

ORDER NO. 12 062

ENTERED FEB 28 2012

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UM 1514(1)

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

Application for Reauthorization of Deferral of  
Incremental Costs Associated with Automated  
Demand Response.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on February 28, 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.

PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: February 28, 2012

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

DATE: February 21, 2012

TO: Public Utility Commission

FROM: Deborah Garcia *dg*

THROUGH: *MEG-BC* Bryan Conway, *MEF* Maury Galbraith and *gd* Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1514(1)) Requests reauthorization to defer the incremental costs associated with Automated Demand Response.

**STAFF RECOMMENDATION:**

I recommend that Portland General Electric's application be approved.

**DISCUSSION:**

Portland General Electric (PGE or Company) makes this filing pursuant to ORS 757.259 and OAR 860-027-0300, to request reauthorization to defer the incremental costs associated with its Automated Demand Response Program (ADR Program) for the 12-month period beginning January 1, 2012.

The deferral of incremental ADR Program costs, as an automatic adjustment clause, and the associated cost recovery tariff (Advice 10-29, Schedule 135) were initially authorized by Commission Order No. 11-82, as part of a two-year pilot program.

Description of Amounts

The incremental costs associated with the ADR Program.

Reasons for Deferral

This deferral provides a mechanism for PGE to recover the incremental costs related to the ADR Program for later rate-making treatment pursuant to ORS 757.259(2)(e). The deferral of these costs will minimize the frequency of rate changes or fluctuations and match appropriately the costs borne by and benefits received by customers.

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#### Proposed Accounting

PGE proposes to record the deferred costs in FERC account 182.3 (Regulatory Assets), with the offsetting credit recorded to FERC account 131 (Cash).

#### Estimate of Amounts

PGE estimates the incremental costs of the ADR Program to be approximately \$3.4 million over the next year of a two year pilot program including costs for program development plus evaluation and verification.

With its application, PGE has provided work papers detailing prior period activity pursuant to OAR 860-027-0300(4). The deferral balance as of November 30, 2011, was approximately \$30,000, including interest.

#### Information Related to Future Amortization

- Earnings review – An earnings review does not apply to an automatic adjustment clause, pursuant to ORS 757.259(5).
- Prudence Review – A prudence review should include a verification that deferred amounts are incremental, and verification of the accounting methodology used to determine the final amortization balance.
- Sharing – It does not appear that a level of sharing of any deferred amount was specified by Commission order. Staff assumes the Company will be allowed to recover all prudently incurred incremental costs.
- Rate Spread/Design – How amortization of any deferred amount will be spread is to be specified by the Commission, pursuant to Order No. 11-182.
- 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.

#### 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.

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**PROPOSED COMMISSION MOTION:**

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

PGE 1514(1) ADR Program deferral