Oregon
Kate Brown, Governor

Public Utility Commission
201 High St SE Suite 100
Salem, OR 97301
Mailing Address: PO Box 1088
Salem, OR 97308-1088
Consumer Services
1-800-522-2404
Local: 503-378-6600
Administrative Services
503-373-7394

September 27, 2022

Via Electronic Filing

OREGON PUBLIC UTILITY COMMISSION
ATTENTION: FILING CENTER
PO BOX: 1088
SALEM OR 97308-1088

RE: Docket No. UE 410 - In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application Regarding Amortization of Boardman Deferral.

Attached for filing are the following:
UE 410 Staff Opening Testimony Exhibits 100-105 Redacted Versions and Non- Confidential Exhibits, Cover Letter, Certificate of Service and Service List.

Please retrieve the confidential version from agency drive under Temporary Confidential Filings.

/s/ Kay Barnes
Kay Barnes
Oregon Public Utility Commission
C: (971) 375-5079
Kay.barnes@puc.oregon.gov

CASE: UE 410
WITNESS: JOHN FOX

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 100

Opening Testimony

September 27, 2022

Q. Please state your name, occupation, and business address.

A. My name is John L. Fox. I am a Senior Financial Analyst employed in the Rates, Finance, and Audit (RFA) Division of the Public Utility Commission of Oregon (OPUC). My business address is 201 High Street SE, Suite 100, Salem, Oregon 97301.

Q. Please describe your educational background and work experience.

A. My witness qualification statement is found in Exhibit Staff/101.

Q. What is the purpose of your testimony?

A. I present Staff's recommendations for application of the Boardman deferral earnings review and amortization of the deferral.

Q. Did you prepare an exhibit for this docket?

A. Yes. In addition to my witness qualification statement, I prepared the following exhibits:

- Exhibit Staff/102, Alternative Ordering of Deferred Amounts.
- Exhibit Staff/103, Staff correspondence to investor-owned utilities regarding results of operations, dated January 14, 2010, and March 15, 1992.
- Exhibit Staff/104, Excerpts from PGE's ROO filed April 2021.
- Exhibit Staff/105, July 20, 2022, e-mail from Greg Batzler to John Fox and Marc Hellman.

Q. How is your testimony organized?

A. My testimony is organized as follows:

BACKGROUND AND OVERVIEW

Q. Please discuss the history of the Boardman deferral.

A. On October 8, 2020, the Alliance of Western Energy Consumers (AWEC) and the Oregon Citizens' Utility Board (CUB) filed a request to defer revenue impacts associated with the October 15, 2020, retirement of the Boardman coal-fired generating facility (Boardman deferral) in Docket No. UM 2119. AWEC and CUB filed a request for reauthorization of the deferral request for the period October 8, 2021, through the effective date of rates in the Company's most recent general rate case, UE 394. The Commission approved the deferrals.[1] The total deferred amount as of May 9, 2022, was estimated at approximately $109.9 million.[2]

Q. Has the Commission issued any orders regarding the amortization of the Boardman deferral?

A. Yes. The Commission addressed the parameters of the earnings review for the Boardman deferral as well as for PGE's deferrals for restoration costs incurred after wildfires in 2020 and an ice storm in February 2021. Each of these deferrals spans more than one year. The Commission decided the earnings review would be conducted on a calendar year basis and that the deferrals would not be netted prior to the earnings review. For the Boardman deferral, the Commission ordered that the earnings test should provide for a refund only in the event Portland General Electric (PGE or Company) is

[1] See In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a General Rate Revision, Docket No. UE 394, Order No. 22-129, Apr 25, 2022, at 37.
[2] Id.

demonstrated to have earned above its authorized return on equity (AROE) during the deferral period, which is 9.5 percent. For the wildfire and ice storm deferrals, the Commission decided PGE should be allowed to surcharge customers for the deferred costs only to the extent the surcharges allow the Company to earn its AROE minus 20 basis points.[3]

Q. Did the Commission address the goal of the earnings review required under ORS 757.259(5)?

A. Yes. The Commission explained that "[b]ecause the purpose of deferred accounting is to allow a utility to maintain a level of return that the company would have otherwise achieved without the events that justified the deferral, application of the earnings test must consider how a utility's earnings would be affected if it had to instead absorb the deferred expenses."[4] The Commission concluded that "[a]s a result, a utility earning under its AROE will not then increase its earnings by amortizing the deferred expenses; rather, recovery of deferred costs serves to avoid a further reduction in earnings."[5]

Q. Please describe the deferrals for the 2020 wildfire and 2021 ice storm.

A. The Commission provided the following background in Order No. 22-129:

> On September 10, 2020, PGE filed a request to defer costs associated with the Labor Day 2020 wildfire (wildfire deferral) in docket UM 2115. The Commission authorized the wildfire deferral for the one-year period starting September 10, 2020. That authorization included establishing a regulatory asset for undepreciated plant no longer used and useful due to wildfire damage. At the March 8, 2022, Public Meeting, [the Commission] adopted Staff's recommendation to reauthorize the deferral and the regulatory asset for the undepreciated

[3] Id., at 53.
[4] Id.
[5] Id, at 54.

plant no longer in service for another year. Total costs are identified to be approximately $59.1 million as of May 9, 2022.[6]

On February 15, 2021, PGE filed a request to defer emergency restoration costs for the February 2021 ice storm (ice storm deferral) docketed as UM 2156. At the January 25, 2022, public meeting, the Commission authorized the ice storm deferral for February 15, 2021 through February 14, 2022. At the March 8, 2022, Public Meeting, the Commission amended its prior order to also authorize a regulatory asset for the undepreciated investment in plant no longer used and useful as a result of the ice storm. As of May 9, 2022, the deferral balance is projected to include costs of approximately $65.8 million.[7]

Q. How are the ice storm and wildfire deferrals relevant to the amortization of the Boardman deferral that is the subject of this docket?

A. Both deferrals affect reported earnings for 2020 and 2021 and parties have agreed to have the Commission address amortization of these deferrals concomitantly.

Q. When did PGE file its Results of Operations for 2020 and 2022?

A. PGE filed its 2020 results of operation (ROO) in April 2021 and revised results in April 2022. PGE also filed its 2021 results of operations in April 2022.[8] PGE has provided its revised 2020 and 2021 results as Exhibits PGE/102 and PGE/103. Staff will refer to these exhibits in the discussion below rather than the original filings.

---

[6] Id, at 36.
[7] Id., at 37.
[8] See *In the Matter of PORTLAND GENERAL ELECTRIC COMPANY's Results of Operations Report*, Docket No. RE 119; PGE's 2020 Results of Operations Report filed 4/22/2021, PGE's 2020 Revised Results of Operations Report filed 4/29/22, and PGE's 2021 Results of Operations Report filed 4/29/22.

Q. Please discuss PGE's Exhibit 104.

A. PGE acknowledges that Order No. 22-129 specifies a calendar year earnings test. [9] Notwithstanding, PGE provides earnings on a 12-month rolling basis in PGE Exhibit 104 for "illustrative purposes."[10] It would appear the purpose of this analysis is to evoke doubt as to the fairness of the Commission's methodology. In Staff's view, a rolling methodology introduces unnecessary complexity, opens the door to cherry picking results, and does not comport with Commission direction. Accordingly, PGE Exhibit 104 ought to be disregarded.

