

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT

PUBLIC MEETING DATE: December 20, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: December 9, 2016

TO: Public Utility Commission

FROM: Lance Kaufman *LK*

THROUGH: Jason Eisdorfer and Marc Hellman *JE* *MH*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 410/
Advice No. 16-17) 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 filing of Advice 16-17, effective for service rendered on and after January 1, 2017.

DISCUSSION:

Issue

Whether the Commission should approve PGE's proposed decoupling updates to Schedule 123.

Applicable Rule or Laws

- ORS 757.205 requires that public utilities file all rates, rules, and charges with the Public Utility Commission of Oregon (OPUC).
- ORS 757.210 establishes a hearing process to address utility filings and requires rates be fair, just and reasonable.
- ORS 757.259 allows certain deferred amounts to be included in utility rates.
- OAR 860-022-0025 requires that new tariff filings include statements showing the new rates, the number of customers affected, the impact on annual revenue, and the reasons supporting the proposed tariff.

Analysis

Background

This filing updates PGE's Schedule 123 (Decoupling Adjustment) rates associated with the amortization of the Sales Normalization Adjustments (SNA) applicable to Schedules 7, 32, and 532, and the Non-residential Lost Revenue Recovery Adjustments (LRRRA), applicable to remaining non-residential schedules. Portland General Electric submitted its filing on November 1, 2014, pursuant to ORS 757.205, ORS 757.210, and OAR 860-022-0025, with an effective date of January 1, 2017.

Schedule 123 is designed to recover variances of revenue from forecasted amounts using 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. Commission Order Nos. 10-478 and 16-359 granted extension of these mechanisms beyond the original two year agreement, while Order Nos. 11-110, 12-075, 13-044, 14-020, 15-019 and 16-039 approved PGE's subsequent request for reauthorization to defer the revenues associated with these mechanisms.

Sales Normalization Adjustment

The SNA addresses non-weather related deviation of actual and forecasted energy sales. The monthly SNA deferral is calculated as fixed charge revenue less weather-adjusted actual revenues. The monthly deferral is booked to the SNA balancing account in the month of usage. The SNA balancing account accrues interest at the modified blended treasury rate.

PGE calculates that the amortization of the 2017 SNA balancing account will refund \$8.1 million to Schedule 7 customers and \$1.4 million to Schedule 32 customers. This results in a \$0.00107 per kWh credit to Schedule 7 customers and a \$0.00092 per kWh credit to Schedule 32 customers. Staff audited the work papers underlying these values and found the assumptions and calculations to be accurate.

Lost Revenue Recovery Adjustment

The LRRRA portion of Schedule 123 addresses deviation of actual SB 838 funded energy efficiency measures from forecasted SB 838 funded energy efficiency measures embedded in the most recent rate case. The difference between actual and forecasted energy efficiency savings is assigned to the LRRRA balancing account based on the fixed cost portion of energy charges. LRRRA applies to all Schedules except 7, 32, and 532. Customers with energy use exceeding one MWh are exempt from LRRRA charges. PGE calculates that the amortization of the 2017 LRRRA balancing account will refund \$0.8 million dollars to customers on LRRRA applicable schedules. This results in a

\$0.00014 per kWh credit to cost of service customers and a \$0.00003 per kWh credit to cost of service opt-out customers. Staff audited the work papers underlying these values and found the assumptions and calculations to be accurate with one exception. The exception relates to the timing of accruals, and does not harm customers. This issue is explored further in the following section.

Customer Bill Impacts

Approximately 870,000 customers will be impacted by the changes to Schedule 123. The changes reduce PGE’s overall revenues by \$4.6 million or 0.3 percent. A typical monthly bill for residential customers consuming 840 kWh will see a \$0.47 or 0.5 percent decrease in their bill because of the proposed decreases to Schedule 123 prices.

Interest Accrual

A full month of interest is accrued on the beginning-of-month balance. A half month of interest is accrued on current month deferrals. In a separate investigation, UG 312, Staff is investigating the appropriate timing of interest accruals for decoupling mechanisms. PGE appears to accrue interest in a similar manner to Northwest Natural’s method in UG 312. Staff recommends that PGE monitor the results of UG 312 and evaluate whether the findings in that proceeding are also appropriate for PGE and can be consistently applied to Schedule 123 accrual calculations.

In reviewing the workpapers supporting the LRRR calculations, Staff observed that the annual shape of the lost revenue estimates was weighted towards the later months of the year. The LRRR balancing account however accrued an equal amount per month. The table below presents the shape of energy efficiency deviations and the LRRR balancing account accrual.

	<u>EEM Shortfall</u>	<u>Shape</u>	<u>Shaped Accrual</u>	<u>LRRR Accrual</u>
Jan	131	1%	(\$6,444)	(\$62,276)
Feb	282	2%	(13,924)	(62,276)
Mar	398	3%	(19,621)	(62,276)
Apr	501	3%	(24,697)	(62,276)
May	562	4%	(27,683)	(62,276)
Jun	695	5%	(34,267)	(62,276)
Jul	871	6%	(42,937)	(62,276)
Aug	1095	7%	(54,000)	(62,276)
Sep	1402	9%	(69,133)	(62,276)
Oct	2188	14%	(107,847)	(62,276)
Nov	3181	21%	(156,810)	(62,276)
Dec	3853	25%	(189,946)	(62,276)
Total	15159	100%	(747,309)	(747,309)

Staff found that shaping accruals consistent with actual lost revenue reduces the credit to customers by \$3,584. Staff did not request that PGE update the current filing because the impact is small and it makes sense to await the results of the NW Natural investigation that is similar in issue. However, Staff recommends that PGE should look into this issue further, along with Staff, with a possible result being that future filings should shape accruals to match the revenue estimate.

Conclusion

Staff's review of this filing identifies one issue regarding the timing of accruals in Schedule 123 balancing accounts. This issue affects the amount of interest that is accrued in these accounts, and remedy of this issue would likely reduce the amount of interest accrued. Because the current account represents a credit to customers, and because of the small dollars involved, Staff recommends PGE investigate and address this issue in subsequent filings. Staff finds that the updated rates in Schedule 123 are otherwise appropriately calculated, and recommends that the Commission approve the proposed tariff.

The Company has reviewed this memo and did not express any issue or concern.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's proposed Schedule 123 tariff, as described in the filing of Advice 16-17, effective for service rendered on and after January 1, 2017.