



Portland General Electric Company
121 SW Salmon Street • Portland, Oregon 97204

December 20, 2006

Email / US Mail

Vikie Bailey-Goggins
Administrator
Oregon Public Utility Commission
550 Capitol Street NE, Ste 218
Salem, OR 97301

Re: **UM _____**
PGE's Application for Deferral of Natural Gas Transportation Costs

Ms. Bailey-Goggins:

Enclosed for filing are the original and five copies of Portland General Electric Company's Application for Deferral of Natural Gas Transportation Costs. We have provided notification of this application to the UE 180 service list.

Thank you for your assistance in this matter. If you have any questions or require further information, please call Jay Tinker at 503-464-7002.

Sincerely,

Randy Dahlgren
Director, Regulatory Policy & Affairs

**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 Natural Gas
Transportation Costs

APPLICATION FOR DEFERRAL OF
NATURAL GAS TRANSPORTATION
COSTS

Pursuant to ORS 757.259 and OAR 860-027-0300, and the “Stipulation Regarding RVM Issues” in consolidated dockets UE 180/UE 181/UE 184, Portland General Electric Company (“PGE”) hereby requests authorization to defer for later ratemaking treatment certain Natural Gas Transportation Costs (“Deferred Amount”). PGE seeks authorization to defer the Deferred Amount more fully described below from January 1, 2007, through December 31, 2007 (the “Deferral Period”). PGE will seek amortization of the Deferred Amount in a future Commission proceeding.

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

a. Description

The 2007 test year net variable power costs (“NVPC”) in PGE’s docket UE 180/UE 181/UE 184 include purchases of gas transportation from Northwest Pipeline (“NWP”) for transportation to PGE’s Beaver Power Plant, and also for its Port Westward plant when completed. Expenses also include purchases of gas transportation from Gas Transmission Northwest (“GTN”) to supply PGE’s Coyote Springs plant. The gas transportation contracts provide for the fixed costs (demand charge) and variable costs (commodity charges) for natural

gas delivery. NWP and GTN have filed requests with the Federal Energy Regulatory Commission to increase their respective tariff rates beginning January 1, 2007.

In the 2007 RVM (Docket UE 181), PGE, ICNU, CUB, and OPUC Staff (collectively, the "Parties") entered into a stipulation, dated August 24th, 2006, (the "Stipulation") in which the Parties agreed that PGE would use a baseline projected amount for these gas transportation costs for 2007 in the Final 2007 RVM filing on November 9, 2006 (the "Final 2007 RVM") using the rates requested by NWP and GTN, and file this deferred accounting application to defer certain gas transportation costs based on the actual gas transportation rates. The Commission approved the Stipulation in Order 06-575. According to the Stipulation, the basis of the deferral is the difference between the estimate of gas transportation costs included in the 2007 RVM and actual gas costs pursuant to new rates approved in the pending FERC rate cases for gas transportation during 2007. In addition, the Deferred Amount should include the impact of bringing Port Westward online in March 2007. The Deferred Amount will be deferred for later refund to, or recovery from, customers.

b. Reasons for Deferral

PGE files this deferral pursuant to a stipulation signed by the Parties in the 2007 RVM docket (Docket UE 181) and approved by the Commission in Order 06-575. The NVPC forecast for 2007 in UE 181 included gas transportation costs using the rates requested by NWP and GTN in their pending FERC rate cases. This deferral provides a mechanism for PGE to pass the costs and benefits of the gas transport rates ordered in those FERC rate cases to customers without altering the rates finalized in the 2007 RVM. As of late December 2006, FERC has not issued final orders for the two companies. We anticipate that the new rates pursuant to the FERC

decisions will be less than or equal to the rates estimated in the Final 2007 RVM.

c. Proposed Accounting

PGE proposes to record the deferral as a regulatory liability in FERC Account 254, debiting FERC Account 547 (Fuel). In the absence of a deferral accounting order PGE would absorb the Deferred Amount in FERC Account 547 (Fuel).

d. Estimate of Amounts

The Deferred Amount will be the sum of two calculations. The first component will be the difference between the Final 2007 RVM (assuming FERC grants full rate increases) and a rerun of MONET to project 2007 costs with known rates (as approved by FERC). The second component will be the difference between Port Westward's UE 184 power cost estimate and a rerun of MONET with known gas transportation rates (as approved by FERC). The Port Westward component will be prorated for the number of days that the plant is on-line. For example, if Port Westward comes on-line on March 6, the second component will include 26/31 of the estimated March difference.

The specific amount of the deferral cannot be calculated until the new rates are approved by FERC. Amounts in the deferred account will accrue interest at PGE's UE 180 authorized cost of capital.

e. Notice

A copy of the Notice of Application for Deferral of Natural Gas Transportation Costs 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 Natural Gas Transportation Costs described above from January 1, 2007, until December 31, 2007.

DATED this 20th day of December 2006.

Respectfully Submitted,

Randy Dahlgren
Director, Regulatory Policy & Affairs
On Behalf of Portland General Electric Company

g:\ratecase\opuc\dockets\um gas transportation rates\application.doc

Attachment A

**Notice of Application for
Deferral of Natural Gas Transportation Costs**

UE 180 Service List

**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 Natural Gas
Transportation Costs

**NOTICE OF APPLICATION FOR
DEFERRAL OF NATURAL GAS
TRANSPORTATION COSTS**

On December 20, 2006, Portland General Electric Company filed an application with the Oregon Public Utility Commission (the "Commission") for an Order authorizing deferral of certain Natural Gas Transportation Costs.

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:

Portland General Electric Company
Attn: Rates & Regulatory Affairs
121 SW Salmon, 1 WTC-0702
Portland, OR 97204
Telephone: (503) 464-7857

Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than January 30, 2007.

Dated December 20, 2006.

Randy Dahlgren, Director
Regulatory Policy & Affairs

CERTIFICATE OF SERVICE

I certify that this day I have served notification of the foregoing **APPLICATION FOR DEFERRAL OF NATURAL GAS TRANSPORTATION COSTS** on the persons shown on the attached Service List by mailing a copy by First Class U.S. Mail, postage prepaid, properly addressed to each.

Dated this 20th day of December 2006.

Randy Dahlgren

UE-180/UE-181/UE-184 Service List

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UE-180/UE-181/UE-184 Service List

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UE-180/UE-181/UE-184 Service List

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UE-180/UE-181/UE-184 Service List

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UE-180/UE-181/UE-184 Service List

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