**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 435

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

STAFF REPLY BRIEF

I. Introduction.

As a preliminary matter, Staff objects to new evidence PGE includes in its brief that was not submitted in any of PGE's pre-filed exhibits. PGE's Opening Brief includes descriptions of corporate soul searching wherein PGE considered accepting some of the reductions proposed by parties but ultimately concluded the reductions would risk jeopardizing PGE's ability to provide service and therefore harm customers.[1] This introspection was not included in PGE's filed testimony where it would be subject to cross-examination. Instead, PGE's testimony includes only PGE's rejection, sometimes adamant, of the adjustments at issue. Because averments of PGE's self-reflection are not included in the evidentiary record, Staff asks the Administrative Law Judge and Commissioners to disregard this evidence, which is found on PGE's Opening Brief on page 1 and in the discussion of Issues 9, 19-25, 41, 30, and 38(e), in subsections titled "*PGE considered reducing*" or "*PGE considered accepting,*"[2] on the ground it is information outside the evidentiary record.

To the extent the Commission does consider these revelations, Staff urges they be given the weight they are due, which is none. At best the statements are self-serving and only intended to place PGE in a more sympathetic light. At worst, they are fear mongering, suggesting that accepting Staff and intervenors' proposed adjustments could have calamitous results that puts customers and PGE employees at risk. For example, AWEC's ($4.6 million) adjustment to Test Year expense for A&G "could potentially compromise the integrity of our financial and other reporting processes, employee and labor relations, facilities maintenance, environmental and biological services, safety protocols, business continuity and emergency management systems, information technology systems maintenance, and insurance coverage that safeguards our customers' interests."[3] Staff's ($5.9 million) adjustment to PGE's Test Year expense for Utility

[1] Portland General Electric Company Opening Brief in Support of a 2025 General Rate Revision (PGE Opening Brief) 1.

[2] PGE Opening Brief 1, 64, 68, 75, 78, 83, 88, 89-90, 92-93, 102, 132.

[3] PGE Opening Brief 86.

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Asset Management "might impact our ability to prevent equipment failures, manage outages effectively, remediate identified safety deficiencies in a timely manner, and maintain optimal service reliability." Even Staff's adjustment proposed adjustment of ($301 thousand) to PGE's expense for memberships runs the risk that PGE will not be able to "stay competitive, manage risks effectively, and continue providing high-quality service to customers by keeping the company informed about industry trends, facilitating employee growth, and enhancing its ability to attract top talent."[4]

The concerns of Staff and the Alliance of Western Energy Consumers (AWEC) regarding PGE's reliance on its 2024 budget for forecasting its 2025 Test Year in this case remain. Staff has recommended several downward adjustments to PGE's Test Year increase based on PGE's failure to establish that expenses are reasonably certain to increase in 2025 as compared to what was assumed in UE 416 or in PGE's 2024 budget. However, Staff believes it would be an equitable outcome if the Commission instead chose AWEC's more direct approach and rejected any rate increase to non-capital costs in this docket.

Finally, Staff notes concerns with affordability remain as urgent as they were when PGE filed this rate case. In its Opening and Rebuttal Testimony filed in June and August 2024, Staff testified regarding its preference for pursuing changes to the Income Qualified Bill Discount program (IQBD) in Docket No. UM 2211, but reserved the ability to recommend the Commission act this docket if there was not sufficient progress in UM 2211. As discussed later in this brief, Staff believes current circumstances support Commission action in UE 435 to adopt proposed changes to the IQBD.

II. Issues.

A. Cost of Capital.

Issue No. 1. Return on Equity.

PGE's current authorized return on equity (ROE) is 9.5 percent. PGE testified that its

[4] PGE Opening Brief 79.

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financial analysis supports an ROE within a range of 10.25 to 11.25 percent. Nonetheless, PGE initially asked the Commission to increase its ROE to 9.8 percent and subsequently reduced its requested ROE to 9.65. In its Opening Brief, PGE reduces its ROE request yet again, this time asking the Commission to maintain its ROE at 9.5 percent.[5] Staff recommends the Commission select an ROE from within Staff's reasonable range of ROEs, which is 9.02 to 9.46 percent, with a mean of 9.34 percent. The ROEs recommended by AWEC and the Oregon Citizens' Utility Board (CUB) fall within Staff's recommended range at 9.25 percent and 9.2 percent, respectively.[6]

PGE supports its new request for a 9.5 ROE with a September 2024 survey that shows the average return authorized by state regulatory bodies and criticisms of the modeling performed by Staff and the Alliance of Western Energy Consumers AWEC. The survey PGE relies on shows the average of ROEs awarded electric utilities as of September 2024 is 9.82 percent. PGE asserts the average is the "current market standard for vertically integrated electric utilities" and inconsistent with the recommendations of Staff and other parties. [7]

The description of a report of ROEs authorized by other states as a "market standard" is a misnomer because the ROEs are based on the market itself. In any event, PGE's reliance on a survey of ROEs authorized in other states is unavailing. The Commission has previously rejected ROE determinations of other states as an independent means on which to base an award, stating:

> [W]hile other ROE determinations may provide confirmation of a decision, they should not be used as an independent method on which to base an award. Capital market conditions, not regulatory decisions, determine a utility's cost of equity. While we agree that regulatory agencies generally make every effort to capture those conditions, a review of past decisions cannot replace an independent analysis of current market conditions and how they affect the particular utility. Moreover, ROE determinations are made not just in traditional rate cases, but also in a range of other proceedings, such as industry restructuring plans, merger approval cases, or

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[5] PGE Opening Brief 1.

[6] Staff/2800, Muldoon/18-19.

[7] PGE Opening Brief 6.

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> performance-based regulatory plans. Thus, the ROE awards may have been based, in part, on either unknown parameters relevant in that particular docket. Accordingly, we will continue to review ROEs authorized in other jurisdictions to help gauge the reasonableness of the cost of equity estimates derived from independent methodologies. We will not, however, rely on such decisions to base an ROE award for a utility.[8]

With respect to PGE's criticisms of Staff's modeling methodology, PGE reiterates its complaint that Staff's Capital Asset Pricing Methodology (CAPM) inappropriately "use[s] the geometric mean instead of the arithmetic mean for calculating market equity risk premium (MRP) which goes against the academic consensus that the arithmetic mean is appropriate for estimating the forward-looking cost of equity[,]" and uses the current risk-free rate rather than a forecasted rate; where using a current rate is inconsistent with forward looking ROE estimation."[9]

With respect to Staff's Discounted Cash Flow (DCF) analysis, PGE repeats its critique that Staff's modeling assumes delays to dividend payments to equity holders, which is inconsistent with how utility companies pay dividends and artificially lowers the ROE estimates. PGE also complains that Staff's models rely only on dividend growth rates, ignoring other ways companies can distribute earnings to investors, further biasing the ROE estimates downward.[10]

Staff has addressed PGE's allegation Staff inappropriately uses a geometric mean for calculating Market Risk Premium for its CAPM analysis, pointing out that the Commission itself has adopted the use of a geometric mean for CAPM analysis, concluding "[a] geometric average should be used to derive the market risk premium when CAPM is focused on a holding period

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[8] *In re Portland General Electric Company*, UE 115, Order No. 01-777, p. 34 (August 31, 2001). See also *In the Matters of Portland General Electric Company, Request for a General Rate Revision, et al*., UE 180, Order No. 07-015 (January 12, 2007).

[9] PGE Opening Brief 7-8.

[10] PGE Opening Brief 8.

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greater than one year."[11] Staff also noted that regulatory agencies are divided on whether an arithmetic or geometric means is appropriate. For example, in a 2024 order, the Indianna Public Utility Commission concluded neither the geometric nor arithmetic mean was clearly superior to the other for CAPM analysis: [12] With respect to PGE's argument that Staff should have used a forward-looking rate in its CAPM analysis, the argument is surprising as rates are decreasing, meaning that one would expect that using a forward-looking rate would further lower the model's results. In any event, the CAPM is used to check the reasonableness of the Staff's modeling results and the assertion a different would have produced a higher result does not change Staff's conclusion regarding the range of reasonable results.

With respect to PGE's argument regarding timing of dividends in Staff's DCF modeling, Staff performed sensitivity analysis with the CAPM informed by PGE's criticisms, which produced an ROE estimate of 9.8.[13] This result is not so different from Staff's own results (9.7 percent) as to diminish the validity of Staff's own modeling. Further, Staff pointed out that its workpapers would show that Staff updated its annualized 30-year S&P 500 market return from 9.08 percent to 10.14 percent by assuming that dividends are reinvested.[14]

In sum, PGE's analysis showing a range of ROEs between 10.25 and 11.25 percent is unrealistically high and does not support PGE's requested ROE. Staff's analysis showing a range of reasonable ROEs between 9.2 and 9.46 percent is well supported and consistent with current financial conditions and Staff recommends the Commission select an ROE from within this range.

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[11] *In re Pacific Bell Telephone Company, et al.*, UT 43 Order 87–406 (March 31, 1987) 1987 WL 257178. *See also In Re GTE Northwest, Inc*., UT 113, Order 94-336 (February 22, 1994) 1994 WL 114354 ("The Commission has previously approved the use of the geometric average 'to derive the market risk premium when CAPM is focused on a holding period greater than one year.' * * * The Commission concludes that staff's method of using the geometric average to calculate the market risk premium is more reasonable than the arithmetic average proposed by the company.") (Citation omitted).

[12] *Petition of Indiana Michigan Power Company*, Cause No. 39314 (November 12, 1993) 1993 WL 602559 (Ind. U.R.C.)). *See also Application of the Connecticut Power & Light Company to Amend Rate Schedules,* 07-07-01, p. 91 (January 28, 2008) 2008 WL 287500 (Conn.D.P.U.C.).

[13] Staff/2800, Muldoon/33.

[14] Staff/405, Muldoon/1; Staff/2804, Muldoon/1.

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B. Rate Base

Issue No. 4. What method should be used to calculate rate base?

The "used and useful standard" codified at ORS 757.355 specifies the Commission may not allow the utility to recover costs in rates for any plant that is not used and in provision of utility service. The parties agree on the ratemaking treatment for plant scheduled to go into service during the Test Year – except for two batteries that are discussed later in this brief; Test Year plant is excluded. Where the parties disagree is how to calculate the value of plant put in service prior to the 2025 Test Year.

PGE proposes the Commission use methodology that freezes plant in service as of December 31, 2024, and calculates rate base assuming plant in service does not depreciate during the Test Year. The impact of this is that customers are not credited with accumulated depreciation of plant in service, which increases PGE's rate base and therefore revenue requirement.[15]

Staff recommends the Commission calculate the plant in service as it would any other element of the Test Year to the extent it can, i.e., accounting for known changes such as accumulated depreciation, and that it do so using an average of monthly averages as this method most closely mirrors Test Year treatment of other revenue requirement elements. AWEC proposes the Commission calculate plant in service with a historical 2024 Test Year, also recommending an averaging methodology.

PGE argues its method of valuing plant in service for the Test Year "matches" the treatment of plant scheduled to come on-line during the Test Year. Or put another way, PGE asserts that if it cannot increase revenue requirement to recover the value of new plant put in service during the Test Year, it should not be required to decrease revenue requirement to recognize the depreciation of existing plant.

Staff and AWEC's methodologies are not based on this this quid-pro-quo-like exchange.

[15] PGE Opening Brief 10.

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Neither Staff nor AWEC agree it is appropriate to require ratepayers to contribute more than they otherwise would for plant already in service to make up for the fact PGE is statutorily precluded from obtaining rate recovery of investment scheduled to come online during the Test Year. Staff and AWEC believe the Commission should not deprive customers of benefits otherwise owed to ratepayers (credit for accumulated depreciation) for the purpose of increasing PGE's earnings.

Furthermore, the alleged "mismatch" as PGE characterizes it, is not new. The Commission has always been precluded from including in rates plant that was not used and useful and the Commission has always excluded costs of investment in large new plant, i.e., a natural gas plant, significant transmission project, etc., from rates prior to the time the plant is used and useful. Notwithstanding the fact the Commission has always excluded at least some new Test Year plant from rates, the Commission has not ameliorated this exclusion's impact to a utility's earnings by eliminating accumulated depreciation for existing plant in service. Nor has PGE previously alleged that not including new plant in rates while allowing depreciation on plant in service presents a normalization problem.

Issue No. 5. Cash Working Capital (CWC).

Staff recommends the Commission adjust PGE's cash working capital in rate base by ($22,949,000) to remove the impact of depreciation and amortization expense PGE included in its cash working capital calculation. The Commission has specified that in Oregon, "[c]ash working capital is funds to be used to meet the company's day-to-day expenses."[16]

PGE acknowledges that including depreciation and amortization (D&A) expense in the calculation of cash working is intended to compensate PGE for regulatory lag between the capital investment and recovery of investment in rates.[17] This is not the purpose of CWC in

[16] *In the Matter of Revised Tariff Schedules Applicable to Electric Service Filed by PacifiCorp, dba Pacific Power & Light Company*, UE 76, Order No. 92-1128, (August 4, 1992) 1992 WL 501197.

[17] PGE Opening Brief 19-20.

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Oregon.[18] The Commission has never held, to Staff's knowledge, that it is appropriate to use cash working capital to compensate utilities for regulatory lag between capital investment and cost recovery.

Furthermore, as discussed in testimony and Staff's Opening Brief, changing the purpose and calculation of CWC requires a concomitant change to the calculation of PGE's ROE, but PGE has presented no evidence showing the impact to ROE from PGE's proposed change of methodology. Staff recommends the Commission decline PGE's request to change the CWC methodology in this case and adopt the CWC methodology and calculation proposed by Staff.

Issue No. 6. What is the appropriate amount for PGE to recover in rate base for fuel stock?

Staff recommends at total adjustment of ($6.7) million to Fuel Stock in rate base. In addition, Staff recommends the Commission direct PGE to perform an analysis showing the volume of natural gas held at the Mist Storage Facility is prudent.

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

Staff recommends a downward adjustment to rate base of ($2,143,282) based on using an average balance for natural gas in storage rather than the year-end balance proposed by PGE.[19] PGE asserts that using a year-end balance aligns with how other rate base items are valued and reflects gas available to customers in the Test Year.[20] Staff disagrees. The Commission has consistently expressed its preference for an averaging methodology to value components of rate base.[21] While a year-end balance may align with PGE's preferred method of valuing rate base, it

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[18] *In re California-Pacific Utilities Company*, UF 3195, Order No. 76–132 (February 23, 1976) 1976 WL 419251("A need for working cash arises when investors are required to supply funds to pay bills because of lags in the receipt of revenues from customers.")

