

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 22, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE April 1, 2016

DATE: March 16, 2016

TO: Public Utility Commission

FROM: George R. Compton *GRC*

THROUGH: Jason Eisdorfer, Marc Hellman, and Aster Adams *J E A M for*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 221/
Advice No. 16-01) Updates Short Term Transition Adjustment
Schedule 128 prior to the April 2016 Quarterly Election Window.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric Company's (PGE's or Company's) balance-of-year short-term transition adjustment rates for the nine-month period beginning April 1, 2016, and ending December 31, 2016.

ISSUE:

Whether the Commission should approve Advice No. 16-01 and allow PGE's updated Short Term Transition Adjustment Schedule 128 (Schedule 128) to take effect April 1, 2016.

APPLICABLE LAW:

Applicable Law Concerning Tariff Filings

The Commission may approve tariff changes if they are deemed to be fair, just and reasonable. See ORS 757.210. Tariff revisions may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. Filings that propose any change in rates, tolls, charges, rules, or regulations must be filed with the Commission at least 30 days before the effective date of the change. See ORS 757.220; OAR 860-022-0020. OAR 860-022-0025(2) specifically requires that each energy utility changing existing tariffs or schedules must include in its filing a statement plainly indicating the increase, decrease, or other change

made with the filing, the number of customers affected by the proposed change and the resulting change in annual revenue; and the reasons or grounds relied upon in support of the proposed change. OAR 860-022-0030(1) further requires that for tariff or schedule filings proposing increased rates, the utility must for each separate schedule, identify the total number of customers affected, the total annual revenue derived under the existing schedule, and the amount of estimated revenue which will be derived from applying the proposed schedule, the average monthly use and resulting bills under both the existing rates and the proposed rates that will fairly represent the application of the proposed tariff or schedules, and the reasons or grounds relied upon in support of the proposed increase.

Applicable Law Concerning Transition Charges

ORS 757.600 to 757.689 are the statutes that authorize and regulate the provision of the "direct access" (Direct Access) option in Oregon. The Commission's rules implementing these statutes are set forth in OAR Chapter 860, Division 038. OAR 860-038-0160 concerns Direct Access transition charges and credits. OAR 860-038-0275 sets forth election timing windows for when the electric consumer may elect to purchase electricity under the Direct Access option. Further, in its Order No. 06-528, the Commission established an additional quarterly window, commencing April 1 of each year, under which a consumer may elect the Direct Access option for their electricity purchases. This "balance-of-the-year" option allows consumers who did not elect to purchase electricity through Direct Access at the beginning of the year to choose the option as of the next calendar quarter under transition adjustment rates updated as of that later date.

DISCUSSION AND ANALYSIS:

Background

Transition adjustment rates were instituted so that when electricity consumers substitute third-party energy sources for retail utility service, each such consumer will receive a transition credit or pay a transition charge as set forth in detail in OAR 860-038-0160.¹ These rates are adjusted regularly to prevent net revenue shortfalls or windfalls arising from the Direct Access option.

¹ Simply stated, the purpose of a transition charge is to ensure that the utility and its ratepayers would not be burdened by fixed costs incurred to serve loads subsequently converted to Direct Access. The purpose of the transition credit is to ensure that the consumer shares in the cost burden of utility investments incurred prior to when the consumer purchases electricity through Direct Access.

On February 16, 2016, PGE filed Advice No. 16-01, requesting establishment of its revised nine month balance-of-year short-term transition adjustment rates under Schedule 128. Schedule 128 allows eligible customers on a cost-of-service rate to move to direct access service, or an applicable non-cost-of-service rate, for the balance of the calendar year during the quarterly election windows. Staff concludes that the filing is in compliance with Order No. 06-528 (which, as stated, established a quarterly option window).

The nine-month balance-of-year short-term transition adjustment rates are based upon the same approved methodology used to establish the 12-month short-term transition adjustment rates that the Company filed in PGE Advice No. 15-28, with an effective date of January 1, 2016. The transition adjustment rates reflect the difference between per-kwh weighted average price that would be expected to be recovered applying current cost-of-service tariff energy charges *to the respective total schedules' loads* under the cost of service option and the projected weighted average market cost, or Market Value of Power. The respective schedule's load shape provides the weights used in estimating the average price and market cost.² The data source for the Market Value of Power is the Company's updated Monet Power Cost estimates.

Staff requested and received electronic versions, with formulae intact, of the Company's workpapers associated with PGE's tariff filing. Staff reviewed the workpapers to establish consistency among the model inputs, outputs, and the actual tariff entries. Enquiries were also made regarding the source data for the updated market costs figures. Retail prices, which establish the Average Sales price for the respective schedules, remain what they were when the annual short-term transition adjustment rates were set for January 1, 2016. However, the "Market Value of Energy" has declined since the previous filing. Since the Transition Adjustment is calculated by subtracting the per-kWh average Market Value of Energy from the Average Sales price, the smaller Market Value of Energy has yielded a larger Transition Adjustment. The results from the analyses are that *reduced* market costs have led to an *increase* in the nine-month transition adjustment rates by about 10 percent. For example, the Schedule 83 rate has increased from 3.313 cents per kWh, which was the amount posted for the annual transition adjustment rate effective January 1, 2016, to the amount of 3.657 cents per kWh in the current filing.

² The load shape, on- and off-peak assignments follow the NERC definition of on- and off-peak (i.e., on-peak is 6 am to 10 pm, Monday through Saturday, with everything else being off-peak) for both market purchase costs and sales revenues except in the case of Schedule 38, where prices follow a tighter definition of on-peak.

Effect on Ratepayers

This tariff will impact only those direct access customers who choose to leave cost-of-service during the option window. However, the number of such customers who will make this election is unknown and, under these circumstances, the revenue change is similarly unknown.

CONCLUSION

Having performed that analytics as indicated above, Staff recommends that the Commission approve the new rates and permit the revised schedule to go into effect on April 1, 2016.

PROPOSED COMMISSION MOTION:

Approve PGE's balance-of-year short-term transition adjustment rates for the nine-month period beginning April 1, 2016, and ending December 31, 2016, under Schedule 128, effective for service on and after April 1, 2016.