

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 16, 2014

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2015

DATE: December 8, 2014

TO: Public Utility Commission

FROM: John Crider *JC*

THROUGH: Jason Eisdorfer and Aster Adams *AE*

SUBJECT: PORTLAND GENERAL ELECTRIC:
(Docket No. UE 286/Advice No. 14-25) Revises schedules for the Annual Update Tariff (AUT) reflecting the updated 2015 net power cost projection.

STAFF RECOMMENDATION:

Staff recommends that the tariff sheets filed by Portland General Electric (PGE or Company) as Advice No. 14-25 be allowed to go into effect on January 1, 2015.

DISCUSSION:

Background

On February 13, 2014, PGE filed its 2015 net variable power cost (NVPC) projection, consistent with the terms of its Schedule 125, which implements the Company's Annual Update Tariff (AUT). The Company filed the AUT as part of their general rate case (GRC), which was docketed as Docket No. UE 283.

The filing included direct testimony in support of the 2015 NVPC projection of \$580.2 million, approximately \$30.84 per megawatt-hour (MWh), based on contracts and forward curves as of December 5, 2013. This initial 2015 NVPC forecast represented a reduction of approximately \$41.5 million relative to the final 2014 NVPC forecast filed in the 2014 NVPC proceeding (Docket No. UE 266).

This reduction translates into an overall rate reduction of approximately \$2.11 per MWh over the final 2014 projected power cost.¹

The primary factors responsible for the reduction were lower natural gas cost and lower prices for contract and market purchases.²

¹ UE 283 / PGE / 500, Niman – Peschka – Hager / 1.

² UE 283 / PGE / 500, Niman – Peschka – Hager /41.

Because PGE filed its 2015 NVPC filing concurrently with its request for a general rate revision, the Company was allowed to include certain model changes and updates to MONET, as permitted per Order No. 07-015. The Company proposed to update several features of the modeling in MONET, including:

1. The inclusion of PGE's new resources;
2. Updates to the Boardman plant;
3. Transmission related updates;
4. Updates to Colstrip Unit 3 and Unit 4;
5. Wind related updates;
6. New WECC operating reserve standard (WECC BAL002);
7. Update to the estimated oil forward price basis differential; and
8. Inclusion of the latest Pacific Northwest Coordination Agreement (PNCA) Headwater Benefits study results.

Docket No. UE 286 Procedural History

PGE's 2015 AUT (Schedule 125) was originally filed as part of PGE's General Rate Case (Docket No. UE 283). On March 7, 2014, the Joint Parties filed a motion to bifurcate Docket No. UE 283 in order to evaluate the power cost components in a separate docket. On March 11, 2014, the presiding administrative law judge issued a ruling creating Docket No. UE 286 for the purpose of bifurcating the issues related to PGE's NVPC and Schedule 125 updates from the general rate case.

Parties to Docket No. UE 286 included the Citizens' Utility Board of Oregon (CUB), Fred Meyer/Kroger Foods, the Industrial Customers of Northwest Utilities (ICNU), Noble Americas Energy Solutions LLC, the City of Portland, Renewable Northwest (RNW), Northwest Natural Gas Company, and PacifiCorp.

Staff, ICNU, RNW and CUB filed response testimony on May 27, 2014. PGE filed rebuttal testimony on June 16, 2014. Staff, CUB and ICNU filed rebuttal testimony on July 3, 2014. PGE completed the testimony by filing surrebuttal testimony on July 21, 2014.

Settlement conferences were held on June 4 and June 13, 2014. Parties identified the following issues for discussion:

1. Market Forward Curves;
2. Tucannon Capacity Factor;
3. Monet Modeling Changes;
4. Colstrip Incremental Wheeling Charge;
5. Tucannon Transmission Credits;
6. Montana Beneficial Use Tax;
7. Beaver Point-to-Point Transmission costs; and
8. Wind Integration costs.

