



**Portland General Electric Company**  
121 SW Salmon Street • Portland, Oregon 97204  
PortlandGeneral.com

December 21, 2006

**Email / U.S. Mail**

Oregon Public Utility Commission  
Attention: Filing Center  
550 Capitol Street, N.E., Ste 215  
Salem, OR 97301-2551

**Re: Request for Accounting Order**

Enclosed for filing are an original and one copy of Portland General Electric Company's Application for an Accounting Order related to PGE's pension liability. This request is similar in nature to that filed by PacifiCorp in Docket UM 1073 and approved by Commission Order No. 03-233.

Thank you for your assistance in this matter. If you have any questions or require further information, please call Alex Tooman at 503-464-7623.

Sincerely,

/s/Randy Dahlgren  
Director, Regulatory Policy & Affairs

cc: UE 180 Service List

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM \_\_\_\_\_

In the Matter of the Application of Portland  
General Electric Company for an Accounting  
Order

**Application for an Accounting Order**

Pursuant to Sections 757.120 and 757.125 of the Oregon Revised Statutes (ORS), Portland General Electric Company (PGE) respectfully requests a Commission accounting order authorizing PGE to record on an ongoing basis, a regulatory asset (or liability), equal to the pretax charge against Accumulated Other Comprehensive Income (AOCI) that would otherwise be required by recognition of the pension funded status under Statement of Financial Accounting Standards (SFAS) 158, Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans.

I. The Commission's Authority over Accounting

The Commission has plenary authority over PGE's accounting practices. ORS §§757.120 and 757.125. The Commission has adopted the Federal Energy Regulatory Commission's Uniform System of Accounts for use by all electric utilities in Oregon. OAR 860-27-045. The Commission may, however, allow a utility to depart from strict FERC accounting practices. OAR 860-21-005.

II. Description of the Costs

In accordance with SFAS 158, which is effective for fiscal years ending after

12/15/06, the funded status of a pension plan must be recorded on the balance sheet. The funded status of a plan is based on the Projected Benefit Obligation (PBO). The PBO is the present value of the plan's accrued benefits, including pay projections. The recognition of the funded status is offset by a charge to AOCI in shareholders' equity, net of taxes. Prior to implementation of SFAS 158, PGE would have recorded a pension asset of \$84 million. Under SFAS 158, PGE expects to record a pension asset of \$6 million based on the latest actuarial assessment. The difference of \$78 million will be recorded to AOCI, net of taxes.

### III. Accounting Treatment

As required by SFAS 158, PGE will record, for its fiscal year ending December 31, 2006, a reduction to the pension asset of an estimated \$78 million, with an offsetting pretax charge to AOCI (FERC account 219). The AOCI charge will be offset with approximately \$30 million in deferred income taxes related to this accounting requirement. Although the charge to equity is expected to be reversed in future periods, as pension expense is recognized, this entry will have the immediate effect of reducing PGE's common equity capitalization. To counter this effect, PGE requests approval to classify an estimated \$78 million, as a regulatory asset (FERC account 182.3, Other Regulatory Assets). This is an amount equal to the pretax charge against equity that would otherwise be necessitated by the recognition of the pension plan's funded status under SFAS 158. These entries would have no affect on PGE's income statement and thus would have no current tax effect. The regulatory asset will be amortized as pension expense is recognized in future years. The deferred tax will be eliminated as tax deductions for pension expense are recognized over time.

Absent an Order by the Commission approving this request, Generally Accepted

Accounting Principles (GAAP) would require that these costs be treated as equity, which will have the immediate effect of reducing PGE's common equity capitalization. PGE believes that classifying the entry as a regulatory asset is reasonable because the reduction to equity is not based on actual operations.

#### IV. Conclusion

For the reasons stated above and based on guidance from our auditors (Deloitte and Touche), PGE requests that the Commission issue an accounting order granting its request to record and maintain a regulatory asset resulting from the requirement to recognize the funded status of the pension plan under SFAS 158. Approval would be for accounting purposes only and would not constitute authorization of any future ratemaking treatment of the costs associated with the regulatory asset.

DATED this 21<sup>st</sup> day of December 2006.

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Randy Dahlgren  
Director, Regulatory Policy and Affairs  
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## **CERTIFICATE OF SERVICE**

I certify that this day I have served the foregoing **APPLICATION FOR AN ACCOUNTING ORDER** on the persons shown on the attached service list by mailing a copy by First Class U.S. Mail, postage prepaid, properly addressed to each.

Dated this 21<sup>st</sup> day of December 2006.

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On Behalf of Portland General Electric Company

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