Q. Turning now to the amounts deferred, are there differences between the amounts contemplated in Order No. 22-129, amounts reported in the results of operations, and the amounts presented in the applications for amortization?

A. Yes. As noted above, Order No. 22-129 reflects that as of May 9, 2022, PGE had accrued deferral balances of $109.9 million for Boardman, ($59.1) million for the wildfire deferral, and ($65.8) million for the ice storm deferral. The Company's testimony in support of its application to amortize the wildfire and ice storm deferrals states that the revenue requirement figures, including capital related costs, associated with deferred expense amounts are $14.5 million and $28.7 million for 2020 and 2021 for the Wildfire Emergency;[11]

[9] PGE/100, Liddle-Ferchland/5.
[10] PGE/100, Liddle-Ferchland/16.
[11] UE 408/PGE/300, Liddle-Ferchland/4.

$68.3 million in 2021 for the Ice Storm Emergency,[12] and deferred revenues of $14.0, $66.5, and $23.6 million due to the Boardman plant closure.[13]

Regarding the emergency deferrals, recovery efforts are ongoing and various adjustments and updates are to be expected. Regarding Boardman, PGE provides revenue requirement calculations in Exhibit PGE/101.

Staff recommends the Commission use the most recent figure as stated in these current amortization filings.

Q. Regarding amortization for both UE 408 and UE 410, what does PGE request?

A. The Company requests the following after application of earnings tests on an annual basis for 2020 and 2021:

- No recovery of the Wildfire emergency deferral for 2020 ($14.5 million) as the earnings test ROE remains at 9.3 percent or above.[14]
- Approval to amortize 2021 incremental costs of $28.7 million for the Wildfire Emergency deferral.[15]
- Approval to amortize 2021 incremental cost of $68.3 million for the Ice Storm Emergency deferral.[16]
- No refund of deferred Boardman revenues. [17]

---

[12] UE 408/PGE/300, Liddle-Ferchland/6.
[13] UE 410/PGE/100, Liddle-Ferchland/3.
[14] UE 408/PGE/300, Liddle-Ferchland/17.
[15] UE 408/PGE/300, Liddle-Ferchland/21.
[16] *Id.*
[17] UE 410/PGE/100, Liddle-Ferchland/7.

PGE proposes to allocate the costs related to both the Wildfire Emergency and Ice Storm Emergency based on non-generation related revenues.[18] Finally, PGE requests authority to amortize the deferred amounts over a seven-year period.[19]

Staff, CUB, AWEC, and PGE have reached a settlement in principle regarding the amortization of the 2021 Boardman, wildfire, and ice storm deferrals. Accordingly, Staff will not address the Boardman deferral for 2021 in this testimony.

---

[18] UE 408/PGE/400, Macfarlane/2.
[19] UE 408/PGE/400, Macfarlane/3

PGE'S REPORTED RESULTS OF OPERATIONS

Q. Please explain how PGE treated deferrals in its original 2020 earnings report filed in Docket No. RE 119.

A. PGE reversed its 2020 deferrals as a Type 1 adjustment to its earnings for purposes of its original 2020 earnings report. PGE also assumed, in error, that all of the deferrals were not recoverable. Staff will show that PGE substantively understates its ROE by disregarding prior Commission orders on exempting portion of the Environmental Remediation deferral from any earnings test, as well as ignoring Staff formal testimony in other proceedings and settlements reached on recovery of COVID-19 deferrals. These points are discussed later on in this testimony.

Q. Why is reversal of deferrals as a Type 1 adjustment problematic?

A. PGE's treatment is inconsistent with instructions regarding Type 1 adjustments that have been applicable for more than 30 years. Notably, PGE's treatment is inconsistent with how all other utilities present their results of operation.[20] Other utilities follow the instructions and have done so for years.

Second, PGE's deferral reversals were commingled with other regulatory adjustments such as advertising and incentives which obfuscated the effect of the deferrals on regulated adjusted results. The Company's unadjusted results of operations appropriately reflect removal of identifiable utility expenses or revenues deferred under ORS 757.259(2)(e); presenting them as an addback in Type 1 adjustments is counterproductive and confusing.

[20] Docket No. RE 119, *PGE's* *2020 Results of Operations Report*, filed 4/22/21.

Third, allowing a Type 1 adjustment for deferred amounts that have not been approved for amortization presents opportunities for gaming by the utility. Under PGE's reasoning, it appears that it would be within the utility's discretion to choose to reverse a deferral or not.

Q. The Company asserts Staff's position that it is inappropriate to reverse deferrals as a Type I adjustment in PGE's ROO is inconsistent with prior filings. How do you respond?

A. If PGE has been performing Type 1 adjustments to reverse deferrals in its previously filed ROOs, PGE has been reporting incorrectly.[21] However, it is not clear to Staff whether PGE always presents its deferred expenses in this manner or whether the ROOs filed for 2020 and 2021 were unique. In any event, PGE should discontinue such Type 1 adjustments. Annual reporting should be done on a consistent basis across the regulated energy utilities. This allows for efficient review and less of a regulatory burden in communicating the results to the Commission.

Q. Has PGE taken steps to address Staff's concern?

A. In part, but not with respect to incorrectly assuming none of the deferrals, or parts thereof, are exempt from an earnings test. PGE has filed a revised ROO for 2020 in Docket RE No. 119 that do not reverse the deferrals as a Type 1 regulatory adjustment. Instead, the reversal of the deferrals and effect of the reversal are shown in two additional columns. However, PGE does not agree with Staff's position regarding deferrals and Type 1 adjustments.

Q. Please explain Staff's position regarding Type 1 adjustments.

A. Staff published instructions to identify Type 1 adjustments more than 30 years ago. Type 1 adjustments include the following:[22]

- Normalizing for weather, streamflow, and plant availability;
- Incorporating significant ratemaking adjustments adopted in your most recent Oregon rate order if not reflected in on your books (for example, advertising, memberships, payroll escalation, bonuses, and non-operating expenses); and
- Removing entries related to prior period activity, and including subsequent period transactions clearly reflected in the test period. Examples include corrections of estimates or errors, and removal of credits or charges associated with other periods.

Adjusting earnings to account for regulatory assets or liabilities for which the utility has not sought amortization or received an order allowing amortization does not fit within any of the categories outlined in Staff's letter. Allowing a utility to include or exclude regulatory assets or liabilities on its whim, rather than based on what the Commission has authorized, will lead to accounting that varies by year, depending on whether the utility advantaged by reversing the deferral or not.

In fact, PGE's original and revised ROOs for 2020 demonstrate this point perfectly. In its original 2020 ROO filed in April 2021, PGE reported earning a

[22] Staff Exhibit 102 at 4.

