ITEM NO. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 28, 2015

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **January 1, 2015**

DATE: January 7, 2015

TO: Public Utility Commission

FROM: Judy Johnson JJ

THROUGH: Jason Eisdorfer and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1301(8)) Requests reauthorization to defer Direct Access Open Enrollment Costs/Benefits.

STAFF RECOMMENDATION:

I recommend Portland General Electric's filing be approved for the 12-month period beginning January 1, 2015.

DISCUSSION:

Portland General Electric (PGE or Company) makes this filing pursuant to ORS 757.259, OAR 860-027-0300, and Order No. 14-022, to request reauthorization to defer certain costs or benefits associated with Direct Access open enrollment windows for the 12-month period beginning January 1, 2015.

Background

Direct Access enrollment windows allow an eligible customer on a cost-of-service rate schedule the option of receiving service under a direct access, or other non cost-of-service, rate schedule.[1]

Since February 2012, PGE has provided two enrollment windows each year, the annual window and one quarterly window. (See Order No. 12-057 (approving the stipulation that reduced the three quarterly windows to one.)) The one quarterly window, aka balance-of-year window, now provides Schedule 128 eligible customers on a cost-of-

[1] Direct Access service was implemented pursuant to SB 1149 (ORS 757.600-.691), which required, among other things, that certain investor-owned electric utilities restructure their service offerings to enable large commercial or industrial customers to buy electric service directly from competitive Electric Service Suppliers.

service rate schedule, the opportunity to move quarterly to direct access service or an applicable non-cost-of-service pricing option, for the balance of the calendar year.

In 2007, the Commission authorized PGE to defer costs and benefits associated with customers electing direct access during PGE's quarterly windows and in 2008, authorized PGE to defer the costs associated with the annual window. (See Orders No. 07-108 and 08-169.) The Commission has authorized the deferral of the costs and benefits of both the annual and quarterly enrollment windows, in each subsequent year, most recently in Order 14-022.

Description of Expense
The financial impact of customer decisions during the quarterly and annual direct access windows is based on the amount of customer load that selects non cost-of-service pricing and the changes in wholesale market process used to set the transition adjustment rates in Schedule 128 for each enrollment period. Amounts calculated pursuant to this mechanism will be deferred if the difference in market prices and the load leaving PGE's cost-of-service rate exceeds $60,000 in balance of year period or $240,000 for the annual election as specified in Schedule 128. The current deferral balance is approximately $(500,000) associated with the annual November enrollment window. PGE will amortize this $(500,000) credit in 2015 through Schedule 105. PGE cannot provide an estimate of the deferred amount for Deferral Period 2015 until the outcome of the future balance-of-year window is available.

Reasons for Deferral
This deferral provides a mechanism for PGE to track the cost or benefit of open enrollment options and defer those costs or benefits for later rate-making treatment pursuant to ORS 757.259(2)(e). The deferral of such costs or benefits will minimize the frequency of rate changes or fluctuations and match appropriately the costs borne by and benefits received by customers.

Proposed Accounting
PGE proposes to record the deferral in FERC Account 254 (Other Regulatory Liabilities) with an off-setting debit to FERC Account 447 (Sales for Resale) for amounts owed to customers. If the deferred amount is a charge to customers, PGE proposes to record the deferral as a regulatory asset in FERC Account 182.3 (Regulatory Assets) with an off-setting debit to FERC Account 447 (Sales for Resale). In the absence of a deferral order, PGE would record the revenues associated with the deferred amount in FERC Account 447(Sales for Resale).

Estimate of Amounts

PGE cannot provide a reasonable estimate of any expected deferral for the upcoming period. However, PGE requests that, in accordance with ORS 757.259(4), it be allowed to continue to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital, set at 7.562 percent in Commission Order No. 14-422 (UE 283), until amortization of any deferred amount begins. Afterwards, interest will accrue at the interest rate set by the Commission for deferred amortizations.

Information Related to Future Amortization

- Earnings review –An earnings review is required prior to amortization, pursuant to ORS 757.259(5).

- Prudence Review – A prudence review is required prior to amortization and should include a verification of the accounting methodology used to determine the final amortization balance.

- Sharing – How sharing of this deferral would be structured does not appear to be specified by Commission order, so Staff assumes any sharing would stem from the results of the earnings review.

- Rate Spread/Design – The amortization of any deferred amount will be spread on a per-kWh basis to Large Nonresidential customers as specified in Schedule 128.

- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. Should a deferred balance result in a credit to customers, the balance is exempt from the three percent test, per the advice of Staff's counsel.

Staff Analysis

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. In addition, PGE requests that, in accordance with ORS 757.259(4), it be allowed to continue to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital, set at 7.562 percent in Commission Order No. 14-422 (UE 283). This is the interest treatment that has been approved historically by the Commission. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

PGE's application be approved for the 12-month period beginning January 1, 2015, for accounting purposes only, with ratemaking treatment to be considered in a subsequent proceeding.