

ITEM NO. CA3

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 9, 2022**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: May 20, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway, Marc Hellman, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2217)
Application for deferral of revenues associated with the Change in Federal Energy Regulatory Commission Open Access Transmission Tariff.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) application for authorization to use deferred accounting for incremental revenue associated with the Open Access Transmission Tariff (OATT) be approved for 12 months beginning December 27, 2021.

DISCUSSION:

Issue

Whether the Public Utility Commission of Oregon (Commission) should approve PGE's application for the authorization of deferred accounting of incremental revenues associated with the Change in PGE's Federal Energy Regulatory Commission (FERC) Open Access Transmission Tariff (OATT).

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include, "[i]dentifiable 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 fluctuations of rate levels or to

match appropriately the costs borne by and benefits received by ratepayers." ORS 757.259(2)(e).

In OAR 860-027-0300(3), the Commission has set the requirements for the contents of deferred accounting applications. Applications must include a description of the utility expense or revenue for which deferred accounting is requested, as well as the reason(s) deferred accounting is being requested. Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Analysis

Background

On December 27, 2021, Portland General Electric requested an accounting order authorizing PGE to defer revenues associated with the change in PGE's Federal Energy Regulatory Commission (FERC) Open Access Transmission Tariff (OATT).

PGE explained that this filing is being made to initiate a deferral that will support an automatic adjustment clause rate schedule with an associated balancing account mechanism to track the ongoing revenue and refund amounts related to the FERC Transmission Rates. In particular, FERC authorizes changes in a Transmission Rate Case (TRC) in two parts. Initially-authorized FERC transmission rate changes go into effect at one rate level, where the FERC jurisdictional utility must track transactions based on the preliminary rate change. Then, when FERC issues a final order, said utility must refund any difference to update charges for interim services to rates in FERC's final order.

On August 29, 2019, PGE filed an application, Docket No. UM 2031, asking the Commission to support a proposal to reclassify as transmission assets certain 115kV and 57 kV facilities that were classified as distribution plant at the time. Commission Order No. 19-400 directs that the Company "hold all customer classes harmless for the time between the rate effective date in FERC and Commission rate cases that include the reclassified assets."

PGE filed a FERC rate case on October 28, 2021, with the initial OATT rate increase effective January 1, 2022. PGE filed this UM 2217 application to track all incremental revenues resulting from the change in the OATT rate as authorized by Order No. 19-400. PGE is subject to refund this amount beginning rate effective date of the new OATT, with the current estimate expected to total approximately \$10.2 million annually. PGE has not otherwise included any forecast or estimate of the change in transmission revenue in customer prices through a general rate case or any other proceeding. To address the new transmission rates as determined in FERC rate case, PGE requests

approval to defer incremental revenues associated with the change in FERC transmission rates.

In addition, on January 27, 2022, Staff received comments from Steve Knudson on this docket, who introduces himself as a longtime PGE ratepayer. Mr. Knudson raised concerns that PGE does not have the authority to file this deferral, the Commission does not have the authority to grant this deferral, and that Order No. 19-400 does not authorize PGE to file this deferral. Staff reviewed Mr. Knudson's comments, the rules surrounding deferrals, and Order No. 19-400 and disagrees with his overarching concern. Staff finds that the Company's deferral application and the Commission's authority to approve the deferral are consistent with ORS 757.259 and that PGE's proposed method to return OATT revenues to customers through this deferral is consistent with the Commission's language in Order No. 19-400.

Reason for Deferral

Pursuant to ORS 757.259(2)(e) and PGE seeks deferred accounting treatment for incremental revenues associated with the change in the FERC OATT rate.

In addition, PGE will support the use of an automatic adjustment clause and associated balancing account so that the referenced transmission revenues can be refunded to PGE's retail customers. Also, minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

PGE proposes the following transmission rate change accounting treatment: the balancing account will be recorded in FERC Account 242 (Current Regulatory Liability).

FERC rate payments (i.e., revenues received from third-party transmission customers) will be credited to FERC Account 242 and debited to FERC Account 407.4 (Regulatory Credit).

Transmission rate amortization (i.e., refunds to PGE's retail customers) will be debited to FERC Account 242 and credited to FERC Account 407.4.

Estimated Deferrals in Authorized Period

PGE estimates the change in transmission rate amount to refund during 2022 to be approximately \$10.2 million.

Information Related to Future Amortization

- Earnings Review – Cost recovery associated with this deferral will not be subject to an earnings review if it is subject to an automatic adjustment clause.

- Prudence Review – Should be performed by the Commission Staff as part of their review of this deferral’s annual reauthorization filing
- Rate Spread/Rate Design – Revenues will be allocated to each cost-of-service schedule using the applicable schedule’s forecasted energy based on an equal percent of transmission revenue applied on a cents-per-kWh basis
- Sharing – This deferral is not subject to a sharing mechanism.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (with exceptions) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility’s gross revenues for the preceding year.

Conclusion

Staff has reviewed PGE’s application for authorization to defer, for future inclusion in customer rates, the incremental revenue associated with the Oregon-allocated share of the Company’s OATT. As the application is in accordance with the stipulation approved in Commission Order No. 19-400, and meets the requirements of ORS 757.259 and OAR 860-027-0300, Staff recommends PGE’s application be approved.

The Company has reviewed this memo and agrees with or expresses no objections to Staff’s recommendation.

PROPOSED COMMISSION MOTION:

Approve PGE’s application for authorization to use deferred accounting for the Oregon-allocated share of the Company’s incremental revenue from the change in OATT rate for 12 months beginning December 27, 2021.