

ORDER NO. 13 440

ENTERED NOV 26 2013

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 275

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

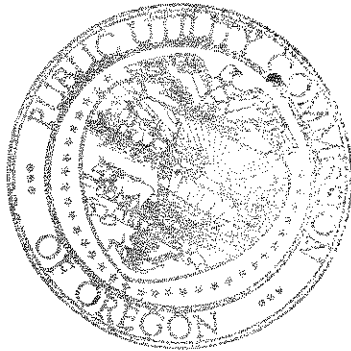
Application for an Order Approving
Amortization of Deferred Costs Associated
with Four Capital Projects.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on November 26, 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. CA6_7

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: November 26, 2013**

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2014

DATE: November 19, 2013

TO: Public Utility Commission

FROM: Linnea Wittekind *W*

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

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UE 275) Requests authorization to defer costs associated with Four Capital Projects.

PORTLAND GENERAL ELECTRIC: (Advice No. 13-10) Introduces Schedule 144, Capital Projects Adjustment.

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:

On July 1, PGE filed its request to amortize amounts previously deferred 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), associated with Four Capital Projects for the 12-month period beginning January 1, 2012. The Commission approved this deferral by Order No. 12-050. On July 12, at Staff's request, PGE filed Advice 13-10 pursuant to ORS 757.210 and OARs 860-022-0025 and 0030.

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).

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

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Estimate of Amounts

PGE proposes to amortize the approximate \$19.53 million of 2012 deferred revenue requirement and associated interest for the Four Capital Projects.

2012 Deferred Revenue Requirement (\$000)	
	Estimate
Cyber Security	\$827
2020 Vision	\$6,013
Coyote Springs Upgrade	\$6,608
Boardman Pollution Controls	\$6,077
Total	\$19,526

Information Related to Amortization

As discussed in Staff's memo in UM 1513 supporting deferral of these costs (see Order No. 12-050), potential amounts to be amortized are subject to review. Staff's findings are summarized as follows:

- Prudence Review – Staff finds the amounts deferred pursuant to Order No. 12-050 to be prudently incurred. Further, the UE 215 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.²
- Earnings review – Staff conducted an earnings review pursuant to ORS 757.259(5) including 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.³ PGE's actual return on equity was below its authorized return on equity by approximately 52 basis points during the deferral period. The Company's Results of Operations shows that PGE earned 9.48 percent on actual 2012 return on equity. Its authorized return on equity was 10.00 percent. Therefore, PGE could absorb some of the costs in this filing and still earn a reasonable return on equity. However, the costs in this filing are of the sort that should be borne by ratepayers and the costs were deferred to

² The stipulated terms are located in Order No. 10-478, Appendix B, Part F, page 4.

³ Ibid. Page 4.

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facilitate an agreement between parties to Docket No. UE 215 to avoid litigation, which the Commission adopted in Order No. 10-478. Staff recommends that all the costs in this filing be amortized into PGE's rates notwithstanding that PGE could have absorbed the costs at issue and still earn a reasonable rate of return.

- Sharing – Consistent with findings in the prudence and earnings reviews, Staff proposes no sharing.
- Three Percent Test (ORS 757.259(6)) – PGE's Advice 13-10 identifies an overall average rate increase for cost of service customers of approximately 1.3%. Staff finds that, coupled with PGE's other deferrals for 2014, PGE is sufficiently below the threshold set forth in ORS 757.259(6).
- Rate Spread/Design – Staff finds that the Schedule 144 rates are spread appropriately. Specifically, the generation-related projects are spread on UE 262 prospective energy revenues to cost of service customers while the other projects are spread to all customers on equal percent of revenues with long-term direct access customers priced at cost of service.

PROPOSED COMMISSION MOTION:

PGE's request to amortize deferred costs associated with the Four Capital Projects and implement Schedule 144 be approved effective January 1, 2014.

UE 275 & AR 13-10