

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1131(3)

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

DISPOSITION: DEFERRED ACCOUNTING APPLICATION APPROVED

On January 13, 2006, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to OAR 860-027-0300(3), for reauthorization to defer certain Information Technology costs for a 12-month period beginning January 1, 2006. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A and incorporated by reference.

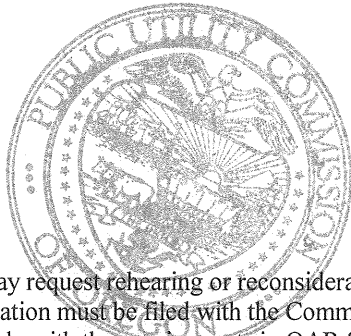
At its Public Meeting on July 27, 2006, the Commission adopted Staff's Recommendation and approved PGE's current request.

ORDER

IT IS ORDERED that Portland General Electric Company's application for reauthorization to defer Information Technology costs for the period beginning January 1, 2006, is approved for accounting purposes only. Ratemaking treatment for these costs is to be reserved for a ratemaking proceeding.

Made, entered and effective JUL 31 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. CA5

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: July 27, 2006

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2006

DATE: July 5, 2006

TO: Public Utility Commission

FROM: Carla Owings *CO*
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THROUGH: Lee Sparling, Ed Busch and Judy Johnson
EB *JJ*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1131(3)) Requests Reauthorization to Defer Information Technology Costs.

STAFF RECOMMENDATION:

Staff recommends Portland General Electric's application for reauthorization to defer Information Technology Costs for the period beginning January 1, 2006 to December 31, 2006, be approved for accounting purposes only. Ratemaking treatment should be reserved for a ratemaking proceeding.

DISCUSSION:

On January 13, 2006, Portland General Electric (PGE or Company) 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, PGE 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.

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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.

For 2005, PGE determined that customers were owed \$4.2 million due to decreased capital expenditures compared to the amounts used in the UE 115 test period. PGE is requesting to amortize this credit during 2006.

For 2006, PGE has determined that customers will be owed \$4.2 million based on the actual revenue requirement associated with decreased capital expenditures through December 31, 2003. Interest will accrue at PGE's authorized overall cost of capital of 9.083 percent.

PGE requests to defer this amount beginning January 1, 2006. Staff has reviewed PGE's estimate of the \$4.2 million including the accrual for interest and recommends the Commission approve PGE's request to defer this amount.

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

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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 at 9.083 percent. 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 January 11, 2006.

PROPOSED COMMISSION MOTION:

Portland General Electric's application for reauthorization to defer Information Technology Costs for the period beginning January 1, 2006 to December 31, 2006, be approved for accounting purposes only. Ratemaking treatment for these costs should be reserved for a ratemaking proceeding.

PGE UM 1131(3) Reauthorize IT Cost Deferral