

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

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2013

DATE: November 26, 2012

TO: Public Utility Commission

FROM: Judy Johnson

THROUGH: Jason Eisdorfer, Maury Galbraith, and Marc Hellman

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice No. 12-19) Revises Schedule 105, Regulatory Adjustments.

STAFF RECOMMENDATION:

I recommend that Portland General Electric's Advice filing be approved.

DISCUSSION:

Portland General Electric (PGE or Company) made this filing to reset Schedule 105, Miscellaneous Regulatory Adjustments. Schedule 105, Regulatory Adjustments is composed of parts A and B. Part A includes miscellaneous adjustments reflecting the Independent Evaluator (IE) costs consistent with Commission Order No. 06-446 and the Stable rate Balancing Account consistent with Schedule 9. Part A is a charge to customers of \$1,037,510.

Schedule 105, Part B is a credit to applicable customers of \$497,437 related to the 2011 deferred Large Nonresidential Load True-up consistent with the provisions of Schedule 128. This amount is spread to large nonresidential customers on an equal cents per kWh basis.

As a result of the Schedule 105 price change, a residential customer consuming 900 kWh monthly will see a bill decrease of \$0.22 or 0.2 percent.

Earnings Review

Schedule 105, Regulatory Adjustments will amortize deferred amounts into rates. ORS 757.259(5) specifies that unless subject to an automatic adjustment mechanism under

ORS 757.210(1), amounts deferred under ORS 757.259 shall be allowed in rates upon review of the utility's earnings and upon a finding that the amounts were prudently incurred. Staff concludes that the deferred amounts were prudently incurred and that review of PGE's earnings supports amortization.

In Commission Order No. 06-446 in Docket No. UM 1182 the Commission concluded that if IEs were to be useful to the competitive bidding process, utilities would have to recover costs of IEs in rates:

We agree that if an IE is useful to the process, and we believe that to be so, then the cost of the IE should be included in rates. Utilities may request deferred accounting to track the costs of IEs for later prudence review and potential inclusion in rates. (Order No. 06-446 at 7.)

Similarly, the costs associated with PGE's Stable Rate Pilot Program (Schedule 9) and Large Non-Residential Load True-Up (Schedule 128) are costs (or credits) that should be borne by customers.

PGE's actual return on equity exceeded its authorized return on equity by approximately 100 basis points during the deferral period. Because the deferred costs are of the sort that should be borne by ratepayers, they should be amortized into PGE's rates notwithstanding that PGE could absorb the costs at issue and still earn a reasonable rate of return. The credit associated with the Large Non-Residential Load True-Up is also appropriately returned to customers regardless of the utility's earnings.

Finally, Staff has reviewed the costs at issue and concludes they were prudently incurred.

PROPOSED COMMISSION MOTION:

Portland General Electric's Advice filing be approved.