

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 180/UE 181/UE 184

In the Matter of)
)
PORTLAND GENERAL ELECTRIC)
COMPANY)
)
Request for a General Rate Revision)
(UE 180),)
_____)

PROPOSED BUDGET FOR ISSUE
FUND GRANT OF THE INDUSTRIAL
CUSTOMERS OF NORTHWEST
UTILITIES

In the Matter of)
)
PORTLAND GENERAL ELECTRIC)
COMPANY)
)
Annual Adjustments to Schedule 125 (2007)
RVM Filing) (UE 181),)
_____)

In the Matter of)
)
PORTLAND GENERAL ELECTRIC)
COMPANY)
)
Request for a General Rate Revision relating)
to the Port Westward plant (UE 184).)
_____)

Pursuant to Section 6.3 of the Intervenor Funding Agreement (“IFA”) approved by the Public Utility Commission of Oregon (“OPUC” or the “Commission”) in Order No. 03-388 (July 2, 2003), the Industrial Customers of Northwest Utilities (“ICNU”) files this Proposed Budget in consolidated Docket Nos. UE 180/UE 181/UE 184 (“UE 180”) for an Issue Fund Grant in the amount of \$100,000. ICNU proposes that this grant be funded from the Portland General Electric Company (“PGE”) Issue Fund Account, which has approximately

\$211,920 available for funding PGE proceedings in 2006.^{1/} ICNU and the Citizens' Utility Board ("CUB") have agreed to jointly sponsor an expert witness to address cost of capital, capital structure, and return on equity ("ROE"). ICNU respectfully requests that the Commission act on this Proposed Budget within fourteen days of receipt, as provided by Section 6.4 of the IFA. The following information is provided in accordance with Section 6.3 of the IFA:

(1) Statement of the work to be performed by ICNU for which ICNU is seeking the Issue Fund Grant:

ICNU has retained Davison Van Cleve, P.C. to represent ICNU in UE 180. The consolidated UE 180 docket seeks an overall rate increase of \$143,000,000, which includes the impacts of a general rate case, the 2007 RVM, and the addition of the Port Westward generating plant. The IFA defines an Eligible Proceeding as "any Commission proceeding that directly affects one or more of the Participating Public Utilities" IFA, Section 1(c). UE 180 directly affects PGE, which falls under the definition of "Participating Public Utility" in Section 1(k) of the IFA. Therefore, UE 180 is an Eligible Proceeding, and an Issue Fund Grant may be made for this proceeding under Section 6.1 of the IFA.

ICNU intends to attend all clarifying sessions, workshops, settlement conferences, oral presentations, oral arguments, and hearings in UE 180. In addition, ICNU intends to conduct discovery and sponsor expert witness testimony, as well as prepare briefs as called for by the procedural schedule in this Docket.

^{1/} The PGE Issue Fund Account has a current balance of \$250,000; however, the Commission approved a proposed issue fund budget for CUB of \$38,080 in UM 1234. Order No. 06-049.

(2) Description of the areas to be investigated by ICNU:

UE 180 is PGE's first general rate case in more than five years. In addition, issues related to the 2007 RVM and the addition of Port Westward have been consolidated with the rate case. As a result, UE 180 raises a multitude of complex issues that have substantial policy and economic implications. ICNU intends to investigate PGE's proposed production and non-production costs, as well as cost of capital, ROE, cost of service, rate spread, and rate design. In addition, there are several components of PGE's proposal that are unique and that will add to the complexity of this proceeding. These include issues concerning the prudence of Port Westward, a substantially revised Resource Valuation Mechanism ("RVM"), a new power adjustment mechanism, revisions to PGE's Direct Access program, PGE's new corporate structure without Enron, changes to the partial requirements tariff (Schedule 75), and the implementation of Senate Bill ("SB") 408.

(3) Description of the particular customer class or classes that will benefit from ICNU's participation:

ICNU's participation will directly benefit industrial customers who take service from PGE. Significantly, PGE proposes to split the existing Schedule 83 large customer class and create a new large industrial rate schedule (Schedule 89). In addition, ICNU's investigation regarding many issues, including ROE, revenue requirement, income taxes, Port Westward, the RVM, and SB 408 implementation should benefit all of PGE's customers. ICNU has participated in all of PGE's rate cases and major proceedings for the last ten years. Thus, ICNU and its members possess significant interest and expertise with respect to issues regarding PGE's rates and services.

