

ORDER NO. 11 042  
ENTERED JAN 28 2011

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1294(4)

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

Application for Reauthorization of Deferred  
Accounting of Annual Power Cost Variance.

ORDER

**DISPOSITION: APPLICATION APPROVED**

On December 15, 2010, Portland General Electric Company (PGE) filed a request, with the Public Utility Commission of Oregon (Commission), for an accounting order reauthorizing it to defer, for later ratemaking treatment, the annual net variable power cost variances under Commission Order No. 07-015, Order No. 10-478, ORS 757.259(2)(e) and PGE tariff Schedule 126, effective January 1, 2011. A description of the filing and its procedural history is contained in the Staff Report, attached as Appendix A, and incorporated by reference.

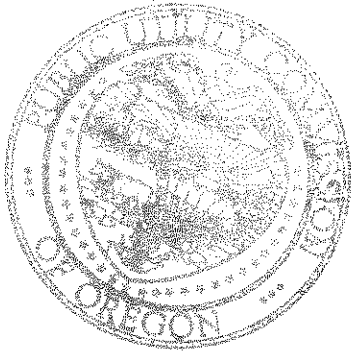
At its Public Meeting on January 25, 2011, the Commission adopted Staff's Recommendation.

**ORDER**

IT IS ORDERED that Portland General Electric Company's application for reauthorization of deferred accounting of the annual net variable power cost variances, effective January 1, 2011, is approved.

Made, entered, and effective JAN 28 2011

BY THE COMMISSION:



*Becky L. Beier*  
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**Becky L. Beier**  
Commission Secretary

A party may request rehearing or reconsideration of this order under 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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

ITEM NO. CA3

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: January 25, 2011**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2011

DATE: January 19, 2011

TO: Public Utility Commission

FROM: Ed Durrenberger *E*

THROUGH: *li* Lee Sparling and *MG* Maury Galbraith

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1294(4)) Application for Deferred Accounting of Annual Power Cost Variance.

**STAFF RECOMMENDATION:**

Staff recommends Portland General Electric's application for deferred accounting of the Annual Power Cost Variance, effective January 1, 2011, be approved.

**DISCUSSION:**

On December 15, 2010, Portland General Electric (PGE or Company) filed a request for an accounting order reauthorizing the Company to defer for later ratemaking treatment the annual net variable power cost variances pursuant to Order No. 07-015, Order No. 10-478, ORS 757.259(2)(e) and PGE tariff Schedule 126, effective January 1, 2011. This deferral will henceforth be known as the PCV Deferral.

Description of deferral:

In Order No. 07-015, the Commission ordered the adoption of an annual Power Cost Adjustment Mechanism (PCAM) for PGE. PGE's Schedule 126 contains the terms of the PCV Deferral which provides for recognition in rates of the difference, for a given year, between the actual net variable power costs incurred by the Company, and the net variable power costs forecasted pursuant to Schedule 125. The deferral would allow PGE to capture the net variable power cost differences that could be later amortized in rates. The amount of any annual variance is determined pursuant to terms of Schedule 126, which includes a positive annual power cost dead band for positive variances and a negative annual power cost dead band for negative annual variances and an earnings

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test. In the most recent PGE general rate case (Docket UE 215), PGE stipulated to a change to the power cost variance deadbands which the Commission approved in Order No. 10-478. Where previously an asymmetric dead band based on the dollar value of 150/75 basis points of the authorized return on equity (ROE) for positive and negative variances was applied, the dead band is now a fixed \$30 million for positive and \$15 million for negative variances. All other features on the PCAM remain unchanged. Amortization of this deferral would then be subject to the terms of Schedule 126, including an earnings test and sharing mechanism although amortization is not part of this application.

Reason for deferral request:

PGE seeks to accrue the annual variances between the actual annual power costs and the annual forecasted power costs included in rates pursuant to Commission Order Nos. 07-015 and 10-478. Continuance of this deferral will minimize the frequency of rate changes and more appropriately match the costs borne by and benefits received by ratepayers.

PGE has filed and received authorization for this deferral as shown in Table 1 below:

Table 1

Filing Date	Renewal Period	Order No.	Approval Date	PCV Refund or (Surcharge)	Deferral for Amortization
01-16-08	01-17-08/01-16-09	08-154	03/04/08	\$16.1 M	\$16.1 M
12-19-08	01-01-09/12-31-09	09-023	01/27/09	\$0	\$0
12-01-09	01-01-10/12-31-10	09-505	12/28/09	TBD	TBD

Proposed Accounting:

PGE proposes to record the deferral as a regulatory liability in FERC Account 182.3 (Regulatory Assets) and credit FERC Account 555 (Purchased Power) if there is an amount to collect from customers. PGE would record the deferred amount in FERC 254 (Regulatory Liabilities) and debit FERC Account 555 if there is a refund to customers. In the absence of a deferred accounting order, PGE would record the costs to FERC Accounts 501 and 547 (Fuel) and FERC 447 (Sales for Resale) as well as FERC 565 (Transmission by Others) and FERC 555 (Purchased Power).

Estimated Amounts to be Deferred:

PGE cannot provide an estimate of the amount to be deferred because it is dependent upon actual 2011 information that is currently unknown. Interest will accrue on the

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unamortized portion of the balance at PGE's authorized weighted average cost of capital (currently 8.033 percent, Order No. 10-478), until amortization is approved. At that time, interest will accrue at the rate determined to be the blended treasury rate pursuant to Commission Order No. 08-263 (Docket UM 1147).

**PROPOSED COMMISSION MOTION:**

PGE's application for deferred accounting of the Annual Power Cost Variance, effective January 1, 2011, be approved.

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