[19] Staff/1400, Dyck/15.

[20] PGE Opening Brief 21.

[21] See e.g., *In Re Cascade Natural Gas*, UF 3094, UF 3129, Order No. 74–898 (November 21, 1974) 1974 WL 391913 (Commission adopting Staff's adjustment based on averaging materials and supplies rather than end-of-year method utility proposed); *In re Continental Telephone Co. of the Northwest, Inc.*,

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is not the Commission's preferred method.

Further, using a year-end method is particularly inappropriate here as the Company aims to have full storage in November,[22] which could result in an end-of-the year balance that does not represent the gas storage for the full year. In this case, the Company's year-end balance for 2024 is much higher than the average value. Accordingly, the Company assuming the fuel stock included in rate base should be a year-end balance rather than an average monthly balances over the year, overstates the amount on which investors should earn a return.[23]

Finally, Staff disagrees with PGE that using an average balance does not align with benefits the customers receive during the year.[24] PGE's fuel stock fluctuates during the year. It makes no sense that this fluctuation should not be taken into account for purposes of valuing it.

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

Yes, and the Company does not oppose Staff's request. PGE reported that inventory is maintained at 1,200,000 dth to ensure the Port Westward thermal plant can be dispatched for seven days on storage gas should a gas pipeline disruption occur.[25] PGE earns a return on this gas and has yet to analyze whether there are lower cost options for reliability contingency events (RCE).

Although PGE does not oppose Staff's proposal that PGE conduct an economic analysis, PGE does complain about the focus in its Opening Brief:

> Staff's position pushing its economic based analysis, ignores the basis for holding reliability reserves. While it is important to understand and base the decisions of when to inject and withdraw stored gas on market

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UF 3162, Order No. 76-061 (January 24, 1976) 1976 WL 419228 ("An average-of-monthly averages rate base is adopted. It protects the interest of the ratepayers by preserving the relationship of known revenues and expenses to rate base.").

[22] Staff/1402, PGE Response to DR 156.

[23] Staff/1400, Dyck/14.

[24] PGE Opening Brief 22.

[25] Staff/1402, PGE Response to DR 156.

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> economics, we must also be mindful of and prepared for the worst-case scenario that the next marginal unit of gas or electricity may be unavailable at any price.[26]

Staff is not ignoring the basis for holding reliability reserves. Staff's point is that reliability should not be the only constraint dictating the level of reserves. Given the inherent tension between the interests of shareholders (increased returns on investments) and the interests of ratepayers (lower rates), the just and reasonable level of fuel stocks requires an examination that incorporates financial as well as reliability considerations to find the optimal reserve level.

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

The Company claims that it calculates its natural gas stock by using the weighted average cost of gas (WACOG). Staff believes this valuation is inaccurate for a subset of natural gas stock as this is stock that is not used in a given year because the gas storage balance is not depleted to zero. WACOG is predicated on the notion that gas flows in and out of storage but for a subset of natural gas fuel stock, this is not what occurs in practice. PGE acknowledges that it "aims to maintain a certain portion of gas at North Mist as it impacts PGE's rate of withdrawal."[27]

Staff recommends that for a subset of gas, the Company use the actual price at the time of purchase for natural gas to ensure that investors are provided the precise level of return to which they are entitled. Staff has not calculated an adjustment for this recommendation, but the Company could do so for its compliance filing by calculating the price for the portion of its gas stock that in practice, is never drawn upon.

d. How should Beaver oil stock be valued?

Staff recommends an adjustment of ($1,592,608) to rate base based on revaluing PGE's

[26] PGE Opening Brief 23.

[27] Staff/1402, Dyck/27, PGE Response to DR 156.

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oil stock at the lower of cost or market, in this case $83 per barrel.[28] PGE states it values its oil stock at the lower of cost or market. However, PGE's oil has been valued at the same price, $105 per barrel, since at least 2015 even though price of oil has fluctuated tremendously during that time. In fact, in all years since 2018, actual oil prices have been less than $105 per barrel.[29]

In its Opening Brief, PGE again states it values its oil at the lower of cost or market but does not explain why the price has not changed in almost ten years. PGE simply argues that Staff's use of NYMEX heating oil futures for a price comparison is inappropriate and asks the Commission to rely on its valuation based on the $105 price.[30]

PGE's implicit suggestion that the market price of oil has stayed steady at $105 since 2015 defies logic. Staff's recommendation to reprice the oil using NYMEX heating oil futures is reasonable and should be accepted in place of PGE's assertion the cost of oil has not changed in almost ten years.

Staff also recommends an adjustment of ($2,964,000) to reduce the volume of PGE's oil stock to a more reasonable level. PGE states that Beaver will cease to be an oil-burning facility in 2026. Notwithstanding, PGE denies that it is appropriate to assume anything less than its standard stock of oil for purposes of setting rates in this case. Staff disagrees. Including the same amount in rate base for rates effective January 1, 2025, as has been used for years is not warranted. Staff recommended the Company reduce its oil stock barrels by half to reflect the upcoming Beaver conversion.[31]

Issue No. 7. What is the appropriate method to determine the amount for PGE to recover in rates for Materials and Supplies?

Staff recommends use of a three-year historical average value based on the last three

[28] Staff/1400, Dyck/21-22.

[29] Staff/1400, Dyck/20-21.

[30] PGE Opening Brief 25.

[31] Staff/3600, Dyck/18-22.

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years of actual data, escalated by the All-Urban Consumer Price Index, to calculate the Company's non-fuel materials and supplies balance for the Test Year. This results in an Oregon-allocated adjustment of ($19.27 million) to PGE's forecasted balance of $78,500,000.

PGE argues Staff's recommendation to use an average of previous balances escalated by the CPI is inadequate in light of the significant volume of materials and supplies it is currently holding.[32] PGE misses the point of Staff's recommended adjustment. PGE earns a return on these materials and supplies and therefore, has an incentive to build up a supply, no matter the cost. Limiting PGE to a reasonable level (based on an average of actual historical values), escalated by a reasonable rate of inflation provides a reasonable check on the return PGE is allowed to earn.

PGE's forecasted balance has increased approximately 75 percent since 2021, as illustrated in the table below:[33]

Year	**Avg. Balance**	**% Incr.**
2021	$44,897,382	
2022	$54,476,845	21.3
2023	$69,325,667	27.3
2024	$78,608,333 **Forecast**	13.4
2025	$78,500,000 **Test Year**	

In light of this very significant increase, Staff believes it is unreasonable to allow PGE to recover a return on its entire supply of materials and supply without reference to any standard to determine the reasonableness of PGE's stockpile.

PGE argues that is not aware of the methodology Staff proposes ever being explicitly

[32] PGE/2400, Batzler-Meeks/42.

[33] Staff/3200, Moore/2-3.

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used in rate making.[34] However, it was relied on by parties in a recent rate case to value materials and supplies, although the case was ultimately resolved by stipulation.

> NW Natural initially included $14.5 million in rate base for materials and supplies, derived using trended amounts based on historic balances of actual material and supplies inventory and a 13-month AMA for the Test Year. Staff proposed an adjustment of $1,694 million from the Test Year, holding the materials and supplies account at the Base Year average of $12.8 million. NW Natural responded with an explanation that because materials and supplies are globally impacted, it is reasonable to use a historical trend. The company also showed that the Test Year estimate is below both the three-year historical average and the actual inventory balances between October 2019 and April 2020.
>
> Settlement discussions resulted in the Stipulating Parties agreeing, in context of the Comprehensive Stipulation, to a reduction to rate base of $1,694 million from the company's proposed revenue requirement in the Test Year.[35]

C. Revenues

Issue No. 8. What is the appropriate amount of Other Revenue for Joint Pole Attachments and Steam Revenue?

Staff recommends adjusting PGE's Test Year forecast of Other Revenues for the 2025 Test Year by $2,514,000 comprised of a $1.6 million increase to forecasted revenue for Steam Sales and a $754,000 increase to the forecast for Joint Pole Revenues, based on a three-year average of actual revenues in 2021, 2022, and 2023.

PGE opposes Staff's recommendation, arguing PGE's forecast method is better because it is based on normalized averages and information obtained from steam and joint pole customers that are best situated to inform an estimate of the test period revenue for these services.[36] As discussed in testimony and Staff's Opening Brief, PGE's track record does not support PGE's assertion that its methodology is superior to Staff's. PGE has under forecast Other Revenues in the last three general rate cases:

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[34] PGE Opening Brief 27.

[35] *In the Matter of Northwest Natural Gas Company, dba, NW Natural*, UE 399, Order No. 20-364, pp. 6-7 (October 16, 2020).

[36] PGE Opening Brief 28.

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Table 1 - PGE Other Revenue Forecast vs. Actuals

Description	UE 319	UE 335	UE 394
Other Revenue Actuals	$ 31,877,530	$ 41,224,471	$ 42,155,091
PGE Forecast	$ 25,840,848	$ 25,327,395	$ 29,345,569
Amount Under-forecasted	$ 6,036,682	$ 15,897,076	$ 12,809,522
Percent Under-forecasted	23.4%	62.8%	43.7%

Furthermore, the circumstances here do not support PGE's assertion that conversations with counter parties will lead to more accurate forecasts than historic actuals. PGE's counter parties would not have accurately predicted revenues related to steam and pole attachments in 2022 and 2023, respectively. Because it is not possible to forecast for actual revenues with reasonable certainty, it makes sense to rely on an average of historic actuals.

Staff understands that in some circumstances, it makes sense to remove anomalies to calculate a forecast based on historic actuals, but disagrees it is appropriate to do so here. The amounts at issue are markedly different, and significantly less than the amounts by which PGE under forecast its Test Year Other Revenues in previous rate cases.

D. Compensation

Issue No. 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?

i. Wages and Salaries

The amount PGE includes in its 2025 Test Year for labor exceeds PGE's actual 2023 labor spending by $37.75 million and exceeds its 2024 budget by approximately $29.13 million. In terms of the percentage increase, PGE's total forecasted compensation in this rate case represents an 8.7 percent increase over its 2023 actuals and a 6.6 percent increase over its 2024 budget.

Staff recommends an adjustment based on the Three-Year Wages and Salaries Model of

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($3,808,938) attributable to the Company's base salaries and wages for Oregon, excluding union labor. This amount is allocated ($2,254,891) to O&M and ($1,554,047) to capital. In applying the W&S Model, Staff reversed the Company's proposed shift of $14 million in forecast dollars from straight-time to contract labor. Staff noted that the Company's proposed shift would effectively move labor dollars out of Staff's W&S Model, resulting in a smaller downward adjustment than would otherwise be produced by the model. Staff noted that PGE's actual costs over 2021-2023 demonstrate a clear trend in which in-house labor costs are increasing and contract labor costs are decreasing, not vice versa, as shown in the table below:

PGE ACTUAL CONTRACT LABOR COSTS, 2021-2023[37]

	2021	**2022**	**2023**
Contract Labor	$94,676	$77,974	$60,480
Change		**-18%**	**-22%**

With regards to union labor, since some contracts were in negotiation at the time of the Company's filing, Staff recommended that union wages be updated to reflect actual negotiated union wage increases if those amounts become known during the course of this proceeding. Other than reversing PGE's proposed $14 million shifting adjustment, Staff did not make any adjustments to contract labor.

PGE counters Staff's observation that PGE's actual contract costs have been decreasing while its FTE costs have been increasing with a chart of PGE's budget for 2024 showing PGE budgeted a decrease in contract labor costs for 2024 and an increase in wages and salaries.[38] However, PGE's choice to budget a decrease for contract labor for 2024 is consistent with Staff's conclusion the recent historic trend is increasing costs for wages and salaries and decreasing costs for contract labor.

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[37] Staff/1202, PGE's Response to Staff's DR 275; PGE/300, Trpik-Mersereau-Batzler/18, Table 8, April 3, 2024, Errata filing.

[38] PGE Opening Brief 32.

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The chart also reflects PGE's assertion that its actual contract costs through August 2024, coupled with budgeted contract labor costs September through December 2024, will exceed what PGE budgeted for 2024.[39] If PGE is asserting its spend on contract costs in the first ten months of 2024 and budgeted costs for the last four support PGE's shift of $14 million in wages and salaries to contract labor for purposes of application of the Wages and Salaries model, the assertion is without merit. The Wages and Salaries Model uses a base year **three** years before the Test Year to ensure the Company cannot game the model by increasing wages immediately before asking to increase rates. This same reasoning applies when considering the impact of PGE's spending on contract labor 2024.

PGE also complains because Staff does not "apply the same three-year average methodology for contract labor costs."[40] PGE's argument that Staff should have applied the Three-Year Wages and Salary Model to PGE's contract labor costs does not make sense. Staff made no adjustment to PGE's contract labor costs, other than to reverse PGE's shift of $14 million FTE expense into the category of contract labor, which is supported by PGE's historic spending in 2021-2023.

The circumstances affecting the Company's overall Test Year compensation forecast are not materially different in this case compared to any other case in which the Commission has previously reaffirmed the use of the W&S Model. Specifically, the Company meets its labor needs with a combination of straight-time, overtime, and contract labor, which may fluctuate from year to year. While the Company insists that it is inappropriate to analyze its different labor types separately, Staff maintains that the use of the W&S Model—which examines straight time and overtime separately from contract labor—is appropriate.

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[39] PGE Opening Brief 32.

[40] PGE Opening Brief 31-32.

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ii. FTE.

PGE proposed 2,903 total FTEs in the Test Year, as summarized in the following table:[41]

PGE'S FTE PROPOSAL

Employee Type	FTE
Exempt	1,859
Hourly	371
Officer	10
Union	663
Total	**2,903**

This figure includes a 100 FTE reduction related to PGE's $11.7 million adjustment for vacancies and unfilled positions.[42] This figure also reflects the removal of 128 FTEs from the Exempt employee category in conjunction with PGE's proposal to shift costs from straight-time to contract labor, which was discussed previously.[43]

Staff recommends an FTE count of 2,817 in the Test Year. Staff calculated this figure by escalating PGE's actual December 2023 FTE counts by the Company's historical FTE growth rate of 0.7 percent per year through 2025. For the purpose of applying Staff's recommended FTE reduction in the W&S Model, Staff reversed PGE's removal of 128 FTEs related to the Company's proposed shift of costs from straight-time to contract labor. With this change, PGE's unadjusted Test Year proposal is 3,030 FTEs. Staff applied its 2,817 FTE recommendation against this amount, resulting in an overall reduction of 213 FTEs. Using average salaries as adjusted by Staff's Wage & Salary adjustments (discussed previously), Staff's recommendation resulted in an overall adjustment of ($28,057,324), which is allocated ($16,609,936) to O&M and ($11,447,388) to capital.

