



1600 Pioneer Tower
888 SW Fifth Avenue
Portland, Oregon 97204
503.221.1440

DAVID F. WHITE

503.802.2168
FAX 503.972.3868
davidw@tonkon.com

July 28, 2006

VIA E-FILING & FIRST CLASS MAIL

Oregon Public Utility Commission
Attn: Filing Center
550 Capitol St. NE, Suite 215
P. O. Box 2148
Salem, Oregon 97308-2148

Re: *UM 1256, UM 1257 and UM 1259*

Attention Filing Center:

Enclosed for filing in the above-referenced docket are the original and five copies of Portland General Electric Company's Reply Comments. This document is being filed electronically per the Commission's eFiling policy to the electronic address PUC.FilingCenter@state.or.us, with copies being served on all parties on the service list via U.S. Mail. A photocopy of the PUC tracking information will be forwarded with the hard copy filing.

Very truly yours,

A handwritten signature in cursive script that reads 'Leslie Hurd'.

Leslie Hurd, Legal Assistant to
David F. White

/ldh
Enclosure
cc (w/enc.): Service List
001991\00126\707312 V001

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON
UM 1256, UM 1257 & UM 1259**

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY, (UM 1256)

PACIFICORP, dba PACIFIC POWER &
LIGHT COMPANY, (UM 1257)

and

IDAHO POWER COMPANY (UM 1259)

Applications for Deferral of Certain Costs and
Revenues Associated with Grid West

**PORTLAND GENERAL ELECTRIC
COMPANY'S REPLY COMMENTS**

Pursuant to the Conference Memorandum dated May 25, 2006, Portland General Electric Company ("PGE") files these Reply Comments.

The fundamental issue in this docket is the timing of the expense associated with the Grid West Loans. Staff's Initial Comments and all of the other parties submitting response comments, except ICNU, agree that the Grid West Loans became an expense when the loan amounts were deemed unrecoverable. Generally accepted accounting principles ("GAAP") dictate this outcome. The timing requirements of the deferred accounting statute have been satisfied under GAAP principles. The Grid West Loan expense did not occur until after the filing of the deferred accounting applications.

Only ICNU disagrees. But that disagreement rests on a fundamental confusion between a loan and an expense. By definition, a loan requires a lender who receives a loan receivable (an IOU) of equal value in return for the funds it provides. An expense includes no such corresponding receipt of a promise to repay. Instead, the goods or services purchased are consumed in the near term. *See* PGE's Response Comments at 2-5. ICNU's Response

Comments raise no new arguments on this central issue. ICNU's remaining arguments are either inconsistent with the Commission's order in UM 1147 or have no basis.

In UM 1147, ICNU urged the Commission to "adopt a benefit over time" requirement, identical to the standard ICNU proposes in this docket. UM 1147, Order No. 05-1070 at 4; ICNU Response at 8-10. The Commission rejected any such requirement: "We decline to adopt additional standards to determine an application meets the requirements of ORS 757.259(2)(e)." *Id.* at 5. PGE's Application satisfies the Commission's traditional matching principle. It matches PGE customers who benefit from the expense with those against whom the costs will be recovered.

Next, ICNU argues that the Application should be denied because "deferred accounting is reserved for extraordinary events that fall outside the predictable and quantifiable." ICNU Response at 11-12. In UM 1147, the Commission expressly rejected such a narrow and inflexible approach to deferred accounting, recognizing the broad range of circumstances in which that practice furthers Commission policy: "The Commission has used deferrals for a variety of reasons, including to: address costs that are hard to forecast or arise from extraordinary and unanticipated events; implement legislative mandates or unique ratemaking mechanisms; and encourage utility or customer behavior consistent with regulatory policy." *Id.* at 2. The Grid West deferrals reflect expenses incurred as a result of Federal Energy Regulatory Commission ("FERC") and Commission policies in favor of the development of a regional transmission organization. Accordingly, the deferral is one the Commission has traditionally approved to "encourage utility or customer behavior consistent with regulatory policy" and, therefore, need not satisfy any other regulatory requirements.

ICNU also argues that the Grid West Loans are not large enough to warrant deferred accounting treatment. ICNU Response at 12. ICNU proposed a similar limitation in UM 1147, which would have confined deferred accounting to "extraordinary, uncertain and

discrete" costs. Order No. 05-1070 at 11. Once again, the Commission in UM 1147 rejected any such blanket, bright line rule:

We acknowledge the concerns of customer groups that deferred accounting should not be used too liberally, but retain our discretion as discussed above in considering whether a utility seeks to defer an excessive amount of costs, amounts not related to the original application, or amounts related to events that are anticipated and ordinary.

