

ORDER NO. 16 487

ENTERED DEC 20 2016

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1796

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Request for Authorization for Deferral of
Costs Associated with the Customer
Engagement Transformation Program.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on December 20, 2016, 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:




Kristi Collins
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 Circuit Court for Marion County in compliance with ORS 183.484.

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ITEM NO. CA17

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 20, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: December 1, 2016

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH:  Jason Eisdorfer and  Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1796) Requests
Authorization for Deferred Accounting for Certain Costs Associated with
the Customer Engagement Transformation Program.

STAFF RECOMMENDATION:

Staff recommends that the Commission approve Portland General Electric Company's (PGE or Company) application for deferred accounting for costs for the twelve month period from January 1, 2017, to December 31, 2017, related to its Customer Engagement Transformation (CET) Program.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for deferred accounting for costs related to its CET program.

Applicable Law

PGE submitted its deferral application pursuant to ORS 757.259 and OAR 860-027-0300. ORS 757.259 is the statute that concerns deferrals and OAR 860-027-0300 is the Commission's rule related to such applications.

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Analysis

Background

PGE states the CET program is a comprehensive multi-year program (i.e., 2014 through 2018) comprised of multiple projects focused on operational efficiencies, process improvements, employee development, business strategies, and the replacement of two large customer systems: Customer Information System (CIS) and Meter Data Management System (MDMS). The Company states that the goals of the CET program are to deliver the people, process and technology changes necessary to keep pace with future business needs and remain responsive to customers' needs, expectations, and preferences.

PGE believes that the replacement of the CIS and MDMS systems are necessary to support smart metering, self-service options, and innovative pricing programs. Current customer options are limited by our current systems that are nearing the end of their useful lives, have high maintenance costs, are no longer supported by outside vendors, and are not functionally suited for existing programs, such as billing for Net Metering, and emerging smart grid requirements.

The CET program and the recovery mechanism of associated O&M costs were discussed in detail in PGE's last three general rate cases (Docket No. UE 262, PGE Exhibit 900, Section III; Docket No. UE 283, PGE Exhibit 1000, Section IV; and Docket No. UE 294, Exhibit 900, Section III). PGE requests deferred accounting treatment of the 2017 CET O&M costs to produce an outcome similar to the previously approved CET cost recovery.

Reason for Deferral

PGE states that the granting of this Application will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

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 a deferred accounting order from the Commission, PGE would record the 2017 O&M costs associated with the implementation of the CET program to FERC account 903 (Customers Records and Collection Expenses).

Estimated Deferrals in Authorization Period

PGE estimates the amounts subject to the deferral would total approximately \$6,424,000.

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Information Related to Future Amortization

- Earnings Review – ORS 757.259(5) requires the Commission to review the utility's earnings at the time of application to amortize the deferral for amounts deferred pursuant to ORS 757.259(2)(e).
- Prudence Review – For amortization, a prudence review should be completed to verify prudence of the costs.
- Sharing – The previous orders from the Commission for the CET program did not mandate any sharing. Therefore Staff does not recommend any sharing of the cost being considered for deferral.
- Rate Spread/Design – Account balances will be spread to the appropriate customer classes on the same basis as was done in past Commission orders for these type of costs.
- 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 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.

Conclusion

Staff concludes that the Company's application to authorize deferral of the costs related to its Customer Engagement Transformation Program is consistent with ORS 757.259.

PROPOSED COMMISSION MOTION:

Approve PGE's application for deferred accounting for costs for the twelve month period from January 1, 2017, to December 31, 2017, related to its Customer Engagement Transformation Program.

PGE UM 1796 CET Deferral