

ITEM NO. CA17

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

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2018

DATE: December 7, 2017

TO: Public Utility Commission

FROM: Scott Gibbens *SG*

THROUGH: *J* Jason Eisdorfer and *JB & JC* John Crider

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UE 319/Advice No. 17-30) Updates Schedules 125, Annual Power Cost Variance Mechanism and Schedule 128, Short Term Transition Adjustment.

**STAFF RECOMMENDATION:**

The Public Utility Commission (Commission) should approve the compliance filing submitted by Portland General Electric (PGE) in compliance with Order No. 17-384 and allow the tariff sheets filed in Advice No. 17-30 to go into effect on January 1, 2018, with less than statutory notice.

**DISCUSSION:**

Issue

Whether the Commission should approve PGE's compliance filing implementing changes to its rates approved by the Commission in Order No. 17-384.

Applicable Rule or Law

Compliance filings are not defined in statute or rule, but are a mechanism used to implement a rate change resulting from a Commission decision.<sup>1</sup>

The Commission issued Order No. 17-384 regarding PGE's annual update to its net variable power costs on October 9, 2017. Order No. 16-419 required PGE to file revised tariffs consistent with the order with rates to be effective no sooner than January 1, 2018.

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<sup>1</sup> See Order No. 08-118.

## Analysis

### *Initial Filing*

On February 28, 2016, PGE filed its 2018 net variable power cost (NVPC) projection, consistent with the terms of its Schedule 125, which implements the Company's Annual Update Tariff (AUT). The AUT is designed to allow PGE to revise customer rates to reflect those changes in its projected NVPC resulting from new information. The filing included direct testimony in support of the 2018 NVPC projection of \$353.6 million, or approximately \$19.29 per megawatt-hour (MWh). This would have translated to an overall rate reduction of approximately \$1.49 per MWh from the final 2017 projected power cost. The primary factors responsible for the reduction were lower natural gas prices and replacement of certain short-term gas hedging instruments.

Because PGE filed its 2017 NVPC concurrent with a general rate revision the Company is allowed, per Order No. 08-505, to make proposed changes to their modeling as well as update the following model parameters:

- a) Forward Price Curves;
- b) Load Forecasts;
- c) Heat rates;
- d) Pacific Northwest Coordination Agreement Headwater Benefit Study;
- e) Contracts for wholesale power and power purchases and sales;
- f) Wind availability forecast;
- g) PURPA contract expenses; and
- h) Maintenance and Forced Outage rates.

### *UE 319 Proceedings*

Following PGE's initial filing, the issues were bi-furcated so that issues relating to PGE's general rate revision could be addressed independently and on a different procedural schedule from issues related to PGE's update to its NVPC (AUT Issues). Staff and the Industrial Customers of Northwest Utilities (ICNU) filed testimony related to the AUT Issues on June 2, 2017.

On June 15 and 16, 2017, PGE, Staff, CUB, Fred Meyer Stores, and ICNU held a settlement conference. Thereafter, PGE filed a motion to suspend the procedural schedule related to the AUT Issues, indicating that the parties had reached an agreement in principle. The administrative law judges granted the motion.

On September 8, 2017, PGE filed a stipulation and supporting testimony joined by Staff, CUB, and ICNU. The stipulation settled all issues raised in the proceedings including:

- a) Western Energy Imbalance Market (EIM) Costs and Benefits;
- b) Major Maintenance Expenses;

- c) North Mist Expansion Project Overlap;
- d) Boardman Biomass R&D Costs;
- e) Coyote Forced Outage Rates;
- f) Carty Maintenance Schedule;
- g) Boardman Oil Usage
- h) Headwater Benefits Study; and
- i) California-Oregon Border Trading Margins.

The Commission issued Order No. 17-384 on October 9, 2017, adopting the AUT Issue stipulation and requiring the Utility to complete a final MONET run by November 15, 2017, to finalize estimated power cost amounts.

The Annual Update Tariff includes five periodic updates which revise load forecasts, price forecasts, and contracts as they are realized. Each change in parameters produces a revised net variable power cost by updating the MONET dispatch tool and running the model again for the test year.

#### *MONET Updates*

On July 10, 2017, PGE updated contract and electric and gas forward curves as of June 1, 2017. NVPC forecast for 2018 decreased roughly \$6.3 million from the March 31, 2017, initial filing to approximately \$346.3 million. The decrease is primarily attributable to the draft stipulation reached between PGE, Staff, CUB, ICNU, and Fred Meyer Stores, Inc.

On September 29, 2017, PGE performed a MONET update based on contracts and electric and gas forward curves as of September 1, 2017. PGE's NVPC forecast for 2018 increased to approximately \$346.9 million, an increase of roughly \$0.6 million from the July 10, 2017 update filing. This change was primarily due to a decrease in PGE's September load forecast, but was offset by a decrease in gas transportation costs and mining costs.

On November 6, 2017, PGE updated contracts and electric and gas forward curves as of October 19, 2017. NVPC forecast for 2017 decreased to \$334.3 million, a decrease of roughly \$12.5 million from the September 29, 2017, update filing. The decrease was driven by the net impact of a lower cost of service load forecast, coal mining and transportation contract cost updates, and the update to include electric and gas forward price curves.

On November 15, 2017, PGE performed the final update of its 2017 NVPC forecast. This update included 2017 electric and natural gas forward prices based on a five-day average of the forward curves on November 1, 2017 through November 3, 2017, and

November 6, 2017 through November 7, 2017. The final NVPC forecast totaled \$336.0 million, an increase of approximately \$1.7 million from the November 6, 2017 update filing, which is due to the change in electric and natural gas forward prices.

*Effect of Docket UE 319 and Advice 17-30*

On November 15, 2017, PGE filed Advice No. 17-30. Staff reviewed the filing, tariff schedule, and workpapers to ensure the proposed filing is accurately calculated and consistent with Commission policy and direction. In compliance with Order 17-384, Schedule 125 is set to zero, as all NVPC costs are included in base rates following the conclusion of PGE's general rate revision request.

In addition to Schedule 125, which updated NVPC, Advice 17-30 also updates Schedules 128. This schedule change is the result of the updated price of electricity derived from UE 319 and the 2018 forward market prices. The updates to Schedule 128 affect short-term direct access customers who elect to participate in the program during the election window open from November 15, 2017 to November 22, 2017.

In total four sheets are updated through Advice No. 17-30, a list of which can be found on the first page of the Company's application.

Staff filed no information requests as the filing included all requisite documents to perform the analysis and review. Staff found the filed rates in Schedule 128 to be correct and fair. Staff found the zeroing out of rates in Schedule 125 to be in compliance with Commission Order No. 17-384. Staff further finds that all of the revised sheets are correct.

The Company was provided a draft copy of this memo and has no edits or concerns.

Conclusion

Based on the review of PGE's application, Staff concludes that the proposed revisions are consistent with Order No. 17-384.

**PROPOSED COMMISSION MOTION:**

Approve the compliance filing submitted by Portland General Electric (PGE) in compliance with Order No. 17-384 and allow the tariff sheets filed in Advice No. 17-30 to go into effect on January 1, 2018, with less than statutory notice.