

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 180**

In the Matter of	)	
	)	RESPONSE IN SUPPORT OF STAFF
PORTLAND GENERAL ELECTRIC,	)	MOTION FOR CLARIFICATION OF
	)	THE CITIZENS' UTILITY BOARD OF
Request for a General Rate Revision.	)	OREGON
_____	)	

1           The Citizens' Utility Board supports Staff's Motion for Clarification, and shares  
2 Staff's interpretation of the Commission's Order No. 07-105 in UE 180.

3           Staff understands the Commission's statement to mean that in light of  
4 the potential "double whammy" effect of SB 408, the deadband in  
5 PGE's PCVM is smaller than it would have been absent SB 408.

6 UE 180 Staff Motion for Clarification of Commission Final Order, p. 2.

7           In CUB's first round of testimony in UE 180, we cited the Commission's past use  
8 of a 250 basis point deadband to represent the power cost variation a utility should  
9 manage in the normal course of its business. CUB/200/Jenks-Brown/20-22. We also  
10 expressly stated that the magnitude of 250 basis points might warrant reevaluation in  
11 light of the Commission's final order establishing the rules to implement SB 408.

12           We recognize that the application of Senate Bill 408 may create a  
13 reason to reevaluate the appropriate magnitude of a deadband and  
14 sharing bands. In the past, a deadband and sharing bands were pre-  
15 tax values, and the utility then got a tax deduction, which reduced the  
16 impact of these bands. With the implementation of SB 408, these tax  
17 deductions will most likely be incorporated in the SB 408 automatic  
18 adjustment clause, and so no longer act to mitigate the amounts in a  
19 deadband and sharing bands.

20 UE 180 CUB/200/Jenks-Brown/23.

1 In Surrebuttal, CUB shrank the magnitude of its proposed deadband from an  
2 upper bound of +250 down to an upper bound of +150, and the magnitude of the lower  
3 bound from -125 to -75 in order to account for the tax impact of SB 408 resulting from  
4 the Commission's Order in AR 499.

5 We started using a deadband with an upper bound equivalent to +250  
6 basis points of return on equity, because of the Commission's use of  
7 250 basis points in the past for exceptional events, and the  
8 Commission's confirmation that this represents a reasonable amount  
9 for a utility to absorb. We now adjust that deadband by reducing it by  
10 39.2% (PGE's effective tax rate). This reduces the deadband by 98  
11 basis points, which we round off to 100. So the deadband becomes  
12 150 basis points. We selected asymmetric bands in an attempt to  
13 make the mechanism revenue neutral over time and now adjust the  
14 -125 basis point deadband to -75 basis points.

15 UE 180 CUB/300/Jenks-Brown/27.

16 In its Order in UE 180, the Commission cited CUB's argument for an asymmetric  
17 deadband to support revenue neutrality, then used the magnitude of deadband proposed  
18 by CUB, and then stated that it had accounted for the impact of SB 408 in its design of  
19 the mechanism.

20 We are persuaded by CUB's arguments ... that an asymmetric  
21 deadband is necessary ... The deadband for the power cost variation  
22 will [] range from 75 basis points ROE below the base level of NVPC  
23 included in rates, to 150 basis points ROE above. As we noted in  
24 AR 499, we are well aware of the double whammy effect on SB 408  
25 ... and we have considered that impact in the design of this  
26 mechanism.

27 UE 180 OPUC Order No. 07-015, p. 26-27.

28 CUB was quite clear that its proposed deadband accounted for the impact of  
29 SB 408, the Commission accepted our proposed deadband, and the Commission stated it  
30 had taken SB 408 into account in so doing. In addition, in its Surrebuttal, PGE  
31 acknowledged that CUB's proposal took SB 408 into account, and the Company did not

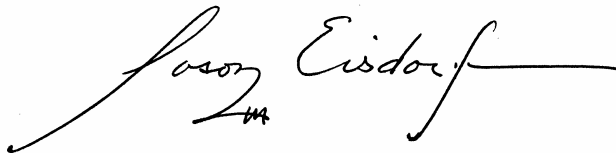
1 suggest that CUB's proposed deadband would need to be further adjusted to account for  
2 SB 408.

3 Last, until future legislative action changes SB 408, any PCA  
4 mechanism designs must consider the effects of the tax true-up on  
5 customers' and utilities' cost-of-service risk ... Whatever amount of  
6 NVPC cost-of-service risk the Commission would otherwise find  
7 reasonable to leave with customers and PGE, it should reduce this to  
8 offset the double whammy effect of SB 408. We appreciate CUB's  
9 recognition of this in adjusting their recommendation for a PCA  
10 mechanism.

11 UE 180 PGE/2400/Lesh/23.

12 PGE modified the deadband established in Order No. 07-015 to take SB 408 into  
13 account. PGE Advice No. 07-04 at 2. This modification ignores the fact that the  
14 Commission already took SB 408 into account when it established the deadband. PGE's  
15 duplicative and cumulative modification should be rejected.

16 Dated this 21<sup>st</sup> Day of February, 2007  
17 Respectfully submitted,

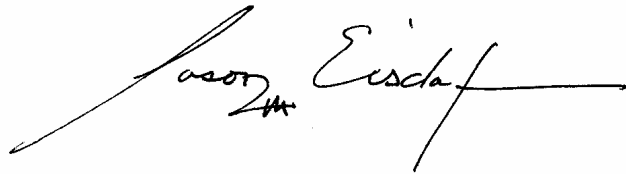
A handwritten signature in black ink, reading "Jason Eisdorfer". The signature is written in a cursive style with a long horizontal flourish extending to the right. There is a small mark below the "n" in "Eisdorfer".

18 Jason Eisdorfer #92292  
19 Attorney for Citizens' Utility Board of Oregon

**CERTIFICATE OF SERVICE**

I hereby certify that on this 21<sup>st</sup> day of February, 2007, I served the foregoing Response in Support of Staff Motion for Clarification of the Citizens' Utility Board of Oregon in docket UE 180 upon each party listed below, by email and U.S. mail, postage prepaid, and upon the Commission by email and by sending 2 copies by U.S. mail, postage prepaid, to the Commission's Salem offices.

Respectfully submitted,



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**W=Waive Paper service, Q=Confidential**

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