

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE 194

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC	)	ORDER
COMPANY	)	
	)	
Suspension of Regional Power Act Credit	)	

**DISPOSITION: ADVICE NO. 07-11 PERMANENTLY SUSPENDED;  
NEW RATES ESTABLISHED**

On May 23, 2007, Portland General Electric Company (PGE) filed Advice No. 07-11 to remove the residential exchange credit provided under its Schedule 102 to residential and small farm customers. The exchange credit, provided by the Bonneville Power Administration (BPA) under the Regional Power Act, is intended to provide customers of private utilities a benefit from the region's low-cost hydroelectric generating resources. PGE made the filing in response to BPA's decision to immediately suspend payment of any credits to the utility following adverse rulings from the Ninth Circuit Court of Appeals on the administration of the exchange program. Removing the credit translates into an approximate 13 percent rate increase for PGE's residential and small farm customers.

At a May 30, 2007, Public Meeting, the Staff of the Public Utility Commission (Commission) originally recommended Advice No. 07-11 be allowed to go into effect. Staff's memorandum is attached as Appendix A and incorporated by reference. In response to a concern raised by the Citizens' Utility Board of Oregon (CUB) as to the disproportionate impact removing the credit would have on low-usage customers, Staff modified its proposal and recommended that PGE be directed to file a compliance tariff for service effective on or after June 1, 2007, that both eliminates the Residential Exchange Credit Schedule 102 and maintains the current differential between the first and second block of 1.775 cents/kWh.

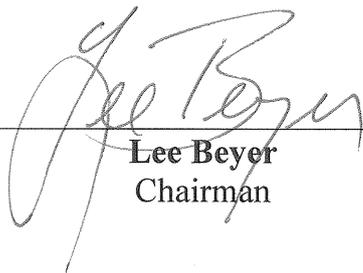
The Commission adopted Staff's revised modification. It found that the alternative rate design would retain the current inverted rate design and send a price signal for the conservation of electricity, while also equalizing the rate impact across usage levels. The Commission concluded such changes would produce fair, just, and reasonable rates.

**ORDER**

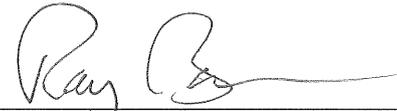
IT IS ORDERED that:

1. Advice No. 07-11 is permanently suspended.
2. Consistent with the terms of this order, Portland General Electric Company shall file a compliance tariff for service effective on or after June 1, 2007, that both:
  - a. Eliminates the Residential Exchange Credit Schedule 102; and
  - b. Maintains the current differential between the first and second block of 1.775 cents/kWh.

Made, entered, and effective                     MAY 31 2007                    .

  
\_\_\_\_\_  
**Lee Beyer**  
Chairman

  
\_\_\_\_\_  
**John Savage**  
Commissioner

  
\_\_\_\_\_  
**Ray Baum**  
Commissioner



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. 3

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: May 30, 2007**

REGULAR   X   CONSENT \_\_\_\_\_ EFFECTIVE DATE   June 1, 2007  

DATE: May 25, 2007

TO: Public Utility Commission

FROM: Marc Hellman <sup>MH</sup>

THROUGH: Lee Sparling <sup>MS for L.S.</sup>

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice No. 07-11) Suspending the Regional Power Act Credit.

**STAFF RECOMMENDATION:**

Staff recommends that the Commission approve the Portland General Electric (PGE) rate filing, Advice No. 07-11, as filed suspending the Regional Power Act credit to customers. The Commission should also approve PGE's less-than-statutory notice request and allow the rates to go into effect June 1.

**DISCUSSION:**

On May 23, 2007, PGE filed Advice No. 07-11, to zero-out the Regional Power Act credit. The effect of this rate change is a 13% rate increase for residential and small farm customers. This translates in an increase in a typical residential electric bill of \$10.66 per month. The Regional Power Act credit is the means for providing federal system benefits to PGE's customers. The credit reflects a 100% flow through to residential and small farm customers of the Bonneville Power Administration (BPA) cash payments to PGE. On May 21, 2007, BPA notified all investor-owned utilities that BPA was suspending payments.

For further background discussion refer to agenda item No. 1, discussing the filing by PacifiCorp, for this same public meeting.

While the Commission strongly disagrees with the Court's findings, as well as BPA's action to suspend payments, the fact is that BPA has suspended payments to PGE. It is prudent to zero out the credit and keep that in place until we are successful in

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restoring the benefits. Zeroing out the credit will result in a 13% increase to PGE's residential and small farm customers.

Alternative:

The tariff is subject to Commission approval and so the Commission could direct PGE to continue providing some level of rate credit to customers. The merit of such action is that it tempers the rate increase and acknowledges that at some point BPA should again be providing federal system benefits to PGE's residential and small farm customers. However I do not support this alternative for a number of reasons. First, continuing a rate credit to customers is in essence a loan from the company to its customers. Customers would not only be paying back to PGE the monies loaned to customers, customers would also be paying interest on the outstanding balance. Second, the timing of when monies would be returned to PGE could be during the winter heating season. Many customers might not be able to afford both paying for household heating as well as paying back the money PGE loaned to customers through continuation of a credit. Third, zeroing out the credit provides customers the clear message that BPA has ceased providing ANY federal system benefits. This BPA action means that three-quarters of Oregon residents are disenfranchised from the BPA system. Clearly this is an outcome that is inequitable and unacceptable.

To date, since October 1, 2001, PGE customers have received benefits equaling nearly \$475 million. The current annual benefit to PGE customers was \$76.5 million prior to BPA suspending the payments.

PGE's tariffs flowing through the federal system benefits is as follows:

Rate Schedule for Regional Act Credit	Schedule 102
Current residential credit	0 to 250 kWh = \$0.02466/kWh Over 250 kWh = \$0.00691/kWh
Current non residential credit	\$0.01171/kWh

The percentage increase of the rate changes varies across usage levels. This result comes from the design of the Regional Power Act credit. When the settlements were approved by the Commission and rates designed, Staff supported the concept of focusing much of the federal system benefits on a per customer approach. That is why the above design has a larger credit for the first 250 kWh and a reduced per kWh credit for usage above 250 kWh. The effect of zeroing out the credit therefore impacts customers with lower consumption customers experiencing up to a 24% increase

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(Those using 250 kWh in a month). Customers using large amounts of electricity in a month would see rate increases of slightly more than 9%.

Because of the disparity in effect across customers, the Commission could consider a revenue neutral base rate design change that results in a more even percentage increase across customer levels. However, it should also be noted that for many years, lower use customers were receiving a relatively larger portion of federal system benefits on a per kWh basis. Therefore it is symmetrical treatment that these customers face a larger percentage rate increase.

**PROPOSED COMMISSION MOTION:**

Approve the Portland General Electric filing, with less than statutory notice, and reduce the Regional Power Act credit to zero, effective June 1, 2007.