

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

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In the Matter of the Application of Portland  
General Electric Company for an Order  
Approving Deferral of Certain Advertising  
Costs

**EXPLANATORY BRIEF**

**I. INTRODUCTION**

As stated in the Stipulation regarding these matters, in docket UE 115, the Staff of the Public Utility Commission (“Staff”), the Fred Meyer Stores and Portland General Electric Company (“PGE”) agreed to a Stipulation Regarding Changes to PGE’s Requested Cost of Service (the “Revenue Requirement Stipulation”), dated March 7, 2001, that enabled PGE to defer (for future amortization) amounts spent on advertising in excess of the final approved amount for Category A advertising as defined in OAR 860-026-0022. The Revenue Requirement Stipulation provided that the deferral and possible amortization of such excess advertising costs would be subject to Staff audit of all Category A advertising and related expenses. In Order No. 01-777, the Oregon Public Utility Commission (“Commission”) adopted this portion of the Revenue Requirement Stipulation. The final approved Category A advertising expenses were set at \$1,879,027 per year.

PGE filed an Application for Deferral of Certain Advertising Costs, which sought formal Commission approval to establish a deferred account during the period from October 1, 2001 through September 30, 2002, (the “2002 Deferral Period”) for Category A advertising costs in excess of the approved amount for Category A advertising, and received such approval, subject to stipulated conditions. (This deferral amount is not at issue here. It has already been audited by Staff and amortized in PGE rates.) PGE later filed Applications for Reauthorization of Deferral of Certain Advertising Costs requesting reauthorization to defer amounts spent for Category A advertising costs

in excess of the approved amount for Category A advertising for the periods from October 1, 2002 through September 30, 2003 (the “2003 Deferral Period”) and from October 1, 2003 through September 30, 2004 (the “2004 Deferral Period”). Those applications were approved by the Commission in Orders 03-601 for the 2003 Deferral Period, with a stipulated cap of \$1 million, and 04-562 for the 2004 Deferral Period, with a stipulated cap of \$1 million. The deferral and any subsequent amortization requests were again subject to audit by Staff.

Staff has completed its audit with respect to the deferred amounts for the 2003 and 2004 Deferral Periods. PGE and Staff now submit this Explanatory Brief to support the proposed settlement contained in the Stipulation between Staff and PGE (collectively referred to as “the Parties”) regarding these amounts. The Explanatory Brief is organized according to deferral period, and includes initial proposed amounts and an explanation of the final stipulated amounts proposed for amortization.

## **II. THE 2003 DEFERRAL PERIOD**

For the 2003 Deferral Period, PGE reported 119 projects that contained Category A advertising expenses, for a total expenditure of \$3,153,720. The difference between the amount allowed in rates and this total was \$1,274,693. After the audit, Staff proposed allowing approximately \$200,000 for Category A expenses over what was allowed in rates. PGE and Staff disagreed over what should be included as Category A advertising expenses as defined in OAR 860-26-0022.

There was also a disagreement over how to treat advertising that was of mixed purpose. The Parties disagreed over whether some portions fit the definition of Category A expenses and whether some did not, and how such amounts should be divided, if at all.

After discussion between the Parties, and additional information provided by PGE to Staff, a compromise was reached. The stipulated amortization amount for the 2003 Deferral Period is \$505,271. This is in addition to the amount already allowed in rates for the 2003 Deferral Period.

The Parties agree that this amount reflects PGE's Category A expenses for the 2003 Deferral Period and that these expenses were prudently incurred.

### **III. THE 2004 DEFERRAL PERIOD**

For the 2004 Deferral Period, PGE reported 115 projects that contained Category A advertising expenses, for a total expenditure of \$3,048,658. The difference between the amount allowed in rates and this total was \$1,151,631. After the audit, Staff proposed allowing \$711,399 for Category A expenses over what was allowed in rates. PGE and Staff had fewer disagreements over what should be included as Category A advertising expenses as defined in OAR 860-26-0022 and the amounts were smaller than those at issue in the 2003 Deferral Period. In particular, there was controversy over a group of advertisements that PGE argued provided information to small business customers, while Staff disagreed.

After discussion between the Parties, and additional information provided by PGE to Staff, another compromise was reached. The stipulated amortization amount for the 2004 Deferral Period is \$776,399. This is in addition to the amount already allowed in rates for the 2004 Deferral Period. The Parties agree that this amount reflects PGE's Category A expenses for the 2004 Deferral Period and that these expenses were prudently incurred.

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#### IV. CONCLUSION

The Parties have worked through the disputed issues and reached a compromise that is acceptable to both of them. PGE will file for amortization of the stipulated amounts as stated above. The Stipulation presents a reasonable compromise and resolution of the remaining issues left over from UM 1040. The Parties agree that the rates including the stipulated amounts will be just and reasonable, and support the amortization of these amounts in PGE's Advice Filing to be filed in November, 2005, as described in the Stipulation.

Dated this 15<sup>th</sup> day of November, 2005.

Respectfully submitted,

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