

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2115(1)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization of Deferral of
Wildfire Emergency Costs and Lost
Revenues.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on March 8, 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.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 8, 2022**

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** September 10, 2021

DATE: February 28, 2022

TO: Public Utility Commission

FROM: Curtis Dlouhy

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

SUBJECT: PORTLAND GENERAL ELECTRIC:
Docket No. UM 2115(1)
Requests reauthorization to defer expenses associated with 2020 wildfire damage restoration.

STAFF RECOMMENDATION:

Staff recommends that the Commission reauthorize Portland General Electric's (PGE or Company) application to defer costs associated with damage restoration from the 2020 Labor Day wildfires for the 12-month period beginning September 10, 2021, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful.

Staff further recommends that the Commission reauthorize the regulatory asset for PGE's undepreciated investment in plant no longer used and useful due to wildfire damage or destruction.

DISCUSSION:

Issue

Whether the Commission should reauthorize PGE's deferral application filing relating to costs associated with the 2020 Labor Day wildfires for the 12-month period beginning September 10, 2021, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful.¹

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

Docket No. UM 2115(1)
February 28, 2022
Page 2

Whether the Commission should reauthorize a regulatory asset for PGE's undepreciated investment in plant no longer used and useful due to wildfire damage or destruction.

Applicable Rule

Beginning with the date of the Application, the Commission may approve the deferral of identifiable utility expenses or revenues, the recovery or refund of which the Commission finds should be deferred in order to minimize the frequency of rate changes for the fluctuation of rate levels or to match appropriately the costs borne by and benefits received by ratepayers. ORS 757.259(2)(e) and (4).

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. ORS 757.259(4); OAR 860-027-0300(9). The Commission's final determination on the amount of 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 as per ORS 757.259(5).

Analysis

Background

PGE filed its application to reauthorize its deferral of wildfire emergency costs on September 9, 2021. PGE seeks to continue to defer costs incurred to restore its transmission and distribution systems.

PGE's initial deferral request was made on September 10, 2020, in the midst of the unprecedented wildfires that began on Labor Day weekend of 2020 and continued to plague Oregon in the following weeks (hereinafter referred to as "Labor Day wildfires" or "wildfires"), and included a request to defer costs and lost revenues. The wildfires burned over one million acres in Oregon, including land in PGE's territory, resulting in significant and in some cases devastating damage. On October 8, 2020, PGE filed a Clarification of Application in which it stated that it is no longer seeking to defer lost revenue related to the wildfire that is subject to this deferral application.

In its current application to reauthorize this deferral, PGE offered additional details on damage caused by the wildfires and its restoration efforts. PGE states that it incurred costs to restore power within its territory in areas that were affected by the Riverside fire and Beachie Creek – Lionshead fire complex. These fires caused damage to PGE's

Docket No. UM 2115(1)
February 28, 2022
Page 3

Oak Grove hydroelectric powerhouse and damaged transmission lines, some of which were still not in service as of the filing of PGE's application for reauthorization.²

In the Staff report following the initial authorization of this deferral, Staff believed it was reasonable to conclude that the devastating wildfires that burned through PGE's territory were not foreseeable as happening in the normal course of events or likely to have been capable of forecast.³ Furthermore, Staff believed a deferral would allow PGE to align customer costs and benefits. However, due to the unprecedented nature of this event, Staff felt that it was appropriate to use an alternative method to track the interim retirements of plant that have and will occur associated with assets damaged or destroyed during this event.

The Commission agreed with Staff and authorized this deferral at the October 20, 2020, Public Meeting.⁴ As part of Order No. 20-389, the Commission also approved an account to track PGE's undepreciated plant that is no longer used and useful due to wildfire damage.

Staff's Analysis

Staff finds PGE's request in this case to be consistent with the Commission's authorization to defer amounts for the 12-month period beginning September 10, 2020, as set forth in Order No. 20-389. Staff notes that deferred amounts remain subject to a prudence review and will be the subject of later ratemaking consideration.

Reauthorizing this deferral allows the Company to continue to track actual costs in a separate wildfire deferral account, and allows for the tracking of an off-setting revenue requirement effect of plant no longer used and useful so that customers are not paying twice for plant – once for replaced plant and continued payment for damaged plant embedded in base rates. As of the filing of PGE's application for reauthorization, the total amount PGE has included in the deferral is approximately \$32 million, but that these costs are not finalized.⁵

In its initial authorization of the deferral, the Commission allowed PGE the use of a regulatory asset to track undepreciated plant that was taken out of service due to wildfire damage. While Staff confirmed with PGE that all undepreciated plant has been removed from service, the reauthorization of the regulatory asset is necessary to

² See Page 3 of PGE's September 14, 2021, filing in UM 2115.

³ 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).

⁴ See Order No. 20-389.

⁵ See Page 4 of the Company's September 14, 2021 filing in UM 2115.

Docket No. UM 2115(1)
February 28, 2022
Page 4

continue matching the impact associated with netting deferred revenue requirement amounts for plant no longer used and useful.⁶

Finally, Staff notes that this is a short-term deferral that will cease accruing charges once the restoration following the 2020 Labor Day wildfires is complete. PGE states that it is still continuing clean-up in 2022. PGE's operations team notes that many access roads are blocked by downed trees and getting equipment into areas where it is needed is difficult, resulting in a slow restoration process.

Conclusion

Staff recommends that the Commission approve PGE's request to reauthorize deferred accounting for the costs associated with the 2020 Labor Day wildfires recovery for the 12-month period beginning September 10, 2021, to be netted against deferred revenue requirement amounts associated with plant no longer used and useful due to wildfire damage.

Staff further recommends that the Commission reauthorize the regulatory asset for PGE's undepreciated investment in plant no longer used and useful due to wildfire damage or destruction.

The Company has reviewed a draft of this memo and voiced no concerns.

PROPOSED COMMISSION MOTION:

Approve PGE's request to reauthorize the deferral of costs associated with damage restoration from the 2020 Labor Day wildfires for the 12-month period beginning September 10, 2021, to be netted with deferred revenue requirement amounts associated with plant no longer used and useful.

Reauthorize the regulatory asset for PGE's undepreciated investment in plant no longer used and useful due to wildfire damage or destruction.

PGE UM 2115(1) Deferral of Wildfire Restoration Costs

⁶ This regulatory asset of plant taken out of service would earn a lower return reflecting the time value of money.