PGE argues that "Staff's proposed reduction of 213 FTEs, which equates to

[41] Staff/1202, PGE's Response to Staff's DR 92.

[42] Staff/1202, PGE's Response to Staff's DR 266.

[43] Staff/1202, PGE's Response to Staff's DR 461, Attachment 461-A.

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approximately $28 million, is excessive and unfounded."[44] PGE also states that Staff "lack[s]…engagement in meaningful and productive solutions to incorporate contract labor to a Test Year forecast while allowing the flexibility to fill PGE positions[.]"[45] Additionally, PGE states that "Staff and AWEC's proposals, if adopted, would also have detrimental impacts on future rate cases and artificially restrict PGE's ability to directly employ and promote a right-sized workforce at the peril of customers and PGE."[46]

The Commission rejected similar arguments in Docket No. UE 197:

> PGE responds that test-period FTE levels must be based on known and measurable changes in the resources needed to provide safe, reliable power and meet all PGE's regulatory and compliance requirements. PGE calculated two corrections to Staff's method that produced adjustments of $2.0 million and $4.2 million.
>
> We reject PGE's proposed incremental approach to calculating test-year FTEs. To do a proper analysis, we would have to evaluate all 2,600-plus positions in the Company and not just the incremental positions PGE proposes to add. We will not take the existing positions as a given without such an analysis. Nor do we find such an analysis practical or good policy. We adopt Staff's approach applying the historical growth rate in workforce levels. Ultimately, the Company may choose to hire whatever staff or fill whatever positions it feels is necessary.[47]

As in UE 197, Staff's adjustment in this case is based on historical trends in the Company's in-house FTE counts and is appropriate.

Including both the FTE adjustments discussed here and the Wage and Salary adjustments discussed previously, Staff proposes adjusting PGE's proposed Test Year labor expense and capital by ($31,866,262), allocated (18,884,827) to O&M and ($13,001,435) to rate base.[48] This results in a total of $438.5 million across all labor types (straight time, overtime, and contract labor). This proposal represents an increase of $5.89 million over 2023 actuals, which totaled

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[44] PGE/1400, Mersereau–Van Oostrum–Batzler/9 at 18-19.

[45] PGE/1400, Mersereau–Van Oostrum–Batzler/11 at 7-9.

[46] PGE/1400, Mersereau–Van Oostrum–Batzler/11 at 11-13.

[47] *In re Portland General Electric*, UE 197, Order No. 09-020, p. 8 (May 19, 2009).

[48] Staff/3300, Yamada/29.

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$432.6 million. In contrast, PGE proposes total Test Year labor of $470.37 million,[49] which is an increase of $37.75 million over 2023 actuals.

PGE argues Staff's proposed Test Year increase to PGE's overall compensation "is well below Staff's own guidance to apply the All-Urban CPI (2024 - 3.30% & 2025 -2.20%) let alone the more Oregon-specific inflation adjustment for wage and salary from OEA September 2024 Oregon Economic and Revenue Forecast that forecasts an annualized increase from 2023 to 2025 of 4.5%."[50] PGE's argument is not well taken. Staff did escalate PGE's wages by the All-Urban CPI. As PGE knows, the primary decrease comes from adjusting PGE's FTE count to a more reasonable level. PGE's assertion that the indices showing trends in wage and salary levels should apply to overall compensation, including a Company's choice on how many people to employ, is without merit.

b. Annual Incentives.

Staff recommends the Commission adjust PGE's Test Year expense and capital for annual incentives by ($7,692,000), allocated ($4,553,000) to O&M and ($3,138,000) to capital. This reflects the removal of 75 percent of non-officer incentives because 75/25 is an appropriate split of the cost considering the split of benefits between shareholders and ratepayers.[51]

For non-officer incentives, the Commission has distinguished between performance-based incentive pay and merit-based incentive pay, with performance-based programs primarily benefiting shareholders from improved financial performance, and merit-based programs benefitting both customers and shareholders through lower costs of service. The Commission has required a 50 percent sharing of merit-based programs based on the mutual benefit to both customers and shareholders and required companies to absorb 75 percent of performance based non-officer incentive pay based on that increased shareholder benefit.[52] Staff's review of the

[49] PGE/300, Trpik-Mersereau-Batzler/18, Table 8, April 3, 2024, Errata filing.

[50] Staff Opening Brief 32.

[51] Staff/3300, Yamada/22-24.

[52] Order Nos. 16-109 and 99-697.

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criteria for award of the non-officer incentives shows the program is primarily, but not totally, intended to benefit shareholders. Accordingly, Staff recommends the 75/25 split.

PGE argues "Staff erroneously argues that inclusion of financial goals in the metrics disqualifies PGE's ACI plan from 50% recovery."[53] This is inaccurate. Staff generally assumes non-officer incentives have a financial component, which is why the cost of them is typically split 50/50. In this case, however, examination of the criteria for the incentives shows the program is more heavily focused on financial criteria than non-financial criteria, supporting a 75/25 split rather than the more typical 50/50 split.

In response to PGE's complaint that Staff's adjustment did not account for inflation or change in headcount, Staff revised its proposed adjustment. Staff first calculated the annual total attributable to each incentive category using the ratio of incentives to salaries reflected in PGE's filing. Staff then applied these percentages to Staff's wage proposal of $371.483 million, which incorporates CPI changes as well as Staff's recommendations regarding FTEs. Consequently, Staff's revised recommendation accounts for changes in inflation and employee headcount and is calculated based on a percentage of employee pay.[54]

c. Capitalized incentives (from 2024).

Staff recommends an adjustment of ($1,872,052) to remove from rate base incentive expense that PGE capitalized between January 1, 2024, and January 31, 2024.[55] As noted above, the Commission has historically excluded from rates 50 percent of merit-based incentives paid to non-officers. To implement this policy, it is necessary to remove any incentives included in CWIP and transferred to rate base.

Staff's Opening Testimony on capitalized incentives was based on PGE's response to

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[53] PGE Opening Brief 38.

[54] Staff3300, Yamada/19.

[55] Staff/3300, Yamada/27.

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Staff's DR 265. In that request, Staff asked the Company to identify any incentives included in the Test Year rate base, including whether the included amounts had been "adjusted in accordance with standard Commission practices."[56] In response, PGE stated that its rate base includes $3,744,103 in incentives, and that it only capitalizes merit-based incentives. PGE did not indicate that the stated total had already been adjusted to comply with Commission precedent. Consequently, Staff removed 50 percent of the stated total in line with the standard treatment for merit-based incentives.

PGE testified that Staff "mistakenly conclude[ed] that these incentives were not subject to a pre-filing adjustment, which is incorrect."[57] However, PGE offers no evidence to show that this statement is accurate, nor does it provide any details on the calculation of its alleged pre-filing adjustment. Consequently, Staff is not swayed to modify its Opening Testimony position regarding capitalized incentives. Staff continues to recommend a rate base adjustment of ($1,872,052) related to capitalized incentives.

d. Stock incentives.

Staff recommends the Commission adjust PGE's Test Year expense and capital by ($3,668,000), allocated ($2,171,000) to O&M and ($1,497,000) to capital, to remove 100 percent of stock incentives from Revenue Requirement. [58]

e. Incentives overheads.

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

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

Staff recommends an adjustment of ($557,150) to adjust depreciation expense related to

[56] Staff/1202, PGE's Response to Staff's DR 265.

[57] PGE/1400, Mersereau–Van Oostrum–Batzler/15 at 12-13.

[58] Staff/3300, Yamada/22.

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Staff's adjustments to capital and an adjustment of ($1,769,978) to payroll taxes.[59]

E. Capital Projects.

Issue No. 11. Should PGE be required to provide project attestations for plant put in service by December 31, 2024?

Yes, Staff recommends the Commission order PGE to use the attestation process outlined in AWEC testimony. Staff disagrees with PGE's proposal to allow PGE to recovery costs that exceed the forecasted costs in PGE's filing. Staff's last round of testimony was filed in September. Neither Staff nor intervenors have the ability to vet the final costs of a project for purposes of producing evidence in this rate case. If the costs exceed what Staff and intervenors assumed for purposes of their examination of the prudence of the projects, those exceeding costs should be addressed in a subsequent rate proceeding.

Issue No. 12. What is the appropriate level for contingency funds? What adjustments, if any, should be made to the contingency funds from forecasted capital costs?

PGE's forecasted Test Year rate base includes $28,819,359 for project contingency funds for projects that were not yet finished. Staff believes it is unreasonable to assume use of all these contingency funds for the purpose of establishing rate base. Accordingly, Staff recommends adjusting PGE's Test Year rate base forecast by ($28,819,359). To the extent PGE is required to use the contingency funds to complete any of the projects, PGE can include the contingency fund expenditures in its next general rate request.[60]

In the alternative, if the Commission adopts AWEC's plant attestation proposal, Staff recommends the plant at issue be included in rates at the lower PGE's actual costs, or the amount forecasted in the Test Year.

[59] Staff/3300, Yamada/29.

[60] Staff/3400, Ball/14-15.

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Issue No. 13. Has the Company demonstrated that the actual project costs for the three transmission and distribution capital investments, Horizon-Keeler BPA #2 230kV Line, Shute WJ1 and WJ2 Upgrade, and Shute Feeder Reconfiguration, identified by Staff are prudent?

Staff believes PGE demonstrated the projects were prudent and the investments recoverable, subject to the removal of $7,212,092 from total costs of the three projects for unused contingency funds.[61] In the alternative, if the Commission adopts AWEC's plant attestation proposal, Staff recommends the plant at issue be included in rates at the lower PGE's actual costs, or the amount forecasted in the Test Year.

Issue No. 14. Should the Commission remove forecasted investment for Diesel Particulate Filter Installations that are not complete by the rate effective date?

Yes, Staff recommends the Commission require PGE to provide an officer attestation with the project completion date and actual project cost for each Account Work Order for Diesel Particulate Filter program that was not complete at the time Staff filed its Rebuttal Testimony.[62]

Issue No. 15. What amount should be included in rate base for IT capital additions?

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

Yes, this is Staff's recommendation.[63]

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

Yes, and accordingly, Staff recommends an adjustment of ($3,341,209) to PGE's Test

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[61] Staff/3400, Ball/12-13.

[62] Staff/3400, Ball/18.

[63] Staff/3400, Ball/21.

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Year Expense. Staff's analysis shows that PGE's annual costs for the CTO Desktop Fitness Program range between \$2.6 million and \$3.6 million, PGE's annual costs for the Network Fitness program range between \$3.0 to \$4.5 million, and that PGE consistently makes management decisions to delay or increase finding for these projects each year. Based on this analysis, Staff recommends determining the appropriate amount to include in rate base using a three-year average of actual costs, escalated using the 2.2 All-Urban CPI.[64]

F. Constable and Seaside Energy Storage Projects

Issue No. 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?

PGE testifies that it anticipates its Constable battery energy storage project ("Constable") will be operational by the end of 2024 but asks for authority to "track" the costs of the project into rates with a separate tariff ("tracker") if the plant becomes operational after the rate effective date. Staff does not oppose use of a tracker for PGE's Constable battery energy storage project if the project is not on-line by December 31, 2024, provided: (1) Constable is placed in service by January 31, 2025, (2) PGE provides an in-service attestation, and (3) the gross plant included in customer prices is the lesser of \$143 million or actual gross plant.[65]

PGE supports Staff's proposal for an attestation associated with the Constable Battery tracker, but recommends a deadline of February 28, 2025, rather than Staff's proposal of January 31, 2025. PGE argues that "Staff's proposed deadline is unreasonable and inconsistent with previously approved tracking mechanisms" and "PGE's proposed deadline of February 28, 2025, is reflective of the approximately two-month window after the expected in-service date that was

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[64] Staff/3400, Ball/19-20.

[65] Staff/2400, Dlouhy/18.

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most recently used for tracking in a major asset for PGE."[66]

PGE's assertion its proposed two-month window is consistent with prior practice misses the point. Staff believes the circumstances presented in this case warrant different treatment than what has been authorized in the past. Staff, customer groups, and especially customers are frustrated by PGE's choice to seek a rate increase six weeks after the effective date of a 16.5 percent increase on January 1, 2024. Staff's testimony includes descriptions of thousands of customer comments asking the Commission to deny PGE's request to increase its rates yet again, with many stating they are afraid they will not be able to afford their electricity bills if rates are increased.

In these circumstances, any request for a single-issue rate proceeding in 2025 is not warranted. Staff is only willing to support a grace period of four weeks after the rate effective date in which to bring Constable on-line, otherwise, the proposed tracker looks more like a single-issue rate case than a reasonable buffer within which to complete the project after the rate effective date of UE 435. PGE took the risk when it filed this rate case in February 2024 that Constable would not be online by the rate effective date for this rate case and should be required to accept the consequences if its expectation that Constable would be on-line was wrong.

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?

Staff recommends the Commission adopt Staff's proposed $10.1 million reduction to the capital investment for Constable that is allowed to go into rate base. Staff's adjustment essentially caps PGE's recovery for Constable at the amount PGE bid in the Request for Proposal leading to the selection and installation of Constable. Staff's rationale for this recommendation is found in Staff's argument regarding its proposed disallowance to the Seaside battery project.

[66] PGE Opening Brief 52.

