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REPORT NAME: UE 215 OPUC Order No. 10-478, PGE/City of Portland Stipulation

COMPANY NAME: Portland General Electric

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Report is required by: OAR
 Statute
 Order 10-478
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If Yes, enter docket number: Docket No. UE 215

Key words: PGE/City of Portland Stipulation on streetlight circuits

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

January 19, 2012

Public Utility Commission of Oregon
Attn: Filing Center
P.O. Box 2148
550 Capitol Street, N.E., Suite 215
Salem, OR 97308-2148

RE: UE 215 OPUC Order No. 10-478, PGE/City of Portland Stipulation

The purpose of this filing is to report the conclusions of both PGE and the City of Portland regarding a portion of the UE 215 PGE/City of Portland Stipulation related to streetlight circuits. PGE intends to propose implementation of the conclusions reached in this report in its next general rate case filing.

Please direct any questions regarding this filing to Marc Cody at (503) 464-7434.

Please direct all formal correspondence and requests to the following email address
pge.opuc.filings@pgn.com

Sincerely,

A handwritten signature in black ink, appearing to read "R. Dahlgren". The signature is fluid and cursive, with a prominent initial "R" and a long, sweeping tail.

Randall J. Dahlgren
Director, Regulatory Policy & Affairs

Enclosure
cc: UE 215 Service List

Streetlight Circuit Charge Report

Attachment A Discussion and Summary

Report on PGE/COP Stipulation related to Schedule 15/91 Circuit Charge

The purpose of this report is to 1) document the completion of a portion of the UE 215 stipulation between PGE and the City of Portland (COP) related to the Streetlight Circuit Cost Study and, 2) summarize the conclusion reached and the process by which this conclusion was arrived upon. This report is organized in the following manner:

- 1) A summary of the actions that PGE and the COP agree that PGE should take.
- 2) A summary of the PGE and COP positions in UE 215.
- 3) A restatement of the UE 215 PGE/COP stipulation related to the streetlight circuits.
- 4) A summary of the discussions concerning the streetlight circuit charge.
- 5) The conclusions and proposed changes that PGE will make in its next general rate case.

Summary of Agreement: Both PGE and the COP agree that in PGE's next general rate case, PGE will: 1) Propose that the embedded circuit charge calculation for Schedules 15 and 91 (Options A & B) will be eliminated and, 2) that in place of the embedded circuit charge calculation, PGE will propose a marginal cost of service analysis.

Summary of Positions: In UE 215, PGE proposed to allocate the embedded 2011 test period revenue requirement of streetlight circuits on a per-light basis for Schedule 15 Outdoor Area Lighting and Schedule 91 Street and Highway Lighting Option A and B lights without considering potential cost differences between lighting customers (some lights use dedicated circuits, some do not). This manner of allocation was consistent with prior practice.

In its Opening Testimony dated June 4, 2010, the COP stated that the manner in which PGE proposed to allocate the embedded circuit charge revenue requirement was inequitable to the COP because the COP has less dedicated streetlight circuits and wire-miles per light than many other Schedule 91 customers. The COP specifically cited that they pay approximately 32% of the Schedule 91 circuit charges, yet the number of circuits or circuit miles within Portland are substantially less than 32%. According to the COP, this meant that serving the COP's lights caused PGE to incur less costs than what they were being charged. The COP also asserted that a similar disparity was likely to occur with other customers. To remedy this suspected allocation inequity, the COP proposed that PGE change the manner in which it bills Schedule 91 customers by first billing for streetlight circuits on the current per-light basis for all Option A and B lights, and then providing a bill credit or surcharge to customers. This bill credit or surcharge would reflect the difference in the circuit costs paid by the customer on a per-light basis and the share of PGE's total monthly circuit costs (using number of circuits or circuit-miles as a basis) represented by a customer's "share" of circuits. This share of circuits would be calculated by averaging each lighting customer's share of circuit miles and/or counts, as reported by PGE for 2009. This credit and surcharge method would be intended to balance out and result in PGE recovering all of its proposed test period streetlight circuit costs.

Another option proposed by the COP was to identify the degree to which individual lights directly benefit from dedicated street light circuits and allocate the costs accordingly. PGE objected that this was an impractical solution that would require a prohibitively expensive amount of GIS and field work to resolve. In addition, this option would not allow for PGE to

determine the degree to which the streetlight customer paid in advance for the dedicated circuit.

