

ITEM NO. CA19

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 21, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: March 6, 2017

TO: Public Utility Commission

FROM: Mitchell Moore *MPm*

THROUGH: Jason Eisdorfer and Marc Hellman *J* *A*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1301(10)) Requests reauthorization to defer Direct Access Open Enrollment Costs/Benefits.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve PGE's application for reauthorization to defer certain costs or benefits associated with implementation of PGE's direct access open enrollment for the 12-month period beginning January 1, 2017.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for reauthorization to defer, with interest, certain costs or benefits associated with implementation of PGE's direct access open enrollment.

Applicable Rule or Law

PGE submitted its deferral application on December 15, 2016, pursuant to ORS 757.259 and OAR 860-027-0300. ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates. OAR 860-027-0300 are the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

Analysis

Background

Direct Access enrollment windows provide an eligible customer on a cost-of-service rate schedule the option to elect to receive 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-service rate schedule, the opportunity to move 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 Order Nos. 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 16-038.

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 prices 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 between market prices and the load leaving PGE's cost-of-service rate exceeds \$60,000 for the balance of year period or \$240,000 for the annual election, as specified in Schedule 128.

The current deferral balance is approximately \$670,000 for costs incurred during the annual November enrollment window. PGE will amortize this \$670,000 charge in 2017 through Schedule 105. PGE cannot provide an estimate of the amounts that will be deferred in 2017 until the outcome of the future balance-of-year window is available.

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.

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 182.3 (Other Regulatory Assets) with an off-setting debit to FERC Account 447 (Sales for Resale) for amounts owed to customers.

Estimate of Amounts

PGE states that it 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 cost of capital. Subsequently, interest will accrue at the interest rate set by the Commission for the amortization of deferred accounts.

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.

Conclusion

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. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

Approve PGE's application for reauthorization to defer certain costs or benefits associated with implementation of PGE's direct access open enrollment for the 12-month period beginning January 1, 2017.