



PORTLAND GENERAL ELECTRIC
COMPANY
121 SW Salmon Street • Portland,
Oregon 97204

June 22 2006

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
PO Box 2148
Salem OR 97308-2148

Re: In the Matter of the Application of Portland General Electric Company for an Order Approving Deferral of Revenue Differences Incurred as a Result of the Stable Rate Tariff
OPUC Docket No. UM _____

Attention Filing Center:

Enclosed for filing with the Commission are the following documents:

Application of Portland General Electric Company ("PGE") for an Order Approving Deferral of Revenue Differences Incurred as a Result of the Stable Rate Tariff; and

Notice of Application.

PGE is filing under separate cover Advice No. 06-13, Stable Rate Pilot, the tariff for which PGE is seeking this Deferral.

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,

/s/Patrick G. Hager
Manager, Regulatory Affairs

cc: UE 115 Service List

Enclosure

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Order
Approving Deferral of Revenue Differences
Incurred as a Result of the Stable Rate Tariff

Application for Deferral of Revenue
Differences Incurred as a Result of the Stable
Rate Tariff

I. Introduction

This deferral application accompanies a proposed tariff schedule introducing a new pilot renewable portfolio option (Stable Rate Program or Schedule 9) to be offered to residential and small nonresidential customers of Portland General Electric (PGE). This pilot program offers customers rate stability with renewable attributes and an opportunity to contribute to future wind development at a fixed rate. The pilot program is intended to test market acceptance of the program. If it is successful, PGE intends to offer additional similar portfolio options in the future.

Under the proposed deferral, PGE will establish a Balancing Account to accrue the difference between revenues collected under Schedule 9 and revenues that would otherwise have been billed if customers remained on their original tariff schedule (Schedule 7 or Schedule 32). Any balance in the Balancing Account will earn interest at the Company's approved rate of return and will be collected from or returned to Schedule 7 and Schedule 32 customers in a manner approved by the Public Utility Commission of Oregon (Commission). A copy of Schedule 9 and a description of the Stable Rate Program are provided as Attachment A.

PGE seeks authorization for this deferral pursuant to ORS 757.259 and OAR 860-027-0300, effective as of the date of filing. In support of this Application PGE states:

1. PGE is a public utility in the state of Oregon and its rates, service and accounting practices are subject to the regulation of the Commission.
2. This application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates.
3. Communications regarding this Application should be addressed to:

PGE-OPUC Filings
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In addition, the names and addresses to receive notices and communications via the email service list are:

Patrick G. Hager, Manager Regulatory Affairs
E-mail: patrick.hager@pgn.com

II. OAR 860-027-0300(3) Requirements

The following is provided pursuant to OAR 860-027-0300(3):

a. Description

With this deferral application, PGE seeks authority to establish and maintain a Schedule 9 Balancing Account to accrue the difference between net Schedule 9 revenues and revenues that would otherwise have been billed if customers had remained under Schedule 7 or Schedule 32, as applicable. The net Schedule 9 revenue equals all Schedule 9 revenues less Stable Rate pilot program costs of 0.45 ¢ per kWh and Wind Development Fund Charge of 0.3 ¢ per kWh. Any balance in the Schedule 9 Balancing Account will earn interest at PGE's approved rate of return

and will be collected from or returned to Schedule 7 and Schedule 32 customers in a manner approved by the Commission.

PGE estimates the balance to be accrued will be no more than \$50,000 if Schedule 9 is fully subscribed. This amount is based on the 2007 cost of service rate rising at an annual rate of 2.50%. However, if retail rates change significantly over the test period, the amount accrued in the Balancing Account could be significantly higher or lower.

b. Reasons for Deferral

Under ORS 757.259(2)(e), a deferral may be granted for “identifiable utility expenses or revenues, the recovery or refund of which the commission finds should be deferred in order to minimize the frequency of rate changes or the fluctuation of rate levels.” The Stable Rate Program will do exactly what the statute contemplates — stabilize rates over time for applicable customers. PGE is offering this program as a pilot with this associated deferral in order to allow the company to remain whole while it determines whether PGE customers want and will subscribe to the Stable Rate Program.

PGE developed the Stable Rate Program partly in response to market research that indicated a significant number of PGE’s residential customers were interested in enrolling in a power option that could mitigate the price volatility typically associated with resources using fossil fuels. PGE also developed this program in order to respond to its demonstrated record of high customer participation in renewable offerings.¹ Through the use of the Wind Development Fund, PGE could play an important role in renewable power market development, and increase

¹ In 2005, PGE ranked number one in the nation for renewable power sales to residential customers. *See* http://www.portlandgeneral.com/about_pge/news/green_power_sales.asp?bhcp=1.

renewable power supplies in the region.² PGE believes that the Stable Rate Program responds to customer feedback and interest in stable-rate renewable options.

