

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: August 22, 2017

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE August 23, 2017

DATE: August 10, 2017

TO: Public Utility Commission

FROM: Rose Anderson *RA*

*J* THROUGH: Jason Eisdorfer and Marc Hellman *J for MH*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1422(4)) Request for waiver of OAR 860-038-0640 Code of Conduct audit reporting requirement.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Portland General Electric's (PGE or Company) request for a waiver of OAR 860-038-0640 Code of Conduct audit reporting requirement.

**DISCUSSION:**

Issue

Whether the Commission should approve the Company's request for a waiver of the OAR 860-038-0640 Compliance Filing Requirement for a Code of Conduct verified report.

Applicable Rule or Law

OAR 860-038-0640 states that by June 1 of each odd numbered year, electric companies must file an independent third-party report on its compliance with the Code of Conduct rules (OAR 860-038-0500 through 860-038-0620). OAR 860-038-0001(4) provides the Commission with the authority to waive any of the Division 038 rules for good cause shown.

OAR 860-038-0500 through 860-038-0620 contain the Code of Conduct (Code of Conduct), which was designed to protect against abuses and anticompetitive practices

by electric companies in the Oregon retail electricity markets. It contains rules governing the cross-subsidization between competitive operations and regulated operations, access to transmission and distribution facilities, joint marketing practices, and other issues.

### Analysis

#### *Background*

PGE submitted the required Code of Conduct third party compliance report by June 1 in the years 2003, 2005, 2007, and 2011.

In an unreleased Staff Audit Report of PGE dated December 31, 2012, Staff conducted an extensive operational audit that included affiliate transactions and cost allocations, noting no issues.

In 2013 and 2015, PGE asked for a waiver of the requirement to file a third-party review relying on a variety of reasons, including that it had minimal competitive operations subject to the compliance verification report and that Staff had conducted an extensive audit in 2012 and had identified no issues related to affiliated interests or competitive operations. The Commission waived PGE's 2013 Code of Conduct reporting requirement in Order No. 13-060, and waived the Company's 2015 Code of Conduct report requirement in Order No. 15-088. On February 24, 2017, PGE filed its request for an extension of the filing date for its Code of Conduct Review report until October 16, 2017. The Commission approved PGE's request for a deadline extension.

Subsequent to the Commission's approval of its request for extension, PGE contacted Staff regarding PGE's Request for Proposals for a third party review. PGE reported that only one party submitted a bid and that the third party informed PGE that the review would increase in cost if the third party were reporting to the Commission instead of reporting to PGE.

PGE requested input from Staff on the possibility of using a report by PGE's Internal Audit Department in lieu of a third party review for the 2017 report. PGE states that the scope of the required review is narrow because PGE has limited competitive operations and no Oregon affiliates. In phone conferences with Staff, and in its waiver application, PGE confirmed that its Internal Audit department performs an internal quality assurance review annually and an external quality assurance review every five years to ensure conformance with the Institute of Internal Auditors' International Professional Practices Framework.

Conclusion

Staff finds that a PGE Code of Conduct report based on a third-party review will be a prudent way to assess PGE's Code of Conduct compliance for the previous two years. As PGE explained in its application for waiver, this approach will maintain the purpose of the third party review, reduce costs, and likely expedite the report.

Because the report, although facilitated by a third party, will be filed by PGE and thus will not meet the specific requirements of OAR-038-0640, PGE has applied for a waiver of the OAR-038-0640 requirements. Staff supports this approach as it will provide a thorough review by competent analysts at a lower cost to customers.

PGE has shown good cause for a waiver of its OAR-038-0640 Code of Conduct verified report requirement. The Company's request will not harm ratepayers and should be approved.

PGE has reviewed this memo and expressed no comments or concerns.

**PROPOSED COMMISSION MOTION:**

Approve PGE's request for a waiver of its 2017 Code of Conduct verified report.

PGE UM 1422, Request for a Code of Conduct verified report waiver.