

ENTERED MAR 21 2017

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1756(1)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Application for Reauthorization to Defer the
Revenue Requirement Associated with 2016
Debt Issuances.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its public meeting on March 21, 2017, 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:




Michael Dougherty
Chief Operating Officer

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.

ORDER NO. 17 100

ITEM NO. CA5

PUBLIC UTILITY COMMISSION OF OREGON
CONFIDENTIAL STAFF REPORT
PUBLIC MEETING DATE: March 21, 2017

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2017

DATE: February 9, 2017

TO: Public Utility Commission

FROM: *MG* Marianne Gardner and Matt Muldoon *myhr*

THROUGH: *E* Jason Eisdorfer and Marc Hellman *A*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1756(1)) Requests
Reauthorization to Defer Revenue Requirement Associated with 2016
Debt Issuance.

STAFF RECOMMENDATION:

I recommend the Commission approve Portland General Electric's (PGE or Company) request for reauthorization to defer revenue requirement associated with 2016 debt issuance for the 12-month period beginning January 1, 2017.

DISCUSSION:

Issue

Whether the Commission should approve PGE's request for deferred accounting for revenues related to the 2016 debt issuance.

Applicable Rule or Law

PGE submitted its deferral application on December 5, 2016, pursuant to ORS 757.259 and OAR 860-027-0300. ORS 757.259 provides the Commission with authority to authorize the deferral of utility revenues and expenses for later inclusion in rates. OAR 860-027-0300 is the Commission's rule governing the use of deferred accounting by energy and large telecommunications utilities.

Analysis*Background*

PGE's most recent general rate case (UE 294, test year 2016) and subsequent compliance filing (Advice No. 15-33), included revenue requirement based on the expected end of the year (2015) cost of debt of 5.419 percent. The end of year 2015 cost of debt was used because in the fall of 2015, PGE decided to not issue any long-term debt in 2015 to wait for financial markets to stabilize.

In PGE's last general rate case Staff's debt maturity profile showed a maturity concentration of approximately \$430 million through 2019. On January 6, 2016, PGE issued \$140 million of new 2.51 percent five-year First Mortgage Bonds (FMB) due January 6, 2021. With the proceeds thereof, PGE retired a \$75 million 5.80 percent debt series due March 1, 2018, and a \$58 million 3.81 percent debt series due June 15, 2017. The redemption premium associated with the two series was \$8,536,430 and is being amortized over the life of the new 2.51 percent series. With this issuance and retirement, the maturity concentration was reduced. Staff views the early retirements at this time as prudent.

The above actions effectively lowered PGE's Cost of Long-Term (LT) Debt from the 5.419 percent level associated with Commission Order No. 15-356 in Docket No. UE 294 to a referent level of 5.350 percent. Applying the changes associated with this issuance and retirement of LT Debt to the rate case model and relying on PGE's initial Report of Securities issued under Order No. 14-399, the Company and Staff found a \$1.403 million test year annual revenue impact benefit to ratepayers. When Carty was completed there was an additional \$0.181 million test year annual revenue impact benefit to ratepayers. Final issuance accounting and modeling amounts could vary, but Staff and the Company do not expect material changes to the above described calculations. Please see chart below for more details.

UE 294 Annual Revenue Requirements Sales to Consumers {\$000}			
	Base	Carty	Total Results
Final UE 294 LT Debt@ 5.419 %	1,779,454	85,136	1,864,590
Updated LT Debt@ 5.350 %	1,778,051	84,955	1,863,005
Delta	(1,403)	(181)	(1,585)

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Reason for Deferral

In the UE 294 Second Partial Stipulation, the stipulating parties agreed to update PGE's cost of debt subsequent to the rate case to incorporate planned but not-yet-executed debt issuances into the calculation of PGE's cost of debt.¹ Consistent with that agreement, the deferred amount is the difference in revenue requirement between:

- 1) The actual cost of total long-term debt due to the issuance of the new debt; and
- 2) The cost of the debt included in the 2016 general rate case stipulation. PGE states that granting this application will eliminate any conflict with ORS 757.355(1), minimize the frequency of rate changes, and match appropriately the costs borne, and benefits received by customers. A reauthorization request for an annual deferred revenue requirement will be done until PGE has new rates set in a future rate case.

Proposed Accounting

The Company proposes to record the deferred amounts as a regulatory liability in FERC Account 229, Accumulated Provision for Rate Refunds, with a debit to Account 449.1, Provision for Rate Refunds.

Estimated Deferrals in Authorization Period

PGE anticipates a decrease in annual revenue requirement and the amount subject to deferral will be approximately \$1.6 million.

Information Related to Future Amortization

- Earnings Review — PGE asserts that in order to preclude any potential conflicts with ORS 757.355(1), there should be no earnings review prior to amortization.
- Prudence Review — PGE has submitted compliance reports that include analysis of market conditions to the time of issuance and actual cost summaries, per the conditions of Order No. 14-399. Staff may audit the deferral at any time.
- Sharing — PGE asserts that after a prudence review of PGE's issuance costs, 100 percent of the deferred benefits should be subject to refund to its customers.
- Rate Spread/Design — PGE proposes the same rate spread/rate design agreed upon during the UE 294 rate case proceeding.
- Three Percent Test (ORS 757.259(6)) — The Company proposes that the amortization of the deferred revenue requirement be subject to the three percent test.

¹ Order No. 15-356, App. B, pp.4-5.

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Conclusion

The Company's application meets the requirements of ORS 757.259(2)(e) because it appropriately matches costs and benefits as it effectuates the terms of the Second Partial Stipulation the Commission approved in Order No. 15-356. The Company has provided the information required by OAR 860-027-0300. Staff recommends the Commission approve PGE's application to defer.

Staff does not take a position at this time on how ORS 757.355 may affect the Commission's decision regarding amortization. PGE asserts that the Commission should not perform an earnings review prior to authorizing amortization of the deferred amounts to avoid a conflict with ORS 757.355(1). ORS 757.355(1) provides that a "public utility may not, directly or indirectly, by any device, charge, demand, collect or receive from any customer rates that include the costs of construction, building, installation or real or personal property not presently used for providing utility service to the customer."

Staff does not take a position on whether it is a violation of ORS 757.355(1) if the LT Cost of Debt assumed in a utility's rates differs from the utility's actual LT Cost of Debt.² However, under ORS 757.259(5), the Commission must review a utility's earnings before allowing a utility to amortize a deferral granted under ORS 757.259(2)(e). While the Commission is statutorily required to do the review, the Commission has discretion to determine what impact an earnings review will have on its amortization decision.

With respect to application of the three percent limit on amortization, Staff and the Company have talked about the practical application of the three percent for a refund. We agree that the three percent test actually has no effect on a refund to customers.

The Company has reviewed this memo and agrees with Staff's findings.

PROPOSED COMMISSION MOTION:

Approve Portland General Electric's request for reauthorization to defer the revenue requirement associated with 2016 debt issuance for the 12-month period beginning January 1, 2017.

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² Industrial Customers of Northwest Utilities states that it does not think the statute applies to the amounts deferred under this memo.