



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

September 30, 2016

Via email

puc.filingcenter@state.or.us

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

Attn: Filing Center

Re: UM 1796 - Amended Application of Portland General Electric Company for Deferred Accounting Treatment of Certain Costs Associated with PGE's Customer Engagement Transformation Program

Enclosed for filing is a signed Amended Application of Portland General Electric Company (PGE) for Deferred Accounting Treatment of Certain Costs Associated with PGE's Customer Engagement Transformation Program. PGE's initial application was filed on August 31, 2016. Per our discussion with Staff on September 8, 2016, we are amending our initial application from a request for an accounting order to a request for deferred accounting treatment pursuant to ORS 757.259.

A Notice regarding the filing of this amended application has been provided to the parties on the UE 294 service list.

Parties who wish to receive a copy of this Application should review the OPUC website.

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at (503) 464-8929 or Stefan Cristea at (503) 464-8033. Please direct all formal correspondence, questions, or requests to the following e-mail address pge.opuc.filings@pge.com.

Sincerely,


Stefan Brown *for*
Manager, Regulatory Affairs

SB/sp

Encl. Amended Application
Work papers

cc: UE 294 Service List

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1796

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 Engagement Transformation Program

Amended Application for Deferred Accounting Treatment of Certain Costs Associated with PGE's Customer Engagement Transformation Program

Pursuant to ORS 757.259 and OAR 860-027-0300, and our discussion with Staff on September 8, 2016, Portland General Electric Company ("PGE") hereby requests authorization to defer for later rate-making treatment certain costs associated with the implementation of the Customer Engagement Transformation ("CET") program. PGE requests authorization to defer the 2017 CET operations and maintenance ("O&M") costs estimated at approximately \$6.4 million. These costs are directly related to the implementation of the CET program, a multi-year effort, involving the installation and configuration of replacement systems and operational improvement projects. We request this deferral to be effective beginning January 1, 2017 and will seek amortization of the deferred amounts in a future Commission proceeding.

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:

Jay Tinker
Rates & Regulatory Affairs
Portland General Electric,
1 WTC0306
121 SW Salmon Street
Portland, Oregon 97204
Phone: 503.464.8929
E-mail: pge.opuc.filings@pgn.com

Douglas C. Tingey
Assistant General Counsel
Portland General Electric,
1 WTC1301
121 SW Salmon Street
Portland, Oregon 97204
Phone: 503.464.8926
E-mail: doug.tingey@pgn.com

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

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

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

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

A. Background

The CET program is a comprehensive multi-year program (i.e., 2014 through 2018) comprised of multiple projects, or interrelated and mutually supportive initiatives, focused on operational efficiencies, process improvements, employee development, business strategies, and the replacement of two large customer systems: Customer Information System (CIS) and Meter Data Management System (MDMS). The goals of the CET program are to deliver the people, process and technology changes necessary to keep pace with future business needs and remain responsive to customers' needs, expectations, and preferences.

Replacement of the CIS and MDMS systems is necessary to support smart metering, self-service options, and innovative pricing programs. Current customer options are limited by our current systems that are nearing the end of their useful lives, have high maintenance costs, are no longer supported by outside vendors, and are not functionally suited for existing programs, such as billing for Net Metering, and emerging smart grid requirements. The increased functionality of these new

modern systems will allow PGE to improve the ways in which we engage and serve our customers.

The CET program and the recovery mechanism of associated O&M costs were discussed in detail in PGE's last three general rate cases (Docket No. UE 262, PGE Exhibit 900, Section III; Docket No. UE 283, PGE Exhibit 1000, Section IV; and Docket No. UE 294, Exhibit 900, Section III).

