ORDER NO. 14 022

ENTERED JAN 22 2014

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1301(7)

In the Matter of

PORTLAND GENERAL ELECTRIC COMPANY,

Application for Reauthorization to Defer Direct Access Open Enrollment Costs/Benefits.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on January 21, 2014, 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.

ORDER NO. 14 022

ITEM NO. CA11

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 21, 2014

REGULAR ____ **CONSENT** X **EFFECTIVE DATE** **January 1, 2014**

DATE: December 30, 2013

TO: Public Utility Commission

FROM: Judy Johnson JJ

NH for MG NH

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1301(7)) Requests reauthorization to defer Direct Access Open Enrollment Costs/Benefits.

STAFF RECOMMENDATION:

I recommend Portland General Electric's filing be approved for the 12-month period beginning January 1, 2014.

DISCUSSION:

Portland General Electric (PGE or Company) makes this filing pursuant to ORS 757.259, OAR 860-027-0300, and Order No. 13-082, to request reauthorization to defer certain costs or benefits associated with Direct Access open enrollment windows for the 12-month period beginning January 1, 2014.

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 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

[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.

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 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 balance of year period or $240,000 for the annual election as specified in Schedule 128. The current deferral balance is approximately $600,000 associated with the annual November enrollment window. PGE will amortize this $600,000 refund in 2015 through Schedule 105. PGE cannot provide an estimate of the deferred amount for Deferral Period 2014 until the outcome of the future balance-of-year window is available.

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. 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 weighted average cost of capital, set at 7.646 percent in Commission Order No. 13-459 (UE 262), until amortization of any deferred amount begins. Afterwards, interest will accrue at the interest rate set by the Commission for deferred amortizations.

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 Staff 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. In addition, 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 weighted average cost of capital, set at 7.646 percent in Commission Order No. 13-459 (UE 262). This is the interest

treatment that has been approved historically by the Commission. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

PGE's application be approved for the 12-month period beginning January 1, 2014, for accounting purposes only, with ratemaking treatment to be considered in a subsequent proceeding.

PGE UM 1301(7) DA open enroll costs benefits