

ORDER NO. 12 160

ENTERED MAY 08 2012

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1532(1)

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

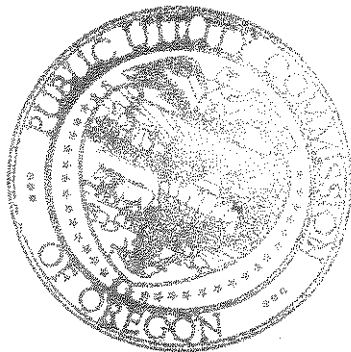
Application for Reauthorization of Deferred
Accounting Treatment of Certain Expenses
Associated with an Independent Evaluator for
up to Three Requests for Proposals.

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on May 8, 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. CA8

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT

PUBLIC MEETING DATE: May 8, 2012

REGULAR _____ CONSENT X EFFECTIVE DATE April 1, 2012

DATE: April 3, 2012

TO: Public Utility Commission

FROM: Judy Johnson *JJ*THROUGH: *MC* Bryan Conway and *MG* Maury GalbraithSUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1532(1)) Requests
Deferred Accounting for costs associated with an Independent Evaluator.

STAFF RECOMMENDATION:

Staff recommends the Commission approve Portland General Electric's request to defer costs associated with an Independent Evaluator for the 12-month period beginning April 1, 2012. Ratemaking treatment for such costs should be reserved for a ratemaking proceeding.

DISCUSSION:

On March 30, 2012, Portland General Electric (PGE or the Company) submitted an application requesting authorization to defer costs associated with an Independent Evaluator (IE) required by Commission Order No. 06-446, for up to three Requests for Proposals (RFP).

Background

Commission Order No. 06-446 sets forth the guidelines established by the Commission for the Competitive Bidding process. These guidelines require utilities to issue a RFP for all major resource acquisitions – those with durations greater than five years and quantities greater than 100 MW. The guidelines require an IE to be used in each RFP process to ensure that all offers are treated fairly.

PGE initially expected and planned for the RFP process to take 18 months. However, intervenors in this docket expressed a desire to combine the Capacity and Baseload Energy RFP(s). The Commission agreed with this approach and in Order No. 11-371 (UM 1535), dated September 27, 2011, directed PGE to combine the two RFP(s).

PGE UM 1532(1)
April 3, 2012
Page 2

Description of Expense

Subsequent to Order No. 11-371, PGE combined the Capacity and Baseload RFP(s) and is now allowing third-party bids on PGE's Benchmark sites. The delay and additional process associated with combining the RFPs, along with allowing third-party bidding on PGE's benchmark sites requires additional IE review the Company did not envision in its initial deferral. Total IE estimated costs are now approximately \$750,000 as opposed to the \$400,000 original estimate. PGE has recorded approximately \$174,000 to date.

Reason for Deferral

Commission Order No. 06-446 states that an IE must be used in each RFP to help ensure that all offers are treated fairly, and PGE expects to incur additional incremental costs to pay for the IE that were not included in the costs used to set rates in UE 215. This deferred accounting treatment is for past and potential expenses associated with an IE pursuant to ORS 757.259(2)(e). Deferring these costs will minimize the frequency of rate changes and match appropriately the costs borne by and benefits received by customers.

Proposed Accounting

PGE proposes to record the deferred amount as a regulatory asset in FERC account 182.3, Other Regulatory Assets. In the absence of a deferred accounting order from the Commission, PGE would record the costs associated with the IE to FERC account 923, Outside Services Employed.

Estimate of Amounts

PGE estimates it will incur additional IE expenses of approximately \$578,000 over the next deferral period. PGE will seek amortization of the deferred IE estimates at a later date.

Information Related to Future Amortization

- Earnings review –The Company states that an Earnings Review is not applicable based on Commission Order No. 06-446, Appendix A, Page 1. The Commission adopted Competitive Bidding Guidelines that require utilities to issue a Request for Proposal for all major resource acquisitions and also an Independent Evaluator to be used in each RFP process to ensure that all offers are treated fairly. However, Staff's counsel advises that under the law an Earnings Review must be done according to the deferral statute. At the time of the Earnings Review Staff can take into account Commission Order No. 06-446 and make its recommendations accordingly.

PGE UM 1532(1)
April 3, 2012
Page 3

- Prudence Review – A prudence review is a requirement of the earnings review and should include the verification of the accounting methodology used to determine the final amortization balance. The prudence review will be held after PGE files for amortization.
- Sharing – One hundred percent (100%) of the deferred costs are subject to utility recovery, pending a prudence review.
- Rate Spread/Design – PGE expects to propose spreading the costs to customer classes on the basis of an equal percent of revenue.
- 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. The limit for these deferrals will be determined at the time of amortization. Should a deferred balance result in a credit to customers, the balance is exempt from the three percent test, per the advice of Staff's counsel.

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 to defer costs associated with an Independent Evaluator for the 12-month period beginning April 1, 2012. Ratemaking treatment for such costs should be reserved for a ratemaking proceeding.

PGE UM 1532(1) IE deferral