-making process and cost management practice do not show that the Company has acted prudently in light of the circumstances.[124] PGE's business model is built around looking for opportunities to increase capital spending.[125] Once a capital spending target is established, the goal is to spend the money.[126] PGE has not presented sufficient evidence to show that these internal decision-making processes effectively constrain or control capital spending.[127] Instead, they seem to facilitate higher and higher spending.[128] Nearly every recent investor presentation by PGE adds millions to its capital spending targets. CUB Exhibit 112 summarizes the capital spending targets that PGE announced: PGE has made 16 investor presentations.[129] Of those, ten had significant increases in capital spending.[130]

Specifically, the record shows that each new version of a 5-year spending plan is an increase over the last one.[131] The Orange Line below represents last year, 2023. In 2019, PGE established a target for 2023 capital spending of $500 million. By February of 2023, that target had grown to $1.21 billion. But it continued to grow through 2023, and the target ended up at $1.475, almost three times where it was when it was established in 2019[132].

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123 *Id.* at 25.

124 PGE's efforts to "mitigate" the size of this rate increase are just a list of the traditional adjustments in utility rate cases and past commission precedent; PGE has not undertaken novel ways to reduce the impact.

125 *See* CUB/100 Jenks/35 -43

126 CUB/100 Jenks/44.

127 CUB/100 Jenks/45.

128 *Id.*

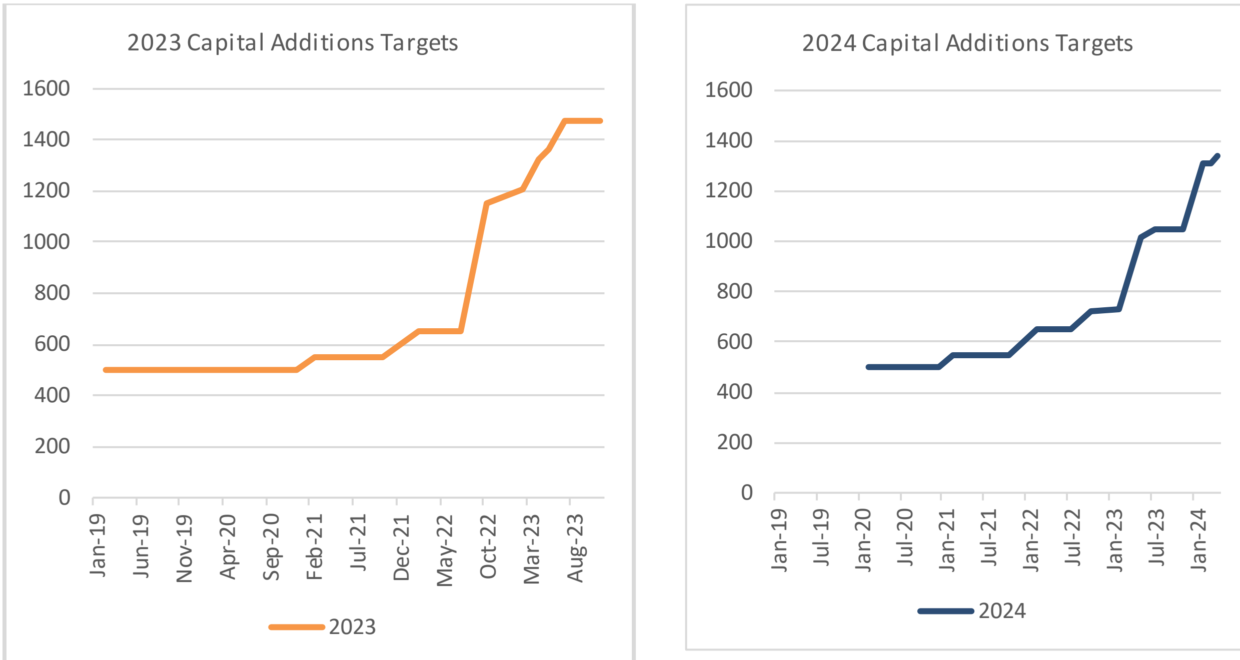
129 CUB/112 Jenks.

130 *Id.*

131 CUB/100 Jenks/36.

132 *Id.*

Figures 7: Showing Capital Additions Targets in 2024 and 2025.



The spending target for this year, 2024, shown in the blue line above was established at $500 million in 2020. By February of last year (2023) it had grown by almost 50% to $730 million. But its growth has accelerated since then, with it nearly doubling to $1.34 billion in April of this year. And there is no reason to believe that it won't continue to grow as PGE identifies more things that it can spend money on this year.

These increases in annual spending targets lead to rate increases, requests for trackers, and ultimately lost revenues due to increasing arrears and uncollectibles. Consequently, the costs and risks of this mismanagement are put onto ratepayers. While uncollectibles go to most customers, the residential class is responsible for 88% of those costs.[133] And, because the largest component of this is spending on the distribution system, the investment costs also fall

[133] *See* CUB/504 - PGE workpaper: 2025 Ratespread – January Prices FINAL.

heavily on residential customers.[134] Even if it's in the interest of ratepayers to bear the risks and costs of some capital spending, the Company still bears the burden to actively manage costs to ensure sustainable growth, affordable rates, and minimize the risk of arrears and disconnections.[135]

(2) A disallowance is warranted because PGE's capital review system lacks proper control over capital spending.

At its core, the fault of this mismanagement seems to be with PGE's capital review and control systems. PGE has not presented sufficient evidence to show that these systems effectively constrain or control capital spending. [136] Instead, they seem to facilitate higher and higher spending.[137] Accordingly, until PGE can demonstrate that customers' interests are properly weighed when determining capital spending targets and the timing of rate cases, CUB recommends:

1. PGE remove $3.668 million in its revenue requirement to pay for company stock for its employees. Employees are already too focused on benefiting investors and increasing their investment in the Company will only further align their interests with investors rather than providing reliable service to customers.
2. In recognition that PGE employees have not been properly balancing the interests of customers, PGE should be required to pick up 75% of incentives until it can demonstrate that it has taken actions which center the needs of customers. CUB proposes to move the incentive level charged to customers from 50% to 25% by adjusting the test year amount charged to customers from $14.257 million to $7.128 million.

[134] CUB/100 Jenks/40.

[135] CUB/100/Jenk 52; *See* also Order No. 24-359 at 24.

[136] CUB/100 Jenks/45-48.

[137] CUB/100 Jenks/45-48.

The combination of these two adjustments would reduce the revenue requirement associated with incentives by $10.796 million.

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

a) CUB's Recommendation:

CUB does not take a position.

Capital Projects

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

a. **What should the project value threshold be?**
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?***

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?

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

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?

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

a) CUB's Recommendation:

CUB did not weigh in on capital projects in this case but has supported attestations in the past.

<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?

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?

a) CUB's Recommendation:

CUB recommends that the Commission align the rate effective date with the Seaside project's operating date in which case Constable should not need a tracker. If the Constable project is included in rates through a tracker or otherwise, CUB recommends that the Commission adopt Staff's Constable tracker proposal.

17. ***Seaside Battery Project:***

a. **Should the Commission approve PGE's request for a tracker? If so, what conditions should be included?**
b. **If the tracker for the Seaside Battery Project is approved, should the Commission adopt Staff's recommended $44 million reduction to rate base?**
c.

a) CUB's Recommendation:

CUB recommends that the Commission not approve PGE's requested tracker for the Seaside Battery Project. CUB opposes single issue ratemaking. Additionally, Seaside is slated to come online mid-2025. Costs from a tracker would be in addition to the total ratepayers are expected to see from this general rate case.