9.65 percent ROE in 2020. Statements in PGE's original ROO reflect the 9.65 percent is PGE's total earnings at 10.4 minus the following 2020 deferrals:

- Emergency Wildfire Deferral (Commission Order No, 20-389).
- COVID-19 Deferral (Commission Order No. 20-376) - $10.2 million.
- Transportation Electrification Pilots Deferral (Commission Order No. 20-381) - $0.2 million.
- Electric Vehicle Charging Pilots Deferral (Commission Order No. 20-381) - $0.1 million
- Residential Battery Storage Pilot Deferral (Commission Order No. 20-208) - $18,000[23]

In its revised ROO filed in April 2022, PGE reports its ROE in 2020 was 9.47 percent. When pressed for an explanation about the decrease from the 9.65 percent reported in the original 2020 ROO, PGE explained that it had decided to include in its earnings a downward adjustment of $6 million of expense deferred under its Portland Harbor Environmental Remediation Account (PHERA).[24] In other words, PGE changed its reported earnings for 2020 with a discretionary and non-transparent adjustment.

Q. The Company implies that Staff's ROO instructions ought to be disregarded because they are in a letter from Staff and not "from the Commission or approved by the Commission to PGE's knowledge" and is 30 years old.[25] How do you respond?

[23] See Staff/104 Excerpts from PGE's ROO filed April 2021.
[24] See Staff/105 July 20, 2022, e-mail from Greg Batzler to John Fox and Marc Hellman.
[25] PGE/100, Liddle-Ferchland/14.

A. Staff disagrees. The ROO instructions are venerable having been in place for many years and have served the parties well. Staff would encourage the Commission to acknowledge them at this time as being appropriate and in full force and effect.

Q. Do the other investor-owned utilities (IOU) provide similar deferral reversals in their respective annual reports?

A. No. Staff has reviewed several years of reports and has not found any other instances.

Q. Does Staff have any other concerns with reversing deferrals as a Type 1 adjustment for purposes of the ROE?

A. Yes. For example, PGE states that the reported ROE of 10.40 percent, assuming all deferrals are approved, is "incorrect"[26] and asserts an "earnings test ROE" of 9.47 percent based on reversal of deferrals that have not yet been reviewed for prudence and that will not or likely will not be disallowed under the ORS 757.259(5) earnings. Because the deferrals have not undergone the prudence and earnings test, it is inappropriate for PGE to adjust its earnings to incorporate assumptions that the deferred amounts at issue are 100 percent prudent yet unrecoverable because of a future earnings test. Importantly, with respect to the COVID-19 deferrals, Staff has supported in other dockets recovery of the non-cost savings portions of the deferral. With respect to the environmental remediation deferral, six million of PGE's deferred expense is not subject to an earnings test, contrary to PGE's assumption in its ROO.

[26] PGE/100, Liddle-Ferchland/9.

Q. What is the effect of PGE ignoring that most of its COVID-19 deferrals is not subject to an earnings test?

A. The effect is to understate PGE's earnings by 21 basis points because PGE assumes it will not receive any money associated with that deferral which is simply wrong and inconsistent with prior Commission decisions.

If we also take into account that PGE understated the effect of the environmental remediation deferral by some 15 basis points, PGE has understated its earnings in 2020 by 36 basis points even if you accepted the viewpoint that all deferrals need to be accounted for in an earnings test, and even if you are only reviewing the prudence and amortization of only one of the deferrals.

APPLICATION OF EARNINGS TEST AS DIRECTED IN ORDER NOS. 22-129 AND 22-188.

Q. What are PGE's reported results for 2020?

A. PGE reports regulated adjusted results of 10.4 percent ROE without deferred expense and 9.47 percent ROE with deferred expense.[27] A table of how PGE arrived at the 9.47 ROE is below.

(millions)	(revised 4/29/22) 2020 Deferral	ROE	(filed 4/29/22) 2021 Deferral	ROE
Regulated Adjusted Results		**10.40%**		**8.72%**
Less Deferrals:				
UM 2115 - Wildfire Emergency	$ (15.5)	-0.45%	$ (28.1)	-0.78%
UM 2064 - COVID-19 Emergency	(10.2)	-0.29%	(25.7)	-0.71%
UM 1789 - Environmental Remediation	(6.0)	-0.17%	(6.0)	-0.17%
UM 2156 - Ice Storm Emergency			(65.2)	-1.81%
Other Deferred Amounts *	(0.3)	-0.01%	(1.8)	-0.06%
Regulated Adjusted Results with Deferral Reversals		**9.47%**		**5.19%**

* TE Pilots, EV Pilots, Battery Pilots, Independent Evaluator, and Microgrid.

Notice that PGE assumes in the above table that all of the Environmental Remediation costs should go to reduce earnings in the amount of 17 basis points when the correct amount is two basis points; and, PGE assumes that the entire COVID-19 deferral balance reduces PGE's earnings when in fact it is only eight basis points. The 9.47 percent in fact should be 9.83 percent.

[27] ROE effects for each deferral calculated by Staff.

Q. What does PGE conclude regarding amortization of the 2020 Boardman deferral?

A. PGE states that its 2020 earnings test ROE of 9.47 percent is lower than the 9.5 percent target ROE as specified by Commission Order No. 22-129. Consequently, PGE should not amortize any of the 2020 Boardman revenue.[28]

Q. Does Staff agree with PGE?

A. No. PGE's 9.47 percent ROE figure for 2020 inappropriately adds other deferred amounts back in as expense. As will be explained more fully below, Staff believes this adjustment to PGE's earnings prior to application of the earnings test for the Boardman deferral at issue in this case is inappropriate. Further, even if PGE's proposed method is permissible, PGE inappropriately adds back $6 million of Environmental Remediation deferred expense that is not subject to an earnings test as well as a significant amount of COVID-19-related deferred expenses that will likely not be subject to an earnings test.

Q. Please explain.

A. As discussed above, PGE's revised 2020 ROO filed in April of this year adds $6 million of expense PGE deferred under PHERA. However, recovery of most of PGE's 2020 expense deferred under PHERA is not subject to an earnings test. PGE deferred **[BEGIN CONFIDENTIAL]** [redacted] **[END**

[28] PGE/100, Liddle-Ferchland/9.

CONFIDENTIAL] of environmental remediation costs in 2020.[29] Recovery of the first $6 million of expenses deferred under the mechanism is **not** subject to an earnings test. Accordingly, PGE's addition of $6 million of deferred environmental remediation costs to its earnings for purposes of Boardman earnings test is completely inappropriate.

Second, adding all of PGE's 2020 deferred COVID-19 expense to its 2020 earnings is unreasonable because the majority of these costs are unlikely to be subject to an earnings test. In NW Natural Gas Company's and PacifiCorp's pending rate cases, Staff and the utilities as well as other parties to the dockets have stipulated that the majority of the COVID-19 deferrals—amounts unrelated to the Companies' cost savings component—should not be subject to an earnings test. Staff believes it is reasonable to assume for purposes of this earnings test that amortization of PGE's COVID-19 deferral will be subject to the same Staff recommendation. The recommendation has previously been accepted by CUB and AWEC. Hence, Staff believes PGE's assumption that it will not be allowed to amortize any of its COVID-19 deferral overstates the reduction to earnings that may be associated with a COVID-19 deferral earnings test.

