



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204
PortlandGeneral.com

August 31, 2016

via email

puc.filingcenter@state.or.us

Public Utility Commission of Oregon
201 High Street, Ste. 100
P. O. Box 1088
Salem, OR 97308-1088

Attn: Filing Center

**Re: UM _____ In the Matter of the Application of Portland General Electric Company for
an Accounting Order Regarding Costs Associated with PGE's Customer Engagement
Transformation Program**

Enclosed for filing is a signed Application of Portland General Electric Company (PGE) requesting that the Public Utility Commission of Oregon (OPUC) issue an accounting order authorizing PGE to continue the Customer Engagement Transformation (CET).

A Notice regarding the filing of this application has been provided to the parties on the UE 294 service list.

Parties who wish to receive a copy of this Application should review the OPUC website.

Thank you for your assistance in this matter. If you have any questions or require further information, please call me at (503) 464-8929 or Stefan Cristea at (503) 464-8033. Please direct all formal correspondence, questions, or requests to the following e-mail address pge.opuc.filings@pgn.com.

Sincerely,

A handwritten signature in blue ink, appearing to read "Stefan Brown", is written over the word "Sincerely,".

Stefan Brown
Manager, Regulatory Affairs

SB/sp
Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Accounting
Order Regarding Costs Associated with PGE's
Customer Engagement Transformation
Program

**Application for an Accounting Order on
Costs Associated with PGE's Customer
Engagement Transformation Program**

Pursuant to Sections 757.120 and 757.125 of the Oregon Revised Statutes (ORS), Portland General Electric Company (PGE) respectfully requests that the Public Utility Commission of Oregon issue an accounting order authorizing PGE to continue the Customer Engagement Transformation (CET) deferral mechanism approved in OPUC Orders Nos. 13-459¹ and 14-422,² and not contested in our 2016 general rate case (Docket No. UE 294)³. The intention of the accounting order is to classify the 2017 CET operations and maintenance (O&M) costs as a regulatory asset and amortize that amount over the remaining two-year development life of the project. PGE estimates the 2017 CET O&M costs to be approximately \$6.4 million. These costs are directly related to the implementation of the CET program, a multi-year effort, involving the installation and configuration of replacement systems and operational improvement projects. Consequently, PGE requests that the Commission allow alternative accounting classification to capitalize the 2017 CET O&M costs and authorize a two-year amortization in conjunction with the previously established and Commission-approved mechanism.

In support of this application, PGE states as follows:

¹ Docket No. UE 262, for the 2014 deferral; see Order 13-459, Appendix A, pages 3 and 4, Issue S-7

² Docket No. UE 283, for the 2015 deferral; see Order 14-422, Appendix B, page 2, Issue S-2

³ Docket No. UE 294; see PGE Exhibit 900, Section III, page 8

1. PGE is a public utility in the state of Oregon and its rates, service and accounting practices are subject to the regulation of the OPUC.
2. Communications regarding this Application should be addressed to:

Jay Tinker
Rates and Regulatory Affairs
Portland General Electric,
1 WTC0306
121 SW Salmon Street
Portland, Oregon 97204
Phone: 503.464.8929
E-mail: pge.opuc.filings@pgn.com

Douglas C. Tingey
Assistant General Counsel
Portland General Electric,
1 WTC1301
121 SW Salmon Street
Portland, Oregon 97204
Phone: 503.464.8926
E-mail: doug.tingey@pgn.com

In addition to the names and addresses above, the following are to receive notices and communications via the e-mail service list:

Stefan Brown, Manager, Regulatory Affairs
E-mail: stefan.brown.@pgn.com

I. The Commission's Authority over Accounting

The Commission has plenary authority over PGE's accounting practices (ORS §§757.120 and 757.125). The Commission has adopted the Federal Energy Regulatory Commission's Uniform System of Accounts for use by all electric utilities in Oregon (OAR 860-27-045). The Commission may, however, allow a utility to depart from strict FERC accounting practices (OAR 860-27-0000).

II. Description of the CET program

The CET program is a comprehensive multi-year program (i.e., 2014 to 2018) comprised of multiple projects, or interrelated and mutually supportive initiatives, focused on operational efficiencies, process improvements, employee development, business strategies, and the replacement of two large customer systems: Customer Information System (CIS) and Meter Data Management System (MDMS). The goals of the CET program are to deliver the people, process

and technology changes necessary to keep pace with future business needs and remain responsive to customers' needs, expectations, and preferences.

Replacement of the CIS and MDMS systems is necessary to support smart metering, self-service options, and innovative pricing programs. Current customer options are limited by our current systems that are nearing the end of their useful lives, have high maintenance costs, are no longer supported by outside vendors, and are not functionally suited for existing programs, such as billing for Net Metering, and emerging smart grid requirements. The increased functionality of these new modern systems will allow PGE to improve the ways in which we engage and serve our customers. The CET program was discussed in detail in PGE's last three general rate cases (UE 262, PGE Exhibit 900, Section III; UE 283, PGE Exhibit 1000, Section IV; and UE 294, Exhibit 900, Section III).

