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October 3, 2007

Via U.S. and Electronic Mail

Public Utility Commission
Attn: Filing Center
550 Capitol St. NE #215
P.O. Box 2148
Salem OR 97308-2148

Re: In the Matter of PUBLIC UTILITY COMMISSION OF OREGON Staff
Request to Open an Investigation Related to Deferred Accounting
Docket No. UM 1147

Dear Filing Center:

Enclosed for filing please find an original and five copies of the Closing
Comments of the Industrial Customers of Northwest Utilities in the above-captioned Docket.

Thank you for your assistance.

Sincerely yours,

/s/ Ruth A. Miller
Ruth A. Miller

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Closing Comments of the Industrial Customers of Northwest Utilities upon the parties listed below, listed on the official service list for Docket No. UM 1147, by causing the same to be mailed, postage-prepaid, through the U.S. Mail, to those parties which have not waived paper service, in addition to service by electronic mail to all parties.

Dated at Portland, Oregon, this 3rd day of October, 2007.

/s/ Ruth A. Miller
Ruth A. Miller

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**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1147

In the Matter of)	
)	
PUBLIC UTILITY COMMISSION OF)	CLOSING COMMENTS OF THE
OREGON)	INDUSTRIAL CUSTOMERS OF
)	NORTHWEST UTILITIES REGARDING
Staff Request to Open an Investigation)	THE APPLICABLE INTEREST RATE ON
Related to Deferred Accounting.)	DEFERRED ACCOUNTS DURING
_____)	AMORTIZATION
)	

I. INTRODUCTION

The Industrial Customers of Northwest Utilities (“ICNU”) submits the following Closing Comments to the Oregon Public Utility Commission (“OPUC” or the “Commission”) in Phase III of this Docket, responding to the Opening Comments of Portland General Electric Company (“PGE”) and PacifiCorp. ICNU is supportive of Staff’s Opening Comments, and urges the Commission to adopt and apply Staff’s Blended Treasury Rate to all deferred accounts during amortization.

II. DISCUSSION

A. Neither PacifiCorp Nor PGE Give Compelling Reasons to Use Long-Term Interest Rates

The Commission found that a utility’s Authorized Rate of Return (“AROR”) should not apply to deferred accounts during amortization because of the minimal risk of disallowance to the utility. Re Staff Request to Open an Investigation Related to Deferred Accounting, Docket No. UM 1147, Order No. 06-507 at 4-5 (Sept. 6, 2006) (Order No. 06-507). Both PacifiCorp and PGE argue that the Commission should apply each utility’s cost of long-

term debt to deferred accounts during amortization, but neither utility explains why the risk to the utility at that stage justifies the use of such an interest rate.

PGE discusses the time that elapses between consideration of a deferred accounting application and when an approved account is recovered through amortization, concluding that the “long-term debt rate matches the time period” PGE Opening Comments at 2. PGE’s discussion of the time period of the entire deferred account is irrelevant, as a utility is already being compensated at the utility’s AROR for the time period before amortization. The focus here should be on the risks to utilities in the amortization phase only. As the Commission recognized, amortization may take place for a period as short as one year. Order 06-507 at 5. Application of a long-term interest rate to such a short time period is inappropriate.

PacifiCorp similarly fails to address the risks to utilities in the amortization phase. Instead, PacifiCorp argues that the use of a short-term debt rate will “present a mismatch of costs” and be “procedurally complex and administratively burdensome.” PacifiCorp Opening Comments at 2. Again, neither of these arguments presents any reasons why the risk to the utility justifies a high interest rate. Application of a long-term interest rate across the board will over-compensate the utilities during amortization. In contrast, Staff’s Blended Treasury Rate proposal provides a fair mix of a one-, three-, and five-year rate.

B. Applying the New Interest Rate to All Deferred Accounts is the Most Equitable and Simple Method

PGE and PacifiCorp’s proposals to apply different rates to accounts that accrue deferrals during amortization are simply further attempts to seek overcompensation for amortized amounts. For example, PGE proposes that the utility’s AROR apply to the entire balance of a “balancing account.” PGE Opening Brief at 5. Moreover, both PGE and PacifiCorp propose to

apply the new interest rate on a prospective basis only, ensuring that the utilities will continue to accrue interest at a rate that is not commensurate with the risk involved for all previously authorized deferred accounts. Id. at 6, PacifiCorp Opening Comments at 7-8. Utilities are being overcompensated during the amortization phase, as the Commission found, and such overcompensation should end immediately for all deferred accounts. Order 06-507 at 5.

Further, both PGE and PacifiCorp propose materiality thresholds in which the new rate of return would not apply to small deferred accounts, reasoning that the administrative cost would outweigh any financial impact. These proposals are contrary to Order 06-507, as the proposals would allow utilities to continue to accrue interest at a utility's AROR during amortization for these accounts. Moreover, applying the same interest rate to all deferred accounts seems less administratively complex.

III. CONCLUSION

For the foregoing reasons, the Commission should adopt Staff's blended treasury rate proposal and apply such rate to all deferred accounts during amortization.

Dated this 3rd day of October, 2007.

Respectfully submitted,

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