



**Portland General Electric Company**

Legal Department  
121 SW Salmon Street • Portland, Oregon 97204  
503 - 464-7717 • Facsimile 503 - 464-2200

August 28, 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 the Deferral of Certain Expenses Associated with the Bonneville Power Administration's Conservation Rate Credit.**

Enclosed for filing in the captioned dockets are original and one copy of :

- Application for Deferred Accounting Treatment of Certain Expenditures Associated with the Bonneville Power Administration's Conservation Rate Credit; and
- Notice of Application for Deferred Accounting Treatment of Certain Expenditures Associated with the Bonneville Power Administration's Conservation Rate Credit

We have provided copies of a Notice of Application to the UE 115 and UE 180, 181 and 184 Service Lists.

This document is being filed by electronic mail with the Filing Center.

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,

A handwritten signature in blue ink, appearing to read "Patrick G. Hager", is written over the typed name.

PATRICK G. HAGER  
Manager, Regulatory Affairs

PGH/jbf  
Enclosures  
cc: Service Lists – UE 115, 180, UE 181, and UE 184



**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

UM \_\_\_\_\_

In the Matter of the Application of Portland  
General Electric Company for an Order  
Approving the Deferral of Certain Expenses  
Associated with the Bonneville Power  
Administration's Conservation Rate Credit

**APPLICATION FOR DEFERRED  
ACCOUNTING TREATMENT OF  
CERTAIN EXPENDITURES  
ASSOCIATED WITH THE  
BONNEVILLE POWER  
ADMINISTRATION'S CONSERVATION  
RATE CREDIT**

Pursuant to ORS 757.259 and OAR 860-027-0300, Portland General Electric Company (PGE) hereby requests authorization to defer for later rate-making treatment certain expenditures associated with the Bonneville Power Administration (BPA) Conservation Rate Credit.

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  
Rates and Regulatory Affairs  
Portland General Electric Company  
121 SW Salmon Street  
1WTC0702  
Portland, Oregon 97204  
(503) 464-7580 (telephone)  
(503) 464-7651 (facsimile)  
[pge.opuc.filings@pgn.com](mailto:pge.opuc.filings@pgn.com)

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In addition, the names and addresses to receive notices and communications via the e-

mail service list are:

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## **I. OAR 860-027-0300 REQUIREMENTS**

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

### **A. DESCRIPTION**

The BPA provides PGE access to low-cost federal power through the Residential Exchange Program (REP).<sup>1</sup> For many years, BPA has also had a program that provides PGE with rate credits for conservation and renewable resource development known as the Conservation and Renewable Discount (C&RD). Through the C&RD, PGE receives a .5 mil credit on power purchased from BPA through the REP for participation in approved conservation and renewable projects. BPA has proposed a revision of the existing program, to be effective October 2006, as part of its FY2007-2009 rate case. The revised program will be known as the Conservation Rate Credit (CRC). Many of the program attributes would remain the same, including the .5 mil credit.

Currently, PGE collects the 3% Public Purposes Charge, the majority of which is provided to the Energy Trust of Oregon for conservation, energy efficiency, and renewable energy projects. This qualifies PGE to receive the C&RD rate credit from BPA. PGE then passes this credit on to qualifying customers through its Schedule 102, BPA Subscription Power Credit. After October 2006, when the new BPA rates go into effect, the Public Benefits Charge will no longer qualify PGE to receive the CRC. Instead, the BPA will require incremental

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<sup>1</sup> See 16 U.S.C. § 839(c).

expenditures above the 3% Public Purpose Charge to qualify for the CRC. PGE intends to qualify for the CRC through a combination of PGE activities and additional payments to the ETO. This incremental funding will be recovered from BPA through the CRC on a dollar-for-dollar basis. Thus, PGE will be able to support additional projects without spending additional customer dollars. However, the CRC funding will not flow through Schedule 102. Unlike the C&RD, which was a monetary benefit passed directly to customers eligible for the Residential Exchange Program, the CRC is effectively a funding mechanism for eligible conservation/renewable projects; it will operate to reimburse PGE for its incremental costs for programs that benefit all PGE customers.

Pending litigation could threaten BPA's ability to offer the CRC, or require PGE to refund to BPA money that had come to PGE through the CRC program.<sup>2</sup> If this occurs, PGE would incur expenses by sending money to the ETO but would not be reimbursed through the CRC. In the absence of this deferral, if PGE is required to refund to BPA amounts granted through the CRC, PGE is concerned that it would not have the ability to recover this expense from customers.

