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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 954

In the Matter of PORTLAND GENERAL)	
ELECTRIC COMPANY's Supplemental)	ORDER
Application for Deferral of Costs per Senate Bill)	
1149.)	

DISPOSITION: SUPPLEMENTAL APPLICATION DENIED

On June 5, 2001, the Public Utility Commission of Oregon (Commission) received a supplemental application from Portland General Electric Company (PGE), filed pursuant to sections 18(4)(a) and 45 of Senate Bill 1149, requesting authorization for deferral of costs related to capital expenditures that are not currently included in rates or in prospective rates under the current case docket UE 115.

The basis for the current request is detailed in Staff's Report, attached as Appendix A, and incorporated by reference. At its public meeting on July 24, 2001, the Commission adopted Staff's recommendation to deny PGE's supplemental application.

ORDER

IT IS ORDERED THAT Portland General Electric Company's supplemental application for an accounting order is denied, upon a finding that additional authorization is not necessary, as further explained in Appendix A.

Made, entered and effective _____.

BY THE COMMISSION:

Vikie Bailey-Goggins
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT

PUBLIC MEETING DATE: July 24, 2001

REGULAR AGENDA _____ CONSENT AGENDA X EFFECTIVE
DATE _____

DATE: July 16, 2001

TO: Phil Nyegaard through Lee Sparling and Ed Busch

FROM: Ed Krantz

SUBJECT: UM 954, Portland General Electric Company
Supplemental Application for Approval to Defer
Additional Senate Bill 1149 Costs

SUMMARY RECOMMENDATION:

Staff recommends that the Commission: (a) Find that Order No. 00-038 provides PGE with authorization to defer allowable costs of implementing SB 1149 until they are included in rates, including costs incurred after the date of electric restructuring, and (b) Not approve PGE's supplemental application in UM 954 upon a finding that additional authorization is not necessary.

DISCUSSION:

On November 12, 1999, Portland General Electric Company (PGE or Company) requested authorization for deferral of costs related to implementing Senate Bill 1149 that are not currently included in rates. The Commission issued Order Number 00-038 on January 24, 2000, approving that request.

PGE's supplemental application, filed June 5, 2001, seeks to defer all costs related to capital expenditures that are not currently included in rates or in prospective rates under UE 115. At the time of the supplemental application, the company anticipated that the incremental systems and modifications would be substantially complete by the original effective date of restructuring, October 1, 2001. However, it is likely that some portions of the systems' development and implementation would be phased in later due to the difficulty in completing

all of the new systems' design, development and implementation work by October 1, 2001.

As in its original application, PGE seeks to record in a deferred account all allowable costs related to capital expenditures that are not currently included in rates or in prospective rates under UE 115, but that are associated with the analysis, research, development, testing, investment, or other system changes required to implement SB 1149 and, if necessary, return to the current circumstance if SB 1149 is found to be unenforceable or unconstitutional.

Pursuant to SB 1149, PGE's supplemental application requests the Commission issue an order authorizing the deferral for later ratemaking treatment of the allowable costs related to capital expenditures that are not currently included in rates or expected to be in rates pursuant to PGE's UE 115 rate case to implement restructuring. This authority would cover costs incurred after the implementation date of electric restructuring.

PGE currently estimates that the incremental annual amortization expense for assets not included in the UE 115 filing will be approximately \$2.1 million based on a total deferral of about \$10.3 million. When PGE files for recovery of the deferred costs, they will propose an allocation methodology to separate the cost between regulated (recoverable in rates) and non-regulated.

Staff's counsel has advised that the provisions of SB 1149 provide the authorization to defer these costs, and that approval under the standard deferred accounting statute, ORS 757.259, is not required. As a result, these deferrals are not subject to the requirements of ORS 757.259, including annual reauthorization and an earnings review prior to including prudently incurred costs in rates.

Furthermore, Staff's counsel has advised that Order No. 00-038, in which the Commission authorized PGE to defer costs of implementing SB 1149 until they are included in rates, applies to PGE's SB 1149 implementation costs regardless of whether they are incurred before or after the effective date of electric restructuring. Accordingly, PGE is already authorized to defer the costs for which the supplemental application seeks deferred accounting, and additional authorization is unnecessary.

After discussion with Staff, PGE agrees with the Staff recommendation below.

STAFF RECOMMENDATION:

I recommend the Commission: (a) Find that Order No. 00-038 provides PGE with authorization to defer allowable costs of implementing SB 1149 until they are included in rates, including costs incurred after the date of electric restructuring, and (b) Not approve PGE's supplemental application in UM 954 upon a finding that additional authorization is not necessary.