(4) Identification of the specific Fund account from which ICNU is seeking the Issue Fund Grant:

ICNU is seeking an Issue Fund Grant in the amount of \$100,000. ICNU proposes that the grant amount be allocated from the PGE Issue Fund Account established under IFA Section 4.2.3.

(5) Budget showing estimated attorney and consultant fees and expert witness fees:

Attached as Exhibit A are ICNU’s estimated attorney fees, consultant fees, and costs in UE 180. As noted on the proposed budget, ICNU’s requested issue fund grant of \$100,000 is less than half of ICNU’s expected costs of participating in UE 180. ICNU proposes to offer expert testimony from witnesses on the following topics:

Witness 1	Power costs, RVM, PGE’s proposed power cost variance mechanism, and inclusion of Port Westward in rates.
Witness 2	PGE’s proposed direct access tariffs, partial requirements tariff, and line loss study.
Witness 3	Cost of service, rate spread, and rate design issues.
Witness 4	SB 408 and revenue requirement issues.
Witness 5	Cost of capital, capital structure, and ROE.

In order to minimize costs, and in accordance with Section 6.6 of the IFA, ICNU and CUB are jointly sponsoring and sharing the costs associated with the fifth expert witness.

Basis for Request

ICNU respectfully requests that the Commission grant its request for this Issue Fund Grant in the amount of \$100,000 based on the following considerations:

1. In this Docket, PGE proposes to raise its rates by an average of 8.8% for large non-residential customers. As a result, UE 180 will have a significant and direct impact on

PGE's industrial customers. There are a multitude of unique issues to address, as listed below, that require intensive analysis, discussion, and resolution.

2. UE 180 is PGE's first general rate case since 2001. The filing requires parties to look at a vast range of issues and analyze many facets of PGE's proposed increase, including the Company's proposed cost of capital, capital structure, ROE, revenue requirement, cost of service, rate spread, and rate design. The amount and allocation of these costs require extensive discovery and analysis, especially since PGE is proposing a new methodology for rate spread and rate design, and the creation of a new industrial rate class.

3. The 2007 RVM proceeding, Docket No. UE 181, has been consolidated with this case. PGE is proposing a new power cost adjustment mechanism and a substantially revised RVM. ICNU intends to thoroughly review and file testimony on RVM and power costs as it has done in all previous RVM dockets (UE 149, UE 161, and UE 172).

4. The proceeding regarding Port Westward, Docket No. UE 184, also has been consolidated with this case. The proposed inclusion of Port Westward costs requires an investigation of whether the facility is a prudent investment.

5. PGE is proposing substantial revisions to the Direct Access program. ICNU has participated in the long process of developing a workable Direct Access methodology, which was required by Senate Bill 1149. There are still many issues to be resolved in order to create a viable competitive energy market, and implementing changes to PGE's Direct Access program is a key step in this process.

6. PGE is proposing substantial changes to its partial requirement tariff (Schedule 75). Several of ICNU's members may be affected by these proposed changes.

7. This case presents PGE's first rate case since the enactment of SB 408, which was passed to ensure that utilities only include taxes in rates that will actually be paid to units of government. The implementation of SB 408 will ensure that no phantom taxes will be included in rates.

8. PGE is no longer owned by Enron. This is a fundamental change in PGE's corporate structure, the impacts of which require analysis and consideration in this proceeding with regards to PGE's capital structure. In addition, ICNU intends to investigate whether PGE's proposed rate changes are consistent with the Stipulation adopted in Docket No. UM 1206.

9. ICNU represents the interests of industrial customers and has significant experience participating in Commission proceedings involving rate cases. ICNU's participation will benefit all PGE industrial customers. ICNU's sponsoring of witnesses on ROE, revenue requirement, SB 408, Port Westward, the RVM, and power costs will benefit all PGE ratepayers.

10. ICNU has been pre-certified under Section 5.1 of the IFA and OAR § 860-017-0050(3) as eligible to receive an Issue Fund Grant by Order No. 03-502, which was entered on August 21, 2003.

Therefore, ICNU respectfully requests that the Commission issue an order granting an Issue Fund Grant in the amount of \$100,000. ICNU prepared the attached budget on the basis of the schedule adopted in the prehearing conference report issued in this Docket on April 5, 2006. As stated above, ICNU expects that its actual costs of participating in this proceeding will greatly exceed the proposed issue fund grant.

