

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT**

PUBLIC MEETING DATE: September 5, 2023

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

DATE: August 14, 2023

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2281)
Request Authorization for Deferred Accounting Treatment of Certain Expenses Associated with an Independent Evaluator and Third-Party Consultants for a Request for Proposal.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric's (PGE or Company) application for authorization to defer costs associated with an independent evaluator and third-party consultants in its 2023 All Source RFP for the 12-month period beginning April 21, 2023.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for authorization to defer costs associated with an independent evaluator (IE) and third-party consultants in its 2023 All Source RFP.

Applicable Law

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in 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 has set forth the requirements for the contents of deferred accounting applications. Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and 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).

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. A review of the utility's earnings is required, unless subject to an automatic adjustment clause. With some exceptions, a company's amortization of amounts deferred cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

The Commission's Competitive Bidding Rules (CBRs) are set forth in OAR Chapter 860, Division 89, and require the use of an IE for procurements subject to the CBRs.

Analysis

Background

The Company, on April 21, 2023, applied for authorization to defer expenses associated with the work of an IE and third-party consultants on its 2023 Request for Proposals (RFP). While the Company did not give a calendar period for which the deferral filing is applicable, in light of that absence, Staff selected the twelve-month period starting with the date of the filing. The twelve-month period therefore ends on April 20, 2024.

In accordance with the competitive bidding rules adopted by the Commission, the Company has commenced the process for a 2023 All-Source RFP for carbon-free energy resources as we work toward the 2030 decarbonization target and seek to address a likely 2026 capacity need identified as part of PGE's 2023 Integrated Resource Plan and Clean Energy Plan.

Pursuant to OAR 860-089-0400(5)(a), the Company is required to: "use a qualified and independent third-party expert to review site-specific critical performance factors for wind and solar resources on the initial shortlist before modeling the effects of such

resources.” The Company has received authorization to retain Bates White as the IE to oversee its 2023 All-Source Request for Proposals (RFP), docketed as UM 2274¹.

Additionally, PGE advises in its deferral application that, consistent with and according to the Company’s 2021 All-Source RFP, independent third-party experts that will be involved in the 2023 All-Source RFP process include:

- A Variable Energy Resource (VER) assessment expert to review and assess the short-listed proposals received for wind and solar bids. This includes the review and assessment of the VER estimate, resource study, and other resource data describing the estimated energy produced from each project proposal.
- A third-party Owner’s Engineer (OE) to conduct technical compliance review of short-listed proposals received for renewable energy bids. This includes analysis of the technical exception log submitted with each utility-owned proposal, identification of any additional technical scope gaps, and cost estimation for any identified technical exceptions. As part of this application, PGE requests deferred accounting to track the costs of the IE, and independent third-party experts including the VER assessment expert, and the third-party OE who will support the evaluation of the RFP bids for later prudence review and inclusion in rates.

Reason for Deferral

The Company seeks deferred accounting treatment of the expenses associated with an IE and independent third-party experts pursuant to ORS 757.259(2)(e).

Deferring the costs 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 as a regulatory asset in FERC Account 182.3, Other Regulatory Assets, with a credit to FERC Account 407.4, Regulatory Credits.

Estimate of Amounts

The Company currently estimates the amount subject to the deferral will total approximately \$400,000 for the IE and third-party experts required for PGE’s 2023 All-Source RFP.

¹ PGE Application for Deferred Accounting (IE Deferral)

However, PGE explains that the exact amount will depend on a number of factors including the independent third-party experts selected, the number of bids received, and the amount of work performed by the IE and independent third-party experts.

Information Related to Future Amortization

- Earnings review – An earnings review is required prior to amortization, per ORS 757.259(5).
- Prudence Review – A prudence review is required prior to amortization and should include verification of accounting methodology used to determine final amortization balance. Prudence review will be performed after the Company files for amortization.
- Sharing – 100 percent of the deferred costs are subject to recovery, however, PGE is incurring the IE and independent third-party evaluator costs in this deferral application pursuant to the provisions included within OAR 860-089-0200(1) and 860-089-0400(5)(a).
- Three Percent Test (ORS 757.259(6)) – The amortization of the deferred IE costs will be subject to the three percent test in accordance with ORS 757.259(6), with exceptions set forth in (7) and (8), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

Conclusion

As the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, and the reason for the deferral is valid, Staff recommends the Commission approve PGE's application.

The Company has reviewed this memo and has no objection.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's request authorization for deferred accounting of certain expenses associated with an Independent Evaluator and Third-Party Consultants in its 2023 All Source RFP, for the 12-month period beginning April 21, 2023.