PGE in its July 19, 2010 Rebuttal Testimony answered the COP's assertions by stating that because of the small amount of consumption associated with a streetlight and the relatively low line extension allowance, streetlight customers generally pay for dedicated streetlight circuits in advance. In short, PGE asserted that if the number of streetlight circuits differs from one municipality to another, it suggests only that the municipalities differ in how much they pay in advance for obtaining electrical service for their streetlights. It is not a basis to differentiate the charges for the embedded costs of streetlight circuits. PGE also expressed concern about instituting geographical pricing based on single issue differentiation (UE 215 PGE 2100, pages 24-27).

PGE and the COP were unable to resolve their differences of opinion regarding the streetlight circuit charge and other matters in UE 215. Therefore, they stipulated to further research the issue in 2011 and in 2012 if necessary. The relevant portion of the PGE/COP stipulation is restated below:

III. Streetlight Circuit Cost Study. PGE will initiate a study regarding cost allocation of streetlight circuits. This study process will permit all interested stakeholders to examine the question of a fair allocation of circuit-related costs among affected streetlight customers. It is anticipated that during 2011 this study will include the gathering and sharing of information among PGE and interested stakeholders, with periodic meetings held as needed and based on the level of stakeholder interest and demands on staff time. Specific proposals regarding the cost allocation will be shared during 2012. PGE will address the results of this study in its next general rate case filing after this study period, i.e., the next general rate case with a 2013 or later test year. PGE's rate case filing will include a discussion of the study, the arguments for and against potential cost allocation methodologies, any consensus arrived at during the study, and a recommendation regarding street light circuit cost allocation and related changes in rate design.

Discussion Summary: PGE and the COP met on the following dates: December 8, 2010, February 9, 2011, and May 10, 2011. Also present for the latter two meetings was a representative for the City of Gresham. The City of Portland requested, and PGE agreed, to examine an allocation of the embedded circuit charges on the basis of circuit miles within each municipality. PGE performed this analysis (Attachment 1) and discussed the results with the COP and the City of Gresham. Generally, the analysis pointed out the difficulty in allocating costs in this manner. Specifically, notwithstanding the problem of determining who is the ultimate customer within a municipality, literal application of the circuit mile methodology would create the following challenges:

- Some of the smaller municipalities would receive a circuit charge despite having neither Option A nor Option B lighting fixtures.
- Some municipalities would receive large increases in circuit charges even though PGE could not verify that all the circuits within a municipality served the particular municipalities' lights.
- Verification of whether each municipalities' individual streetlight is, or is not served by a dedicated circuit would be prohibitively time consuming and costly. It would also be cumbersome to bill each streetlight customer for circuits on a differentiated basis.
- Related to the point above, approximately 20% of the streetlight circuits are in unincorporated areas, making it difficult to identify the ultimate customer.
- The allocation by circuit miles within a municipality still does not address the LEA argument, that Schedule 91 customers typically pay a portion of their line extension costs and that it is likely that customers with more dedicated circuits pay more for these

circuits in advance. Thus, there is no certainty that an allocation by wire miles would actually reflect cost to serve.

In general, the parties agreed that allocating the embedded circuit charge on the basis of circuit miles within a municipality presents significant and likely insurmountable implementation problems. Generally the LEA is used in the context of a marginal cost study, in particular when calculating the costs of extending service in the form of a service lateral and transformation. In UE 215, as in prior dockets, PGE calculated the cost of services and transformers for all schedules other than 15 and 91, as the lesser of cost or the LEA; in this manner customer classes were allocated distribution costs in accordance with the rate-based cost of service.

Because of this inconsistent treatment of Schedules 15 and 91, the parties discussed the possibility of terminating the embedded cost circuit charge and replacing it with a service and transformer marginal cost estimate, similar to how other rate schedules are allocated these distribution costs. Therefore, for lighting schedules, the circuit charge would be replaced by an allocation of distribution costs based on the lesser of the LEA or prospective service and transformer marginal costs. Additionally, the parties noted that the embedded cost circuit charge methodology was applicable only to Option A and B lights (as well as Schedule 15 lights) and did not take into account the cost of providing a service lateral to Option C lighting. The parties believe that an equitable allocation of distribution costs to lighting schedules requires a marginal cost approach, consistent with how other rate schedules are allocated distribution costs.

The parties determined that the appropriate level of LEA and therefore the appropriate amount of marginal service costs should be based on the costs of extending service to a Schedule 91 Option C installation. This type of installation is the most cost-efficient lighting installation, consisting of a service lateral to a junction box serving multiple customer-owned lights, poles, and circuits. PGE estimated the cost of providing a service lateral to an Option C lighting installation at between \$954 and \$1,075 depending on the need for flaggers (Attachment 2). A line extension allowance similar to the line extension costs above would imply a LEA of approximately \$0.0850/kWh given a typical Option C installation of approximately 15-20 lights and the Schedule 91 average usage of approximately 700 kWh per year per light.

