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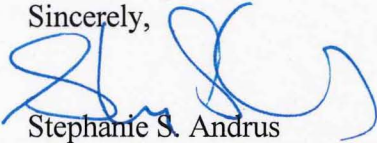
October 31, 2012

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

7 PGE’s proposed treatment carrying costs on cash contributions is a significant departure
8 from the Commission’s existing policy regarding pension expense. As noted above, the
9 Commission has stated that it intends to address any changes to its policies regarding pension
10 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.

23 And, the Commission typically does not afford the utilities the opportunity to defer a
24 return on capital costs for plant that is used and useful but not yet included in rates. Utilities
25 have the option to make a request for a rate revision to recovery such costs. Because the return
26

1 on cash contributions is akin to a return on a new plant addition, Staff does not support PGE's
2 request to defer the return on cash contributions.

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

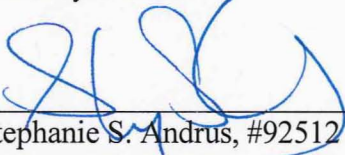
8 **CONCLUSION**

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.²

16 DATED this 31st day of October 2012.

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18 Respectfully submitted,

19 ELLEN F. ROSENBLUM
20 Attorney General

21 
22 _____
23 Stephanie S. Andrus, #92512
24 Senior Assistant Attorney General
25 Of Attorneys for Staff of the Public Utility
26 Commission of Oregon

² Staff recommends the same for the two NW Natural applications to defer mentioned in note 1.

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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(C)=Confidential



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