

ITEM NO. 3

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 21, 2017

REGULAR  CONSENT  EFFECTIVE DATE December 1, 2017

DATE: November 11, 2017

TO: Public Utility Commission

FROM: Mitchell Moore *mfu*

THROUGH: Jason Eisdorfer and John Crider *JE Jan JC*

SUBJECT: OREGON PUBLIC UTILITY STAFF: Request to open a docket to investigate the Commission's legal authority to defer capital costs.

**STAFF RECOMMENDATION:**

Staff recommends that the Public Utility Commission of Oregon (Commission) open a docket to investigate the Commission's legal authority to defer capital costs.

**DISCUSSION:**

Issue

Whether the Commission has authority under ORS 757.259(2)(e) to defer capital costs for later inclusion in rates.

Applicable Rule or Law

ORS 756.515 provides the Commission with authority to investigate, upon its own motion, any matter relating to any public utility or telecommunications utility or other person.

Background

Under ORS 757.259(2)(e):

Upon application of a utility or ratepayer or upon the commission's own motion and after public notice, opportunity for comment and a hearing if any party requests a hearing, the commission by order may authorize deferral of the following amounts for later incorporation in rates:....(e)Identifiable utility

expenses or revenues, the recovery of refund of which the commission finds should be deferred in order to minimize the frequency of rate levels or to match appropriately the costs borne by and benefits received by ratepayers.

On July 29, 2016 Portland General Electric Company (PGE) filed an application docketed as UM 1791 to defer for later rate-making treatment the incremental revenue requirement associated with the Carty Generating Station (Carty) beyond what was approved in PGE's 2016 general rate case, UE 294. PGE stated in its filing that it had incurred significant cost overruns associated with "extraordinary events" that occurred after the Commission issued its Order No. 15-356 on November 3, 2015.<sup>1</sup> The revenue requirement for which PGE seeks a deferral consists of depreciation expense, a return on the associated capital costs, utility income taxes, and increases in revenue sensitive costs.

PGE's filing caused Commission Staff to begin investigating the Commission's authority to defer capital costs pursuant to ORS 757.259(2)(e). Although this issue was first considered in the context of PGE's request to defer the revenue requirement effects of PGE's Carty cost overruns, the Commission's authority to defer capital costs is an issue that will affect other utilities in other circumstances. As such, Staff and the parties to UM 1791 agreed that Staff should request the Commission open a generic docket to investigate the issue. The outcome of this proceeding would then inform the Commission's determination in UM 1791, as well as other proceedings. If the Commission declines to open this generic investigation, Staff anticipates addressing this issue in docket UM 1791.

Staff believes that this investigation is rather limited in scope and therefore the matter can be resolved in a timely manner.

### Conclusion

Staff requests that a generic docket be opened to investigate the issue and allow the Commission to make a determination.

### **PROPOSED COMMISSION MOTION:**

Approve Staff's request to open a docket to investigate the Commission's legal authority to defer capital costs for later inclusion in rates.

RA1 Request to investigate capital deferral

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<sup>1</sup> See UM 1791 In the Matter of Portland General Electric Company, Initial Application, July 20, 2016.