

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 346

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Annual Power Cost Variance Mechanism (2017)

JOINT EXPLANATORY BRIEF

This brief explains the Stipulation (“Stipulation”) dated September 19, 2018, among Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), and the Oregon Citizens’ Utility Board (“CUB”) (collectively, the “Parties”). The Parties submit this brief pursuant to OAR §860-001-0350(7).

Discussion

On June 20, 2018, PGE made its Annual Power Cost Variance Mechanism filing under tariff Schedule 126. That filing included testimony, work papers, and the information required by the minimum filing requirements previously agreed to regarding Schedule 126.

Tariff Schedule 126 is designed to recognize in rates in some years part of the difference between actual net variable power costs (as defined in the tariff) and the net variable power cost forecast pursuant to tariff Schedule 125. Schedule 126 defines how the Power Cost Variance is calculated, including deadbands that are applied to either a positive or negative power cost variance, and sharing of the variance outside the applicable deadband. The Power Cost Variance

is also subject to an earnings test.

PGE's filing in this docket explained how it calculated the Power Cost Variance for 2017. As calculated by PGE, the variance between forecast and actual power costs in 2017 was approximately \$15 million. This is within the \$30 million Positive Annual Power Cost Deadband. As such, the sharing percentages in Schedule 126 are not applicable.

PGE's filing also included information regarding 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 2017 was 9.6%. PGE's testimony showed that PGE's final regulated adjusted 2017 ROE was 7.90%. This is below the lower bound for the Schedule 126 earnings deadband, but because the Power Cost Variance is within the power cost deadband, as discussed above, the variance is not subject to this earnings test.

Following PGE's filing in this docket, PGE shared requested information with the Parties and the Parties examined PGE's filing and work papers. A settlement conference was held on September 5, 2018.

The Parties have concluded that operation of the Schedule 126 Positive Power Cost Deadband in this docket results in there being no charge to customers for the 2017 power cost variance. Some Parties may have raised issues regarding the calculation of the Power Cost Variance or earnings test, but did not do so because such adjustments, even if adopted, would not have changed the final Schedule 126 rates. Stipulation ¶ 2. Accordingly, the Stipulation provided that "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." Stipulation ¶ 2.

Under its terms, Schedule 126 rates are to be adjusted on January 1, 2019, to incorporate the outcome of this docket. The Stipulation thus provides that "Schedule 126 rates should

continue to be set at zero effective January 1, 2019.” Stipulation ¶ 3.

The Stipulation settles all issues in this docket. Stipulation ¶ 1. The Parties agree that the Stipulation is in the public interest and will produce rates that are fair, just and reasonable. Stipulation ¶ 5. The Stipulation also contains a number of provisions typically contained in stipulations filed with the Commission. Stipulation ¶¶ 6-9.

Conclusion

The Stipulation is among Staff, CUB, and PGE. Each of the Parties, representing their respective interests, agree that the settlement contained in the Stipulation results in fair, just and reasonable rates in this 2017 Annual Power Cost Variance Mechanism proceeding. The result is consistent with and supported by the record in this docket. For the reasons set forth above, the Parties request that the Commission approve the Stipulation.

DATED this 19th day of September, 2018.

PORTLAND GENERAL ELECTRIC
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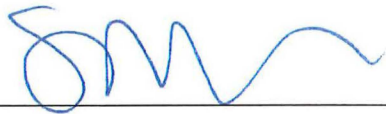
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DATED this 13th day of September, 2018.

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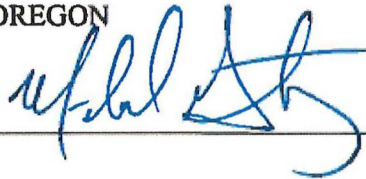
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DATED this 12th day of September, 2018.

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