Dated this 30th day of May, 2006.

Respectfully submitted,

DAVISON VAN CLEVE, P.C.

/s/ S. Bradley Van Cleve

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Of Attorneys for Industrial Customers
of Northwest Utilities

Exhibit A

Proposed Budget of ICNU

UE 180

Exhibit A

ICNU Proposed Budget for Issue Fund Grant

<u>Category</u>	<u>Personnel</u>	<u>Hours</u>	<u>Rate</u>	<u>Cost</u>
<i>Discovery</i>	Sr. Attorney	30	195.00	5,850.00
Draft data requests, respond to data requests, organize discovery, review discovery responses, discovery disputes, depositions	Assoc. Attorney	40	145.00	5,800.00
	Law Clerk/Paralegal	90	95.00	8,550.00
<i>Case Preparation</i>	Sr. Attorney	60	195.00	11,700.00
Review filings and testimony, legal research, develop case strategy, prepare testimony, communications with expert witnesses, prepare issue statements	Assoc. Attorney	100	145.00	14,500.00
	Law Clerk/Paralegal	60	95.00	5,700.00
<i>Procedural Matters</i>	Sr. Attorney	20	195.00	3,900.00
Draft and review pleadings, hearings regarding procedural issues	Assoc. Attorney	25	145.00	3,625.00
<i>Settlement</i>	Sr. Attorney	90	195.00	17,550.00
Prepare for and attend settlement meetings, draft settlement documents	Assoc. Attorney	50	145.00	7,250.00
<i>Communication</i>	Sr. Attorney	15	195.00	2,925.00
Meetings and communications with clients and third parties	Assoc. Attorney	15	145.00	2,175.00
<i>Hearings/Workshops</i>	Sr. Attorney	60	195.00	11,700.00
Preparation and attendance at hearings, workshops and other Commission sponsored meetings	Assoc. Attorney	75	145.00	10,875.00
	Law Clerk/Paralegal	30	95.00	2,850.00
<i>Briefing/Oral Argument</i>	Sr. Attorney	60	195.00	11,700.00
Prepare for and attend oral argument, draft briefs, legal research related to briefs	Assoc. Attorney	90	145.00	13,050.00
	Law Clerk/Paralegal	25	95.00	2,375.00
	Total Hours	935	Sub-Total	142,075.00

Expert Witness Fees

Witness 1 (power costs, RVM, PCA, Port Westward)	35,000.00
Witness 2 (direct access, partial requirements tariff, line loss study)	25,000.00
Witness 3 (cost of service, rate spread, rate design)	30,000.00
Witness 4 (SB 408, revenue requirement)	28,000.00
Witness 5* (cost of capital, capital structure, ROE)	13,750.00
	<hr/>
	Sub-Total 131,750.00

* ICNU's 50% Share

Expenses

Travel Expenses (Mileage)	500.00
Consultant Travel Expenses	2,500.00
Printing and Reproduction	3,800.00
Transcripts	500.00
Telephone, Postage and Delivery Charges	1,500.00
	<hr/>
	Sub-Total 8,800.00

Grand Total 282,625.00 *

ICNU PGE Issue Fund Grant Proposed Budget: \$100,000

* As ICNU conducts discovery, additional issues are likely to arise. ICNU expects to spend well over \$300,000 on these consolidated proceedings.

Davison Van Cleve PC

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May 30, 2006

Via Electronic and U.S. Mail

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P.O. Box 2148
Salem OR 97308-2148

Re: In the Matter of PORTLAND GENERAL ELECTRIC COMPANY
Request for a General Rate Revision
Docket Nos. UE 180/UE 181/UE 184

Dear Filing Center:

Enclosed please find an original and two copies of the Proposed Budget for Issue Fund Grant on behalf of the Industrial Customers of Northwest Utilities ("ICNU") in the above-referenced docket.

Please return one file-stamped copy of the document in the enclosed postage-prepaid envelope. Thank you for your assistance.

Sincerely,

/s/ Christian Griffen
Christian W. Griffen

Enclosures

cc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that I have this day served the foregoing Proposed Budget for Issue Fund Grant of the Industrial Customers of Northwest Utilities upon the parties, on the service list, by causing the same to be deposited in the U.S. Mail, postage-prepaid.

Dated at Portland, Oregon, this 30th day of May, 2006.

/s/ Christian Griffen
Christian W. Griffen

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