

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2018

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2019

DATE: November 30, 2018

TO: Public Utility Commission

FROM: Kathy Zarate *KZ*

THROUGH: *Sc* John Crider and *EPH* Jason Eisdorfer

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 883/Advice No. 18-22) Adjusts Schedule 105 for miscellaneous refunds and costs.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) proposed Schedule 105 tariff as described in PGE's Second Supplemental Advice No. 18-22 filing effective with service on and after January 1, 2019, on less than statutory notice.

DISCUSSION:

Issue

Whether the Commission should approve the Company's Second Supplemental Advice No. 18-22: Miscellaneous Regulatory Adjustments (Advice Filing) which seeks to update the Company's Schedule 105 to adjust for the differences between actual and predicted costs for (1) Schedule 5 Direct Load Control Pilot Rider (DLC), and (2) Schedule 6 Residential Pricing Pilot.

Applicable Rule or Law

OAR 860-022-0025 provides that utilities may make tariff changes by filing an entirely new tariff or by filing revised sheets which shall refer to the tariff sheets on file. OAR 860-022-0030 provides that if the revision results in a rate increase, the filing shall include additional details and list the reasons for the increase.

ORS 757.259(6) states that, subject to other subsections of this statute, the overall average rate impact of the amortizations authorized under this section in any one year

may not exceed three percent of the utility's gross revenues for the preceding calendar year.

ORS 757.205 and 757.210 summarily state that the Commission may approve tariff changes if they are deemed to be fair, just and reasonable.

ORS 757.220 provides the Commission with authority to allow rate changes on less than 30 days' notice for good cause shown.

Analysis

Background

Schedule 105, Regulatory Adjustments, consists of miscellaneous adjustments which vary from year to year. PGE filed Docket No. ADV 883 on November 20, 2018, to request an update to Schedule 105. Schedule 105, Regulatory Adjustments is composed of parts A and B.

On December 5, 2018, PGE supplemented its request, providing additional detail and clarification on the revenues collected for two residential demand response pilots, as discussed below. The filing did not contain proposed changes to tariff language from the November 20, 2018 filing.

On December 11, 2018, PGE filed a second supplemental filing of Advice No. 18-22, at the request of Commission Staff. In this filing, the Company removed its request to amortize the balance in its property sales balancing account. Staff requested the Company remove this portion of its request due to questions as to whether the Commission's recent order in OPUC Docket No. UM 1909 precludes the recovery of gains and/or losses related to property sales. Because the change was made within 30 days of the proposed rate-effective date for the tariff, PGE also filed a request to allow the tariff to go into effect on less than statutory notice.

Review of Schedule 105, Part A Prices

Schedule 105, Part A includes a proposed amortization of the projected expenditures related to two residential pricing pilots: Schedule 5 Direct Load Control Pilot Rider (DLC), and Schedule 6 Residential Pricing Pilot (Pricing). Previously, Part A has also included the amortization of the property sales balancing account.

Revenues from Advice No. 18-22 for the DLC and Pricing pilots pertain to previously deferred costs incurred from January 1, 2018 through December 31, 2018, adjusted for residual balances from 2017, and total \$2.1 million with interest. Effective January 1, 2020, Schedule 105 will not recover costs for the residential demand response DLC and Pricing pilots. Instead, costs incurred subsequent to December 31, 2018, and any

residual balance, will be subject to Tariff Schedule 135 in accordance with Commission Order No. 18-381 and applicable conditions.

Schedule 105 Part A previously included the amortization of the following:

1. In Order No. 14-422 of Docket No. UE 283, PGE acquired Power Resource Cooperative's (PRC) ten percent share of Boardman as part of a plan to close Boardman in 2020. The economic benefits of that transaction included net proceeds of approximately \$3.6 million as well as the additional settlement of a third-party PPA for approximately \$2.2 million. The effects of the UE 283 stipulation regarding the economic benefits of PGE's acquisition of the Power Resources Cooperative (PRC) includes shares of the Boardman plant.
2. Order No 15-356 in Docket No. UE 294 states that The North Fork Surface Collector (NFSC) is a hydro licensing requirement included in the FERC license for the Clackamas Hydro Project. The project was designed to assist fish passage on the North Fork Dam. In the Company's last general rate case, the Company agreed that if costs for the project were less than costs included in UE 294, the Company would return the difference to customers. The difference in revenue requirements related to the difference between the actual costs of the North Fork Surface Collector (NFSC) and the costs presumed in current prices.
3. The Company's Advice Filing also includes amortization of a refund from a bond issued in January 2016. Order No. 16-089 in UM 1756 states that on January 6, 2016, the Company issued \$140 million of new 2.51 percent five-year First Mortgage Bonds due January 6, 2021. The Advice Filing explains that the bond issuance and interest costs were below the prices presumed in current rates, and the difference is being refunded to customers through Schedule 105. The difference in revenue requirements related to the actual issuance and interest costs of a bond issued in January 2016 relative to the costs presumed in current base prices.

The Company has also previously included the amortization of its property sales balancing account, but as discussed above, has removed this request from its advice filing at this time. Thus, Schedule 105 Part A rates for 2019 will include only the DLC and Pricing pilots amortization of \$2.1 million.

The Schedule 105, Part B prices

This is set to zero, removing the existing approximately \$667,000 related to the 2017 deferred Large Nonresidential Load True-up consistent with the provisions of Schedule 128.

Conclusion

Staff has reviewed the Company's workpapers behind the amounts and rate spread proposed for amortization in Parts A and B of the Advice Filing. Staff has discussed the rate design with the Company in informal phone conversations and Information request and agrees that rates are designed in agreement with prior Commission decisions.

The net result of the adjustments in Schedule 105 is a surcharge to customers of approximately \$2.1 million. A typical residential Schedule 7 customer using 800 kWh monthly will see a bill increase of \$0.23, or 0.23 percent. The Company's annual cycle revenues for 2017 were approximately \$1,776 million and proposed 2018 amortization of deferrals including proposed applicable amortizations in Schedule 105 is less than the three percent contemplated in ORS 757.259.

PROPOSED COMMISSION MOTION:

Approve PGE's proposed revision to Schedule 105 rates to be effective with service on and after January 1, 2019 on less than statutory notice.