

ORDER NO. 18-466

ENTERED Dec 17, 2018

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 346

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

2017 Annual Power Cost Variance
Mechanism.

ORDER

DISPOSITION: STIPULATION ADOPTED; GUIDANCE INCLUDED

I. SUMMARY

In this order, we adopt the parties' stipulated agreement that the 2017 actual power costs for Portland General Electric Company (PGE) were within the deadband of the company's power cost variance (PCV) mechanism and that there should be no change in customer rates.

II. BACKGROUND

In Order No. 07-015, we established a power cost adjustment mechanism (PCAM) for PGE embodied in PGE Schedule 126.¹ The purpose of Schedule 126 is to recognize in rates part of the difference for a given year between actual net variable power costs (as defined in the tariff) and the net variable power cost forecast pursuant to Schedule 125 (Annual Power Cost Update).²

¹ *In the Matter of Portland General Elec. Co.*, Docket No. UE 180, Order No. 07-015 (Jan 12, 2007) (order originally adopting PGE's PCV mechanism).

² Docket No. UE 232, Order No. 11-480 (Dec 5, 2011) (2010 PCV); Docket No. UE 256, Order No. 12-402 (Oct 24, 2012) (2011 PCV); Docket No. UE 274, Order No. 13-397 (Oct 29, 2013) (2012 PCV); Docket No. UE 291, Order No. 14-345 (Oct 3, 2014) (2013 PCV); Docket No. UE 299, Order No. 15-317 (Oct 15, 2015) (2014 PCV); Docket No. UE 310, Order No. 16-335 (Sep 6, 2016) (2015 PCV); Docket No. UE 329, Order No. 17-504 (Dec 18, 2017) (2016 PCV).

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PGE's PCV contains a deadband, sharing mechanism, earnings test, and amortization cap.³ The asymmetric deadband requires the company to absorb some normal variation of power costs and is set at a negative annual power cost variance of \$15 million and a positive annual power cost variance of \$30 million. Any amount above or below the deadband is subject to the sharing mechanism and earnings test as prescribed by Schedule 126.

The sharing mechanism provides PGE the incentive to manage costs effectively by allocating 90 percent of the remaining variance to customers and 10 percent to PGE. The earnings test, which helps guard against over- and under-earning, eliminates any power cost adjustment if the company earns within plus or minus 100 basis points of its allowed return on equity (ROE). Finally, an amortization cap limits amortization of deferred amounts under the PCAM in any year to 6 percent of PGE's revenues for the preceding calendar year.

The Oregon Citizens' Utility Board and Commission Staff participated in this docket. On September 19, 2018, all parties filed a joint stipulation, together with a joint explanatory brief in support of the stipulation. The stipulation is attached to this order as Appendix A.

III. PGE's PCV FILING

PGE's initial filing showed 2017 actual power costs were above base costs by about \$15 million. PGE stated that because the \$15 million variance is within the positive \$30 million deadband, the company would absorb the difference and there would be no rate adjustment. PGE's filing also showed that the company's 2017 adjusted earned return on equity (ROE) was 7.9 percent, and its allowed ROE is 9.60 percent.

IV. STIPULATION AND EXPLANATORY BRIEF

Following settlement discussions and prior to the filing of testimony by Staff and CUB, all parties reached an agreement and submitted a stipulation and joint explanatory brief. PGE submitted a motion to admit its direct testimony and exhibits, and a motion to admit the stipulation. The motions are granted.

The parties stipulate that PGE's actual power costs for 2017 were above forecast power costs but within the Schedule 126 power cost deadbands. This outcome results in no rate impact to customers for the 2017 power cost variance. Although some parties may have proposed

³ PacifiCorp's PCAM contains the same components. *See e.g., In the Matter of PacifiCorp 2013 Power Cost Adjustment Mechanism*, Docket No. UE 290, Order No. 14-357 (Oct 16, 2014).

adjustments to PGE's power cost calculation or earnings review, such adjustments, if accepted, would not have resulted in a rate change.

The parties agree that Schedule 126 rates should continue to be set at zero effective January 1, 2019. The parties recommend we adopt the stipulation in its entirety.

V. DISCUSSION

PGE's 2017 PCV results in no rate change. The parties analyzed PGE's filing and work papers and negotiated their settlement. We find the settlement reasonable and in the public interest. The stipulation should be adopted in its entirety. We note that the result in this proceeding is consistent with our discussion from last year's proceeding—that during periods of relatively stable energy supplies and prices, we anticipate that the actual power cost variance will likely fall within the deadbands, resulting in no rate change.

