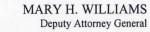
ELLEN F. ROSENBLUM Attorney General



DEPARTMENT OF JUSTICE GENERAL COUNSEL DIVISION

October 31, 2012

VIA E-MAIL AND U.S. MAIL

Attention: Filing Center Public Utility Commission of Oregon 550 Capitol Street NE, #215 P.O. Box 2148 Salem, OR 97308-2148 puc.filingcenter@state.or.us

Re: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Application for Deferral Accounting of Excess Pension Costs and Carrying Costs on Cash Contributions OPUC Docket No.: UM 1623

Enclosed for filing with the Commission today are an original and five copies of STAFF COMMENTS ON APPLICATION with certificate of service/service list.

Sincerely, Stephanie S. Andrus

Senior Assistant Attorney General Business Activities Section

Enclosures SSA:jrs/#3743243 Electronic copies only c: UM 1623 service list

1	BEFORE THE PUBLIC UTILITY COMMISSION		
2	OF OREGON		
3	UM 1623		
4	In the Matter of	STAFF COMMENTS ON APPLICATION	
5	PORTLAND GENERAL ELECTRIC COMPANY		
6	Application for Deferral Accounting of Excess		
7	Pension Costs and Carrying Costs on Cash		
8	Contributions.		
9	Portland General Electric Company ("PGE") asks for the Commission's authorization to		
10	defer for later rate-making treatment actual FAS 87 pension expense that exceeds amounts		
11	currently recovered in rates and carrying costs on these cash contributions. PGE's application		
12	raises several potentially complex issues, some of which may be addressed by the Commission		
13	in a generic docket into treatment of pension expense that the Commission intends to open soon.		
14	The Commission recently stated in response to a comparable pension-expense-related request by		
15	Northwest Natural Company that the Commission "will open a docket to review the treatment of		
16	pension expense on a general, non-utility-specific basis." (In the Matter of Northwest Natural		
17	Gas Company Request for a General Rate Revision; Order No. 12-408 at 4.) Because some of		
18	the issues presented by PGE's application may be resolved in the generic docket, Staff		
19	recommends that the Commission delay its investigation of PGE's application to defer pension		
20	expense and carrying costs while the generic investigation moves forward.		
21	<b>Comments on Application</b>		
22	In its application for deferral, PGE states that its annual revenue requirement includes		
23	\$5.1 million for FAS 87 pension expense and asserts that its actual FAS 87 pension expense for		
24 25	<sup>1</sup> NW Natural Gas Company has also filed applications for deferred accounting for costs relating to pension contributions. The Commission has opened Docket No. UM 1619 to address the application NW Natural filed on July 11, 2012. NW Natural's second application to defer was		

26 filed on October 29, 2012.

2011 and anticipated pension expense for 2012-2018 are significantly higher. (PGE Application
 2.) PGE seeks to defer, for later amortization into rates, any FAS 87 pension expense that
 exceeds the amount that PGE recovers in rates. PGE also explains that it must make cash
 contributions to its pension plan under the 2006 Pension Protection Act. PGE asserts that it
 should be allowed to earn a return on these contributions because "this cash would otherwise be
 used for rate base investments funded via debt and equity." (PGE Application 3.)

PGE's proposed treatment carrying costs on cash contributions is a significant departure
from the Commission's existing policy regarding pension expense. As noted above, the
Commission has stated that it intends to address any changes to its policies regarding pension
expense in a generic docket.

11 Even aside from the question of the pension expense policy change, it is not clear that 12 deferral is appropriate under the Commission's precedent. PGE's proposal to track and recover 13 excess costs related to only one category of revenue requirement expense could have the effect 14 of a single-issue rate case. The Commission has stated that it "does not engage in single-issue 15 ratemaking." City of Portland v. Portland General Electric, Docket No. UM 1262, Order No. 16 06-636 at 6, citing In re Qwest, Docket No. UT 125, Order No. 06-515 at 10 n 19. Second, it is 17 not clear that the deferral of the carrying costs would appropriately match costs and benefits 18 because PGE would be allowed to earn interest at its authorized rate of return (AROR) on any 19 deferred expense, including deferred carrying costs. (In the Matter of Public Utility Commission 20 of Oregon Staff Request to Open an Investigation into Deferred Accounting, Docket No. UM 21 1147; Order No. 05-1070 at 13-14.) In other words, ratepayers would over compensate PGE 22 under PGE's proposal by allowing PGE to earn a return on a return.

And, the Commission typically does not afford the utilities the opportunity to defer a return on capital costs for plant that is used and useful but not yet included in rates. Utilities have the option to make a request for a rate revision to recovery such costs. Because the return on cash contributions is akin to a return on a new plant addition, Staff does not support PGE's
 request to defer the return on cash contributions.

Furthermore, PGE's application raises technical issues in addition to the issued identified
above. The information provided with the application is not sufficient to allow the Commission
to determine whether the deferral should be subject to sharing or other type of mechanism.
Finally, Staff must investigate PGE's forecasts of sales and customer growth to determine
whether Staff agrees with PGE's predictions regarding pension expense in future years.

8

## CONCLUSION

9 Further investigation into PGE's request to defer excess pension expense and the carrying 10 costs of cash contributions to PGE's pension plans is warranted. However, the Commission 11 intends to open a generic docket to address the policy issues raised by PGE's deferral application 12 request, and comparable requests made by NW Natural in Docket No. UG 221 and two deferral 13 applications. Accordingly, Staff recommends that the Commission either hold this application in 14 abeyance, or simply not establish a procedural schedule, while the generic proceeding is 15 underway.<sup>2</sup>

16 17		DATED this <u>S</u> day of October 2012	
18			Respectfully submitted,
19			ELLEN F. ROSENBLUM Attorney General
20			Automety General
21			XXX
22			Stephanie S. Andrus, #92512
			Senior Assistant Attorney General
23			Of Attorneys for Staff of the Public Utility
24			Commission of Oregon
27			
25			
26			
26	<sup>2</sup> Staff	recommends the same for the two NW N	atural applications to defer mentioned in note 1

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## CERTIFICATE OF SERVICE/SERVICE LIST

I hereby certify that on October 31, 2012, I served the foregoing STAFF COMMENTS

ON APPLICATION upon the persons named on the service list, by electronic mail only as all

parties have waived paper service.

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