

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 4, 2025**

REGULAR CONSENT EFFECTIVE DATE _____ N/A _____

DATE: February 19, 2025

TO: Public Utility Commission

FROM: Zhuoyi Zhao

THROUGH: Scott Gibbens and Anna Kim **SIGNED**

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UM 1294(17))
Reauthorization to Defer Annual Net Variable Power Cost Variance.

STAFF RECOMMENDATION:

Staff recommends that the Public Utility Commission of Oregon (OPUC or Commission) approve Portland General Electric's (PGE or Company) application for reauthorization to defer annual Net Variable Power Cost Variance for the 12-month period beginning January 1, 2024.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for reauthorization to defer certain annual net variable power cost variances for the 12-month period beginning January 1, 2024, so that the amounts are subject to recovery or refund under PGE's Power Cost Adjustment Mechanism.

Applicable Law

ORS 757.259 authorizes the Commission to allow utilities to defer utility revenues and expenses for later inclusion in rates. OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

Analysis

Background

In Commission Order No. 07-015, the OPUC authorized the adoption of an annual Power Cost Adjustment Mechanism (PCAM) for PGE, which permits PGE to change its rates each January 1 based on updated estimates of net variable power costs for the upcoming year pursuant to PGE's Schedule 125.

PGE maintains a variance account to capture the annual differences between the actual and the estimated variable power costs. These annual net variable power cost variances (PCV) are subject to recovery or refund after application of a sharing mechanism and earnings test.

PGE seeks reauthorization to defer PCV from January 1, 2024 through December 31, 2024 (Deferral Period 2024). The first PCV Deferral was originally granted by the Commission in Order No. 07-050 and has been annually reauthorized when needed, most recently by Order No. 23-488, which authorized a 12-month deferral effective January 1, 2023. Staff's analysis of specific aspects of the application is provided below.

Description of Amounts

The PCV that would be deferred under the Commission's order would be amortized into rates, subject to a prudence review, a Positive Annual Power Cost deadband for positive annual variances, a Negative Annual Power Cost deadband for negative annual variances, and an earnings review. The amount to be deferred is calculated in accordance with PGE's Schedule 126, which is based on the rate differences between the actual net variable power costs and the net variable power costs forecast pursuant to PGE's Schedule 125.

In addition, pursuant to Order No. 23-386, through December 31, 2024, PGE is permitted to recover 80 percent of actual Reliability Contingency Event (RCE) costs above the RCE forecast from PGE's Annual Update Tariff (AUT) through Schedule 126 and to not be subject to an earnings test or deadbands for the annual power cost variance.

Reason for Deferral

Staff agrees that the continuance of the deferral will minimize the frequency of rate changes or the fluctuation of rate levels, and match appropriately the costs borne, and benefits received by customers. This is consistent with the grounds for authorizing a deferral under ORS 757.259(2)(e).

Proposed Accounting

PGE proposes to record the Deferred Amount in FERC Account 182.3 (Regulatory Assets), crediting FERC Account 555, Purchased Power, if there is an amount to collect from customers. PGE would record the Deferred Amount in FERC Account 229, Accumulated Provision for Rate Refunds; debiting FERC Account 449.1, (Provision for Rate Refunds), if there is a refund to customers. In the case of an absence of deferral approval, PGE would not calculate a PCV, and all associated revenue and expense would remain booked to the appropriate FERC accounts.

Estimate of Amounts

PGE cannot provide an estimate of the amount that will be deferred because it is dependent on actual 2024 information that is currently unknown, including the 2024 PCV and the earnings review required by PGE's Schedule 126. PGE requests that, in accordance with ORS 757.259(4), it be allowed to continue to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital. Interest for subsequent amortizations will accrue interest at the rate set by the Commission.

Information Related to Future Amortization

- Earnings review – The Earnings Review is subject to the terms of PGE's Schedule 126.
- Prudence Review – A prudence review should: 1) be performed at the time of deferral amortization; and 2) include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Sharing is subject to the terms of PGE's Schedule 126.
- Rate Spread/Design – The PCV amortization amount will be spread on an equal cents per kWh basis, as specified in PGE's Schedule 126.
- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. The limit of the deferrals if any will be determined at the time of amortization. ORS 757.259(8) allows the Commission to consider up to a six percent limit because PGE is an electric utility. PGE's Schedule 126 specifies the six percent limit.

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Conclusion

The rationale for this deferral is still valid, and PGE's application meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

Approve PGE's application for reauthorization to defer annual Net Variable Power Cost Variance for the 12-month period beginning January 1, 2024.

PGE UM 1294(17) Net Power Cost Variable Deferral