

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1131(1)

In the Matter of)	
)	ORDER
PORTLAND GENERAL ELECTRIC)	
)	
Application for Reauthorization to Defer)	
Information Technology Costs.)	

**DISPOSITION: DEFERRED ACCOUNTING APPLICATION
APPROVED**

On December 30, 2004, 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, 2005. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A and incorporated by reference.

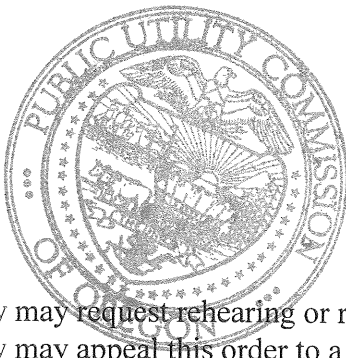
At its Public Meeting on March 8, 2005, the Commission adopted Staff's Recommendation and approved PGE's current request.

ORDER

IT IS ORDERED that Portland General Electric Company's application for reauthorization to defer Information Technology costs for the period beginning January 1, 2005, is approved for accounting purposes only. Ratemaking treatment for these costs is to be reserved for a ratemaking proceeding.

Made, entered and effective MAR 15 2005

BY THE COMMISSION:



Becky L. Beier
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 8, 2005**

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2005

DATE: February 17, 2005

TO: Public Utility Commission

FROM: Carla Owings

THROUGH: Lee Sparling, Ed Busch and Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1131(1)) Application for Reauthorization to Defer Information Technology Costs.

STAFF RECOMMENDATION:

I recommend Portland General Electric's application for reauthorization to defer Information Technology Costs for the period beginning January 1, 2005, to December 31, 2005, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

On December 30, 2004, PGE filed a request for reauthorization of certain Information Technology Costs pursuant to OAR 860-027-0300(3).

Description of deferral

In Order No. 01-777, Portland General Electric (PGE or Company) entered into a stipulation (Appendix B to the Order) requiring the Company to compare the revenue requirement of certain Information Technology (IT) capital expenditures included in base rates in UE 115 to the revenue requirement based on actual expenditures.

In the stipulation, PGE is required to compare the revenue requirement of certain IT capital expenditures included in base rates in UE 115, to actual expenditures for the same capital projects. Staff has completed an audit of the actual expenditures from February 2000 to December 31, 2003, in order to determine if expenditures were reasonable and prudent, as well as used and useful.

The Staff audit resulted in the following true-ups:

Amount Deferred: In 2002, PGE had underspent IT capital by an amount equivalent to \$7.5 million in revenue requirement. In 2003, PGE had underspent IT capital by an amount equivalent to \$4.2 million in revenue requirement. For the two years, the Company had underspent IT capital by an equivalent of \$11.7 million in revenue requirement.

Amount Refunded: From November 2002 to December 2003, PGE refunded \$8.3 million in revenue requirement related to the underspent IT capital in 2002. From January 1, 2004 to December 31, 2004, the Company refunded \$3.5 million of revenue requirement representing underspent IT capital for 2003. For the two years, the Company has refunded \$11.8 million in revenue requirement. Rate adjustments to refund these amounts to customers are reflected on PGE's rate schedule 105, effective January 1, 2003 and January 1, 2004, respectively.

Reason for deferral request

PGE seeks to continue to defer these costs pursuant to the terms of the Stipulated Agreement in UE 115, in accordance with ORS 757.259(2)(e). This deferral will minimize the frequency of rate changes or fluctuations of rate levels.

The Company makes this application pursuant to OAR 860-027-0300(3), Deferred Accounting by Energy and Large Telecommunications Utilities. Staff has reviewed the application and determined that the Company has met the requirements of the filing in their application.

Proposed Accounting

PGE proposes to record the deferral as a regulatory liability in FERC Account 254, debiting FERC Account 449.1 (Provision for Rate Refunds). In the absence of a deferred accounting order, PGE would absorb the deferred amount in its retail revenues (FERC 440, 442 and 444).

Estimate of amount to be deferred

The Company estimates the amount of the deferral should be approximately \$4.2 million each year. Interest will accrue at PGE's authorized cost of capital, currently 9.083%. PGE will seek annual reauthorization of this deferral, as appropriate.

Notice

A copy of the Notice of Application for Reauthorization to Defer IT Costs was served by the Company to the UE 115 Service List on December 30, 2004.

PROPOSED COMMISSION MOTION:

Portland General Electric's application for reauthorization to defer Information Technology Costs for the period beginning January 1, 2005 to December 31, 2005, be approved for accounting purposes only. Ratemaking treatment for these costs should be reserved for a ratemaking proceeding.

PGE UM 1131(1) Reauthorize IT Cost Deferral