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BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1126

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	ORDER
COMPANY)	
)	
Application to Defer Certain Boardman Rail)	
Transportation Costs.)	

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On December 26, 2003, Portland General Electric (PGE) filed an application with the Public Utility Commission of Oregon, pursuant to ORS 757.259, for an accounting order requesting authorization to defer certain Boardman coal transportation costs for 12 months, 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 requesting authorization to defer certain Boardman rail transportation costs for a 12-month period 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.

ITEM NO. CA5

**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 and Maury Galbraith

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1126) Requests authorization to defer for later ratemaking treatment certain Boardman rail transportation costs.

STAFF RECOMMENDATION:

I recommend that the Commission approve Portland General Electric's application to defer certain Boardman rail transportation costs.

DISCUSSION:

On December 26, 2003, Portland General Electric (PGE or company) filed an application that was docketed UM 1126. In this filing, the company requests the Commission to authorize a deferred account for certain Boardman coal transportation costs based on actual coal transportation rates. This application was filed pursuant to ORS 757.259, OAR 860-027-0300, and the stipulation approved in UE 149, Commission Order No. 03-535.

Description

PGE is currently a party to several Boardman rail transportation contracts that expire at year-end 2003. These contracts provide for the delivery of coal from mines in the Powder River Basin in Eastern Wyoming to PGE's Boardman facility in Boardman, Oregon. In the 2004 RVM (Docket UE 149), PGE, the Industrial Customers of Northwest Utilities (ICNU), Citizens' Utility Board (CUB), and Commission Staff (Collectively, the Parties) entered into a stipulation, dated August 6, 2003, in which the parties agreed that PGE would use an estimate of the costs of Boardman rail transportation for 2004 in the final 2004 RVM filing on November 17, 2003, and file this deferred accounting application to defer certain coal transportation costs based on the actual coal transportation rates.

The deferred amount will be determined by first calculating net variable power costs (NVPC) using the final 2004 RVM Monet run with the actual Boardman rail rates for 2004 (supplemental Monet

run) and comparing the supplemental Monet run to the final Monet run from the 2004 RVM. The difference in NVPC, minus 10 percent of the difference in NVPC to reflect the agreed-upon sharing level, will be deferred for later refund to, or recovery from, customers. The Parties agreed that PGE would make the supplemental Monet run only after PGE knows the actual coal transportation rates, including the quarterly escalation amounts. The final calculation of the deferred amount will occur in the 4th quarter of 2004.

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 501 (Fuel). In the absence of a deferred accounting order, PGE would absorb the deferred amount in FERC Account 501 (Fuel).

Estimate of Amounts

The deferred amount is a function of actual 2004 rail rates relative to the rates assumed in the final 2004 RVM. One of the rail contracts for 2004 requires quarterly escalation of the rates pursuant to a published rail cost index. As a result, the deferred amount will not be known with certainty until the beginning of the 4th quarter of 2004. PGE estimates that the deferred amount will be a \$1.5 million credit for 2004. Amounts in the deferred account will accrue interest at PGE's authorized cost of capital, currently 9.083 percent.

PROPOSED COMMISSION MOTION:

Portland General Electric's application to defer certain Boardman rail transportation 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.

pgeum1126