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?**
b. **Should the ITC be amortized over the life of Seaside or five years?**
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?**
d. **Should the Commission condition a finding that the Constable and Seaside projects are prudent on PGE's agreement to opt out of Investment Tax Credit (ITC) normalization for ITCs associated with Seaside.**

a) CUB's Recommendation:

The Commission should find the record supports returning the sale value of Constable and Seaside ITCs to customers over the life of the asset, but financed against rate base as the Alliance of Western Energy Consumers (AWEC) proposes.

Argument on Constable and Seaside Energy Storage Projects

Allowing a utility a reasonable opportunity to recover their prudently incurred costs does not require a tracker for the project costs.[138] This is a principle of regulatory lag. As the Commission has recognized,

> Under traditional ratemaking, a utility continues to recover a return on the plant balances included in its rate base, even as though the value of those assets has depreciated since the last rate revision. This benefit is countered to some extent by the fact that capital investments made in the interim have not yet been placed into rates during the same period.[139]

Regulatory lag must be carefully balanced as trackers for capital project costs change the balance in the utility's favor by reducing lag.[140] In the past, timing mechanisms that help PGE match revenue collection to increased costs or that reduce regulatory lag have not been given due attention.[141] While many utilities try to time rate cases to align with large new capital investments to avoid regulatory lag, PGE has not had to. [142] PGE's GRCs often identify multiple rate effective dates because of the inclusion of trackers. [143] In effect, PGE aligns its rate cases with the middle of winter, pushing up earnings while avoiding regulatory lag on large new capital investments.[144] This case is no different. Here PGE wants the Commission to approve three rate effective dates: January 1, 2025, for all costs that are used and useful, a tracker for Constable, and a tracker for Seaside.[145] Instead, CUB is proposing that the

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[138] *See* Order No. 24-359.

[139] Order No. 24-359 at 30 (citing Order No. 20-147 at 13).

[140] CUB/ Jenks; *See* also Order No. 24-359 at 30(citing Order No. 20-147 at 31).

[141] CUB/400 Jenks/31.

[142] *Id*.

[143] *Id*.

[144] *Id*.

[145] CUB/400 Jenks/29-30.

Commission move the rate effective date for the GRC from January 1 to Mid-June when Seaside comes online for two important reasons.

First, moving the rate effective date to coincide with the online date of Seaside reduces the burden on customers that comes from large winter rate increases.[146] CUB has worked to understand residential energy demands, and it is clear that January is the worst possible time for a rate increase. CUB is not seeking some sort of new policy that will require regulatory lag on all investments. CUB is seeking to reduce the number of shut offs and the hardship that is placed on customers by moving large rate increases away from the middle of winter. The Company can continue to seek rate increases, and the Company can time its rate cases in whatever manner it wants to reduce regulatory lag, as long as it avoids large winter increases.[147]

Second, this proposal would align the rate increase with PGE's Seaside battery project, the largest single investment in this rate case. [148] To be clear, CUB's proposal to add Seaside to rates in June without regulatory lag is conditioned on a delay to the rate increase proposed for January. [149] Not only will this proposal have an significant impact for customers in this case, but this proposal is also intended to encourage PGE to change its practice of combining big winter increases with trackers. If the Commission rejects moving the rate effective date to coincide with the Seaside tracker, CUB no longer supports allowing Seaside in rates in June.[150] At that point, rather than providing an incentive to change how PGE manages the timing of rate

[146] CUB/400 Jenks/30-31.

[147] CUB/400 Jenks/30. The Commission could also accomplish this by choosing any rate effective date after April 1, 2025. *Id.* at 33.

[148] CUB/400 Jenks/30.

[149] CUB/400 Jenks/30.

[150] *Id.* at 33.

changes, the decision would reinforce that there is no need for PGE to do anything differently than it did last January.[151]

Finally, CUB make a recommendation regarding the application of Seaside's Investment Tax Credits. CUB aligns with Staff's proposal to spread the ITC benefits over the entire life of the asset.[152] As a result, CUB is generally supportive of opting out of ITC normalization for the sale of ITCs and to return the sale value to customers over the life of the asset but financed against rate base as AWEC proposes.

<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?***

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

a. What adjustments, if any, should be made to the amount proposed by PGE for the following corporate support (A&G) items:
b. General A&G category reduction
c. FERC Account 921 (office supplies)
d. Directors' and Officers' expense
e.

[151] *Id.* at 33.

[152] CUB/500 Tran/3; *See* also AWEC/100/Mullins/66, lines 10-15.

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

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

a. Revolver fees
b. Margin net interest
c. Broker fees
d. Membership expense

a) CUB's Recommendation:

CUB does not take a position on Non-labor Operations and Maintenance (O&M) expense.

T&D

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?***

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?***

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?***

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?***

a) CUB's Recommendation:

CUB does not take a position on T&D.

Taxes

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?***

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

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

a) CUB's Recommendation:

CUB does not take a position on Taxes.

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?***

a) CUB's Recommendation:

CUB does not take a position on Grants.

Rate Spread/Rate Design

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

a) CUB's Recommendation:

In Surrebuttal PGE stated that work is underway to identify an "innovative rate design that explores rate structures that reflect true costs while considering affordability impacts and make sure that the right customer classes are contributing to the appropriate portion of the utility's revenue need." It's become apparent through discovery in this proceeding and related dockets that this is not happening with the urgency needed. The Commission should direct PGE to bring its "new innovative rate design and "rate structures" to a workshop and share them with stakeholders. If these new innovative designs and structures do not address the allocation of costs associated with data centers, the Commission should again order the Company to address cost allocation of data center costs.

b) Argument

Over the last 10 years PGE has undergone tremendous load growth, but nearly all of that has been in the industrial sector, particularly Schedule 90, which includes only the largest industrial customers. As shown in Figure 7 below, Schedule 90 grew by 146% during this time.[153] If it wasn't for Schedule 90, PGE would have less load on its system today than it had in 2016. Meanwhile, Data Centers in Hillsboro are projected to require 2,241,826 MWh in 2025.[154]

Figure 8: Load Growth (MWh) change 2016 - 2025 by PGE schedule[155]

Schedule	2016	2025	percent change
Residential (sch. 7)	7,620,805	7,889,185	3.5%
Small Commercial (sch. 32)	1,599,950	1,550,351	-3.1%
Medium Commercial (sch. 83)	2,795,179	2,867,544	2.6%
Large Commercial (sch. 85)	3,177,726	2,748,209	-13.5%
Large Industrial (sch 89)	934,442	1,057,275	13.1%
Really Large Industrial (sch 90)	1,498,007	3,685,313	**146.0%**
Total COS System	17,842,764	19,958,040	11.9%

This is not the first time parties have raised eyebrows over this growth. Last year, in UE 416, Staff noticed that roughly 70 percent of transmission upgrade dollars from 2020-2024 were or are planned to be spent in the Hillsboro area to meet increased load.[156] Staff was concerned about this data center growth in Hillsboro and proposed that costs related to the

[153] *See* CUB/710 – PGE response to CUB DR 147; CUB/710.1 –PGE response to CUB DR 147 Attachment. (2016 data is weather normalized load forecast from UE 294/ PGE/1402 Cody); *See also* PGE/902/MacFarlane-Pleasant (2025 data is weather normalized load forecast from UE 435).

[154] CUB/721.

[155] *See* CUB/710.1 (2016 data is weather normalized load forecast from UE 294/ PGE/1402 Cody); *See also* PGE/902/MacFarlane-Pleasant (2025 data is weather normalized load forecast from UE 435).

[156] Staff/2000/Stevens/38-39.

