

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 20, 2020**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** March 20, 2020

**DATE:** October 9, 2020

**TO:** Public Utility Commission

**FROM:** Sabrina Soldavini

**THROUGH:** Bryan Conway and John Crider **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket Nos. UM 1938, 1938(1), UM 1938(2), UM 1938(3), UM 2003, and UM 2003(1))  
Applications for the authorization and reauthorization of deferred accounting of costs and revenues associated with Transportation Electrification and Electric Vehicle Charging Pilots.

**STAFF RECOMMENDATION:**

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) application for deferred accounting of costs and revenues associated with its Transportation Electrification (TE) and Electric Vehicle (EV) Charging Pilots.

For UM 1938, Staff recommends the Commission approve the use of deferred accounting for the three 12-month periods beginning:

1. UM 1938 - April 23, 2018;
2. UM 1938(1) - April 23, 2019; and
3. UM 1938(3) - April 23, 2020.

For UM 2003, Staff recommends the Commission approve the use of deferred accounting for the two 12-month periods beginning:

1. UM 2003 - February 22, 2019; and
2. UM 2003(1) - February 22, 2020.

## **DISCUSSION:**

### Issue

Whether the Commission should approve PGE's applications for the authorization and reauthorization of deferred accounting of costs and revenues associated with TE and EV Charging Pilots.

### 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, "[i]dentifiable 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 fluctuations 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 has set the requirements for the contents of deferred accounting applications. Applications for reauthorization must include a description and explanation of the entries in the deferred account, up to the date of the application for reauthorization, as well as 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).

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. With some exceptions, a company's amortization of amounts deferred under ORS 757.259(5) cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

### Analysis

#### *Background*

On December 27, 2016, PGE filed Docket No. UM 1811, proposing four new pilot programs to accelerate TE. Ultimately, on February 16, 2018, the Commission adopted a stipulation authorizing PGE to undertake three pilot programs to accelerate TE in Order No. 18-054. These TE Pilots include a Trimet pilot, an education and outreach

program, and an Electric Avenue pilot program allowing PGE to build six additional utility-owned charging stations.

In the stipulation adopted in Order No. 18-054, PGE also agreed to propose and submit for future consideration two additional pilot programs. The future pilot programs were to include a residential home charging pilot (including rebates for customers installing a connected level 2 charged and going on time-of-use rate schedule), and a workplace charging and/or fleet charging program available to both cost-of-service and direct access customers.

Subsequently, on April 23, 2018, PGE filed its initial application in Docket No. UM 1938 requesting the Commission authorize the use of deferred accounting for the costs and revenues associated with the three TE pilots authorized by the stipulation in Order No. 18-054. This application requested the deferred amounts be subject to an automatic adjustment clause (AAC) to amortize the deferred balances, as well as an accounting order for the tracking in of capital costs associated with the TE pilots.<sup>1</sup>

On February 15, 2019, PGE filed its initial application in Docket No. UM 2003, proposing to create and defer the costs of the two additional pilot programs outlined by the stipulation adopted in Order No. 19-385. Again, PGE requested that the deferral for these two new EV Charging pilots include the tracking in of capital costs, and an AAC.<sup>2</sup>

After review of the pilots proposed in PGE's initial UM 2003 application, Staff and intervenors expressed concern that the pilots did not comply with the terms of the original stipulation. Following discussions, the parties agreed to modify the original stipulation, and PGE agreed to modify its two new pilot proposals. Then, on September 11, 2019, PGE and Staff filed a joint motion to adopt an amended stipulation in Docket No. UM 1811. The amended stipulation was adopted by the Commission in Order No. 19-385.

As part of the amended stipulation adopted by the Commission in Order No. 19-385, the parties agreed that all revenues and O&M costs associated with these three pilots and the required pilot evaluation shall be deferred in a deferred account.<sup>3</sup>

Staff notes at the time of the Company's initial applications in both UM 1938 and UM 2003, the Commission was in the midst of an investigation regarding the Commission's legal authority to defer capital costs in Docket No. UM 1909. As such, no

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<sup>1</sup> Docket No. UM 1938, Initial Application, page 2.

<sup>2</sup> Docket No. UM 2003, Initial Application, page 1.

<sup>3</sup> Order No. 19-385. Appendix A, page 3.

action was taken on the Company's deferral applications, and they remain outstanding. In Order No. 20-147, issued on April 30, 2020, the Commission determined that it does have the authority to defer capital costs.<sup>4</sup> However, Staff notes that Staff's recommendation for approval is for the deferrals as amended by supplemental applications and applications for reauthorization, outlined below, which no longer request the use of an AAC, or the tracking in of capital costs for *any* of the deferral periods.

