



Portland General Electric Company
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PortlandGeneral.com

June 6, 2007

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 an Accounting Order regarding Wind
Turbine Reservation Costs**

Ms. Bailey-Goggins:

Enclosed for filing are the original and five copies of Portland General Electric Company's Application for an Accounting Order regarding Wind Turbine Reservation 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 me at 503-464-7580.

Sincerely,

A handwritten signature in black ink that reads "Jay Fisher for". The signature is written in a cursive, flowing style.

/S/Patrick G. Hager
Manager, Regulatory Affairs

cc: 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 Accounting
Order regarding Wind Turbine Reservation
Costs

Application for an Accounting Order

Pursuant to Sections 757.120 and 757.125 of the Oregon Revised Statutes (ORS), Portland General Electric (PGE) respectfully requests a Commission accounting order authorizing PGE to classify as capital expenditures and accrue AFDC on non-refundable reservation payments and other initial payments to secure up to 325 MW of wind turbines¹ for Phases 2 and 3 of the Biglow Canyon Wind Farm (Biglow). PGE must make reservation and other initial payments to the manufacturer in order to secure turbine delivery during 2009 and 2010.

I. The Commission's Authority over Accounting

The Commission has plenary authority over PGE's accounting practices. ORS §§757.120 and 757.125. The Commission has adopted the Federal Energy Regulatory Commission's Uniform System of Accounts for use by all electric utilities in Oregon. OAR 860-27-045. The Commission may, however, allow a utility to depart from strict FERC accounting practices. OAR 860-21-005.

II. Description of the Project

In current workshops regarding its next Integrated Resource Plan (IRP), PGE has indicated that it faces a significant energy supply deficit to meet future customer needs. PGE also indicated that adding further renewable resources provide a hedge against volatile fuel

prices and uncertain future emissions costs, thereby contributing to energy price stability. The Biglow project has compared favorably with other renewable resource alternatives.

The Biglow project offers other positive attributes. The OPUC, ODOE, and many stakeholders continue to demonstrate broad support for acquiring renewable resources. In addition, the Renewable Energy Standard (RES) bill recently passed the House and Senate and has been referred to the governor for signature. If signed, the State of Oregon will soon require that 25% of PGE's retail load be served by renewable resources by the year 2025, with additional interim requirements by 2011, 2015, and 2020. The market for wind turbines is very tight, with some manufacturing capacity sold out two years in advance. These supply constraints are unlikely to ease because of the increasing number of states adopting renewable energy goals and increased international competition for wind turbines.

Due to the conditions of Biglow's site certificate and characteristics of planned wind turbines, larger capacity wind turbines are most appropriate and desirable for Phases 2 and 3. In order to secure these turbines and begin their manufacture, PGE must make non-refundable reservation payments and other initial payments with the manufacturer. If for some reason Phases 2 and 3 become uneconomic, the related turbines would likely be sold to other developers.

A. Invitation and Bids for Phases 2 and 3

PGE issued an Invitation For Bid (IFB) to five wind turbine manufacturers for Phases 2 and 3. The IFB requested pricing for up to 149 wind turbines and a nameplate capacity for all phases not to exceed 450 MW. Conditions in PGE's Oregon State site certificate limit the Project to 225 wind turbines (Phase 1 will have 76 wind turbines) and a maximum capacity of 450 MW. Manufacturers were allowed to bid on one or both phases of the Project as follows:

¹ Wind turbines are also known as wind turbine generators, or WTGs, in the industry.

- Phase 2, a minimum of 125 MW and a maximum of 150 MW with the best available wind turbine deliveries in 2008 or 2009, with a strong preference for 2008 deliveries;
- Phase 3, a number of turbines that will maximize the installed MW subject to the limitations described above and with turbine deliveries in 2010.

The IFB was sent to manufacturers with wind turbines of a size equal to or greater than 1.65 MW and with wind turbines either currently installed in the US or whom PGE believed would be willing and able to provide a technology guarantee if their technology has not yet been deployed in the United States. Four manufacturers responded.

B. Phases 2 and 3

Due to strong demand for larger wind turbines (larger than 2.0 MW), PGE will likely have to commit to making non-refundable reservation payments and other initial payments for the purchase of wind turbines to meet a commercial operation date not later than December 31, 2009 and December 31, 2010, for Phases 2 and 3.

III. Accounting Treatment

PGE requests approval to classify the required reservation payments for the wind turbines as capital costs associated with Biglow. PGE will record these costs as construction work in progress (CWIP) in FERC Account 107. Allowance for funds used during construction (AFDC) will accrue on CWIP until the plant is placed in service. Depreciation would begin when the plant is placed in service.

Absent an Order by the Commission approving this request, Generally Accepted Accounting Principles (GAAP) would require that these costs be classified as a deposit.

However, PGE is incurring these costs to implement the least cost strategy for a plant that is part of a soon to be submitted Integrated Resource Plan, consistent with meeting customers' resource requirements. As such, it is appropriate to treat these costs as capital in support of the Biglow Canyon Wind Farm.

IV. Notice

A copy of the Notice of Application for an Accounting Order and a list of persons served with the Notice are attached hereto as Attachment A.

V. Communications

Communications regarding this Application should be addressed to:

Rates and Regulatory Affairs
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VI. Conclusion

For the reasons stated above, PGE requests that the Commission issue an accounting order granting its request to account for the reservation payments and other initial payments as capital costs for Biglow Canyon.

DATED this 6th day of June, 2007.

Patrick G. Hager
Manager, Regulatory Affairs
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CERTIFICATE OF SERVICE

I certify that this day I have served the foregoing **NOTICE OF APPLICATION FOR AN ACCOUNTING ORDER** on the persons shown below by mailing a copy by First Class U.S. Mail, postage prepaid, properly addressed to each.

Dated this 6th day of June 2007.

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

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Accounting
Order Regarding Wind Turbine Reservation
Costs

**Notice of Application
For an Accounting Order**

On June 6, 2007, Portland General Electric Company (“PGE”) filed an application with the Oregon Public Utility Commission (“Commission”) for an Order authorizing PGE to classify as capital expenditure, and accrue AFDC on certain expenditures required to purchase wind turbines for Phases 2 and 3 of the Biglow Canyon Wind Farm. Approval of PGE’s Application will not authorize a change in PGE’s rates, but will permit the Commission to consider allowing such 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: Patrick G. Hager
Manager, Regulatory Affairs
121 SW Salmon, 1 WTC-1301
Portland, OR 97204
Telephone: (503) 464-7580
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 July 6, 2007.

Dated: June 6, 2007

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