

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

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **N/A** _____

DATE: December 7, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1988(3))
Application for reauthorization of deferral costs associated with the difference between Actual and Forecasted Qualifying Facilities Commercial Operation dates.

STAFF RECOMMENDATION:

Staff recommends the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) Application for Reauthorization to Defer Costs Associated with the Difference between Actual and Forecasted Qualifying Facilities (QFs) Commercial Operation dates, for the 12-month period starting January 1, 2023.

DISCUSSION:

Issue

Whether the Commission should approve the Company's request for reauthorization to defer for later ratemaking purpose the annual difference between actual and forecasted QFs costs related to QFs' scheduled and actual commercial operation dates.

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 identifiable 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 fluctuation 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 set forth the requirements for the contents of deferred accounting applications. Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review and review of the utility's earnings.

Analysis

Background

On December 14, 2018, PGE filed a request for reauthorization to defer the annual difference between actual and forecasted QF costs related to scheduled and actual on-line dates. The deferral application was filed to support the QF track-and-true-up mechanism as adopted by Commission in Order No. 18-405. On October 30, 2019, PGE filed the first request for reauthorization of the QF track-and-true-up mechanism as adopted by Commission in Order No. 18-405 and revised through Commission Order No. 19-329. The Commission approved PGE's two most recent deferral requests through Order No. 22-039 for the 12-month deferral periods beginning January 1, 2021, and January 1, 2022.

Estimated Costs.

PGE does not have an estimate of the amount that will be deferred because it is dependent on actual 2023 information that is currently unknown.

Description of expenses

Under the Public Utility Regulatory Policies Act (PURPA) and through ORS 758.505, the Company is obligated to enter into Power Purchase Agreements (PPAs) with QFs.

To accomplish these goals, PURPA established a new class of generating facilities (i.e., QFs), which would receive special rate and regulatory treatment. QFs are generating facilities that fall within the following two categories:

- 1) Qualifying generation facilities with a capacity of 80 MW or less and whose primary energy source is renewable (hydro, wind, solar, biomass, waste, or geothermal).

- 2) Qualifying cogeneration facilities that sequentially produce electricity and another form of useful thermal energy (e.g., heat, steam) in a way that is more efficient than the separate production of both forms of energy.

Reason for Deferral

Pursuant to ORS 757.259(2)(e) and Commission Order Nos. 18-405, 19-329, and 22-039, the Company seeks to continue to defer the difference between actual and forecasted costs for new QFs scheduled to come on-line during the forecasted test year. The actual costs can vary significantly from forecasted costs if the QF does not come on-line on its scheduled commercial operation date. The Commission approved the QF COD track-and-true-up mechanism as authorized by Commission Order Nos. 18-405 and 19-329.

The granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

The Company proposes to record the deferred amount in FERC Account 182.3 (Regulatory Assets); crediting FERC Account 555 (Purchased Power). For refund amounts, PGE would record the deferred amount in FERC Account 254 (Regulatory Liability); debiting FERC Account 555 (Purchased Power).

Information Related to Future Amortization

- Earnings review – There is no earnings review for this deferral. The difference between costs associated with forecasted and actual QF online dates will be deferred and included in PGE's next scheduled NVPC forecast.
- Prudence Review – A prudence review should be performed at the time of deferral amortization.
- Sharing – All prudently incurred differences between costs associated with forecasted and actual QF online dates are to be included in PGE's next scheduled NVPC forecast with no sharing mechanism.
- Rate Spread/Design – The deferred amounts will be spread based on an equal percent of generation revenue applied on a cents per kWh basis, as specified in Schedule 125.
- Three Percent Test (ORS 757.259(6)) – The amortization of the deferred QF costs is not subject to the three percent test because the associated refunds or collections will automatically be included in PGE's subsequent year power cost

forecast (as incorporated in PGE's prices) in accordance with Commission Order Nos. 18-405 and 19-329.

Conclusion

Based on Staff's review of PGE's application, Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259. Further, the Company's application for deferred accounting meets the requirements related of QFs mechanism adopted in Order Nos. 18-405 and 19-329.

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

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's Application for Reauthorization to Defer Costs Associated with the Difference between Actual and Forecasted Qualifying Facilities Commercial Operation Dates for the 12-month period beginning January 1, 2023.