

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 455

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Request for Seaside Battery Storage
Resource Alternative Recovery Mechanism
(Schedule 120).

ORDER

DISPOSITION: APPLICATION FOR RECONSIDERATION GRANTED; ORDER
NO. 25-417 SUPPLEMENTED AND UPHELD

In this order, we grant the application for reconsideration filed by Portland General Electric Company (PGE), and supplement and uphold Order No. 25-417.

I. BACKGROUND

In Order No. 25-417, we adopted PGE’s Schedule 120 with modifications. This allowed PGE to put its Seaside Project, a battery energy storage system, into rates in between general rate cases. At that time, we imposed an earnings test on PGE’s recovery of the Seaside Project, set at PGE’s authorized rate of return. We found that “an earnings test will serve as an important check to ensure that this rate adjustment mechanism does not result in additional cost recovery when the company is otherwise able to achieve its authorized [rate of return].”¹ In order to implement the earnings test, we directed PGE to establish a deferral to track its Schedule 120 revenues.

PGE now seeks reconsideration of our imposition of the earnings test. PGE first states that there are no facts on the record that support imposition of an earnings test and that the order does not include necessary findings of fact. PGE then states that the Commission does not provide conclusions of law. Finally, PGE argues that there is no legal basis for the Commission to apply an earnings test and order a deferral in this instance.

¹ Order No. 25-417 at 13-14 (Oct. 21, 2025).

AWEC and CUB oppose PGE's request for reconsideration, stating first that the Commission's decision to apply an earnings test and establish a deferral to track PGE's Schedule 120 revenue is a policy decision that adheres to Commission precedent. Second, they argue that application of an earnings test and accompanying deferral is squarely within the Commission's broad legal powers in accordance with ORS 756.040.

II. DISCUSSION

As to the first two issues raised by PGE, we do not believe our initial order was deficient or lacked basis for its conclusions. However, for the avoidance of doubt, we supplement Order No. 25-417 with the following:

The Commission has been delegated broad authority, “—commensurate with that of the legislature itself—for the exercise of [its] regulatory function.”² Under ORS 756.040, the Commission is expressly charged to use those powers “to protect such customers, and the public generally, from unjust and unreasonable exactions and practices and to obtain for them adequate service at fair and reasonable rates.”

Although ratemaking is performed through a quasi-judicial contested case process, the ultimate act of setting utility rates is a legislative function. “The power to prescribe [rates], like the power to write laws, is legislative in character.”³ Moreover, ratemaking involves an exercise of Commission discretion to balance the interests of the utility investor and the customer.

The Commission prefers to set rates in a general rate proceeding, where all of the utilities' costs, investments, and earnings can be evaluated to ensure that rates are just and reasonable. Single-issue ratemaking proceedings are allowed but are limited. As we noted in our prior order, a single-issue rate case precludes a full examination of the utility's overall costs and profits, and could result in a rate adjustment that allows a utility additional cost recovery when the company is otherwise earning its authorized rate of return.

When a utility has a need to expand capital spending, addressing regulatory lag for new assets in a timely fashion can benefit customers by sustaining the utility's ongoing access to low-cost capital. However, this must be managed in a balanced way. For example, when an asset such as the Seaside Project is added to rate base without accounting for the depreciation experienced across all other assets, regulatory lag is addressed in a manner

² *Pacific Northwest Bell Tel. Co. v. Sabin*, 21 Or App 200, 214, 534 P2d 984, rev den (1975)

³ *Valley & Siletz R.R. Co. v. Flagg*, 195 Or 683, 715, 247 P2d 639 (1952).

that favors the company rather than in a balanced manner. As we said when the Seaside Project was first brought forward in UE 435, “[s]pecifically here, we invite PGE to make a new filing for a tracker to bring Seaside into rates, which we will consider approving on an expedited basis if, and only if, it achieves an appropriate balance between customers and the company, correcting some of the negative consequences of single-issue ratemaking.”⁴

Because this docket is a single-issue proceeding with limited review of PGE’s rate base, costs, and earnings, we find that the unconstrained cost recovery for the Seaside Project may result in unjust and unreasonable rates. For that reason, we allow PGE to place its Seaside Project in rates but include an earnings test on the associated revenue collected to constrain recovery reflective of the company’s overall earnings to help ensure just and reasonable rates for customers. This serves to avoid unfair overearning through pursuit of single-issue ratemaking.

As to PGE’s argument about the deferral statute, a deferral was not filed in this proceeding, and the statutory requirements do not apply. In Order No. 25-417, we direct PGE to *file* a deferral. The order was explicit in its direction to PGE to do so, saying that PGE should establish a deferral. That proceeding will be subject to the statutory requirements PGE refers to.

In this proceeding, however, we note that while PGE says there are no “costs being tracked for later recovery,”⁵ PGE was ordered to put each year’s Schedule 120 revenues into its deferral to track against the earnings test. Any refund would be incorporated into rates at a later date as per the deferral.

⁴ *In the Matter Portland General Electric Company, Request for a General Rate Revision*, Docket No. UE 435, Order No. 24-454 at 45 (Dec. 20, 2024).

⁵ PGE Application for Reconsideration at 16.

III. ORDER

1. The application for reconsideration filed by Portland General Electric Company is granted.
2. Order No. 25-417 is supplemented above and upheld.

Made, entered, and effective Jan 28 2026.



Letha Tawney
Chair



Les Perkins
Commissioner



Karin Power
Commissioner



A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.