

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2012

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2013

DATE: December 4, 2012

TO: Public Utility Commission

FROM: John Crider *JC*

THROUGH: Jason Eisdorfer and Maury Galbraith *MG*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UE 256/Advice No. 12-20) Revises Schedule 126, the Annual Power Cost Variance Mechanism, pursuant to Order 12-402.

STAFF RECOMMENDATION:

Staff recommends that the tariff sheets filed in Portland General Electric's (PGE or Company) Advice No. 12-20 be allowed to go into effect on January 1, 2013.

DISCUSSION:

Portland General Electric filed its annual power cost variance mechanism in June 2012. The purpose of this filing is to recognize the difference between actual net variable power costs and the net variable power cost forecast placed in rates under tariff Schedule 125. PGE's filing showed that the actual power cost variance resulted in a savings of approximately \$34.3 million over the forecasted power costs, indicating a \$5.5 million refund to customers.

Petitions to intervene were granted on behalf of Industrial Customers of Northwest Utilities (ICNU) and PacifiCorp, dba Pacific Power. The Citizens' Utility Board of Oregon (CUB) intervened by right. A prehearing conference was held on August 8, 2012, and a schedule adopted. Prior to filing testimony, on September 19, 2012, PGE, CUB, ICNU, and Staff filed a stipulation that settled all issues in this docket. This Stipulation was approved by the Commission in Order 12-402.

The actual power cost variance from the 2011 forecast was \$34.3 million, resulting in a refund due to ratepayers. The refund of this amount is subject to a deadband, sharing

mechanism, and earnings test. Tariff Schedule 126 provides that variances outside of a \$15 million deadband are shared between PGE and its customers with 90 percent of the credit going to the customers and 10 percent received by PGE. Applying the deadband reduces the credit to \$19.3 million, and applying the percentage split reduces the refund further to \$17.3 million.

The Earnings Test provides a second deadband test on actual Return on Equity (ROE). The ROE deadband is +/- 100 basis points of PGE's authorized ROE, which for 2011 is 10.0 percent. If PGE's earnings fall below 9.0 percent, then PGE is entitled to collect the amount of variance up to the point where the ROE is 9.0 percent. Alternatively, if PGE's earnings are above 11.0 percent, PGE will refund the amount of the variance down to the point where the ROE reaches 11.0 percent. In this case, PGE's final 2011 ROE before the PCAM was 11.22 percent, resulting in a refund of \$5.5 million to reduce the ROE to 11.0 percent.

The resulting revised tariff sheets reflect this refund by an adjustment of all retail rate schedules on an equal "cents per kWh" basis of \$0.036/kWh. A Schedule 7 residential customer using 900 kWh monthly will see a bill reduction of 32 cents per month.

PROPOSED COMMISSION MOTION:

The tariff sheets filed in Portland General Electric's Advice No. 12-20 be allowed to go into effect on January 1, 2013.