

ORDER NO. 13 048

ENTERED FEB 12 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1513(2)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

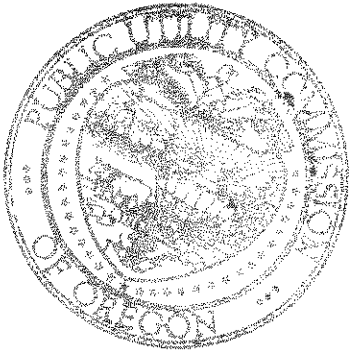
Application for Reauthorization of Deferral of
Revenue Requirements Associated with Four
Capital Projects.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on February 12, 2013, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is 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.

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ITEM NO. CA1

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

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2013

DATE: January 3, 2013

TO: Public Utility Commission

FROM: Judy Johnson *JJ*

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

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1513(2)) Requests reauthorization to defer costs associated with Four Capital Projects.

STAFF RECOMMENDATION:

I recommend that Portland General Electric's (PGE or Company) application be approved, subject to the stipulated terms adopted by Order No. 10-478 in UE 215.¹

DISCUSSION:

PGE makes this filing, pursuant to ORS 757.259, OAR 860-027-0300 and the stipulated terms adopted by Order No. 10-478 in UE 215 (UE 215 stipulation), to request reauthorization to defer the revenue requirement associated with Four Capital Projects for the 12-month period beginning January 1, 2013. The Commission initially approved this deferral by Order No. 11-153.

Background

In summary, the Four Capital Projects are known as: Cyber Security, 2020 Vision, Coyote Springs Upgrade, and Boardman Pollution Controls. Under specific terms in the UE 215 stipulation, PGE agreed to remove these projects from the test year rate base. In return, the other parties agreed to support deferral of the associated revenue requirement from the in-service date of each project, until the costs are incorporated into rates through a general rate case (GRC). PGE has not filed a GRC since the stipulation was adopted, hence the request for reauthorization.

¹ The stipulated terms are located in Order No. 10-478, Appendix B, Part F, pages 3-5.

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PGE's implementation of a Cyber Security Roadmap to reduce their security and data risk brings their security capability and architecture to a level that is consistent with both current industry practices and regulatory requirements.

2020 Vision is a 10-year plan to modernize and consolidate PGE's technology infrastructure by replacing a multitude of existing software applications with "enterprise" applications that provide integrated functionality for operations. The 2020 Vision program consists of three initial phases, only Phase 1 of which is applicable to this deferral.

PGE's major upgrade of Coyote Springs includes a new compressor rotor, blades, vanes and casings, a new turbine rotor, a new Dry Low Nitrogen Oxide Model 2.6 combustion system, a new casing temperature management system, and a new cooling optimization package. System benefits resulting from the upgrade include avoided equipment replacements, maintenance agreement savings and the value of increased generation and improved efficiency. The operational benefits were included in PGE's 2012 Net Variable Power Cost model.

Installation of pollution control equipment at Boardman will lower NO_x emissions by 50 percent and reduce the level of mercury emissions by 90 percent. The deferred amount will also include the cost of pollution control chemicals at the Boardman facility in conjunction with the pollution control equipment.

Description of Expense

The revenue requirement associated with the Four Capital Projects as described above.

Reason for Deferral

This deferral will minimize the frequency of rate changes and match appropriately the costs borne and benefits received by ratepayers pursuant to ORS 757.259(e).

Proposed Accounting

PGE proposes to record the deferred amount as a regulatory asset in FERC Account 182.3, Other Regulatory Assets, with a credit to FERC account 407.4 Regulatory Credits. In the absence of approval to defer, PGE would not calculate the associated revenue requirement, and would record the costs and associated depreciation as is usual for plant put into service between rate cases.

Estimate of Amounts

PGE estimates the 2013 revenue requirement subject to the deferral would be approximately \$25.8 million as shown in the table below.

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2013 Revenue Requirement (\$000)	
	Estimate
Cyber Security	\$1.2
2020 Vision	\$10.8
Coyote Springs Upgrade	\$6.3
Boardman Pollution Controls	\$7.3
Total	\$25.8

PGE also provided workpapers that include the details related to prior period activity, pursuant to OAR 860-027-0300(4). Staff has reviewed the workpapers associated with the 2012 period and agrees that the Company's accounting methodology appears to be sufficient. Any necessary amortization would be accomplished in a subsequent proceeding.

Information Related to Future Amortization

- Prudence Review – The prudence review for amortization of this deferral should include verification that the costs are appropriate, and were prudently incurred. Further, the accounting methodology used to determine the final balance should be verified. In the UE 215 stipulation, the stipulating parties acknowledged that no party in the UE 215 proceeding submitted testimony suggesting that PGE's decisions to complete the Four Capital Projects were imprudent.
- Earnings review – Prior to amortization, an earnings review should be conducted pursuant to ORS 757.259(5). The UE 215 stipulating parties agreed to support the use of PGE's authorized return on equity as established by the Commission in the UE 215 proceeding, as the standard for measuring PGE's earnings in the earnings review.
- Sharing – Sharing will be dependent on the outcome of an earnings review.
- 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.

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- Rate Spread/Design – The UE 215 stipulation includes an agreement for Rate Spread/Rate design related to the approved revenue requirement in the UE 215 proceeding.² However, the stipulation does not specifically include Rate Spread/Design treatment related to the amortization of this deferral. This issue should be determined at the time of amortization.

Staff Analysis

As the rationale for the deferral is still valid until these capital investments are included in the customer rates that will result from PGE's next general rate case, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

PGE's application be approved for accounting purposes only, with ratemaking treatment reserved for a subsequent proceeding.

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² See Order No. 10-478, Appendix C, UE 215 Rate Spread and Rate Design Stipulation.