

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: November 12, 2014**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2015

DATE: October 29, 2014

TO: Public Utility Commission

FROM: Judy Johnson *JJ*  
*J* *M*

THROUGH: Jason Eisdorfer and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UE 292/Advice No. 14-13) Requests authorization to amortize costs associated with Four Capital Projects.

**STAFF RECOMMENDATION:**

I recommend that Portland General Electric's (PGE or Company) application be approved, subject to the stipulated terms adopted by Order No. 10-478 in UE 215.<sup>1</sup>

**DISCUSSION:**

On July 1, 2014, PGE filed its request to amortize amounts previously deferred pursuant to ORS 757.205, ORS 757.210, OAR 860-022-0025, and OAR 860-022-0030 including the stipulated terms adopted by Order No. 10-478 in UE 215 (UE 215 stipulation), associated with Four Capital Projects for the 12-month period beginning January 1, 2013. The Commission approved this deferral by Order No. 13-440.

Originally, the Company filed on July 1, 2014 and updated the filing on October 8, 2014 asking that Advice No. 14-13 be allowed to go into effect on January 1, 2015.

The Company has reviewed this memo and has no issues.

Background

In summary, the Four Capital Projects are known as: Cyber Security, 2020 Vision, Coyote Springs Upgrade, and Boardman Pollution Controls. Under specific terms in the UE 215 stipulation, PGE agreed to remove these projects from the test year rate base. In return, the other parties agreed to support deferral of the associated revenue

<sup>1</sup> The stipulated terms are located in Order No. 10-478, Appendix B, Part F, pages 3-5.

requirement from the in-service date of each project, until the costs are incorporated into rates through a general rate case (GRC).

Estimate of Amounts

PGE proposes to amortize the approximate \$23.8 million of 2013 deferred revenue requirement and associated interest for the Four Capital Projects. With the amortization of the 2013 deferred revenue requirement the full amortization will be complete and no further amortization will be needed.

2013 Deferred Revenue Requirement (\$000)	
	Actuals
Cyber Security	\$667
2020 Vision	\$10,531
Coyote Springs Upgrade	\$6,632
Boardman Pollution Controls	\$6,003
Total	\$23,832

Information Related to Amortization

As discussed in Staff's memo supporting deferral of these costs (see Order No. 13-440), potential amounts to be amortized are subject to review. Staff's findings are summarized as follows:

- Prudence Review – Staff finds the amounts deferred pursuant to Order No. 13-440 to be prudently incurred. Further, the UE 215 Stipulating Parties acknowledged that no party in the UE 215 proceeding submitted testimony suggesting that PGE's decisions to complete the Four Capital Projects were imprudent.
- Earnings review – Staff conducted an earnings review pursuant to ORS 757.259(5) including the use of PGE's authorized return on equity as established by the Commission in the UE 215 proceeding, as the standard for measuring PGE's earnings in the earnings review.<sup>2</sup> PGE's regulated adjusted return on equity was 6.43 percent which is below its authorized return on equity of 10.00 percent during the deferral period. The costs in this filing are of the sort that should be borne by ratepayers and the costs were deferred to facilitate an agreement between parties to Docket No. UE 215 to avoid litigation, which the

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<sup>2</sup> Ibid. Page 4.

Commission adopted in Order No. 10-478. Staff recommends that all the costs in this filing be amortized into PGE's rates.

- Sharing – Consistent with findings in the prudence and earnings reviews, Staff proposes no sharing.
- Three Percent Test (ORS 757.259(6)) – PGE's Advice No. 14-13 identifies an overall average rate increase for cost of service customers of approximately 0.25 percent which is sufficiently below the threshold set forth in ORS 757.259(6).
- Rate Spread/Design – Staff finds that the Schedule 144 rates are spread appropriately. Specifically, the generation-related projects are spread on 2015 prospective energy revenues to cost of service customers while the other projects are spread to all customers on equal percent of revenues with long-term direct access customers priced at cost of service.

**PROPOSED COMMISSION MOTION:**

PGE's request to amortize deferred costs associated with the Four Capital Projects and implement Schedule 144 be approved effective January 1, 2015.