



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

June 29, 2007

Email / U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
550 Capitol Street, N.E., Ste 215
Salem, OR 97301-2551

Re: Request for Accounting Order

Enclosed for filing are an original and one copy of Portland General Electric Company's Application for an Accounting Order related to expenditures associated with PGE's Automated Metering Infrastructure project.

Thank you for your assistance in this matter. If you have any questions or require further information, please call Alex Tooman at 503-464-7623.

Sincerely,

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

Patrick G. Hager
Manager, Regulatory Policy & Affairs

cc: UE 180 Service List

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Accounting
Order Regarding Costs Associated with PGE's
Advanced Metering Infrastructure (AMI)

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 begin classifying on July 1, 2007, expenditures associated with PGE's Advanced Metering Infrastructure (AMI) as capital and to begin accruing interest on these amounts. PGE estimates that these expenditures could range from \$900,000 to \$1.9 million depending on the period to which the costs apply. These costs are directly related to AMI implementation. PGE did not include these costs in its last general rate case, UE-180, but did include them in the AMI tariff filing on March 7, 2007 (see Advice 07-08). Initially, the AMI tariff was to begin July 1, 2007 and would have included these incremental AMI costs. However, we now expect that the AMI tariff will not be in effect before January 1, 2008. Consequently, PGE requests that the Commission allow alternative accounting classification to capitalize these AMI costs from July 1 until the tariff effective date, which we expect to be January 1, 2008, but could be later, if any additional delays are encountered.

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

AMI is a system that enables the automated collection of meter data via a fixed network. A complete AMI system consists of solid-state electronic meters, a communication system/network to transmit the data, and a communication server or computer system that receives and stores data from the meter, and as a two-way system, sends commands to the meter. This two-way capability enables the utility to send instructions to the meter or control device(s) at the customers' premises.

PGE's AMI will reduce long term operating costs, provide improved and new services to customers, enable demand response programs, and improve billing accuracy and timeliness. PGE proposed its AMI project in UE 180 and UE 189 because some parties have shown interest in distribution asset utilization and AMI will support a variety of demand response applications. In addition, the system provides long-term operational cost savings. The current docket is an outgrowth of initial discussion in UE 180.

PGE estimates that the total capital cost of the AMI system will be approximately \$132.2 million during the deployment period that ends in 2010. This estimate includes communications infrastructure and approximately 860,000 meter installations. PGE also estimates that the annual O&M savings for the new system will be approximately \$18.2 million beginning in the first full calendar year after the deployment is completed.

III. Timing and Need for Recovery Remedy

In Advice 07-08, PGE included certain incremental project management costs in the O&M budget, and requested that recovery related to these costs begin in July 2007. However, the AMI tariff is not expected to be effective until January 1, 2008 or later. Both the regulatory process and projected software deliveries by the vendor have resulted in a nontrivial delay in the tariff effective date, during which PGE will continue work on preparation for AMI deployment. For the period July through December 2007, these incremental costs are expected to be approximately \$900,000. For the period January through June 2008, these costs are expected to be approximately \$1.0 million. Consequently, PGE estimates that the applicable expenditures could range from \$900,000 to \$1.9 million depending on the tariff effective date. Attachment 1 provides actual and estimated monthly amounts for these costs from January 2007 through June 2008. PGE seeks authority to capitalize only the AMI costs incurred beginning July 1, 2007 until the tariff effective date.

IV. Accounting Treatment

PGE requests approval to classify these costs as capital associated with the AMI project. PGE will record these costs as Other Regulatory Assets in FERC Account 182.3. PGE will apply its authorized rate of return to the balance of this account and we propose to amortize it over five years beginning after system deployment has been completed.

When the AMI business plan was initially prepared, these costs were included in capital expenditures. Subsequent to a review of GAAP and PGE's capitalization policy in June 2006, we concluded that for an advanced metering project such as AMI, these costs should be recorded

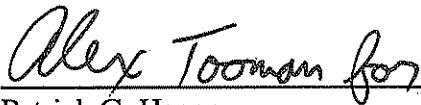
as O&M. For many projects, such as new generating resources, project management costs would be capitalized because they relate to a creating a new asset that did not previously exist. PGE, however, already has a metering system. Further, these costs relate to activities such as determining and implementing business processes and efficiencies.

Although these costs are not directly related to the capital activity of deploying meters, they are essential to the success of the AMI project. Without commission approval of this application, these costs would be expensed, rather than capitalized.

V. Conclusion

For the reasons stated above, PGE requests that the Commission issue an accounting order granting its request to account for the O&M incurred costs of deployment as capitalizable costs for AMI.

DATED this 29th day of June, 2007.



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Attachment 1

Summary of Incremental AMI Costs

PGE Application for an Accounting Order
 UM - _____
 Attachment 1

Costs incremental to the 2007 approved rate case
 Includes labor loadings

January - June 2007	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Totals
Project Office	Actuals 46,992	Actuals 97,853	Actuals 151,479	Actuals 90,463	Budget 167,475	Budget 167,475	721,737
Business Process & Technology to Implement:							
Meter Exchange	-	-	10,065	2,640	4,840	4,840	22,385
Lost Revenue Protection	-	-	60,720	2,530	6,600	6,600	76,450
Totals	46,992	97,853	222,264	95,633	178,915	178,915	820,572

July - December 2007	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Totals
Project Office	Budget 133,872	Budget 85,872	Budget 85,872	Budget 182,539	Budget 77,539	Budget 81,539	647,233
Business Process & Technology to Implement:							
Meter Exchange	-	6,600	11,587	11,587	23,173	43,139	96,085
Lost Revenue Protection	15,195	29,123	24,358	29,424	300	(85)	98,315
Other Jobs	35	35	5,575	5,575	5,575	40,670	57,462
Totals	149,102	121,630	127,391	229,124	106,586	165,262	899,095

January - June 2008	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Totals
Project Office	Budget 113,659	Budget 126,972	Budget 113,789	Budget 114,517	Budget 145,846	Budget 165,846	780,628
Business Process & Technology to Implement:							
Meter Exchange	14,025	14,025	14,025	14,025	-	-	56,100
Lost Revenue Protection	4,583	4,583	4,583	4,583	4,583	4,583	27,498
Other Jobs	13,240	22,240	21,240	25,240	29,323	33,323	144,606
Totals	145,507	167,820	153,637	158,365	179,752	203,752	1,008,832

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM _____**

In the Matter of the Application of Portland
General Electric Company for an Accounting
Order Regarding Costs Associated with PGE's
Advanced Metering Infrastructure (AMI)

**Notice of Application
For an Accounting Order**

On June 29, 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 and accrue interest on certain expenditures related to deployment of PGE's Advanced Metering Infrastructure (AMI) Project. 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
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121 SW Salmon, 1 WTC-0702
Portland, OR 97204
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Any person who wishes to submit written comments to the Commission on PGE's application must do so no later than August 1, 2007.

Dated: June 29, 2007

Alex Tooman for

PATRICK G. HAGER

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CERTIFICATE OF SERVICE

I certify that this day I have served the foregoing **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 29th day of June 2007.



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

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