

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

REGULAR  CONSENT  EFFECTIVE DATE January 1, 2018

DATE: November 30, 2017

TO: Public Utility Commission

FROM: Rose Anderson *RA*

THROUGH: *J* Jason Eisdorfer and John Crider *JEB for JC*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 659/Advice No. 17-31) Updates Schedule 105, Regulatory Adjustments.

**STAFF RECOMMENDATION:**

Staff recommends that the Public Utility Commission of Oregon (Commission) approve Portland General Electric's (PGE or Company) request to update Schedule 105, Miscellaneous Regulatory Adjustments, effective with service rendered on and after January 1, 2018.

**DISCUSSION:**

Issue

Whether the Commission should approve PGE's request to update Schedule 105, Miscellaneous Regulatory Adjustments, effective with service on and after January 1, 2018.

Applicable Rule or Law

PGE seeks to amortize deferred revenues and expenses deferred under ORS 757.259. Under ORS 757.259(5), the Commission may authorize amortization of deferred amounts upon review of the prudence of the expenses and a review of the utility's earnings, typically the utility's earnings during the deferral period.

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.

Finally, 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

#### *Background*

Schedule 105 is composed of Parts A and B. Part A allows PGE to collect or refund amounts associated with regulatory adjustments such as net gains from nonrecurring property transactions, costs associated with implementation of SB 1149, and miscellaneous nonrecurring items.

PGE's November 17, 2017, advice filing (Advice Filing) requesting to update Schedule 105, Part A, consists of:

- a continued credit to customers associated with the North Fork Surface Collector (NFSC);
- a continued credit related to the issuance of a bond in January 2016;
- a continued credit relating to PGE's acquisition of the Power Resources Cooperative (PRC) share of the Boardman plant;
- a credit associated with the property sales account; and,
- a proposed charge associated with two residential demand response pilot programs.

The table below summarizes the Part A amortization amounts inclusive of interest and the applicable rate design:

<u>Item</u>	<u>Amount (000)</u>	<u>Rate Spread</u>
NFSC	(\$259)	COS generation revenues
Bond Issue	(\$1,665)	Revenues
PRC	(\$226)	COS generation revenues
Property Sales	(\$2,381)	Revenues, with DA customers priced at COS
Pilot Programs	<u>\$2,111</u>	COS generation revenues
Total Part A	(\$2,420)	

The property sales credit and demand response pilot charge were not included in PGE's previous Schedule 105 rates. PGE did not add revenue to the property sales balancing account for any property sales in 2017. The property sales credit reflects the amortization of the 2016 balance of approximately \$2,300,000 in PGE's property sales balancing account, plus interest earned in 2017.

PGE is requesting to amortize the demand response at this time in response to Staff's recommendation in PGE's UE 319 rate case to begin amortization on these programs in order for customers to benefit from the lower interest rate associated with amounts under amortization.

Schedule 105, Part B, is a credit to applicable customers of approximately \$667,000 related to the 2017 deferred Large Nonresidential Load True-up consistent with the provisions of Schedule 128. This amount is spread to large nonresidential customers on an equal cents per kWh basis.

#### *Residential Pilot Program*

In Order No 15-203, the Commission authorized the deferral of expenses associated with two residential demand response pilots, the "Pricing Pilot" and the "Direct Load Control Thermostat" (DLCT) Pilot. Deferral of expenses for these programs was re-authorized in Order No 16-292.

Parties in UM 1708 agreed that PGE would file two reports on the completed pilot programs at the time of amortization. However, the timing of the amortization was moved forward as a result of a Staff request in UE 319, PGE's recent rate case. As a result of the accelerated timing of amortization, the programs and the retrospective program reports are not yet complete.

Although the complete program reports are not yet available, Staff utilized accounting data provided by PGE to perform a prudence review of the programs' costs for 2015-present. Staff agrees that these expenses were prudent and should be allowed in rates.

PGE's application states that PGE intends to reexamine the appropriate level of 2019 amortization for the pilot programs in 2018.

In UM 1708, Staff noted that rate spread/rate design for the demand response pilot programs would be decided at the time of amortization. In PGE's Advice Filing, PGE proposed to assign costs to customers on a percentage-of-generation-revenue basis.

### *Staff Findings*

Staff reviewed PGE workpapers showing how each credit or charge flows to customers in the proposed Schedule 105. Staff's verified that the calculations in the workbook are accurate.

Staff also participated in phone conferences with PGE about the background of the credits and charges associated with Part A of Schedule 105, with special focus on the new charges from the Schedule 5 and Schedule 6 demand response pilot programs. Staff agrees PGE's percentage-of-generation-revenue method for rate design makes sense for these demand response pilot programs.

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.

PGE's application states that the updated tariff will result in a credit to customers of approximately \$3.1 million. This represents a reduction of about \$900,000 compared to current Schedule 105 prices. Some customer classes will see a price increase while others will see a price reduction. A typical Schedule 7 Residential customer consuming 820 kWh monthly will see a bill increase of \$.01, or .01 percent.

PGE's application reports that the sum of PGE's current and proposed 2017 amortization of deferrals is approximately \$6.1 million, or 0.4 percent of PGE's 2016 revenues of \$1,674 million.

PGE has reviewed a copy of this memo and voiced no issues or concerns.

### Conclusion

PGE's filing results in just and reasonable rates. The Commission should approve PGE's request to update Schedule 105, Miscellaneous Regulatory Adjustments, effective with service rendered on and after January 1, 2018.

### **PROPOSED COMMISSION MOTION:**

Approve the Company's application to update Schedule 105, Miscellaneous Regulatory Adjustments, effective with service rendered on and after January 1, 2018.