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Issue No. 17. Seaside Battery Project:

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

Staff recommends the Commission reject PGE's proposal to track the costs of the Seaside battery into rates with a separate tariff that would become effective once Seaside is in service. A tracker is a form of single-issue ratemaking. The Commission has stated that "[s]ingle-issue ratemaking provides for the recovery of increases in certain costs without concurrent review of the other elements of the revenue requirement as done in a general rate proceeding. Thus, single-issue ratemaking presents certain risks and shortcomings in the regulatory process, and adds increased risks to customers that rates depart from being cost-based and subject to the normal reviews for overall reasonableness."[67] The Commission has concluded that due to the shortcomings of single-issue ratemaking, it would require utilities to "demonstrate that circumstances warrant an exception to typical rate recovery, including that the benefits of using an SCRM approach justify its use when compared to the detriments associated with it."[68]

PGE has not shown that the circumstances here warrant a single-issue ratemaking proceeding. In support of its proposal, PGE argues "[t]he purpose of the Seaside tracker is for customers to only pay for the asset when they start receiving its benefits, ensuring a fair balance between costs and services provided."[69] This may be true with respect to the single issue of rate recovery for the Seaside battery. However, this may not be true with respect to other costs and services provided. It is not fair to allow PGE an opportunity to increase rates without a concomitant examination of all PGE's costs and revenues to see if further adjustment is needed.

PGE also argues that the tracker will allow it to avoid regulatory lag. This is true of all such single-issue ratemaking mechanisms for capital investment. If avoiding regulatory lag is

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[67] *In the Matter of Cascade Natural Gas Corporation, Application for Safety Cost Recovery Mechanism,* UM 2026, Order No. 20-015 (January 15, 2020).

[68] *Id.*

[69] PGE Opening Brief 53.

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itself sufficient to warrant a single-issue rate case, they would not be disfavored.

Allowing PGE to track the costs of Seaside into rates is particularly unfair given the basis of PGE's Test Year forecast in UE 435. Staff and AWEC have testified regarding their frustration with PGE's decision to use its 2024 budget rather than a base year of actual expenses as the foundation for PGE's forecasted revenue requirement in this case. Both AWEC and Staff note that PGE's actual spending in 2023 supports a significantly lower rate increase than that proposed by PGE in UE 435. PGE's actual expenses in 2024 will be known by mid-2025, the time the Seaside project is scheduled to come on-line. It is unfair to ratepayers to allow PGE to add this significant investment to revenue requirement in mid-2025 without an examination of PGE's actual expense in 2024 to check the reasonableness of PGE's rates.

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

Staff recommends the Commission adjust the amount of PGE's capital investment that is allowed to go into rate base by ($35.1 million) to keep the capital investment consistent with PGE's representations in the RFP used to select this resource. PGE argues Staff's proposal is inconsistent with the Commission's statements in its order regarding the 2021 RFP in which the Commission observed "circumstances may change as PGE's procurement process goes on[,]" and that the has stated it "understand[s] and expect[s] that PGE's ultimate decisions about resource acquisitions may be different than they were contemplated to be at the time of acknowledgement."[70] Staff acknowledges the Commission's previous statements, but believes that its proposed adjustment is appropriate in these circumstances.

While benchmark bids comprise a smaller portion of the total number of bids submitted into any given RFP, PGE's benchmark bids comprise a proportionately larger share of the final

[70] PGE Opening Brief 59, *quoting In the Matter of Portland General Electric 2021 All-Source Request for Proposals*, Docket UM 2166, Order No. 22-315 at 3 (Aug. 31, 2022).

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shortlist in recent PGE RFPs.[71] And, there is a lack of competitors participating in the contract negotiation phase that follows the final shortlist selection.[72] These factors illustrate Staff's concern that some portion of the RFP scoring or selection process is skewed to favor PGE's own bids. As Staff noted in testimony, there are currently conversations in other spaces about protecting the integrity of PGE's RFP process.[73] However, Staff believes it is important for the Commission to act in this docket to protect ratepayers from potential bias in the RFP process. Allowing PGE to rate base its own project at costs significantly higher than the purported costs in the RFP sends an inappropriate signal to the bidding community and would do little eliminate any incentive for utilities to under bid the costs of a Company benchmark projects in future RFPs.[74]

G. Non-labor Operations and Maintenance (O&M) expense

Issue No. 19. Virtual Power Plant.

PGE argues there is no evidence to contradict PGE's assertions that its proposed $4 million dollar increase to Test Year expense "is necessary for PGE to continue operating the Virtual Power Plant (VPP) program and to integrate existing and new DERs and flexible load into the system" and that "any reduction in spend could jeopardize this transition."[75] Staff disputes PGE's contention that this is what the record shows.

In Opening Testimony, PGE testified that PGE seeks to increase its Test Year expense for its "Virtual Power Plant" by $4 million and that "[t]his incremental change is **being driven by VPP initial startup costs** including the hiring of [13 new FTEs], program development costs, including IT resources, and training and development."[76] Staff recommended a $1.5 million

[71] Staff/2400, Dlouhy/15-16.

[72] Staff/2400, Dlouhy/16.

[73] Staff/2400, Dlouhy/16.

[74] Staff/1700, Dlouhy/28; Staff/2400, Dlouhy/11.

[75] PGE Opening Brief, 82.

[76] PGE/400, Bekkedahl-Felton/14 (emphasis added), 22.

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disallowance to eliminate start-up costs from the Test Year as these costs are non-recurring. PGE subsequently protested the description of the additional costs as "startup costs," asserting the costs are necessary for the ongoing administration of the program.[77]

Other than this general averment regarding the necessity of the additional funding, PGE's testimony does little to establish why $1.5 million initially earmarked to train and develop 13 new employees to be hired in 2025 is needed for the continued operation of the program. PGE's Opening Brief includes a jargon-filled description regarding the benefits of the program, but this confusing description of does little to show why it is necessary to further increase Test Year expense. Furthermore, Staff points out that the stated size of the VPP being continually adjusted both up and down does not demonstrate a clear benefit to customers and makes it impossible for Staff to ascertain whether there is any marginal benefit from PGE's requested increase in VPP expenses.[78]

To this last point, Staff recommends the Commission direct PGE to create a standalone annual filing for its VPP, which would include information about the size of the VPP, its costs, a list of resources, and how they have been used.[79] These updates would serve to fill in the gap between the Company's Flex Load Plan filings and should include the following information:

- The size in MW of the VPP and the current resource makeup,
- A summary of actual incurred O&M costs and capital costs to date to operate the VPP outside of costs to operate customer pilots and programs recovered elsewhere,
- A summary of the customer-sited resources that are part of the VPP,
- A summary of the demand response or other customer programs that have been integrated into the VP, and

[77] PGE/1600, Cloud-Alibi-Putnam/28.
[78] Staff/2400, Dlouhy/8-9.
[79] Staff/1700, Dlouhy/15.

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- A list of the programs that are planned to be incorporated into the VPP in the next year with an expected timeline.

Prior to this initial filing, Staff recommends that PGE host a workshop to discuss how the ADMS, DERMS, and VPP all work together, and how the Company proposes to separately identify or fairly allocate costs between these three assets.[80]

Issue No. 20. What adjustments, if any, should be made to the amount proposed by PGE for non-labor generation O&M?

a. FERC Account 921 (office supplies).

PGE's Test Year forecast for FERC Account 921 is a 14 percent increase over 2023 actual expense. Staff recommends adjusting PGE's Test Year forecast for office supplies (FERC Account 921) by ($1,780,000) to a more supportable Test Year forecast.[81] With Staff's proposed adjustment, PGE's 2025 forecast for Account 921 is $500,000 over 2023 actual spending.

In its Reply Testimony, PGE opposes Staff's proposed adjustment to its forecasted Test Year expense, stating that the largest single driver and incremental expense related to its proposed $2.28 million increase is $0.75 million to support training and organizational change management for several software solutions (i.e., Maxim, IQGEO, and C2M).[82] In surrebuttal, Staff noted that training for these applications would not be recurring, and that in any event, additional training could be covered by Staff's proposed $500,000 increase over 2023 Test Year actuals.[83]

In its final round of testimony and its Opening Brief, PGE disagrees with Staff's assessment, asserting PGE will have continued training expense as it "continues to explore IT solutions and plans to implement new systems and solutions, due in part to the rise of AI and

[80] Staff/1700, Dlouhy/15.

[81] Staff/1100, Peterson/16-17; Staff/3800/Peterson7.

[82] PGE/1500, McFarland-Lawrence.

[83] Staff/3800, Peterson/6.

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other machine learning tools[.]"[84] PGE elaborates that it "expects that our workforce will soon utilize and interact with new AI and other machine learning based tools on a daily basis, and while these tools will introduce efficiencies and new capabilities across the organization, PGE expects to incur higher training costs related to these tools for the foreseeable future."[85]

Staff is not persuaded that it is appropriate to include an increase to software training expense in PGE's Test Year in anticipation of PGE's exploration of AI solutions. Staff anticipates that acquisition of advanced IT applications will take lead time and a procurement process, which means it is unlikely PGE will be required to spend additional amounts in 2025 to implement these applications and train employees. And, PGE's vague description of exploring new IT solutions belies any assumption PGE is in the process of acquiring software that must be implemented in 2025. Because "the utility can be expected to overearn if nonrecurring expenses are covered by the recurring revenues resulting from a rate increase, nonrecurring expenses are eliminated from consideration [in the Test Year']."

b. Memberships and Dues

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

Issue No. 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?

PGE's 2025 Test Year forecast is based on an overestimated cost for 2024. Although PGE's actual cost for 2024 turned out to be significantly lower than the costs used to estimate its 2025 Test Year in PGE's Opening Testimony, PGE did not adjust its forecast to account for the 2024 decrease.

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[84] PGE/2500, Mersereau – Van Oostrum – Batzler / 26-27.

[85] PGE/2500, Mersereau – Van Oostrum – Batzler / 26-27.

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Staff recommends the Commission adjust PGE's proposed Test Year expense for property insurance expense by ($2,149,000). Staff's adjustment is based PGE's actual property insurance premiums for 2024 and assumes no change for the 2025 Test Year. Starting this year, PGE is under a new post-loss funding model under which its insurance costs will fluctuate based on the losses incurred by PGE as well as other entities in the overall pool.[86] PGE did not provide information showing it took the impact of this new model into account when it forecasted that its property insurance expense would increase beyond its actual costs in 2024.

PGE opposes Staff's adjustment that does not escalate costs from 2024 to 2025, arguing that insurance costs will increase as the value of property increases. Even assuming this is true, it does not necessarily mean that overall costs will increase. This is because PGE's premiums could go down under the post-loss insurance model. In absence evidence showing is reasonably certain that PGE's actual insurance costs will increase in 2025, Staff recommends the Commission reduce PGE's insurance costs to PGE's 2024 actual costs.

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

Staff recommends the Commission adjust the Company's Test Year expense for General and Auto Liability insurance by ($4,413,338).[87] Staff's adjustment is based on using PGE's actual insurance expense for 2024 and escalating with growth factors from Market Scout for each policy line.[88]

PGE opposes Staff's adjustment to General and Auto Liability premium expense, arguing Market Scout does not reflect the unique market pressures PGE and other utilities face.[89] Staff

[86] Staff/800, Ball/4-5; Staff/3400, Ball/2-5.

[87] Staff/800, Ball/8-14; Staff/3400, Ball/6.

[88] PGE/2500, Mersereau – Van Oostrum – Batzler / 32.

[89] PGE/2500, Mersereau – Van Oostrum – Batzler / 32.

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disagrees, believing using publicly available third-party data for U.S. Property and Casualty insurance provides an independent view of insurance premium trends as opposed to Company assumptions that are not clearly vetted with third-party input.

In this case, PGE has not presented compelling evidence that its forecast of a 33 percent increase is reasonably certain to occur. Through discovery, Staff requested documentation with references to source data supporting the factors provided by PGE. In response, PGE directed Staff to the written narrative in the company's Opening Testimony, but provided no documentation or references to source data which would support such factors.[90] PGE provided Exhibit 2503C in its Surrebuttal Testimony, which is two slides with little additional context, no dates indicating when this information was presented, or reference material.

Although PGE argues that the particular factors applicable to utilities demand a special forecast for premium increases be used, PGE has not shown that these independent factors result in a year-over-year increase that is unique as compared to other industries. Furthermore, Staff's adjustment starts with the actual premiums for 2024, which were $1.4 million lower than anticipated at the time PGE filed its rate request.[91] To the extent unique factors drive the premiums for property and casualty insurance, these factors would be included in that premium.

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

Staff's recommended adjustment to casualty insurance expense in 21.b. above includes a $482,020 offset to PGE's forecasted expense for a reasonable forecast of Policy Holder Credits/Bonuses that are based on a three-year average of credits and bonuses received in 2021, 2022, and 2023.[92] PGE opposes Staff's adjustment, arguing bonuses are not guaranteed in a

[90] Staff/3400, Ball/7-8.

[91] Staff/802, Ball/4.

[92] Staff/800, Ball/15; Staff/3400, Ball/11.

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particular year and that the amount of any credit may vary.[93] This is true, but an examination of the last three years of actual data shows that one thing is constant, PGE received multiple credits in each year. Staff believes this is sufficient evidence to support the conclusion the credits will be recurring. To properly estimate the credit, Staff believes an average of the amounts received over a three-year period is appropriate.[94]

PGE asserts in its Opening Brief that Staff's proposed credit offset "would require PGE to account for insurance credits that are no longer applicable due to the Company's transition to a post-loss insurance plan. This new plan does not offer the same type of credits, making the proposed adjustment method outdated and inaccurate. Staff's proposal would incentivize PGE to continue to utilize insurance companies that offer credits despite the availability of better options for customers. PGE's transition to post-loss insurance saved customers more than $5 million dollars in the 2025 Test Year forecast alone, while on average PGE received only $482,020 in these credits over the last three years. The Commission should reject Staff's proposed offset."[95]

First, Staff is unsure what $5 million savings PGE refers to. If PGE means its Test Year forecast would have been $5 million higher absent its switch to a post-loss insurance model, this is not a compelling argument to the extent Staff has recommended downward adjustments to PGE's Test Year expense.

Second, to Staff's knowledge, the only switch PGE made to a post-loss insurance model was to Everen Limited for property insurance. PGE discusses its switch to Everen in Opening, Reply and Rebuttal Testimony.[96] PGE does not mention that it has switched to a post-loss insurance model for any other type of insurance. Staff's proposed offset to casualty insurance expense is based on credits that PGE has received from insurance providers other than its

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[93] Staff/3400, Ball/10.

[94] Staff/3400, Ball/10-11.

[95] PGE Opening Brief 74.

[96] PGE/300, Trpik – Mersereau – Batzler/8; PGE/1400 Mersereau – Van Oostrum – Batzler/32; PGE/2500, Mersereau – Van Oostrum – Batzler/35.