Because PGE was already contemplating updating its LEAs following the UE 215 general rate case, the parties decided that it would be appropriate to include an update for the lighting schedules at \$0.0850/kWh. This update would also allow PGE to equalize the LEA for the similar Schedules 15 and 91. PGE implemented this change in LEA through PGE Advice Filing 11- 13 which was approved at the July 26, 2011 OPUC Public Meeting.

Conclusion: Based on the above discussion, PGE intends to propose in its next general rate case that the embedded circuit charge calculation for Schedule 15 and Schedule 91, Options A and B be eliminated and replaced with a marginal cost of service analysis. In this manner, the lighting schedules will receive an equitable allocation of distribution costs, consistent with the treatment given the other PGE rate schedules.

Attachment 1

STL Circuit Miles	Circuit Spans	Municipality Code	Name	A&B Lights	Lights Percent	Circ. Miles Percent	Lights Allocation	Circ. Miles Allocation
1.21	84	1		96	0.07%	0.05%	\$1,590	\$1,081
1.57	67	2		133	0.10%	0.06%	\$2,202	\$1,404
2.37	74	3		150	0.11%	0.10%	\$2,484	\$2,121
0.06	2	4			0.00%	0.00%	\$0	\$53
142.54	3,972	5		3,017	2.30%	5.87%	\$49,962	\$127,757
1.67	93	6		191	0.15%	0.07%	\$3,163	\$1,500
18.98	698	7		743	0.57%	0.78%	\$12,304	\$17,013
13.29	542	8			0.00%	0.55%	\$0	\$11,910
2.39	79	9		173	0.13%	0.10%	\$2,865	\$2,145
1.23	51	10		71	0.05%	0.05%	\$1,176	\$1,104
4.35	191	11		235	0.18%	0.18%	\$3,892	\$3,895
2.43	69	12		108	0.08%	0.10%	\$1,788	\$2,178
7.73	296	13		273	0.21%	0.32%	\$4,521	\$6,930
19.75	784	14		2	0.00%	0.81%	\$33	\$17,698
0.75	26	15		61	0.05%	0.03%	\$1,010	\$676
2.85	106	16		160	0.12%	0.12%	\$2,650	\$2,552
10.14	371	17		636	0.48%	0.42%	\$10,532	\$9,085
189.37	6,471	18		8,169	6.21%	7.81%	\$135,113	\$169,735
54.61	2,846	19			0.00%	2.25%	\$0	\$48,943
169.92	5,912	20		6,336	4.82%	7.00%	\$104,924	\$152,296
2.53	131	21		216	0.16%	0.10%	\$3,577	\$2,266
0.13	2	22			0.00%	0.01%	\$0	\$113
32.66	1,178	23		1,294	0.99%	1.35%	\$21,429	\$29,271
4.33	202	24		204	0.16%	0.18%	\$3,378	\$3,882
4.90	282	25		350	0.27%	0.20%	\$5,796	\$4,392
63.77	1,666	26		2,814	2.14%	2.63%	\$46,600	\$57,159
0.08	1	27			0.00%	0.00%	\$0	\$70
28.27	738	28		2,055	1.56%	1.17%	\$34,031	\$25,339
10.97	456	29		636	0.48%	0.45%	\$10,532	\$9,836
2.59	123	30		225	0.17%	0.11%	\$3,726	\$2,322
28.87	1,251	31		1,695	1.29%	1.19%	\$26,069	\$25,875
3.44	124	32		163	0.12%	0.14%	\$2,699	\$3,087
57.80	2,326	33		2,742	2.09%	2.38%	\$45,408	\$51,805
412.51	11,648	34		44,138	33.61%	17.00%	\$730,925	\$369,733
0.09	2	35		54	0.04%	0.00%	\$894	\$89
187.44	6,628	36		8,495	6.47%	7.73%	\$140,677	\$168,002
18.75	1,011	37		1,024	0.78%	0.77%	\$16,957	\$16,809
0.34	18	38		39	0.03%	0.01%	\$646	\$305
4.31	153	39		311	0.24%	0.18%	\$5,150	\$3,866
41.88	1,492	40		1,731	1.32%	1.73%	\$28,665	\$37,540
12.24	586	41		1,093	0.83%	0.50%	\$18,100	\$10,966
0.09	3	42		5	0.00%	0.00%	\$83	\$76
0.48	17	43		59	0.04%	0.02%	\$977	\$435
98.14	3,055	44		4,083	3.11%	4.04%	\$67,614	\$87,962
36.83	1,282	45		46	0.04%	1.52%	\$762	\$33,019
68.69	2,235	46		2,702	2.06%	2.83%	\$44,745	\$61,568
2.66	121	47		175	0.13%	0.11%	\$2,898	\$2,386
502.70	18,184	Unincorporated		27,860	21.22%	20.72%	\$461,362	\$450,567
49.46	1,612	48		2,172	1.65%	2.04%	\$35,968	\$44,333
4.06	106	49		215	0.16%	0.17%	\$3,560	\$3,641
56.97	1,626	50		2,229	1.70%	2.35%	\$36,912	\$51,066
8.33	360	51		286	0.22%	0.34%	\$4,736	\$7,467
31.72	1,292	52		1,552	1.18%	1.31%	\$25,701	\$28,432
1.01	63	53		112	0.09%	0.04%	\$1,855	\$901
2,426.25	82,668	55		131,319	100.00%	100.00%	\$2,174,643	\$2,174,643
					\$1.38			
	Revenues				\$2,174,643			

