

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 18, 2007**

REGULAR _____ **CONSENT** X **EFFECTIVE DATE** January 1, 2008

DATE: December 11, 2007

TO: Public Utility Commission

FROM: Ed Durrenberger and Carla Owings

THROUGH: Lee Sparling, Ed Busch and Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice No. 07-28) Implements the energy charges and resource valuation mechanism changes that correspond to the final 2008 AUT net variable power costs.

PORTLAND GENERAL ELECTRIC: (Advice No. 07-29) Modifies Schedules 105 and 130 to adjust for annual updates.

STAFF RECOMMENDATION:

Staff recommends that Portland General Electric's (PGE or Company) Advice No. 07-28, the resource valuation mechanism changes and energy charges that correspond to the final 2008 Annual Update Tariff (AUT) for net variable power costs, be adopted and Advice No. 07-29, the changes requested to Schedule 105 and Schedule 130, be approved effective January 1, 2008.

DISCUSSION:

On November 15, 2007, PGE filed Advice Nos. 07-28 and 07-29. Each filing requested an effective date of January 1, 2008. This Staff report discusses the two tariff filings separately, describes the implementation of rates for Biglow Canyon Wind farm and then presents the combined effect of these proposed changes and the overall impact on customers' electric bills.

Annual Update Tariff (AUT) Changes (Advice No. 07-28):

On April 2, 2007, PGE filed testimony in support of the initial AUT forecast of the Company's 2008 net variable power costs (NVPC). The filing, docketed UE 192 and named the "Annual Power Cost Update Tariff" or APCU, was made pursuant to

Commission Order No. 07-015 which, among other things, required that an APCU tariff be filed in April of each year to update power costs for the following year. Prior to Order No. 07-015, PGE used an annual mechanism referred to as the Resource Valuation Mechanism, or RVM. The new mechanism differs from the RVM in that the APCU is more narrowly focused such that it limits the number of inputs that are allowed to be changed, or updated, in the power cost modeling to derive the final net variable power cost used to update rates for the following January 1. The new process is designed to be less contentious than the former RVM process. Commission Order No. 07-445 resolved the outstanding issues faced in UE 192 regarding power costs and modeling. On November 14, 2007, the APCU was finalized by a MONET power cost model run with the proposed price changes incorporated into Schedule 125. PGE proposes an effective date of January 1, 2008.

Final 2008 APCU Forecast for Net Variable Power Costs:

PGE filed the final MONET forecast for net variable power costs on November 15, 2007. The final forecast of NVPC for 2008 is \$769 million. This is an increase of \$1.9 million over the 2007 amount. On a unit NVPC basis, however, the 2008 cost is \$41.99/MWh versus a 2007 value of \$42.23/MWh, which, adjusted for revenue sensitive costs, is a net decrease of \$0.25/MWh resulting in a 0.3% decrease in residential customer rates. A residential customer using 1000 KWh per month would see a \$0.29 reduction in their electric bill from \$101.26 to \$101.00 as a result of the NVPC change.

Staff has reviewed PGE's final forecast of net variable power costs for 2008 as determined by the November 14, 2007, MONET run and finds that it complies with Commission Order No. 07-445.

Schedule 128, Short-Term Transition Adjustment:

With its annual update tariff filing PGE also requests implementation of a change to Schedule 128, Short-Term Transition Adjustment, to reflect the difference between the revised tariff Schedule 125 energy charge and the cost of service option including the Biglow Canyon 1 adjustment and the 2008 projected market price of power applied to the load shape of each applicable schedule. Additionally, the filing, if approved, implements reductions to the distribution or system usage charge for large nonresidential schedules consistent with PGE Advice No. 07-18, Schedule 129, Special Condition, of 0.10 mills/KWh.

Annual Updates to Schedules 105 and 130:

On November 15, 2007, PGE filed an application requesting modifications to Schedule 105 for annual updates that pertain to the recovery of the Beaver 8 turbine, Intervenor Funding, annual PUC fees, and the final recovery of SB 1149 costs. In addition, the Company requested a reduction to the Shopping Incentive Recovery Adjustment under Schedule 130.

Schedule 105, Part A continues the recovery of the Beaver 8 turbine per the provisions of Commission Order No. 04-740. For 2008, the Company will recover approximately \$2.3 million of the Beaver 8 turbine, leaving a balance owed to PGE of approximately \$2.5 million. PGE forecasts the remaining balance to be recovered by December 31, 2009.

Schedule 105, Part B continues the recovery of SB1149 costs of approximately \$6.8 million. The Company projects this recovery to be complete by December 31, 2008.

Schedule 105, Part C is added for 2008. This section of the tariff recovers from customers the previously deferred Intervenor Funding payments made in accordance with Commission Order No. 03-338.

For Schedule 130, the Shopping Incentive recovery Adjustment (Part B) rate is reduced to 0.400 cents per kWh from 0.500 cents per kWh. This adjustment represents a decrease of approximately \$650,000 and corresponds to the reduced shopping incentive effective January 1, 2008.

