

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 248

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	
COMPANY)	ORDER
)	
Application for Approval of an Affiliated)	
Master Service Agreement.)	

DISPOSITION: APPLICATION APPROVED WITH CONDITIONS

On March 24, 2006, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission) pursuant to ORS 757.015, ORS 757.495, OAR 860-027-0040, and OAR 860-027-0041, for an affiliated Master Service Agreement (MSA). The MSA is a service agreement between PGE and its wholly owned subsidiaries, creating an affiliated relationship pursuant to ORS 757.015. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

Based on a review of the application and the Commission's records, the Commission finds that the application satisfies applicable statutes and administrative rules. At its public meeting on May 23, 2006, the Commission adopted Staff's recommendation.

OPINION

Jurisdiction

ORS 757.005 defines a "public utility," and PGE is a public utility subject to the Commission's jurisdiction.

Affiliation

An affiliated interest relationship exists under ORS 757.015.

Applicable Law

ORS 757.495 requires a public utility to seek approval of contracts with affiliated interests within 90 days after execution of the contract.

ORS 757.495(3) requires the Commission to approve the contract if the Commission finds that the contract is fair and reasonable and not contrary to the public interest. However, the Commission need not determine the reasonableness of all the financial aspects of the contract for ratemaking purposes. The Commission may reserve that issue for a subsequent proceeding.

CONCLUSIONS

1. Portland General Electric Company is a public utility subject to the jurisdiction of the Commission.
2. An affiliated interest relationship exists.
3. The agreement is fair, reasonable, and not contrary to the public interest.
4. The application should be approved, with certain conditions.

ORDER

IT IS ORDERED that the application of Portland General Electric Company for approval of an affiliated master service agreement is approved subject to the conditions stated in the Staff Report, attached as Appendix A.

Made, entered, and effective MAY 25 2006 .

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 request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA7

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 23, 2006

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: May 16, 2006

TO: Public Utility Commission

FROM: Marion Anderson 

THROUGH: ^{li} Lee Sparling, th Marc Hellman, and ^m Michael Dougherty

SUBJECT: PORTLAND GENERAL ELECTRIC COMPANY: (Docket No. UI 248)
Application for approval of an affiliated Master Service Agreement.

STAFF RECOMMENDATION:

The Commission should approve the application of Portland General Electric Company (PGE) for an affiliated Master Service Agreement (MSA) with the following conditions.

1. PGE shall provide the Commission access to all books of account, as well as all documents, data and records that pertain to any transactions with affiliates.
2. PGE shall maintain a detailed line item listing of all charges that are included in the direct and allocated costs and be able to provide supporting documentation, including but not limited to, invoices, payroll records, and journal record entries when requested by Staff.
3. The Commission reserves the right to review, for reasonableness, all financial aspects of this arrangement in any rate proceeding or earnings review under an alternative form of regulation.
4. PGE shall notify the Commission in advance of any substantive changes to the agreement, including any material changes in any cost. Any changes to the agreement terms that alter the intent and extent of activities under the agreement from those approved herein shall be submitted for approval in an application for a supplemental order (or other appropriate format) in this docket.

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DISCUSSION:

This application was filed on March 24, 2006, pursuant to ORS 757.015, ORS 757.495, OAR 860-027-0040, and OAR 860-027-0041. The MSA is a service agreement between PGE and its subsidiaries. Because these subsidiaries are wholly owned by PGE, there is an affiliated relationship pursuant to ORS 757.015.

PGE had previously filed two MSAs while a subsidiary of Enron. The first MSA filed by PGE, Docket UI 163, covered services between PGE, Enron, Enron subsidiaries, and PGE subsidiaries, and was closed pursuant to Order No. 00-252. The closure was made at PGE's request and an updated MSA was subsequently filed under Docket UI 181. An order closing that docket is currently circulating for Commission finalization.

The following issues were investigated:

- Scope of the Agreement
- Transfer Pricing
- Determination of Public Interest Compliance
- Records Availability, Audit Provisions, and Reporting Requirements

Scope of the Arrangement: The listed MSA parties are PGE and seven affiliates. These affiliates are:

- a. 121 SW Salmon Corporation (121 Salmon);
- b. Integrated Utility Solutions, Inc. (IUS);
- c. PGE Foundation (PGEF);
- d. Portland General Resource Development (PGRD);
- e. Portland General Transport Corporation (PGT);
- f. Salmon Springs Hospitality Group Inc. (SSHG); and
- g. World Trade Center Northwest Corporation (WTCNW).

IUS and PGT are currently listed as inactive. During 2003, PGE's Affiliated Interest Report listed IUS billing PGE for an income tax refund and receiving the proceeds from a computer equipment sale. The next year's report listed no activity for either affiliate. It is noted that pursuant to Docket UI 175, Order No. 99-543, Commission approval was awarded for the release and potential repurchase of interstate pipeline capacity by PGE to PGT. This docket was closed without an order on September 17, 2004.

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PGE provides the following administrative services to affiliates:

- a. Office Support;
- b. Business Analysis;
- c. Finance and Treasury Support;
- d. Human Resources;
- e. Investor Relations;
- f. Legal Services;
- g. Construction and Engineering Services;
- h. Purchasing;
- i. Consulting/Training Services; and
- j. Other Services as defined and priced in the Addenda to this application.

The Addenda in the application are signed by PGE and the affiliates. Staff reviewed this informational portion of the MSA and did not have any concerns.

PGE receives the following services from affiliates:

- a. WTCNW - All provisions are described in the authorizing Commission Order Nos. 93-989 and 95-001.
- b. SSHG - Catering Services.
- c. 121 Salmon – The property sublease was authorized in Commission Order Nos. 78-646 and 98-193.

Transfer Pricing: The application states that PGE services are priced at the higher of fully allocated cost or market (unless specified otherwise with Commission approval), while affiliate services are priced at the lower of fully allocated cost or market (unless specified otherwise with Commission approval). Any future affiliate professional service provisions would be subject to this constraint.

The SSHG agreement, as amended, specifies that PGE's pricing will be at a discount to market price with resultant profit being credited to PGE regulated accounts. A current version of the Cost Allocation Manual is included with the application. Additionally, pursuant to OAR 860-027-0048, Allocations by an Energy Utility, PGE is required to submit an updated Cost Allocation Manual with the annual Affiliated Interest Report. PGE's transfer pricing in the MSA complies with the requirements in OAR 860-027-0048.

Determination of Public Interest Compliance: With the aforementioned qualifications, the contract's terms and conditions appear to be just and reasonable.

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Records Availability, Audit Provisions, and Reporting Requirements: Staff Recommendation Condition No. 1 affords necessary access to any relevant records.

Based on the review of this application, Staff concludes the following:

1. The arrangement's scope is reasonable.
2. Potential transactions, as qualified, will not harm customers and are not contrary to the public interest with the recommended conditions.
3. Necessary records are available.

PROPOSED COMMISSION MOTION:

PGE's application for an affiliated Master Service Agreement be approved, subject to the four recommended conditions.

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