

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 25, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE September 1, 2015

DATE: August 17, 2015

TO: Public Utility Commission

FROM: Brittany Andrus *BA*

THROUGH: Jason Eisdorfer *J* and Aster Adams *aa*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. 64/Advice No. 15-17)
Offers qualifying large nonresidential customers a three- or five-year cost of service opt-out beginning January 1, 2016, through an enrollment period during September 2015 (Enrollment Period N).

STAFF RECOMMENDATION:

The Commission should approve Portland General Electric's (PGE or Company) Advice No. 15-17.

ISSUE:

PGE is required to offer an annual enrollment period for direct access customers. This filing updates the multi-year cost of service opt-out tariffs by adding the 2016 enrollment window and updating transition adjustments. Staff recommends that this filing be approved.

DISCUSSION:

On June 30, 2015, PGE filed Advice No. 15-17, which offers qualifying large, nonresidential customers a three- and five-year cost of service opt-out program beginning January 1, 2016. The enrollment period is September 1 through and including September 30, 2015 (Enrollment Period N). This advice modifies Schedules 129, 485, 489, and 490.

Background

The opt-out program filing implements the requirements of OAR 860-038-0275(5) to “offer customers a multi-year, direct access program with an associated fixed transition adjustment.” These options include the following:

Five-year Cost of Service Opt-out: Provides a fixed transition adjustment rate for each year of the opt-out term.¹ Following the five-year term, the customer can return to the Company’s cost of service tariff, subsequent to a three-year notice² having been given to PGE. Alternatively, the customer may remain with an Electricity Service Supplier (ESS) without being subject to any additional Schedule 129 transition adjustments.

Three-year Cost of Service Opt-out: Provides a fixed transition adjustment rate for each year of the opt-out term. At the end of the three-year term, customers must select and take service under an applicable retail rate schedule. The customers will not be eligible to continue direct access service on Schedule 485 or 489 on a year-to-year basis..

Customers selecting a cost of service opt-out under Schedules 485, 489, 490, 491, 492 or 495 for service in 2016 will be subject to the applicable Schedule 129 transition adjustment rates. PGE calculates these rates as the difference between the allocated cost of energy provided by its owned and contracted resources and the market value of that energy.

A partial stipulation filed in a previous PGE general rate case³ addressed long-term direct access issues commencing with elections made in 2014 for service beginning January 2015, continuing through service year 2018. Consistent with the terms of this stipulation, PGE continues the changes to the transition adjustments for Enrollment Period N, including the following:

- Five-year Cost of Service Opt-out: 1) transition adjustment components related to net variable power costs, applicable adjustments and estimated market power prices are calculated in advance, levelized over the five years, and not subject to updates; 2) initial transition adjustments reflect “current Commission-approved

¹ The transition adjustment for the five-year option was subject to adjustments beginning with enrollment period M; see page 2.

² The notice period changed from two years to three years for eligible schedules effective January 1, 2014.

³ Docket UE 262, Order No. 13-459.

fixed generation costs,”⁴ and will not be levelized; and, 3) during the five-year period, fixed generation costs will be “updated consistent with Commission orders related to general rate cases or Renewable Automatic Adjustment Clause proceedings.”⁵

- Three-year Cost-of-Service Opt-out: Transition adjustments include the projected revenue requirements of new and existing resources, if any, that are expected to provide service during the three-year period (prorated to the expected date(s) of service), and are levelized. The three-year transition adjustments are not subject to update.

Analysis

The three-year transition adjustments in this filing include the new Carty generation resource, expected to begin operation in mid-2016. Because the three-year rates include this resource while the five-year rates initially do not, the three-year rates are significantly higher. However, when the resource incremental fixed costs are added as part of the five-year option updates, the transition adjustments will be similar on average for both the three-year and five-year opt-outs.

The filing indicates that customers choosing direct access service will pay a transition adjustment reflecting PGE resource costs that are forecast to be higher than the market value of the energy output. This outcome causes stranded resource costs to be levied on customers choosing the three- or five-year direct access option.

The lower market price forecast contributes to transition adjustments for the upcoming enrollment period that are higher than for the previous period. For example, for Schedule 485 secondary voltage customers, the transition adjustment for Enrollment Period M (2015 through 2017) for the three-year opt-out is \$21.99 per megawatt-hour (MWh), while the proposed transition adjustment for Enrollment Period N (2016 through 2018) is \$29.48 per MWh. The table below compares forecast Mid-Columbia prices per MWh based on the two vintages of forward price curves (2015 and 2014).

⁴ Order No. 13-459, Appendix B, p. 3.

⁵ Id.

		Enrollment Period N 2016 (2015 price curve)	Enrollment Period M 2015 (2014 price curve)
2016	On-peak	\$28.25	\$40.74
	Off-peak	\$22.06	\$31.00
2017	On-peak	\$30.30	\$43.24
	Off-peak	\$23.85	\$32.50
2018	On-peak	\$32.25	\$46.74
	Off-peak	\$25.75	\$34.50
2019	On-peak	\$33.75	\$48.81
	Off-peak	\$27.25	\$36.65

Staff conducted a review of the work papers supporting this filing, including the assumptions for forward market prices and resource costs and the terms of the most recent stipulation pertaining to direct access schedules. Based on this review, Staff concludes that PGE's direct access tariff is consistent with statute, administrative rules, and a partial stipulation executed during PGE's 2013 general rate case regarding direct access options offered from 2014 through 2016.⁶ Staff concludes that the transition adjustments in this filing are reasonable.

Prices in this filing are indicative. The Company will revise the prices in late August 2015 using the same methodology, and incorporating updated power costs, loads and relevant inputs from Docket UE 294, PGE's general rate case.⁷ These revised prices will be posted on the Company's website and filed with the Commission immediately prior to opening of the enrollment window.

PROPOSED COMMISSION MOTION:

PGE's Advice No. 15-17, offering qualifying large nonresidential customers a three- or five-year cost of service opt-out beginning January 1, 2016, through an enrollment period during the month of September 2015 (Enrollment Period N), be approved, effective September 1, 2015.

⁶ Order No. 13-459.

⁷ Docket UE 294, an Administrative Law Judge ruling issued August 12, 2015 suspended the remainder of the schedule.