#### *Supplemental Applications & Applications for Reauthorization*

##### UM 1938:

- On April 23, 2019, PGE filed Docket No. UM 1938(1) seeking the reauthorization of deferred accounting for the three TE Pilots authorized by the stipulation adopted in Order No. 18-054 for the 12-month period beginning April 23, 2019. This application again requested the use of an AAC, and tracking in of capital costs.<sup>5</sup>
- On February 21, 2020, PGE filed a supplemental application to UM 1938(2), clarifying that it no longer requests the use of an AAC or the tracking in of capital costs. The supplemental application states that the Company is now only seeking to defer the incremental operations and maintenance (O&M) costs associated with the TE pilots, and that the deferral would be subject to an earnings review.
- On April 23, 2020, PGE filed Docket No. UM 1938(3) seeking reauthorization of deferred accounting for the O&M costs associated with the three TE Pilots for the 12-month period beginning April 23, 2020.

##### UM 2003:

- On February 22, 2019, PGE filed an amended application to correct the effective date of UM 2003 to February 22, 2019.
- On February 21, 2020, PGE filed two supplemental applications.
  - The first supplemental application modified the Company's initial application and clarified that the Company was no longer seeking the use of an AAC, the tracking in of capital costs, and that the deferral would be subject to an earnings review.

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<sup>4</sup> While the Commission has determined it has the authority to defer capital costs, these deferrals no longer request the deferral of capital costs. Staff is simply addressing why these dockets were not brought to a public meeting when they were filed.

- The second supplemental application requests reauthorization for the outstanding, modified, request to use deferred accounting for the incremental O&M costs associated with the two EV Charging Pilots for the 12-month period beginning February 22, 2020.

#### *Description of Expense*

As noted above, PGE is proposing to defer the incremental O&M costs and revenues associated with its TE and EV Pilots as authorized by the Commission in Order Nos. 18-054 and 19-385. Based on the Company's amended and supplemental applications, the deferrals would not include the use of an AAC, the tracking of capital cost, and would be subject to an earnings review.

#### *Reason for Deferral*

PGE seeks to defer the incremental O&M costs associated with its TE and EV Charging pilots in order to minimize the frequency of rate changes and/or match appropriately the costs borne by and benefits received by customers.

#### *Proposed Accounting*

For the deferrals under both UM 1838 and UM 2003, PGE proposes to record the deferred amount as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with a credit to FERC account 456, Other Revenue.

#### *Estimated Deferrals in Authorization Period*

##### UM 1938

In its initial application, PGE estimates the net costs of the TE Pilots to be approximately \$0.8 million for the 12-month period beginning April 23, 2018.<sup>6</sup> This estimate consists of \$2.3 million in capital and \$0.6 million in O&M expense.<sup>7</sup>

PGE estimates the net costs of the Pilots to be approximately \$0.43 million for the 12-month period beginning April 23, 2019, as shown in Table 2 below from the Company's application.

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<sup>6</sup> Docket No. UM 1938, Initial Application, page 6.

<sup>7</sup> Staff notes that the estimates for the first two deferral periods included capital costs; however, as noted above these deferrals no longer seek the tracking in of capital costs in Docket No. UM 1938.

**Table 2**  
**Pilot Costs Over the Next 12 Months (000's)**

<b>Pilot</b>	<b>2019 Forecast</b>	<b>2020 Forecast</b>	<b>Estimated Totals</b>
Electric Avenue	\$66	\$13	\$79
TriMet <sup>2</sup>	0	0	0
Education and Outreach	\$187	\$45	\$232
Evaluation	\$86	\$40	\$128
<b>Totals</b>	<b>\$339</b>	<b>\$98</b>	<b>\$437</b>

PGE estimates the net costs of the Pilots to be approximately \$0.7 million for the 12-month period beginning April 23, 2020, as shown in Table 2 of the Company's application, below.