Hillsboro Reliability Project and the Horizon Keeler# 2 230 kV line be removed from all schedules except Schedules 89, 489, and 90.[157] As staff explained,

> The vast majority of this load growth came from very large industrial customers. These schedules with the largest growth, Schedule 89, Schedule 489, and Schedule 90, have a total of 22 accounts. It is likely that some of these accounts are owned by the same company, meaning the total number of customers is likely less. Staff questions the logic that the costs of these transmission and distribution upgrades should be spread to all customers, since they are necessary to handle the growth of so few customers.[158]

In the fourth partial stipulation in that case, the parties agreed that Staff would withdraw its proposal and instead an investigation would be opened to examine the new large load connection costs.[159] In adopting the stipulation, the Commission voiced concern about "the potential costs and risks to other customers." The Commission not only approved the stipulation but recognized the urgency in fixing this cost allocation problem and ordered PGE to propose an interim measure to address this issue during the investigation and ordered PGE to fill an interim tariff by December 28, 2023.[160] Accordingly the Commission opened an investigation in UE 430.

In Surrebuttal PGE stated that work is underway to identify an "innovative rate design that explores rate structures that reflect true costs while considering affordability impacts and make sure that the right customer classes are contributing to the appropriate portion of the utility's revenue need."[161] When asked about the timing of this "innovative rate design" PGE asserted it was "actively engaging in Docket UE 430 regarding new large load connection costs

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[157] Order No. 23-386 at 14

[158] Staff/2000/Stevens/38-39.

[159] Order No. 23-386 attachment Fourth Partial Stipulation.

[160] Order 23-386.

[161] PGE/2100 Ferchland-Liddle/11.

and plans to file a proposal by the end of January."[162] CUB would not characterize PGE's repeated requests for an extension for the past year to for file a proposal in UE 430 "actively engaging" in that docket. PGE has since gotten extensions to March, May, October and is now asking for an extension until December 20, 2024.

The issue of cost causation and Schedule 90 customers should have been in the works. PGE is asking to raise residential customers rates 8.7%, including asking them to fund the majority of Schedule 90's LFC. Meanwhile, PGE is proposing to only increase the Schedule 90 rate 4.5%.[163] Parties thought we were on the right track by agreeing in UE 416 to open an investigation on this issue, but so far PGE has been able to avoid any meaningful discussion or changes in that docket, yet still finds the time for this rate case. Accordingly, the Commission should direct PGE to bring its "new innovative rate design and "rate structures" to a workshop and share them with stakeholders. If these new innovative designs and structures do not address the allocation of costs associated with data centers, the Commission should again order the Company to address cost allocation of data center costs.

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?***

a) CUB's Recommendation:

CUB recommends the Commission adopt proposed adjustments to PGE's cap to customer

[162] CUB/728.

[163] CUB/725.

class rate increases. If it wasn't for schedule 90, over the last 10 years, PGE load would have shrunk. Yet residential rates have increased more than 3 times as much as Schedule 90. A rate cap on increases for residential customers can prevent residential customers from paying for industrial load growth. Staff's proposed 3% rate increase cap for residential customers should be implemented in this case.

b) Argument

(1) CUB supports Staff's 3% rate cap for residential customers to mitigate rate shock.

CUB has proposed three tools to the Commission to consider under its discretion to limit rate shock. These proposals were discussed at length in testimony and include delaying a portion of the cumulative rate increase above the threshold; setting the ROE at the lowest level acceptable to the Commission; and other reporting measures.

The Commission could also mitigate rate shock through rate spread. In adjusting methods of the marginal cost of service to promote fairness, this Commission recognized "the importance of protecting residential customers from rate shock as we move to a more balanced distribution of the costs of service." In UE 96, the Commission adopted a rate spread that, while not eliminating the rate disparity, "would continue to help achieve a more balanced distribution of the costs of service without subjecting residential customers to rate shock." [164] In reaching this decision, the Commission explained it had

> adopted a policy that precludes any customer class from receiving a rate reduction in the face of an overall increase in revenue requirement. We are not convinced that that policy should be abandoned at this time. Indeed, small customers' perceptions of fairness are critical to our ability to move the electric industry toward a more competitive marketplace.[165]

[164] UE 94 - *In Re Pacificorp*, Order 96-175 (July 10, 1996).

[165] *Id.*

Addressing rate shock through rate spread, as Staff proposes, is compatible with CUB's Rate Shock Mechanism proposal.[166] The two can be adopted together. But it is important to recognize that, while they are complimentary, the two proposals address issues that are distinct.[167] CUB believes that Staff's proposal is an attempt to address concerns related to affordability in relationship to this case which immediately follows the 18% residential increase in January 2024.[168] Staff believes that rate increases should reflect gradualism.[169] Staff's proposal is to protect the energy security of current utility customers.[170] Staff's proposal addresses this case only, though Staff is calling for a reexamination of current rate spread which Staff believes should take into account affordability, and energy justice considerations.[171] CUB shares these concerns and supports Staff's three percent cap.[172]

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

a) CUB's Recommendation:

CUB does not take a position.

[166] CUB/400 Jenks/44.

[167] *Id. ; see also* Order No. 24-359.

[168] UE 434 – Staff/200/Scala/6.

[169] *Id.* at 17.

[170] *Id* at 38.

[171] *Id.*

[172] CUB/400 Jenks/44.

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

a) CUB's Recommendation:

No. Instead, CUB proposes a disallowance of 20% or $8,451,698 to be applied against the monthly customer (or basic) charge which is where billing costs are collected.

b) Argument

(1) PGE has not justified an increase to its basic charge.

PGE is proposing to increase its current basic charge for single family households to $15/month, and the multi-family charge to $12/month.[173] This is on the heels of the Company's last rate case in 2023 (UE 416). If the Company gets its current request, basic charges for residential customers will have increased by $4 in two years.[174] For the following three reasons, the record does not support PGE's request.

First, PGE argues it is entitled to a 9% increase.[175] The Company states that this increase gets closer to embedded costs.[176] PGE's support for the 9% increase, however, is unavailing. To justify the increase, PGE points to the two-year old settlement agreement in UE 394.[177] But that stipulation set the basic charges to a dollar amount, not a percentage increase.[178] In fact, in its reply, the Company stated "PGE acknowledge that 9% is not a precise target on which to anchor the relationship between the SF basic charge and the typical

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[173] PGE/900/Macfarlane-Pleasant/20.

[174] CUB/300/Wochele-Jenks/4.

[175] *Id.*

[176] *Id.* at 5.

[177] *Id.* at 4-5.

[178] *Id.* at 5.

residential bill"[179] Moreover, the Commission is not obligated to follow the terms of that settlement agreement here.[180]

Second, when UE 394's rate case was decided in 2022, the Company had not yet completed an Energy Burden Analysis (EBA) or Low Income Needs Assessment (LINA), and therefore have the best picture of what energy burden looked like in its territory.[181] Thus, making it difficult at that time UE 394 was decided to determine a reasonable percent for the basic charge. Though three years has passed, the record here does not support PGE's assessment of the feasibility of this proposal on its low-income customers, or other identified vulnerable customer segments.[182] Instead, the Company simply claims its Income Qualified Bill Discount Program (IQBD) will "temper a Basic Charge increase for low-income customers enrolled in the program."[183] (This is, unfortunately, reflective of PGE's approach to the overall rate increases as well. To-date, PGE has lacked an equity impact analyses in its general rate cases on how its proposals to raise rates will impact different vulnerable customer segments, including low-income customers.[184])

Third, because the basic charge is fixed, an increase limits customer control over their monthly bill amount.[185] The record is full of residential customers' lived experiences on this point.[186] Customer are frustrated not only by the limited flexibility this allows to manage their

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[179] PGE/2000 /9 line 4.

[180] OAR 860-001-0350.

[181] CUB/300 Wochele-Jenks/6.

[182] *Id.* .

[183] *Id.* (quoting PGE/900/Macfarlane-Pleasant/20).

[184] CUB/300 Wochele-Jenks/6.

[185] CUB/500 Tran/5.

