

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: September 11, 2003**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** _____ August 11, 2003

DATE: August 15, 2003

TO: John Savage through Lee Sparling and Ed Busch

FROM: Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1103) Requests authorization for deferral of the cost of Intervenor Funding Grants.

STAFF RECOMMENDATION:

I recommend the Commission approve Portland General Electric's request for authorization, under ORS 757.259, to defer costs related to Intervenor Funding Grants until June 30, 2004. I further recommend that the Commission instruct Portland General Electric to account for the grants using separate subaccounts for each type of grant in order to facilitate recovery of costs from the appropriate customer class.

DISCUSSION:

On August 11, 2003, Portland General Electric (PGE) requested authorization to defer costs related to Intervenor Funding Grants for later incorporation in rates. On June 6, 2003, the Governor signed OR Laws 2003, ch 234 (formerly known as Senate Bill 205, the Intervenor Funding Act) into law. Section 2 of the Intervenor Funding Act authorizes the Commission to approve written agreements for intervenor funding between electric and natural gas utilities and qualifying organizations representing broad customer interests. Such grants would be used by these qualifying organizations when participating in certain types of regulatory proceedings before the Commission. Section 2 also authorizes the Commission to establish rules with respect to funding agreements for determining which organizations are eligible for financial assistance, the amount of assistance that may be provided, the manner in which assistance will be distributed, and other necessary administrative matters.

Additionally, Section 2 of the Intervenor Funding Act provides that utilities can recover any financial assistance provided in rates under ORS 757.259 if the utility so elects. ORS 757.259(3), as amended by section 3 of the Intervenor Funding Act, provides:

"Upon request of the public utility, the commission by order shall allow deferral of amounts provided as financial assistance under an agreement entered into under section 2 of this 2003 Act for later incorporation in rates."

Deferred amounts under ORS 757.259(3) are not subject to the percentage of gross revenue limitation or other provisions of subsections (5), (6), (7), and (8) of the amended section.

On July 2, 2003, the Commission issued Order No. 03-388, which, among other things, approved the Intervenor Funding Agreement among PacifiCorp, Portland General Electric Company, Northwest Natural Gas Company, Northwest Industrial Gas Users, Citizens' Utility Board of Oregon (CUB), and Industrial Customers of Northwest Utilities, dated February 5, 2003 (the Intervenor Funding Agreement). The Intervenor Funding Agreement sets forth the amount of funding to be contributed by each utility and the procedures for budget submittals by intervenors, Commission approval of budgets, and the payment of grants by utilities. It sets up three separate funds, with different requirements to be met to qualify for each fund. These funds are: 1) the CUB Fund; 2) the Preauthorized Matching Fund; and 3) the Issue Fund. In its subsequent Order No. 03-405, the Commission directed the utilities to pay CUB the amounts made available for the CUB Fund Grants as defined and provided for in the Intervenor Funding Agreement (\$50,000 for each of the utilities).

Another requirement of the Intervenor Funding Agreement is that the Commission allocate the costs of the fund to the appropriate customer class. Residential customers would pay for amounts granted from the CUB Fund. Industrial customers would pay amounts from the Preauthorized Matching Fund. The Commission will allocate amounts from the Issue Fund to align the costs of advocacy with the intended beneficiaries of the advocacy.

Proposed Accounting

The proposed deferrals would be recorded in separate subaccounts of account 182.3 (Other Regulatory Assets). In the absence of deferral approval, the company would record the amounts in the subaccounts of FERC account 930 (Miscellaneous General Expenses).

Estimated Deferrals in Authorization Period

PGE anticipates that the maximum amounts to be deferred during the deferral period are:

<u>Fund</u>	<u>CY 2003</u>	<u>CY 2004</u>
CUB Fund	\$ 50,000	\$ 50,000
Preauthorized Matching Fund	\$ 50,000	\$ 50,000
Issue Fund	\$125,000	\$125,000
Total	\$225,000	\$225,000

Amounts should be debited to the deferred account only as the utility actually disperses money for intervenor funding.

PROPOSED COMMISSION MOTION:

Portland General Electric's request for authorization, under ORS 757.259, to defer costs related to Intervenor Funding Grants until June 30, 2004 be approved. Portland General Electric is directed to account for the grants using separate subaccounts for each type of grant in order to facilitate recovery of costs from the appropriate customer class.