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property insurance provider.[97] Accordingly, PGE's complaint that Staff's offset adjustment to PGE's cost for casualty insurance is unfair and incents PGE to use less cost-effective insurance providers is wrong.

H. Transmission and Distribution

Issue No. 23. Routine Vegetation Management.

PGE argues the Commission should reject Staff's recommended adjustment to costs for routine vegetation management because it is based on new arguments unknown to PGE until Rebuttal testimony.[98] PGE's argument Staff made the arguments for the first time in rebuttal is mistaken. Staff's Opening Testimony started with the following:

> **Q. Please explain PGE's proposal regarding routine vegetation management (RVM).**
>
> A. PGE is proposing to increase the RVM amount from $51.9 million approved in UE 416 to $58.1 million. This is an increase of $6.2 million, or 12 percent, from the current rates that became effective on January 1, 2024. The Company states the increase is driven primarily by the increased cost of contract labor to remove vegetation and four additional full-time employees.
>
> PGE budgeted to spend a total of $53.2 in 2024, then increased that amount by 9.1 percent to arrive at the forecast for the Test Period ending December 31, 2025. Staff notes that all wildfire mitigation vegetation costs have been removed from base rates and will be recovered through the Schedule 151, WMP AAC recovery mechanism.
>
> **Q. Can you put these most recent increases into a broader historical perspective?**
>
> A. Yes. UE 416 increased routine vegetation management substantially over the historic records. As shown in Figure 9 and in Staff Exhibit 1303, the longstanding trend in the relationship of budgeted to actual spend has flipped and budgeted expenses now exceed actual spend by a material amount.

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[97] See Staff/800, Ball/14, Table 5.

[98] PGE Opening Brief 84.

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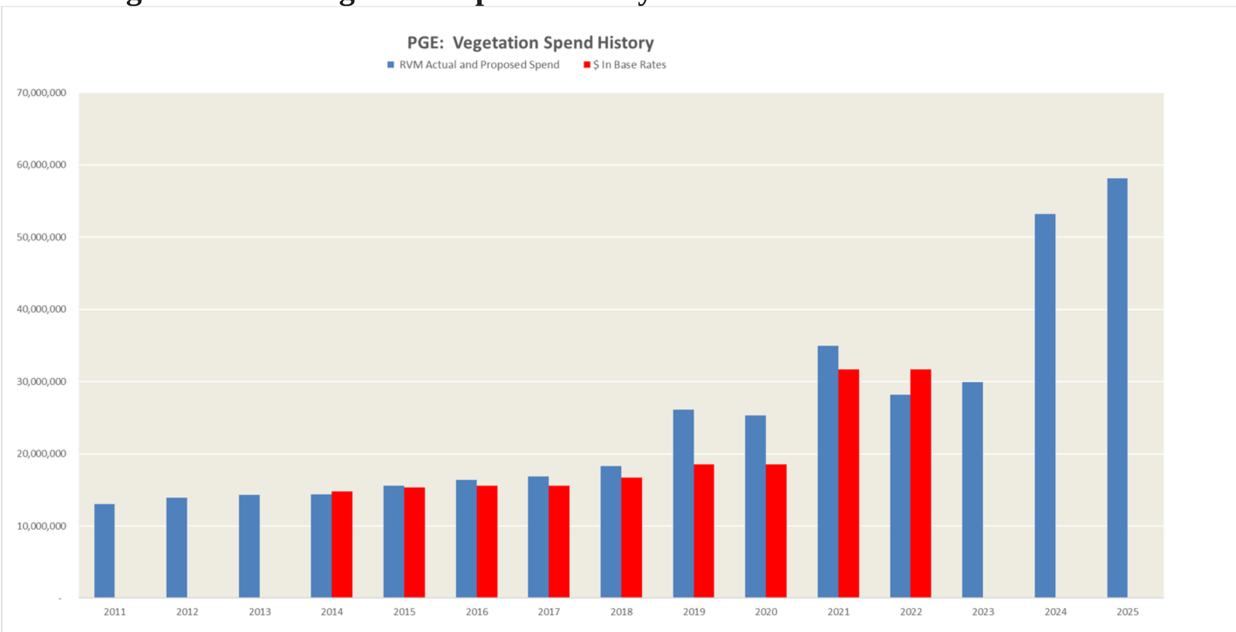
Figure 9. PGE Vegetation Spend History



Q. Are there concerns about this substantial proposed increase?

A. Most certainly. First, in UE 416 Staff recommended the establishment of a balancing account to ensure that budgeted vegetation management work was being delivered, recognizing the importance of this work for safety and reliability. Second, Staff advocated for the establishment of performance metrics related to this work, to which PGE agreed. Those measures have not been established as yet, and PGE has been unable to produce any proposed measures, when asked by Staff. Recognizing the step-change in spend in UE 416 it seems risky and burdensome to customers to further increase the funding without understanding the relationship of the spending increase to performance or having performance measures in place to protect customers. At this time it is unclear what the current level of funding is producing to benefit customers, let alone any further proposed increases.[99]

In rebuttal testimony, Staff referred back to its primary argument,

> Staff cannot support an increase over the last increase to fund a program without first establishing performance metrics and completing a performance review. At this time, it is unclear what the current level of funding is producing to benefit customers, let alone what the incremental value may be from PGE's proposed increases.
>
> Second, as provided in Staff's Opening Testimony, PGE's proposed Test Year expense is an increase of 94 percent, from $29.9 million to $58.1 million, from the last full year of historical, provable data from calendar year 2023. This, coupled with the increase in forecasted target line miles over

[99] Staff/1300, Mondragon/9-10.

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> what's necessary, leading to an increase in crews, asks the Commission to draw conclusions based on currently unsupportable information. This is risky and a disservice to customers. Staff continues to advocate for the usage of the balancing account as the best mechanism to balance the Company's needs and Staff's concerns.[100]

As is seen by the excerpts above, PGE's argument that Staff created a new basis for its adjustment in rebuttal testimony is mistaken. Moreover, PGE could not be prejudiced by Staff's argument because AWEC makes the same recommendation, to keep PGE's spending at the level authorized in UE 416, for the same reasons. Mr. Mullins testifies:

> **Q. What is your recommendation for routine vegetation management expense?**
>
> A. My recommendation is for PGE to hold its non-labor routine vegetation management budget flat between 2024 and 2025. PGE is already earning revenues to cover a major increase in this spending category. Before approving further increases to the budget, I recommend evaluating the effectiveness of the heighted spending. In addition, given the rate pressures being faced by ratepayers, it is appropriate for PGE to prioritize its distribution related spending, and if it is indeed necessary to spend even more on vegetation management, PGE should take efforts to find areas to prioritize spending and reduce costs elsewhere.[101]

PGE's argument Staff's adjustment is not supported by the record misplaces the burden of proof, which lies with PGE. PGE has not shown that including an additional $6.9 million in Test Year expense for RVM is just and reasonable. A little more than ten months ago, PGE was allowed to increase the amount it recovered in rates for RVM by 89 percent to 51.9 million. PGE also received authority for a cost recovery mechanism under which PGE is allowed to defer additional RVM costs above the amount included in rates and seek recovery of these in a subsequent year.[102] And, PGE has received authority for a wildfire cost recovery automatic adjustment mechanism under which a vegetation

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[100] Staff/3500, Mondragon/10-11.

[101] AWEC/100, Mullins/30.

[102] *In the Matter of Portland General Electric Company, Request for a General Rate Revision*, UE 416, Order No. 23-386 (October 30, 2024).

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management that classifies as wildfire mitigation is recovered separately. [103]

PGE's complaint that Staff's testimony morphed during this proceeding is not well founded. As can be seen by the excerpts above, Staff's primary rationale for its recommendation the Commission not increase the Test Year expense for RVM over the amount allowed in UE 416 did not waiver. Staff recognizes that PGE addressed Staff's initial concerns that PGE's calculations of projected incremental costs related to contract employees appeared flawed. However, given Staff's underlying rationale for the recommended adjustment, PGE's reasons for its proposed incremental increase are not the primary consideration. Less than a year ago, PGE was authorized to almost double its Test Year expense for RVM, and it is premature to allow increase cost recovery for RVM yet again without further examination of the efficacy of PGE's RVM.

Issue No. 24. Utility Asset Management.

Staff recommends the Commission adjust PGE's forecasted Test Year expense of $31.8 million by ($5.9 million), resulting in Test Year expense $25.9 million on the ground PGE has not supported the need for the increase.[104] PGE's forecasted Test Year expense is 31 percent higher than its actual 2023 expense of $24,300,722 and 23 percent higher than the amount allocated to this category of costs in PGE's UE 416 Test Year, $25,930,199.[105]

Again, PGE's use of its 2024 budget as a base year presents is a barrier to carrying its burden of proof as it is impossible to ascertain the reasonableness of the budget as a starting point for Test Year expense. PGE does not recognize the drawback of using its 2024 budget and appears to believe it gives the Company a leg up when it comes to substantiating its need for additional revenue. PGE testified that Staff's proposed adjustment to UAM expense is an "attempt to relitigate Docket UE 416. The final order in UE 416 established customer prices for

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[103] *Id.*

[104] Staff/1300, Mondragon/21; Staff/1300, Mondragon.

[105] Staff/1300, Mondragon/18.

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2024, and PGE appropriately used that as the basis for comparison in this case."[106]

PGE's argument that Staff's proposed adjustment is an attempt to relitigate UE 416 is not well taken. The rates in that docket were the result of a settlement. Staff supported the stipulation on the ground it resulted in overall rates that were just and reasonable. Neither Staff nor any party agreed that the amount PGE assumed for its Test Year or 2024 budget was the "correct" amount.

In any event, PGE takes issue with Staff's assertion PGE did not establish the increase for UAM expense is just and reasonable, arguing it provided Staff with a large quantity of evidence to support its position[107] Staff agrees that the PGE supplied spreadsheets and other data about its UAM, but disagrees this evidence supports a 31 percent increase over actual UAM expense in 2023.

Staff testified that "[a]lthough PGE states that the FITNES program and cost of labor are driving the increase, no evidence was provided to support this assertion. PGE mentions an escalating rate of inspection but provides no reasoning for it. No evidence was provided on how PGE arrived at any of their other UAM program numbers. The cost of non-PGE labor and outside services are not supported by any escalation factor or calculation of how they arrived at Test Year amount. Without this Staff cannot determine if the Company proposed amounts are reasonable or prudent."[108] Staff explained,

> Staff requested a narrative explaining the forecast development process, as well as the workpapers used during the development process. In their response, PGE provided a narrative explanation, again including numeric figures and percentages, but failed to provide workpapers that supported the narrative or gave any quantitative reason for the budget escalation. Instead, PGE pointed to their 2025 GRC T&D O&M workbook, submitted along with Company's Opening Testimony, which Staff had already reviewed and found lacked the details needed to determine if the proposed Test Year is reasonable.[109]

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[106] PGE/1600, Cloud-Albi-Putnam/8-9.

[107] PGE Opening Brief 88-89.

[108] Staff/1300, Mondragon/21.

[109] Staff/3500, Mondragon/15-16.

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As discussed above, the appropriate standard for establishing an increase in expense is warranted is whether the spending is “reasonably certain” to occur.[110] In this case, Staff cannot ascertain whether the 23 percent increase in spending that PGE forecasted for 2024 occurred, and certainly cannot tell from the information whether the additional eight percent increase that PGE plans for 2025 will occur. In absence of sufficient evidence to establish the reasonably certain standard, Staff recommends the Commission adopt Staff’s adjustment limiting PGE’s increase to its 2023 actual expense of $24.3 million escalated to a 2025 level of expense of $25.9 million.

Issue No. 25. Customer Accounts and Service O&M.

Account 908 – Customer Assistance Expense

Staff recommends adjusting PGE’s Customer Assistance Expense (FERC Account 908) by ($1,500,000) to reflect a more reasonable forecast of expense for the Test Year, rather than the assumed increase of approximately $2.5 million increase over 2023 actual, which is what PGE’s forecast amounts to.[111]

PGE explained to Staff that the drivers for its increase are 1) incorporating Transportation Electrification deferrals into base rates; 2) incorporating Sch 110 Energy Efficiency Customer Service into base rates; and 3) two years of escalations.[112] Staff noted in Opening Testimony that the deferred TE amounts of $750,000 appear to be primarily used to fund O&M costs related to the Company’s fleet program and workspace charging stations.[113] Staff noted that PGE had not explained why it is necessary to provide “assistance” to customers regarding Transportation Electrification or why it is appropriate to include expense and materials related to PGE’s fleet program in FERC Account 903 for customer assistance expense.[114] PGE’s Opening Brief does not provide the answers to these questions, and Staff’s recommended adjustment should be

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[110] *In re US West Communications, Inc., supra,* Order No. 00-191.

[111] Staff/1100, Peterson; Staff/3800, Peterson/3-5.

[112] Staff/1100, Peterson/10; PGE/1500, MacFarland-Lawrence/11-12.

[113] Staff/1100, Peterson/10.

[114] Staff/100, Peterson/10-11.

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adopted.

Account 903 – Customer Records and Collections

Staff recommends adjusting PGE's Customer Records & Collections (FERC Account) by ($1,500,000) to reflect a more reasonable forecast for Test Year expense than the increased expense forecasted by PGE.[115] Compared to PGE's actual expense in 2023, PGE seeks a $4.9 million increase (18.6 percent) for Account 903 non-labor expense.

PGE based its Test Year forecast for FERC Account 903 on its 2024 budget, (which PGE states is based on the Revenue Requirement approved by the Commission in UE 416), and then increased the budgeted amount for inflation and "known and measurable" changes.[116] The most significant of these changes is the additional $2.2 million in amortization expense for Incremental Distributed Standby Generators, but also includes "brand marketing costs".[117]

As discussed in Dr. Dlouhy's testimony regarding PGE's Virtual Power Plant, Staff is unable to determine the efficacy of PGE's distributed generation pilot program and does not support PGE's amortization of $2 million for the program without greater visibility into the VPP.[118] Accordingly, Staff recommends an increase of actual expense, which is a more appropriate level in current economic circumstances.[119]

Issue No. 26. Expense for Memberships.