[186] *Id.* at 6-7

energy costs, but also that it diminishes the value of energy efficient appliances.[187] We need to focus on ensuring customers retain flexibility to manage their electric bills and are incentivized to invest in energy efficiency. The roll-out of smart meters, which customers paid for, Schedule 109, which customers pay to fund energy conservation,[188] as well as the advent of schedules that allowed for net-metering and time of use, suggests a regulatory climate supportive of customer choice and conservation. But the record now demonstrates that increases to the basic charge have the opposite effect.

The Commission just approved an increase to the basic charge in UE 416. Raising the residential basic charge again will further diminish customers' flexibility to manage their usage and control costs.[189] Accordingly, CUB joins Staff in recommending that the residential basic charge remain at the current price, of $13 for Single Family homes and $10 for Multi-family homes.

(2) Instead of increasing the basic charge, the Commission should approve CUB's proposed billing disallowance reflective of poor bill design

Instead of increasing the basic charge, the Commission should approve CUB's proposed billing disallowance reflective of poor bill design. CUB recommends a 20% disallowance or $8,451,698 to be applied against the monthly customer (or basic) charge which is where billing costs are collected.[190]

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[187] *Id.*

[188] *See Id.* at 8-9.

[189] CUB/500/Tran.

[190] CUB/100 Jenks/25; CUB/400 Jenks/12.

Good bill design is part of a utility's obligation to serve.[191] Providing transparent price information is a key value that customers should expect from a utility or any business.[192] This includes the ability to show how rates have changed.

PGE's rates include the cost of billing. The Commission has the authority to adjust the proposed revenue requirement as necessary to determine a just and reasonable rate, which includes adjustments to these billing costs.[193] Accordingly, CUB recommends the disallowance for the following three reasons[194]:

1. PGE's bill design fails to provide customers with information about PGE's monthly charges that customers should expect;
2. PGE's bill design makes it impossible for customers to identify the size of a rate increase; and
3. PGE's bill design fails to provide customers with the information necessary to make rational energy choices related to energy efficiency, rooftop, community solar, and transportation electrification.

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

a) CUB's Recommendation:

No. The Commission should find that PGE has not established that its proposed revisions to the load following credit (LFC) for Schedule 90 are warranted. PGE's proposal to update the Load Following Credit would shift significant costs to residential customers without any support in the record to do so. PGE has the burden of proof, and the record does not support this change.

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[191] CUB/400 Jenks/13.

[192] *Id.* ; *see* also CUB/100 Jenks/24-25.

[193] *See* Hope at 602.

[194] CUB/100/Jenks/15; CUB/400 Jenks/12.

b) Argument

(1) The LFC is not supported by the record

PGE bears the burden to show the LFC should be revised. The record, however, does not support a load following credit (LFC) in general, much less PGE's revision.[195] In PGE's Opening Testimony, it provided zero evidence for why the sudden change in price is necessary, other than suggesting that it should be updated.[196] But the record developed is not sufficient to support the change.[197]

According to PGE, the other customers should compensate Schedule 90 customers for the "flexibility" Schedule 90 customers provide to the gr*Id.*To this effect, PGE proposes updating the LFC by using an abstract "flexibility value" of a 4-hour battery as a proxy for that compensation.[198] Even AWEC, a party that supports the LFC update, admits that "this flexibility value is highly speculative" because it rests on two critical assumptions that are part of a modeling simulation.[199] The LFC total amount is the price multiplied by the MWh of eligible Schedule 90 customers, where the price under PGE's proposal is based on flexibility benefits of the battery.[200]

Moreover, CUB agrees with Staff, that if PGE uses the flexibility of a 4-hour battery as the compensation proxy, then Schedule 90 customers must provide those same flexibility benefits of that battery.[201] PGE has not shown that Schedule 90 customers provide this benefit

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[195] *See* CUB/500 Tran/14-17.

[196] *Id.* 14 (citing PGE/900/Macfarlane - Pleasant/11, 17).

[197] *Id.* at 16.

[198] *See id.* at 15; *see* also CUB/506.

[199] *See* AWEC/400 Kaufman/11, 10

[200] CUB/500 Tran/ 15-16.

[201] *Id.* at 16.

nor refuted this argument by Staff.[202]

In its Reply Testimony, the Company asserts that House Bill 2021 justifies the revision.[203] But as Oregon implements HB 2021 and moves to an energy system that is primarily supported by intermittent resources, providing a credit because a customer has stable load makes little sense. As the renewable resources utilized to meet that load vary, the utility must adjust its market purchases and ancillary services in order to meet the load. The stability of the demand has little benefit in a world where there is no stability in generation.

If accepted, the LFC revision would effectively shift $7.5 million to residential customers. Under the revision, almost all other customer classes would have to pay the Schedule 90 customer for speculative benefits the latter may provide due to their consistent load.[204] Notably, residential customers are responsible for roughly half of the entire LFC bill; the other classes do not pay more than 18% of the bill.[205]

When PGE calls on residential customers to turn down the AC to avoid a blackout during PGE's summer peaks, customers respond. As a rising tide lifts all boats, so too Schedule 90 data centers will raise that summer peak for all customers.[206] As Barclays reports, "AI energy demand can be considered a constant peak that leads to higher overall peak power demand across the grid."[207] Far from benefiting the system with "flexibility" these customers will put pressure on the Company to source new load that operates 24/7 365 days a year. [208]

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[202] *Id.*

[203] *Id* at 14-15 (citing PGE/2000/Macfarlane – Pleasant/17, 16-18).

[204] *Id.* at 13 (citing PGE/2000/Macfarlane – Pleasant/18).

[205] *Id.* at 14.

[206] *See* Will Thompon & Betty Jiang, *Artificial Intelligence is hungry for power*, Barclays, Investment Bank (Aug. 28, 2024), https://www.ib.barclays/our-insights/3-point-perspective/AI-power-energy-demand.html.

[207] *Id.*

[208] *Id.*

The LFC should be eliminated not expanded. With the rapid growth of Schedule 90 over the last 10 years,[209] and PGE delaying its proposals in UE 430 to fix the cost allocation associated with new large load,[210] raising residential prices for the explicit purpose of reducing charges to Schedule 90 should never have been supported by PGE.

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

a) CUB's Recommendation:

CUB does not take a position.

<u>Transportation Line Extension Allowance</u>

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?***

a) CUB's Recommendation:

CUB does not take a position.

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

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[209] Schedule 90 load grew 146% from 2016 to 2025. *See* CUB/710.1 (2016 data is weather normalized load forecast from UE 294/ PGE/1402 Cody); *See also* PGE/902/MacFarlane-Pleasant (2025 data is weather normalized load forecast from UE 435).

[210] *See* UE 430, CUB's response to PGE's Fourth Request for Extension (Oct. 25, 2024).

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

a. UM 1811 pilots rate base
b. Electric Island rate base
c. TE database rate base
d. Line extension rate base amounts related to customer TE projects from 2019 to 2023
e. TE plan and program development expense

a) CUB's Recommendation:

CUB does not take a position.

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

a. PGE EV Fleet Vehicles rate base
b. PGE Fleet EV Charger rate base
c. PGE EV Charger Maintenance expense

a) CUB's Recommendation:

CUB does not take a position.

<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?***

a) CUB's Recommendation:

The Commission should adopt CUB's proposed ($8,451,698) adjustment to billing costs to be applied against the monthly basic charge for PGE's failure to provide adequate transparency in customers' bills.

b) Argument

This is addressed above.

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

a) CUB's Recommendation:

CUB does not take a position.

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

a) CUB's Recommendation:

CUB does not take a position.

Affordability, Income Qualified Bill Discount and other Environmental Justice Issues

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?***

a) CUB's Recommendation:

The Commission should require PGE to commit to collaborating with stakeholders to increase bill discount tiers in line and prior to the final rate increase and rate effective date.

