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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1131

In the Matter of)	
)	ORDER
PORTLAND GENERAL ELECTRIC)	
COMPANY)	
)	
Application to Defer for Later Ratemaking)	
Treatment the Revenue Requirement Effect of)	
Certain Unspent Information Technology)	
Costs.)	

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On December 30, 2003, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to ORS 757.259 and OAR 860-027-0300, to defer the revenue requirement effect of certain unspent Information Technology capital costs for a 12-month period beginning January 1, 2004. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A and incorporated by reference.

At its Public Meeting on March 16, 2004, the Commission adopted Staff's Recommendation and approved PGE's current request.

ORDER

IT IS ORDERED THAT Portland General Electric Company's application to defer the revenue requirement effect of certain unspent Information Technology capital costs for the 12 months beginning January 1, 2004, is approved.

Made, entered and effective _____.

BY THE COMMISSION:

Becky L. Beier
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: March 16, 2004**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ **January 1, 2004**

DATE: March 26, 2004

TO: Lee Sparling through Ed Busch and Judy Johnson

FROM: Ed Krantz

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1131) Requests authorization to defer for later ratemaking treatment the revenue requirement effect of certain unspent Information Technology capital costs.

STAFF RECOMMENDATION:

I recommend that the Commission approve Portland General Electric's application to defer the revenue requirement effect of certain unspent Information Technology capital costs for the 12 months beginning January 1, 2004.

DISCUSSION:

On December 30, 2003, Portland General Electric (PGE or company) filed an application that was docketed UM 1131. In this filing, the company requests the Commission to authorize a deferred account for the revenue requirement effect of certain unspent Information Technology (IT) capital costs that were included and approved by the Commission in UE 115. This application was filed pursuant to ORS 757.259, OAR 860-027-0300, and the stipulation approved in UE 115, Commission Order No. 01-777.

In the stipulation, PGE is required to compare the revenue requirement of certain IT capital expenditures included in base rates in UE 115 to the revenue requirement based on actual expenditures for the same capital projects. The stipulation also required a Staff audit of the actual expenditures to determine if the expenditures were reasonable and prudent. As of December 2003, Staff has completed its audit of relevant IT capital expenditures made through 2002. The 2002 audit resulted in an \$8.3 million credit to customers, that was refunded to customers through 2003 ("2002 true-up"). For the 2003 audit, Staff and PGE estimate that customers will receive an additional \$4.3 million based on the revenue requirement effect of the under-spent IT capital costs relative to the amounts included in UE 115 base rates ("2003 true-up").

The \$4.3 million represents the revenue requirement associated with these decreased capital expenditures. Consistent with the stipulation, the actual 2003 true-up will accrue to the deferred account with an effective date of January 1, 2004. Furthermore, the stipulation requires that the 2003 true-up accrue to the deferred account in each subsequent year until new base rates are established. The estimated 2003 true-up is currently being refunded to customers through Rate Schedule 105.

Reasons for Deferral

PGE seeks deferral of these costs pursuant to the terms of the Stipulation approved in UE 149, and ORS 757.259(2)(e). The deferral will minimize the frequency of rate changes or fluctuations of rate levels or match appropriately the costs borne by and the benefits received by ratepayers.

Proposed Accounting

PGE proposes to record the deferral as a regulatory liability in FERC Account 254, debiting FERC Account 449.1 (Provision for Rate Refund).

Estimate of Amounts

PGE estimates a refund of \$4.3 million resulting from the 2003 true-up. Consistent with the stipulation, the actual 2003 true-up will accrue to the deferred account on January 1, 2004, and will accrue interest at PGE's authorized cost of capital, currently 9.083 percent. On January 1 of each subsequent year, until new base rates are established, PGE will accrue the actual 2003 true-up to the deferred account.

PROPOSED COMMISSION MOTION:

Portland General Electric's application to defer the revenue requirement effect of certain unspent Information Technology capital costs be approved for the 12 months beginning January 1, 2004.

Approval will be for accounting purposes only, and does not constitute approval for ratemaking purposes.