Q. Is there another reason PGE's worst-case scenario is inappropriate.

A. Yes. Under the method directed by the Commission in Order No. 21-294, this earnings test should not assume any particular outcome for deferrals that are

[29] See In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Application to Defer Revenues and Costs Related to the Environmental Remediation Costs Recovery Adjustment, Schedule 149, Order No. 21-488, Dec 28, 2021, Appendix A at 2.

not the subject of UE 408 and 410. The question presented in these dockets is whether the Boardman and wildfire deferrals should be amortized. Accordingly, Staff believes the proper method is to start with 2020 reported earnings after deferred expenses are excluded, which means start with a 10.4 percent for 2020, then adjust for only the wildfire and Boardman deferrals.

To do otherwise means the Commission's decision in this case will be based on assumptions about the application of earnings tests and the prudence of the deferred costs that the Commission has not yet taken up. By including the other deferrals in its earnings, the Company is asking the Commission to assume the amounts at issue were 100 percent prudently incurred and recoverable by PGE. With the exception of PGE's deferral for environmental remediation costs, the Commission has not ruled on the prudence of these costs.

Q. While not taking the wildfire or Boardman deferral in any particular order, does Staff agree with PGE that the 2020 wildfire deferral is not recoverable?

A. Yes. Not recovering this deferral would reduce ROE from 10.4 percent to 9.95 percent, which is well above the benchmark of 9.3 percent.

Q. Does Staff believe the Boardman deferral ought to be reflected for earnings test purposes?

A. Yes. The Boardman deferral should be fully returned to customers. Returning these amounts to customers would reduce the 2020 ROE by 40 basis points.

Q. What is the combined effect of not allowing recovery of the wildfire deferral and requiring PGE to refund amounts collected for Boardman in 2020?

A. ROE would be reduced from 10.4 percent to 9.55 percent.[30]

Q. Why is this outcome fair and reasonable?

A. Because the result reflects adjusting earnings to reflect resolution of only the deferrals at issue at this time, and makes no presumption of the other deferrals.

Q. What does Staff recommend?

A. Staff recommends the full value of the 2020 Boardman deferral, $14 million as stated in the application, be returned to customers, with interest. Staff further recommends that when any subsequent 2020 deferral, other than wildfire, which is included in this analysis, is to be scrutinized for amortization, the starting point earnings levels for PGE should be set at 9.55 percent ROE as that is the ending place for the analysis in this docket.

[30] 10.4 – 0.40 – 0.45 = 9.55 percent.

ALTERNATIVE ANALYSIS

Q. Please summarize PGE's motion for clarification filed subsequent to Order No. 22-129.

A. PGE asserts that analysts and investors interpreted the Commission's order to establish a new regulatory standard for deferrals covering major emergency events, ensuring that PGE will not earn its AROE when catastrophic events occur and materially raising the Company's regulatory risk given the increased frequency of such events.[31] In other words, in this instance, that the overall ROE for the Company would be limited to 9.5 percent less 20 basis points, or 9.3 percent.

Q. Notwithstanding Staff's recommendations above, does Staff believe a holistic approach bringing the Company's ROE to 9.3 percent is unreasonable?

A. No. However, the order in which the deferred amounts are applied in the earnings test matters.

Q. In such an analysis, and using PGE's framework of considering the effects of other deferrals not before the Commission, in what order might the deferrals be applied?

A. Please refer to Exhibit Staff/102, Fox/1, one possible ordering, beginning with 10.4 percent ROE for 2020, would be:

- Refund the Boardman deferral to customers reducing ROE by 0.40 percent (10.0 percent cumulative).

[31] See Docket No. UE 394, PGE's Motion for Clarification, filed 5/10/22.

- Disallow the portion of the Environmental Remediation deferral reducing ROE by 0.02 percent (9.98 percent cumulative).
- Disallow the portion of the COVID deferral due to Direct O&M reducing ROE by 0.08 percent[32] (9.90 percent cumulative).
- Disallow portions of other deferrals reducing ROE by 0.01 percent (9.89 percent cumulative).[33]
- Disallow the entire wildfire deferral reducing ROE by 0.45 percent (9.44 percent cumulative).

Q. Is this Staff's primary recommendation?

A. No. As discussed above, Staff proposes to evaluate the deferrals as filed before the Commission. However, Staff believes it is useful to demonstrate that an ROE outcome of 9.3 percent for 2020 is one outcome a certain ordering of deferred amounts.

Q. What is another alternative?

A. A second possible ordering is, beginning with 10.4 percent ROE for 2020, would be:

- Disallow the entire wildfire deferral reducing ROE by 0.45 percent (9.95 percent cumulative).
- Disallow the portion of the Environmental Remediation deferral reducing ROE by 0.02 percent (9.93 percent cumulative).

[32] $2.63 million per PGE's UM 2114 COVID-19 reports. Staff notes that in this scenario PGE would recover all other deferred COVID-19 expenses for 2020 in the amount of $10 million as no earnings test is recommended by Staff to be applied to these balances.
[33] This represents amounts in excess of 9.5 percent ROE but not to force an ROE below 9.3 percent once the wildfire deferral is absorbed.

- Disallow the portion of the COVID deferral due to Direct O&M reducing ROE by 0.08 percent[34] (9.85 percent cumulative).
- Disallow portions of other deferrals reducing ROE by 0.01 percent (9.84 percent cumulative).[35]
- Provide a partial refund of the Boardman deferral (85 percent) to customers reducing ROE by 0.34 percent (9.5 percent cumulative).

[34] $2.63 million per PGE's UM 2114 COVID19 reports. Staff notes that in this scenario PGE would recover all other deferred COVID-19 expenses for 2020 in the amount of $10 million as no earnings test is recommended by Staff to be applied to these balances.
[35] This represents amounts in excess of 9.5 percent ROE but not to force an ROE below 9.3 percent once the wildfire deferral is absorbed.

SUMMARY AND RECOMMENDATIONS

Q. Please repeat Staff's recommendation regarding the Boardman deferrals for 2020.

A. Staff recommends the full value of the 2020 Boardman deferral, $14 million as stated in the application, be returned to customers.

Q. PGE did not address rate spread and amortization of the Boardman deferral in its filing. What does Staff recommend?

A. Staff recommends that the Boardman deferral for 2020 be spread over seven years based on equal proportional share of generation related revenues by class of customers. This will offset the deferral amortization established in docket UE 408 which is also proposed to be amortized over a seven-year period.

Q. Does this conclude your testimony?

A. Yes.

CASE: UE 410
WITNESS: John L. Fox

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 101

Staff Witness Qualification Statements

September 27, 2022

WITNESS QUALIFICATIONS STATEMENT

NAME:	John L. Fox
EMPLOYER:	Public Utility Commission of Oregon
TITLE:	Senior Financial Analyst Energy Rates, Finance and Audit Division
ADDRESS:	201 High Street SE. Suite 100 Salem, OR. 97301
EDUCATION:	I hold a Bachelor of Science degree in Business Administration / Accounting from the University of Oregon (1989). I also completed the Certificate in Public Management program at Willamette University (2010). I have been licensed as a Certified Public Accountant in Oregon since 1991. Maintaining active status has required a minimum of 80 hours continuing professional education every two years.
EXPERIENCE:	From 1989 to 1999 I was in general practice with several CPA firms in Southern Oregon and the Mid-Willamette Valley. My tax experience includes individuals, trusts and estates, qualified retirement plans, and extensive corporate, partnership, and LLC work. Accounting experience during this time includes client write up, compilation and review, and significant audit and attest work. I have been employed in the executive branch of Oregon state government since 1999. My experience prior to joining the Commission staff includes 3 years as a cost accountant, 11 years as a senior budget analyst, and 4 years in an oversight role as a budget team lead. I have extensive experience in capital construction and financing, complex cost modeling, rate development, fiscal projections, expenditure analysis, and cost control for programs with biennial revenues between $100 million and $300 million.
PRIOR DOCKETS:	I have provided testimony as a Staff witness in the following OPUC proceedings; UE 333, UE 335, UE 374, UE 390, UE 391, UE 392, UE 394, UE 399, UE 404, UG 344, UG 347, UG 366, UG 388, UG 389, UG 390, UG 433, UG 435, UM 1992, UM 2004, UM 2026.

