

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2018

REGULAR CONSENT EFFECTIVE DATE January 1, 2019

DATE: December 4, 2018

TO: Public Utility Commission

FROM:  Sabrinna Soldavini

THROUGH: Jason Eisdorfer and Marianne Gardner 

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. ADV 862/Advice No. 18-16) Updates Schedule 123, Decoupling Adjustment.

STAFF RECOMMENDATION:

Staff recommends the Oregon Public Utility Commission (Commission) approve Portland General Electric's (PGE or Company) proposed update to its Schedule 123 tariff, as described in the filing of Advice No. 18-16, effective for service on and after January 1, 2019.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request to update its Schedule 123, Decoupling adjustment.

Applicable Law

ORS 757.205(1) states that a public utility must file schedules showing all rates, tolls, and charges for service that have been established and are in force at the time.

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. Filings that make any change in rates, tolls, charges, rules or regulations must be filed with the Commission at least 30 days before the effective date of the changes. ORS 757.220.

The Commission reviews tariffs filed under ORS 757.205 and 757.210 to determine whether they are fair, just and reasonable.

Under ORS 757.259(5), the Commission may allow deferred amounts into rates after reviewing the utility's earnings, unless amortization is subject to an automatic adjustment clause, and after reviewing the prudence of the deferred amounts. ORS 757.259(6), the "Three Percent Test", limits the aggregated deferral of amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year (exceptions at ORS 757.259(7) and (8)). Order No. 09-176 specifies that there is a hard cap of two percent on the increase that can result from amortization in Schedule 123 of deferred amounts. Amounts that would cause rates to increase more than two percent are not recoverable in rates.

Analysis

Background

Portland General Electric submitted this filing on November 1, 2018, pursuant to ORS 757.205, ORS 757.210, and OAR 860-022-0025, with an effective date of January 1, 2019. This filing requests updates to PGE's Schedule 123 rates to amortize the variances deferred pursuant to Schedule 123 and the deferral authorization provided in Commission Order No. 18-092.

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 Nonresidential Lost Revenue Recovery Adjustment (LRRRA). The SNA applies to Schedules 7, 32, and 532, and the Non-Residential LRRRA applies to the remaining non-residential schedules.

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 the 2019 amortization of the 2017 results of the SNA balancing account will charge \$15.14 million to residential customers through Schedule 7, and refund of approximately \$2.27 million to small non-residential customers through Schedule 32. This results in a 0.2 cents per kWh increase to Schedule 7 customers and a 0.139 cents per kWh decrease to Schedule 32 customers. Staff reviewed 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 Senate Bill (SB) 838 funded energy efficiency measures from forecasted SB 838 funded energy efficiency measures embedded in the most recent 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. PGE calculates that the amortization of the 2017 LRRRA balancing account will charge approximately \$1.12 million dollars to customers on LRRRA applicable schedules. This results in a 0.021 cents per kWh increase to cost of service customers and a 0.004 cents per kWh increase to cost of service opt-out customers. Staff reviewed the work papers underlying these values and found the assumptions and calculations to be accurate.

Effects of Filing

The changes to Schedule 123 will affect approximately 895,000 customers (2019 forecast). PGE's overall revenues will increase \$14.9 million or 0.8 percent. A typical monthly bill for a Schedule 7 residential customer using 800 kWh will see a \$1.57 or 1.6 percent increase in their bill due to the proposed increases to Schedule 123. Both increases are within the hard cap established in Order No. 09-176.

PGE estimates 2019 amortization of all deferrals, including the proposed rates in Schedule 123, at approximately \$29.5 million (1.7 percent of 2017 revenues). This is in compliance with the Three Percent Test, pursuant to ORS 757.295(6). Because amortization of the deferred amounts is pursuant to an automatic adjustment clause, an earnings review is not required. The deferral is the variance between forecasted and actual revenues and PGE's actions in connection with both the forecast and collection of actual revenues are prudent.

Conclusion

Based on Staff's analysis of PGE's application, the workpapers associated with the filing, and phone conversations with the Company, Staff finds that the calculations associated with the filing are accurate and consistent with past Commission Orders. Staff also finds that the Company's update to Schedule 123 results in rates that are reasonable and just. Staff recommends the Commission approve PGE's application.

PROPOSED COMMISSION MOTION:

Approve PGE's application to update Schedule 123, Decoupling Adjustment subject to service on or after January 1, 2019.