

ITEM NO. CA16

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 24, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: January 10, 2017

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: Jason Eisdorfer and Marc Hellman *A*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1814) Requests Authorization for Deferred Accounting of Certain Revenues Associated with the Boardman Power Plant 100 Percent Biomass Test Burn.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric Company's (PGE or Company) application for deferred accounting of revenues for the twelve month period from December 30, 2016, to December 29, 2017, related to the Boardman Power Plant 100 percent biomass test burn.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for deferred accounting for revenues related to the Boardman Power Plant 100 percent biomass test burn.

Applicable Rule or Law

PGE submitted its deferral application on December 30, 2016, pursuant to ORS 757.259 and OAR 860-027-0300. ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates. OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

Analysis

Background

In OPUC Docket Nos. UE 262/UE 266, PGE requested the recovery of fuel costs associated with both a co-fire and 100 percent biomass test burn scheduled to occur at Boardman in 2014. In Commission Order No. 13-280 in Docket UE 266, a stipulation was adopted affirming that biomass test burn costs would be treated as a fuel cost and run through PGE's Annual Update Tariff (AUT). Included in this stipulation was the agreement that PGE would either remove costs from its 2014 test year revenue requirement or refund the estimated test burn net costs in the following year's AUT if it were clear that the test burn would not occur in 2014. Using this guidance, PGE has in 2014, 2015, and 2016 either removed or refunded and recollected amounts related to both test burns. PGE completed the co-fire test burn in 2015 and also recognized the revenues associated with that test in 2015.

For 2016, PGE found a supplier of torrefied biomass but determined that the supplier could not meet the Company's quality, time, and quantity requirements. PGE worked with several other potential suppliers who provided the biomass directly or installed torrefiers to work with forest wood product and other biomass waste. PGE expected to have approximately 4,000-5,000 tons of torrefied biomass by the test date, which was scheduled for the first part of December 2016. PGE has purchased the fuel required for the 2016, 100 percent biomass test burn and began building towards a 100 percent test burn in the first and second weeks of December 2016.

However, due to a number of mechanical and safety related issues discovered during the Company's efforts, PGE was unable to safely complete the full burn and acquire the necessary data. Additionally, for reliability purposes, PGE moved Boardman into "no touch" status, limiting the flexibility of performing the additional modifications required to resume its efforts building towards the 100 percent biomass test burn. For these reasons, PGE fully expects to resume and complete the 100 percent biomass test burn in the first quarter of 2017.

Reason for Deferral

PGE states that the granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

PGE proposes to record the deferred amount as a regulatory liability in FERC account 254 (Other Regulatory Liabilities), with a debit to FERC account 456 (Other Electric Revenues). In the absence of a deferred accounting order from the Commission, PGE

would record the 2016 revenues associated with the 100 percent biomass test burn as follows:

- Debit 449.1 - Provision for rate refunds, \$2.7 million (net of the value of power generated)
- Debit 431 - Other interest expense, \$0. 1 million (unused balance is subject to interest)
- Credit 229 - Accumulated provision for rate refunds, (\$2.8 million) for subsequent refund to customers

Estimated Deferrals in Authorization Period

PGE estimates the amounts subject to the deferral would total approximately \$2.8 million.

Information Related to Future Amortization

- Earnings Review – ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e).
- Prudence Review – For amortization, a prudence review should be completed to verify accuracy of the revenues.
- Sharing – Staff does not recommend any sharing of the revenues being considered for deferral.
- Rate Spread/Design – The revenues are generation related and therefore should be spread on an equal percentage of generation revenues.
- 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 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. Subsection (8) provides the Commission with discretion to authorize amortization of deferred amounts with an overall average rate impact of up to six percent of the electric utility's gross revenues upon conducting an earnings review.

Conclusion

Staff concludes that the Company's application to authorize deferral of revenues related to the Boardman Power Plant 100 percent biomass test burn is consistent with ORS 757.259. PGE has reviewed a draft of this memo and voiced no concerns.

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PROPOSED COMMISSION MOTION:

Approve PGE's application for deferred accounting of revenues for the twelve month period from December 30, 2016, to December 29, 2017, related to the Boardman Power Plant 100 percent biomass test burn.

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