

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

REGULAR **CONSENT** **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 2046)
Request for authorization to use deferred accounting related to a change in annual regulatory fees.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) request to defer costs associated with an incremental difference between the PUC annual regulatory fee, and the costs currently being collected in rates for the twelve-month period beginning January 1, 2020.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for reauthorization to defer costs associated with a variance in the annual regulatory fee and the amount collected in rates.

Applicable Rule and Law

PGE submitted its deferral application on January 1, 2020, in accordance with ORS 757.259 and OAR 860-027-0300. ORS 757.259 provides the Commission with authority to authorize the deferral of 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

OAR 860-021-0034 requires natural gas utilities to pay regulatory fees to the Commission each year by April 1. The fee payable by the electric utility is an annual fee rate multiplied by the utility's gross operating revenues derived within Oregon for the previous calendar year. The annual fee rate is set by Commission order entered on or after March 1 of each year.

Senate Bill (SB) 68, enacted in 2019, allows the Commission to set the annual fee to a percentage not to exceed 0.45 percent of utilities' gross operating revenue. Prior to SB 68, the maximum percentage was 0.30 percent.

In 2017, the Commission increased the annual fee to 0.3 percent (Order No. 17-065). The Commission most recently set the annual fee at 0.35 percent in its Order No. 20-054.

Description

PGE seeks authority to defer the difference between the amount collected in rates for the regulatory fee and the amount owed for its annual regulatory fee. The Company's calculation for the amount to defer is the incremental difference between the Company's annual fee assessed by the Commission and the annual fee contained in PGE's current rates. The previous 0.30 percent fee is currently included in base rates; however, this filing covers the incremental amount of 0.05 percent above that amount contained in base 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 456 (Other Revenue). Absent Commission approval of this application, PGE will record the incremental cost in FERC Account 928 (Regulatory Commission Expense).

Estimated Deferrals in Authorization Period

PGE's application included an estimated deferral of \$3 million, based on belief the Commission would increase its regulatory fee to the maximum allowed of .45 percent.

Information Related to Future Amortization:

- Earnings Review – ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e).

- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – For the reasons discussed more fully below, Staff recommends that there be no sharing between PGE and its customers for this deferral.
- Rate Spread/Design – The rate spread/rate design will be consistent with the prevailing rate spread/rate design at the time of the amortization.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits the 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

Staff concludes that the Company's application to authorize deferral of any incremental increase in the annual regulatory fee as consistent with ORS 757.259.

While an earnings review is required prior to amortization of this deferral pursuant to ORS 757.259(5), the Commission is not required to perform an earnings test that could result in sharing of deferred costs between the Company and its customers. Staff recommends that any deferred amounts not be subject to an earnings test for two reasons. First, the PUC fee is collected from customers and directly passed-through to the Commission. Second, the proposal to not subject the deferred amounts to sharing is generally consistent with the treatment allowed by the Commission in Order No. 10-083, wherein the Commission lowered the annual PUC rate and ordered electric and natural gas utilities to defer the difference between the previous rate and the revised rates. In Docket No. UM 1488, the utilities put forth proposals for amortization of deferred PUC fee credits to customers, which were not subject to sharing from the results of an earnings review.¹

¹ See *In re Amortization Proposals Related to PUC Fee Deferral Ordered in UM 1012*, OPUC Docket No. UM 1488, Order Nos. 10-443 (NW Natural), 10-437 (Cascade), 10-436 (Avista), 10-373 (Idaho Power), 10-372 (PGE), and 10-307 (PacifiCorp) (2010).

PROPOSED COMMISSION MOTION:

Approve PGE's request to defer costs associated with an incremental difference in the PUC annual regulatory fee, and the costs currently being collected in rates for the twelve-month period beginning January 1, 2020.