## **B. REASONS FOR DEFERRAL**

PGE seeks deferred accounting treatment of certain expenditures funded by the CRC and received from BPA. PGE would seek amortization of these expenses in the event that PGE is required to return them to BPA. This deferral is necessary to appropriately match the costs borne by and benefits received by customers. ORS 757.259(2)(e). The funds that PGE sends to the ETO will be used for conservation and energy efficiency projects that benefit all PGE customers by reducing load, thereby minimizing the need for new supply-side resources

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<sup>2</sup> The litigation around the BPA's treatment of the Residential Exchange Credit is voluminous and extremely complex. *See, e.g., Portland General Electric, et. al. v. Bonneville Power Authority*, No. 01-70003 (Ninth Circuit Court of Appeals).

and providing greater long-term rate stability. It is difficult to describe the specific ways in which the programs benefit customers before the funds are actually spent; at this time we do not know which programs PGE's funds will help support. However, we would only request amortization of expenses associated with projects that directly benefit PGE customers, and would expect to provide specific details about those programs when and if we request amortization.

**C. PROPOSED ACCOUNTING**

PGE proposes to record deferred amounts related to CRC expenditures to FERC Account 182.3 (Regulatory Assets), and will credit FERC Account 232 (Accounts Payable), a current liability account to BPA. In the absence of deferred accounting, expenditures not funded by the CRC would be debited to the appropriate O&M account based on the type of expenditure.

**D. ESTIMATE OF AMOUNTS**

PGE expects to receive the CRC funding from BPA and thus does not expect a balance in the deferred account. On an annual basis, PGE expects to receive CRC funding of expenditures up to \$2.5 million (560 MW \* .5 mills). Thus, deferral amounts could be up to \$2.5 million annually if litigation against BPA results in refunds of the CRC.

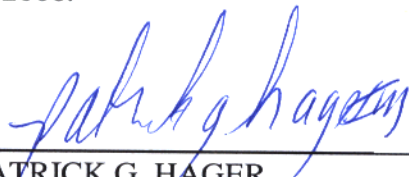
**E. NOTICE**

A copy of the notice of application for deferred accounting treatment and a list of persons served with the notice are attached to the Application as Attachment A.

## II. CONCLUSION

For the reasons stated above, PGE requests permission to defer certain expenditures associated with the BPA's Conservation Rate Credit, as described herein, from the date of this Application.

DATED this 28<sup>th</sup> day of August 2006.



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**Attachment A**

**Notice of Application For Deferred Accounting of  
Certain Expenditures Associated with the Bonneville Power Authority's  
Conservation Rate Credit**

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON  
UM \_\_\_\_\_**

In the Matter of the Application of Portland General Electric Company for an Order Approving the Deferral of Certain Expenses Associated with the Energy Trust of Oregon

**NOTICE OF APPLICATION FOR DEFERRED ACCOUNTING TREATMENT OF CERTAIN EXPENDITURES ASSOCIATED WITH THE BONNEVILLE POWER ADMINISTRATION'S CONSERVATION RATE CREDIT**

On August 28, 2006, Portland General Electric Company (PGE) filed an application with the Oregon Public Utility Commission (the Commission) for an Order authorizing deferral of certain expenses associated with the Bonneville Power Administration's CONSERVATION Rate Credit. 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.

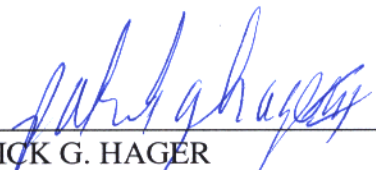
Persons who wish to obtain a copy of PGE's application should contact the following:

Patrick G. Hager  
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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](mailto:Patrick.Hager@pgn.com)

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than September 28, 2006.



Dated: August 28, 2006



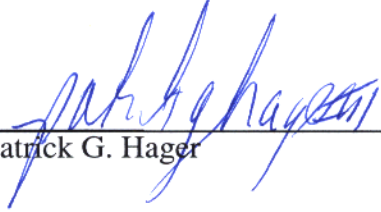
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## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing APPLICATION FOR DEFERRED ACCOUNTING TREATMENT OF CERTAIN EXPENDITURES ASSOCIATED WITH THE BONNEVILLE POWER ADMINISTRATION'S CONSERVATION RATE CREDIT AND NOTICE OF APPLICATION FOR DEFERRED ACCOUNTING TREATMENT OF CERTAIN EXPENDITURES ASSOCIATED WITH THE BONNEVILLE POWER ADMINISTRATION'S CONSERVATION RATE CREDIT to be served by First Class US Mail, postage prepaid and properly addressed, upon each party on the attached service lists from the last general rate cases, OPUC Docket No. UE 115 and UE 180, 181 and 184.

Dated at Portland, Oregon, this 28<sup>th</sup> day of August 2006.

  
\_\_\_\_\_  
Patrick G. Hager

### UE 115 Service List

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UE 180/181/184**

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