

ORDER NO. 22-020

ENTERED Jan 26 2022

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2156

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Authorization to Defer
Emergency Restoration Costs.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 25, 2022, 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.

ITEM NO. CA7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 25, 2022**

REGULAR X **CONSENT** **EFFECTIVE DATE** February 15, 2021

DATE: January 18, 2022

TO: Public Utility Commission

FROM: Mitchell Moore

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2156)
Requests authorization to defer expenses associated with the 2021 Ice Storm damage restoration.

STAFF RECOMMENDATION:

Approve Portland General Electric's (PGE or Company) application to defer costs associated with damage restoration from the 2021 February Ice Storm for the 12-month period beginning February 15, 2021, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful.

DISCUSSION:

Issue

Whether the Commission should approve PGE's deferral application filing relating to costs associated with the February 2021 Ice Storm for the 12-month period beginning February 15, 2021, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful.¹

Applicable Rule

In accordance with ORS 757.259, 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. The Commission's final determination on the amount of

¹ Plant no longer used and useful does not include plant capable of providing service but temporarily disconnected due to the storm.

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deferrals allowable in the rates of the utility is subject to a finding by the Commission that the amount was prudently incurred by the utility.

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 and the estimated amount of the deferral.

Analysis

Background

PGE filed this deferral request on February 15, 2020, in the midst of the Ice Storm that began on February 11, 2021. The storm, declared a state of emergency in nine Oregon counties, resulted in extensive system damage and in prolonged service outages impacting more than 400,000 customers in PGE's service territory.

Commission Order No. 10-478 in the general rate case Docket No. UE 335 allowed PGE to collect \$3.7 million annually in rates to pay for service restoration following severe storms, categorized as Level III storms. But because this was the second state of emergency declared in Oregon in less than six months, and the second Level III event in two months, PGE expected at the time of filing this deferral that the costs will significantly exceed the amount available in the Level III reserve account.

In its current general rate case, UE 394, PGE proposed to increase the annual amount to \$10.4 million in order to reflect the increase in the rolling ten-year average cost of storm recovery. The parties to the case filed a joint stipulation agreeing to remove \$6.9 million from the Level III storm accrual because PGE had filed this request to defer costs associated with the February storm.

Reason for Deferral

PGE seeks to defer the incremental O&M and capital costs associated with the storm damage because repair and restoration costs are significantly higher than the modeled storm restoration costs that are included in base rates.

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Proposed Accounting

PGE proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Other Regulatory Assets), crediting FERC Account 407.4 (Regulatory Credits). In the absence of a deferred accounting order, the costs would be debited to a variety of cost accounts

Estimated Deferrals in Authorization Period

In its initial application, PGE was unable to provide an estimate of restoration costs but anticipated “many millions” of dollars in expenditures. Updated estimates provided in the general rate case Docket No. UE 394 indicate approximately \$71.2 million in O&M expense and \$36.2 million in capital costs were incurred as a result of the storm.

Staff position

Staff believes it is reasonable to conclude that the devastating ice storm that impacted PGE’s service territory was of a magnitude that was not foreseeable as happening in the normal course of events or likely to have been capable of forecast.² Based on the estimate amounts provided by the Company in its response to Staff Data Requests in UE 394, the amounts at issue appear material. Furthermore, Staff believes a deferral would allow PGE to align customer costs and benefits.

Staff would like to reiterate that allowing this deferral is not equivalent to approving any or all costs associated with the Ice Storm, but rather it allows the Company to establish an account to keep track of actual costs in a separate Ice Storm deferral account. Inclusion of particular costs would come later during a prudence review before the amounts are amortized into customer rates.

In its rebuttal testimony in UE 394, Staff is recommending that amortization of this deferral be addressed along with the deferral balances in UM 2115 – the wildfire, and UM 2119 – the Boardman plant retirement, with the rate effective date of March 9, 2022.

Information Related to Future Amortization

Amortization parameters are expected to be determined by the Commission in general rate case proceeding UE 394.

² See *In the Matter of the Public Utility Commission Staff Request to Open an Investigation Related to Deferred Accounting* (UM 1147), Order No. 05-1070 (Oct. 5, 2005) (setting forth guidelines for use of deferred accounts).

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Conclusion

Based on the nature of the event and materiality of the costs associated with the 2021 Winter Ice Storm, Staff concludes the discretionary criteria for an application to defer are satisfied. Further, a deferral would align customer costs and benefits, which satisfies the statutory criteria for approval of an application to defer. The parties to the Second Partial Stipulation in UE 394 agreed that 2021 Ice Storm costs are not addressed by the Level III Reserve account. Thus, amounts in the Level III Reserve account should not be used to offset these costs. Therefore, Staff recommends that the Commission approve PGE's request for deferred accounting for the costs associated with the 2021 Winter Storm for recovery.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's application to defer costs associated with damage restoration from the 2021 February Ice Storm for the 12-month period beginning February 15, 2021, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful.

PGE UM 2156 Ice Storm Deferral