

**PUBLIC UTILITY COMMISSION OF OREGON
REDACTED STAFF REPORT
PUBLIC MEETING DATE: November 30, 2021**

REGULAR CONSENT EFFECTIVE DATE July 20, 2021

DATE: November 23, 2021

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1789(5))
Re-authorization to Defer Revenues and Costs Related to the Portland Harbor Environmental Remediation Account.

STAFF RECOMMENDATION:

Approve Portland General Electric Company's (PGE or Company) application for reauthorization of deferred accounting of revenues and expenses related to the Portland Harbor Environmental Remediation Account (PHERA) for the 12-month period of July 20, 2021 through July 19, 2022.

DISCUSSION:

Issue

Whether the Commission should: approve PGE's application for reauthorization of deferred accounting for costs and revenues related to the PHERA balancing account.

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).

Under ORS 757.259, the Commission may authorize deferred accounting for later incorporation in rates. 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).

The PHERA cost recovery mechanism, which includes a deferral of costs and revenues, and the Company's corresponding Schedule 149, were first approved by the Commission in Order No. 17-071. The deferral was most recently reauthorized by the Commission in Order No. 18-357, which authorized a 12-month deferral effective July 15, 2018.

In Order No. 17-071, the Commission determined that costs and revenues associated with environmental remediation and restoration activities in the Portland Harbor Superfund site would be reviewed annually for prudence prior to being transferred to a balancing account whereby costs would be offset by certain revenues and subsequently eligible for recovery through an amortization schedule. To determine whether a cost was prudently incurred and recoverable in rates, "the Commission examines the objective reasonableness of a company's actions measured at the time the company acted."¹

Analysis

Background

In Commission Order No. 17-071, the Commission approved the PHERA, a cost recovery mechanism (Schedule 149) that tracks and records costs and revenues associated with PGE's liability for environmental remediation and restoration in the Portland Harbor and Downtown Reach sites located in and along the Willamette River, as well as Harborton Restoration Project Development Costs. The mechanism tracks costs and revenues in the Annual Account prior to prudence review, and then transfers prudently-incurred costs and revenues to the Balancing Account for recovery over a period of time according to the principles established in Order No. 17-071.

¹ In re PacifiCorp, dba Pacific Power, Application for an Accounting Order Regarding Excess Net Power Costs, Docket No. UM 995, Order No. 02-469 at 4 (July 18, 2002).

The Commission reauthorized the Company's cost recovery mechanism most recently in Order No. 20-314.

Description of Expense

The expenses and revenues covered under this deferral involve construction, environmental permitting and design, legal expenses caused by pursuing historical insurers, Schedule 149 tariff revenues, insurance proceeds, and DSAY² revenues net of Harborton Restoration Project development costs.

Reason for Deferral

With this filing made on July 22, 2021, PGE requests continuation of deferred accounting to recover amounts associated with its environmental cleanup and remediation liability that was approved in Order No. 17-071. Staff agrees that this deferral will minimize the frequency of rate changes and more appropriately match the costs borne by, and the benefits received by, ratepayers consistent with the grounds for authorizing a deferral under ORS 757.259(2)(e).

Proposed Accounting

PGE proposes to continue to record deferred amounts accrued or incurred into the following regulatory asset account on the balance sheet:

182.3001 – Other Regulatory Assets – Portland Harbor Environmental Costs

182.3001 – Other Regulatory Assets – Natural Resource Damages

182.3001 – Other Regulatory Assets – Environmental Administrative and Legal Costs

Estimated Deferrals in Authorization Period

PGE estimates the deferred amount to be approximately \$3.2 million for the requested deferral period of July 22, 2021 through July 21, 2022.

Information Related to Future Amortization

- Earnings Review – Costs included in the PHERA are subject to an earnings test as specified in Order No. 17-071, Appendix A.

² Discount Service Acre Year is a unity of measurement for Natural Resource Damages. DSAY units to be produced by Harborton Restoration Project. See UM 1789, Staff Reply Testimony, Staff/100, Moore/7-17.

- Prudence Review – Commission Order No. 17-071 specifies that an annual prudence review of costs and revenues in the PHERA will be conducted by Staff before being transferred to the balancing account for amortization.
- Sharing – Costs and revenues are not subject to a sharing mechanism, except those amounts above the earnings threshold set forth in Order No. 17-071, Appendix A.
- Rate Spread/Design – Pursuant to Schedule 149 Special Condition 5, functionalized costs recoverable through Schedule 149 will be allocated to each rate schedule according to relative use of generation, distribution, and transmission service.

Conclusion

Staff concludes that PGE's application to re-authorize deferral of the costs and revenues related to the PHERA for the July 22, 2021 – July 21, 2022 period is consistent with ORS 757.259 and Commission Order No. 17-071, and should be approved.

PROPOSED COMMISSION MOTION:

Approve PGE's application for reauthorization of deferred accounting of revenues and expenses related to the Portland Harbor Environmental Remediation Account (PHERA) for the 12-month period of July 20, 2021 through July 19, 2022.