



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

May 11, 2018

Via e-mail

puc.filingcenter@state.or.us

Public Utility Commission of Oregon
201 High Street, S.E., Suite 100
P.O. Box 1088
Salem, OR 97308-1088

Attn: Filing Center

**Re: UM___PGE's Application for Deferred Accounting Treatment of Certain Costs
Associated with PGE's Customer Touchpoints Project**

Pursuant to ORS 757.259 and OAR 860 027 0300, Portland General Electric Company (PGE) hereby requests authorization to defer for later rate-making treatment certain costs associated with the Customer Touchpoints project (Project) incurred in the period from the in-service date of the program through December 31, 2018.

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

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at (503) 464-7805 or Alex Tooman at (503) 464-7623.

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

Sincerely,

A handwritten signature in blue ink that reads "Stefan Brown". The signature is written in a cursive style with a large, stylized initial "S".

Stefan Brown
Manager, Regulatory Affairs

SB/np
Enclosures
Cc: Service List: UE 335

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM XXXX**

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Certain Costs Associated with PGE's Customer Touchpoints Project

Application for Deferred Accounting Treatment of Certain Costs Associated with PGE's Customer Touchpoints Project

Pursuant to ORS 757.259 and OAR 860-027-0300, Portland General Electric Company (PGE) hereby requests authorization to defer for later rate-making treatment certain costs associated with the Customer Touchpoints project (Project) incurred in the period from the in-service date¹ of the program through December 31, 2018.

We request this deferral to be effective beginning with the in-service date of the Project. PGE will seek amortization of the deferred amounts in a future Commission proceeding.

In support of this application (Application) PGE states:

1. PGE is a public utility in the state of Oregon and its prices, 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:

¹ For this filing we have assumed that the Customer Touchpoints project would be in-service in the second quarter of 2018.

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In addition to the names and addresses above, the following are to receive notices and communications via the e-mail service list:

Alex Tooman, Senior Consultant, Regulatory Affairs
E-mail: alex.tooman@pgn.com

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

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

A. Background

PGE initiated the Customer Engagement Transformation program (CET) in 2014 as a set of initiatives targeted specifically at the Customer Service functional areas. The program includes both large and small initiatives that focus on several areas: process improvements, business strategies, operational efficiencies, employee development, and replacement of PGE's Customer Information System (CIS) and Meter Data Management System (MDMS).

Replacement of CIS and MDMS is necessary because they are no longer technically or functionally suited for existing programs, such as billing for net metering, emerging smart grid requirements, or new pricing options. Further enhancements and changes to existing systems would be costly and slow, leading to even more manual processes as the systems become more aged and obsolete. Replacement is critical to continuing operations because the cost to maintain the old systems and the risk associated with them increase the longer we wait. In conjunction with

replacing these systems, we are making improvements such as implementing more efficient billing through automation and improving key business processes that have an impact on the customer experience. The additional functionality that comes with the new systems will provide PGE with opportunities to improve the way we engage and serve our customers. Further, modern customer systems support the capabilities that are desired by our customers plus the products and services enabled by the smart grid, and they provide more opportunity for automation.

The CIS and MDMS replacement project is designated as Customer Touchpoints. This project is the largest component of the CET program and is expected to be placed in service in the second quarter of 2018. PGE did not include capital costs for Customer Touchpoints in our 2018 general rate case (Docket No. UE 319) because the rate base for the 2018 test year was established as of year-end 2017, when Customer Touchpoints was not yet in-service.

Because Customer Touchpoints will be in rate base at year-end 2018, PGE included the Project's costs in the 2019 general rate case (Docket No. UE 335) filed on February 15, 2018.² Since customer prices for UE 335 will not go into effect until January 1, 2019, however, PGE will not otherwise receive cost recovery for Customer Touchpoints from the "go-live" date until December 31, 2018. For this reason, PGE is proposing to defer the revenue requirement associated with Customer Touchpoints costs for the period from the in-service date through December 31, 2018.

B. Reasons for Deferral

Pursuant to ORS 757.259(2)(e), and because PGE will otherwise not recover its post-"go-live" costs until prices for the UE 335 general rate case go into effect on January 1, 2019, PGE seeks deferred accounting treatment of the forecasted revenue requirement associated with the

² See Docket No. UE 335, PGE Exhibit 900, Section III for more details on CET and Customer Touchpoints.

Customer Touchpoints costs for the period from the in-service date through December 31, 2018. This revenue requirement includes return “on”³ and “of” capital costs, O&M costs, income taxes, property taxes, plus other fees and costs that are applicable to the Project. The granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers. Approving the Application will not authorize a change in rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

C. Proposed accounting for recording amounts deferred.

For regulatory accounting purposes, PGE proposes to record the deferred amount as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with a credit to FERC account 407.4, Regulatory Credits (or same FERC accounts that would have been charged if included in income when incurred). Under GAAP financial reporting requirements, the amounts reported as being deferred as a regulatory asset will be limited to amounts meeting the requirements of Accounting Standards Codification (ASC) 980 – Regulated Operations.

D. Estimate of amounts to be recorded from Project “go-live” through December 31, 2018.

PGE forecasts that approximately \$145 million of Customer Touchpoints capital costs will close to plant in 2018. Using this assumption, PGE estimates the amount subject to the deferral would be approximately \$24.5 million (see work papers provided as Attachment 1).

E. Notice

A copy of the notice of amended application for deferred accounting treatment and a list of

³ At this time, the potential to defer “return on” investment is subject to investigation in Docket No. UM 1909, and will be based on the final decision in that proceeding.

persons served with the notice are attached to the Application as Exhibit A.

II. Summary of Filing Conditions

A. Earnings Review

Recovery of the 2018 Customer Touchpoints revenue requirement will be subject to an earnings review in accordance with ORS 757.259(5).

B. Prudence Review

PGE has discussed its CET program, including the CIS and MDMS replacement (Customer Touchpoints) in the following rate cases (test year): UE 262 (2014), UE 283 (2015), UE 294 (2016), UE 319 (2018), UE 335 (2019). A prudence review is currently being performed as part of the UE 335 proceeding.

C. Sharing Percentages

All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.

D. Rate Spread / Rate Design

The rate spread/rate design will be consistent with the prevailing rate spread/rate design at the time of the amortization.

E. Three Percent Test

The amortization of the 2018 Customer Touchpoints deferred revenue requirement will be subject to the three percent test in accordance with the 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 revenue requirement associated with the Customer Touchpoints costs for the period from the in-service date through December 31, 2018.

DATED this 11th day of May, 2018.



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UM XXXX

Attachment 1

Customer Touchpoints 2018 Revenue Requirement Work Papers

Exhibit A

Notice of Application for Deferred Accounting Treatment of Certain Costs
Associated with PGE's Customer Touchpoints Project

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM XXXX**

In the Matter of the Application of Portland
General Electric Company for an Order
Approving the Deferral of Certain Costs
Associated with PGE's Customer Touchpoints
Project

**Notice of Application for Deferred
Accounting Treatment of Certain Costs
Associated with PGE's Customer
Touchpoints Project**

On May 11, 2018, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission) for an Order authorizing deferral of the estimated 2018 revenue requirement associated with Customer Touchpoints project costs.

Approval of PGE's 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 Commission website.

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than June 11, 2018.

Dated: May 11, 2018



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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Application for Deferred Accounting Treatment of Certain Costs Associated with PGE's Customer Touchpoints** project 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 11th day of April, 2018.



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