CASE: UE 410
WITNESS: John L. Fox

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 102

Alternative Ordering of Deferred Amounts

September 27, 2022

Alternative Ordering of Deferred Amounts

Line	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Alternative 1			**Alternative 2**			**Alternative 3**		
			ROE %			**ROE %**			**ROE %**
1			10.40			10.40			10.40
2	UM 2115 Wildfire	(0.45)	9.95	UM 2119 Boardman	0.40	10.00	UM 2115 Wildfire	(0.45)	9.95
3	UM 2119 Boardman	0.40	9.55	UM 1789 Environmental	(0.02)	9.98	UM 1789 Environmental	(0.02)	9.93
4				UM 2064 Covid (no earnings test)	0.21	9.98	UM 2064 Covid (no earnings test)	0.21	9.93
5				UM 2064 Covid (earnings test)	(0.08)	9.90	UM 2064 Covid (earnings test)	(0.08)	9.85
6				Other deferrals	(0.01)	9.89	Other deferrals	(0.01)	9.84
7				UM 2115 Wildfire	(0.45)	9.44	UM 2119 Boardman refunded	0.34	9.50
8				Amount UM 2115 Wildfire Recovered	0.00		UM 2119 Boardman not refunded	0.06	
	Steps			**Steps**			**Steps**		
9	1. No Recovery of Wildfire			1. Full Refund of Boardman			1. Full Recovery of Wildfire		
10	2. Full Refund of Boardman			2. No recovery of $638,888 for Environmental			2. No recovery of $638,888 for Environmental		
11				3. Recognize and recover Covid no earnings test portion			3. Recognize and recover Covid no earnings test portion		
12				4. No recovery Covid earnings test portion			4. No recovery Covid earnings test portion		
13				5. No recovery other miscellaneous deferrals			5. No recovery other miscellaneous deferrals		
14				6. No recovery of any Wildfire deferred Costs			6. Refund 34 basis points of Boardman		
15							7. No refund for 6 basis points of Boardman		
				Note: $6 million of Environmental costs is not subject to an earnings test					

CASE: UE 410
WITNESS: John L. Fox

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 103

Staff correspondence to investor-owned utilities regarding results of operations, dated January 14, 2010, and March 15, 1992

September 27, 2022

Oregon

Theodore R. Kulongoski, Governor

Public Utility Commission
550 Capitol Street NE, Suite 215
Mailing Address: PO Box 2148
Salem, OR 97308-2148
Consumer Services
1-800-522-2404
Local: 503-378-6600
Administrative Services
503-373-7394

January 14, 2010

JOELLE STEWARD
PACIFICORP
825 NE MULTNOMAH ST STE 2000
PORTLAND, OR 97232

KELLY NORWOOD
AVISTA CORPORATION
PO BOX 3727
SPOKANE, WA 99220-3727

PATRICK HAGER
PORTLAND GENERAL ELECTRIC
121 SW SALMON ST, 1WTC 0702
PORTLAND, OR 97204

INARA SCOTT
NORTHWEST NATURAL GAS
220 NW 2ND AVE
PORTLAND, OR 97209

J. RIC GALE
IDAHO POWER COMPANY
PO BOX 70
BOISE, ID 83707

KATHERINE BARNARD
CASCADE NATURAL GAS
PO BOX 24464
SEATTLE, WA 98124

RE: RESULTS OF OPERATIONS REPORTS

Attached please find a letter dated March 25, 1992 outlining the principles for the reporting format and appropriate work papers that should be included in a utility's annual results of operations report ("ROO") due each May 1st. The basis of the letter outlines the proper format for the Earnings Test Results and the Total Pro Forma Results as well as the appropriate work papers that should be included.

As it has been a considerable amount of time since these principles were formally discussed with each company and because this letter provides considerable clarification on many issues, Staff believes it is appropriate to provide a copy of the letter to each of you. We believe it is likely many current utility personnel are performing different tasks from that time period or possibly the utility may not have retained a copy of the letter from so long ago.

If you have questions or need further clarification, please feel free to call me, Carla Owings at 503-378-6629, or Deborah Garcia at 503-378-6688.

Judy Johnson

Judy Johnson
Program Manager
Electric and Natural Gas
Revenue Requirements
Telephone: 503-378-6636
Email: Judy.Johnson@state.or.us

cc: Ed Busch
Carla Owings
Deborah Garcia

Oregon
PUBLIC
UTILITY
COMMISSION

March 25, 1992

Anne Eakin
Pacific Power & Light Co
920 SW 6th Ave
Portland OR 97204

Kelley Marold
Portland General Electric Co
121 SW Salmon St
Portland OR 97204

Bruce Samson
Northwest Natural Gas Co
220 NW 2nd Ave
Portland OR 97209

John Buergel
Washington Water Power Co
PO Box 3727
Spokane WA 99220

Jon Stoltz
Cascade Natural Gas Corp
PO Box 24464
Seattle WA 98124

J Ric Gale
Idaho Power Co
PO Box 70
Boise ID 83707

RE: Semiannual Adjusted Results of Operations Reports

My letter of February 17, 1989, outlined several principles for making adjustments to your semiannual results of operations reports. Based on our review of recent filings, I believe it would be useful to restate those principles along with the rationale behind them.

As you know, we have asked each energy company to file its semiannual report using a two-stage adjustment process. Each stage provides operating results which can be evaluated for a specific purpose.

Earnings Test Adjusted Results

The first stage takes into account certain normalizing and rate-making adjustments and results in "Earnings Test Adjusted" results of operations. The purpose of this stage is to produce an earnings picture that can be used to perform earnings

Barbara Roberts
Governor

350 Winter St. NE
Salem, OR 97310-0335
(503) 378-5849

tests required by ORS 757.259. Such tests are necessary for evaluating potential amortization of deferred costs and revenues. Accordingly, the operating results at this stage of the report should reflect as closely as possible the company's actual earnings for the reporting period and its ability to absorb a deferred cost or its need to retain deferred revenues.

Under current policy, therefore, **the first stage of the report should include adjustments to actual recorded results as follows:**

1. Normalizing for weather, streamflows, and plant availability;

2. Incorporating significant rate-making adjustments adopted in your most recent Oregon rate order if not reflected on your books (for example, advertising, memberships, payroll escalation, bonuses, and nonoperating expenses); and

3. Removing entries relating to prior period activity, and including subsequent period transactions clearly related to the test period. Examples include corrections of estimates or errors, and removal of credits or charges associated with other periods.

To avoid confusion, refer to these as "Type I" adjustments, as shown in the attached tables.

