


PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: January 26, 2016

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2016

DATE: January 7, 2016

TO: Public Utility Commission

FROM: Judy Johnson 

THROUGH: Jason Eisdorfer and Marc Hellman 

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1514(5)) Requests reauthorization to defer the incremental costs associated with Automated Demand Response.

STAFF RECOMMENDATION:

I recommend that Portland General Electric's (PGE or Company) application be approved for the 12-month period beginning January 1, 2016.

ISSUE:

PGE requests reauthorization to defer, with interest, the incremental costs associated with the Automated Demand Response Pilot (ADR Pilot), for later recovery in rates.

APPLICABLE RULES AND LAWS:

PGE seeks deferred accounting under ORS 757.259(2)(e), and OAR 860-027-0300(3). Previous approval of this deferral was most recently granted by Order No. 15-022.

ANALYSIS:

The deferral of incremental ADR costs, as an automatic adjustment clause, and the associated cost recovery tariff (Advice 10-29, Schedule 135) were initially authorized by Commission Order No. 11-82, as part of a two-year pilot program. The Commission has authorized PGE to defer the incremental ADR costs each year since 2011.

PGE seeks reauthorization for a deferral of incremental costs associated with the ADR Program and the new Pilot timeline for the period January 1, 2016, through December 31, 2016.

First ADR Pilot Period

PGE selected a third-party provider based on a combination of good credit, bidding summer and winter events, better technology, and a stronger marketing plan. The provider began its program marketing on September 1, 2011, but failed to meet the initial capacity milestone of 5 MW for the first winter season. The provider then began to experience financial difficulties and failed to meet additional terms of its agreement for the ADR pilot. On April 30, 2012, PGE terminated its contract with the provider.

New Proposed ADR Pilot Period

Although the first program was terminated, PGE believed that ADR pilot could still be a valuable and viable resource. Consequently, PGE selected a new provider and implemented a new pilot. PGE proposed that the new ADR pilot period run through June 2015. This will allow four operating seasons (two full years) to be evaluated for performance and cost effectiveness with the evaluation to be completed by April 2015. If the evaluation is favorable, the second period will run through 2016, which will allow a second evaluation to review the entire pilot with the evaluation to be completed by April 2016. If the second evaluation is favorable, PGE will submit the ADR as an on-going capacity resource in its Annual Power Cost Update (Schedule 125) and Power Cost Adjustment Mechanism (Schedule 126) similar to other power cost and capacity items.

Description of Amounts

Pursuant to ORS 757.259(2)(e), PGE seeks renewal of deferred accounting treatment for the incremental costs associated with an ADR. The approval of the Application will also enable the continued use of an automatic adjustment clause rate schedule which will provide for recovery of the incremental costs associated with the ADR through tariff Schedule 135.

Reasons for Deferral

Pursuant to ORS 757.259(2)(e), PGE seeks to continue a deferred accounting treatment for the incremental costs associated with the ADR (initially authorized by the Commission through Order No. 11-082 on June 1, 2011). The granting of this reauthorization 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 costs in FERC account 182.3 (Regulatory Assets), with the offsetting credit recorded to FERC account 131 (Cash).

Estimate of Amounts

PGE estimates the amounts to be deferred in 2016 to be approximately \$2.3 million.

Information Related to Future Amortization

- Earnings review – An earnings review does not apply to an automatic adjustment clause, pursuant to ORS 757.259(5). If the pilot program is deemed successful, PGE proposes that subsequent costs to flow through PGE's Annual Power Cost Update (Schedule 125) and Power Cost Adjustment Mechanism (PCAM) (Schedule 126) for the year 2017, and would be subject to the earnings review contained within the PCAM.
- Prudence Review – A prudence review should include a verification that deferred amounts are incremental, and verification of the accounting methodology used to determine the final amortization balance.
- Sharing – If the ADR is deemed successful, then the proposal is for subsequent costs to flow through PGE's Annual Power Cost Update (Schedule 125) and Power Cost Adjustment Mechanism (PCAM) (Schedule 126). The PCAM is subject to the dead bands and sharing percent's as specified by Commission Order Nos. 07-015 and 10-478.
- Rate Spread/Design – Per Commission Order No. 11-517, tariff Schedule 135 will allocate the costs of the ADR on the basis of an equal percent of forecast generation revenues.
- 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 (exceptions at ORS 757.259(7) and (8)) 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. Because PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit.

Staff Analysis

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PGE's application be approved.

PROPOSED COMMISSION MOTION:

PGE's application be approved for the 12-month period beginning January 1, 2016.