The Commission should require PGE to commit to work with stakeholders to implement some level of assistance for residential customers with incomes in the 61-100% SMI range, prior to the rate effective date in this case.

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

a) CUB's Recommendation:

The Commission should require PGE to include IQBD re-enrollment data and PEV data to existing RE 195 reporting.

The Commission should require PGE to file to-date re-enrollment and PEV data with its upcoming IQBD/EBA update filing.

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

a) CUB's Recommendation:

The Commission should require PGE to extend Time Payment Arrangements (TPAs) from 12 months to 24 months for all customers, at least until a more robust plan and program is put into place to address arrears and disconnections.

The Commission should require the Company to extend the actual bill due date for residential customers before the disconnection process can trigger from a 20-day notice to 30 days.

The Commission should consider setting a service quality standard requiring PGE to decrease its disconnections on residential households by a specific threshold and a specific remedy if PGE fails to do so.

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?***

a) CUB's Recommendation:

The Commission should require the Company to extend the actual bill due date for residential customers before the disconnection process can trigger from a 20-day notice to 30 days.

The Commission should require PGE to extend Time Payment Arrangements (TPAs) from 12 months to 24 months for all customers, at least until a more robust plan and program is put into place to address arrears and disconnections.

PGE implement, prior to the January 1, 2025 effective date, an arrearage management and arrearage forgiveness program that takes into consideration the findings of its 2024 EBA. This includes: arrearage forgiveness targeted to customers in the lowest IQBD income tiers; consideration of customers with incomes at 60-100% of SMI; and stakeholder engagement to develop data informed programs.

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

a) CUB's Recommendation:

The Commission should require the Company to eliminate late fees for all 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?***

a) CUB's Recommendation:

The Commission should require PGE add IQBD re-enrollment data and PEV data to existing RE 195 reporting.

The Commission should require PGE to file to-date re-enrollment and PEV data with its upcoming IQBD/EBA update filing.

The Commission should require PGE to complete an intentional data sharing walkthrough with both its IQBD Program Update Group and its CBIAG, informed both by stakeholder questions and CUB DR 131 and 133, and OPUC DR 665, which includes accessible data visualization for participants, with timing in line with the IQBD/EBA update.

PGE needs to immediately utilize the data from its 2024 EBA and conduct equity impact analyses as it relates to the Company's proposals to increase rates for residential customers.

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

a) CUB's Recommendation:

As discussed above, there should not be any increase in the residential basic charge.

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

a) CUB's Recommendation:

The Commission should reject AWEC's proposal to move to revenue-based allocation for IQBD cost recovery.

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

a) CUB's Recommendation:

CUB did not take a position in testimony but is interested in hearing from other parties on this issue.

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?***

a) CUB's Recommendation:

The Commission should require that 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. The effect of increasing power costs on rates should not be ignored in GRCs. These demand greater attention and investment in EE and weatherization.

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?***

a) CUB's Recommendation:

The Commission should require PGE to center energy efficiency for low-income households in its rate scheme as a condition of any rate increase. The effect of increasing power costs on rates should not be ignored in GRCs. These demand greater attention and investment in EE and weatherization.

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?***

a) CUB's Recommendation:

the Commission should 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

Argument on CUB's recommendations related to Affordability, Income Qualified Bill Discount and other Environmental Justice Issues

a) The findings of the Company's Energy Burden Assessment (EBA) show greater programmatic change is needed.

In PGE's rate case last year, the Company agreed to conduct a Low-Income Needs Assessment (LINA) (also known as an Energy Burden Assessment) of its service territory by June 30, 2024, and submit a new discount program within 90 days of receiving the assessment.[211] On June 28, 2024, PGE filed its Energy Burden Assessment (EBA) in UE 416 and in UM 2211 on July 3, 2024. One of the main takeaways for the Company was that the IQBD program was working effectively and no major recommended changes need to be made to the foundation of the program.[212] The EBA found that the total assistance available in 2024 accounted for only 51% of the need in PGE's service territory, and made recommendations on how to improve enrollment in IQBD, leverage energy efficiency, address arrearages, and how to serve those customers who are energy burdened but don't meet the income qualifications for assistance programs.[213]

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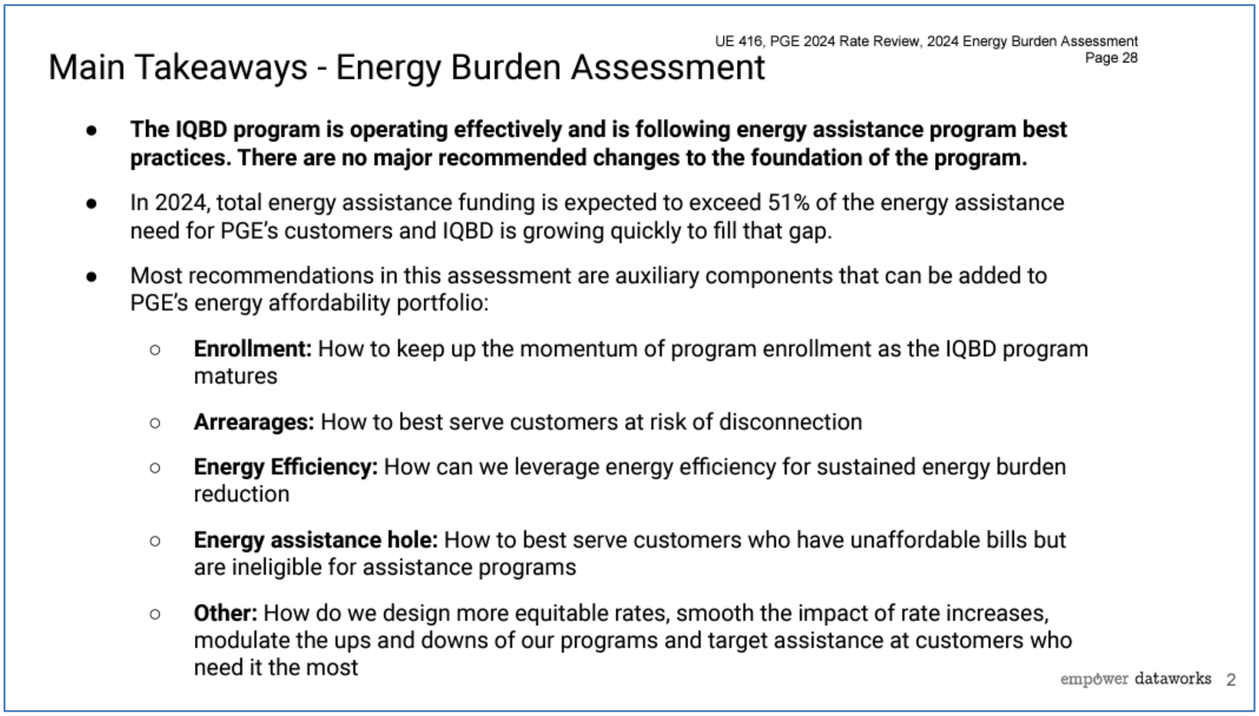
[211] UE 416 - *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision; and 2024 Annual Power Cost Update*, Order No. 23-385, 14 (Oct. 30, 2023).

[212] UM 2211 - *In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Implementation of House Bill 2475*, PGE's Energy Burden Assessment (hereinafter "PGE EBA"), 28 (July 3, 2024) (also filed in UE 416 on June 28, 2024).

[213] UM 2211 - PGE's Update to EBA Recommendations, 3 (Oct. 4, 2024).

