

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 26, 2021**

REGULAR CONSENT EFFECTIVE DATE January 1, 2021

DATE: January 19, 2021

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1915(3))
Requests reauthorization to defer Major Maintenance Expenses.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric's (PGE) Application to defer costs associated with its Major Maintenance Accruals (MMA's) for the 12-month period beginning January 1, 2021.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for authorization to defer certain costs associated with MMA's for five thermal generating plants for the 12-month period beginning January 1, 2021.

Applicable Rule or Law

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include:

Identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the

frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

ORS 757.259(2)(e).

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. In OAR 860-027-0300(3) the Commission has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

In Order No. 17-511, the Commission required the Company to file deferred accounting applications associated with Major Maintenance Accruals annually.

Analysis

Background

PGE made this filing to comply with Commission Order No. 17-511 (Docket No. UE 319), which requires the Company to file for deferred accounting associated with its MMAs. PGE currently has MMAs for five thermal generating plants,¹ and this filing is intended to aggregate the Commission's requirement, so as to avoid filing separate deferral applications for each plant.

The MMA is a combination of an accrual and a balancing account, where PGE develops a forecast of expected expenses over a five-year rolling period and establishes an accrual amount that levelizes these costs. When expenses are incurred, they are booked to the MMA balancing account, offsetting the amounts collected under the annual accrual. This process results in an expected balance of zero by the end of the five-year rolling period. In the next forecast of expected expenses, the current balance of the MMA balancing account is rolled forward into the calculation of the proposed accrual.

In prior MMA filings,² the Commission approved MMA accounting treatment as a way of normalizing the volatility of its thermal plants' major maintenance expenses. Major maintenance expenses can vary dramatically from year to year. Without an MMA, PGE

¹ Coyote Springs1, Port Westward 1, Port Westward 2, Carty, and Colstrip Units 3 & 4.

² Commission Orders approving MMA's include: Order No. 95-1216 for Coyote Springs; Order No. 13-459 for Port Westward 1; Order No. 14-422 for Port Westward 2; Order No. 15-356 for Carty; and Order No. 17-511 for Colstrip.

would expense the major maintenance costs in the period the work is performed. Accounting for costs in this manner would have the following effects: 1) it would not allow the recording of expense in the same period that benefits occur; and 2) it would reflect expenses that are cyclical and “lumpy” only in certain years. Under this method, it would be problematic to establish stable rates.

PGE states that it will not seek amortization of the MMA-related deferred accounts in a future proceeding because the deferred amounts should automatically reverse due to the standard operation of the MMAs. In accordance with prior Commission Orders approving MMA accounting treatment, the balance of the MMA balancing account, either positive or negative, will be rolled forward into the calculation of future accruals.

Description of Amounts

The deferred expenses and revenues will be associated with PGE’s MMAs for the five thermal generating plants identified in its application: Coyote Springs 1, Port Westward 1, Port Westward 2, Carty, and Colstrip units 3 & 4.

Reason for Deferral

Granting this deferral will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers, in accordance with ORS 757.259(2)(e).

Proposed Accounting

In its application, PGE proposes to defer expenses in excess of the MMA amount collected in rates by crediting expense FERC Account 553 (Maintenance of Generating and Electric Equipment – Port Westward 1 & 2, Carty, and Coyote Springs); or expense Account 513 (Maintenance of Electric Plant – Colstrip) for the excess and debiting FERC Account 182.3 (Other Regulatory Assets). Revenues collected in excess of incurred major maintenance expenditures will be deferred by debiting FERC Account 456 (Other Electric Revenues), and crediting FERC Account 254 (Other Regulatory Liabilities).

Estimate of Amounts

PGE does not have an estimate of the amounts to be deferred in this period because they occur infrequently and can vary from plant to plant depending on the level of expense incurred and the accuracy of the projections in determining the annual accrual.

Information Related to Future Amortization

- Earnings review – No earnings review is applicable because the associated costs are already included in base rates.

- Prudence Review – A prudence review should be performed by Commission Staff as part of their review of PGE’s general rate case filings.
- Sharing – All prudently incurred costs are recoverable by PGE with no sharing mechanism.
- Rate Spread/Design – Costs will be allocated to each schedule using the applicable schedule’s forecasted energy on the basis of an equal percent of generation revenue applied on a center-per-kWh basis.
- Three Percent Test (ORS 757.259(6)) – The three percent would not apply because PGE will not seek amortization of the deferred amounts in a future proceeding.

Conclusion

This deferral is filed in compliance with Commission Order No. 17-511, and the Company’s application meets the requirements of ORS 757.259 and OAR 860-027-0300. In addition, approving this application will not authorize a change in rates, but will permit PGE to continue using MMA accounting treatment as previously approved in prior Commission order. For these reasons, Staff recommends PGE’s application be approved.

PGE has reviewed this memo and states no objection.

PROPOSED COMMISSION MOTION:

Approve PGE’s Application to defer costs associated with its MMAs for the 12-month period beginning January 1, 2021.