

ENTERED SEP 14 2017

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1858

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Deferred Accounting of
Certain Expenses Associated with an
Independent Evaluator for a Request for
Proposal.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on September 12, 2017, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



A handwritten signature in blue ink, appearing to read "Michael Dougherty", is written over a horizontal line.

Michael Dougherty
Chief Operating Officer

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Circuit Court for Marion County in compliance with ORS 183.484.

ORDER NO. 17 348

ITEM NO. CA7

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 12, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE July 31, 2017

DATE: September 5, 2017

TO: Public Utility Commission

FROM: Mitchell Moore *MPM*
IE

THROUGH: Jason Eisdorfer and Marc Hellman *JE*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1858) Requests
Authorization of Deferred Accounting Related to Costs for an Independent
Evaluator.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric Company's (PGE or Company) application for deferred accounting for costs for the twelve-month period beginning July 31, 2017, for costs associated with retaining an Independent Evaluator (IE) to assist with the Company's Request for Proposals (RFP) for Renewable Resources. Ratemaking treatment of any expenses associated with retention of the IE is reserved for a future ratemaking proceeding.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for deferred accounting for costs related to an IE for the Company's RFP.

Applicable Law

PGE submitted its deferral application pursuant to ORS 757.259 and OAR 860-027-0300. ORS 757.259 is the statute that concerns deferrals and OAR 860-027-0300 is the Commission's rule related to such applications. As to the reason for PGE's deferral request under ORS 757.259, a utility's retention of an IE for an RFP for "Major Resources" is governed by Commission Order Nos. 06-446 and

PGE UM 1858 Deferral for IE
September 5, 2017
Page 2

14-149. In pertinent part, Competitive Bidding Guideline 5 set forth in Appendix A to Order No. 14-149 requires that a utility engage an IE for RFPs for all requests for a Major Resource. Guideline 5 further states that "the utility may request recovery of its payments to the IE in customer rates." See Order No. 14-149, Appendix A, page 2, Guideline 5.

Discussion and Analysis

Background:

Recently the Commission issued Order No. 17-226, approving the selection of Bates White, LLC to serve as the IE in the event that PGE pursues any RFPs for renewable resources capacity.

Reason for Deferral:

PGE states that it expects to incur incremental costs to pay for the IE that were not included in the costs used to set base rates in the final order resulting from PGE's last general rate case, Docket No. UE 294.

Proposed Accounting:

PGE will record the deferred costs as a regulatory asset in FERC Account 182.3.

Estimated Deferrals in Authorization Period:

The Company currently estimates the amount subject to the deferral will be approximately \$400,000 for the IE expenses associated with the Renewable RFP.

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, the prudence review should include verification of the accounting methodology used to determine the final amortization balance. The prudence review will be held after PGE files for amortization
- Sharing – Staff recommends that there be no sharing between PGE and its customers for this deferral. PGE is incurring the IE costs in order to comply with a Commission standard set forth in Order Nos. 06-446 and 14-149 related to the evaluation and consideration of RFPs for Major Resources. In this way, the Company is not voluntarily seeking to incur the IE costs. Further, the retention of an IE for the consideration of a utility's RFP for Major Resources ultimately is a

PGE UM 1858 Deferral for IE
September 5, 2017
Page 3

benefit to ratepayers. As such, the cost incurred is not one that is typical for a deferral application and it does not seem appropriate for the Company to share in such a cost. In addition, past deferral orders from the Commission did not mandate any sharing. See Order Nos. 12-160, 13-170, and 13-408.

- Rate Spread/Design – PGE proposes that account balances will be spread to the appropriate customer classes.
- 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.

Conclusion

Staff concludes that the Company's application to authorize deferral of the costs related to an IE is consistent with ORS 757.259 and with Commission Order Nos. 06-446 and 14-149.

While an earnings review is required prior to amortization of this deferral pursuant to ORS 757.259(5), the Commission is not required to perform an earnings test that could result in sharing of deferred costs between the Company and its customers. Staff recommends that deferred amounts not be subject to an earnings test.

The Company has reviewed this memo and stated no issues or concerns.

PROPOSED COMMISSION MOTION:

Approve PGE's request to defer, for the twelve month period beginning July 31, 2017, costs associated with the Company's employment of an Independent Evaluator, consistent with Order No. 17-226. Ratemaking treatment of any expenses associated with retention of the IE is reserved for a future ratemaking proceeding.