

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 15, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2016

DATE: December 4, 2015

TO: Public Utility Commission

FROM: Suparna Bhattacharya ^{SB}

THROUGH: Jason Eisdorfer and Marc Hellman ^{JE} ^{MH}

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 123/Advice No. 15-25) Schedule 123 Decoupling Adjustment.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) proposed Schedule 123 tariff, as described in the Advice filing 15-25, effective with service on and after January 1, 2016.

ISSUE:

Whether or not the Commission should approve PGE's application and allow an updated Schedule 123 to go into effect on January 1, 2016. Schedule 123 decoupling adjustment rates derive from the amortization of the Sales Normalization Adjustments (SNA) and the Non-residential Lost Revenue Recovery Adjustments (LRRRA).

RULES:

- I. ORS 757.205 and ORS 757.210 pertain to filing schedules with the Commission and hearing to establish new schedules. ORS 757.210 requires fair, just and reasonable rates.
- II. ORS 757.259(6) states that, subject to other subsections of this statute, the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year.
- III. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. OAR 860-022-0025(2) specifically states that each energy utility changing existing tariffs or schedules shall submit the following:

- (a) a statement plainly indicating the increase, decrease, or other change thereby made in existing rates, charges, tolls, or rules and regulations;
- (b) a statement setting forth the number of customers affected by the proposed change and the resulting change in annual revenue; and
- (c) a detailed statement setting forth the reasons or grounds relied upon in support of the proposed change.

IV. OAR 860-022-0030(1) states that each energy utility filing tariffs or schedules which name increased rates shall submit additional information.

ANALYSIS:

Schedule 123 is designed to recover variances from two mechanisms: the SNA and Non-residential LRRRA. Original authorization for these mechanisms was approved in Commission Order No. 09-020 and reauthorization was granted in Commission Order No. 10-077. In Commission Order No. 10-478, the Commission granted a three-year extension of these mechanisms. In Order No. 13-459, the Commission approved the extension of the SNA and LRRRA mechanisms through December 31, 2016. With Order Nos. 11-110, 12-075, 13-044, 14-020, and now 15-019, the Commission has approved PGE's requests for reauthorization to defer the revenues associated with these mechanisms. The Company maintains a separate balancing account and associated energy rates for the SNA, applicable to Schedules 7 and 32, and also for the non-residential LRRRA, applicable to remaining non-residential Schedules.

The proposed 2016 amortization of the sum of Schedules 7 and 32 SNA and the LRRRA (applicable to remaining non-residential schedules) is a refund to applicable customers of \$5.8 million. PGE proposes a refund of \$4.0 million for Schedule 7, a refund of \$1.3 million for Schedule 32, and a refund of approximately \$0.5 million for other applicable schedules. Schedule 123 rates decrease for all applicable customers. A typical Schedule 7 customer consuming 840 kWh monthly will see a bill decrease of \$0.75 as a result of the proposed decrease to current Schedule 123 prices.

The SNA mechanism addresses deviation of weather adjusted energy sales from forecasted weather normalized energy sales. Specifically, SNA, on a monthly basis, is calculated as fixed charge revenue less actual weather-adjusted revenues and accrued to the SNA balancing account. The monthly fixed charge revenue is collected by applying the fixed charge per customer to the number of customers each month, while weather-adjusted monthly revenue is generated from applying distribution, transmission, and fixed generation charges to the weather normalized kWh energy sales per month. The monthly accrual may be positive (under-collection) or negative (over-collection). The SNA is divided into sub-accounts so that net accruals for Schedules 7 and 32 are tracked separately.

The LRRR mechanism addresses deviation of actual Senate Bill (SB) 838-funded energy efficiency measures from forecasted SB 838-funded energy efficiency measures. The non-residential LRRR amount is equal to the reduction in distribution, transmission, and fixed generation revenues due to the reduction in kWh sales as reported to PGE by the Energy Trust of Oregon. The monthly accrual can be positive or negative. The non-residential LRRR is applicable to all customers except those served under Schedules 7 and 32. Large non-residential customers whose load exceeds one average megawatt at a Point of Delivery are also exempt from the LRRR.

Staff reviewed the Company's work papers related to this filing and had discussions with the Company regarding the rates calculation.

If the filing is approved, customers served under Schedule 7 will see a Schedule 123 rate of (0.052) cents/KWh, while those under Schedule 32 will see a rate of (0.083) cents/KWh. Schedule 123 is a credit because actual weather adjusted use-per-customer for 2014 is greater than what was projected in UE 262. For Schedule 7 customers, the SNA balance to be amortized during the period January 2016 through December 2016 is (\$3,978,551) and the load forecasted for 2016 is 7,595,042 MWh. The Schedule 123 rate thus decreases when the deferred balance is spread over the expected load. Similarly, Schedule 32 customers will see rate decreases when the requested SNA balance of (\$1,323,509) is spread over 1,587,676 MWh.

The proposed 2016 amortization from the LRRR mechanism is (\$520,656). Consistent with Commission Order No. 13-459, the LRRR prices for the direct access customers apply only to distribution services. The 2016 load for the LRRR cost-of-service customers is 5,651,987 MWh and to spread the LRRR balance over the forecasted load, a rate of (0.009) cents/kWh will apply to all LRRR cost-of-service customers. Similarly, the estimated rate for the LRRR Direct Access customers is (0.002) cents/kWh, given the 2016 forecasted load of 425,426 MWh.¹

Staff verified that the deferred SNA and LRRR accounts accrue interest at the Modified Blended Treasury Rate.

The current filing complies with the applicable statutes and rules. PGE estimates that with the implementation of proposed Schedule 123 credit, approximately 856,000 customers will be impacted by overall \$11.5 million or 0.6 percent decrease in revenues from current Schedule 123 prices. The current Schedule 123 prices would yield revenues of \$5.7 million in 2016. Because of the proposed Schedule 123 price changes, 2016 revenues are expected to be a credit of (\$5.8) million.² The change in

¹ The total Schedule 123 amount: Sch7(\$3,978,551) + Sch32(\$1,323,509) + LRRR(\$520,656) = (\$5,822,715)

² Revenues: Sch7(\$3,949,422) + Sch32(\$1,317,771) + LRRR-COS(\$508,679) + LRRR-LTDA(\$8,509) = (\$5,784,381)

prices therefore yields a reduction in revenues of \$11.5 million for 2016. The amortization amount proposed for Schedule 123 is approximately (0.3 percent) of 2014 revenues. The sum of PGE's current and 2016 proposed amortization of deferrals including Schedule 123 is approximately zero.

CONCLUSION:

Staff's review focused on whether the deferred amounts subject to amortization and the proposed rates were calculated correctly. Staff finds that the proposed rate decrease for all applicable schedules has been appropriately calculated and updated in the filed revised tariff Sheets 123-3, 123-4, and 123-5. Staff also reviewed the tariff language and finds no unusual terms and conditions.

The Company has reviewed this memo and has no issues.

PROPOSED COMMISSION MOTION:

Advice filing 15-25, be approved, with PGE's proposed Schedule 123 tariff revisions to be effective with service on and after January 1, 2016.

Decoupling Mechanism