ORDER NO. 25-405

ENTERED Oct 15 2025

# BEFORE THE PUBLIC UTILITY COMMISSION

# OF OREGON

UM 1988(4)(5)

| In the Matter of<br><br>PORTLAND GENERAL ELECTRIC COMPANY,<br><br>Application for Reauthorization to Defer Costs Associated with the Difference Between Actual and Forecasted Qualifying Facilities Commercial Operation Dates. | ORDER |
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DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on October 14, 2025, 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. CA3**

**PUBLIC UTILITY COMMISSION OF OREGON**
**STAFF REPORT**
**PUBLIC MEETING DATE: October 14, 2025**

**REGULAR** ____ **CONSENT** __X__ **EFFECTIVE DATE** __________N/A__________

**DATE:** October 2, 2025

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

**THROUGH:** Scott Gibbens and Michelle Scala **SIGNED**

**SUBJECT:** PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1988(4) and (5))
Request Reauthorization to Defer Costs Associated with the Difference Between Actual and Forecasted Qualifying Facilities Commercial Operation Dates.

**STAFF RECOMMENDATION:**

Staff recommends the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) Applications for Reauthorization to Defer Costs Associated with the Difference between Actual and Forecasted Qualifying Facilities (QFs) Commercial Operation dates, for the 12-month period starting January 1, 2024, for UM 1988(4); and, for the 12-month period starting January 1, 2025, for UM 1988(5), respectively.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's request for reauthorization to defer for later ratemaking purposes the annual difference between actual and forecasted QFs costs related to QFs' scheduled and actual commercial operation dates (CODs).

Applicable Law

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

In OAR 860-027-0300(3), the Commission set forth the requirements for the contents of deferred accounting applications. Notice of the application must be provided pursuant to OAR 860-027-0300(6). Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts deferred under ORS 757.259(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 and review of the utility's earnings.

## Analysis

*Background*

The federal government enacted PURPA in 1978 to promote, among other things, energy conservation, increased efficiency in the use of facilities and resources by electric utilities, and equitable rates for electric consumers. To accomplish these goals, PURPA established a new class of generating facilities, which would receive special rates and regulatory treatment.

On December 14, 2018, the Company filed a request for authorization to defer the annual variance between actual and forecasted QF costs due to QF delays in achieving commercial operation. The deferral application was filed to support the QF track-and-true-up mechanism as adopted by Commission Order No. 18-405.

The Commission has reauthorized deferral of these costs in Order Nos. 18-405, 19-329, 22-039, and 23-493.

This public meeting memo addresses two separate requests to defer, one for the 12-month period starting January 1, 2024, and the second for the 12-month period starting January 1, 2025. These two filings are the fourth and fifth requests for reauthorization of the UM 1988 deferrals.

PGE explains in its application that the deferral captures the variance between forecasted PURPA costs in PGE's AUT and the actual costs PGE incurs for PURPA contracts beginning in the forecasted year. PGE models PURPA contracts to begin production based on the COD specified in each PURPA contract. The Scheduled CODs are selected by the QF selling its output.

New QFs, however, can encounter any number of constraints that might prevent them from achieving commercial operation by their scheduled COD. To address the issue of QFs not coming online by their scheduled COD, Commission adopted a mechanism to track and true up the costs of the actual online dates of newly forecasted QFs with their scheduled CODs that were modeled in PGE's annual NVPC forecast.[1] The Commission revised the QF track-and-true-up mechanism through Order No. 19-329 in Docket No. UE 359.[2]

Pursuant to the QF track-and-true-up mechanism, the Company tracks the actual online dates and generation of all newly forecasted QFs with the purpose of either refunding to or collecting from customers the difference between costs associated with forecasted and actual QF online dates and generation. This collection amount is then deferred and included in PGE's next scheduled NVPC forecast.[3]

For 2024 and 2025, the QF tracking mechanism operates as follows:

1. PGE updated the QF CODs through the final (November 15th) MONET update in 2024 and 2025, respectively.

2. The QF tracking mechanism provides for PGE to derate the expected generation of new QFs that have not been identified as having achieved commercial operation by PGE's final November MONET update. The energy derate is based on the most recent four-year historical annual average of actual costs versus projected QF costs.
3. PGE files the request for reauthorization to continue to defer the difference between actual and forecasted QF costs in in a calendar year to recover or refund the variance in QF costs through the AUT filing in or rates effective the second year after the forecasted calendar year.