No other adjustments should be made at this stage of the report. Common adjustments which have been misclassified here include annualizing revenues and expenses and removing entries related to nonrecurring events. Although such adjustments are reasonable when constructing a test year, for example, they distort the company's earnings position for deciding whether a deferred amount should be amortized.

<u>Total Pro Forma Results</u>

The second stage of adjustments is intended to provide results of operations on a more forward-looking basis, by reflecting known and measurable changes occurring before the end of the 12-month period. These results help us to assess each company's current earnings situation and whether a rate change may be needed. The following "Type II" adjustments should be included in this stage of the report:

1. Annualizing adjustments to reflect end-of-period customers, tariff rates, employee levels, wage rates, tax rates, supply contracts, rate base, etc.

2. Restating adjustments to remove recorded entries related to significant nonrecurring events.

The most common error in this second stage has been to make adjustments for plant or expense changes occurring after the end of the recorded period. All "future" events--even if known and measurable--should be excluded from this report. (Note the exception above, however, for Type I adjustments to incorporate subsequently recorded error or estimate corrections.)

Workpapers

Each company should provide the following supporting documentation for its semiannual report:

- A table consisting of a columnar summary for the adjustments, with a total for both Types I and II. (Tables 2 and 3 of the attached sample illustrate some typical adjustments.) Also include in the same form the calculation of income taxes associated with each adjustment. (Not shown here)

- A short narrative description of each adjustment. (See attachment for sample; provide additional detail as needed.)

- Backup workpapers supporting actual recorded results by revenue, expense, income tax and rate base categories, tying Oregon allocated data to system data, if applicable. Note that the report is to be prepared showing Oregon allocated adjustments as well as summary data.

- Summary workpapers supporting each adjustment.

- The information used to calculate the cost of capital and the implied rate of return on equity--that is, average actual capital structure (describe any other formulation) and average actual debt and preferred stock costs for the 12-month period. The appropriate data may be included with the summary table as shown or by reference to a separate workpaper.

- For companies with jurisdictional allocations, a summary of the allocation factors used and a description of any material changes in the method from the prior report.

Unless we hear from you otherwise, we will expect adjustments in subsequent semiannual reports to be classified according to the above criteria. Call me, Ed Busch (378-6625), or Ed Krantz (378-6117) if you have any questions regarding these reports.

T. Ray Lambeth

T. Ray Lambeth
Manager
Energy Revenue Requirements
(503) 378-6917

18/20/3718HH

Attachment

cc: Mike Kane
Bill Warren
Phil Nyegaard
Scott Girard
Ed Busch
Ed Krantz
Les Margosian

TABLE 1

SAMPLE

NORTHWEST NATURAL GAS COMPANY
Oregon Allocated Results of Operations
Twelve Months Ending December 31, 199X
($000)

		12/31/9X ACTUAL	TOTAL TYPE I ADJUSTMENTS (f/Table 2, col.k)	EARNINGS TEST ADJUSTED RESULTS	TOTAL TYPE II ADJUSTMENTS (f/Table 3, col.k)	TOTAL PRO FORMA RESULTS
		(1)	(2)	(3)	(4)	(5)
	Operating Revenues					
1	Sale of Gas	$253,400	$8,100	$261,500	$7,750	$269,250
2	Oil & Incentive Gas Margin	500	0	500	0	500
3	Revenue & Technical Adj.	(1,500)	0	(1,500)	0	(1,500)
4	Transportation	30,400	0	30,400	(1,350)	29,050
5	Miscellaneous Revenues	1,000	0	1,000	0	1,000
6	Total Operating Revenues	283,800	8,100	291,900	6,400	298,300
	Operating Revenue Deductions					
7	Gas Purchased	111,300	3,300	114,600	6,070	120,670
8	Uncollectible Accrual	1,100	40	1,140	35	1,175
9	Other Oper. & Maint. Exp.	53,000	(3,520)	49,480	425	49,905
10	Total Oper. & Maint. Exp.	165,400	(180)	165,220	6,530	171,750
	Taxes					
11	Federal Income	14,500	2,744	17,244	(970)	16,274
12	State Excise	4,100	2,076	6,176	(180)	5,996
13	Taxes Other than Income	20,800	19	20,819	1,432	22,251
14	Depreciation & Amortization	24,700	16	24,716	760	25,476
15	Total Oper. Revenue Deductions	229,500	4,675	234,175	7,572	241,747
16	Net Operating Revenues	$54,300	$3,425	$57,725	($1,172)	$56,553
	Average Rate Base					
17	Utility Plant in Service	$636,600	($120)	$636,480	$18,500	$654,980
18	Accumulated Depreciation	(174,200)	8	(174,192)	(380)	(174,572)
19	Net Utility Plant	462,400	(112)	462,288	18,120	480,408
20	Customer Advances for Constr.	(100)	0	(100)	0	(100)
21	Average Materials & Supplies	18,600	0	18,600	0	18,600
22	Leasehold Improvements	2,500	0	2,500	0	2,500
23	Water Heater Program	900	0	900	0	900
24	Accum. Deferred Income Taxes	(22,300)	0	(22,300)	(296)	(22,596)
25	Total Rate Base	$462,000	($112)	$461,888	$17,824	$479,712
26	Rate of Return	11.75%		12.50%		11.79%
27	Implied Return on Equity	13.80%		15.32%		13.88%

COST OF CAPITAL (Average) for twelve months ending: 12/31/9X

	% OF CAPITAL	COST	WEIGHTED COST
Long Term Debt	45.00%	9.92%	4.46%
Preferred Stock	6.00%	8.76%	0.53%
Common Equity	49.00%	13.25%	6.49%
TOTAL	100.00%		11.48%

Type I: Normalizing adjustments for water, weather, plant availability; ratemaking adjustments; removing out-of-period.

Type II: In-period annualizing adjustments for significant revenue, expense and rate base elements; removing nonrecurring entries.

NORTHWEST NATURAL GAS COMPANY
Twelve Months Ending December 31, 199X
Description of Adjustments

Type I Adjustments

(1a) Weather—Normalized Revenue & Gas Purchases

Adjusts revenues and purchased gas costs to the levels which would have been realized under normal system temperatures.

(1b) Income Taxes

Reflects the difference between the estimated income tax as booked and the actual tax liability calculated based on the actual results of operations for the period.

(1c) Interest Coordination Capital Structure

Adjusts income tax expense to reflect an appropriate regulatory interest deduction using Oregon allocated rate base multiplied by the company's current weighted cost of debt.

(1d) Payroll and Incentive Pay

Reduces non–union wages and salaries using the three–year wage formula model applied in the company's most recent rate case. Also reduces O&M expense to exclude, for ratemaking purposes: (a) bonuses paid to officers, and (b) one–half of actual payments under the company's general employee bonus program.

(1e) Advertising

Adjusts advertising expense to a level equal to .125% of authorized gross retail revenues, as specified in OAR 860–26–022 and adopted in the company's most recent general rate order, UG 81.

(1f) Corporate Communications

As adopted in UG 81, removes a portion of utility corporate communications department salary and overhead expense associated with nonutility operations.

