

1 **BEFORE THE PUBLIC UTILITY COMMISSION**
2 **OF OREGON**
3 **UE 180/UE 184**

4 In the Matters of
5 PORTLAND GENERAL ELECTRIC
6 COMPANY
7 Request for a General Rate Revision (UE 180)
8 Request for a General Rate Revision relating
9 to Port Westward Plant (UE 184)

MOTION FOR ORDER ALLOWING RATES TO
GO INTO EFFECT PERMANENTLY
(NON-CONFIDENTIAL)

10 On June 14, 2007, the Commission issued Order No. 07-273, allowing rates to go into
11 effect on June 15, 2007, for the impact of Portland General Electric’s (PGE or the Company)
12 Port Westward facility. The tariffs were implemented subject to refund and subject to a 15-day
13 review period for Staff and intervenors to establish whether good cause exists for a
14 reexamination of PGE’s costs in rates. Staff has conducted the review allowed under Order
15 Nos. 07-015 and 07-723 and has concluded no further examination of PGE’s rates for the Port
16 Westward facility is necessary. Staff moves the Commission to issue an order allowing the
17 tariffs in Advice No. 07-015 to go into effect permanently, and to state in the order that PGE
18 customers will be held harmless should Staff discover an impact to power costs caused by the
19 delay of the Port Westward facility during the review of power costs for the Annual Power Cost
20 Update mechanism.

21 **Background**

22 In Order No. 07-723, the Commission specified that the parties need not make an
23 evidentiary showing, but should identify specific costs that have changed from the test period
24 expenses and include an estimate of the cost impact prior to submitting a motion seeking a
25 reopening of Docket No. UE 184 approved in Commission Order No. 07-015. The Commission

1 adopted Staff's recommendation that notice of the 15-day review period be based on the PGE's
2 Vice President Quennoz's attestation that the plant became commercially operational and
3 available for dispatch on June 11, 2007. Therefore, the 15-day review period ends at the close of
4 business on June 26, 2007.

5 During the period of review, Staff submitted data requests as well as conducted phone
6 interviews with PGE personnel to obtain updated information pertinent to the test period. Due to
7 the annual true-up that will take place for Net Variable Power Costs (NVPC) by implementing
8 the Annual Power Cost Update mechanism already in place for PGE, Staff focused attention in
9 the areas of overall revenue, fixed Operating and Maintenance (O&M), Depreciation and
10 Amortization and State Income Taxes.

11 Staff analyzed whether the rates approved in the Commission's January 12, 2007 order
12 for Port Westward were still reasonable in light of any cost changes that occurred during or
13 because of the Port Westward delay. Staff also analyzed whether the Company's current
14 financial performance warranted a change to the test period revenues and expenses.

15 The following table demonstrates Commission Order No. 07-015 approved revenues and
16 expenses including the Port Westward facility rate impact:

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1 Table 1

(Figures in Thousands)

2	1.	Revenues	
	2.	Retail Sales	\$ 1,547,198
3	3.	Other Revenues	<u>19,200</u>
4	4.	Total Operating Revenues	\$ 1,566,398
5	5.	Operation & Maintenance	
	6.	Net Variable Power Costs	\$ 787,384
6	7.	Total Fixed O&M	<u>313,381</u>
7	8.	Total Operating & Maint.	\$ 1,080,493
8	9.	Other Expenses	
	10.	Depreciation & Amortization	\$175, 201
9	11.	Other taxes/Franch. Fee	81,798
10	12.	Income Taxes	<u>62,393</u>
	13.	Total Other Expenses	\$319,392
11	14.	Utility Operating Income	\$ 166,513
12	15.	Rate Base	\$ 2,008,587
13	16.	Rate of Return	8.29%
	17.	Return on Equity	10.10%

14 **Review of Port Westward Costs:**

15 In the first part of its analysis, Staff investigated whether the delay of Port Westward
 16 caused changes to the test period revenues and expenses that should be adjusted prior to
 17 implementing rates for the impact of the new facility. Following is a summary of Staff's
 18 analysis:

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1 Table 2

Figures in Thousands	Commission Order UE 184, Port Westward	Adjustment Due To Delay	Variance
Port Westward Impact to Ratebase	\$ 285,205	\$ 281,957	(\$ 3,248)
Property Taxes	\$ 0	\$ 2,418	\$ 2,418
State Income Tax Just Port Westward impact	\$ 2,704	\$ 2,090	(\$ 614)

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10 Information provided by PGE in response to data requests shows the Company's gross
11 plant-in-service (ratebase) offset by liability insurance and Allowance for Funds Used During
12 Construction (AFUDC) is smaller than anticipated in the Commission's order. Also, the
13 property tax expense is higher for 2007 than anticipated because the Company's property tax
14 exemption was disallowed by Columbia County. This is because Port Westward was not online
15 by the dates mandated by the county in order to qualify for an exempted status in 2007.
16 However, the property tax exemption will begin in 2008 and will likely be in effect for at least
17 the next five years.

18 If the new information provided by PGE was used to represent a new test period, Staff
19 would disagree with allowing the inclusion of the entire amount of the property taxes into the test
20 period because it represents a one-time event. Accordingly, for purposes of this analysis, Staff
21 modified the tax effect to reflect the amount of the property taxes over a five year period.
22 During Staff's review of the Biglow Canyon case (Docket No. UE 188), PGE presented
23 information that the Company's Oregon State Tax rate had been modified by the Oregon
24 Department of Revenue from 6.617% to 5.120%. Since this portion of Staff's analysis is focused
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1 the rates approved for the Port Westward impact, or Docket No. UE 184, the table above shows
2 only how this tax rate change would impact the Port Westward rates.