Figure 9. PGE's Main Takeaways from its Energy Burden Assessment[214]



The EBA found that of PGE's 800,000 residential customers, roughly 68% are non-Hispanic white, with about 16% being Hispanic and primarily in Marion County.[215] Nearly a quarter of PGE's residential customers fall under 60% of the State Median Income (SMI) and would qualify for PGE's current IQBD; an additional 16% of its customers make between 60-100% of SMI—these are the "borderline" customers who could not qualify for assistance based upon their incomes, but may still have a high energy burden.[216]

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[214] UM 2211 – PGE EBA at 28.

[215] *Id.* at 14.

[216] *Id.* .

Figure 10. PGE Residential Customers Household Income as % of SMI[217]

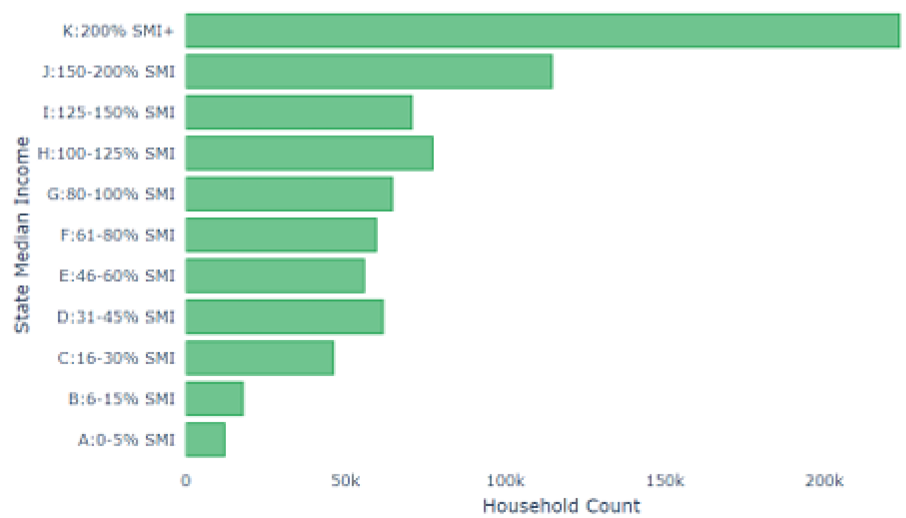

Figure 1. Distribution of households by household income as a percent of state median income for PGE residential customers

The EBA found that PGE's energy charge in its 2024 residential retail rate is approximately 16.5 cents/kWh, which is higher than other utilities in the region (but in line with the national average of 16 cents/kWh).[218] The average household in PGE's service territory will pay $1,900/year in electricity bills in 2024 as compared to low-income, high-burden customers paying an avg of $2,300 a year.[219] Of the 140,000 customers deemed to have high energy burden, 118,000 of those customers (84%) are also low-income—meaning roughly 15% of PGE's total customers are low-income and have high energy burden.[220]

Over half the homes in PGE's service territory were built before 1980, with roughly 14% built before 1940.[221] Approximately 60% of the energy assistance need is for single-

[217] PGE EBA at 14.

[218] *Id.* at 16.

[219] *Id.* at 15.

[220] *Id.*

[221] *Id.*

family residences, with 32% of energy assistance need in multifamily homes, and 55-60% of energy assistance need is for renters.[222] And just under half of PGE's customers use electricity as a primary or secondary heating source.[223]

About 22% of PGE's low-income customers have high energy burden *and* have high efficiency potential, and per the EBA, these customers would most benefit from energy assistance and weatherization upgrades to save them money on energy and lower their energy burden. Just under 40% of PGE's low-income customers have high energy burden but low energy efficiency potential, which means they would be better served by direct assistance, given energy efficiency and weatherization would not change their situations much. About 36.7% of PGE's low-income customers are low burden and low efficiency potential, and the EBA recommends they not be prioritized in PGE's more intensive programs, like weatherization. [224]

The EBA made recommendations for PGE for its IQBD, Program Portfolio, and other opportunities for reducing energy burden. While the EBA found PGE's highest income discount tiers suitable for those customers at 31-60% SMI, the EBA found that there is still significant need for customers in the 0-30% of SMI.[225]

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[222] PGE EBA at 17.

[223] *Id.* at 15.

[224] *Id.* at 19.

[225] *Id.* at 52.

Figure 11. PGE's EBA IQBD Discount Tier Analysis[226]

Discount Tier Analysis

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Recommendation: Assess the feasibility and benefit vs. cost of enhanced discounts for lower income tiers

Income tier	Discount Level	Average need of high-burden households as a percent of bill
0-5% SMI	60%	90%
6-15% SMI	40%	67%
16-30% SMI	25%	45%
31-45% SMI	20%	23%
46-60% SMI	15%	16%

Example: Increase discounts to 90% & 70% or combine into one tier at 75% discount

Estimated budget impact at current enrollment (Q1 24):
90%: ~$5.1M (+12%)
70%: ~$4.6M (11%)

Example: Enhance discount for this group who is under the federal poverty level to 50% discount

Estimated budget impact at current enrollment (Q1 24): ~$11M (+26%)

Current discount rates are suitable

Additionally, the EBA made other recommendations to improve the IQBD, including suggesting PGE focus its immediate IQBD outreach efforts to PGE's 0-15% SMI households, better communicating IQBD to customers at risk of disconnection, and assessing the impact of enhanced discounts for lower tiers.[227] Its other programmatic recommendations include: allocating energy efficiency funding to low-income, high burdened customers, consider an energy audit program for high users in existing programs, and to initiate a Program Navigator to help partner nonprofits help customers navigate assistance options.[228] The assessment also recommended the Company work with stakeholders on solutions for those "borderline" customers, as well as adjust the timing of its rate increases outside of the winter months.[229]

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[226] *Id.* at 52.

[227] PGE EBA at 29.

[228] *Id.*

[229] *Id.* at 29, 57.

Figure 12. PGE's EBA Recommendations[230]

Summary of Recommendations

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	Recommendation	Cost/Complexity	Impact/Priority	Timeline
IQBD	Track energy assistance funding percent as an IQBD evaluation metric	Low	Low	2025
	Focus immediate IQBD outreach efforts on 0-15% SMI households	Medium	Medium	Q3 2024
	Communicate about IQBD program to customers at risk of disconnection	Low	Medium	Q3 2024
	Assess impact of enhanced discounts for lower income tiers	High	High	Q3 2024
	Reduce need for reapplication of fixed income IQBD participants	Low	Low	Q4 2024
	Implement a targeted post-enrolment verification protocol	Low	Medium	2025
Program Portfolio	Assess impact of retroactive application of bill discount for customers in arrears (arrearage forgiveness)	Low	Medium	Q4 2024
	Initiate a Program Navigator fund for partner nonprofits to help customers access programs	Medium	High	2025
	Adjust timing of marketing about the IQBD and other energy assistance programs	Low	Low	Q3 2024
	Implement an energy use diagnostic protocol for high users in energy assistance programs	Low	Medium	2025-26
	Consider an energy audit program for high users in energy assistance programs	Medium	High	2025
	Allocate energy efficiency funding to low-income, high-burden customers	High	High	2026+
Other	Consult with advisory groups on potential solutions to help households under state median income but above energy assistance income thresholds	Medium	Low	2025
	Adjust timing of rate increases	Low	Medium	2025
	Consider revisiting fixed charge component of residential rate schedule	Medium	Medium	Next GRC

b) PGE's existing IQBD program cannot shoulder the weight of making this rate increase affordable.

PGE has proposed this rate increase without an equity impact analyses on how its proposals to raise rates will impact different vulnerable customer segments, including low-income customers.[231] Rather than undertaking this kind of analysis, CUB is concerned that the Company has rested much of the affordability concerns raised by the parties on its IQDB

[230] *Id.* at 29.

