

ORDER NO. 12 061

ENTERED FEB 28 2012

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1417(3)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Application for Reauthorization of Deferral of
Revenues.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on February 28, 2012, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter, attached as Appendix A.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ORDER NO.

ITEM NO. CA7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 28, 2012**

REGULAR _____ CONSENT X EFFECTIVE DATE February 1, 2012

DATE: February 20, 2012

TO: Public Utility Commission

FROM: Deborah Garcia *DG*

THROUGH: *ME for BC* Bryan Conway, *MT* Maury Galbraith and *JA* Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1417(3)) Requests reauthorization to defer revenues associated with the Sales Normalization Adjustment and Lost Revenue Recovery.

STAFF RECOMMENDATION:

I recommend Portland General Electric's application be approved.

DISCUSSION:

Portland General Electric (PGE or Company) makes this filing pursuant to ORS 757.259 and OAR 860-027-0300, to request reauthorization to defer the revenues associated with the Sales Normalization Adjustment (SNA) and Lost Revenue Recovery Adjustment Mechanism (LRRRA), implemented through PGE's Schedule 123 (Decoupling Adjustment) for the 11-month period beginning February 1, 2012, through December 31, 2012. This 11-month reauthorization will allow for the next reauthorization request to be on a calendar year basis, consistent with the provisions of Schedule 123.

Background

Original authorization for decoupling was authorized in Commission Order No. 09-020 and modified in Commission Order No. 09-162. Reauthorization was granted in Commission Order No. 10-077. Commission Order No. 10-478 granted an extension of this mechanism beyond the original two year agreement and reset the base pursuant to PGE's general rate proceeding, Docket No. UE 215. The Commission approved PGE's subsequent request for reauthorization to defer by Order No. 11-110.

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Description of Expense

PGE's Schedule 123 specifies how variances from the SNA and LRRRA will be calculated, as well as the accrual for the variance between PGE's originally authorized Return on Equity (ROE) of 10.20 percent (in Docket No. UE 197) and the reduction to ROE of 10 basis points ordered in Commission Order No. 09-020.

The SNA reconciles on a monthly basis, the differences between the monthly revenues resulting from applying distribution, transmission and fixed generation charges (collectively, Fixed Charge Revenues) to weather-normalized kWh energy sales. Calculations are specific to the rate schedule under which a customer is served but generally can be characterized as Fixed Charge Revenues less actual weather-adjusted revenues, accrued to the SNA balancing account. The monthly accrual may be positive (under-collection) or negative (over-collection). The SNA is divided into sub-accounts so that net accruals are separately tracked, as appropriate.

The LRRRA is also applicable to specific rate schedules. LRRRA amounts will be equal to the reduction in Fixed Charge Revenues resulting from the reduction in kWh sales, as reported to PGE by the Energy Trust of Oregon.

Cumulative kWh savings are eligible for the LRRRA until new base rates are established as a result of a general rate case. At that time the kWh base is reset to incorporate previous efficiencies, and the LRRRA is then calculated on the amount of kWh savings that accrue from energy efficiency measures following the adjustment in base rates.

Reason for Deferral

The continued use of a deferral account is necessary to track the variances for each of the mechanisms described above.

Proposed Accounting

PGE proposes to continue using two separate accounts for the SNA and LRRRA mechanisms. For each, if the deferred amounts are to be collected from customers, PGE will record the deferred amounts to FERC account 182.3 (Regulatory Assets). If amounts are due to customers, PGE will record the deferral in FERC account 229 (Accumulated Provision for Rate Refunds). The corresponding credit or debit for these accounts is to FERC account 456 (Other Revenue) or FERC account 449.1 (Provision for Rate Refunds), respectively.

Estimate of Amounts

In its filing, rather than making an attempt to forecast amounts that could be deferred, PGE points to the calculation of the SNA mechanism as being described in Schedule 123 as the difference between actual and weather adjusted usage per customer, and

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the usage per customer projected in UE 215 pursuant to Schedule 123. Further, PGE points out that the LRRRA variance is based on energy efficiency savings as reported by the Energy Trust of Oregon, and savings incorporated in the applicable load forecast. PGE finishes by stating that interest will accrue at the interest rate set by the Commission for deferred amortizations, which for these deferrals was specified in Order No. 09-020 as the Blended Treasury Rate, which is set by the Commission each year.¹

PGE has provided work papers to Staff detailing prior period activity pursuant to OAR 860-027-0300(4). Staff has reviewed the work papers associated with this period and agrees that the Company's accounting methodology appears to be sufficient. Any necessary amortization would be accomplished during a subsequent proceeding pursuant to the terms in Schedule 123.

Information Related to Future Amortization

- Earnings review – Staff finds no discussion of an earnings review in the previous Commission orders associated with these deferrals, so assumes that an earnings review is required prior to amortization, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review is a requirement of the earnings review and should include the verification of the accounting methodology used to determine the final amortization balance.
- Sharing – How sharing of these deferrals 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 SNA, LRRRA, and ROE amortizations will be spread as specified in Schedule 123.
- 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. The limit for these deferrals will be determined at the time of amortization. Should a deferred balance result in a credit to

¹ See UM 1147 Order Nos. 09-265 and 10-279 for the details regarding the application of interest to deferral amortizations.

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customers, the balance is exempt from the three percent test, per the advice of Staff's counsel.

Staff Analysis

OAR 860-027-0300(3)(d) requires that a deferral filing include: "An estimate of the amounts to be recorded in the deferred account for the 12-month period subsequent to the application." In this case, given the bases on which the calculations for the deferrals will be made, weather and expected energy efficiencies, it's not possible to estimate with any reasonable certainty the amounts that could be deferred during this period. Instead, Staff agrees with PGE's approach in its filing that points to Schedule 123 requirements for how such calculations will be made, rather than speculating how much the deferred amount might be. A review of previous annual deferred amounts lends credence to this approach.

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259
recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

PGE's application be approved for accounting purposes only, for the 11-month period beginning March 1, 2012, with ratemaking treatment to be considered in a subsequent proceeding.

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