

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 15, 2015

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2016

DATE: December 8, 2015

TO: Public Utility Commission

FROM: Suparna Bhattacharya ^{SB}

THROUGH: ^J Jason Eisdorfer and ^{MH} Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 135/Advice No. 15-27) Miscellaneous Regulatory and Capital Projects Adjustments.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's (PGE or Company) proposed Schedule 105 and Schedule 144 tariffs, as described in the Advice No. 15-27 filing, effective with service on and after January 1, 2016.

ISSUE:

- a) Whether the Commission should approve Schedule 105 revised rates consistent with (i) actual capital costs of Port Westward 2 (PW2) and Tucannon River Wind Farm (Tucannon), (ii) economic benefits from PGE's acquisition of Power Resources Cooperative (PRC) share of Boardman, and (iii) Large Non-Residential Load True-up based on Schedule 128.
- b) Whether the Commission should allow Schedule 144 prices to be set to zero as the deferred costs of the four capital projects currently being amortized through this schedule will be almost fully amortized by the end of 2015.

APPLICABLE LAW:

- I. ORS 757.205 and ORS 757.210 pertain to filing schedules with the Commission and hearing to establish new schedules. ORS 757.210 requires fair, just and reasonable rates.
- II. ORS 757.259(6) states that, subject to other subsections of this statute, the overall average rate impact of the amortizations authorized under this section in any one year may not exceed three percent of the utility's gross revenues for the preceding calendar year.

- III. Tariff revisions or corrections may be made by filing revised sheets with the information required under the Commission's administrative rules, including OAR 860-022-0025. OAR 860-022-0025(2) specifically states that each energy utility changing existing tariffs or schedules shall submit the following:
- (a) a statement plainly indicating the increase, decrease, or other change thereby made in existing rates, charges, tolls, or rules and regulations;
 - (b) a statement setting forth the number of customers affected by the proposed change and the resulting change in annual revenue; and
 - (c) a detailed statement setting forth the reasons or grounds relied upon in support of the proposed change.

ANALYSIS:

Review of Schedule 105 Prices:

Schedule 105, Regulatory Adjustments is composed of parts A and B.

Part A of Schedule 105 includes the proposed amortization of the difference in revenue requirements related to the difference between the actual capital costs and the capital costs estimated in Docket No. UE 283 for PW2 and Tucannon generating facilities.

Part A also includes the Commission's treatment in Docket No. UE 283 Order No. 14-422, of the economic benefits of PGE's acquisition of the Power Resources Cooperative (PRC) share of the Boardman plant.

Staff reviewed all work papers associated with Part A of Schedule 105 and had several rounds of discussion with the Company through conference calls. Consistent with Order No. 14-422, PGE compared actual capital costs for PW2 and Tucannon to those included in the UE 283 revenue requirements. For Tucannon, the actual gross capital amount \$526.191 million is higher than the UE 283 estimated value of \$524.617 million and is not subject to a refund. The PW2 actual capital cost amount of \$308.071 million is less than the projected amount of \$323.227 million and is subject to a refund. The proposed 2016 refund amount is \$2.6 million¹ and is spread to cost-of-service customers on the basis of generation revenues. Generation revenue per rate schedule is calculated using applicable 2016 load and current energy prices.

The second component of Part A reflects the PRC refund of \$3.1 million to cost-of-service customers based on generation revenues and is consistent with

¹ The revenue requirement amount of \$2.51 million (represents the annual capital recovery difference between the \$323.227 million and \$308.071 million total capital expenditures) is amortized with interest and the refund to customers in 2016 is approximately \$2.63 million.

Order No. 14-422.² Staff reviewed the work papers showing the refund of \$3.6 million and \$2.2 million over the years 2015 and 2016, respectively.

The Schedule 105 Part A refunds are applied to cost-of-service customers. Staff verified that Part A rates have been correctly calculated and updated in the revised tariff sheets 105-1, 105-2 and 105-3.