[231] CUB/300 Wochele-Jenks/6.

program.[232] After all, "having an existing tiered bill discount program is not an automatic shield from rate increases, nor is it a stand-in for equity impact analyses."[233]

To be clear, PGE did not propose changes to its Income-Qualified Bill Discount Program (IQBD) in this rate case. Given the weight placed on this program to carry affordability, CUB believes that, at a minimum, the Company's existing IQBD should be analyzed and revised with the data-driven information, laid out above, in the Company's EBA released in June 2024.[234]

c) The record supports CUB's recommendations

The record supports CUB's recommendations, listed above and discussed throughout the testimony of Wochele-Jenks.[235] These are recommendations that the Company could take to mitigate the impact of rate increases on customers and help prevent disconnections and avoid arrearage balances, including collaborating with stakeholders to implement an updated IQBD program, informed by the Company's EBA, prior to the rate effective date in this case; implement, prior to the January 1, 2025 effective date, an arrearage management and arrearage forgiveness program that takes into consideration the findings of its 2024 EBA; extend the bill due date to 30 days rather than 20 days; and remove and stop charging late fees for all customers until a robust energy burden reduction program is put into place.[236] Staff's testimony made similar recommendations, including adding an arrearage management program, adding

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[232] *See*, e.g., PGE/900/Macfarlane-Pleasant/20 (PGE claims its Income Qualified Bill Discount Program (IQBD) will "temper a Basic Charge increase for low-income customers enrolled in the program.").

[233] CUB/300/Wochele-Jenks/12.

[234] CUB/300/Wochele-Jenks/7 (citing UM 2211 - *In the Matter of PUBLIC UTILITY COMMISSION OF OREGON, Implementation of House Bill 2475*, PGE's Energy Burden Assessment (July 3, 2024)); *See* also CUB/600 Wochele-Jenks/6.

[235] *See generally* CUB/600 Wochele-Jenks.

[236] *Id. at* 25-56.

an IQBD component to master-metered dwellings in PGE's service territory; work with communities to improve outreach on energy assistance programs; and convene Staff and stakeholders after PGE's EBA is filed to review opportunities to refine energy burden reduction assistance.[237] Verde's testimony also supports more customer protections like increasing low-income bill discounts, an arrearage management program, and changes to disconnection processes.[238]

d) It is appropriate to address these issues in this proceeding.

In the absence of an equity impact analysis to better inform outcomes of the current case, it is crucial to ensure that some level of mitigative action, or harm reduction, is taken in the current case.[239] Despite the data showing that these changes are needed, including the EBA's IQBD Tier Analysis and PGE's rate of residential disconnections,[240] the Company has pushed back against CUB's recommendations. PGE argues the data does not show an urgency[241] and that to do more would unnecessarily increase the cost of service for customers.[242]

PGE does not believe CUB's changes should be made in this rate case,[243] but PGE did not offer any alternative solutions to address bill affordability immediately in this docket or prior to its intended rate effective date. The record shows there is an urgency to act, yet PGE repeats that changes to support affordability should be delayed and dealt with in UM 2211, not

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[237] Staff/1900/Ayres, generally.

[238] *See* Verde's Opening Testimony and Exhibits of Anahi Segovia Rodriguez (July 15, 2024) and Verde's Rebuttal Testimony and Exhibits of Anahi Segovia Rodriguez (Sep. 10, 2024).

[239] CUB/ 600 Wochele - Jenks/5.

[240] *Id. at* 9-11.

[241] *See* PGE / 2300 Sheeran – Latu - Newman / 5 (PGE refers to Staff, CUB, and Verde as "the Coalition" when it dismisses the concerns that all three parties raised).

[242] CUB/600 Wochele - Jenks/9 (citing PGE/1100/Kliever – Liddle/9).

[243] *See* PGE / 2300 Sheeran – Latu - Newman / 5

in this rate case.[244] Yet, the past year of rate cases has made clear that these changes can be implemented in the rate case. For example bill discount programs have been either developed or restructured in three of Oregon's IOU general rate cases in the last year.[245] In fact, in Idaho Power Company's (Idaho Power) general rate case, the Commission was pleased that the parties were able to design Idaho Power's bill discount program to meet the unique needs of its service territory given the findings of its Low Income Needs Assessment (LINA).[246] And this program went beyond establishing discount tiers, to address post-enrollment customer surveys, arrearage management data reporting and metrics, post-enrollment income verification, as well as unenrollment and re-enrollment and the communication and marketing around that process, and additional weatherization support.[247] Similarly, in this year's NW Natural general rate case, the parties came to an agreement to revise the discount tiers, conduct an ongoing review of the program, particularly pending the results of the Company's EBA filed a couple months later, and an arrearage management program.[248] Parties were also able to increase the number of discount tiers in PGE's IQBD program through the general rate case in UE 416.[249] Furthermore, not only are there no procedural limitations to adopting the changes through

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[244] *See* PGE/1200 Sheeran-Wise/23.

[245] *See* UG 490 - *In the Matter of NORTHWEST NATURAL GAS COMPANY, dba NW NATURAL, Request for a General Rate Revision*, Second Partial Stipulation, 6 (July 24, 2024); UE 426 - *In the Matter of IDAHO POWER COMPANY, Request for a General Rate Revision*, Order No. 24-311, 9-11 and Appx. B 3-5 (Sept. 23, 2024); UE 416 - *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision*, Order No. 23-386, 11, 15 (Oct. 30, 2023).

[246] UE 426 - *In the Matter of IDAHO POWER COMPANY, Request for a General Rate Revision*, Order No. 24-311.

[247] *Id.* 9-11.

[248] UG 490 – Second Partial Stipulation at 6.

[249] UE 416 - *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision*, Order No. 23-386, 11, 15 (Oct. 30, 2023).

PGE's general rate case, but the Staff Phase 2 update in UM 2211 *assumes* that the parties will be making these changes within the general rate cases and not in UM 2211.[250]

e) The Commission should not find AWEC's argument to reallocate the IQBD charges supported.

AWEC argues the charges of IQBD are unfair and proposes to move to revenue-based allocation for IQBD cost recovery instead of the load allocation currently in place.[251] AWEC points to the unrelated 1.5% of bill amount cost recovery of the Public Purpose Charge (PPC) to justify IQBD cost recovery being roughly the same percentage. The Commission should dismiss AWEC's proposal as AWEC's use of the PPC as the basis of its argument is flawed. Although AWEC is correct in that both the PPC and cost recovery of the IQBD are public policy goals, they are different in purpose and application. [252]

Moreover, while the PPC costs were statutorily allocated on a revenue basis, HB 2475 did not mandate how the recovery mechanism would be structured.[253] HB 2475 made clear that the Commission is to recover the costs associated with mitigating energy burden, including tariff schedules, rates, bill credits, or program discounts from *all* retail customers.[254]

Accordingly, it is unreasonable for AWEC to use the analogy of the PPC to justify changing the current cost recovery structure of the IQBD program.

[250] The UM 2211 Phase 2 update explains that refinement of the utility interim rate programs would occur in general rate cases while Staff addressed additional implementation processes through the UM 2211 docket process.

[251] AWEC/200/Kaufman/33, lines 5-6; AWEC/200/Kaufman/32, lines 10-14.

[252] CUB/500 Tran/11.

[253] *Id.* at 11-12.

[254] *See* CUB/600 Wochele - Jenks/6; *See* also ORS 757.695 (2).

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

a) CUB's Recommendation:

The Commission should reject components of the filing where PGE has not met its burden of proof to show the proposed rates are just, reasonable and in the public interest or that are a collateral attack on issues resolved in Docket UE 416. CUB agrees with AWEC that a utility test year should be based on actual results, not an annual budget.

