ITEM NO. CA 10

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 22, 2017

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **September 1, 2017**

DATE: August 11, 2017

TO: Public Utility Commission

FROM: Rose Anderson RA

THROUGH: Jason Eisdorfer and Marc Hellman JE JE for MH

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UE 330/ Docket No. ADV 599/ Advice No. 17-13) Updates rates in PGE's Schedule 129 for the 2017 multi-year opt-out window, Enrollment Period P.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should approve Portland General Electric's (PGE or Company) tariff update for service rendered on and after effective date September 1, 2017.

DISCUSSION:

Issue

Whether the Public Utility Commission should approve PGE's direct access tariff update for service rendered on and after effective date September 1, 2017.

Applicable Rule or Law

Portland General Electric's request involves changes to tariff sheets governed by ORS 757.205, ORS 757.210 and OAR 860-022-0025. Filings that make any change in rates, tolls, or charges must be filed with the Commission at least 30 days before the effective date of the changes.

Analysis

Background
PGE's multi-year opt-out 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 providing PGE with a three-year notice.[2] 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 service under any other applicable rate schedule.

Customers selecting a cost of service opt-out under Schedules 485, 489, 490, 491, 492 or 495 for service in 2018 will be subject to the applicable Schedule 129 transition adjustment rates. PGE calculates these rates as the difference between the cost of energy provided by its owned and contracted resources and the market value of that energy.

Order No. 13-459 filed in the PGE general rate case UE 262 addressed long-term direct access issues commencing with service beginning January 2015. Consistent with the terms of this stipulation, PGE continues the transition adjustments methodology for Enrollment Period P, 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 year opt-out period, and not subject to updates;

[1] The transition adjustment for the five-year option was subject to fixed generation cost 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.

2. Initial transition adjustments reflect "current Commission-approved fixed generation costs," and will not be levelized over the five year opt-out period; [3] and,
3. During the five-year opt-out period, fixed generation costs will be "updated consistent with Commission orders related to general rate cases or Renewable Resource Automatic Adjustment Clause proceedings."[4]

- 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 begin providing 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.

PGE's June 30, 2017 filing for Enrollment Period P

PGE's application sets rates for customers electing direct access in the 2018 election window beginning September 1, 2017. Staff assessed the clarifying language changes made to PGE's tariff and found no issues. Staff also analyzed workpapers provided by PGE showing the calculation of rates for three- and five-year opt-out customers.

Staff participated in phone conferences with PGE regarding the tariff filing and workpapers for the rate calculation. At the request of Staff, PGE provided detailed workpapers on the Net Variable Power Cost (NVPC) forecast used in calculating the transition adjustment. PGE explained that an increase in NVPC over the five-year forecast period is due mainly to the retirement of the Boardman plant in 2020, an increase in high-cost long term power contracts[5], and the expiring Production Tax Credits for the Biglow Canyon wind farm.

A partial stipulation in UE 262 directs PGE to forecast power costs over the five-year opt-out period, and states this forecast should not be subject to update. The Order directs that no changes will be made to this method until after 2018, unless all parties agree to those changes. Staff does not recommend any changes to the methodology in the current filing, but does have some concerns with the uncertainty involved with making any five-year forecast and suggests the possibility, beginning in the 2019 enrollment window, for updating NVPC on a yearly basis after the filing of PGE's NVPC forecast for that year.

[3] Order No. 13-459, Appendix B, p. 3.
[4] Id.
[5] Primarily due to PURPA Qualifying Facility contracts.

Advice No. 17-13 is an indicative advice filing demonstrating the methodology behind the direct access rate calculation, and PGE expects to file a compliance filing with updated power costs, loads, and forward market prices for enrollment period P direct access customers on August 31, 2017.

The Company has reviewed this memo and did not express any issues or concerns.

Conclusion

Staff has reviewed the methodology used to calculate direct access rates and verified that they are in alignment with the stipulations from UE 262. The rates are fair and reasonable and will not cause harm to cost of service customers.

PROPOSED COMMISSION MOTION:

Approve the Company's request to update its tariff, effective with service rendered on and after September 1, 2017.