

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 26, 2013

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2013

DATE: February 14, 2013

TO: Public Utility Commission

FROM: Deborah Garcia *DG*

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman *J* *MG* *A*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1294(6)) Requests reauthorization to defer annual Net Power Cost Variances.

STAFF RECOMMENDATION:

I recommend Portland General Electric's application be approved.

DISCUSSION:

Portland General Electric (PGE or Company) makes this filing pursuant to ORS 757.210, 757.259, OAR 860-027-0300, Order No. 07-015, and PGE Schedule 126, to request reauthorization to defer the annual net variable power cost variances (PCV) for the 12-month period beginning January 1, 2013.

Description of Expense

By Order No. 07-015, the Commission approved an annual Power Cost Adjustment Mechanism (PCAM) for PGE. PGE's Schedule 126 contains the terms of the PCV deferral, which captures the annual difference between actual net variable power costs and the forecast costs that are collected from customers through PGE's Schedule 125.

The PCV is calculated pursuant to the terms in Schedule 126. Those terms include power cost deadbands for positive or negative annual variances, and require an earnings review prior to amortization.

Reason for Deferral

The PCV deferral will minimize the frequency of rate changes and more appropriately match the costs borne by and the benefits received by ratepayers pursuant to ORS 757.259(e).

Proposed Accounting

PGE proposes to record the deferred amount in FERC Account 182.3 (Regulatory Assets) and credit FERC Account 555 (Purchased Power) if there is an amount to collect from customers. If there is a refund due to customers, PGE will record the deferred amount in FERC 229 (Accumulated Provision for Rate Refunds); debiting FERC 449.1 (Provision for Rate Refunds). In the absence of deferral approval, PGE would not calculate a PCV and all associated revenue and expense would remain booked to the appropriate FERC accounts.

Estimate of Amounts

In its filing, PGE states it cannot provide an estimate of the amount that will be deferred because it is dependent on actual 2013 information that is currently unknown. PGE also requests to accrue interest pursuant to the methodology approved by Commission Orders in UM 1147.¹

With its application, PGE has provided workpapers detailing prior period activity pursuant to OAR 860-027-0300(4). After a review of the workpapers, Staff agrees that the Company's accounting methodology appears to be sufficient. Any necessary amortization will be accomplished by a change to Schedule 125 during a subsequent proceeding.

Information Related to Future Amortization

- Earnings review – Schedule 126 requires an earnings review.
- Prudence Review – A prudence review is a required component of an earnings review, and should include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Sharing is subject to the terms of Schedule 126.
- Rate Spread/Design – The PCV amortization amount will be spread on an equal cents per kWh basis, as specified in Schedule 126.

¹ See Order Nos. 08-263, 09-065, and 10-279.

- 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. Because PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. Schedule 126 specifies the six percent limit.

PROPOSED COMMISSION MOTION:

PGE's filing be approved for the 12-month period beginning January 1, 2013.

PGE UM 1294(6) PCAM deferral