ITEM NO. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 2, 2013

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** May 7, 2013

DATE: June 11, 2013

TO: Public Utility Commission

FROM: Deborah Garcia DG

JE MG MG for MH

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1482(3)) Requests reauthorization of deferred accounting for costs associated with Photovoltaic Volumetric Incentive Rate Pilot Program.

STAFF RECOMMENDATION:

I recommend the Commission approve Portland General Electric's (PGE or Company) filing for the 12-month period beginning May 7, 2013.

DISCUSSION:

PGE makes this filing pursuant to ORS 757.259; OAR 860-027-0300 and 860-084-0380; and, Order Nos. 10-198 and 11-281.

PGE requests reauthorization to defer the costs and expenses associated with its Photovoltaic Volumetric Incentive Rate Pilot (PV VIR), also known as the PGE Solar Payment Option (Pilot). The Company will seek amortization of the deferred amount in a future Commission proceeding. This deferral is necessary to allow the Company to recover costs associated with compliance with ORS 757.365, as allowed by ORS 757.365(10).

Background

The PV VIR was established in compliance with the rules adopted in Docket AR 538. Commission Orders Nos.10-198, 10-304, 11-089, and 11-281 in Docket UM 1452 set out additional requirements. The Pilot provides payments to retail electric customers for electricity generated by permanently installed solar photovoltaic energy systems (i.e. a volumetric incentive rate) through PGE Schedules 215, 216, and 217. This deferral is part of the process to allow PGE to recover costs associated with the Pilot through Schedule 137, Customer Owned Solar Payment Option Cost Recovery Mechanism.

Description of Utility Expense

The expense to be deferred is the prudently incurred incremental costs to administer the program and include volumetric incentive payments and/or retail bill offsets to participants; administrative costs associated with the PV VIR program operations; data collection; development costs for billing and website; customer surveys; and, regulatory reporting requirements. Credits to the balancing account include, deposit forfeitures, interconnection application fees, customer charges, assignment fees, and the avoided energy value.

Reason for Deferral

The incremental costs associated with compliance with ORS 757.365 are not currently included in rates. As the statute provides that prudently incurred costs associated with compliance with the statute are recoverable in rates, the deferral is necessary to accomplish that outcome.

Proposed Accounting

PGE proposes to record the deferred amount as a regulatory asset in FERC Account 182.3, Other Regulatory Assets with a credit to FERC account 407.4, Regulatory Credits. In the absence of a deferred accounting order from the Commission, PGE would continue to record costs associated with the Pilot to FERC Account 903 Customer Records and Collection Expenses, and FERC Account 908 Customer Assistance expenses.

Estimate of Amounts

PGE estimates incremental costs may range from $6 to $7 million for the 12-month deferral period, largely consisting of VIR payments to participants as more systems are energized. There may be a small over collection in 2013, and an under collection in 2014, which will minimize the number of rate changes to customers during this period.

Information Related to Future Amortization

- Earnings review –Pursuant to ORS 757.259(5), amortization of this deferral does not require an earnings review as it is subject to an automatic adjustment clause under ORS 757.210(1). See also OAR 860-084-0060 and ORS 469A.120.

- Prudence Review – A review to determine that costs were prudently incurred must be done prior to amortization. The review should include the verification of the accounting methodology used to determine the final amortization balance.

- Sharing – This deferral is not subject to a sharing mechanism.

- Rate Spread/Design – In Docket UE 237, the Parties agreed that Schedule 137 costs be allocated to each schedule based on an equal percent of generation revenue applied on a cents per kilowatt-hour basis.

- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average 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. Because PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. The limit for these deferrals will be determined at the time of amortization. Should a deferred balance result in a credit to customers, the balance is exempt from the three percent test, per the advice of Staff's counsel.

Staff Analysis
As PGE's application to defer is appropriately made under the statutes, and the application meets the requirements of OAR 860-027-0300, Staff recommends approval with the condition included below in the Proposed Commission Motion.

PROPOSED COMMISSION MOTION:
PGE be allowed to track its actual costs related to the Photovoltaic Volumetric Incentive Rate Pilot Program using deferred accounting pursuant to ORS 757.259(2)(e) for the 12-month period beginning May 7, 2013, subject to the following condition:

PGE will continue to maintain a balancing account for actual costs based upon the allowable costs identified in OAR 860-084-0280 through 0360, and be able to demonstrate how such costs are incremental to any costs currently included in rates.