ITEM NO. CA11

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 21, 2016

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **April 1, 2016**

DATE: March 13, 2017

TO: Public Utility Commission

FROM: George R. Compton MH for GC

THROUGH: Jason Eisdorfer, Marc Hellman, and John Crider

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 513/ Advice No. 17-03) Updates Short Term Transition Adjustment Schedule 128 prior to the April 2017 Quarterly Election Window.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve PGE's balance-of-year short-term transition adjustment rates for the nine-month period beginning April 1, 2017, and ending December 31, 2017, under Schedule 128, effective for service rendered on and after April 1, 2017.

DISCUSSION:

Issue

Whether the Commission should approve Advice No. 17-03 and allow PGE's updated Short Term Transition Adjustment Schedule 128 (Schedule 128) to take effect April 1, 2017.

Applicable Rule or Law

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.

ORS 757.600 to 757.689 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.

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.

On February 15, 2017, PGE filed Advice No. 17-03, 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

[1] Simply stated, the purpose of a transition charge is to ensure that the utility and its non-participating 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.

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 nine-month short-term transition adjustment rates that the Company filed last year in PGE Advice No. 16-01, with an effective date of April 1, 2016. The transition adjustment rate associated with a particular customer-schedule reflects the difference between the per-kwh weighted-average price that would be expected to be recovered applying current cost-of-service tariff energy charges to the respective schedule's projected total 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. Retail prices, that 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, 2017. However, the "Market Value of Energy" has increased since the January filing. Since the Transition Adjustment is calculated by subtracting the per-kWh average Market Value of Energy from the Average Sales price, the larger Market Value of Energy has yielded a smaller Transition Adjustment. The results from the analyses are that *increased* market costs have led to a *reduction* in the nine-month transition adjustment rates by about three percent. For example, the Schedule 83 rate has decreased from 3.466 cents per kWh, which was the amount posted for the annual transition adjustment rate effective January 1, 2017, to the amount of 3.365 cents per kWh in the current filing.

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.

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[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.

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, 2017.

PROPOSED COMMISSION MOTION:

Approve PGE's balance-of-year short-term transition adjustment rates for the nine-month period beginning April 1, 2017, and ending December 31, 2017, under Schedule 128, effective for service rendered on and after April 1, 2017.