Attachment 2

February 11, 2011 10:59 am

Portland General Electric Cost Summary (Loaded)

Name: DUMMY JOB
Address: WARNER MILNE RD
 OREGON CITY
Cross Street:
Description: JOB FOR PRICING PURPOSES ONLY

WR No: 372506
Revision No: 17
Work Type: SLCST

ABM Accounting: A74606
Company WR No: B4500

Initiation Date: 1/5/05
Requested Date:

Revision: COST EST - INST UG TO OPT C
Eng. District: PORTLAND DESIGN/ENG
Designer: SWANSON, LORI A
Phone: (503)742-8322

PGE Map No:
Thomas Guide No:

	Estimate		Actual	
<u>LABOR</u>	Mhrs	Cost	Mhrs	Cost
PGE:	6.78	870.50	0	0
Contractor:	.00	.00	0	0.00
Subtotal:	6.78	\$870.50	0	\$0.00
 <u>VEHICLE/EQUIP</u>				
PGE:		.00		.00
Contractor:		.00		.00
Subtotal:		\$0.00		\$0.00
 <u>MATERIAL (Stock/Non-Stock)</u>				
Installed:		69.52		\$0.00
Material Loading 20.00%		13.90		\$0.00
Credit (Returned or Scrapped)		(.00)		
Adjusted Material Cost:		83.42		\$0.00
Total Loaded Cost:		\$953.92		\$0.00
 <u>COST ADJUSTMENTS</u>				
Voucher:		121.00		.00
Contribution:		(.00)		(.00)
Line Extension Allowance:		(.00)		
Adjusted Loaded Cost:		1,074.92		.00
Cost Above LEA:		1,074.92		
Additional Customer Billables:		.00		
Net Cost:		\$1,074.92		\$0.00

Flagging

February 11, 2011 12:02 pm

**Portland General Electric
 Material Summary**

Name: DUMMY JOB
Address: WARNER MILNE RD
 OREGON CITY

WR No: 372506
Revision No: 17
Work Type: SLCST

Cross Street:

ABM Accounting: A74806
Company WR No: B4500

Description: JOB FOR PRICING PURPOSES ONLY

Requested Date:

Eng. District: PORTLAND DESIGN/ENG
Designer: SWANSON, LORI A
Phone: (503)742-8322

PGE Map No:
Thomas Guide No:
Crew Headquarter: OCCC

<u>Stores Code</u>	<u>Est. Qty</u>	<u>Qty Issued</u>	<u>UOM</u>	<u>Description</u>
0000001465	3		EA	CONNECTOR,ELECT BUS,4-POS,600V,SUBM
0000001846	65		FT	CABLE,BRENAU,AL,URD,1/0,TRIPLEX

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **UE 215 OPUC ORDER NO. 10-478,**
PORTLAND GENERAL ELECTRIC/CITY OF PORTLAND STIPULATION to be served
by electronic mail to those parties whose email addresses appear on the attached service list and
by First Class U.S. Mail, postage prepaid and properly addressed, to those parties on the attached
service list who have not waived paper service for OPUC Docket No. UE 215.

DATED at Portland, Oregon, this 19th day of January, 2012.



Randall J. Dahlgren
Portland General Electric Company
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Portland, OR 97204
503-464-7021 Telephone
503-464-7651 Fax
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