PGE disagrees with $178,209 of Staff's proposed $301,984 reduction to expense for memberships on the ground Staff's adjustment is based upon a misunderstanding of dues owed and paid to Edison Energy Institute (EEI) in the 2023 base year. PGE notes the 2023 invoice from EEI shows total dues of $790,644.311, and that Staff incorrectly assumed PGE included the entire invoice amount in 2023 Base Year expense. PGE states that in fact, it only recorded the

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[115] Staff/1100, Peterson; Staff/3800, Peterson/3-5.

[116] PGE/200, Batzler-Ferchland/8.

[117] Staff/1100, Peterson/7; Staff/3800, Peterson/4; PGE Opening Brief 92.

[118] Staff/3800, Peterson/5; Staff/1700, Dlouhy/10.

[119] Staff/1100, Peterson/6-7; Staff/3800, Peterson/5.

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portion of its EEI payment, which was $671,238,31. PGE states that subtracting amounts attributed to lobbying activities from the total amount of dues owed leaves $676,238.314, which means PGE seeks to recover slightly less than PGE's non-lobbying related EEI membership dues.[120]

Staff disagrees with PGE's recommendation. First, the record appears shows PGE paid $712,837 to EEI in the 2023 base year.[121] Staff/2103 is an excerpt of expense recorded in 2023 for memberships. The exhibit shows the $671,238,315 referred to by PGE in six entries. However, there are additional entries for EEI memberships on page of the exhibit, and when all EEI entries are totaled, they amount to $712,887. Staff used this amount to perform its 25 percent adjustment.

Staff acknowledges that it should have used the $790,644 amount to calculate its 25 percent adjustment. Had it done so, Staff would have calculated an adjustment of approximately $197,661, resulting in a recoverable amount for the EEI membership of approximately $592,983. The $712,837 in payments PGE made to EEI for memberships in the 2023 base year is $119,000 more than what is recoverable under Commission policy. Even assuming Staff's adjustment double counts a portion of the lobbying expense removed by PGE from the Base Year, Staff does not think changing Staff's proposed adjustment is warranted, particularly in light of evidence provided by Staff that shows an adjustment of more than 25 percent is warranted for EEI Membership dues.

Staff submitted a 2017 Report from the Electrical Institute regarding EEI activities and the appropriateness of recovering costs of this organization in utility retail rates. The Report reflects that EEI engages in and incurs expenses for a host of other political activities that are beyond the set of costs that are categorized as nondeductible section 162(e) dues.

In fact, as detailed later in the report, the National Association of Regulatory Utility

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[120] PGE Opening Brief 77.

[121] Staff/4103.

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Commissioners had been auditing EEI data until the early-2000s. One of the final audits from NARUC revealed that 50 percent of EEI's expenditures went to the following categories: legislative advocacy; regulatory advocacy; advertising; marketing; public relations; legislative policy research; regulatory policy research. All of these are expenditures that should not be paid for by customers.[122]

I. Taxes.

J. Grants.

Issue No. 30. Grid Edge Computing Grant.

In Opening Testimony, Staff recommended a disallowance of $600,000 to O&M to recognize PGE's receipt of a $600,000 grant for Grid Edge Computing. Staff also recommended a $100,000 disallowance, approximately 10 percent of four other grants PGE had or would receive. In Reply Testimony, PGE noted that budget negotiations for the grant-related projects (e.g., Hydrogen Hub, Grid Edge Computing and Confederated Tribes of the Warm Springs) were ongoing and PGE did not know how much it would spend in 2025 for each grant-related project, though expected it would incur approximately $4 million in O&M costs in support of the grants in 2025.[123] In Rebuttal Testimony, Staff withdrew its proposed $100,000 disallowance.[124]

Notably, nothing in PGE's August Reply Testimony established it was reasonably certain PGE would incur costs related to the Grid Edge Computing project in 2025. Instead, the only thing established was PGE's receipt of a $600,000 grant for the project. In its final round of testimony filed on October 1, 2024, PGE testified that it expected to incur $956,000 of non-reimbursable costs for "Grid Edge Computing "and explained for the first time in testimony what

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[122] Staff/4101, Rossow/10 ("*Paying for Utility Politics – How utility ratepayers are forced to fund the Edison Electric Institute and other political organizations Paying for Utility Politics How utility ratepayers are forced to fund the Edison Electric Institute and other political organizations*," Energy Policy Institute, May 2017).

[123] PGE/1300, Batzler-Meeks/60-61.

[124] Staff/3800, Peterson/9.

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the Grid Edge Computing project is supposed to do.[125]

In its Opening Brief, PGE urges the Commission to reject Staff's ($600,000) adjustment because Staff failed to recognize evidence that PGE would incur costs in 2025 for Grid Edge Computing that exceed the $600,000 grant. PGE argues "[c]urrent estimates indicate a net cost of $956,000 after reimbursements. Several data request responses were provided to Staff and parties concerning the grant requests and nowhere in testimony does Staff dispute the $956,000 net cost amount. Failure to dispute the accuracy of PGE's forecasted 'cost-share' makes Staff's proposed disallowance neither justified nor sufficient to address PGE's anticipated cost of service."[126] PGE supports its assertion that Staff was provided information regarding the $956,000 estimate with a citation to a list of data request responses that are not part of the record in this case.[127]

Staff's review of the data request responses cited by PGE shows they were issued in June 2024, prior to PGE's August 2025 Reply Testimony in which PGE stated it did not yet have sufficient information to say with certainty what costs it expected to incur for the Grid Edge Computing project.[128] Accordingly, PGE's expectation that Staff should have challenged PGE's $956,000 estimate in Staff's September Rebuttal testimony is completely without merit because this information was not known by Staff until PGE filed its final round of testimony in October. Instead, the only information known to Staff when it filed its last round of testimony was an estimate of what PGE thought it would spend on several grant-related projects when budget

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[125] PGE/2400, Batzler-Meeks/44-46.

[126] PGE Opening Brief, p. 101.

[127] PGE Opening Brief, p. 101, n 400.

[128] Staff realizes the ALJ cannot directly confirm Staff's assertion the data request responses referred to in PGE's Opening Brief were issued prior to the date PGE filed its Reply Testimony in August 2024. However, this information can be extrapolated by comparison of the date and number of other of data request responses that are included in on the record. For example, Staff/3801 is PGE's Response to Staff Data Request 598 issued on June 6, 2024, and responded to on June 20, 2024. The most recent data request response cited in PGE's Opening Brief is 467. Data Requests are issued sequentially, meaning Data Request 467 was issued sometime before June 6, 2024, and the response was due 14 days thereafter.

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negotiations were complete.[129]

In any event, Staff does not believe PGE has carried its burden of proof with respect to these costs. Absent from PGE's testimony is any sort of cost benefit analysis of the project. Instead, PGE appears to rely on the fact it has received a grant that will cover a portion of the project to establish the reasonableness of the costs. It certainly is not evident that it is prudent to proceed with projects partially funded by these grants when costs passed to ratepayers far exceed the amount of the grants. This is particularly true in light of PGE's testimony it has applied for over $300 million worth of grants. It is also not self-evident that any projects partially funded by grants are reasonable and prudent because they are partially funded by grants. Instead, it is necessary for PGE to establish the reasonableness of cost recovery for each grant-related project.

K. Rate Spread/Rate Design.

Issue No. 32. Should the Commission adopt proposed adjustments to PGE's cap to customer class rate increases? If so a cap and/or floor for customer class rate increases as a percentage of the overall (or average) increase? If so, what should be the parameters?

Staff recommends the Commission adopt a cap equal to 125 percent of the average increase and a floor equal to 89.4 percent of the average increase to mitigate the impact of cumulative rate changes and to promote equity among the rate classes.[130] PGE and AWEC argue that Staff's rate spread bands are too narrow.[131] Staff disagrees.

In the face of a large increase such as the one PGE is requesting, and against today's backdrop of increasing affordability concerns, it is both reasonable and within the Commission's discretion to temper rate impacts to customers to balance the interests of the utility investor and the consumer. The narrowing of the spread in range of rate changes to customer classes is

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[129] PGE/1300, Batzler-Meeks/60-61.

[130] Staff/900, Stevens/13; Staff/3000, Stevens/9.

[131] PGE/2000 Macfarlane-Pleasant/20.

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necessary to mitigate the impacts of cumulative rate changes and to promote equity among the rate classes. Further, the band proposed here is not too dissimilar to the bands Staff has proposed in recent electric rate cases.[132]

For a while now, Staff has generally proposed tighter caps and floors for larger rate increases as the gap between classes will widen as the total revenue requirement increases. The marginal cost study relies on many assumptions is not meant to be prescriptive, but instead an important tool, among many, that the Commission can use to determine rate spread. Staff is still recommending that the marginal cost study be at the foundation of the rate spread but is recommending that an ex-ante cap be imposed for affordability concerns.

Issue No. 33. Should the Commission adopt PGE's revisions to the Customer Impact Offset (CIO) to equalize the distribution charge for lighting schedules?'

Yes. Staff agrees with PGE that the CIO is necessary to temper the range of increases in the rate spread.[133]

Issue No. 34. Should the Commission adopt PGE's proposed increase to its residential basic charge?

No. Staff does not believe the increase to the basic charge, on top of the increase in PGE's 2023 rate case, is supported by the important ratemaking concepts of cost causation, gradualism, and equity.[134] As discussed in Staff's Opening Testimony, PGE's basic charge grew by $2 from 2010-2022.[135] If PGE's proposed basic charge is adopted, the basic charge will have grown by $4 dollars in just two years. This translates to a 36 percent increase for single-family customers and a 50 percent increase for multi-family customers in the last two years alone, the most recent increase going into effect a month and a half before the Company filed this case.[136]

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[132] UE 426 Staff/1600, Stevens/37; UE 433 Staff/1500, Stevens/18 and Staff/3800, Stevens/38.

[133] Staff/3000, Stevens/10.

[134] Staff/900, Stevens/16-22; Staff/3000, Stevens/13-16.

[135] Staff/1900 Stevens/20-21.

[136] Staff/3000, Stevens/14-16.

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The speed at which the Company is proposing to change the basic charge is by no means "gradual" compared to the recent history.

Further, although Staff appreciates that PGE provided an analysis of the equity impacts of the basic charge increase, the analysis is ultimately incomplete. All else equal, an increase to the basic charge can be seen as a transfer of income from low users to high users as it is overall a revenue neutral rate design instrument within the residential class. It is important to know the composition of these groups to fully understand the impacts of a change to the basic charge. In PGE's analysis, they do attempt to identify the makeup of low-income customers and energy burdened customers but do not discuss at length who the "winners" of an increased basic charge are.

For instance, PGE's Figure 1 shows that the customers receiving the largest benefit are those consuming over roughly 1,700 kWhs a month. While the relationship between usage and income is not necessarily clear-cut, it is reasonable to assume that customers with very high usage are generally not low-income. It is important to understand the make-up of this group, particularly if the decrease these customers are experiencing is coming directly from an increase on primarily lower income customers. Understanding the full impacts of this change is imperative for deciding the appropriateness of the basic charge increase. The burden of proof is on the utility to demonstrate that its proposed policies do not have disproportionate and inequitable impacts on low-income customers.[137]

Lastly, PGE's current basic charge is nearly exactly where Staff's longstanding methodology of calculating a cost-based basic charge would place it.[138] As such, an increase to the basic charge would over charge customers as the basic charge is meant to reflect short-run marginal costs.

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[137] Stevens/3000, Stevens/16.

[138] PGE/3101, Macfarlane-Pleasant/1-2.

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Issue No. 35. Has PGE established that its proposed revisions to the load following credit for Schedule 90 are warranted?

No, PGE has not provided a convincing argument that system benefits provided by Schedule 90 justify more than tripling the current load following credit as PGE proposes.[139] If the Load Following Credit is going to be both continued and updated, it should be updated with a value that represents the value that Schedule 90 provides to the rest of the system. At this time, PGE has not provided a convincing rationale for why the flexibility value of a lithium-ion battery is appropriate to use as a benchmark for this benefit.[140]

In response to Staff's concern that PGE has not provided a convincing rationale to use a lithium-ion battery as the benchmark, PGE observes "a 4-hour battery is the marginal resource that provides flexibility in PGE's system." This is not the point. Staff's point is that there is no evidence showing that Schedule 90 customer provides the same benefit 4-hour battery, instead, this is simply assumed. It is inappropriate to base an increase to the load-following credit on an unsubstantiated assumption regarding the benefits Schedule 90 customers provide the system.

Further, PGE has not provided sufficient rationale to support the existence of the Load Following Credit at all. The Load Following Credit is effectively a transfer from smaller schedules to large customers served under Schedule 90 to recognize the reduced load-following cost of service Schedule 90 loads. 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 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.

Further, because of Schedule 90's high load factor, Schedule 90 customers already pay less generation costs than they would otherwise. Assigning the full flexibility value of a lithium-

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[139] Staff/3000, Stevens/18-19.

[140] Staff/3000, Stevens/19.

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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.

Staff finds it inappropriate to increase the Load Following Credit. Given this unjustified benefit, Staff believes that it may even be warranted to entirely eliminate the Load Following Credit.[141]

Issue No. 36. Should PGE be required to apply Time of Use (TOU) to Schedule 90 customers?

Staff recommends PGE be required to apply Time of Use (TOU) rates to Schedule 90 customers because it is appropriate to align the costs of providing energy to Schedule 90 customers with the rates charged for these customers. Parties make contradictory arguments against Staff's proposal. PGE asserts that it is preferable to incentivize Schedule 90 customers to provide a grid benefit through their flat load shape.[142] PGE has not provided evidence to quantify that there is indeed still a benefit to Schedule 90 customers' flat load shapes in an era of increased variable energy resources.

Converse to PGE's unsubstantiated assertion that there is a benefit to incentivizing Schedule 90 customers to maintain a flat load, AWEC asserts that there is no way for a Schedule 90 customer to adjust their load.[143] Even if one were to one believe either of these contradictory arguments against applying the TOU rate to Schedule 90, these still do not address Staff's concerns that a TOU rate is meant to align the cost of procuring power with rates.

AWEC further claims that Staff did not come forward with a clear TOU proposal for Schedule 90 in this docket.[144] This ignores both Staff's clear recommendation that the same TOU rate calculation applied to Schedules 38, 83, 85, and 89 should apply to a Schedule 90

[141] Staff/3000, Stevens/19-20.
[142] PGE Opening Brief 116.
[143] AWEC Opening Brief 45.
[144] *Id.*

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customers in Opening Testimony and an application of this methodology using the most recent available data in Rebuttal Testimony.[145]

L. Transportation Line Extension Allowance

Issue No. 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?

