ORDER NO. 18 157

ENTERED MAY 0 8 2018

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1915

In the Matter of

PORTLAND GENERAL ELECTRIC COMPANY,

Application for Deferral of Major Maintenance Expenses.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on May 8, 2018, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:

Michael Dougherty
Chief Operating Officer

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ORDER NO. 18 157

ITEM NO. CA7

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 8, 2018

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **January 1, 2018**

DATE: May 1, 2018

TO: Public Utility Commission

FROM: Mitchell Moore MM

THROUGH: Jason Eisdorfer and John Crider

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1915) Request to Defer Major Maintenance Expenses.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve PGE's application to defer the costs associated with its Major Maintenance Accruals (MMA's) for the 12-month period beginning January 1, 2018.

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, 2018.

Applicable Rule or Law

PGE submitted its deferral application on December 22, 2018, pursuant to ORS 757.259 and OAR 860-027-0300. ORS 757.259 authorizes the Commission to allow utilities to defer utility revenues and expenses for later inclusion in rates. OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

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.[2] 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 expenses, the current balance of the MMA balancing account is rolled forward into the calculation of the proposed accrual.

In prior MMA filings,[3] 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 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 prices.

PGE states that it will not seek amortization of the MMA-related deferred accounts in a future proceeding because the deferred amounts will 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.

[1] Coyote Springs1, Port Westward 1, Port Westward 2, Carty, and Colstrip Units 3 &4.
[2] Commission Order No. 17-511 requires the MMA for Colstrip Units 3&4 be forecasted on a 3-year average basis, rather than the 5-years for the other plants.
[3] 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.

Description of Amounts
Major maintenance events occur based upon maintenance intervals established under PGE's plant maintenance contracts. Generally, the timing of the scheduled maintenance is dependent on a facility's capacity factor.

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.