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

a) CUB's Recommendation:

CUB has not proposed a "tracker" to delay the rate effective date of PGE's rate request. This phrasing comes from PGE's testimony. Rather, CUB believes that the timing of the general increase in rates should be tied to the used and useful online operating of the Seaside battery storage project, which is slated to come online mid-year. PGE could have timed this case with the online date for Seaside rather than propose another mid-winter rate hike.

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?***

a) CUB's Recommendation:

Yes. The Commission should apply an overall or residential rate cap to address rate shock. CUB supports a cap on the total rate increase to the residential class at the lower of 10 percent, or 7 percent plus the Consumer Price Index.

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

a) CUB's Recommendation:

Yes. The Commission must adopt a standard Rate Shock Mechanism to mitigate the rate impact for residential customers. The first part of CUB's proposal is a threshold by which to limit rate increases. CUB is proposing that the Commission cap the total rate increase to the residential class at the lower of 10 percent, or 7 percent plus the Consumer Price Index. The second part of CUB's Proposal is the mitigation of rate shock. The mitigation element is only triggered if rates surpass the threshold. CUB includes three mitigation tools constructed with these tools that the Commission itself identified as available to mitigate rate shock.

b) Rate Shock Argument

(1) The Commission has the authority to adopt CUB's rate shock proposal.

The Commission has broad rate making authority. This authority includes the flexibility to address rate shock within the constitutional and statutory boundaries on its discretion to set rates.[255] This includes the flexibility to adopt CUB's rate shock proposal.[256]

The first part of CUB's proposal is a threshold by which to limit rate increases. CUB is proposing that the Commission cap the total rate increase to the residential class at the lower of 10 percent, or 7 percent plus the Consumer Price Index.[257] PGE's rate shock threshold would be applied to all price changes between January 2, 2024, and January 1, 2025 (2024 Rate Year).[258] To date, PGE states that its residential rate increase for the 2024 Rate Year is

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[255] UG 490, Order 24-359 at 46.

[256] *Id.*

[257] *See* CUB/100 Jenks/75.

[258] CUB/100 Jenks/79.

8.4%.[259] That said, an AUT forecast in November that increases power costs put the increase for the 2024 Rate Year over the threshold.

The second part of CUB's Proposal is the mitigation of rate shock. The mitigation element is only triggered if rates surpass the threshold. CUB includes three mitigation tools including a delay of the rate increase above the threshold, setting the ROE at the lowest reasonable level, and directing the utility to take certain mitigation measures.

Even if the Rate Shock Mechanism is not applicable for the 2024 rate year, CUB recommends that the Commission adopt a threshold to limit rate increases. This would provide the certainty that the Company and parties need going forward.

(2) CUB proposes three tools the Commission can use to mitigate rate shock.

CUB proposes three tools the Commission can use to mitigate rate shock. The first tool, phasing in the rate increase, would allow the Commission to approve a rate increase, but limit how much of that rate increase could be allowed to go into effect immediately and provide a schedule for phasing in the remainder of the increase.[260] CUB would propose that the standard be applied on an annual basis and amounts above this cap could go into rates the following year.[261]

The second tool uses the ROE to mitigate rate shock. CUB recommends setting the

[259] CUB/ 725.

[260] CUB/100 Jenks/76.

[261] *Id.*

ROE at the lowest reasonable level.[262]

The third tool allows the Commission to order the utility to take certain measures to mitigate rate shock, including:[263]

- The rate effective date associated with costs that do not need to be recovered during the winter months should be delayed and not placed on winter bills. This would help avoid creating circumstances where the increase combined with cold weather make bills unaffordable for customers with space heating.
- The Company should be required to submit a plan to the Commission outlining what it is doing to mitigate the rate shock. This plan should include increasing efforts to educate customers about its Bill Discount Program (BDP), equal pay, energy efficiency and other options that might help the customer deal with the impact.
- A shut-off moratorium should be implemented for a 6-month period, allowing customers some time to manage the increase.
- For 12 months after the increase, the Company should be required to report to the Commission the number of customers, by zip code, who have 30-day arrearages, the number that have 60-day arrearages, the number that have received shut off notices, the number that have been shut off and any other information the Commission believes will be helpful in understanding the impact of the increase.
- The Commission could order the Company to suspend or reduce the amortization of certain deferred accounts or other single issue ratemaking mechanisms, to reduce the impact of the rate increase.

(3) A broader policy docket of rate shock does not address the current need from this rate increase.

CUB is also open to the idea of a broad policy docket that looks at applying tools to manage rate shock and methodologies to incentivize utilities to limit rate increases. But creating such a docket does not alleviate the need to address rate shock in general rate cases.

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[262] *Id.* at 76-77. (As discussed above CUB recommends the ROE be set at 9.2% if rates go into effect in January and that the ROE be set between 9.2% and 9.4% if rates go into effect in June when Seaside goes into service. This is in part to account for rate shock, but also to acknowledged that rates just increases last year, reducing the risk to the company and to encourage the utility to stop filing rate cases with January rate effective dates.

[263] CUB/ 100 Jenks/77.

CUB would support the Commission's adoption of CUB's proposal on an interim basis to address the current rate shock while it considers a broader policy proceeding.[264]

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

a) CUB's Recommendation:

CUB does not take a position.

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

a) CUB's Recommendation:

CUB does not take a position.

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?***

a) CUB's Recommendation:

CUB's general belief is that the regulatory process is inefficient. Stakeholders spend a lot of time on issues that are always being relitigated. In this case, for example, the utility proposed adding battery storage to the RAAC, a proposal it has made with no success in multiple rate cases. Relitigating these issues crowds out the ability of the regulatory process to investigate new issues. It is problematic that the primary way regulation changes and adapts is through utilities making broad proposals in rate cases that are usually one-sided mechanisms designed to shift risk to customers and profits to shareholders. In addition, PGE argument that placing

[264] *Id.*

battery storage in the RAAC is consistent with the legislative intent is untrue. CUB's witness was part of the negotiations concerning SB 1547, focused on protecting customers in those negotiations and is certain that the use of the word "associated" was meant to limit storage to co-located storage.

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

a) CUB's Recommendation:

CUB is open to exploring muti-year rate cases. But not through a proposal in a utility's GRC.

b) Argument

A better approach would be to have the Commission open an investigation into ratemaking mechanisms, which can begin with a look at best practices from around the country including how such a mechanism can promote cost control and affordability. Importantly, a Commission investigation would not be limited to ten months, allowing for a robust review of contemporary, best ratemaking practices. CUB understands with current workloads, it may be difficult to carve out a space for such an investigation. If it took longer to design an appropriate mechanism for Oregon, then we can take that time.

PGE dropped its Investment Recovery Mechanism (IRM) and says it will pursue a multi-year rate case in the future. To the extent that the Commission would consider PGE's IRM, CUB is in opposition as it would allow billions of dollars to be added to rate base –without updating current rate base for depreciation– and would enable the Company to overcharge customers.

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?***

a) CUB's Recommendation:

The Commission should require PGE to file a public version of its rate increase forecasts, including forecasts that clearly identify how the rate change affects major customer classes contained in Monet updates and bench requests, unless PGE has a *valid reason* for designating that information as confidential.

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

a) CUB's Recommendation:

The Commission should require PGE to provide information on customer bills showing average cost of electricity in a cents/kwh basis. This is a common way to describe electric rates in customer bills.

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?***

a) CUB's Recommendation:

The Commission should 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**.** Before PGE is allowed to implement a new rate for any residential schedule, the PUC should direct PGE to file with the Commission, and copy all parties to this proceeding, a plan on how it intends to communicate the rate change. Finally, the Commission should consider opening a rulemaking to establish service quality standards for residential billing.

V. CONCLUSION

For the foregoing reasons, CUB respectfully recommends that the Commission adopt its proposals in this proceeding.

Dated this 28th day of October 2024.

Respectfully submitted,

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