



PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: August 2, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE May 25, 2016

DATE: July 20, 2016

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1777) 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 from May 25, 2016, to May 24, 2017, related to its employment of an Independent Evaluator (IE) retained to assist with the Company's recent Request for Proposals for Renewable Resources (RFP).

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 14-149. In pertinent part, Guideline 5 set forth in 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

PGE recently issued its RFP and the matter was docketed as UM No. 1773. As required by Guideline 5, PGE retained the services of an IE for its RFP. In its Order No. 16-221, the Commission granted PGE's request for a waiver of certain processes involved in order to allow the Company to employ the Accion Group as its IE for its RFP.

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 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 183.

Estimated Deferrals in Authorization Period

The Company currently estimates the amount subject to the deferral will be approximately \$212,000 for 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 be limited to verification of the accounting methodology used to determine the final amortization balance.
- 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 mandate 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. Rather, the Company has retained the services of an IE only because the Commission has required it to do so. Further, the retention of an IE for the consideration of a utility's RFP for Major Resources ultimately is a 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 – 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.

PROPOSED COMMISSION MOTION:

Approve PGE's request to defer for the twelve month period from May 25, 2016, to May 24, 2017, costs associated with the Company's employment of an Independent Evaluator for its Renewable RFP that is being considered in Commission Docket No. UM 1773.