It would be unadvisable for PGE to offer the program on a wider basis until an analysis of the pilot program demonstrates market acceptance of the program and the financial viability of the price terms. As the tariff itself provides, PGE will not proceed with service under Schedule 9, or will terminate service under the schedule, if the deferral is not approved and renewed. PGE believes that it is important for the pilot program to be revenue-neutral so that the utility can continue the trial on a multi-year basis without fear that the revenue impact will necessitate ending the trial before significant data can be collected.

c. Proposed Accounting

PGE proposes to establish a Balancing Account and record the amounts in that account. The balances will accrue interest at the rate of PGE's allowed cost of capital and will be recorded in FERC Accounts 229 (accumulated provision for rate refund) and/or 182.3 (other regulatory assets).

d. Estimate of Amounts

The amount in the Balancing Account in 2012 is not expected to exceed \$50,000 if Schedule 9 is fully subscribed.³ This amount is based on the 2007 cost of service rate rising at an annual rate of 2.50%. If rates were to change at a significantly different rate, the amount accrued in the Balancing Account would be significantly different. For instance, if PGE's cost of service energy rate were to change by 5% annually (positive or negative), the Balancing Account would

² Money collected in the Wind Development Fund (WDF) will be disbursed by PGE for the development of local and statewide renewable power projects. For more information on the WDF, please see Attachment A, pages 2, 6, 8-11.

³ We estimate that the 2007 year-end estimate for the Balancing Account is \$132,532.31 (i.e., a refund to Schedule 7 and Schedule 32 customers). Please see Attachment B, page 1 and 2, for monthly projected Balancing Account estimates.

range from negative \$0.5 million (resulting in a charge to customers) to positive \$1.6 million (resulting in a credit to customers). See Attachment B, pages 3-5, for scenario calculation details.

e. Notice

A copy of the Notice of Application for Deferral of Revenue Differences Incurred as a Result of the Stable Rate Tariff is attached to the Application as Attachment C. In compliance with the provisions of 860-027-0300(6), PGE is serving the Notice of Application on the combined service lists from Commission Dockets No. UE 115 and UE 180, PGE's last and current rate cases.

III. Conclusion

PGE requests that the Commission issue an order establishing a Schedule 9 Balancing Account, as described above, and permitting deferral of amounts accrued in the Balancing Account, commencing as of the date of this application. Deferred accounting treatment is an appropriate, just and reasonable means of developing the Stable Rate Program, which will minimize price volatility for affected customers. Deferred accounting is also appropriate to minimize revenue differences caused by the pilot program, which might otherwise discourage or prevent PGE from maintaining the pilot. PGE does not intend to proceed with the Stable Rate Program if this deferral is not granted.

DATED this 22nd day of June, 2006.

Patrick G. Hager
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UM _____
Attachment C

**Notice of Application for
Deferred Accounting of Lost Revenues Associated with the Stable
Rate (Schedule 9)**

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Order to
Balancing Account for Schedule 9.

Notice of Application to Establish a Balancing
Account for Schedule 9.

On June 22, 2006, Portland General Electric Company (PGE) filed an Application with the Oregon Public Utility Commission (the Commission) for an Order authorizing PGE to establish a balancing account for lost revenues associated with PGE's Schedule 9. Approval of PGE's Application will not authorize a change in PGE's rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding. Persons who wish to obtain a copy of PGE's Application should contact either of the following:

Patrick G. Hager
Manager, Regulatory Affairs
Portland General Electric Company
121 SW Salmon Street, 1 WTC 0702
Portland, Oregon 97204
Phone: 503-464-7580
Facsimile: 503-464-7651
patrick.hager@pgn.com

Any person who wishes to submit written comments to the Commission on PGE's Application must do so not later than Monday, July 17, 2006.

Dated this 22nd day of June, 2006.

Patrick G. Hager
Manager, Regulatory Affairs
Portland General Electric Company

CERTIFICATE OF SERVICE

I certify that I have caused to be served the foregoing NOTICE OF APPLICATION FOR DEFERRAL OF REVENUE DIFFERENCES INCURRED AS A RESULT OF THE STABLE TARIFF RATE by First Class US Mail, postage prepaid and properly addressed, and by electronic mail when such addresses were available, upon each party on the attached service lists from OPUC Dockets UE 115 and UE 180, the utility's current and previous general rate cases.

DATED this 22nd day of June, 2006.

Patrick G. Hager

UE 115 and UE 180
Combined Service Lists

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