

ORDER NO. 19-404

ENTERED: Nov 25 2019

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 362

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

2018 Annual Power Cost Variance
Mechanism.

ORDER

DISPOSITION: ANNUAL POWER COST VARIANCE MECHANISM STIPULATION
ADOPTED; SCHEDULE 126 RATES SET TO ZERO

I. SUMMARY

In this order, we adopt the stipulation of the parties regarding the Portland General Electric Company (PGE) 2018 Annual Power Cost Variance (PCV) Mechanism and set the PGE Schedule 126 rates at zero, effective January 1, 2020. Through the stipulation, attached as Appendix A to this order, PGE, the Staff of the Public Utility Commission of Oregon (Staff), the Oregon Citizens' Utility Board, collectively, the stipulating parties, resolved all issues related to the 2018 power cost earnings review and results.¹

II. BACKGROUND

The PCV Mechanism is a true-up proceeding for net power costs (NPC). The PCV Mechanism compares PGE's actual NPC incurred in operations against the forecast NPC set in rates annually. The PCV Mechanism allows PGE to recover or refund the difference between actual power costs and forecast power costs, subject to a deadband, and earnings test.

In accordance with its tariff Schedule 126, PGE filed its annual PCV mechanism update in this docket on June 27, 2019. Included with that filing were PGE's testimony and work papers regarding the 2018 power cost variance and earnings review results. This information included the data required by the minimum filing requirements agreed to for PCV dockets.

¹ The Alliance of Western Energy Consumers, also a party in this docket, did not oppose the stipulation.

As calculated by PGE, the variance between forecast and actual power costs in 2018 was approximately negative \$3 million. This is within the \$15 million Negative Annual Power Cost Deadband limit. As such, the sharing percentages in Schedule 126, which describes how customers and shareholders will bear the costs of any adjustment, are not applicable. PGE's filing also performed the earnings review required by Schedule 126. The Schedule 126 return on equity (ROE) deadband is +/-100 basis points of PGE's authorized ROE, which for 2018 was 9.5 percent. PGE's testimony showed that PGE's final regulated adjusted 2018 ROE was 8.53 percent. This is near the lower bound for the Schedule 126 earnings deadband, but because the PCV is within the power cost deadband, the variance is not subject to this earnings test, and therefore resulted in no power cost variance refund or collection for 2018. The parties and Staff conducted discovery and engaged in settlement discussions.²

Although no party raised any issues with respect to the accuracy of PGE's calculation methods during those discussions, several allocation-related and accounting questions were raised which might have led to possible adjustments to PGE's 2018 power costs, particularly the impact of the 2018 change in corporate effective tax rates. Because PGE's 2018 Annual Power Cost Update Tariff (AUT) filing was finalized prior to the 2018 federal tax reform, the parties sought to address the impacts related to the relationship between the 2018 federal tax reform and Production Tax Credits (PTCs). The approved 2018 power cost forecast utilized a 35 percent federal tax rate to calculate forecasted PTC benefits, instead of the 21 percent federal tax rate in effect for 2018. As we previously approved, in Order No. 18-459³, a deferral mechanism authorizing PGE to pass back the 2018 net benefits associated with the U.S. Tax Reconciliation Act, PGE revised the baseline PTC forecast in its filing to appropriately reflect the lower federal tax rate.⁴

In addition to addressing the accounting treatment of certain items, PGE noted that the October 9, 2018 rupture of the Enbridge gas pipeline did not have a significant effect on fuel costs even though there were price increases and market constraints, because PGE's hedged position and low load, coupled with mild weather, helped to keep power costs close to forecast despite the incident. Similarly, a forced outage at the Boardman plant and maintenance outages at Colstrip did not have significant effects.⁵

² UE 362/Stipulating Parties/100, Enright-Gehrke-Batzler/3.

³ *In the Matter of Portland General Electric Company Application for Authorization to Defer Benefits Associated with the US Tax Reconciliation Act*, Docket No. UM 1920, Order No. 18-459 (Dec 04, 2018).

⁴ UE 362/Stipulating Parties/100, Enright-Gehrke-Batzler/4-5.

⁵ *Id.* at 4.

After completion of their reviews, the parties agreed that any such adjustments, included those related to PTCs, if accepted, would not have altered the Schedule 126 rates.

III. STIPULATION

On October 22, 2019, the stipulating parties filed a motion to admit stipulation, the stipulation, and joint testimony in support of the PCV mechanism. In the stipulation, the stipulating parties agreed that any of the issues being raised and decided in these proceedings were 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.

IV. DISCUSSION

We adopt the stipulation and, while not making findings with respect to specific issues discussed by the parties, conclude the proposed resolution by the parties to be reasonable.

PGE's Schedule 126 rates are currently set at zero and any adjustments considered by the parties were within the Schedule 126 deadbands. While we make no findings with respect to particular adjustment calculations raised by the parties, we find that rates should continue to be set at zero throughout 2020 to reflect the 2018 PCV review, consistent with the standard in ORS 756.040.

V. ORDER

IT IS ORDERED that:

1. The Stipulation between Portland General Electric Company, the Staff of the Public Utility Commission of Oregon and the Oregon Citizens' Utility Board, attached as Appendix A, is adopted.

2. Portland General Electric Company shall set its Schedule 126 rates at zero, effective January 1, 2020.

Made, entered, and effective Nov 25 2019.



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 362**

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

2018 Annual Power Cost Variance
Mechanism.

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”). The Alliance of Western Energy Consumers is also a party in this docket, and does not oppose this Stipulation.

I. INTRODUCTION

In accordance with its tariff Schedule 126, PGE filed its annual power cost variance mechanism update in this docket on June 27, 2019. Included with that filing were PGE’s testimony and work papers regarding the 2018 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 2018 power cost variance was within the deadbands contained in Schedule 126, and therefore results in no power cost variance refund or collection for 2018.

The Parties subsequently reviewed PGE's filing and work papers. The Parties held a workshop/settlement conference on September 4, 2019. As a result of those discussions, 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 2018 were below forecast power costs but within the Schedule 126 power cost deadbands. This results in no rate impact to customers for the 2018 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, 2020.
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.

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 24th day of October, 2019.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

OREGON CITIZENS' UTILITY
BOARD

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 ____ day of October, 2019.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

OREGON CITIZENS' UTILITY
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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 16th day of October, 2019.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



OREGON CITIZENS' UTILITY
BOARD