(1g) Nonoperating

Removes expenses exceeding Commission ordered allowance of 75% of AGA and PCGA membership dues. For promotional activities, removes 50 percent of expenditures for trade shows and open houses as directed by the OPUC in UG 81.

(1h) Main & Service Extensions

As adopted in UG 81, adjusts rate base to reflect under recoveries of excess footage charges by the company.

(1i) Insurance Recovery

Removes the effect of insurance reimbursement for damage claim relating to a prior period. (I.e., removing an out–of–period entry)

(1j) Legal Fees

Adjustment to include refund of legal expense booked in subsequent period but related to activity in the current period.

SAMPLE

NORTHWEST NATURAL GAS CO.
Oregon Allocated TYPE I Adjustments
Twelve Months Ending December 31, 199X
($000)

		Weather-Normalized Revenue & Gas Purchases (1a)	Income Taxes (1b)	Interest Coord. Cap. Str. (1c)	Payroll & Incentive Pay (1d)	Advertising (1e)	Corporate Commun. (1f)	Non-Operating (1g)	Main & Service Extensions Adjustments (1h)	Insurance Recovery (1i)	Legal Fees (1j)	TOTAL TYPE I ADJUSTMENTS (1k)
	Operating Revenues											
1	Sale of Gas	$8,100										$8,100
2	Oil & Incentive Gas Margin											0
3	Revenue & Technical Adj.											0
4	Transportation											0
5	Miscellaneous Revenues											0
6	Total Operating Revenues	8,100	0	0	0		0	0	0			8,100
	Operating Revenue Deductions											
7	Gas Purchased	3,300										3,300
8	Uncollectible Accrual	40										40
9	Other O & M Expenses				(1,300)	(950)	(520)	(790)		110	(70)	(3,520)
10	Total O & M Expenses	3,340	0	0	(1,300)	(950)	(520)	(790)	0	110	(70)	(180)
	Taxes											
11	Federal Income	1,510	(490)	610	410	300	170	250	(3)	(35)	22	2,744
12	State Excise	290	1,450	120	80	60	30	50	(1)	(7)	4	2,076
13	Taxes Other than Income	20							(1)			19
14	Depreciation & Amort.								16			16
15	Total Oper. Rev. Ded.	5,160	960	730	(810)	(590)	(320)	(490)	11	68	(44)	4,675
16	Net Operating Revenues	2,940	(960)	(730)	810	590	320	490	(11)	(68)	44	3,425
	Average Rate Base											
17	Utility Plant in Service								(120)			(120)
18	Accumulated Depreciation								8			8
19	Net Utility Plant	0	0	0	0	0	0	0	(112)	0	0	(112)
20	Customer Adv. for Constr.											0
21	Ave. Materials & Supplies											0
22	Leasehold Improvements											0
23	Water Heater Program											0
24	Accum. Def. Income Taxes											0
25	Total Rate Base	$0	$0	$0	$0	$0	$0	$0	($112)	$0	$0	($112)

SAMPLE

NORTHWEST NATURAL GAS COMPANY
Twelve Months Ending December 31, 199X
Description of Adjustments

Type II Adjustments

(2a) Annualized Revenue & Gas Purchases

Adjusts revenues and purchased gas costs to reflect levels which would have occurred had current (year–end) rates and costs been in effect for the entire period.

(2b) Payroll Adjustment

Normalizes actual salaries and wages to reflect end–of–period wage levels and employee counts. (Note: This adjustment should not reverse the effect of adjustment 1d.)

(2c) Payroll Overhead

Adjusts health and life insurance costs for year–end employee counts and carrier per person rates. Includes retiree costs and offsets for member contributions. Also adjusts payroll taxes for year–end employee counts and for changes in taxing rates.

(2d) Postage Increase

Normalizes utility–related mailing expense for the change in postage rates which occurred during the period.

(2e) Early Retirement Program

Removes nonrecurring expense associated with one–time bonuses paid to employees participating in the company's early retirement program.

(2f) Property Taxes

Normalizes property taxes from an accrual for two separate tax years to an actual cash basis.

(2g) Year–End Customers & Rate Base

Adjusts revenues and associated expenses not accounted for separately to reflect end–of–period customer counts. Includes annualized loss of two major transportation customers to bypass during the period. Also adjusts rate base, depreciation expense, depreciation reserve and property tax expense to reflect end–of–period plant balances.
(Note: Must include year–end customer adjustment if year–end rate base adjustment made.)

SAMPLE

NORTHWEST NATURAL GAS CO.
Oregon Allocated TYPE II Adjustments
Twelve Months Ending December 31, 199X
($000)

		Annualized Revenue & Gas Purch.	Payroll	Payroll Overhead	Postage Increase	Early Retirement Program	Property Taxes	Year-End Customers/ Rate Base				TOTAL TYPE II ADJUSTMENTS
		(2a)	(2b)	(2c)	(2d)	(2e)	(2f)	(2g)	(2h)	(2i)	(2j)	(2k)
	Operating Revenues											
1	Sale of Gas	$5,200						$2,550				$7,750
2	Oil & Incentive Gas Margin											0
3	Revenue & Technical Adj.							(1,350)				0
4	Transportation											(1,350)
5	Miscellaneous Revenues											0
6	Total Operating Revenues	5,200	0	0	0	0	0	1,200				6,400
	Operating Revenue Deductions											
7	Gas Purchased	5,050						1,020				6,070
8	Uncollectible Accrual	25						10				35
9	Other O & M Expenses		720	175	230	(775)		75				425
10	Total O & M Expenses	5,075	720	175	230	(775)	0	1,105				6,530
	Taxes											
11	Federal Income	40	(230)	(60)	(70)	250	(270)	(630)				(970)
12	State Excise	10	(40)	(10)	(10)	50	(50)	(130)				(180)
13	Taxes Other than Income			2			850	580				1,432
14	Depreciation & Amort.							760				760
15	Total Oper. Rev. Ded.	5,125	450	107	150	(475)	530	1,685				7,572
16	Net Operating Revenues	75	(450)	(107)	(150)	475	(530)	(485)				(1,172)
	Average Rate Base											
17	Utility Plant in Service							18,500				18,500
18	Accumulated Depreciation							(380)				(380)
19	Net Utility Plant	0	0	0	0	0	0	18,120				18,120
20	Customer Adv. for Constr.											0
21	Ave. Materials & Supplies											0
22	Leasehold Improvements											0
23	Water Heater Program											0
24	Accum. Def. Income Taxes							(296)				(296)
25	Total Rate Base	$0	$0	$0	$0	$0	$0	$17,824				$17,824

CASE: UE 410
WITNESS: John L. Fox

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 104

Excerpts from PGE’s ROO filed April 2021

September 27, 2022

decisions. This adjustment removes approximately $7.0 million in costs from regulated results of operations.

Column 5: UE 283 Incentive Adjustment
In accordance with Commission Order No. 14-422 (Docket No. UE 283) a $0.5 million reduction is applied to amortization expense, reflecting amortization of the incentive-related $10 million rate base adjustment over 20 years, which is included within PGE's regulated rate base.