III. Timing and Nature of Cost Recovery

In our 2014 general rate case (Docket No. UE 262), the parties agreed that PGE would treat the \$8.0 million in forecasted 2014 CET O&M costs as a regulatory asset and amortize the amount over the five-year development life of the project (i.e., 2014-2018). As a result, PGE's 2014 test year CET O&M costs decreased by \$6.4 million and an associated regulatory asset was included in rate base. For our 2015 and 2016 general rate cases (Docket Nos. UE 283 and UE 294), PGE applied the same mechanism to the forecasted test years 2015 and 2016 CET O&M costs as follows:

- In UE 283, approximately \$5.3 million of forecasted 2015 CET O&M costs were treated as a regulatory asset and amortized over the four-year remaining development life of the project (i.e., 2015-2018);
- In UE 294, the estimated \$4.7 million of 2016 CET O&M costs were treated as a regulatory asset and amortized over the three-year remaining development life of the

project (i.e., 2016-2018).

PGE requests a continuation of the CET deferral mechanism as approved by the Commission Orders noted above to allow approximately \$6.4 million of 2017 CET O&M costs to be recorded as a regulatory asset and amortized on an accounting basis over the two-year remaining development life of the project (i.e., 2017-2018). PGE will not ask to collect on the 2017 amortization costs but will incorporate the 2018 amortization costs into a 2018 general rate case (if filed). The full effect of the CET mechanism is that the 2014, 2015, 2016, and 2017, CET regulatory assets would be amortized as listed in Table 2, below.

Table 2
CET Deferral Amortization by Year (\$000)

CET Vintage Year	Docket	2014 Amort.	2015 Amort.	2016 Amort.	2017 Amort.	2018 Amort.	Total CET Deferred Expense *
2014	UE 262	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$8,000
2015	UE 283		\$1,330	\$1,330	\$1,330	\$1,330	\$5,320
2016	UE 294			\$1,558	\$1,558	\$1,558	\$4,675
2017	Requested				\$3,212	\$3,212	\$6,424
Totals		\$1,600	\$2,930	\$4,488	\$7,703	\$7,700	\$24,419

* May not sum due to rounding

IV. Accounting Treatment

PGE requests approval to classify as capital the 2017 O&M costs associated with the implementation of the CET program. PGE will record these costs in FERC Account 182.3 (Other Regulatory Assets) and amortize these amounts to FERC Account 903 (Customer Records and Collection Expenses). Without Commission approval of this application, these costs would be expensed, rather than capitalized.

V. Summary of Filing Conditions

- A. Earnings Review: No earnings review is applicable because amortization costs will only be included in a general rate case with the other amortizations listed in Table 2,

above.

- B. Prudence Review: A prudence review for the 2018 portion of the costs should be performed as part of the 2018 general rate case filing review, if filed.
- C. Sharing Percentages: All prudently incurred costs are to be recoverable by PGE with no sharing mechanism.
- D. Rate Spread / Rate Design: The rate spread/rate design will be consistent with the prevailing rate spread/rate design at the time of amortization.
- E. Three Percent Test: The amortization of the 2017 CET O&M costs will be subject to the three percent test in accordance with ORS 757.259(7) and (8), which limits aggregated deferral/accounting amortization during a 12-month period to no more than three percent of the utility's gross revenue for the preceding year.

VI. Conclusion

For the reasons stated above, PGE requests that the Commission issue an accounting order allowing PGE to capitalize the 2017 O&M costs associated with the implementation of the CET program and to amortize the balance over the remaining two-year development life of the project.

DATED this 31st day of August, 2016.



Stefan Brown
Manager, Regulatory Affairs
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UM _____

Attachment 1

Provided in Electronic Format only

Work Papers

Exhibit A

Notice of Application For Accounting Order On Costs Associated with
PGE's Customer Engagement Transformation Program (CET)

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland General Electric Company for an Accounting Order Regarding Costs Associated with PGE's Customer Engagement Transformation Program

**Notice of Application
For an Accounting Order
on Costs Associated with PGE's Customer
Engagement Transformation Program**

On August 31, 2016, Portland General Electric Company ("PGE") filed an application with the Public Utility Commission of Oregon ("Commission") for an Order authorizing PGE to classify as capital the 2017 O&M expenses associated with the implementation of PGE's Customer Engagement Transformation program.

Approving the request will not authorize an immediate change in rates, but will permit the Commission to consider allowing PGE to incorporate such effect in base rates in its next general rate case.

Persons who wish to obtain a copy of PGE's application will be able to access it on the Public Utility Commission of Oregon website.

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than September 26, 2016.

Dated: August 31, 2016



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CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **APPLICATION FOR AN ACCOUNTING ORDER ON COSTS ASSOCIATED WITH PGE'S CUSTOMER ENGAGEMENT TRANSFORMATION PROGRAM** to be served by electronic mail to those parties whose email addresses appear on the attached service list OPUC Docket No. UE 294.

DATED at Portland, Oregon, this 31st day of August, 2016.



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**SERVICE LIST
OPUC DOCKET # UE 294**

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