Portland General Electric
121 SW Salmon Street • Portland, Ore. 97204
PortlandGeneral.com

December 14, 2018

via email
puc.filingcenter@state.or.us

Public Utility Commission of Oregon
Attn: OPUC Filing Center
201 High Street, Ste. 100
P. O. Box 1088
Salem, OR 97308-1088

Re: **UM ___ PGE's Application for Deferral of Costs Associated with the Difference Between Actual and Forecasted Qualifying Facilities Commercial Operation Dates**

Pursuant to ORS 757.259, OAR 860-027-0030, and Commission Order No. 18-405, Portland General Electric Company (PGE) hereby requests authorization to defer for later rate-making treatment the annual difference between actual and forecasted Qualifying Facilities costs.

A Notice regarding the filing of this application has been provided to the parties on the UE 335 service list.

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at (503) 464-7805.

Please direct all formal correspondence, questions, or requests to the following e-mail address: pge.opuc.filings@pgn.com.

Sincerely,

Stefan Brown
Manager, Regulatory Affairs

SB/np
Encls.

cc: Service List: UE 335

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM ____

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Costs Associated with the Difference Between Actual and Forecasted Qualifying Facilities Commercial Operation Dates	**Application for Deferral of Costs Associated with the Difference Between Actual and Forecasted Qualifying Facilities Commercial Operation Dates**

Pursuant to ORS 757.259, OAR 860-027-0300, and Commission Order No. 18-405, Portland General Electric Company (PGE) hereby requests authorization to defer for later rate-making treatment the annual difference between actual and forecasted Qualifying Facilities (QFs) costs. This deferral will support the QFs' Commercial Operation Dates (CODs) track and true-up method adopted by the Commission in Order No. 18-405. We request this deferral begin effective January 1, 2019 and be subject to annual renewals beginning January 1, 2020. In support of this application PGE states:

1. PGE is a public utility in the state of Oregon and its rates, services and accounting practices are subject to the regulation of the Public Utility Commission of Oregon (Commission).
2. This application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates.
3. Communications regarding this application should be addressed to:

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PGE-OPUC Filings
Rates & Regulatory Affairs
Portland General Electric
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Portland, OR 97204
Phone: 503.464.7805
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In addition to the names and addresses above the following are to received notices and communications via the e-mail service list:

Stefan Brown, Manager, Regulatory Affairs
E-mail : stefan.brown@pgn.com

I. OAR 860-027-0300(3) Requirements

The following is provided pursuant to OAR 860-027-0300 (3).

A. Background

Under the Public Utility Regulatory Policies Act (PURPA) and through ORS 758.505 et seq., PGE is obligated to enter into Power Purchase Agreements (PPAs) with QFs. The federal government enacted PURPA in 1978 to promote, among other things, energy conservation, increased efficiency in the use of facilities and resources by electric utilities, and equitable rates for electric consumers. To accomplish these goals, PURPA established a new class of generating facilities (i.e., QFs), which would receive special rate and regulatory treatment. QFs are generating facilities that fall within the following two categories: 1) qualifying generation facilities with a capacity of 80 MW or less and whose primary energy source is renewable (hydro, wind, solar, biomass, waste, or geothermal); or 2) qualifying cogeneration facilities that sequentially produce electricity and another form of useful thermal energy (e.g., heat, steam) in a way that is more efficient than the separate production of both forms of energy.

PGE models QF contracts in its annual Net Variable Power Cost (NVPC) forecast to begin production based on the COD specified in the contract, which is selected by the PPA seller. The achievement of commercial operation triggers the applicable on/off-peak, avoided cost prices per the executed contract. New QFs, however, can encounter any number of constraints that might prevent them from achieving their scheduled COD. For example, QFs that are on-system (i.e., in PGE's service territory) might face constraints related to permitting, while QFs that are located off-system (i.e., outside of PGE's service territory) might face additional constraints due to third party transmission.

To address the issue of QFs not meeting their scheduled COD, Commission Order No. 18-405 adopted a mechanism to track and true up the actual online dates of newly forecasted QFs with their scheduled CODs that were modeled in PGE's annual NVPC forecast. In other words, on a going-forward basis, PGE will track the actual online dates of all newly forecasted QFs with the purpose of either refunding to, or collecting from customers, the difference between costs associated with forecasted and actual QF online dates. This collection (or refund) amount would then be deferred and included in PGE's next scheduled NVPC forecast.[1]

For 2019, the QF tracking mechanism operates as follows:

- During 2018:
  - PGE included in the initial 2019 NVPC forecast all QFs that were expected to achieve COD in 2019 or earlier as identified by the PPA seller.
  - PGE updated its forecast with any known changes through the final NVPC update filed November 15.
  - PGE filed the application herein to defer the difference between actual and forecasted QFs costs.
- During 2019:
  - PGE will track QF CODs to record all actual online dates.
  - PGE will also record any QF CODs not included within the 2019 NVPC forecast.
- During 2020:

[1] PGE's NVPC forecasts occur as either part of a general rate case or as part of annual update tariff (AUT) filings, for non-rate case years.

