

OREGON PUBLIC UTILITY COMMISSION REJECTS UTILITY REQUEST FOR EXTRAORDINARY POWER COST RECOVERY

On December 18, 2015, the Oregon Public Utility Commission (Commission) issued a final order rejecting a joint request from Portland General Electric Company (PGE) and PacifiCorp to recover on a dollar-for-dollar basis their variable costs of complying with Oregon's renewable portfolio standard (RPS) (Docket UM 1662). PGE's and PacifiCorp's power costs currently are subject to a power cost adjustment mechanism (PCAM) that requires the utilities to absorb a certain amount of cost variances above forecasted levels and prohibits additional collection from customers if the utilities' earnings are sufficient. Arguing that the law mandates full recovery of RPS compliance costs, and that the structure of their PCAMs denies them this recovery, PGE and PacifiCorp proposed to isolate their RPS-related variable costs from their PCAMs in order to recover these costs on a dollar-for-dollar basis.

Davison Van Cleve (DVC) represented a customer group in opposing the utilities' request. The Commission's final order supports DVC's position. Contrary to the utilities' claim, while the RPS statute provides them with the opportunity to recover variable costs of RPS compliance, the same statute authorizes dollar-for-dollar recovery of only a specified subset of RPS-related costs, which do not include variable costs. Therefore, the Commission found that dollar-for-dollar recovery of variable compliance costs is not required under the law. Additionally, the Commission noted a number of structural flaws in the mechanism the utilities proposed to use to isolate their variable RPS compliance costs. The Commission found that there is not a material difference between RPS-related variable costs and other power costs and that, therefore, all such costs should continue to be subject to the same PCAM. To the extent the utilities experience persistent errors in forecasting their power costs, this is a modeling issue, not an RPS compliance issue, the Commission determined.