

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 20, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2016

DATE: December 9, 2016

TO: Public Utility Commission

FROM: Rose Anderson ^{RA}

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 427/
Advice No. 16-20) Reprises Schedule 105 with Miscellaneous
Adjustments.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) proposed Schedule 105 tariff as described in the Advice No. 16-20 filing, effective with service on and after January 1, 2017.

DISCUSSION:

Issue

Whether the Commission should approve the Company's Advice No. 16-20: Miscellaneous Regulatory Adjustments (Advice Filing) which seeks to:

1. Update the Company's Schedule 105 to adjust for differences between actual and predicted costs for;
 - a. The North Fork Surface Collector and;
 - b. A bond issued by PGE in January 2016;
2. Include the effects of the Company's acquisition of an additional share of the Boardman plant;
3. Amortize sales of Renewable Energy Certificates; and
4. Amortize the three intervenor fund balancing accounts.

Applicable Rule or Law

OAR 860-022-0025 specifies filing requirements for all tariff changes and OAR 860-022-0030 provides that if the revision results in a rate increase, the filing shall include additional details and list the reasons for the increase.

ORS 757.259(1) authorizes the Commission to allow a utility to amortize into rates amounts deferred under ORS 757.259(2) and requires the Commission to allow a utility to amortize amounts deferred under ORS 757.259(3) that are provided as financial assistance under an ORS 757.072 agreement. ORS 757.259(6) states that the overall average rate impact of the amortizations of deferrals authorized under ORS 757.259(2) in any year may not exceed three percent of the utility's gross revenues for the preceding calendar year.

Analysis

Background

Schedule 105, Regulatory Adjustments consists of miscellaneous adjustments which vary from year to year. PGE filed ADV 427 on November 10, 2016, to request an update to Schedule 105.

Part A

As explained in Order 14-422 of UE 283, PGE acquired Power Resource Cooperative's (PRC) ten percent share of the Boardman as part of a plan to close Boardman in 2020. The economic benefits of that transaction included net proceeds of approximately \$3.6 million as well as the settlement of a third-party PPA for approximately \$2.2 million. The majority of this amount was amortized in 2015 and 2016. The Company's Advice Filing seeks to amortize \$226 thousand of the remaining proceeds in 2017.

Order No 15-356 in UE 294 states that The North Fork Surface Collector (NFSC) is a hydro licensing requirement included in the FERC license for the Clackamas Hydro Project. The NFSC is designed to assist fish passage on the North Fork Dam. It was placed into service on September 30, 2015. In the Company's last general rate case, the Company agreed that if costs for the project were less than costs included in UE 294, the Company would return the difference to customers. Because costs were below the level included in UE 294, the Company is requesting to amortize the difference with interest through Schedule 105 in 2017.

The Company's Advice Filing also includes amortization of a refund from a bond issued in January 2016. Order No. 16-098 in UM 1756 states that on January 6, 2016, the Company issued \$140 million of new 2.51 percent five-year First Mortgage Bonds due

January 6, 2021. The Company's Advice Filing explains that the bond issuance and interest costs differed from prices presumed in current rates, and the difference is being refunded to customers through Schedule 105.

This update to Schedule 105, Part A also includes about \$2 million of REC sale proceeds refunded to customers. The RECs sold were unbundled, Oregon-qualifying RECs. In informal conversations with Staff, PGE indicated that the distribution of this refund to all customers, including Direct Access customers, is based on Order 15-394 in which the Commission thusly directs PacifiCorp on the distribution of REC refunds.

Also included in Schedule 105, Part A is the amortization related to the three intervenor funds as follows:

- CUB Fund: about \$328 thousand allocated to Schedule 7.
- Match Fund: about \$2 million allocated to Schedules 89 and 90
- Issue Fund: about \$760 thousand allocated to Schedules 7, 89, and 90

Part B

The Large Non-Residential (LNR) Load True-up is an adjustment associated with the Company's Schedule 128.

Review of Schedule 105 Adjustments

Part A of Schedule 105 consists of 7 separate adjustments and Part B consists of a Large Non-Residential Load True Up. The revised Schedule 105 as proposed by the Company in the Advice Filing is summarized in the table below.

| Schedule 105 Part A | | |
|------------------------------|---------------------|---|
| Category | Amount (000) | Rate Design/Spread |
| PRC Economic Value | (\$226) | COS generation revenues |
| North Fork Surface Collector | (\$259) | COS generation revenues |
| UE 294 Bond Issue Update | (\$1,551) | current revenues, includes Carty impact commencing August 1 |
| REC Sales | (\$2,057) | COS & DA generation revenues |
| CUB Fund | \$328 | Schedule 7 |
| Match Fund | \$208 | Schedules 89 and 90 |
| Issue Fund | \$763 | Schedules 7, 89, and 90 |
| Schedule 105 Part B | | |
| Large Nonresidential True-up | \$701 | LNR customers |
| Schedule 105 Total | | |
| Schedule 105 Total | (\$2,093) | |

All revenue adjustments are priced on an even cents-per-kWh basis and employ 2017 Test Year sales volume projections. For Direct Access customers, the REC Sales refund is allocated based on proxy revenues as if customers had purchased power from PGE rather than from an Electricity Service Supplier (ESS.)

The net result of the adjustments in Schedule 105 is a credit to customers of approximately \$2.2 million. However, because the credit is less than the credit from Schedule 105 already in rates, the result of this filing is an increase in rates of approximately \$2.7 million. A residential Schedule 7 customer using 840 kWh monthly will see a bill increase of \$0.16, or 0.16%. The Company's annual cycle revenues for 2015 were approximately \$1,734 million. The amortization amounts in this filing equal approximately (0.1%) of 2015 revenues.

Staff Considerations

Staff has reviewed the Company's workpapers behind the amounts and rate spread proposed for amortization in Parts A and B of the Advice Filing. Staff has discussed the rate design with the Company in informal phone conversations and agrees that rates are designed in agreement with prior Commission decisions.

Conclusion

All of the deferrals at issue were either required by statute (intervenor funding) or Commission order. Given these circumstances, Staff's review focused rate design and whether proposed rates from amortization of these amounts were calculated correctly. Staff finds that rates in the Advice Filing are calculated correctly and updated in the filed revised tariff Sheet 105.

PGE has reviewed this memo and did not express any issues or concerns.

PROPOSED COMMISSION MOTION:

Approve PGE's proposed Schedule 105 tariff revisions to be effective with service on and after January 1, 2017.