

**PUBLIC UTILITY COMMISSION OF OREGON**  
**STAFF REPORT**  
**PUBLIC MEETING DATE: December 27, 2022**

**REGULAR**  **CONSENT**  **EFFECTIVE DATE** \_\_\_\_\_ **N/A**

**DATE:** December 16, 2022

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

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

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. UM 1966)  
Request for Authorization for Deferral of Costs Associated with the Request for Proposal for Renewable Resources.

**STAFF RECOMMENDATION:**

Approve Portland General Electric’s (PGE or Company) application for authorization to defer costs associated with the Request for Proposal (RFP) for Renewable Resources.

**DISCUSSION:**

Issue

Whether the Commission should approve PGE’s request for authorization to record and defer costs related to Request for Proposal for renewable resources.

Applicable Rule or Law

ORS 757.259(2)(e) authorizes the Commission to approve requests to defer for later recovery in rates “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.

OAR 860-027-0300 specifies the required contents of an application for deferred accounting, including a description of the expense or revenue for which deferral is requested, the basis for the request, the accounts proposed for recording the amounts

to be deferred, an estimate of the amounts to be recorded in the deferred account, and a copy of the notice of the application for deferred accounting.

## Analysis

### *Background*

To provide guidelines for developing Integrated Resource Plans (IRP) and RFPs, the Commission has issued the following orders:

- Order No. 18-145 updated the Commission's planning principles and analysis guidelines for IRPs. Consistent with this Order, the objective of PGE's IRP process is to identify new electric generation, demand-side, and transmission resources which, when considered with our existing portfolio, provide the best combination of least-cost and associated risks for PGE and our customers.
- Order No. 06-446 adopted Competitive Bidding Guidelines, which require utilities to issue an RFP for all major resource acquisitions (i.e., those with durations greater than five years and quantities greater than 100 MW).
- Order No. 13-204 requires the use of an independent third-party wind assessment expert to review the capacity factors of all wind resource bids.

In compliance with Order Nos. 06-446 and 13-204, PGE executed agreements with the following third-party consultants to participate in the process to evaluate PGE's 2018 renewable resource RFP:

- Vaisala was retained to review and assess the Variable Energy Resource (VER) estimate, resource study, and other resource data describing the estimated energy produced from each short-listed project proposal.
- Burns and McDonnell was retained to provide Owner Engineer professional services 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.

PGE submitted this filing on August 16, 2018, and requests deferred accounting to track the costs of the VER expert and the third-party Owner Engineer contractor who will support the evaluation of the RFP bids for later prudence review and inclusion in rates.

### *Reason for Deferral*

PGE expects to incur costs associated with the VER expert and Owner Engineer contractor that were not included in the costs used to set rates in PGE's most recent general rate cases (Docket Nos. UE 319 and UE 335), and, therefore, requests deferred

accounting to track these costs for later prudence review and potential inclusion in rates.

#### *Proposed Accounting*

PGE 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. In the absence of a deferred accounting order from the Commission, PGE would record the costs associated with the wind expert and owner's engineer to FERC Account 923.

#### *Current Deferral Activity*

The amount subject to the deferral is approximately \$100,000 for the VER expert and Owners Engineer contractor.

#### *Information Related to Future Amortization*

- Earnings Review – (ORS 757.259(5)) – An earnings review is required prior to the amortization of deferrals under ORS 757.259(2)(e).
- Prudence Review – A prudence review must be conducted prior to amortization of deferred amounts. See ORS 757.259(5).
- Sharing – Staff is unlikely to recommend sharing of this deferral at the time of amortization. PGE is incurring the costs in this deferral application in order to comply with Commission Guidelines set forth in Order Nos. 06-446 and 13-204 related to the evaluation and consideration of RFPs for major renewable resources.
- Rate Spread/Design – Costs recovered through this deferral should 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 cents per kWh basis to each applicable rate schedule.
- Three Percent Test – The amortization of these deferred costs will be subject to the three percent test in accordance with ORS 757.259(6), 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

The Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300 for deferred accounting, and Application for Deferred Accounting

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Treatment of Certain Third-Party Consulting Costs Associated with the Request for Proposal for Renewable Resources.

The Company has reviewed this memo and agrees with Staff's recommendation.

**PROPOSED COMMISSION MOTION:**

Approve PGE's application for authorization to defer costs associated with the Request for Proposal for Renewable Resources for the twelve-month period beginning August 16, 2018.

PGE UM 1966 Renewable RFP Deferral