Part B of Schedule 105 consists of costs associated with the Schedule 128 Large Nonresidential³ Load Shift True-up after the November annual open enrollment window.⁴ In this filing, PGE is proposing a charge of approximately \$676,000 due to the 2015 deferred Large Non-residential Load True-up. This amount will be spread to all large non-residential customers on an equal cents per kWh basis. Staff verified that Schedule 105 Part B rates, i.e., the true-up charge of 0.007 cents per kWh, are correctly calculated and entered into the filed tariff sheets 105-1, 105-2, and 105-3.

The proposed Schedule 105 (Part A and Part B included) reduces the credit from its current level. In other words, it is an increase in proposed revenues because the amount of credit provided to customers is reduced. The 2016 revenues from proposed Schedule 105 rates is (\$5.0) million. This is an increase of approximately \$5.5 million relative to current Schedule 105 Rates that would provide revenues of (\$10.5) million.

Review of Schedule 144 Prices:

The deferred costs of four capital projects (Boardman Pollution Controls, Coyote Springs Upgrade, Cyber Security, and 2020 Vision) currently being amortized through Schedule 144 will be nearly fully amortized by the end of 2015. In this filing, PGE is proposing to set Schedule 144 prices to zero effective January 1, 2016. Staff reviewed the work papers showing the Schedule 144 balancing account to verify that the proposal to set Schedule 144 prices to zero resulted in a reduction in revenue of approximately

² PRC owned a ten percent share of Boardman. Because PGE plans to close Boardman in 2020, PGE acquired PRC's share of the plant, and assumed PRC's obligations under a power purchase agreement (PPA) with a third party. The transaction produced benefits to customers because the acquisition produced proceeds of approximately \$3.6 million and the settlement of the third-party PPA produced proceeds of approximately \$2.2 million. See Order Nos. 14-422 and 14-442. In the stipulation that was adopted by the Commission, the parties agreed that PGE was to provide the credits to customers in 2015 and 2016, through Schedule 105.

³ Schedule 128 customers include all Nonresidential Customers who receive service at Daily pricing (other than Cost of Service) on Schedules 32, 38, 75, 83, 85, 89, 90, 91, or 95 or Direct Access service on Schedules 515, 532, 538, 549, 575, 583, 585, 589, 590, 591, 592, and 595.

⁴ For the November window, the Company computes the Load Shift True-Up as the difference between the market prices used to establish the Schedule 128 Transition Adjustment and the average of the corresponding projected market prices during the first full week in December times the load leaving cost-of-service pricing. The Company files for a deferral after the close of the window if the True-Up is greater than \$240,000.

\$26.2 million. Any remaining Schedule 144 balances will be transferred to the residual balancing account during 2016.

The current filing complies with applicable statutes and rules. Schedule 105 and 144 rate changes result in \$20.6 million reduction in revenues. For the 857,000 forecasted 2016 customers, this will result in nearly 1.1 percent overall average rate decrease. A typical Schedule 7 residential customer consuming 840 KWh monthly will see a bill decrease of \$1.12. The proposed amortization amount related to the Large Nonresidential True-up is approximately 0.04 percent of 2014 revenues. The sum of PGE's current and 2016 proposed amortization of deferrals including Schedule 105 is approximately zero.

CONCLUSION:

Staff's review focused on whether the deferrals subject to amortization and the proposed rates were calculated correctly. Staff finds that 2016 Schedule 105 and 144 rates for all applicable schedules has been appropriately calculated and updated in the filed revised tariff Sheets 105-1, 105-2, 105-3, 144-1, 144-2, and 144-3. Staff also reviewed the tariff language and finds no unusual terms and conditions.

The Company has reviewed this memo and has no issues.

PROPOSED COMMISSION MOTION:

PGE's proposed Schedule 105 and 144 tariff revisions to be effective with service on and after January 1, 2016, be approved.