

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 28, 2023**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: December 4, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Bryan Conway and Marc Hellman **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1294(16))
Reauthorization of deferral Annual Net Variable Power Cost Variance.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric's (PGE or Company) Application for Reauthorization to defer annual Net Variable Power Cost Variance for the 12-month period beginning January 1, 2023

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for reauthorization to defer certain annual net variable power cost variances for 12 months beginning January 1, 2023, so that the amounts are subject to recovery under PGE's Power Cost Adjustment Mechanism.

Applicable Law

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

In Commission Order No. 07-015, the OPUC authorized the adoption of an Annual Power Cost Adjustment Mechanism (PCAM) for PGE.

On January 17, 2007, PGE filed an application for authorization from the Commission to accrue, for future amortization, the 2007 difference between annual actual net variable power costs and the baseline net variable power costs forecasted (i.e., PCV Deferral) in PGE's most recent general rate case or pursuant to tariff Schedule 125, in accordance with Order No. 07-015.

The PCV Deferral provides for recognition in rates of the difference, for a given year, between the actual net variable power costs incurred by PGE and the baseline net variable power costs forecasted in PGE's most recent general rate case or pursuant to PGE Schedule 125.

The PCV Deferral is determined pursuant to the terms of Schedule 126, which includes a Positive Annual Power Cost dead band for positive annual variances, a Negative Annual Power Cost dead band for negative annual variances, and an earnings review.

Estimate of Amounts

The Company cannot provide an estimate of the amount that will be deferred because it is dependent on actual 2023 information that is currently unknown, including the 2023 PCV and the earnings review required by Schedule 126. PGE requests that, in accordance with ORS 757.259(4), it be allowed to continue to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital. Interest for subsequent amortizations will accrue interest at the rate set by the Commission.

Reason for Deferral

The Company seeks reauthorization to defer annual net variable power cost variances from January 1, 2023, through December 31, 2023 (Deferral Period 2023).

Proposed Accounting

The Company proposes to record the Deferred Amount in FERC Account 182.3 (Regulatory Assets); crediting FERC Account 555, Purchased Power, if there is an amount to collect from customers. PGE would record the Deferred Amount in FERC Account 229, Accumulated Provision for Rate Refunds; debiting FERC Account 449.1, (Provision for Rate Refunds), if there is a refund to customers. In the absence of

deferral approval, PGE would not calculate a PCV, and all associated revenue and expense would remain booked to the appropriate FERC accounts.

Information Related to Future Amortization

- Earnings review – The Earnings Review is subject to the terms of Schedule 126.
- Prudence Review – A prudence review should: 1) be performed at the time of deferral amortization; and, 2) include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Sharing is subject to the terms of Schedule 126.
- Rate Spread/Design – The PCV amortization amount will be spread on an equal cents per kWh basis, as specified in Schedule 126.
- Three Percent Test (ORS 757.259(6)) – ORS 757.259(8) allows the Commission to consider up to a six percent limit. Schedule 126 specifies the six percent limit. The three percent test measures the annual overall effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) 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. The limit of the deferrals if any will be determined at the time of amortization.

Conclusion

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PGE's application be approved.

The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve PGE's Application for Reauthorization to defer annual Net Variable Power Cost Variance for the 12-month period beginning January 1, 2023.