ITEM NO. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 3, 2020

REGULAR ____ CONSENT _X_ EFFECTIVE DATE _____ January 1, 2020 _____

DATE: October 26, 2020

TO: Public Utility Commission

FROM: Mitchell Moore

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1915(2))
Requests reauthorization to defer Major Maintenance Expenses.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE) application to defer costs associated with its Major Maintenance Accruals (MMA's) for the 12-month period beginning January 1, 2020.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for authorization to defer certain costs associated with MMA's for five thermal generating plants for the 12-month period beginning January 1, 2020.

Applicable Rule or Law

PGE submitted its deferral application on December 3, 2018, pursuant to ORS 757.259 and OAR 860-027-0300. ORS 757.259 authorizes the Commission to allow utilities to defer utility revenues and expenses for later inclusion in rates. OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

Analysis

Background

PGE made this filing to comply with Commission Order No. 17-511 (Docket No. UE 319), which requires the Company to file for deferred accounting associated with its MMAs. PGE currently has MMAs for five thermal generating plants,[1] and this filing is intended to aggregate the Commission's requirement, so as to avoid filing separate deferral applications for each plant.

The MMA is a combination of an accrual and a balancing account, where PGE develops a forecast of expected expenses over a five-year rolling period and establishes an accrual amount that levelizes these costs. When expenses are incurred, they are booked to the MMA balancing account, offsetting the amounts collected under the annual accrual. This process results in an expected balance of zero by the end of the five-year rolling period. In the next forecast of expected expenses, the current balance of the MMA balancing account is rolled forward into the calculation of the proposed accrual.

In prior MMA filings,[2] the Commission approved MMA accounting treatment as a way of normalizing the volatility of its thermal plants' major maintenance expenses. Major maintenance expenses can vary dramatically from year to year. Without an MMA, PGE would expense the major maintenance costs in the period the work is performed. Accounting for costs in this manner would have the following effects: 1) it would not allow the recording of expense in the same period that benefits occur; and 2) it would reflect expenses that are cyclical and "lumpy" only in certain years. Under this method, it would be problematic to establish stable rates.

PGE states that it will not seek amortization of the MMA-related deferred accounts in a future proceeding because the deferred amounts should automatically reverse due to the standard operation of the MMAs. In accordance with prior Commission Orders approving MMA accounting treatment, the balance of the MMA balancing account, either positive or negative, will be rolled forward into the calculation of future accruals.

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[1] Coyote Springs1, Port Westward 1, Port Westward 2, Carty, and Colstrip Units 3 &4.

[2] Commission Orders approving MMA's include: Order No. 95-1216 for Coyote Springs; Order No. 13-459 for Port Westward 1; Order No. 14-422 for Port Westward 2; Order No. 15-356 for Carty; and Order No. 17-511 for Colstrip.

Description of Amounts
The amount to be deferred will be calculated based on PGE's Schedule 126, which requires PGE to capture the annual difference between actual net variable power costs and the costs that are collected from customers through PGE's Schedule 125.

Reason for Deferral
Granting this deferral will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers, in accordance with ORS 757.259(2)(e).

Proposed Accounting
In its application, PGE proposes to defer expenses in excess of the MMA amount collected in rates by crediting expense FERC Account 553 (Maintenance of Generating and Electric Equipment – Port Westward 1 &2, Carty, and Coyote Springs); or expense Account 513 (Maintenance of Electric Plant – Colstrip) for the excess and debiting FERC Account 182.3 (Other Regulatory Assets). Revenues collected in excess of incurred major maintenance expenditures will be deferred by debiting FERC Account 456 (Other Electric Revenues), and crediting FERC Account 254 (Other Regulatory Liabilities).

Estimate of Amounts
PGE does not have an estimate of the amounts to be deferred in this period because they occur infrequently and can vary from plant to plant depending on the level of expense incurred and the accuracy of the projections in determining the annual accrual.

Information Related to Future Amortization

- Earnings review – No earnings review is applicable because the associated costs are already included in base rates.

- Prudence Review – A prudence review should be performed by Commission Staff as part of their review of PGE's general rate case filings.

- Sharing – All prudently incurred costs are recoverable by PGE with no sharing mechanism.

- Rate Spread/Design – Costs will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of generation revenue applied on a center-per-kWh basis.

- Three Percent Test (ORS 757.259(6)) – The three percent would not apply because PGE will not seek amortization of the deferred amounts in a future proceeding.

Conclusion

This deferral is filed in compliance with Commission Order No. 17-511, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. In addition, approving this application will not authorize a change in rates, but will permit PGE to continue using MMA accounting treatment as previously approved in prior Commission order. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

Approve PGE's Application to defer costs associated with its MMAs for the 12-month period beginning January 1, 2020.