

Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred are allowed in rates to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral.

OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities and requires the utility to provide certain information in an application to defer, such as the reason for the deferral, estimated amount of the deferral.

Analysis

Background

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.

Description

On May 24, 2019, Oregon Governor Kate Brown signed SB 68, which revises ORS 756.310 to allow the annual regulatory fee that is imposed on public utilities and telecommunications providers, for purpose of defraying costs of the OPUC, to increase from 0.3 percent to 0.45 percent of gross operating revenue.

On February 26, 2020, and February 25, 2021, the Commission issued Order Nos. 20-054 and 21-066 increasing the OPUC annual regulatory fee to 0.35 percent and 0.375 percent, respectively, of gross revenue of the preceding year.

The 0.375 percent fee was included within PGE's 2022 test-year general rate case (Docket No. UE 394), with an effective date of May 9, 2022. Following the inclusion of the 0.375 percent rate within UE 394, the Commission issued Order No. 22-062 increasing the OPUC annual regulatory fee to 0.43 percent of gross operating revenue.

This is in accordance with ORS 756.310, and PGE's most recent request to reauthorize the deferred amount in Order No. 22-145. Because the current increase will remain in effect and the Commission could implement an additional fee increase in 2023, PGE

requests authorization to continue to defer for later rate making treatment, the costs associated with the increase in the OPUC fee.

Proposed Accounting

PGE proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets) and credit the appropriate FERC expense accounts. When specific identification of the particular source of the regulatory asset cannot be reasonably made, then FERC Account 407.4 (Regulatory Credits) will be credited. In the absence of a deferred accounting order, the costs would be debited to the appropriate cost accounts.

Estimated Deferrals in Authorized Period

PGE estimates that based on the current OPUC Fee rate, the amount to be deferred during the period beginning January 1, 2023, through December 31, 2023, to be approximately \$1.5 million. If, however, the Commission authorizes an additional increase in the regulatory fee in February 2023, that would represent an additional increase of approximately \$0.5 million.

Information Related to Future Amortization

- Earnings Review – Recovery of the incremental regulatory fee will be not subject to an earnings review in accordance with Commission Order No. 20-411.
- Prudence Review – A prudence review should be performed as part of the amortization filing.
- Sharing – All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.
- 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 amortization of the deferred costs will be subject to the three percent test in accordance with the ORS 757.259(6) and (8), 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

Staff concludes that the Company's application to authorize deferral of any incremental increase in the annual regulatory fee is 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 may allow the utility to fully recover assessed PUC fees even where the Company's earnings are above its authorized rate of return.

Staff recommends that any deferred amounts be recovered by PGE even if it allows the Company to earn over the authorized rate of return for two reasons.

- First, the PUC fee is collected from customers and is ultimately a pass-through for the purpose of funding a portion of the PUC's operations; and, .
- Second, the proposed treatment is equivalent whether the deferral reflects an increase in the PUC gross revenue fee or a reduction in the gross revenue fee.

PGE has reviewed this memo and has stated no objection

PROPOSED COMMISSION MOTION:

Approve PGE's request to defer costs associated with the change in the PUC annual regulatory fee, and the costs currently being collected in rates for the 12-month period beginning January 1, 2023.