**Table 2**  
**Forecasted Pilot Costs**

<b>Pilot</b>	<b>2020 Forecast</b>	<b>2021 Forecast</b>	<b>Estimated Totals</b>
Electric Avenue	\$67,330	\$41,784	\$109,114
TriMet <sup>2</sup>	\$0	\$0	\$0
Education and Outreach	\$355,512	\$0	\$355,512
Evaluation	\$147,154	\$88,282	\$235,436
<b>Totals</b>	<b>\$569,996</b>	<b>\$130,066</b>	<b>\$700,062</b>

### UM 2003

In its initial application, PGE states that it estimates the net present value of the net costs associated with the EV Charging Pilots to be approximately \$2.4 million (2018 dollars) over a fourteen-year period. For the initial 12-month deferral period, beginning February 23, 2019, PGE estimates that this translates into a net nominal cost of approximately \$1.3 million over the first 12 months of the EV Charging Pilots.<sup>8,9</sup>

However, in its first supplemental application, PGE notes that as of February 22, 2020, the Company had only incurred costs of \$100,000 for both EV Charging Pilots.<sup>10</sup> This is largely due to the Company delaying program implementation while the parties to

<sup>8</sup> Docket No. UM 2003, Initial Application, page 6.

<sup>9</sup> The Company's initial application includes estimates of capital costs to be tracked for later ratemaking. PGE is no longer requesting the tracking of capital costs in UM 2003.

<sup>10</sup> Docket No. UM 2003, Supplemental Application, February 21, 2020, page 2.

UM 1811 worked to reach agreement on the amended stipulation adopted by the Commission in Order No. 19-385.

In its application for reauthorization, the Company estimates the deferral balance of its Residential EV Charging pilot to be approximately \$1.3 million for the 12-months beginning February 23, 2020. For the same 12-month period, PGE estimates O&M costs of the Business EV Charging Pilot to be approximately \$0.2 million as shown in Tables 1 and 2 from the Company’s application, below.<sup>11</sup>

Table 1: Residential EV Charging Pilot Expected Costs

EV RESIDENTIAL COST SUMMARY		Total Nominal					
(Excl. Capital Carrying Costs)	\$000s	Year 1	Year 2	Year 3	Year 4	Year 5	Years 6-14
<b>Costs</b>							
Administrative Costs	5,154	900	902	887	755	202	1,508
Incentives Paid	3,985	418	657	829	310	116	1,654
<b>Total Costs</b>	<b>9,139</b>	<b>1,318</b>	<b>1,559</b>	<b>1,716</b>	<b>1,065</b>	<b>319</b>	<b>3,162</b>

Table 2: Business EV Charging Pilot Expected Costs

EV BUSINESS COST SUMMARY		March 2020 - February 2021
(Excl. Capital Carrying Costs)		
<b>Costs</b>		
Rebates		61,000
Education & Outreach		88,000
Labor Resources		75,000
Evaluation		15,000
<b>Total Costs</b>		<b>239,000</b>

*Information Related to Future Amortization*

- Earnings Review – Prior to amortization, an earnings review will be conducted pursuant to ORS 757.259(5).
- Three Percent Test (ORS 757.259(6)) – The amortization of the Pilots’ deferred costs will be subject to the three percent test, which measures the annual overall average effect on customer rates resulting from deferral

<sup>11</sup> Staff notes that the implementation of both the residential and non-residential EV Charging Pilot programs are being considered by the Commission in Docket Nos. ADV 1155 and ADV 1151.

amortizations. The three percent test limits (with exceptions) 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.

- Prudence Review – Prior to amortization, a prudence review will be conducted. The prudence review will include the verification of the accounting methodology used to determine the final amortization balance, as well as a review of all costs and revenues proposed for amortization. For example, in reviewing the prudence of the program evaluation costs, Staff will look for compliance with OAR 860-087-0030 and OAR 860-087-0040, as well as the research questions outlined in Appendix B of Order No. 18-124.
- Sharing - These deferrals are not subject to a sharing mechanism.
- Rate Spread/Rate Design – Costs will be allocated to each schedule using the applicable schedule's forecasted energy based on an equal percent revenue applied on a cents-per-kWh basis.

### Conclusion

Based on Staff's review of PGE's applications, Staff concludes that the proposal represents an appropriate use of deferred accounting under ORS 757.259. Further, Staff finds that the applications comply with the stipulations adopted in Order Nos. 18-054 and 19-385.

The Company has reviewed this memo and expressed no issues or concerns.

### **PROPOSED COMMISSION MOTION:**

Approve PGE's application for deferred accounting of costs and revenues associated with TE and EV Charging Pilots.

For UM 1938, Staff recommends the Commission approve the use of deferred accounting for the three 12-month periods beginning:

1. UM 1938 - April 23, 2018;
2. UM 1938(1) - April 23, 2019; and
3. UM 1938(3) - April 23, 2020.



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PGE UM 1938, UM 1938(1), UM 1938(2), UM 1938(3), UM 2003, and UM 2003(1)