

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1294

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	ORDER
COMPANY)	
)	
Application for Deferred Accounting of)	
Annual Power Cost Variance.)	

DISPOSITION: APPLICATION APPROVED

On January 17, 2007, Portland General Electric Company (PGE or company) filed a request with the Public Utility Commission of Oregon (Commission) for an accounting order authorizing it to defer, for later ratemaking treatment, the annual net variable power cost variances pursuant to Commission Order No. 07-015, ORS 757.259(2)(e) and PGE tariff Schedule 126, effective January 17, 2007. 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 February 6, 2007, the Commission adopted Staff's recommendation.

ORDER

IT IS ORDERED that Portland General Electric Company's application for deferred accounting of the Annual Power Cost Variance, effective January 17, 2007, is approved.

Made, entered, and effective FEB 12 2007.

BY THE COMMISSION:



Becky L. Beier
Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to 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 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 6, 2007

REGULAR _____ CONSENT X EFFECTIVE DATE January 17, 2007

DATE: January 22, 2007

TO: Public Utility Commission

FROM: Carla Owings *CO*

THROUGH: *lin* Lee Sparling, *eb* Ed Busch and *JD* Judy Johnson

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

STAFF RECOMMENDATION:

Staff recommends Portland General Electric's application for deferred accounting of the Annual Power Cost Variance, effective January 17, 2007, be approved.

DISCUSSION:

On January 17, 2007, Portland General Electric (PGE or Company) filed a request for an accounting order authorizing the Company to defer for later ratemaking treatment the annual net variable power cost variances pursuant to Order No. 07-015, ORS 757.259(2)(e) and PGE tariff Schedule 126, effective January 17, 2006.

Description of deferral:

In Commission Order No. 07-015, the Commission ordered the adoption of an annual Power Cost Adjustment Mechanism (PCAM) to determine the difference between annual actual net variable power costs and the net variable power costs forecasted pursuant to tariff schedule 125. PGE's Schedule 126 contains the terms of the PCAM which includes a positive annual power cost deadband, a negative annual power cost deadband and an earnings test. This deferral seeks to capture the net variable power cost difference that will be amortized in rates.

In Order No. 07-015, the Commission adopted a PCAM that includes an earnings test to determine whether the utility is earning an acceptable rate of return. If the Company's earnings are more than 100 basis points below its authorized Return on Equity (ROE), it will be allowed to recover any excess power costs, after application of the deadband

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and 90/10¹ sharing, up to the authorized ROE minus 100 basis points threshold. If PGE's earnings are more than 100 basis points above its authorized ROE, the Company will be required to refund to customers any power cost savings, after application of the deadband and 90/10 sharing, down to the authorized ROE plus 100 basis points threshold.

Reason for deferral request:

PGE seeks to establish a deferral account to track the annual variances between the actual annual power costs and the annual forecasted power costs that will be amortized in rates pursuant to the terms established on its Schedule 126 and Commission Order No. 07-015.

Proposed Accounting:

PGE proposes to record the deferral as a regulatory liability in FERC Account 182.3 (Regulatory Assets); crediting FERC Account 456 (Other Revenue) if there is an amount to collect from customers. PGE would record the Deferred Amount in FERC 254 (Regulatory Liabilities) and debit FERC Account 456 (Other Revenue) 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).

Notice:

A copy of the Notice of Application was distributed to parties associated with UE 180/UE 181 and UE 184 and other interested parties on January 17, 2007.

PROPOSED COMMISSION MOTION:

Portland General Electric's application for deferred accounting of the Annual Power Cost Variance, effective January 17, 2007, be approved.

PGE UM 1294 Deferral of Annual Power Cost Variance

¹ For any power costs above or below the described ranges, customers will bear 90 percent of the adjustment and PGE will bear 10 percent of the adjustment.