The impact of these combined adjustments to Schedules 105 and 130 is an overall increase of approximately 0.60%. The approximate increase is 0.60% for residential Schedule 7 customers, 0.60% for Schedule 32 customers and 0.50% for Schedules 83/89.

Biglow Canyon Implementation and Overall Rate impacts:

In order to provide a more complete picture of the price changes proposed for January 1, 2008, the Company has provided Attachment A, monthly billing comparison work papers that include the changes described above as well as the proposed effects of Advice filing 07-07, Biglow Canyon Implementation¹. The net impact to customers' bills for the Biglow Canyon Implementation is approximately 0.30%. The overall bill impact is as follows:

¹ The Commission has not yet issued an order in docket UE 188 related to the proposed tariffs for the Biglow Canyon wind project.

| | |
|------------------|-------------------|
| Schedule 7: | 0.9% increase |
| Schedule 32: | 0.8% increase |
| Schedules 83/89: | 0.6/0.9% increase |
| Overall | 0.8% increase |

Staff has reviewed the PGE's proposed changes and recommends the Commission adopt the Company's request.

PROPOSED COMMISSION MOTION:

Portland General Electric's resource valuation mechanism changes and energy charges that correspond to the final 2008 AUT net variable power costs in Advice No. 07-28 be adopted, and the changes requested to Schedule 105 and Schedule 130 filed in Advice No. 07-29 be approved, effective January 1, 2008.

Attachment
 A

TABLE 3 WITH ALL SUPPLEMENTALS EXCEPT LIA AND PPC
 PORTLAND GENERAL ELECTRIC
 ESTIMATED EFFECT ON CUSTOMERS' TOTAL ELECTRIC BILLS
 2008 COS ONLY

| CATEGORY | RATE SCHEDULE | Forecast SSEP07E08 | | TOTAL ELECTRIC BILLS | | Change | |
|------------------------------------|------------------|-----------------------|--------------|---|---|--------------|------|
| | | CONSUMERS | MWH SALES | CURRENT | PROPOSED | AMOUNT | PCT. |
| | | | | with all supplementals except LIA & PPC | with all supplementals except LIA & PPC | | |
| Residential | 7 | 709,329 | 7,621,382 | \$753,064,825 | \$759,695,428 | \$6,630,603 | 0.9% |
| Employee Discount | | | | (\$805,260) | (\$812,451) | (\$7,191) | |
| Subtotal | | | | \$752,259,566 | \$758,882,977 | \$6,623,412 | 0.9% |
| Outdoor Area Lighting | 15 | 0 | 23,746 | \$4,308,494 | \$4,338,652 | \$30,157 | 0.7% |
| General Service <30 kW | 32 | 83,122 | 1,499,148 | \$141,185,095 | \$142,369,422 | \$1,184,327 | 0.8% |
| Opt. Time-of-Day G.S. >30 kW | 38 | 922 | 82,384 | \$7,927,734 | \$7,977,114 | \$49,380 | 0.6% |
| Irrig. & Drain. Pump. < 30 kW | 47 | 3,179 | 21,742 | \$2,204,935 | \$2,222,547 | \$17,611 | 0.8% |
| Irrig. & Drain. Pump. > 30 kW | 49 | 1,321 | 66,065 | \$4,781,412 | \$4,819,729 | \$38,318 | 0.8% |
| General Service >30 kW | | | | | | | |
| Secondary | 83-S | 12,174 | 5,422,609 | \$419,542,118 | \$422,205,318 | \$2,663,200 | 0.6% |
| Primary | 83-P | 143 | 277,025 | \$19,881,864 | \$20,004,310 | \$122,446 | 0.6% |
| Schedule 89 > 1 MW | | | | | | | |
| Secondary | | | | | | | |
| Primary | 89-S | 105 | 678,222 | \$49,538,242 | \$49,938,903 | \$400,661 | 0.8% |
| Subtransmission | 89-P | 104 | 1,708,259 | \$112,710,921 | \$113,723,258 | \$1,012,337 | 0.9% |
| | 89-T | 8 | 777,420 | \$47,221,505 | \$47,664,635 | \$443,129 | 0.9% |
| Street & Highway Lighting | 91 | 205 | 103,260 | \$16,616,221 | \$16,721,546 | \$105,325 | 0.6% |
| Traffic Signals | 92 | 17 | 5,612 | \$409,092 | \$412,291 | \$3,199 | 0.8% |
| Recreational Field Lighting | 93 | 27 | 562 | \$86,200 | \$86,757 | \$557 | 0.6% |
| Communication Devices | 94 | 0 | 241 | \$17,544 | \$17,681 | \$137 | 0.8% |
| TOTAL (CYCLE YEAR BASIS) | | 810,657 | 18,287,676 | \$1,578,690,943 | \$1,591,385,140 | \$12,694,197 | 0.8% |
| ===== | | | | | | | |
| CONVERSION ADJUSTMENT | | | | \$2,286,139 | \$2,304,522 | | |
| ===== | | | | | | | |
| TOTAL (CALENDAR YEAR BASIS) | | | 18,314,159 | \$1,580,977,082 | \$1,593,689,661 | \$12,712,580 | 0.8% |