ITEM NO. CA6

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 26, 2019

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **January 1, 2019**

DATE: February 19, 2019

TO: Public Utility Commission

FROM: Mitchell Moore MPM

THROUGH: Jason Eisdorfer and John Crider ER JC

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1417(10)) Requests reauthorization to defer revenues associated with the Sales Normalization Adjustment and Lost Revenue Recovery.

STAFF RECOMMENDATION:

Staff recommends that Portland General Electric's (PGE or Company) application for reauthorization to defer the revenues associated with the Sales Normalization Adjustment (SNA) and Lost Revenue Recovery (LRRA), be approved for the 12-month period beginning January 1, 2019.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for reauthorization to defer the revenues associated with the Sales Normalization Adjustment and Lost Revenue Recovery, implemented through Schedule 123, for the 12-month period beginning January 1, 2019.

Applicable Rule or Law

PGE submitted its deferral application on December 20, 2018, 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. Previous approval of this deferral was most recently granted by Order No. 18-092.

Analysis

Background

PGE was originally granted authorization for its decoupling mechanism in UE 197.[1] Reauthorization of its deferral was granted in Commission Order No. 10-077.[2] Commission Order No. 10-478 granted an extension of this mechanism beyond the original two year agreement and reset the base pursuant to PGE's general rate proceeding, Docket No. UE 215.[3] In Docket UE 262, the Commission approved the extension of PGE's SNA and LRRA mechanisms through December 31, 2016.[4] Subsequently, the Commission approved extending these mechanisms for three years beginning January 1, 2017.[5]

Description of Expense

The decoupling mechanism provides for customer collection or refund of revenues if Schedule 7 and Schedule 32 weather adjusted use per customer is less than or more than that approved in PGE's most recent general rate case (UE 335).

The SNA reconciles on a monthly basis, the differences between the monthly revenues resulting from applying distribution, transmission and fixed generation charges (collectively, Fixed Charge Revenues) to weather-normalized kWh energy sales. Calculations are specific to the rate schedule under which a customer is served but generally can be characterized as Fixed Charge Revenues less actual weather-adjusted revenues, accrued to the SNA balancing account. The monthly accrual may be positive (under-collection) or negative (over-collection). The SNA is divided into sub-accounts so that net accruals are separately tracked, as appropriate.

The LRRA is also applicable to specific rate schedules. LRRA amounts will be equal to the reduction in Fixed Charge Revenues resulting from the reduction in kWh sales, as reported to PGE by the Energy Trust of Oregon.

Cumulative kWh savings are eligible for the LRRA until new base rates are established as a result of a general rate case. At that time, the kWh base is reset to incorporate

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[1] *In re Portland General Electric Co.*, OPUC Docket No. 197, Order No. 09-020 at 28 (Jan. 22, 2009). Order 09-020 was modified by Order No. 09-172.
[2] *In re Portland General Electric Co.*, OPUC Docket No. UM 1417(1), Order No. 10-077 (Mar. 2, 2010).
[3] *In re Portland General Electric Co.*, OPUC Docket No. UE 215, Order No. 10-478 (Dec. 17, 2010).
[4] *In re Portland General Electric Co.*, OPUC Docket No. UE 262, Order No. 13-459 (Dec. 9, 2013).
[5] *In re Portland General Electric Co.*, OUPC Docket No. UE 306, Order No. 16-359 (Sept. 26, 2016).

previous efficiencies, and the LRRA is then calculated on the amount of kWh savings that accrue from energy efficiency measures following the adjustment in base rates.

Reason for Deferral
The continued use of a deferral account is necessary to track the variances for each of the mechanisms described above and to match appropriately the costs borne by and benefits received by customers.

Proposed Accounting
PGE proposes to continue using two separate accounts for the SNA and LRRA mechanisms. For each, if the deferred amounts are to be collected from customers, PGE will record the deferred amounts to FERC account 182.3 (Regulatory Assets). If amounts are due to customers, PGE will record the deferral in FERC account 229 (Accumulated Provision for Rate Refunds). The corresponding credit or debit for these accounts is to FERC account 456 (Other Revenue) or FERC account 449.1 (Provision for Rate Refunds), respectively.

Estimate of Amounts
The amounts to be deferred pursuant to SNA and LRRA mechanisms will be determined as described in Schedule 123, for which the SNA is the difference between actual and weather adjusted usage per customer during the deferral period and the usage per customer projected in UE 294 pursuant to Schedule 123. The LRRA difference is based on energy efficiency savings as reported by the Energy Trust of Oregon, and savings incorporated in the applicable load forecast. Interest will accrue at the interest rate set by the Commission for deferred amortizations.

Information Related to Future Amortization

- Earnings review – An earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is required prior to amortization and should include the verification of the accounting methodology used to determine the final amortization balance.
- Sharing – There is no sharing under the filed mechanisms.
- Rate Spread/Design – The SNA and LRRA amortizations will be spread as specified in Schedule 123.
- 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. The limit for these deferrals will be determined at the time of amortization.

Conclusion

OAR 860-027-0300(3)(d) requires that a deferral filing include: "[a]n estimate of the amounts to be recorded in the deferred account for the 12-month period subsequent to the application." In this case, given the bases on which the calculations for the deferrals will be made, weather and expected energy efficiencies, it's not possible to estimate with any reasonable certainty the amounts that could be deferred during this period. Instead, Staff agrees with PGE's approach in its filing that points to Schedule 123 requirements for how such calculations will be made, rather than speculating on how much the deferred amount might be. A review of previous annual deferred amounts lends credence to this approach.

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

Approve PGE's application for reauthorization to defer the revenues associated with the Sales Normalization Adjustment and Lost Revenue Recovery, for the 12-month period beginning January 1, 2019.