We take this opportunity to provide guidance on future PCAM testimony for PGE, Staff and stakeholders. Next year, we ask PGE to include in its initial testimony an explanation of the significant variations between its forecast and actual power costs. PacifiCorp, dba Pacific Power, has recently started including explanations of its power cost variations.⁴ For PGE, an explanation of the variation will provide helpful context for understanding PGE's PCV filing and may provide a useful connection to proposals made in the company's annual power cost update filing. Similarly, for Staff and stakeholders, when a stipulation is filed before responsive testimony is filed, we ask for the parties to include in their joint supporting testimony or supporting brief a description of any issues they identified and evaluated. We make these requests not due to any concerns in this docket, but to help provide additional context to the proceeding to better inform Commission decision-making.

Finally, we add that we recently determined that we do not have authority to allow deferrals of any costs related to capital investments.⁵ In the future, Staff, PGE, and intervenors may need to review the items in the PCV deferral to ensure capital costs are not included in the event the amounts deferred for the PCV are amortized and put into rates.

⁴ *In the Matter of PacifiCorp 2017 Power Cost Adjustment Mechanism*, Docket No. UE 344, Order No. 18-440 at 3 (Nov 30, 2018).

⁵ *In the Matter of Investigation of the Scope of the Commission's Authority to Defer Capital Costs*, Docket No. UM 1909, Order No. 18-423 (Oct 29, 2018).

VI. ORDER

IT IS ORDERED that

- 1. The stipulation between Portland General Electric Company, Staff of the Public Utility Commission of Oregon, and the Oregon Citizens' Utility Board is adopted;
- 2. Portland General Electric Company's Schedule 126 rates should continue to be set at zero effective January 1, 2019.

Made, entered, and effective Dec 17 2018.



Megan W. Decker
Chair



Stephen M. Bloom
Commissioner



Letha Tawney
Commissioner



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.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 346

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Annual Power Cost Variance Mechanism (2017)

STIPULATION

This Stipulation (“Stipulation”) is among Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), and the Oregon Citizens’ Utility Board (collectively, the “Parties”). There are no other parties in this docket.

I. INTRODUCTION

In accordance with its tariff Schedule 126, PGE filed its annual power cost variance mechanism update in this docket on June 20, 2018. Included with that filing were PGE’s testimony and work papers regarding the 2017 power cost variance and earnings review results. This information included the data required by the minimum filing requirements agreed to for Power Cost Variance (PCV) dockets. PGE’s filing showed that the 2017 power cost variance was within the deadbands contained in Schedule 126, and therefore results in no power cost variance refund or collection for 2017.

The Parties subsequently reviewed PGE’s filing and work papers. The Parties held a workshop/settlement conference on September 5, 2018. As a result of those discussions, and

discovery, the Parties have reached agreement settling this docket as set forth below. The Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles all issues in this docket.
2. PGE's actual power costs for 2017 were above forecast power costs but within the Schedule 126 power cost deadbands. This results in no rate impact to customers for the 2017 power cost variance. Some parties may have proposed adjustments to the power cost calculation or earnings review in this docket but such adjustments, if accepted, would not have altered the Schedule 126 rates. As such, the lack of issues being raised and decided in this docket is not to be construed as agreement to any or all of the aspects of the calculations done by PGE and is not precedent for future PCV dockets or any other case.
3. Schedule 126 rates should continue to be set at zero effective January 1, 2019.
4. The Parties recommend and request that the Commission approve this Stipulation as an appropriate and reasonable resolution of the issues in this docket.
5. The Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable and will meet the standard in ORS 756.040.
6. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. Without the written consent of all Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

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7. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Party reserves its right: (i) to withdraw from the Stipulation, upon written notice to the Commission and the other Parties within five (5) business days of service of the final order that rejects this Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission order. Nothing in this paragraph provides any Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

8. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. By entering into this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

9. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 19th day of September, 2018.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

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9. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 13th day of September, 2018.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

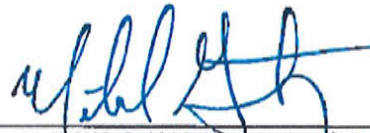
CITIZENS' UTILITY BOARD
OF OREGON

9. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 12th day of September, 2018.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
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