

ORDER NO. 21-309

ENTERED Sep 22 2021

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2190

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for a Pre-Filed Emergency
Deferral of Costs Associated with Declared
Emergencies.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 21, 2021, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.



BY THE COMMISSION:

A handwritten signature in blue ink, appearing to read "Nolan Moser".

Nolan Moser
Chief Administrative Law Judge

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 21, 2021**

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** September 21, 2021

DATE: September 13, 2021

TO: Public Utility Commission

FROM: Mitchell Moore

THROUGH: Bryan Conway, John Crider, and Matt Muldoon **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2190)
Requests pre-authorized deferral of costs associated with Declared
Emergencies.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) request to pre-authorize deferral of costs associated with Declared Emergencies as defined by Commission Order No. 21-259.

DISCUSSION

Issue

Whether the Commission should approve PGE's request for pre-authorization to use deferred accounting to record associated recovery and restoration costs triggered by a state or federal declaration (Emergency Declaration).

Applicable Law

PGE filed its application in accordance with ORS 757.259, OAR 860-027-0300, and Commission Order No. 21-259. ORS 757.259(2)(e) authorizes the Commission to allow a utility to defer, for later ratemaking treatment, expenses or revenues in order to minimize frequency of rate changes or to match appropriately the costs borne by and benefits received by customers. OAR 860-027-0300 sets forth the requirements for applications to defer. Commission Order No. 21-259 invites utilities to establish pre-filed emergency deferral accounts to streamline recovery efforts after emergency events.

PGE Docket No. UM 2190 – Preauthorized Emergencies

Referral

September 13, 2021

Page 2

Analysis

Recent major events such as severe weather and wildfires have led to significant costs for utilities associated with utility infrastructure damage and service interruptions. Additionally, with the Cascadia fault, there is the potential for a major earthquake event that would create extensive and significant impacts to utilities across the region. As a result, the Commission worked with utilities and stakeholders to consider various ways to prepare for emergency events. As part of this effort, the Administrative Hearings Division (AHD) worked to review options to streamline the deferral filing process in the case of emergencies.

At its August 12, 2021, public meeting, the Commission adopted a recommendation proposed by the AHD that reflected the work done with utilities and other stakeholders to address cost recovery following major disasters.

In Order No. 21-259, the Commission invited utilities to file pre-authorized deferral requests, consistent with existing statutes and administrative rules, that would enable Companies to immediately begin recording associated costs in the event of a declared federal or state emergency.

The elements of a pre-filed deferral authorization as contemplated by Order No. 21-259 are as follows:

1. A pre-established emergency deferral account would be triggered by a federal or state emergency declaration.
2. If a deferral is triggered, the deferring utility would be required to file a Notice of Deferral with the Commission within 30 days of the declaration of the emergency that states the utility is recording amounts in the pre-filed emergency deferral account.
3. The Notice of Deferral should identify the pertinent state of emergency declaration and describe the emergency, the impact on facilities, anticipated expenses, and other relevant details.
4. Only expenses proximately caused by an emergency that is the subject of a state or federal declaration could be recorded in the pre-filed emergency deferral account.
5. Once established, the pre-filed deferral accounts would not have to be reauthorized. However, once the utility files the Notice of Deferral indicating the recording of amounts in the pre-filed emergency deferral account, the authority to record such expenses related to the emergency at issue expires 12 months from

PGE Docket No. UM 2190 – Preauthorized Emergencies

Referral

September 13, 2021

Page 3

the date of the emergency declaration. The utility must follow the procedures of OAR 860-027-0300(4) to re-authorize the deferral.

6. Consistent with traditional deferrals, the utility would, at a later date, file to amortize expenses into rates.
7. Review of the deferred expenses requested for amortization would be subject to the same standard of review for all other deferrals.

As discussed in the Order, this process would result in eliminating the need for utilities to file a deferral application in the midst of recovery from an emergency event. Instead, the deferral account would be pre-existing and an actual deferral would be triggered by a declaration of emergency, subject to the utility filing a Notice of Deferral within 30 days of the declaration of emergency.

Proposed Accounting

PGE proposes to account for the expenses associated with a declared emergency-related event as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets) with a credit to FERC Account 456 (Other Revenue).

Estimated Deferrals in Authorization Period

PGE states in its filing that it will submit estimated amounts to the Commission, to the extent it is available, in the Notice of Deferral to be filed within 30 days of the declaration of the emergency that states PGE is recording amounts in the pre-filed emergency deferral account.

Information Related to Future Amortization

- Earnings review – An earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance.
- Sharing – the deferred balance is subject to full utility recovery, pending a prudence review.
- Rate Spread/Design – The costs would be allocated consistent with the prevailing rate spread/rate design in effect at the time of 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 (exceptions at ORS 757.259(7)

PGE Docket No. UM 2190 – Preauthorized Emergencies
Referral
September 13, 2021
Page 4

and (8)) 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

As the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, and is consistent with Commission Order No. 21-259, Staff recommends the Commission approve PGE's application.

PROPOSED COMMISSION MOTION:

Approve PGE's request to pre-authorize deferral of costs associated with Declared Emergencies as defined by Commission Order No. 21-259.

PGE UM 2190 – Preauthorized Emergencies Deferral