

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 29, 2022**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____

DATE: November 15, 2022

TO: Public Utility Commission

FROM: Kathy Zarate

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1789(6))
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, 2022, through July 19, 2023.

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 the deferral of utility revenues and expenses for later inclusion 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(4) authority to defer may not exceed a period of 12 months. Amounts deferred under ORS 757.259 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. ORS 757.259(5). The commission may require that amortization of deferred amounts be subject to refund.

In OAR 860-027-0300(3), the Commission has set forth the requirements for the contents of deferred accounting applications.

In Order No. 05-1070, Docket No. UM 1147, the Commission determined that interest may accrue on deferred accounts at the authorized rate of return until amortization. Subsequent orders in Docket No. UM 1147 establish the rate during amortization. See Order Nos. 08-263 and 10-279.

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. 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."

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. A prudence review is performed on the deferred amounts annually. Prudently incurred costs and revenues are transferred to the Balancing Account for recovery over a period of time according to the principles

established in Order No. 17-071.

The PHERA deferral was most recently reauthorized by the Commission in Order No. 21-453, which authorized a 12-month deferral effective July 20, 2021.

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 DSAY¹ revenues net of Harborton Restoration Project development costs.

Reason for Deferral

With this filing made on July 19, 2022, 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

Estimated Deferrals in Authorization Period

PGE estimates the deferred amount to be approximately \$5.2 million for the requested deferral period of July 20, 2022, through July 19, 2023.

Information Related to Future Amortization

- Earnings Review – A portion of the costs included in the PHERA may be subject to an earnings test as specified in Order No. 17-071, Appendix A.

¹ 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 20, 2022, through July 19, 2023, period is consistent with ORS 757.259 and Commission Order No. 17-071, and should be approved. The Company has reviewed this memo and agrees with its contents.

PROPOSED COMMISSION MOTION:

Approve PGE's application for reauthorization of deferred accounting of revenues and expenses related to the Portland Harbor Environmental Remediation Account for the 12-month period of July 20, 2022, through July 19, 2023.