

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 19, 2006**

**REGULAR** \_\_\_\_\_ **CONSENT**  X  **EFFECTIVE DATE**  January 1, 2007

**DATE:** December 13, 2006

**TO:** Public Utility Commission

**FROM:** Maury Galbraith and Carla Owings

**THROUGH:** Lee Sparling, Ed Busch and Judy Johnson

**SUBJECT:** PORTLAND GENERAL ELECTRIC: (Advice No. 06-27) Implements the energy charges and resource valuation mechanism changes that correspond to the final 2007 RVM net variable power costs.

PORTLAND GENERAL ELECTRIC: (Advice No. 06-28) Updates regulatory adjustments.

**STAFF RECOMMENDATION:**

Staff recommends that the tariff sheets filed in Portland General Electric Advice Nos. 06-27 and 06-28 be allowed into effect on January 1, 2007.

**DISCUSSION:**

On November 15, 2006, Portland General Electric (PGE) filed Advice Nos. 06-27 and 06-28. Each filing requested an effective date of January 1, 2007. On November 28, 2006, PGE amended Advice No. 06-27 to include Schedule 94 which was inadvertently excluded from its initial filing. This Staff Report discusses each of these filings separately and then presents the combined effect of the proposed changes on customers' electric bills.

Resource Valuation Mechanism Changes (Advice No. 06-27):

On October 9, 2006, in Order No. 06-575, the Commission adopted a Resource Valuation Mechanism (RVM) Stipulation filed in consolidated Docket Nos. UE 180/UE 181/UE 184 by PGE, the Industrial Customers of Northwest Utilities (ICNU), the Citizens' Utility Board (CUB), Fred Meyer Stores, and the Staff of the Public Utility Commission of Oregon (Staff). The stipulating parties agreed to an \$8.588 million

decrease in PGE's final 2007 RVM forecast of net variable power costs as a financial settlement of disputed power cost issues. The parties also agreed to use deferred accounting to true-up certain natural gas transportation costs to the actual pipeline rates implemented by the Federal Energy Regulatory Commission. Finally, the parties set November 9, 2006, as the date that PGE would make its final MONET run for the 2007 RVM. Rates based on PGE's final MONET run are to go into effect on January 1, 2007, and are expected to be supplanted by new rates from PGE's general rate case in mid-January.

*Final 2007 RVM Forecast of Net Variable Power Costs:*

PGE filed its final MONET forecast of the 2007 RVM on November 9, 2006. PGE's final forecast of net variable power costs for 2007 is \$760.1 million. This is an increase of \$128.5 million, or 20.3 percent, from the final forecast in the 2006 RVM.

Staff has reviewed PGE's final forecast of net variable power costs for 2007. The final Monet run complies with Commission Order No. 06-575.

*Final RVM Adjustment Rates:*

Staff has reviewed PGE's final energy charges and Schedule 125 RVM adjustment rates for 2007. The calculation of the final RVM rates is consistent with the resource stacking and rate spread methodology adopted in Order No. 01-777 (Docket UE 115).

*Other Adjustments:*

With its RVM filing, PGE also implements Schedule 84, the Split Load Option, and Schedule 130, the Shopping Incentive Rider, in accordance with the Direct Access stipulation adopted by the Commission in Order No. 06-528. The company withdraws Schedule 83R, the 2007 Large Load Split Service Rider, due to implementation of Schedule 84. PGE updates Schedule 9, the Stable Rate Pilot pursuant to Commission Order No. 06-487. The company also makes housekeeping changes to Schedules 7 and 32 to clarify that all monies received under the Renewable Usage Portfolio Option will be used to purchase energy or tradable renewable resources from new renewable resources. Finally, the company withdraws Schedule 125R, the Short Term Resource Notice for 2007, due to lack of customer participation. Staff finds PGE's other adjustments to be in compliance with Commission orders and decisions.

Miscellaneous Regulatory Adjustments (Advice No. 06-28):

The purpose of this advice filing is to make modification to Schedule 105, Regulatory Credits, and Schedule 107, Conservation Bond Repayment, concurrent with the changes to the energy charges as proposed in the Company's RVM filing. PGE also proposes to withdraw Schedules 101, 114, 126, and 127 that have had rates set at zero for this year.

