

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2018

DATE: December 11, 2017

TO: Public Utility Commission

FROM: Mitchell Moore *mpm*

THROUGH: Jason Eisdorfer *E* and John Crider *JP for JC*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 648/
Advice No. 17-24) 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 No. 17-24, effective for service rendered on and after January 1, 2018.

DISCUSSION:

Issue

Whether the Commission should approve PGE's proposed updates to its decoupling mechanisms in 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

Schedule 123 is designed to allow PGE to recover the variance between forecasted and actual revenue using two mechanisms: the Sales Normalization Adjustment (SNA) and Non-residential Lost Revenue Recovery Adjustment (LRRRA). The SNA applies to Schedules 7, 32, and 532, and the Non-residential LRRRA, applies to remaining non-residential schedules. The filing at issue in this report updates PGE's Schedule 123 rates to amortize the variances deferred pursuant Schedule 123 and the deferral authorization provided in Commission Order No. 17-108. Portland General Electric submitted this filing on November 1, 2017, under the pursuant to ORS 757.205, ORS 757.210, and OAR 860-022-0025, with an effective date of January 1, 2018.

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 2016 SNA balancing account will charge \$683,000 to residential customers through Schedule 7, and a refund of \$1.13 million to small non-residential customers through Schedule 32. This results in a \$0.009 increase per kWh to Schedule 7 customers and a \$0.07 decrease per kWh 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 2016 LRRRA balancing account will refund approximately \$428,000 dollars to customers on LRRRA applicable schedules. This results in a \$0.008 per kWh decrease to cost of service customers and a \$0.002 per kWh decrease to cost of service opt-out customers. Staff audited the work papers underlying these values and found the assumptions and calculations to be accurate.

Customer Bill Impacts

Approximately 883,000 customers will be impacted by the changes to Schedule 123. The changes increase PGE's overall revenues by \$9.5 million or 0.5 percent. The increase in revenues is due to the current Schedule 123 prices yielding revenues of approximately (\$10.4) million, while the proposed prices yield revenues of approximately (0.9) million. This large reduction in credits results in an increase of revenues of approximately \$9.5 million. A typical monthly bill for residential customers consuming 820 kWh will see a \$0.97 or 1.0 percent increase in their bill because of the proposed increases to Schedule 123 prices.

Conclusion

Staff's review of this filing finds that the updated rates in Schedule 123 are appropriately calculated, and recommends that the Commission approve the proposed tariff.

Staff conducted an earnings review pursuant to ORS 757.259(5) including the use of PGE's authorized return on equity as established by the Commission in the UE 294 proceeding, as the standard for measuring PGE's earnings in the earnings review. PGE's regulated adjusted return on equity in 2016 was 7.59 percent, which is below its authorized return on equity of 9.60 percent during the deferral period.

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, 2018.