



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

March 31, 2016

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

**RE: Advice No. 16-05, State and Federal Production Tax Credits Associated
with PGE Variable Renewable Electricity Production**

Portland General Electric (PGE) submits this filing pursuant to Oregon Revised Statutes (ORS) 757.205 and 757.210 and Oregon Administrative Rules (OARs) 860-022-0025 and 860-022-0030 for filing proposed tariff sheets associated with Tariff P.U.C. No. 18, with a requested effective date of **January 1, 2017**:

Eighth Revision of Sheet No. 125-1
Seventh Revision of Sheet No. 126-3

PGE proposes to update both Schedules 125 and 126 to include state and federal production tax credits consistent with the provisions of Oregon Senate Bill 1547 Section 18 enacted into law on March 8, 2016. Because production tax credits are directly related to the output of applicable plants, PGE specifically requests the following:

- Schedule 125 - to include projected production tax credits as part of the Annual Power Cost Updates
- Schedule 126 – to include actual production tax credits as part of Net Variable Power Costs.

We expect that this filing will be suspended and request that it be consolidated with the docket that will be established for our 2017 Annual Power Cost Update (Schedule 125) that will be filed on April 1.

To satisfy the requirements of Oregon Administrative Rules 860-022-0025(2) and 860-022-0030(1), PGE provides the following responses:

OARs 860-022-0025 and 860-0022-0030 require that PGE submit a statement of the tariff schedule change, the number of customers affected, the change in revenue, and the grounds supporting the change. This filing proposes new tariff language consistent with recent legislation affecting approximately 867,000 customers in 2017. The specific financial impacts of this language change on customers will be discussed in PGE's Annual Power Cost Update filing.

Please direct any questions regarding this filing to Marc Cody at (503) 464-7434.

Please direct all formal correspondence and requests to the following email address pge.opuc.filings@pge.com

Sincerely,

A handwritten signature in black ink that reads "Karla Wenzel". The signature is written in a cursive style with a large, looped initial "K".

Karla Wenzel
Manager, Pricing and Tariff

Enclosures

**SCHEDULE 125
ANNUAL POWER COST UPDATE**

PURPOSE

The purpose of this adjustment schedule is to define procedures for annual rate revisions due to changes in the Company's projected Net Variable Power Costs (the Annual Power Cost Update). This schedule is an "automatic adjustment clause" as defined in ORS 757.210(1), and is subject to review by the Commission at least once every two years.

APPLICABLE

To all Cost-of-Service bills for Electricity Service served under the following rate schedules 7, 15, 32, 38, 47, 49, 75, 83, 85, 89, 90, 91, 92, and 95. Customers served under the daily price option contained in schedules 32, 38, 75, 81, 83, 85, 89, 90, 91, and 95 are exempt from Schedule 125.

NET VARIABLE POWER COSTS

Net Variable Power Costs (NVPC) are the power costs for energy generated and purchased. NVPC are the net cost of fuel and emission control chemicals, fuel and emission control chemical transportation, power contracts, transmission/wheeling, wholesale sales, hedges, options and other financial instruments incurred to serve retail load.

RATES

This adjustment rate is subject to increases or decreases, which may be made without prior hearing, to reflect increases or decreases, or both, in NVPC.

ANNUAL UPDATES

The following updates will be made in each of the Annual Power Cost Update filings:

- Forced Outage Rates based on a four-year rolling average.
- Projected planned plant outages.
- Wind energy forecast based on a five-year rolling average.
- Costs associated with wind integration.
- Forward market prices for both gas and electricity.
- Projected loads.
- Contracts for the purchase or sale of power and fuel.
- Emission control chemical costs.
- Thermal plant variable operation and maintenance, including the cost of transmission losses, for dispatch purposes.
- Changes in hedges, options, and other financial instruments used to serve retail load.
- Transportation contracts and other fixed transportation costs.
- Reciprocating engine lubrication oil costs.
- Projections of State and Federal Production Tax Credits.
- No other changes or updates will be made in the annual filings under this schedule.

(N)

Schedule 126 (Continued)

DEFINITIONS (Continued)

Net Variable Power Costs (NVPC)

The Net Variable Power Costs (NVPC) represents the power costs for Energy generated and purchased. NVPC are the net cost of fuel and emission control chemicals, fuel and emission control chemical transportation, power contracts, transmission/wheeling, wholesale sales, hedges, options and other financial instruments incurred to serve retail load. For purposes of calculating the NVPC, the following adjustments will be made:

- Exclude BPA payments in lieu of Subscription Power.
- Exclude the monthly FASB 133 mark-to-market activity.
- Exclude any cost or revenue unrelated to the period.
- Include as a cost all losses that the Company incurs, or is reasonably expected to incur, as a result of any non-retail Customer failing to pay the Company for the sale of power during the deferral period.
- Include fuel costs and revenues associated with steam sales from the Coyote Springs I Plant.
- Include gas resale revenues.
- Include Energy Charge revenues from Schedules 76R, 38, 83, 85, 89, 90, and 91 Energy pricing options other than Cost of Service and the Energy Charge revenues from the Market Based Pricing Option from Schedules 485, 489, 490, 491, 492, and 495 as an offset to NVPC.
- NVPC shall be adjusted as needed to comply with Order 07-015 that states that ancillary services, the revenues from sales as well as the costs from the services, should also be taken into account in the mechanism.
- Actual NVPC will be increased to include the value of the energy associated with those Customers that received the Schedule 128 Balance of Year Transition Adjustment for the period during the year that the Customers received the Schedule 128 adjustment.
- Include reciprocating engine lubrication oil expenses.
- Include actual State and Federal Production Tax Credits.

(N)

ADJUSTMENT AMOUNT

The amount accruing to the Power Cost Variance Account, whether positive or negative will be multiplied by a revenue sensitive factor of 1.0335 to account for franchise fees, uncollectables, and OPUC fees.

The Power Cost Adjustment Rate shall be set at level such that the projected amortization for 12 month period beginning with the implementation of the rate is no greater than six percent (6%) of annual Company retail revenues for the preceding calendar year.

TIME AND MANNER OF FILING

As a minimum, on July 1st of the following year (or the next business day if the 1st is a weekend or holiday), the Company will file with the Commission recommended adjustment rates for the next calendar year.