4. The variance to be refunded or collected from customers will be determined by rerunning the final forecasted year's NVPC MONET forecast when actual data for that forecasted year is is known and replacing:

    - The estimated QF CODs with actual recorded CODs; and

[1] *In the Matter of Portland General Electric Company, Request for a General Rate Revision,* UE 335, Order No. 18-405 (October 17, 2018).
[2] *In the Matter of Portland General Electric Company, 2000 Automatic Update Tariff,* UE 459, Order No. 19-329 (October 3, 2019).
[3] *See,* PGE's NVPC forecasts occur as either part of a general rate case or as part of annual update tariff (AUT) filings, for non-rate case years.

- The forecast generation for new QFs for the NVPC forecast with actual new QF generation.

*Description of the Expenses*
QFs are generating facilities that fall within the following two categories.[4]

1) Qualifying generation facilities with a capacity of 80 MW or less and whose primary energy source is renewable (hydro, wind, solar, biomass, waste, or geothermal);

2) Qualifying cogeneration facilities that sequentially produce electricity and another form of useful thermal energy (e.g., heat, steam) in a way that is more efficient than the separate production of both forms of energy.

The Company models QF contracts in its annual Net Variable Power Cost (NVPC) forecast to begin production based on the COD specified in the contract, which is selected by the PPA seller.

*Proposed Accounting*
For collection amounts, the Company proposes to record the deferred amount in FERC Account 182.3 (Regulatory Assets); crediting FERC Account 555 (Purchased Power).

For refund amounts, the company would also record the deferred amount in FERC 254 (Regulatory Liability); debiting FERC 555 (Purchased Power).

*Reasons for Deferral*
Pursuant to ORS 757.259(2)(e) and Commission Order Nos. 18-405, 19-329, 22-039, and 23-493, the Company seeks to continue to defer the difference between actual and forecasted QF costs to support the QFs COD track-and-true-up mechanism as authorized by Commission Order Nos. 18-405 and 19-329. Because QFs CODs are modeled in each year's NVPC forecast, PGE will continue to seek reauthorization of this deferral in subsequent years.

PGE asserts that this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

[4] *See,* Under the Public Utility Regulatory Policies Act (PURPA) and through ORS 758.505. The Company is obliged to enter into Power Purchase Agreements (PPAs) with QFs.

*Estimate of Amounts*
For UM 1988(4), Staff checked with the Company's accounting to confirm, and according with the Company' there will be no dollars in the deferral for 2024.[5]

The Company does not have an estimate of the amount that will be deferred for UM 1988(5) since it is dependent on actual 2025 information that is currently unknown.

*Information Related to Future Amortization*

- Earnings Review. There is no earnings review for this deferral. The difference between costs associated with forecasted and actual QF online dates will be deferred and included in PGE's next scheduled NVPC forecast as described in Section II, part a, above.

- Prudence Review. A prudence review should be performed at the time of deferral amortization.

- Sharing Percentages. All prudently incurred differences between costs associated with forecasted and actual QF online dates are to be included in PGE's next scheduled NVPC forecast with no sharing mechanism.

- Rate Spread / Rate Design. The deferred amounts will be spread based on an equal percentage of generation revenue applied on a cents per kWh basis, as specified in Schedule 125.

- Three Percent Test (ORS 757.259 (6)). The amortization of the deferred QF costs is not subject to the three percent test because the associated refunds or collections will automatically be included in PGE's subsequent year power cost forecast (as incorporated in PGE's prices) in accordance with Commission Order Nos. 18-405 and 19-329.

<u>Conclusion</u>

Based on Staff's review of PGE's application, Staff concludes PGE's requests are for an appropriate use of deferred accounting under ORS 757.259. Further, the Company's application for deferred accounting meets the requirements related to QFs mechanism adopted in Order Nos. 19-329.

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

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5 *See*, Information Request OPUC to the Company No 1.

**PROPOSED COMMISSION MOTION:**

Approve Portland General Electric's Applications for Reauthorization to Defer Costs Associated with the Difference between Actual and Forecasted Qualifying Facilities (QFs) Commercial Operation dates, for the 12-month period starting January 1, 2024, for UM 1988(4); and, for the 12-month period starting January 1, 2025, for UM 1988(5), respectively.

CA3 - UM 1988(4)(5)