Id. at 11. The Commission has never imposed a "substantiality or materiality" test to deferrals that further the Commission's regulatory policies.

Finally, ICNU claims that the Staff Report and analysis failed to show why "the Commission should exercise its discretion to allow deferred accounts." ICNU Response at 10. ICNU is wrong. PGE has been involved for over five years in developing a regional transmission organization. PGE's involvement furthered important objectives of both FERC and the Commission to develop regional transmission entities. This activity benefits PGE's customers by leading to improvements in the transmission grid and services in the Pacific Northwest. The Staff Report recognized the benefits such experience will provide to PGE customers in the future, concluding that PGE's involvement in Grid West and other regional transmission organizations will "be useful in development of future regional transmission operations, as well as transacting business in markets governed by other transmission organizations." Staff Report at 3. As such, granting the deferral fits squarely within the Commission's traditional exercise of its discretion to approve deferred accounting that encourages utility activity consistent with the Commission's regulatory policies. UM 1147, Order No. 05-1070 at 2.

CONCLUSION

For the reasons stated above and in PGE's Response Comments, the Commission should (1) conclude that it has the legal authority to approve PGE's Application and (2) grant the Application as recommended.

DATED this 28th day of July, 2006.

PORTLAND GENERAL
ELECTRIC COMPANY

TONKON TORP LLP

By *Douglas C. Tingey* FOR DCT

Douglas C. Tingey, OSB No. 04436
121 SW Salmon Street, 1WTC1301
Portland, OR 97204
503-464-8926 (Telephone)
503-464-2200 (Facsimile)
doug.tingey@pgn.com

By *David F. White*

David F. White, OSB No. 01138
888 SW Fifth Avenue, Suite 1600
Portland, OR 97204
503-802-2168 (Telephone)
503-972-3868 (Facsimile)
davidw@tonkon.com

Attorneys for Portland General Electric
Company

001991\00126\706271 V001

CERTIFICATE OF SERVICE

I hereby certify that on this day I served the foregoing **PORTLAND GENERAL ELECTRIC COMPANY'S REPLY COMMENTS** by mailing a copy thereof in a sealed envelope, first-class postage prepaid, addressed to each party listed below, deposited in the U.S. Mail at Portland, Oregon.

Lisa F. Rackner
Wendy L. Martin
Ater Wynne LLP
222 SW Columbia St., #1800
Portland, OR 97201-6618
lfr@aterwynne.com

Jason W. Jones
Assistant Attorney General
Oregon Department of Justice
1162 Court St. NE
Salem, OR 97301-4096
jason.w.jones@doj.state.or

Jason Eisdorfer
Energy Program Director
Citizen's Utility Board of Oregon
610 SW Broadway, Suite 308
Portland, OR 97205
jason@oregoncub.org

Melinda J. Davison
Davison Van Cleve, P.C.
333 SW Taylor, Suite 400
Portland, OR 97204
mail@dvclaw.com

Lincoln Wolverton
East Fork Economics
PO Box 620
La Center, WA 98629
lwolv@worldaccessnet.com

John R. Gale
Vice President, Regulatory Affairs
Idaho Power Company
PO Box 70
Boise, ID 83707-0070
rgale@idahopower.com

Sandra D. Holmes
Idaho Power Company
P. O. Box 70
Boise, ID 83707-0070
sholmes@idahopower.com

Barton L. Kline, Senior Attorney
Idaho Power Company
PO Box 70
Boise, ID 83707-0070
bkline@Idahopower.com

Laura Beane
Manager, Regulatory
PacifiCorp
825 NE Multnomah St., Suite 300
Portland, OR 97232
laura.beane@pacificorp.com

Natalie L. Hocken
Assistant General Counsel
PacifiCorp
Office of the General Counsel
825 NE Multnomah St., Suite 1800
Portland, OR 97232
natalie.hocken@pacificorp.com

Portland General Electric Company
Rates & Regulatory Affairs
121 SW Salmon Street, 1WTC0702
Portland, OR 97204
pge.opuc.filings@pgn.com

Douglas C. Tingey
Asst. General Counsel
Portland General Electric Company
121 SW Salmon, 1WTC1300
Portland, OR 97204
doug.tingey@pgn.com

DATED this 28th day of July, 2006.

TONKON TORP LLP



David F. White, OSB No. 01138
888 SW Fifth Avenue, Suite 1600
Portland, OR 97204
503-802-2168 (Telephone)
503-972-3868 (Facsimile)
davidw@tonkon.com

001991\00126\706271 V001