ITEM NO. CA9

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 13, 2015

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **December 15, 2014**

DATE: January 6, 2015

TO: Public Utility Commission

FROM: Deborah Garcia DG

THROUGH: Jason Eisdorfer and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1711) Requests to defer expenses associated with Tucannon River Wind Farm.

STAFF RECOMMENDATION:

I recommend that Portland General Electric's application, as amended on December 1, 2014, be approved effective December 15, 2014.

DISCUSSION:

Portland General Electric (PGE or Company) made this filing pursuant to ORS 757.259, ORS 469A.120(1) and (3), OAR 860-027-0300 and Order No. 07-572.[1]

PGE is requesting that the Commission authorize deferral of the revenue requirement associated with its Tucannon River Wind Farm (Tucannon) from its in-service date through December 31, 2014, for later inclusion into rates.

Background
PGE filed a general rate case (GRC) (UE 283) on February 13, 2014, which included the incremental annualized revenue requirement associated with Tucannon, to be effective the later of January 1, 2015, or its in-service date.

[1] Senate Bill 838 (SB 838), enacted by the Oregon Legislature on June 6, 2007, established a renewable portfolio standard (RPS) applicable to certain Oregon utilities, including PGE, authorizing the recovery of prudently incurred costs associated with RPS compliance through a renewable adjustment clause. By Order No. 07-572 (Docket UM 1330), the Commission authorized the use of deferred accounting as a method for cost recovery.

On March 31, 2014, PGE made a Renewable Adjustment Clause (RAC) filing (UE 288) seeking to include in rates the interim revenue requirement from Tucannon's in-service date (estimated to be December 15, 2014) through December 31, 2014.

On December 4, 2014, the Commission issued Order No. 14-422 in UE 283, adopting the Second Partial Stipulation in which the Parties agreed that Tucannon is a prudent capital addition and should be included in the Company's rate base.[2] With Commission approval of the Stipulation, the revenue requirement associated with Tucannon would be included in rates the later of January 1, 2015, or Tucannon's in-service date. Under this scenario, absent this deferral, PGE would not collect the revenue requirement of this eligible resource associated with RPS compliance for the period between the in-service date and the date the resource is included in base rates.

On December 15, 2014, PGE filed an attestation by a corporate officer that Tucannon was in service and, pursuant to Order No. 14-422, PGE began collecting the associated revenue requirement on January 1, 2015.

Description of Utility Expense
The expense consists of the revenue requirement for the requested deferral period of December 15 through December 31, 2014, that is associated with Tucannon. The revenue requirement consists of the prudently incurred costs related to the fixed and variable costs of the resource such as the return on and of associated capital costs, operation and maintenance costs, income taxes, property taxes, and other fees or costs that are applicable to the resource or associated transmission.

Reasons for Deferral
This deferral eliminates the timing difference between when customers receive the benefit of the resource, and when the revenue requirement associated with Tucannon is included in rates.

Proposed Accounting
PGE proposed to record the deferred amount as a regulatory asset in FERC account 182.3, Other Regulatory Assets, with a credit to FERC account 456, Other Electric Revenue. In the absence of a deferred accounting order, PGE would record costs to several difference FERC accounts, including FERC account 921, Office Supplies and Expenses, FERC account 403.1, Depreciation Expense, etc.

Estimate of Amount
For the period, the Company estimates that approximately $2 million will be deferred. Customers will benefit from the addition of renewable generation capacity. As a

[2] See page 7 of Order No. 14-422, Section 2, e. for a discussion of the details.

renewable resource, Tucannon will generate renewable energy credits to which PGE has the rights and will be used to meet Oregon's Renewable Energy Standard or to lower customers' rates consistent with Order No. 07-083 (UP 236).

Staff Analysis

This Application is for accounting purposes only, and approval will not authorize a change in rates. PGE estimates it will seek to begin amortization on July 1, 2015. PGE will provide the detail of the actual deferred amounts in February 2015, to give Staff and interested parties ample time for review.

As PGE's application meets the requirements of ORS 469A.120(1) and (3), and its application to defer meets the requirements of OAR 860-027-0300, Staff recommends Commission approval.

Information Related to Future Amortization

- Earnings review – This deferral is exempt from an earnings review pursuant to ORS 757.259(5).

- Prudence Review –The prudence review should be limited to the costs included in the revenue requirement and the accounting methodology used to calculate any amount to be amortized.

- Sharing – This deferral is not subject to sharing.

- Rate Spread/Design – Staff assumes that the rate spread/design will mirror that approved in PGE's last GRC UE 283.

- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. The limit for these deferrals will be determined at the time of amortization. Should a deferred balance result in a credit to customers, the balance is exempt from the three percent test per the advice of Staff's counsel. The three percent test applies to this deferred account.

PROPOSED COMMISSION MOTION:

PGE's application to defer the revenue requirement associated with Tucannon for the period of December 15 through December 31, 2014, be approved.