

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 5, 2022**

REGULAR  CONSENT  EFFECTIVE DATE January 1, 2022

**DATE:** April 25, 2021

**TO:** Public Utility Commission

**FROM:** Curtis Dlouhy

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

**SUBJECT:** PORTLAND GENERAL ELECTRIC:  
(Docket No. UM 2046(2))  
Request for authorization to use deferred accounting related to a change in annual regulatory fees.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Portland General Electric's (PGE or Company) 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, 2022.

**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

In accordance with ORS 757.259, the Commission has the authority to authorize the deferral of utility revenues and expenses for later inclusion in rates. Utilities may seek approval to defer amounts for later inclusion in rates to minimize the frequency of rate changes or to appropriately match customer benefits and costs.

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.

The Commission most recently raised the annual fee from 0.375 percent to 0.43 percent in its Order No. 22-062, which occurred after PGE filed its deferral application.<sup>1</sup> PGE filed its request for reauthorization on December 30, 2021, and requests the reauthorization be for calendar 2022. If the Commission chose not to increase the PUC regulatory fee in February 2022, the deferral would stop accruing costs at the rate effective date of UE 394 when the regulatory fee in base rates changes to .375.<sup>2</sup>

#### *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 base rates as authorized in Docket UE 335 and as proposed in Docket UE 394.

The 0.375 percent fee that was authorized in Order No. 21-066 is currently proposed to be included in base rates in UE 394. Consequently, this deferral covers the difference between the amounts included in base rates as authorized in Docket UE 335 and the amounts proposed to be included in base rates in UE 394 compared to the authorized

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<sup>1</sup> *In the Matter of The Imposition of Annual Regulatory Fees upon Public Utilities Operating within the State of Oregon*, OPUC Docket No. UM 1012, Order No. 22-062, Feb. 2022

<sup>2</sup> The rate effective date for UE 394 is May 9, 2022.

Commission fee rates as authorized by Commission Order Nos. 21-066 (0.375 percent) and 22-062 (0.43 percent).

*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 amount of \$2.8 million by assuming that the difference between the approved Commission regulatory fee (0.375 percent) and the amount included in base rates from UE 335 (0.30 percent) would be eliminated after the rate effective date of UE 394, which would raise the fee used in base rates to 0.375 percent.<sup>3</sup> PGE goes on to say that should the regulatory fee be raised, the amount would be higher and would continue to accrue costs beyond the rate effective date of UE 394.

Since the filing of PGE's reauthorization application on December 30, 2021, the regulatory fee for 2022 has been set at 0.43 percent, meaning that the deferral balance will be larger prior to the rate effective date of UE 394 and will continue to accrue costs beyond the rate effective date of May 2022. After reviewing this memo and updating its calculations, PGE estimates a total deferral amount of approximately \$1.9 million for 2022.

*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). Staff does not recommend this deferral be subject to the results of an earnings test in accordance with Commission Order No. 20-411 and as noted below.
- Prudence Review – For amortization, the prudence review should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Staff recommends that there be no sharing between PGE and its customers for this deferral.

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<sup>3</sup> PGE's Reauthorization Application, OPUC Docket No. UM 2046, p.3, Dec. 30, 2021.

- 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 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 over the authorized rate of return be recovered by the Company 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 over-earnings absorption 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 the results of an earnings review.<sup>4</sup>

PGE has reviewed this memo and has stated no objection.

### **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, 2022.

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<sup>4</sup> 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).