- During Q1 of 2020, PGE will re-run the final 2019 NVPC MONET[2] forecast used to set 2019 customer prices, replacing the estimated 2019 QF CODs with the actual CODs recorded during 2019.
- PGE will record any NVPC difference between the two model runs and place all amounts into a balancing account where they will earn interest at the modified blended treasury rate.[3]
- PGE will then include any recorded amounts (collections or refunds) for 2019 into the April 1, 2020 forecast of PGE's 2021 NVPC.

B. Reasons for Deferral

Pursuant to ORS 757.259(2)(e) and Commission Order No. 18-405, PGE seeks deferred accounting treatment for the difference between actual and forecasted QF costs to support the QFs COD track and true up method as adopted by Commission Order No. 18-405. Because QFs CODs are modeled in each year's NVPC forecast, PGE will seek reauthorization of this deferral in subsequent years. The granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

C. Proposed Accounting for Recording Amounts Deferred

For collection amounts, PGE proposes to record the deferred amount in FERC Account 182.3 (Regulatory Assets); crediting FERC Account 555, Purchased Power. For refund amounts, PGE would record the deferred amount in FERC 229 (Accumulated Provision for Rate Refunds); debiting FERC 449.1 (Provision for Rate Refunds). In the absence of deferral approval, PGE would record QF expenses to the appropriate FERC accounts.

D. Estimate of Amounts to be Recorded Over the Next 12 Months

PGE does not have an estimate of the amount that will be deferred because it is dependent on

[2] See Docket No. UE 335, PGE Exhibit 300, Section II, pages 4 to 6 for a detailed description of the MONET model.
[3] The modified blended treasury rate is the interest rate usually applied on Commission-approved balancing accounts with automatic adjustment clauses that would be similar to the QF tracking mechanism.

actual 2019 information that is currently unknown.

E. Notice

A copy of the notice of application for deferred accounting treatment and a list of persons served with the Notice are attached to the Application as Attachment A. In compliance with the provisions of 860-027-0300 (6), PGE is serving Notice of Application on the UE 335 Service List, PGE's last general rate case.

II. Summary of Filing Conditions

A. Earnings Review

There is no earnings review for this deferral. The difference between costs associated with forecasted and actual QF online dates will be deferred and included in PGE's next scheduled NVPC forecast as described in Section I, part a, above.

B. Prudence Review

A prudence review should be performed at the time of deferral amortization.

C. Sharing Percentages

All prudently incurred differences between costs associated with forecasted and actual QF online dates are to be included in PGE's next scheduled NVPC forecast with no sharing mechanism.

D. Rate Spread / Rate Design

The deferred amounts will be spread based on an equal percent of generation revenue applied on a cents per kWh basis, as specified in Schedule 125.

E. Three Percent Test

The amortization of the pilots' deferred costs will be subject to the three percent test in accordance with ORS 757.259(7) and (8), which limits aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year.

III. Conclusion

For the reasons stated above, PGE requests permission to defer the difference between actual and forecasted QF costs to support the QF CODs tracking and true up method adopted through Commission Order No 18-405.

DATED this 14th day of December, 2018.

Stefan Brown
Manager, Regulatory Affairs
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Attachment A

Notice of Application for Deferral of Costs Associated with the Difference Between Actual and Forecasted Qualifying Facilities' Commercial Operation Dates

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM _____

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Costs Associated with the Difference Between Actual and Forecasted Qualifying Facilities' Commercial Operation Dates	**Notice of Application for Deferral of Costs Associated with the Difference Between Actual and Forecasted Qualifying Facilities' Commercial Operation Dates**

On December 14, 2018, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (the Commission or OPUC) for an Order authorizing deferral of the cost difference between actual and forecasted Qualifying Facilities (QFs) to support PGE's method to track and true-up QFs' Commercial Operation Dates (CODs), adopted by the Commission through Order No 18-405.

Approval of PGE's reauthorization application will not authorize a change in PGE's rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Persons who wish to obtain a copy of PGE's application will be able to access it on the OPUC website.

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than January 15, 2019.

Dated: December 14, 2018

Stefan Brown
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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing **Notice of Application for Deferral of Costs Associated with the Difference Between Actual and Forecasted Qualifying Facilities Commercial Operation Dates** to be served by electronic mail to those parties whose email addresses appear in the attached service list OPUC Docket No. UE 335.

Dated at Portland, Oregon, this 14th day of December, 2018

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