

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: January 8, 2008**

**REGULAR**      **CONSENT**   X   **EFFECTIVE DATE**     August 31, 2007    

**DATE:** December 13, 2007

**TO:** Public Utility Commission

**FROM:** Carla Owings

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

**SUBJECT:** PORTLAND GENERAL ELECTRIC: (Docket No. UM 1269(1)) Requests reauthorization to defer costs associated with Stable Rate Option.

**STAFF RECOMMENDATION:**

Staff recommends the Commission approve Portland General Electric's (PGE or Company) request to reauthorize the deferral of lost revenues associated with the offering of the Stable Rate Option associated with PGE's Schedule 9, effective the twelve months beginning August 31, 2007.

**DISCUSSION:**

On August 22, 2006, PGE was granted authorization to defer revenues and costs associated with an experimental renewable resource tariff offering, a stable power rate for residential and small nonresidential customers ("Schedule 9") in Commission Order No. 06-487, effective August 22, 2006.

On August 31, 2007, PGE filed a request to reauthorize this deferral for a twelve month period to begin August 23, 2007. However, since the Company's application was not received until August 31, 2007, the request cannot be considered prior to the date of its application. Therefore, PGE amended its request on December 13, 2007, for the twelve month period to begin August 31, 2007, through August 30, 2008.

This pilot program offers customers rate stability with renewable attributes and an opportunity to contribute to wind development at a fixed rate.

PGE seeks authorization to maintain a Schedule 9 balancing account to accrue the difference between all revenues collected on Schedule 9 less program costs of \$0.0045

per kWh and a Wind Development charge of \$0.0030 per kWh, and the revenues that would have been collected if the participants had remained on their cost of service tariffs. The Company proposes to apply interest at PGE's approved rate of return (currently 8.29%). As of December 31, 2007, the balance in the Schedule 9 deferral is a credit of approximately \$32,000, meaning that PGE would refund the \$32,000 to customers. Any difference between Schedule 9 and cost of service rates will be credited or charged to Schedule 7 (residential) and Schedule 32 (small nonresidential) cost of service customers.

In its original application in August of 2006, PGE estimated that the accrued balance would be no more than \$50,000 if Schedule 9 became fully subscribed. However, since that time the Residential Exchange benefits (RPA) from Bonneville (BPA) were unexpectedly suspended raising PGE's residential cost of service (COS) rate by approximately 14%. At the time of the suspension of BPA credits, PGE decided that the most prudent option would be to suspend the enrollment<sup>1</sup> into the Stable Rate Pilot and honor the stable rates to the current subscribers; however, since the Schedule 9 rates did not change, the risk of an increased differential elevated.

In the unlikely event that PGE will not receive RPA credits for the full term of the Stable Rate Pilot program, PGE projects that the amount in the Schedule 9 Deferral could exceed a \$1 million debit balance, resulting in a charge to customers at the end of the pilot.

The Company proposes to record interest associated with the balancing account in FERC Account 229, Accumulated Provision for Rate Refund and a corresponding entry to FERC Account 182.3, Other Regulatory Assets.

Staff has reviewed the Company's request and finds that PGE's proposal to maintain a balancing account for Schedule 9 net revenues is reasonable. However, ratemaking treatment for these costs should be reserved for a ratemaking proceeding.

#### **PROPOSED COMMISSION MOTION:**

PGE's request to reauthorize deferral of lost revenues associated with the offering of the Stable Rate Option associated with PGE's Schedule 9, effective the twelve months beginning August 31, 2007, be approved.

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<sup>1</sup> PGE suspended additional enrollment in Schedule 9 on June 1, 2007, as a result of the suspension of the RPA benefits.