Schedule 56 is PGE's Commercial Electric Vehicle (EV) Make-Ready Pilot. The pilot currently provides an incentive for the upfront costs of installing EV charging infrastructure for both fleet and non-fleet commercial customers. Approved in 2021, the program will remain open until December 2025 or until available funds have been fully reserved. Fleet participants are eligible if installing at least 70 kilowatts (kW) of EV charging equipment, while non-fleet participants must install at least eight Level 2 charging ports that are intended for residential customers' EV use. A participating fleet customer must ensure the charging equipment is operational for 10 years and adhere to a minimum energy usage agreement.[146]

PGE anticipates the pilot's funds will be fully reserved by August 2025[147] and proposes a modified TLEA to replace, under which a new participant with a minimum 10-year energy commitment of 400,000 kilowatt-hours (kWh) may apply for the TLEA. The customer's incentive would be the lower of:

- Committed 10-year total kWh, multiplied by the service schedule LEA, multiplied by 1.4;
- The participant's line extension cost plus the Make-Ready Cost for the charger equipment and installation; or

[145] Staff/1700, Dlouhy/46; Staff/2400, Dlouhy/22.

[146] Staff/1600, Bolton/2.

[147] Staff/1602, Bolton/1, PGE Response to OPUC DR 353.

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- $450,000.[148]

PGE has yet to show a cost-benefit analysis that justifies making the pilot program permanent. PGE's marginal cost comparison finds the incremental revenue from these new customers nearly or just breaking even with the marginal cost to serve.[149] Staff does not recommend adopting a permanent TLA that may not adequately protect other customers from cost shifts. Accordingly, Staff recommends PGE continue to propose Schedule 56 Make Ready Pilot budgets in the Company's TE plan in three-year increments for Commission approval. This avenue allows PGE to continue advancing TE investment while still providing enough safeguards and regulatory review to ensure other customers are not unfairly exposed to cost shifts.[150]

PGE disagrees with Staff's analysis and recommendation. First, PGE asserts Staff's concern that other customers will subsidize customers receiving the TELA is overstated because the potential subsidy is de minimis – approximately $22,000 annually – especially when considering that the benefits calculated do not include future flex load benefits that the required equipment enables. PGE also notes its TLEA has a claw-back provision that mitigates the risk that the TLEA customer will meet the load that the TLEA was based on. Third, PGE argues that Staff's position that TLEAs must score a benefit cost ratio greater than one "is made without referenced precedent or commission guidance, apparently relying only on the assertion that a BCR of less than 1.0 fails to 'provide the correct price signal and shifts the LEA costs to all other customers with little to no corresponding benefit'– a position that could have disruptive consequences for other demand-side management planning and investment activities."[151]

Staff disagrees with each of these complaints. First, PGE's analysis showing the subsidy

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[148] Staff/1600, Bolton/3.

[149] Staff/1600, Bolton/5.

[150] Staff/1600, Bolton/7.

[151] PGE Opening Brief 118.

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is as low as $22,000 uses inputs that Staff believes are unrealistic.[152] Further, Staff is not persuaded that adopting PGE's TLEA is warranted on the ground the subsidy is minimal. The point is that a line extension allowance should not result in any subsidy paid for by other customers.

PGE's complaint that Staff is requiring too high a cost benefit ratio is also flawed. First, Staff is not suggesting that its analysis regarding PGE's LEA for transportation customers be applied to other programs such as conservation. Accordingly, PGE's concern Staff's analysis will harm other programs is wholly without merit. Second, Staff disagrees that it is being too conservative with respect to the determination of a reasonable cost benefit showing. As discussed throughout Staff's testimony, ratepayers are facing significant cost pressures, and customers least able to pay are hit hardest by increasing rates. In this environment, it is imperative to protect the most vulnerable customers from taking on costs of other customers upgrading their service to accommodate electric vehicles.

Finally, PGE's argument that customers are protected by the claw back provision is not compelling. A claw back provision is a minimum requirement in a program such as this.

As Staff has explained, it believes that whether the TLEA should be made permanent is better left to Docket No. UM 2033, which provides a venue for a more thorough and rigorous review of TE programs that is also more accessible to other stakeholders.[153] UM 2033 is not a contested case, so the barriers to participation are fewer. For example, NWEC is an important voice for TE planning in Oregon, but did not intervene in this proceeding. The only intervenor in this proceeding to testify regarding the TLEA is ChargePoint, which has a commercial interest in making Schedule 56 permanent.

The record in this case does not support making the generous TLEA allowance (up to $450,000) a permanent fixture, and no circumstances warrant making this allowance permanent

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[152] Staff3100, Bolton/4-6.

[153] Staff/3100, Bolton/12.

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without review in the docket designed to take up issues such as this. In other words, Staff is not arguing the Commission should reject PGE's proposal for all time, rather Staff recommends taking the issue up in a more appropriate and stakeholder friendly docket.

Staff has already addressed PGE's PGE argues that its funding for customers in the Fleet Commercial Make Ready Pilot currently operates with funding secured in cycles through the TE Plan and that when the funding allocated for TLEA is reached, customers wait in a backlog until more funding is released for TLEAs, creating uncertainty in timing of projects, ability to participate and potentially leading to customers not enrolling in program. PGE can seek more funding with a mid-cycle TE Plan Update as allowed in OAR 860-087-0020(2)(f) and has time to do so before funds are scheduled to run out in August 2025.

M. Transportation Electrification & PGE Fleet

Issue No. 38. How much should PGE recover for the following customer-related transportation electrification items?

a. UM 1811 pilots rate base

Given its very small impact on Revenue Requirement in this case, Staff rescinds its proposed ($352,000) for rate base investment for UM 1811 pilots to streamline the issues in this case.

b. Electric Island rate base

Staff recommends the Commission disallow $1.4 of capital in rate base for Electric Island, which is a joint venture heavy-duty vehicle public charging site on Swan Island.[154] PGE executed a contract with an EV manufacturer for Electric Island on September 15, 2020, committing the Company to make these expenditures before the Commission approved Schedule 53 allowing payments. PGE's decision to give its customer a subsidy was not pursuant to any tariff and other ratepayers should not be required to bear the costs of these pre-tariff expenditures on the construction of a charging site. A like circumstance would be PGE deciding to give a

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[154] Staff/3200, Shierman/6-7.

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customer a LEA well above the amount authorized by the Company's tariff because PGE thought it would be a good idea to do so. In such a case, it is clear the only portion of such a LEA that PGE would be allowed to recover from other ratepayers is the amount authorized by the Company's tariff.

c. TE database rate base

Given its very small impact on revenue requirement, Staff rescinds its proposed ($177,000) adjustment to rate base for PGE's data base investment.[155]

d. Line extension rate base amounts related to customer TE projects from 2019 to 2023

Staff recommends the Commission decrease rate base by $1.1 million for excess Line Extension allowances paid to customers based on unreasonably high load estimates.[156] PGE opposes Staff's adjustment, arguing PGE's site load forecasts combined EV load with building load, Staff does not consider when the allowance calculation exceeds job cost, at least one calculation included other site load, Staff's use of a capacity factor of four percent is inappropriate, and PGE cannot change the forecast in the middle of the project.[157] Only one of PGE's arguments has merit.

First, in every site load forecast Staff has reviewed for EV charging sites, the EV chargers have always had a separate line for the chargers' nameplate capacity. PGE has not provided an example where the charger and building load were combined. Even if they are combined in some instances, Staff believes PGE has sufficient familiarity with EV chargers to make reasonable estimates for load.[158] With respect to PGE's suggestion that instances when the LEA has been less than the job cost will offset any overpayments, PGE did not provide evidence

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[155] Staff/2200, Shierman/3-8; Staff/3200, Shierman/3-16.

[156] Staff/3200, Shierman/18-19.

[157] PGE/1500, MacFarland—Lawrence/27-29.

[158] Staff/3200, Shierman/35.

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to prove this assertion.[159] With respect to PGE's argument that Staff incorrectly considered site load for one of the excessive LEA projects that Staff identified, Staff agrees and has removed this LEA, plus another, from its LEA adjustment.[160] PGE's fifth argument, that it is inappropriate to change the site load forecast in the middle of the project, misses the point. PGE's knowledge base is sufficient to allow it to make reasonably accurate forecasts. But the evidence indicates PGE has overestimated the load of customers installing EV charges and therefore, the appropriate LEA. An adjustment is required to ensure other customers are not inappropriately subsidizing customers with EV chargers.

PGE's argument that the overestimations are understandable given the nascent EV market is also without merit.[161] The excessive LEAs were provided in the period 2019-2023. Even if the market has changed since 2011 as PGE says, it is reasonable to expect that by 2019, PGE had sufficient experience with EV load to appropriately determine the LEAs.

e. TE plan and program development expense

Staff recommends the Commission reduce PGE's Test Year expense by the amount set forth at Staff/3200, Shierman/21, lines 4-6, to eliminate expense asked for in this proceeding that exceeds the TE Budget for base rate operating expenses approved in Order No. 23-380 in Docket No. UM 2033.[162] PGE opposes Staff's adjustment, arguing the TE Budget approved by the Commission is not to intended to cover costs to develop the TE Budget and other administrative costs. PGE argues, "[e]xpenses related to creation of the TE Plan, evaluation of and administration of the TE Plan, development and management of PGE's TE-related workforce and other TE-related support work that is not specific to a program, measure or infrastructure investment should find no place in the TE Plan or Budget[,]"[163] and should be considered in a

[159] Staff/3200, Shierman/35.

[160] Staff/3200, Shierman/35.

[161] See PGE Opening Brief 128-29.

[162] Staff/2200, Shierman/9; Staff/3200, Shierman/16-12.

[163] PGE Opening Brief 31.

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general rate case.[164] PGE also argues that in any event, just like acknowledgment of an IRP, the TE Budget is not intended to be a cap on costs.[165] Staff disagrees with both arguments.

OAR 860-087-0010(6) provides "Transportation Electrification Budget" means **all** the planned expenditures on and sources of projected revenue **that support transportation electrification** in the first three years of the TE Plan."[166] This definition of TE Budget encompasses a broader range of costs than suggested by PGE.

As reflected in Order No. 23-280, in connection with its review of PGE's 2023 TE Plan and Budget, Staff observed PGE had not included the administrative cost of TE planning and product design in the draft TE budget even though the Division 87 rules require that electric companies include all planned expenditures that support TE in their TE Budgets.[167] Staff noted that PGE had updated its TE Budget to include planning and product development activities and that if "PGE has underestimated these administrative costs in the 2023-2025 TE Budget, the Company can use the TE Plan update process before actual expenditures exceed what the Commission approves in this proceeding, which is required under OAR 860-87-0020(2)(f)."[168]

Although, PGE was warned that it should amend its budget to include planning costs, PGE did not do so. Accordingly, it is appropriate to hold PGE to the spending level in the Budget that was approved by the Commission.

Staff's conclusion that the TE Budget is a limit on spending for transportation electrification is also supported by the Commission's 2022 order adopting revisions to the transportation electrification rules. In that order, the Commission noted the draft rules achieve the development of a holistic TE planning process incorporating the requirements of HB 2165

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[164] PGE Opening Brief 31.

[165] PGE Opening Brief 31.

[166] OAR 860-087-0010(6)(emphasis added).

[167] *In the Matter of Portland General Electric Company*, UM 2033, Order No. 23-280, p. 6 (October 20, 2023).

[168] *Id.*

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and Staff's TE investment “framework” and that the framework includes three primary elements working in tandem, “including an infrastructure budget “guardrail”[.][169] A budget that is merely a guide for what PGE can spend on TE is not a “guardrail.”

Issue No. 39. For the following fleet related items, what adjustments, if any, should be adopted?

a. PGE EV Fleet Vehicles and Fleet Chargers rate base.

Staff recommends the Commission adjust PGE’s rate base by ($24.4 million)[170] to remove what Staff has identified as the net EV premium associated with electrifying PGE’s own fleet and premature retirement of vehicles. To determine the total adjustment for fleet electrification, Staff first identified the cost premium of EVs compared to their internal combustion engine (ICE) alternative and for the premature retirement of non-EVs. Staff then reduced the cost premium by the O&M savings of the EVs, to arrive at what it calls the net EV premium. Most of this net EV premium comes from the cost of building and maintaining PGE’s private fleet chargers ($20.7 million, which spans temporarily settled adjustments in UE 394 and UE 416 with those incremental to this proceeding) rather than the price of the EVs themselves ($831,000, which adds UE 416’s settled adjustment to those EV purchases incremental to this proceeding).

PGE believes Staff’s adjustment based on a comparison of cost of using ICE vehicles is inappropriate because PGE’s investment in electric vehicles is aligned with PGE’s long-term operational decarbonization goals which are also in alignment with the state’s policies and requirements for reduction in greenhouse gas (GHG) emissions which include: concern about GHG emissions in ORS 468A.200, a policy for a reduction of GHG by dates certain in ORS 468A.205, findings and goals for use of zero emission vehicles in ORS 283.398 and 283.401, the

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[169] *In the Matter of Revisions to Division 087 Rules*, AR 654, Order No. 22-336 (September 8, 2022).

[170] Staff has previously misstated this adjustment. Staff’s total capital-related adjustment for fleet electrification, including premature retirement of vehicles and acquisition of EVs and chargers is an adjustment to rate base of ($24.4 million).

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Advanced Clean Trucks and Advanced Clean Fleet rules, and adoption of Governor Brown's executive order 20-04.[171]

The Advanced Clean Trucks and Advanced Clean Fleet rules[172] and Governor Brown's executive order 20-04 do not impose any requirements on PGE, nor do ORS 283.298, ORS 283.401, or ORS 468A.205. Staff recognizes the clear direction of the State with respect to reducing greenhouse gas emissions and Transportation Electrification. However, with respect to Transportation Electrification, the legislature has chosen to incent utilities to accelerate TE through ORS 757.357 with the filing of Transportation Plans. PGE's electrification of its own fleet is not part of its TE program.

