

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1277

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC	)	ORDER
COMPANY	)	
	)	
Requests authorization to defer expenses	)	
associated with Bonneville Power	)	
Administration's conservation rate credit.	)	

**DISPOSITION: DEFERRED ACCOUNTING APPLICATION  
APPROVED WITH CONDITIONS**

On August 28, 2006, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission), pursuant to OAR 860-027-0030(3), requesting to defer expenses associated with Bonneville Power Administration's (BPA's) conservation rate credit. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

PGE proposes to record deferred amounts related to the conservation program expenditures in Federal Energy Regulatory Commission (FERC) Account 182.3, Regulatory Assets with an off-setting credit to FERC Account 232, Accounts Payable.

At its Public Meeting on October 10, 2006, the Commission adopted Staff's Recommendation, with one additional condition, and approved PGE's current request. The Commission-adopted additional condition is for PGE to provide a detailed plan for use of the Bonneville Power Administration Conservation Rate Credit monies that PGE intends to not transfer to the Energy Trust.

**ORDER**

IT IS ORDERED that Portland General Electric Company's request for deferral of expenses associated with Bonneville Power Administration's conservation rate credit, effective October 1, 2006, is approved subject to the conditions described herein and in Appendix A.

Made, entered, and effective OCT 17 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.

Carol

ORDER NO. 06-584

ITEM NO. 1

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: October 10, 2006

REGULAR  CONSENT  EFFECTIVE DATE October 1, 2006

DATE: October 4, 2006

TO: Public Utility Commission

FROM: Carla Owing *CO*

THROUGH: Lee Sparling *LS*, Ed Busch *EB*, Marc Hellman *MH* and Judy Johnson *JJ*

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1277) Requests authorization to defer expenses associated with Bonneville Power Administration's conservation rate credit.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve Portland General Electric's request to authorize a deferral for revenues and expenses associated with Bonneville Power Administration's Conservation Rate Credit (CRC), effective October 1, 2006, subject to the following conditions:

1. PGE agrees to track and defer any savings it experiences due to implementation of energy efficiency measures, funded through increased revenues attributable to the Bonneville CRC, that result in a reduction of PGE's operational costs.
2. PGE agrees to provide detailed information regarding its investments associated with the CRC funds in a semi-annual report, detailing activities that have been funded through the CRCs in order to prevent the possibility of double-recovery in a future ratemaking proceeding and to demonstrate that these investments are not redundant to programs offered by the Energy Trust of Oregon.

Ratemaking treatment to amortize these costs should be reserved for a ratemaking proceeding.

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**DISCUSSION:**

*Description of request:* On August 28, 2006, Portland General Electric (PGE or the Company) filed an application pursuant to OAR 860-027-0030(3) requesting to defer revenues and expenses associated with Bonneville Power Administration's (BPA's) conservation rate credit.

For many years, PGE has received a credit on power purchased from BPA for participation in approved conservation and renewable projects. In recent years, PGE has qualified for this discount through the collection of the three percent public purpose charge implemented in 2002, as a result of Senate Bill 1149. PGE then passes the CRC on to customers through its Schedule 102, BPA subscription power credit.

After October of 2006, BPA will be revising its conservation and renewables program. This revision will exempt PGE from qualifying for the discount through the collection of public purpose funds. Instead, to qualify for the CRC, PGE will be required to invest in conservation programs above the three percent public purpose charge.

In its request, PGE proposes to invest approximately \$2.5 million above and beyond the three percent public purpose charge. The Company proposes that approximately \$1.1 million of the CRC funds will be invested in qualifying internal activities such as Klondike and Biglow Canyon wind projects as well as limited research and development, such as wave power. Additionally, the Company intends to dedicate approximately \$1 million to Energy Efficiency (EE) including hiring technical energy experts to provide enhanced EE support to the Energy Trust of Oregon.

While Staff supports PGE's request to make additional investment into conservation and renewable energy thereby qualifying for the CRCs, Staff believes that the Company should be required to submit semi-annual reports of its activities and investments. These reports will help assure coordination between Energy Trust programs and PGE's activities to prevent the possibility of redundant EE programs or inadvertant double-recovery of capital costs in future rate-making proceedings. Staff recommends that these semi-annual reports be submitted with adequate enough detail as to allow Staff to use these reports to determine the prudence of PGE's investments. If BPA's reporting requirements are detailed in nature, and provide sufficient job descriptions and costs, then such reports would be acceptable within the reporting requirements.

PGE is also evaluating the potential to replace mercury vapor lamps with high pressure sodium vapor lamps for the street lighting service in which it provides the luminaire as well as the power, subject to this activity qualifying as an eligible program by BPA. PGE intends to pass the energy efficiency savings on to the street lighting customers.

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However, to the extent that the Company implements a program that results in a reduction of its own operational costs, Staff believes that PGE should track these savings in the deferral account for later consideration in a future rate-making proceeding.

*Reasons for deferral:* PGE proposes to qualify for the conservation credit by investing in its own conservation and renewable resource activities as well as additional payments made directly to the Energy Trust of Oregon. However, rather than amortize the rate credits back to customers through its Schedule 102, PGE proposes to use the deferral as a balancing account to track its investments in conservation activities against a reimbursement from BPA for the conservation rate credit.

This deferral is necessary to appropriately match the costs borne by and benefits received by customers pursuant to ORS 757.259(2)(e).

*Estimate of amount:* Because BPA proposes to reimburse PGE's conservation activities on a dollar-for-dollar basis, PGE expects there to be a near zero balance in the tracking account. However, pending litigation in the Ninth Circuit Court of Appeals could threaten BPA's power sales contracts with PGE. If an adverse ruling occurs, BPA may be precluded from reimbursing PGE for conservation activities. Should the ruling disallow the rate credit from BPA for PGE's investments, then PGE would be required to return the funds associated with the rate credit back to BPA.

Should PGE request rate recovery of CRC funds in future rate-making proceedings, Staff would recommend costs be recovered across all customer classes. Staff believes that to the extent that all customers benefit from conservation and renewable energy investment, that it is appropriate, subject to a prudence review, that the costs be recovered from all customer classes. Staff counsel advises that SB 1149 would not prohibit recovery of these costs from all customer classes.

*Proposed accounting:* The Company proposes to record deferred amounts related to the conservation program expenditures in FERC Account 182.3, Regulatory Assets with an off-setting credit to FERC Account 232, Accounts Payable.

Staff has reviewed the Company's application and believes the Company's request is reasonable subject to the conditions outlined in Staff's recommendation.

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**PROPOSED COMMISSION MOTION:**

Portland General Electric's request to defer revenues and expenses associated with Bonneville Power Administration's conservation rate credit, effective October 1, 2006, be approved subject to the following conditions:

1. PGE agrees to track and defer any savings it experiences due to implementation of energy efficiency measures, funded through increased revenues attributable to the Bonneville CRC, that result in a reduction of PGE's operational costs.
2. PGE agrees to provide detailed information regarding its investments associated with the CRC funds in a semi-annual report, detailing activities that have been funded through the CRCs.

Ratemaking treatment to amortize these costs should be reserved for a ratemaking proceeding.

PGE-Deferral for BPA conservation credit