

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: March 12, 2013

REGULAR _____ CONSENT X EFFECTIVE DATE February 1, 2013

DATE: February 21, 2013

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman *ME* *A*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1301(6)) Requests reauthorization to defer Direct Access Open Enrollment Costs/Benefits.

STAFF RECOMMENDATION:

I recommend Portland General Electric's filing be approved for the 11-month period beginning February 1, 2013.

DISCUSSION:

Portland General Electric (PGE or Company) makes this filing pursuant to ORS 757.259, OAR 860-027-0300, and Order No. 12-064, to request reauthorization to defer certain costs or benefits associated with Direct Access open enrollment windows for the 11-month period beginning February 1, 2013. This 11-month reauthorization will allow for the next reauthorization request to be on a calendar year basis and therefore consistent with the provisions of Schedule 128.

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

Quarterly direct access enrollment windows and the terms for deferral were established in a stipulation that was adopted by Commission Order No. 06-528. The stipulation was

¹ Direct Access service was implemented in response 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.

made a part of Order No. 07-015 and PGE filed Schedule 128 in compliance with the Order. Schedule 128 allows eligible customers on a cost-of-service rate to move to direct access service, or an applicable non-cost-of-service rate, for the balance of the calendar year during quarterly election windows. Previously, eligible customers were limited to a full calendar year option during the annual (November) election window.

PGE filed a request to defer the costs and benefits associated with its 2007 quarterly direct access open enrollment windows which was approved by Order No. 07-08. Subsequently, in Order No. 08-169 (Docket UM 1359), the Commission approved the inclusion into this deferral of the costs and benefits associated with PGE's annual direct access window. Subsequently, the reauthorization to defer the costs and benefits of both the annual and quarterly windows has been approved, most recently by Order No. 12-064.

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 any quarterly period or \$240,000 for the annual election. The current deferral balance is approximately \$600,000 associated with the annual November enrollment window. PGE will amortize this \$600,000 refund in 2013 through Schedule 105.

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.

Information Related to Future Amortization

- Earnings review – Staff finds no discussion of an earnings review in the previous Commission orders associated with this deferral, so assumes that an earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is a required component of an earnings review, 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, as specified by the Commission.
- 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. For these reasons, Staff recommends PGE's application be approved. PGE has reviewed this memo and has no changes.

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PROPOSED COMMISSION MOTION:

PGE's application be approved for the 11-month period beginning February 1, 2013, for accounting purposes only, with ratemaking treatment to be considered in a subsequent proceeding.

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