Column 6: Deferred Amounts Subject to Earnings Review
For 2020, PGE had several active deferrals that are subject to an earnings review prior to amortization. As such, to establish PGE's regulated adjusted earnings prior to earnings review determinations, PGE has debited expense by the amounts deferred for 2020. These deferrals and 2020 amounts subject to an earnings review are as follows:

- Emergency Wildfire Deferral (Commission Order No. 20-389) - $15.5 million;
- COVID-19 Deferral (Commission Order No. 20-376) - $10.2 million;
- Transportation Electrification Pilots Deferral (Commission Order No. 20-381) - $0.2 million;
- Electric Vehicle Charging Pilots Deferral (Commission Order No. 20-381) - $0.1 million; and
- Residential Battery Storage Pilot Deferral (Commission Order No. 20-208) - $18 thousand.

1.4 Regulatory Adjustments – Post PCAM: Type 1

Pages 8 and 9 contain the regulatory adjustment made subsequent to conducting an earnings review within the PGE's Schedule 126 Annual PCAM approved by Commission Order No. 07-715, Docket UE 180. This adjustment is described below with supporting documentation in the appropriate work papers.

Column 1: PCAM Variance Reversal
We reverse the estimated 2020 annual power cost variance of approximately ($13.5 million) from PGE's regulated adjusted results in order to calculate PGE's regulated adjusted ROE used for any earnings review subsequent to the earnings test prescribed within Schedule 126. As these amounts are subject to a predefined earnings test, within Schedule 126, it is appropriate to reverse them here, such that they are not subject to any further earnings reviews, which may be subject to different bases of determination.

1.5 Annualized Adjustments: Type II

Pages 10 and 11 contain the annualizing adjustments. We describe each adjustment below and provide supporting documentation in the work papers.

CASE: UE 410
WITNESS: John L. Fox

PUBLIC UTILITY COMMISSION
OF
OREGON

STAFF EXHIBIT 105

July 20, 2022, e-mail from Greg Batzler to John Fox and Marc Hellman

September 27, 2022

FOX John * PUC

From:	Greg Batzler <Greg.Batzler@pgn.com>
Sent:	Wednesday, July 20, 2022 12:22 PM
To:	FOX John * PUC
Cc:	HELLMAN Marc * PUC; Jaki Ferchland
Subject:	RE: 2020 ROO Docket No. RE 119

Yes. Correct

From: FOX John * PUC <John.L.Fox@puc.oregon.gov>
Sent: Wednesday, July 20, 2022 12:19 PM
To: Greg Batzler <Greg.Batzler@pgn.com>
Cc: HELLMAN Marc * PUC <Marc.HELLMAN@puc.oregon.gov>; Jaki Ferchland <Jacquelyn.Ferchland@pgn.com>
Subject: RE: 2020 ROO Docket No. RE 119

*****Please take care when opening links, attachments or responding to this email as it originated outside of PGE.*****

Thanks Greg! So that's the UM 1789 deferral?

From: Greg Batzler <Greg.Batzler@pgn.com>
Sent: Wednesday, July 20, 2022 12:12 PM
To: FOX John * PUC <John.L.Fox@puc.oregon.gov>
Cc: HELLMAN Marc * PUC <Marc.HELLMAN@puc.oregon.gov>; Jaki Ferchland <Jacquelyn.Ferchland@pgn.com>
Subject: RE: 2020 ROO Docket No. RE 119

Hey John,

When preparing the 2021 ROO and following our meeting with you and Marc regarding ROO methodology, we made sure to be consistent in treatment between the 2021 ROO and the revision we filed to the 2020 ROO. This included the addition of PHERA amounts in the deferral reversal columns 6 & 7. We detailed the deferrals reversed in columns 6 & 7 in the report description provided for 2021 (pages iv and v of PGE's 2021 Results of Operations Report).

-Greg

From: FOX John * PUC <John.L.Fox@puc.oregon.gov>
Sent: Tuesday, July 19, 2022 1:33 PM
To: Greg Batzler <Greg.Batzler@pgn.com>
Cc: HELLMAN Marc * PUC <Marc.HELLMAN@puc.oregon.gov>
Subject: 2020 ROO Docket No. RE 119

*****Please take care when opening links, attachments or responding to this email as it originated outside of PGE.*****

Hi Greg, Marc Hellman and I have a question regarding the updated 2020 ROO figures filed 4/29/22, we're trying to understand how the stated ROE after regulatory adjustments changed from 9.65% to 9.47%. It appears that the proximate cause is the deferral adjustment adding $6 million more in A&G expense than the original filing. I've attached a recap.

Can you tell us what the $6 million is?

Thank you for your help.

John Fox
Senior Financial Analyst
Oregon PUC: Energy Rates, Finance & Audit Division
P.O. Box 1088
Salem, OR 97308-1088
Phone: 971-375-5085
Fax: 503-373-7752

Street Address: 201 High St. Suite 100

CERTIFICATE OF SERVICE

UE 410

I certify that I have, this day, served the foregoing document upon all parties of record in this proceeding by delivering a copy in person or by mailing a copy properly addressed with first class postage prepaid, or by electronic mail pursuant to OAR 860-001-0180, to the following parties or attorneys of parties.

Dated this 27th day of September, 2022 at Salem, Oregon

Kay Barnes

____

Kay Barnes
Public Utility Commission
201 High Street SE Suite 100
Salem, Oregon 97301-3612
Telephone: (503) 375-5079

UE 410 SERVICE LIST

AWEC	
BRENT COLEMAN DAVISON VAN CLEVE	1750 SW HARBOR WAY, SUITE 450 PORTLAND OR 97201 blc@dvclaw.com
JESSE O GORSUCH DAVISON VAN CLEVE	1750 SW HARBOR WAY STE 450 PORTLAND OR 97201 jog@dvclaw.com
CORRINE MILINOVICH DAVISON VAN CLEVE	1750 SW HARBOR WAY, STE. 450 PORTLAND OR 97201 com@dvclaw.com
CUB	
WILLIAM GEHRKE OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY STE 400 PORTLAND OR 97206 will@oregoncub.org
MICHAEL GOETZ OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY STE 400 PORTLAND OR 97205 mike@oregoncub.org
Share OREGON CITIZENS' UTILITY BOARD OREGON CITIZENS' UTILITY BOARD	610 SW BROADWAY, STE 400 PORTLAND OR 97205 dockets@oregoncub.org
PGE	
PORTLAND GENERAL ELECTRIC	pge.opuc.filings@pgn.com
JAKI FERCHLAND PORTLAND GENERAL ELECTRIC	121 SW SALMON ST. 1WTC0306 PORTLAND OR 97204 jacquelyn.ferchland@pgn.com
JAY TINKER PORTLAND GENERAL ELECTRIC	121 SW SALMON ST 1WTC-0306 PORTLAND OR 97204 pge.opuc.filings@pgn.com
STAFF	
STEPHANIE S ANDRUS Oregon Department of Justice	BUSINESS ACTIVITIES SECTION 1162 COURT ST NE SALEM OR 97301-4096 stephanie.andrus@doj.state.or.us
JOHN FOX PUBLIC UTILITY COMMISSION OF OREGON	PO BOX 1088 SALEM OR 97308 john.l.fox@puc.oregon.gov
KATHY ZARATE PUBLIC UTILITY COMMISSION OF OREGON	201 HIGH ST SE STE 100 SALEM OR 97301 kathy.zarate@puc.oregon.gov