

ORDER NO.

12 051

ENTERED

FEB 14 2012

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1294(5)

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

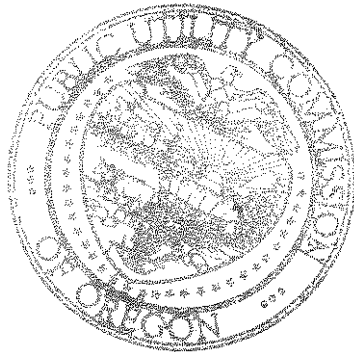
Reauthorization to Defer Annual Net Variable  
Power Cost Variance.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on February 14, 2012, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter, attached as Appendix A.

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. CA7

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 14, 2012

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2012

DATE: January 31, 2012

TO: Public Utility Commission

FROM: Deborah Garcia *DG*

THROUGH: *MG* Bryan Conway, *MG* Maury Galbraith and *JJ* Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1294(5)) Requests reauthorization to defer Net Power Cost Variances.

**STAFF RECOMMENDATION:**

I recommend Portland General's application be approved.

**DISCUSSION:**

Portland General Electric (PGE or Company) makes this filing pursuant to ORS 757.259, OAR 860-027-0300, Order No. 07-015, and PGE Schedule 126, to request reauthorization to defer the annual net variable power cost variances (PCV) for the 12-month period beginning January 1, 2012.

Description of Expense

By Order No. 07-015, the Commission approved an annual Power Cost Adjustment Mechanism (PCAM) for PGE. PGE's Schedule 126 contains the terms of the PCV deferral which captures the annual difference between actual net variable power costs and the forecasted costs that are collected from customers through PGE's Schedule 125.

The PCV is calculated pursuant to the terms in Schedule 126. Those terms include power cost deadbands for positive or negative annual variances, and require an earnings review prior to amortization.

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#### Reason for Deferral

The PCV deferral will minimize the frequency of rate changes and more appropriately match the costs borne by and the benefits received by ratepayers pursuant to ORS 757.259(e).

#### Proposed Accounting

PGE proposes to record the deferred amount in FERC Account 182.3 (Regulatory Assets) and credit FERC Account 555 (Purchased Power) if there is an amount to collect from customers. If there is a refund due to customers, PGE will record the deferred amount in FERC 229 (Accumulated Provision for Rate Refunds); debiting FERC 449.1 (Provision for Rate Refunds). In the absence of deferral approval, PGE would not calculate a PCV and all associated revenue and expense would remain booked to the appropriate FERC accounts.

#### Estimate of Amounts

In its filing, PGE states it cannot provide an estimate of the amount that will be deferred because it is dependent on actual 2012 information that is currently unknown. PGE also requests to accrue interest pursuant to the methodology approved by Commission Orders in UM 1147.<sup>1</sup>

With its application, PGE has provided workpapers detailing prior period activity pursuant to OAR 860-027-0300(4). Staff has reviewed the workpapers associated with the 2011 period and agrees that the Company's accounting methodology appears to be sufficient. Any necessary amortization would be accomplished in a change to Schedule 125 during a subsequent proceeding.

#### Information Related to Future Amortization

- Earnings review – Schedule 126 requires an earnings review.
- Prudence Review – A prudence review is a required component of an earnings review, and should include a verification of the accounting methodology used to determine the final amortization balance.
- Sharing – Sharing is subject to the terms of Schedule 126.
- Rate Spread/Design – The PCV amortization amount will be spread on an equal cents per kWh basis, as specified in Schedule 126.

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<sup>1</sup> See Order Nos. 08-263, 09-065, and 10-279.

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- Three Percent Test (ORS 757.259(6)) – The three percent test measures the annual overall average effect on customer rates resulting from deferral amortizations. The three percent test limits (exceptions at ORS 757.259(7) and (8)) the aggregated deferral amortizations during a 12-month period to no more than three percent of the utility's gross revenues for the preceding year. Because PGE is an electric utility, ORS 757.259(8) allows the Commission to consider up to a six percent limit. Schedule 126 specifies the six percent limit.

Staff Analysis

The rationale for this deferral is still valid, and the Company's application meets the requirements of ORS 757.259 and OAR 860-027-0300. For these reasons, Staff recommends PGE's application be approved.

**PROPOSED COMMISSION MOTION:**

PGE's application be approved for accounting purposes only, with ratemaking treatment to be considered in a subsequent proceeding.

PGE UM 1294(5) PCV deferral