

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

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

DATE: December 18, 2023

TO: Public Utility Commission

FROM: Julie Jent

THROUGH: Bryan Conway, Marc Hellman, Anna Kim, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2263)
Application for Deferred Accounting for Costs and Revenues Associated with the BPA 2021 Reserves Distribution Clause and with BPA Transmission Rates Implemented in the BP-24 Rate Case.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE, or Company) application for deferred accounting for costs and revenues associated with the BPA 2021 Reserves Distribution Clause and with the BPA transmission Rates implemented in the BP-24 Rate Case between October 1, 2023, and December 31, 2023.

DISCUSSION:

Issue

Whether the Commission should approve PGE's application to defer for later rate-making treatment Transmission Reserves Distribution Clause (RDC) amounts received by PGE from the Bonneville Power Administration (BPA) as part of BPA's 2022 fiscal year results.

Whether the Commission should approve PGE's application to defer for rate-making treatment the difference between PGE's projected BP-24 transmission rates and BPA's actual BP-24 transmission rates as modeled in the final 2023 Net Variable Power Cost (NVPC) forecast for the period October 1, 2023, through December 31, 2023, used to set 2023 Schedule 125 prices.

Applicable Law

In accordance with ORS 757.259, utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs.

OAR 860-027-0300(4) requires the utility to provide certain information in an application to defer, such as reason for the deferral, estimated amount of the deferral, etc.

Order No. 22-427 adopted the annual power cost update tariff application.

Analysis

Background

On November 29, 2022, PGE submitted its application in Docket No. UM 2263 for authority to defer any Transmission Reserves Distribution Clause (RDC) amounts from BPA as part of BPA's 2022 fiscal year results and the difference between PGE's projected BP-24 transmission rates and actual rates as modeled in the final 2023 NVPC forecast for the period October 1, 2023, to December 31, 2023.

In Order No. 22-427, the Commission adopted the stipulation (Stipulation) where parties agreed that PGE will file a deferral application by November 30, 2022, to record any potential RDC that BPA might provide to its customers related to BPA's 2022 fiscal year. In the Stipulation, the Company agreed to include in the deferral application any costs/revenues for collection/refund to customers that are associated with the difference between the change to BP-24 transmission rates from BP-22 rates and PGE's escalation rate, as modeled in the October 1, 2023, NVPC MONET update. The Stipulating Parties further agreed that PGE will calculate the difference in BPA transmission rate escalation and resulting value subject to the deferral by re-running the final 2023 NVPC MONET model using the actual transmission rates, as published in the BP-24 Record of Decision (expected to be published in Q3 2023). The Stipulating Parties also reached agreement regarding the amortization mechanism for the deferral application to which the Commission adopted. As such, any deferred amounts related to the BPA RDC and BP-24 transmission rates will be amortized through Schedule 125 as of January 1, 2024.¹

Reason for Deferral

ORS 757.259(2)(e) and Commission Order No. 22-427 allows the deferral of identifiable utility expenses to minimize the frequency of rate changes or the fluctuation of rate levels or to match appropriately the costs borne and benefits received by customers.

¹ See Docket No. UE 402, November 1, 2022, Order No. 22-427.

Proposed Accounting

For collection amounts, PGE proposes to record the deferred amount in FERC Account 182.3 (Regulatory Assets); crediting FERC Account 565 (Transmission Operations). For refund amounts, PGE would record the deferred amount in FERC Account 229 (Accumulated Provision for Rate Refunds); debiting FERC Account 565 (Transmission Operations). In the absence of deferral approval, PGE would record the expenses or revenues to the appropriate FERC accounts.

Estimate of Amounts to be Recorded during Deferral

Pursuant to the application of the calculation methodology approved through Commission Order No. 22-427, the deferred amount associated with the BP-24 transmission rates is a refund to customers of \$1,380,627. Pursuant to the First Partial Stipulation adopted by the Commission through Order No. 23-386 in Docket No. UE 416, the deferred amount associated with the BPA RDC is a refund to customers of \$1,149,800. Consequently, PGE's final 2024 NVPC forecast includes a total refund to customers of \$2,530,427 associated with the UM 2263 deferral application.

Information Related to Future Amortization

- Earnings Review – Staff recommends no earnings test be applied to this deferral as that is consistent with the intent of the Stipulation.
- Prudence Review – Will be conducted prior to amortization and should include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – All prudently incurred cost and benefits will be collected/refunded from/to customers 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 three percent test would not apply because any refunds or collections will automatically be included in PGE's 2024 power cost forecast (as incorporated in PGE's prices) in accordance with Commission Order No. 22-427.

Conclusion

Docket No. UM 2263
December 18, 2023
Page 4

Given that this filing is consistent with the parties' Stipulation which was adopted by the Commission, Staff recommends the deferrals needed to carry out the agreement should be approved.

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

PROPOSED COMMISSION MOTION:

Approve PGE's application and authorization to defer Costs and Revenues Associated with the BPA 2021 Reserves Distribution Clause and also defer the difference between PGE's projected BP-24 transmission rates and BPA's actual BP-24 transmission rates as modeled in the final 2023 Net Variable Power Cost (NVPC) forecast for the period October 1, 2023, through December 31, 2023, used to set 2023 Schedule 125 prices BPA Transmission Rates Implemented in the BP-24 Rate Case.

PGE deferral filing UM 2263