In our 2014 general rate case, parties agreed that PGE would treat the \$8.0 million in forecasted 2014 CET O&M costs as a regulatory asset and amortize the amount over the five-year development life of the project (i.e., 2014-2018). As a result, PGE's 2014 test year O&M costs decreased by \$6.4 million and an associated regulatory asset was included in rate base. For our 2015 and 2016 general rate cases PGE applied the same mechanism to the forecasted test years 2015 and 2016 CET O&M costs as follows:

- In UE 283, approximately \$5.3 million of forecasted 2015 CET O&M costs were treated as a regulatory asset and amortized over the four-year remaining development life of the project (i.e., 2015-2018);
- In UE 294, the estimated \$4.7 million of 2016 CET O&M costs were treated as a regulatory asset and amortized over the three-year development life of the project (i.e., 2016-2018).

Absent a 2017 general rate case, PGE would not be able to: 1) continue the CET deferral mechanism approved in Commission Orders Nos. 13-459¹ and 14-422,² and not contested in our 2016 general rate case,³ and 2) treat 2017 CET O&M costs as a regulatory asset and amortize the amount over the two-year remaining development life of the project (i.e., 2017-2018). Consequently, PGE requests deferred accounting treatment of the 2017 CET O&M costs to produce an outcome similar to the previously approved CET deferral mechanism.

¹ Docket No. UE 262, for the 2014 deferral; see Order 13-459, Appendix A, pages 3 and 4, Issue S-7

² Docket No. UE 283, for the 2015 deferral; see Order 14-422, Appendix B, page 2, Issue S-2

³ Docket No. UE 294; see PGE Exhibit 900, Section III, page 8

B. Reasons for Deferral

Pursuant to ORS 757.259(2)(e), for the reasons discussed above, PGE seeks deferred accounting treatment of forecasted 2017 O&M costs associated with the implementation of the CET program. 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.

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). In the absence of a deferred accounting order from the Commission, PGE would record the 2017 O&M costs associated with the implementation of the CET program to FERC account 903 (Customers Records and Collection Expenses).

D. Estimate of amounts to be recorded for the next 12 months.

PGE estimates the amounts subject to the deferral would total approximately \$6,424,000.⁴

E. Notice

A copy of the notice of amended application for deferred accounting treatment and a list of persons served with the notice are attached to the Application as Exhibit A.

II. Summary of Filing Conditions⁵

A. Earnings Review:

Recovery of the 2017 CET O&M costs will be subject to an earnings review in accordance with ORS 757.259(5).

⁴ See Attachment 1, Work Papers

⁵ Per Agreement with OPUC Staff on January 24, 2012

B. Prudence Review:

A prudence review should be performed as part of the amortization filing.

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 2017 CET O&M deferred costs 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 certain costs associated with the implementation of the CET program.

DATED this 30th day of September, 2016.



Stefan Brown
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UM 1796

Attachment 1

Provided in Electronic Format only

Work Papers

Exhibit A

Notice of Amended Application for Deferred Accounting Treatment of
Certain Costs Associated with PGE's Customer Engagement
Transformation Program (CET)

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1796**

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Costs Associated with PGE's Customer Engagement Transformation Program

Notice of Amended Application for Deferred Accounting Treatment of Certain Costs Associated with PGE's Customer Engagement Transformation Program

On September 30, 2016, Portland General Electric Company ("PGE") filed an amended application with the Public Utility Commission of Oregon ("Commission") for an Order authorizing deferral of the estimated 2017 operations and maintenance ("O&M") costs associated with the implementation of the Customer Engagement Transformation ("CET") program.

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 Public Utility Commission of Oregon website.

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than October 28, 2016.

Dated: September 30, 2016



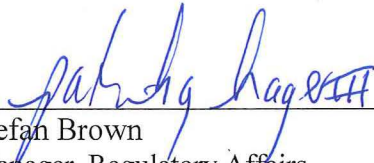
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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **Amended Application for Deferred Accounting Treatment of Certain Costs Associated with PGE's Customer Engagement Transformation Program** to be served by electronic mail to those parties whose email addresses appear in the attached service list OPUC Docket No. UE 294.

DATED at Portland, Oregon, this 30th day of September, 2016.



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**SERVICE LIST
OPUC DOCKET # UE 294**

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