

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 6, 2024**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A**

DATE: January 23, 2024

TO: Public Utility Commission

FROM: Luz Mondragon

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: PORTLAND GNERAL ELECTRIC:
(Docket No. UM 2019(5))
Reauthorization of deferral accounting for costs related to Wildfire Risk Mitigation Measures and Vegetation Management.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) request to defer costs associated with Wildfire Risk Mitigation and Vegetation Measures for the 12-month period beginning January 1, 2024 through December 31, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PGE's requests for reauthorization to defer accounting for costs related to Wildfire Risk Mitigation Measures and Vegetation Management.

Applicable Law

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs.

OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as reason for the deferral, estimated amount of the deferral, etc.

Commission Order No. 23-173 adopted Stipulations in which, among other things, Staff agreed to “support, or not oppose, approval of PGE's UM 2019 Applications for Deferred Accounting of Costs Associated with Wildfire Risk Mitigation Measures.”

In Order No. 23-370, the Commission approved PGE's recovery of \$27.3 million in costs associated with wildfire risk mitigation measures, including 2022 O&M amounts above what was included in rates and capital placed in service from July 2022 through June 2023.

Analysis

Background

In 2019, PGE filed its initial application for the deferral of costs related to wildfire mitigation measures. The initial application sought to defer for later ratemaking treatment the incremental wildfire mitigation related operating and maintenance (O&M) costs.

PGE's initial application indicated that while the development and implementation of a comprehensive wildfire mitigation plan is a multi-year effort, immediate steps could be taken to reduce wildfire risks.

PGE filed an application to reauthorize the deferral from July 1, 2020 through June 30, 2021. Additional applications were filed seeking to reauthorize the deferral for the July 1, 2021 through June 30, 2022,¹ January 1, 2022 through December 31, 2022, and January 1, 2023 through December 31, 2023.

Consistent with the requirements of SB 762, PGE filed its 2023 Wildfire Mitigation Plan (WMP) on December 22, 2022,² and filed its 2024 WMP on December 29, 2023, which is still being reviewed by Staff.

PGE files this deferral reauthorization application to defer wildfire mitigation related costs that are incremental and decremental compared to what is included in base rates and in accordance with the stipulation adopted in Order No. 23-370 for the period of January 1, 2024 through December 31, 2024.

Estimated 2024 Costs

¹ On August 19, 2022, PGE submitted Advice Filing 22-18 to establish a new Schedule 151 for Wildfire Mitigation Cost Recovery; this request was moved into Docket No. UE 412, currently in progress.

² *In the Matter of Portland General Electric Company 2023 Wildfire Protection Plan*, Docket No. UM 2208, Order No. 23-221 (June 26, 2023).

PGE estimates that the incremental wildfire mitigation related O&M costs for the twelve months of January 1, 2024 through December 31, 2024, to be approximately \$45.3 million.

Table 1
Forecast of 2024 WM-Related O&M Expenses⁴

Cost Area	\$ in millions
Wildfire Mitigation Program & Compliance	\$2.1
Risk Mapping & Simulations	\$0.8
Grid Operations & Protocols	\$0.5
PSPS Program	\$0.9
WMP Engagement, Public Awareness & Education, and Public Safety Partner Coordination	\$0.7
Asset Management & Inspections	\$3.6
Vegetation Management & Inspections (AWRR)	\$36.2
Investment O&M	\$0.5
WMP Total	\$45.3

For the same period, PGE anticipates making capital investments consistent with PGE's 2024 WMP.

Table 2
Forecast of 2024 Capital Investments⁵

Cost Area	\$ in millions
Wildfire Mitigation	\$39.5–\$44.4
Wildfire-Related Utility Asset Management	\$3.5–\$4.8
WMP Total Range	\$43–\$49.2

In addition to this filing, on September 29, 2023, PGE filed UE 412 Advice No. 23-16 to amortize the 2024 forecasted amounts and start recovering from customers. Staff for UE 412 has reservations regarding how the prospective amount was arrived at and is still in the process of conducting the prudence review. However, Staff recommends the deferral application be approved because actual expenditures can be different than projected and the deferral will capture any difference.

Description of Expenses

The Company's 2022 and 2023 WMPs describe the efforts PGE undertakes to mitigate the risk of wildfire, while limiting the impacts of specific mitigation activities, such as Public Safety Power Shutoff (PSPS) events, on customers.

The Company's states that its WMP discusses PGE's wildfire risk mitigation assessment, including designation of High Fire Risk Zones (HFRZ), operating protocols, asset management and inspections, wildfire mitigation related vegetation management (including the advanced wildfire risk reduction (AWRR) program and Enhanced Vegetation Management (EVM) techniques), community outreach and public awareness, PSPS events, and research and development.

PGE states that wildfire-related planning and research are a year-round endeavor and PGE will continually adapt and evolve its practices and actions to mitigate wildfire risk. Based on PGE's 2024 WMP,³ currently under review, and related requirements under SB 762, PGE will update its forecast of expenses to be incurred in the development, implementation, and operation of the 2024 WMP.

Reason for Deferral

Pursuant to ORS 757.259(2)(e), and for the reasons discussed above, PGE seeks deferred accounting treatment for incremental and decremental wildfire mitigation related costs. Granting this Application will minimize the frequency of rate changes and/or appropriately match the costs borne and benefits received by customers.

Proposed Accounting

The Company proposes to record the deferred amounts as a regulatory liability in FERC Account 254 (Other Regulatory Liability), with a debit to FERC Account 407.3, (Regulatory Debits). If the deferred amount is a debit (collection), PGE proposes to record it as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets) and credit the appropriate FERC expense accounts. When specific identification of the source of the regulatory asset cannot be reasonably made, then FERC Account 407.4 (Regulatory Credits) will be credited.

Information Related to Future Amortization

- Earnings review – Recovery of incremental wildfire mitigation related costs is not subject to an earnings review consistent with the Commission-adopted PGE, Staff, and AWEC Stipulation in Order No. 23-173.

³ Docket No. UM 2208(2), *In the Matter of Portland General Electric Company Wildfire Protection Plan* (December 29, 2023).

- Prudence Review – A prudence review should be performed by the Commission Staff as part of their review of the automatic adjustment clause application to update the relevant schedule.
- Sharing – All prudently incurred cost and benefits will be collected from or refunded to customers with no sharing mechanism.
- Rate Spread/Design – will be consistent with the prevailing rate spread/rate design at the time of amortization.
- Three Percent Test (ORS 757.259(6)) – The amortization of the deferred costs will be subject to the three percent test in accordance with ORS 757.259(6), which absent certain exceptions limits aggregated deferral amortizations during a year to no more than three percent of the utility's gross revenues for the preceding calendar year.

Conclusion

Staff reviewed the Company's application, and found it is consistent with Order No. 23-173. Accordingly, Staff recommends the application be approved.

The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve PGE's application and re-authorization to defer costs associated with Wildfire Risk Mitigation Measures and Vegetation Management for the 12-month period beginning January 1, 2024, and ending December 31, 2024.