

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

REGULAR CONSENT EFFECTIVE DATE January 1, 2019

DATE: December 4, 2018

TO: Public Utility Commission

FROM: ^{SS} Sabrinna Soldavini and ^{SG} Scott Gibbens

THROUGH: ^{EPW} Jason Eisdorfer, ^{Jc} John Crider and ^{MG} Marianne Gardner

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 884/Advice No. 18-23) Establishes Schedule 128 2018 Short-Term Transition Adjustment prices for Customers electing to leave Cost of Service pricing during the annual election window opening November 15, 2018.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (Commission) approve Portland General Electric's (PGE or Company) proposed updates to Schedule 128, Short Term Transition Adjustment, as described in the filing of Advice No. 18-23, effective for service rendered on and after January 1, 2019.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request to update its Schedule 128, Short Term Transition Adjustment.

Applicable Rule or Law

ORS 757.205 requires public utilities to file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time. Pursuant to ORS 757.210, the Commission may approve tariff changes if they are deemed to be fair, just and reasonable.

Filings that make 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 changes. ORS 757.220.

OAR 860-022-0025 and OAR 860-022-0030 set forth the requirements for tariff filings naming increased rates. 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) options 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.

Analysis

Background

On February 15, 2018, PGE filed its 2019 net variable power cost (NVPC) projection as part of its general rate case filing, consistent with the terms of its Schedule 125, which implements the Company's Annual Update Tariff (AUT). The AUT is designed to allow PGE to revise customer rates to reflect those changes in its projected NVPC resulting from new information. The filing included direct testimony in support of the 2019 NVPC projection of \$375.3 million, or approximately \$20.62 per megawatt-hour (MWh). This would have translated to an overall rate increase of approximately \$2.31 per MWh from the final 2018 projected power cost. The primary factors responsible for the increase were the reduction of the federal tax rate, the expiration of certain production tax credit (PTC) generation, the removal of an expiring hydro contract refund, and an increase in Qualifying Facilities (QFs) contract costs.

Because PGE filed its 2019 NVPC concurrent with a general rate revision, the Company is allowed, per Order No. 08-505, to make proposed changes to their modeling as well as update the following model parameters:

- a) Forward Price Curves;
- b) Load Forecasts;
- c) Heat rates;
- d) Pacific Northwest Coordination Agreement Headwater Benefit Study;
- e) Contracts for wholesale power and power purchases and sales;
- f) Wind availability forecast;
- g) PURPA contract expenses; and
- h) Maintenance and Forced Outage rates.

UE 335 Proceedings

Following PGE's initial filing, the issues were bifurcated so that issues relating to PGE's general rate revision could be addressed independently and on a different procedural schedule from issues related to PGE's update to its NVPC (AUT Issues). Staff, the Alliance of Western Energy Consumers (AWEC) and the Oregon Citizens' Utility Board (CUB) filed testimony related to the AUT issues on May 24, 2018.

On June 28, 2018, PGE, Staff, CUB, and AWEC held a settlement conference for NVPC issues, at which time a settlement in principle was reached. Thereafter, PGE filed a motion to suspend the procedural schedule related to the AUT Issues, indicating that the parties had reached an agreement in principle.

On August 22, 2018, PGE filed a stipulation and supporting testimony joined by Staff, CUB, and AWEC. The stipulation settled all issues raised in the power cost portion of the proceeding, including:

- a) Western Energy Imbalance Market (EIM), California-Oregon Border Trading Margins, Wind Capacity Factor and Market Curve and Hedging Issues;
- b) Online Dates for QFs;
- c) PGE's Firm Capacity Agreement in the NVPC;
- d) PTC Rate;
- e) BPA Wheeling Costs;
- f) Carty Gas Supply Infrastructure;
- g) Monet Code Review;
- h) North Mist Expansion Project; and
- i) Headwater Benefits Study (HWBS).

The Commission issued Order No. 18-405 on October 17, 2018, adopting the AUT Issue stipulation and requiring PGE to complete a final MONET run on or before November 15, 2018, to finalize estimated power costs.

The Annual Update Tariff includes five periodic updates which revise load forecasts, price forecasts, and contracts as they are realized. Each change in parameters

produces a revised net variable power cost by updating the MONET dispatch tool and running the model again for the test year.

MONET Updates

On March 30, 2018, PGE updated contracts and electric and gas forward curves as of February 22, 2018. NVPC forecast for 2019 increased approximately \$4.3 million from the initial February 15, 2018 filing to approximately \$379.6 million.

On July 6, 2018, PGE updated contract and electric and gas forward curves as of May 31, 2018. NVPC forecast for 2018 increased roughly \$4.5 million from the March 30, 2018, filing to approximately \$384.1 million. The increase is primarily attributable to the NVPC impact of PGE's 2019 load forecast update.

On September 28, 2018, PGE performed a MONET update based on contracts and electric and gas forward curves as of August 31, 2018. PGE's NVPC forecast for 2018 decreased to approximately \$367.4 million, a decrease of roughly \$16.8 million from the July 6, 2018 update filing. This change was primarily due to the incorporation of the July 22, NVPC Stipulation and updated electric and gas curves.

On November 6, 2018, PGE updated contracts and electric and gas forward curves as of October 23, 2018. NVPC forecast for 2019 decreased to \$359.4 million, a decrease of roughly \$8.0 million from the September 28, 2018, update filing. The decrease was driven by the updated North Mist Expansion in-service date and costs, an updated Federal PTC rate, and updated electric and gas curves.

On November 15, 2018, PGE performed the final update of its 2019 NVPC forecast. This update included 2018 electric and natural gas forward prices based on a five-day average of the forward curves on November 1, 2018 through November 2, 2018, and November 5, 2018 through November 7, 2017. The final NVPC forecast totaled \$361.5 million, an increase of approximately \$2.2 million from the November 6, 2018 update filing, which is due to the change in electric and natural gas forward prices.

Table 1 – NVPC Revisions

Filing	Revised NVPC (\$ Millions)
Initial	\$375.3
March 30	\$379.6
July 6	\$384.1
September 28	\$367.4
November 6	\$359.4
November 15	\$361.5

Docket No. ADV 884/Advice No. 18-23
December 4, 2018
Page 5

Effect of Docket UE 335 and Advice 18-23

On November 15, 2018, PGE filed Advice No. 18-23. Staff reviewed the filing, tariff schedule, and workpapers to ensure the proposed filing is accurately calculated and consistent with Commission policy and direction.

Advice 18-23 updates Schedule 128. This schedule change is the result of the updated price of electricity derived from UE 335 and the 2019 forward market prices. The updates to Schedule 128 affect short-term direct access customers who elect to participate in the program during the election window, open from 2:00 PM on November 15, 2018 to 5:00 PM on November 26, 2018.

Staff filed no information requests as the filing included all requisite documents to perform the analysis and review. Staff found the filed rates in Schedule 128 to be correct and fair. Staff further finds that all of the revised sheets are correct.

The Company was provided a draft copy of this public meeting memo and proposed no edits or concerns.

Conclusion

Staff's review of this filing finds that the updated rates in Schedule 128 are appropriately calculated, and recommends that the Commission approve the proposed tariff.

PROPOSED COMMISSION MOTION:

Approve the compliance filing submitted by PGE to update Schedule 128, Short Term Transition Adjustment, for service rendered on and after January 1, 2019.