3 Once all the adjustments discussed in Table 2 above were applied to the original revenue
4 requirement of \$42.1 million approved in Commission Order No. 07-015, the result is a lower
5 revenue requirement of \$41.7 million, which is \$355,000 less than in the Commission's order.

6 **Review of Current Revenues and Costs:**

7 In the second part of its analysis, Staff's measured changes in PGE's projected annual
8 revenues and other costs that have taken place since the approval of UE 184, PGE's Port
9 Westward facility. Staff reviewed budgets, forecasts and actual results of operations for the first
10 four months of 2007. In analyzing the data provided, it must be noted that the revenue and
11 expenses approved in the Commission's order are forecasted annual amounts that have been
12 normalized and adjusted for the Port Westward impact.

13 Staff reviewed both budgets and forecasts provided by PGE. The budgets provided by
14 PGE for 2007 were prepared late in 2006 or early in 2007, in anticipation that the Port Westward
15 facility would come online in March of 2007. The forecasts were prepared in early May for the
16 remainder of the year with adjustments for the Port Westward facility to come online in June.
17 The forecasts varied widely from the actual results of operations reports that were provided for
18 January through April of 2007.

19 Since Staff had observed that the forecasts varied greatly when compared to the actual
20 results of operations, to make the most comparable analysis, Staff combined the actual results of
21 operations for the first four months of the year with the last eight months of PGE's 2007 budget
22 information. This approach was the more conservative approach because the analysis showed
23 that the Company's actual results of operations for the first four months of the year came closer
24 to the budgeted amounts than the forecasted amounts. The forecasts provided by the Company
25 showed much lower revenues and higher expenses which indicated an even greater revenue

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1 requirement than using the method Staff chose. Therefore, for the reasons already stated, Staff
 2 chose to demonstrate its analysis using the model created by Staff from the budgeted amounts
 3 provided by the Company.

4 In order to annualize the analysis, and end up with the most comparable amounts as those
 5 issued in the Commission’s order, Staff adjusted the revenues of the actual results of operations
 6 by imputing 5/12 of the Port Westward revenue requirement impact into the first four months of
 7 the year. Absent any adjustment, only the budgeted figures used in the analysis for June through
 8 December would include the impact of Port Westward. Below is a summary of Staff’s findings:

9 Table 3

10 Figures in 11 Thousands	Commission Order UE 184, Port Westward	Staff Findings	Variance
12 Total Operating 13 Revenue	\$1,566,398	██████████	██████████
14 Total Fixed O&M	\$ 313,381	██████████	██████████
15 Depreciation & 16 Amortization	\$ 175,201	██████████	██████████
17 State Tax Rate	\$ 12,725	██████████	██████████

18 Staff observes that PGE’s projected revenues are approximately ██████████ lower than
 19 what was ordered in the test period. Total fixed O&M is ██████████ higher while Depreciation
 20 and Amortization is also estimated to be approximately ██████████ higher. These adjustments
 21 indicate a much higher revenue requirement. The loss of ██████████ in revenues with an
 22 increased O&M expense of ██████████ would have a much greater impact to increasing the
 23 revenue requirement than the offset of adjusting the State Tax Rate, which only lowers revenue
 24 requirement by ██████████.

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1 **Power costs**

2 Staff's review of PGE's updated analysis of the annualized dispatch benefits of Port
3 Westward using different on-line dates indicates that the Port Westward delay made no material
4 change in the annual revenue requirement for power costs. However, PGE's NVPC will be
5 updated in the January 1, 2008 Annual Update, and any differences between actual and forecast
6 NVPC for 2007 will be subject to the company PCAM adopted in Order 07-015. It is possible
7 that during review of PGE's power costs, Staff will discover the Port Westward delay in fact
8 impacts PGE's power costs. Staff recommends that the Commission order that customers will be
9 held harmless should Staff discover an impact to power costs caused by the delay of the Port
10 Westward facility during the review of power costs for the Annual Power Cost Update
11 mechanism.

12 **Staff findings and motion**

13 Staff has not discovered material changes to PGE's current financial results when
14 compared to the amounts approved for the test period that warrant reexamination of PGE's cost
15 in rates for Port Westward. However, it is possible that PGE's power costs will be impacted by
16 the Port Westward delay. In light of this, Staff recommends that the Commission order that
17 customers will be held harmless should Staff discover an impact to power costs caused by the
18 delay of the Port Westward facility during the review of power costs for the Annual Power Cost
19 Update mechanism.

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1 **CONCLUSION**

2 For the foregoing reasons, staff moves the Commission for an order allowing the tariffs
3 in Advice No. 07-015 go into effect permanently and stating that that customers will be held
4 harmless should Staff discover an impact to power costs caused by the delay of the Port
5 Westward facility during the review of power costs for the Annual Power Cost Update
6 mechanism.

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8 DATED this 26th day of June 2007.

9 Respectfully submitted,

10 **HARDY MYERS**
11 Attorney General

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15 Of Attorneys for Staff of the Public Utility
16 Commission of Oregon
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1 **CERTIFICATE OF SERVICE**

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3 I certify that on June 26, 2007, I served the foregoing upon all parties of record in this
4 proceeding by electronic mail and by mailing a copy by postage prepaid first class mail or by
5 hand delivery/shuttle mail to the parties accepting paper service.

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