

ORDER NO. 24-474

ENTERED Dec 31 2024

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 2281(1)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization to Defer
Certain Expenses Associated with an
Independent Evaluator and Third-party
Consultants for a Request for Proposal.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 31, 2024, 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:

Alison Lackey
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. CA15

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 31, 2024**

REGULAR **CONSENT** **EFFECTIVE DATE** _____ **N/A**

DATE: December 11, 2024

TO: Public Utility Commission

FROM: Kathy Zarate

THROUGH: Caroline Moore, Scott Gibbens, and Michelle Scala **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 2281(1))
Deferred Accounting of Certain Expenses Associated with an Independent
Evaluator and Third-party Consultants for a Request for Proposal

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric’s (PGE or Company) application for reauthorization to defer costs associated with an independent evaluator and third-party consultants in its 2023 All Source RFP for the 12-month period beginning April 21, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PGE’s request for reauthorization to defer costs associated with an independent evaluator (IE) and third-party consultants in its 2023 All Source RFP.

Applicable Law

ORS 757.259 allows the Commission to authorize deferred accounting for later incorporation into rates. Specific amounts eligible for deferred accounting treatment with interest authorized by the Commission include, "[i]dentifiable 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 or the fluctuations of rate levels or to match appropriately the costs borne by and benefits received by ratepayers."
ORS 757.259(2)(e).

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Applications for reauthorization must include that information along with a description and explanation of the entries in the deferred account to the date of the application for reauthorization and the reason for continuation of deferred accounting. OAR 860-027-0300(4). Notice of the application must be provided pursuant to OAR 860-027-0300(6).

Amounts deferred under ORS 757.259(2), (5) and OAR 860-027-0300 are allowed in rates only to the extent authorized by the Commission in a proceeding under ORS 757.210 to change rates and upon a prudence review. A review of the utility's earnings is required, unless subject to an automatic adjustment clause. With some exceptions, a company's amortization of amounts deferred cannot exceed an amount equal to three percent of the company's gross revenues from the preceding year. ORS 757.259(6).

Analysis

Background

PGE commenced the process for a 2023 All-Source RFP for carbon-free energy resources as we work toward the 2030 decarbonization target and seek to address a 2026 capacity need identified as part of PGE's 2023 Integrated Resource Plan and Clean Energy Plan. The rules for engaging an IE within a competitive resource procurement process are prescribed within OAR 860-089-0200, which states in part. "[t]he electric company may request recovery of fees and expenses associated with engaging an IE in customer rates." OAR 860-089-0200(3).

Additionally, pursuant to OAR 860-089-0400(5)(a), PGE is required to: "use a qualified and independent third-party expert to review site-specific critical performance factors for wind and solar resources on the initial shortlist before modeling the effects of such resources."

As part of PGE's notice of the commencement of the process for a 2023 All-Source Request for Proposals (RFP), docketed as UM 2274, PGE also sought a partial waiver of OAR 860-089-0200, to allow Bates White, the IE used for PGE's 2021 RFP, to continue and serve as the IE for UM 2274. PGE's waiver request, allowing for the continuation of Bates White, was granted by the Commission at the April 18, 2023, Commission Public Meeting.

As such, Bates White is overseeing the 2023 All-Source RFP process and performing all functions identified within the Division 089 rules to ensure that it is conducted fairly, transparently, and properly.

Additionally, consistent with PGE's 2021 All-Source RFP, independent third-party

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experts that will be involved in the 2023 All-Source RFP process include:

- A Variable Energy Resource (VER) assessment expert to review and assess the short-listed proposals received for wind and solar bids. This includes the review and assessment of the VER estimate, resource study, and other resource data describing the estimated energy produced from each project proposal.
- A third-party Owner's Engineer (OE) to conduct technical compliance review of short-listed proposals received for renewable energy bids. This includes analysis of the technical exception log submitted with each utility-owned proposal, identification of any additional technical scope gaps, and cost estimation for any identified technical exceptions.

PGE requests reauthorization for deferred accounting to track the costs of the IE, and independent third-party experts including the VER assessment expert, and the third-party OE who will support the evaluation of the RFP bids for later prudence review and inclusion in rates.

Reason for Deferral

PGE expects to incur incremental costs to pay for the IE and independent third-party experts that were not included in the costs used to set rates in PGE's most recent general rate case, and therefore requests deferred accounting to track these costs for later prudence review and potential inclusion in rates. PGE continues to progress on its commercial negotiations associated with the 2023 RFP. PGE explains that pursuant to conditions in the 2023 RFP, the IE will continue to be retained following the selection of final short-list bids to oversee contract negotiations and through final resource selection.

Proposed Accounting

PGE proposes to record deferred amounts to Federal Energy Regulatory Commission (FERC) Account 182.3, Other Regulatory Assets, with a credit to FERC Account 407.4, Regulatory Credits.

Description of Utility Expense

Some examples of these functions, as specified in OAR 860-089-0450, include the IE being available and responsive to the Commission throughout the process, PGE consulting with the IE in preparing the RFP, the IE submitting its assessment of the final draft RFP, and the IE preparing a closing report for the Commission after the final short-list of bids are selected. Additionally, pursuant to conditions in the 2023 RFP, the IE will continue to be retained following the selection of final short-list bids to oversee Contract Negotiations and through final resource selection.

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Estimated Deferrals in Authorized Period

When PGE initially filed for this deferral in April 2023, it estimated the amount subject to the deferral will total approximately \$400,000 for the IE and third-party experts required for PGE's 2023 All-Source RFP, and PGE's April 2024 application continues to estimate the cost as \$400,000. PGE states, the exact amount will depend on a number of factors including the independent third-party experts selected, the number of bids received, and the amount of work performed by the IE and independent third-party experts.

Information Related to Future Amortization

- Earnings Review – ORS 757.259(5) requires an earnings review prior to amortization of amounts deferred under ORS 757.259(2)(e). Staff does not propose an earnings test be applied for this deferral due to OAR 860-089-0200(1), which requires utilities to engage the services of an IE to oversee the competitive bidding process and OAR 860-089-0400(5)(a) which requires utilities to engage the services of a qualified and independent third-party expert to review site-specific critical performance factors for wind and solar resources on the initial shortlist.
- Prudence Review – Should be performed by the OPUC Staff after PGE files for amortization but should be limited to verification of the accounting methodology used to determine the final amortization balance.
- Sharing Percent – There should be no sharing between PGE and its customers for this deferral. PGE is incurring the IE and independent third-party evaluator costs in this deferral application pursuant to the provisions included within OARs 860-089-0200(1) and 860-089-0400(5)(a).
- Rate Spread/Rate Design – Costs recovered through this deferral will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule.
- Three Percent Test – The amortization of the deferred IE costs will be subject to the three percent test in accordance with ORS 757.259(6), which limits 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 the reason for the deferral reauthorization is valid, Staff recommends the

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Commission approve PGE's application.

The Company has reviewed this memo and has no objection.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's request for reauthorization for deferred accounting of certain expenses associated with an Independent Evaluator and Third-Party Consultants in its 2023 All Source RFP, for the 12-month period beginning April 21, 2024.

Portland General Electric UM 2281(1)