

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 27, 2019**

REGULAR CONSENT EFFECTIVE DATE July 31, 2018

DATE: August 19, 2019

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Jason Eisdorfer and John Crider **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1858(1)) Requests Authorization of Deferred Accounting Related to Costs for an Independent Evaluator.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric Company's (PGE or Company) application for deferred accounting for costs for the twelve-month period beginning July 31, 2018, for costs associated with retaining an Independent Evaluator (IE) to assist with the Company's Request for Proposals (RFP) for Renewable Resources. Ratemaking treatment of any expenses associated with retention of the IE is reserved for a future ratemaking proceeding.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for deferred accounting for costs related to an IE for the Company's RFP.

Applicable Law

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. 05-1070, Docket No. UM 1147, the Commission determined that interest may accrue interest on deferred accounts at the authorized rate of return until amortization. Subsequent orders in Docket No. UM 1147 establish the rate during amortization. See Order Nos. 08-263, 10-279.

As to the reason for PGE's deferral request under ORS 757.259, a utility's retention of an IE for an RFP for "Major Resources" was governed by Commission Order Nos. 06-446 and 14-149. In pertinent part, Competitive Bidding Guideline 5 set forth in Appendix A to Order No. 14-149 required that a utility engage an IE for RFPs for all requests for a Major Resource. Guideline 5 further stated that "the utility may request recovery of its payments to the IE in customer rates."¹ Effective August 30, 2018, the Commission adopted competitive bidding rules, which also provide that, "The electric company may request recovery of fees and expenses associated with engaging an IE in customer rates." OAR 860-089-0200(3).

Discussion and Analysis

Background

In Order No. 17-226, the Commission approved the selection of Bates White, LLC to serve as the IE in the event that PGE pursues any RFPs for renewable resources capacity. The IE had been overseeing the RFP process to ensure that it is conducted fairly and properly. The original deferral request for these expenses was approved by the Commission in Order No. 17-348.

Reason for Deferral

PGE states that it incurred incremental costs to pay for the IE that were not included in the costs used to set base rates in PGE's recent general rate cases UE 319 and UE 315.

Proposed Accounting

PGE records the deferred costs as a regulatory asset in FERC Account 182.3.

Estimated Deferrals in Authorization Period

The Company estimated the amount subject to the deferral will be approximately \$320,000 for the IE expenses associated with the Renewable RFP.

¹ See Order No. 14-149, Appendix A, page 2, Guideline 5.

Information Related to Future Amortization

- Earnings Review – ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e).
- Prudence Review – For amortization, the prudence review should include verification of the accounting methodology used to determine the final amortization balance. The prudence review will be held after PGE files for amortization.
- Sharing – Staff recommends that there be no sharing between PGE and its customers for this deferral. PGE is incurring the IE costs in order to comply with a Commission standard set forth in Order Nos. 06-446 and 14-149 related to the evaluation and consideration of RFPs for Major Resources. In this way, the Company is not voluntarily seeking to incur the IE costs. Further, the retention of an IE for the consideration of a utility's RFP ultimately is a benefit to ratepayers. As such, the cost incurred is not one that is typical for a deferral application and it does not seem appropriate for the Company to share in such a cost. In addition, past deferral orders from the Commission did not mandate any sharing. See Order Nos. 12-160, 13-170, and 13-408.
- Rate Spread/Design – PGE proposes that account balances will be spread to the appropriate customer classes.
- 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 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 concludes that the Company's application to authorize deferral of the costs related to an IE is consistent with ORS 757.259.

While an earnings review is required prior to amortization of this deferral pursuant to ORS 757.259(5), the Commission is not required to perform an earnings test that could result in sharing of deferred costs between the Company and its customers. Staff recommends that deferred amounts not be subject to an earnings test.

PROPOSED COMMISSION MOTION:

Approve PGE's request to defer, for the twelve month period beginning July 31, 2018, costs associated with the Company's employment of an Independent Evaluator, consistent with Order No. 17-226. Ratemaking treatment of any expenses associated with retention of the IE is reserved for a future ratemaking proceeding.