Parties reached a stipulated agreement resolving the first six items which was filed on July 22, 2014, following the second settlement conference. On July 28, 2014, a final settlement conference was held and all remaining issues were resolved. A second partial stipulation was filed on September 2, 2014.

The Commission issued Order No. 14-318 on September 17, 2014, adopting both stipulations.

The Annual Update Tariff includes five periodic updates which revise load and price forecasts and contracts as they are realized. Each change in parameters produces a revised NVPC by updating the MONET dispatch tool and running the model again for the test year. The five updates are discussed below.

MONET Updates

After the initial AUT filing, PGE provided five updates to the power cost projection- one in each of April, July, and October, and two updates in November.

PGE's April update was filed on April 1, 2014, and was based on contracts and electric and gas forward curves as of February 27, 2014. PGE reported a NVPC of \$573.1 million, a decrease of approximately \$7.2 million from the February 13, 2014, initial filing. On July 15, 2014, PGE filed the July MONET update resulting in an estimated NVPC of \$565.8 million, a decrease of roughly \$7.3 million from the April 1, 2014 power cost update filing. The decrease was primarily due to a reduction in the load forecast, the execution of coal supply agreements, and the reduction of a long-term point-to-point transmission agreement with BPA.³

On October 1, 2014, PGE filed the October MONET update. The revised NVPC totaled approximately \$563.3 million, a decrease of roughly \$2.5 million from the July 15, 2014, power cost update filing. According to the Company, this decrease was primarily due to the reduction to PGE's NVPC forecast agreed to in the second partial stipulation.⁴

PGE filed the first of two November MONET updates on November 5, 2014. This update reflected the contracts and forward curves as of October 21, 2014. The effect of this update was to decrease NVPC by approximately \$0.8 million from the October update. The final MONET update was filed on November 14, 2014, reflecting the electric and natural gas forward prices based on a five-day average of the November 3, 2014, through November 7, 2014, forward curves. The final NVPC for 2015 was reported by PGE as \$562.3 million, a reduction of approximately \$0.2 million from the November 5 filing and a decrease of \$18.2 million from the initial filing. This is

³ PGE filing letter accompanying July UE 286 Monet Update filed July 15, 2014.

⁴ PGE filing letter accompanying UE 286 October Monet update filed October 1, 2014.

equivalent to a rate of \$30.00 per MWh, or a decrease of approximately \$0.84 per MWh from the initial NVPC filing.

Table 1 – NVPC Revisions

Filing	Revised NVPC (\$ Millions)
Initial	580.2
April 1	573.1
July 15	565.8
October 1	563.3
November 1	562.5
November 15	562.3
FINAL	562.3

Effect of Docket No. UE 283 – PGE 2015 General Rate Case (GRC)

In a year when the company does not file a general rate case revision, the variance in power cost between actual cost and projected cost is recovered through a revision of Schedule 125. However, in a year that the general rate case and power cost update are filed concurrently, the power cost variance for the test year is recovered through revisions in the standard cost-of-service schedules instead of through Schedule 125. As a result, in these GRC years Schedule 125 is reset to zero. Since this power cost filing is concurrent with PGE's rate case, Schedule 125 remains at zero.

For calendar year 2015, the \$562.3 million in NVPC projected by PGE in Docket No. UE 286 will be collected through general rate schedule revisions in compliance with Order No. 14-422 issued by the Commission in PGE's general rate case, Docket No. UE 283. The effect of Order No. 14-422 is to increase the Company's revenue requirement for 2015 by \$44.3 million, representing an overall rate increase of about 2.6 percent. The cumulative revenue requirement adjustments will result in a bill increase of three percent for residential customers and about 1.7 percent for commercial and 2.5 percent for industrial customers, respectively. As mentioned previously, if Advice 14-25 is approved, then Schedule 125 will be reset to zero as of January 1, 2015.

PROPOSED COMMISSION MOTION:

The tariff sheets filed by Portland General Electric as Advice No. 14-25 be allowed to go into effect on January 1, 2015.