Miscellaneous regulatory adjustments that will appear in Schedule 105, Part A are a compilation of a credit to true-up information technology costs with those allowed in Docket UE 115, a credit for property sales proceeds, and charges for Beaver 8 pursuant to Commission Order No. 04-740. The Company proposes no changes to the amortization for Beaver 8 and expects to complete the true-up of the information technology costs as of December 31, 2007. Finally, PGE proposes to set the Schedule 107, DSM Refinancing Adjustment, rates to zero because the recovery is expected to be complete at the end of 2006.

Combined Rate Impact of Advice Nos. 06-27 and 06-28:

The combined changes proposed in Advice Nos. 06-27 and 06-28 would result in a rate increase of approximately 2.6 percent for residential customers served on Schedule 7. Small nonresidential customers served on Schedule 32 would experience a rate increase of approximately 5.2 percent and large nonresidential customers served on the cost-of-service option of Schedule 83 would experience an increase of approximately 6.2 percent. The overall rate impact for cost-of-service customers would be a 4.6 percent increase (see Attachment A).

The disparity between the residential and nonresidential rate impacts is largely attributable to energy charges comprising a large portion of nonresidential customers' bills. The Schedule 129, Transition Cost Adjustment, associated with the multi-year cost of service opt-outs offered under Schedule 483, impacts the large nonresidential rates.

**PROPOSED COMMISSION MOTION:**

The tariff sheets filed in Portland General Electric Advice Nos. 06-27 and 06-28 be allowed into effect on January 1, 2007.

**TABLE 2**  
**PORTLAND GENERAL ELECTRIC**  
**ESTIMATED EFFECT ON CONSUMERS' TOTAL ELECTRIC BILLS**  
**2007 COS ONLY**

CATEGORY	RATE SCHEDULE	Forecast SOCT06E07 CONSUMERS	MWH SALES	TOTAL ELECTRIC BILLS		Change	
				CURRENT	PROPOSED	AMOUNT	PCT.
Residential	7	704,767	7,576,567	\$640,450,661	\$657,078,136	\$16,627,476	2.6%
Employee Discount				(\$686,084)	(\$705,250)	(\$19,166)	
Subtotal				\$639,764,577	\$656,372,886	\$16,608,309	2.6%
Outdoor Area Lighting	15	1,351	23,564	\$4,184,155	\$4,240,473	\$56,318	1.3%
General Service <30 kW	32	82,123	1,497,255	\$129,337,806	\$136,015,565	\$6,677,759	5.2%
Opt. Time-of-Day G.S. >30 kW	38	1,243	106,530	\$9,094,939	\$9,639,306	\$544,367	6.0%
Irrig. & Drain. Pump. < 30 kW	47	1,802	21,658	\$1,637,533	\$1,846,312	\$208,779	12.7%
Irrig. & Drain. Pump. > 30 kW	49	749	63,579	\$3,462,769	\$4,117,629	\$654,860	18.9%
General Service >30 kW Secondary	83-S	11,809	5,899,071	\$407,770,147	\$432,850,249	\$25,080,102	6.2%
Primary	83-P	243	1,909,635	\$116,166,019	\$125,426,605	\$9,260,586	8.0%
Subtransmission	83-T	6	672,041	\$35,504,854	\$38,935,020	\$3,430,165	9.7%
Street & Highway Lighting	91	206	101,977	\$15,263,025	\$15,486,355	\$223,330	1.5%
Traffic Signals	92	18	5,748	\$382,357	\$404,832	\$22,475	5.9%
Recreational Field Lighting	93	27	554	\$78,732	\$82,031	\$3,299	4.2%
<b>TOTAL (CYCLE YEAR BASIS)</b>		804,343	17,878,178	\$1,362,646,913	\$1,425,417,262	\$62,770,349	4.6%
CONVERSION ADJUSTMENT			17,252	\$1,314,891	\$1,375,462		
<b>TOTAL (CALENDAR YEAR BASIS)</b>			17,895,430	\$1,363,961,805	\$1,426,792,724	\$62,830,919	4.6%