ORDER NO. 26-260

ENTERED Jul 21 2026

# BEFORE THE PUBLIC UTILITY COMMISSION

# OF OREGON

UM 1988(6)

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| 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 |

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on July 21, 2026, 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. CA2

**PUBLIC UTILITY COMMISSION OF OREGON**
**STAFF REPORT**
**PUBLIC MEETING DATE: July 21, 2026**

**REGULAR** ____ **CONSENT** _X_ **EFFECTIVE DATE** ______N/A______

**DATE:** June 10, 2026

**TO:** Public Utility Commission

**FROM:** Kathy Zarate

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

**SUBJECT:** PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1988(6))
Application for 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 Company's (PGE or Company) Application 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, 2026.

## 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*
Under the Public Utility Regulatory Policies Act (PURPA) and through ORS 758.505, the Company is obligated to enter into Power Purchase Agreements (PPAs) with QFs. 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 QFs, which would receive special rate and regulatory treatment. QFs are generating facilities that fall within the following two categories:

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); or
2) qualifying cogeneration facilities that sequentially produce electricity and another form of useful thermal energy 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.

To address the issue of QFs not coming online by their scheduled COD, Commission Order No. 18-405 adopted a mechanism to track and true up any variance between the costs incurred by the utility as a result of the actual online dates of newly forecasted

QFs and the costs modeled in PGE's annual NVPC forecast based on the QFs scheduled CODs.

Pursuant to the QF track-and-true-up mechanism, PGE 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.

As noted in Staff's report in AR 677 on May 19, 2026, and supported by the Commission's Phase 1 comments in AR 676 at the July 7, 2026 public meeting, Staff will look for opportunities to streamline or consolidate existing adjustment schedules into base rates when feasible. These steps would reduce year-to-year filings, improve transparency, and support the multi-year rate plan (MRP) goal of incorporating a broader set of costs within the multi-year framework. Staff believes that approval of this deferral is reasonable until such a time that the Commission determines to consolidate the costs at issue into base rates in a general or multi-year rate proceeding. Staff encourages the Company and stakeholders to continue to evaluate the reasonableness of moving this and other deferrals into base rates in preparation for the move to multi-year ratemaking.

*Reason for Deferral*
Pursuant to ORS 757.259(2)(e) and Commission Order Nos. 18-405, 19-083, 19-329, 19-411, 22-039, 23-493, and 25-405, PGE seeks to continue to defer the difference between actual and forecasted QF costs to support the QF 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. The granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

*Description of Expenses*
For the expenses anticipated in 2026, the QF tracking process functions as follows:

- The QF tracking process allows PGE to reduce the estimated generation of new QFs that have not been recognized as having reached commercial operation by the time of PGE's final MONET update in November 2026. The energy reduction is determined using the most recent four-year historical average of actual costs compared to projected QF costs. PGE did not reduce the expected generation for new QFs in the 2026 NVPC forecast because there were no new QFs included in the model that had not achieved Commercial Operation Dates (COD) by the deadline of the final filing on November 17, 2025.

- PGE submits a motion for reauthorization to keep deferring the gap between real and predicted QF expenses in 2026 so that it can recoup or return the difference in QF costs through the AUT submission in 2027 for rates that will take effect in 2028.

The amount to be refunded to or charged to customers will be calculated by re-evaluating the final 2026 NVPC MONET projections once the actual data for 2026 is available, substituting:

1. The projected QF CODs with the actual recorded CODs; and
2. The planned generation from new QFs that have not been recognized as having started commercial operations by PGE's final MONET update for the 2026 NVPC forecast submitted on November 17, 2025, with the actual QF generation.

*Proposed Accounting*
For collection amounts, PGE proposes to record the deferred amount in FERC Account 182.3 (Regulatory Assets); crediting FERC Account 555 (Purchased Power). For refund amounts, PGE would record the deferred amount in FERC 254 (Regulatory Liability); debiting FERC 555 (Purchased Power).

*Estimate of Amounts*
PGE does not have an estimate of the amount that will be deferred because it is dependent on actual 2026 information that is currently unknown.

*Information Related to Future Amortization*

- Earnings Review – An earnings review is not required 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 percent 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.

Conclusion

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 No. 19-329.

The Company has reviewed this memo and agrees with or expresses no objections to Staff's recommendation.

**PROPOSED COMMISSION MOTION:**

Approve Portland General Electric's Application for Reauthorization to Defer Costs Associated with the Difference between Actual and Forecasted Qualifying Facilities Commercial Operation dates, for the 12-month period starting January 1, 2026.