

ORDER NO.

11 153

ENTERED

MAY 10 2011

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1513

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Authorizes Deferred Accounting for Four
Specific Capital Projects.

ORDER

DISPOSITION: DEFERRED ACCOUNTING APPROVED

On December 30, 2010, Portland General Electric Company (PGE) filed a request with the Public Utility Commission of Oregon (Commission), under ORS 757.259 and OAR 860-027-0300, for deferred accounting associated with four specific capital projects: Cyber Security, 2020 Vision, Coyote Springs Upgrade, and Boardman Pollution Controls. 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 May 3, 2011, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that:

1. Portland General Electric Company's request to defer costs associated with four specific capital projects per Order No. 10-478, is approved for the 12-month period beginning January 1, 2011.
2. Ratemaking treatment for these costs is reserved for a separate ratemaking proceeding.

Made, entered, and effective MAY 10 2011.

BY THE COMMISSION:



Becky L. Beier
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. CA4

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: May 3, 2011

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2011

DATE: April 7, 2011

TO: Public Utility Commission

FROM: Carla Bird

THROUGH: *ME JJ* Lee Sparling, Maury Galbraith and Judy JohnsonSUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1513) Authorizes
Deferred Accounting for Four Specific Capital Projects.**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Portland General Electric's request to defer costs associated with four specific capital projects per a stipulated agreement in UE 215, for the 12-month period beginning January 1, 2011. Ratemaking treatment for these costs should be reserved for a separate ratemaking proceeding.

DISCUSSION:

On December 30, 2010, Portland General Electric (PGE or the Company) requested authorization pursuant to ORS 757.259 and OAR 860-027-0300, to defer costs associated with four specific capital projects: Cyber Security, 2020 Vision, Coyote Springs Upgrade and Boardman Pollution Controls (the Four Capital Projects). These Four Capital Projects were removed from PGE's 2011 Test Period related to its UE 215 general rate proceeding by stipulated agreement (Second Revenue Requirement Stipulation). This stipulation was adopted in Commission Order 10-478.

The Stipulating Parties agreed that in any subsequent proceeding to amortize the amounts deferred in this docket, the Parties support the use of PGE's authorized return on equity established by the Commission in UE 215 for purposes of conducting the earnings test required under ORS 757.259(5). And further, that no party in the UE 215 proceeding had submitted testimony suggesting that PGE's decisions to complete the Four Capital Projects were imprudent.

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Following is a description of each of the Four Capital Projects:

Cyber Security

In response to a data security assessment performed by Ernst & Young, LLP in 2008, PGE is implementing a Security Roadmap to reduce its security and data risk. The primary implementation of the project began in 2010 and will continue through 2015. PGE estimates the total capital cost over the six year project to be approximately \$12.5 million. The Company estimates approximately \$4.3 million (capital expense) will close throughout 2011. Although PGE will request explicit authorization to amortize these costs, the Company estimates revenue requirement associated with the 2011 capital costs to be approximately \$0.7 million.

2020 Vision

PGE plans to modernize and consolidate its technology infrastructure over the next 10 years. The purpose is to replace a multitude of existing software applications with "enterprise" applications that provide integrated functionality for PGE's operations. The program is intended to be ongoing through the year 2020.

The Company estimates Phase 1 capital costs of approximately \$34.5 million will close-to-books in the second and fourth quarters of 2011. Although PGE will request explicit authorization to amortize these costs, the Company estimates revenue requirement associated with the 2011 capital costs to be approximately \$2.7 million.

Coyote Springs Upgrade

PGE has begun a major upgrade to its Coyote Springs facility including a new compressor rotor, blades, vanes, new turbine rotor, a new Dry Low Nitrogen Oxide (NOx) burner, new casing temperature management system and new cooling optimization package.

The upgrade will result in both increased capacity and an improved heat rate. PGE's customers will realize significant system generation cost savings as a result of the upgrade. The Company estimates capital costs of approximately \$32.9 million which they expect to close-to-books in the second quarter of 2011. Although PGE will request explicit authorization to amortize these costs, the Company estimates revenue requirement associated with the 2011 capital costs to be approximately \$2.9 million.

PGE has included the operational benefits of the upgrade in the 2011 Net Variable Power Cost model filed in Docket No. UE 228.

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Boardman Pollution Controls

Subject to Oregon Regional Haze rules, PGE is required to install Low NOx burners at the Boardman facility by July 2011. As a result, NOx emission limits will be lowered by 50 percent in 2011.

In addition, Oregon Utility Mercury Rules require mercury controls to be installed and to be operating by July 2012. To meet this requirement PGE will need to reduce the level of mercury emissions by 90 percent. To achieve this level PGE will install a sorbent injection system upstream of the currently operating electrostatic precipitator (ESP) so that mercury will be absorbed onto the sorbent material and captured by the ESP before it can be released to the atmosphere.

PGE requests to defer the capital costs associated with these pollution control systems as well as the costs of pollution control chemicals. The Company estimates a cost of approximately \$28.7 million of capital in the third and fourth quarters of 2011. The estimated revenue requirement associated with this project is approximately \$4.5 million for 2011.

Proposed Accounting:

PGE proposes to record the deferred amounts as regulatory assets in FERC account 182.3, Other Regulatory Assets with an offsetting credit to FERC account 407.4, Regulatory Credits.

Estimate of Amounts:

PGE estimates approximately \$10.8 million of revenue requirement for 2011 summarized as follows:

<i>2011 Revenue Requirement</i>	<i>\$ Millions</i>
<i>Cyber Security</i>	\$ 0.7
<i>2020 Vision</i>	\$ 2.7
<i>Coyote Springs Upgrade</i>	\$ 2.9
<i>Boardman Pollution Controls</i>	\$ 4.5
	\$10.8

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PROPOSED COMMISSION MOTION:

Portland General Electric's request to defer costs associated with four specific capital projects per a stipulated agreement in UE 215, be approved for the 12-month period beginning January 1, 2011. Ratemaking treatment for these costs should be reserved for a separate ratemaking proceeding.

PGE UM 1513 – Defer 4 Capital Projects