PGE's suggestion that the social and environmental benefits of electrifying its fleet make any cost-benefit analysis moot highlights why it is significant that PGE chose to pursue fleet electrification outside of the TE program. As discussed above, the Commission requires and approves a TE Plan and a TE Budget, the latter to balance of the policy goals of pursuing transportation electrification and affordable rates. Assuming the social and environmental benefits are such that PGE is free to pass along to customers the costs of any additional TE projects it wishes, notwithstanding the financial costs/benefits, is completely counter to ORS 757.357 and implementing rules.[173]

PGE's fleet electrification is not a net benefit to ratepayers. The long-term cost to electrify PGE's fleet is expected to exceed the long-term O&M savings, in large part because of the $20.7 million price tag for private fleet chargers and the significant annual O&M cost to maintain them. Staff has welcomed PGE to propose fleet electrification as a TE program for the Commission to make a policy decision on the proper amount of ratepayer cost burden in excess

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[171] PGE Opening Brief 133-34.

[172] The Advanced Clean Truck and Advanced Clean Fleet rules are regulations of vehicle manufactures. These impact PGE in the price of vehicles. Staff Exhibit 3206 captures the vehicle prices available to PGE. In this proceeding, PGE has provided no similar analysis to show a benefit to ratepayers.

[173] Staff/2200, Shierman/11-13; Staff/3200, Shierman/22-32.

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of what is needed to provide service.

b. PGE EV Charger Maintenance expense.

For the reasons discussed above, Staff recommends the Commission adjust PGE's Test Year expense for maintenance on its imprudently acquired private fleet chargers.[174]

N. Customer Service Issues.

O. Affordability, Income Qualified Bill Discount and other Environmental Justice Issues.

Issue No. 43. What changes, if any, in response to the company's Energy Burden Assessment should be adopted in this docket to PGE's Schedule 18 Income Qualified Bill Discount Program discount levels, structure standards?

Although not necessarily in response to PGE's Energy Burden Assessment (EBA) Staff recommended the Commission order PGE to implement a master meter customer component to the Company's IQBD, that includes a reasonable discount to be passed onto Oregon residents housed in master metered dwellings that would otherwise qualify for the IQBD.[175] PGE testified in its October 1 surrebuttal testimony that it has included a discount program for master-metered family housing in its September 27, 2024 filing to update the IQBD. [176] Staff will review PGE's proposed discount in the docket opened for PGE's September 27, 2024, filing.

Staff testified regarding its preference for using UM 211 to address changes to the IQBD, noting it anticipated PGE would make a tariff filing with changes to the IQBD after receipt of the EBA. In rebuttal testimony Staff offered the following recommendations as minimum expectations for PGE prior to and for the September filing:

• An outline of planned engagement spaces allowing Staff, stakeholders and the Company to review post-enrollment verification procedures and evaluate a targeted PEV strategy

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[174] Staff/3200, Shierman/22-32

[175] Staff/2500, Ayres/2.

[176] PGE/2300, Sheeran-Latu-Neman/12; *PGE Advice No. 24-19, Schedule 18, Income Qualified Bill Discount*, Docket ADV 1645 (Sep. 27, 2024).

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as outlined in the EBA

• Additional analysis and offering of program enhancements as identified in the EBA, including but not limited to:

- An arrearage management or arrearage forgiveness program proposal informed by the EBA that can be further refined following stakeholder engagement and Staff-led workshops within the UM 2211 process.
- Outreach efforts to expand IQBD enrollment that target high energy burden eligible customers across the Company's service territory.
- Opportunities for feedback to inform and influence the Company's proposals in shared learning and co-designed workshop/meeting spaces.
- A master meter component to the Company's IQBD that is rolled out in consultation with OHCS, CBOs and PGE's CBIAG members.
- A method to track total energy assistance funding as a percent of energy assistance need as an annual metric, as identified in the EBA. This could happen in collaboration with OHCS or other agencies also delivering energy assistance.

And finally, Staff testified that if the UM 2211 process does not result in well supported improvements effective on a timeline that provides relief in the upcoming heating season, the Commission should direct the Company to make these improvements in their order in UE 435.[177]

As can be extrapolated from PGE's surrebuttal testimony, PGE did not convene Staff and stakeholders to solicit feedback prior to submitting a proposed tariff in Docket No. UM 2211. In its Opening Brief, Staff noted its concern with PGE's lack of urgency with respect to addressing disconnections and arrearages, and PGE's level of engagement with stakeholders relating to the IQBD. However, because the evidentiary stage of the proceeding was over, Staff elected to not change its position that it was appropriate to review changes to the IQBD in UM 2211.

[177] Staff/2500, Ayres/13.

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Now, however, Staff believes the urgency in getting meaningful changes to the IQBD requires Staff to exercise the option reserved in its rebuttal testimony to recommend the Commission act in this proceeding make improvements to the IQBD prior to the 2024-2025 heating season. Staff notes the record on changes to the IQBD is fully developed and provides a sufficient basis on which the Commission may make decisions.

Issue. No. 44. What changes, if any, should be adopted regarding post-enrollment verification or income verification?

Staff recommends the Commission adopt no changes to the current post-enrollment verification process in PGE's IQBD and opposes AWEC's proposal to require the Company to perform post-enrollment verification because it would conflict with Staff's core UM 2211 principle to provide low-barrier enrollment options through self-attestation for energy assistance programs.[178] In testimony, Staff noted that high barrier enrollment programs, such as those with income verification, continue to be plagued with participation rates of 13 to 18 percent.[179] Staff does not believe this is the type of program the Commission should be striving for. [180]

Issue No. 45. What changes, if any, should be adopted in this docket to PGE's disconnection policies, generally or as related to IQBD customers specifically?

Staff is addressing policies related to disconnection in UM 2211.

However, Staff notes that PGE's assertion that past due allowances and disconnections are consistent with historical trends pre-COVID is concerning.[181] Prior to COVID, PGE offered far less energy assistance than what has been established since the passage of HB 2475 in 2022. Accordingly, the Company's suggestion that there is little need for alarm as arrearages look similar to 2019 levels is concerning. This implies that PGE finds no issue with the fact that the

[178] Staff/2500, Ayres/8.

[179] Staff/2500 Ayres/8.

[180] Staff/2500, Ayres/8

[181] PGE/2300, Sheeran-Latu-Newman/3.

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significant investment in low-income assistance related to HB 2475 has had no discernable effect on residential arrears. Further, it implies PGE finds it acceptable to continue to spend a considerable amount of funds on energy assistance programs without seeing any change in arrearage levels. The purpose of HB 2475 was to enable rates and programs that address differential energy burden and improve residential affordability and equity. Two and a half years after the implementation of HB 2475, it should be expected to have a different paradigm in customer arrears.

While Staff will pursue swift and meaningful near term action in UM 2211 relative to arrearages and disconnection, Staff sees value in the Commission directing PGE to work productively with Staff and stakeholders to implement arrearage relief measures and enhance qualified disconnection protections prior to the UE 435 rate effective date to help ensure the process can move forward smoothly and without having to continue exhaustive dialogue on whether or not there is a problem at all.

With respect to disconnection data, Staff has begun grappling with the reality that current disconnection reporting does not provide clarity on cyclical disconnections, and after reviewing how many LI customers used up their two remote waived reconnection charges before May of the calendar year, Staff believes there are potential data gaps that could disguise deeper problems. Regardless though, 2024 (i.e. post-UE 416) disconnections are trending upward both in count and rate from the same time period in 2019, 2022, and 2023.[182]

Issue No. 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?

As noted above, Staff is concerned with the lack of any meaningful indication that the number of customers in arrearages is decreasing even post HB 2475. Staff reiterates that PGE appears to not recognize the urgency of the issues. At minimum, Staff recommends the

[182] 2020 and 2021 are excluded because of COVID impacts.

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Commission direct PGE to work expeditiously with Staff and stakeholders in UM 2211 to address continuing arrearage and disconnection levels in PGE's service territory.

Issue No. 48. What proposals by parties for additional reporting, stakeholder engagement, or customer engagement should PGE be directed in this docket for PGEs IQBD program, disconnections, arrearage or related issues? If required, what should be included and the parameters?

Staff recommends the Commission direct PGE to:

- Engage with its Community Benefit and Impacts Advisory Group (CBIAG) and Community Action Partners (CAAs or CAP agencies) on additional outreach techniques for reaching IQBD eligible customers;
- Engage with CAP agency partners in the presence of Staff to discuss program adjustment opportunities that optimize the lower barrier and timely enrollment for customers;
- Monitor, track and report to the Commission a list of IQBD customers with a monthly usage of 2,000 kWh or more; and
- Convene Staff and stakeholders to discuss IQBD structure and discount levels, an arrearage management plan and/or forgiveness program for IQBD customers, adjustments to the definition of high usage customers for energy efficiency and weatherization reporting, and other opportunities for refinement.[183]

Issue No. 50. What, if any, proposed adjustments to Schedule 118 allocation methodology should be adopted? (IQBD Recovery)

Staff does not propose changes to the Schedule 118 cost recovery mechanism in this proceeding but will continue to evaluate creative cost-recovery models that distribute costs

[183] Staff/2500, Ayres 2-3.

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equitably across customer classes within the ongoing UM 2211 process.[184]

Staff opposes AWEC's proposal to modify the current limit on the Schedule 118 charges from a per site limit to a per customer limit and its proposal to recovery IQBD costs based on revenue rather than load. AWEC's proposal to switch to a limit by customer rather than by site seeks only to shift costs away from large customers, regarding less of the impact on equity.[185] Similarly, AWEC's proposal to allocate based on revenue rather than load will shift costs to the residential class. As noted by PGE, it is unclear that this shift is consistent with HB 2475.[186]

Issue No. 51. Should the Company convert its ductless heat pump program pilot program into a fully funded program and increase coordination with ETO?

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

Issue No. 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?

See Staff response to Issue No. 51 above.

Issue No. 53. Should the Commission require PGE to center energy efficiency for low-income households in its rate scheme as a condition of any rate increase?

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

P. Other issues.

Issue No. 55. Should PGE's rate filing be rejected due to the following:

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[184] Staff/2500, Ayres/19.
[185] Staff/2500 Ayres/18.
[186] Staff/2500, Ayres/16-18.

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

Staff agrees with AWEC that it is within the Commission's authority to conclude that PGE failed to carry its burden of proof with respect to its proposed rate increase. In fact, Staff argues PGE has failed to carry its burden of proof with respect to most of PGE's requested increase in O&M expense. PGE's choice to use its 2024 budget as its base year rather than actual costs and revenues in 2023 makes it very difficult to determine whether an increase to revenue requirement for any particular category is warranted. An increase in expense is appropriately include in the Test Year if it is "reasonably certain to occur." Here, it is not even possible to tell whether the annual expense in the base year is reasonably certain to occur, which makes it very difficult to establish whether an incremental increase is warranted.

Ultimately, this difficulty should weigh against PGE as it has the burden of proof. It is not appropriate to require Staff and other parties prove that an expense is not reasonably certain to occur. Instead, the burden of proving that these incremental increases are reasonably certain lies with PGE.

Staff notes that for the most part, no party has challenged the prudence of the pre-January 1, 2025, capital investment PGE seeks to include in rate base. Accordingly, Staff does not think a dismissal of the portion of PGE's rate increase related to adding capital investment is warranted.

Issue No. 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?

In Opening Testimony, Staff testified in favor of a three percent cap on any increase to the residential class as a check on affordability.[187] Because it is not clear how this proposal will impact other rate classes, Staff withdraws its proposal for a hard three percent cap. However,

[187] Staff/300, Scala.

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Staff believes it is appropriate for the Commission to use any of the available mechanisms to mitigate the impacts of an increase on customers.

Issue No. 58. Should the Commission adopt CUB's rate shock proposal?

Staff supports mechanisms that can mitigate rate pressure and respond to the statewide call to address the rising rates and energy insecurity faced by increasing numbers of Oregon utility customers.

Issue No. 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?

In its Opening Brief, Staff argued that applying the Oregon Appellate Courts' statutory interpretation analysis leads to the conclusion the Commission is not required to include costs for "associated energy storage" in the Renewable Automatic Adjustment Clause adopted for PGE under ORS 469A.120(2)(a). PGE offers a different statutory interpretation analysis, arguing that combining the broader cost recovery provision in ORS 469A.110(1) with ORS 469A.120(2)(a) leads to the conclusion the Commission is required to include cost recovery for associated storage in any ORS 469A.210(2)(a) mechanism. PGE's argument is inconsistent with statutory interpretation in Oregon. "When the legislature uses different language in similar statutory provisions, it is presumed to have intended different meanings."[188]

ORS 469A.210(1) specifies that "all prudently incurred costs associated with complying with ORS 469A.005 to 469A.210 of Renewable Portfolio Standard (RPS) are recoverable in utility rates," includes costs such as those "associated with using physical or financial assets to integrate, firm or shape renewable energy sources on a firm annual basis to meet retail electricity needs." ORS 469A.210(2)(a) provides that the Commission "shall establish an automatic

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[188] *State v. Crumal*, 54 Or. App. 41, 45, 633 P.2d 1313 (1981). *See also*, *Dale v. State Through Electric Bd.*, 109 Or. App. 613, 615-16, 920 P.2d 868 (1991).

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adjustment clause as defined in ORS 757.210 or another method that allows timely recovery of costs prudently incurred by an electric company to construct or otherwise acquire facilities that generate electricity from renewable energy sources, costs related to associated electricity transmission and costs related to associated energy storage."

The lists of costs subject to a Commission-established mechanism under ORS 469A.110(1) is considerably smaller than the list of RPS-related costs that are recoverable in rates under ORS 757.120(1). In this circumstance, it is appropriate to assume the legislature intended the use of different language to have different meanings.

Issue No. 63. Should the Commission require PGE to file a public version of its rate increase forecasts, including forecasts contained in Monet updates and bench request, that has been designated as confidential?

Yes.

Issue No. 64. Should the Commission require PGE to provide information on customer bills showing average cost of electricity in a cents/kwh basis?

Staff does not oppose this proposal.

Issue No. 65. Should the Commission require PGE, when PGE seeks to increase a residential rate schedule, to file a plan for how it intends to communicate the rate change to residential customers?

Staff is not sure whether this rate case is the appropriate vehicle for a generally applicable requirement related to accessibility.

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III. Conclusion.

For the reasons discussed above, Staff asks the Commission to accept its proposed adjustment to PGE's Test Year and all other Staff recommendations.

DATED this 8th day of November 2024.

Respectfully submitted,

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