

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

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE \_\_\_\_\_  Upon approval by the Commission

**DATE:** March 25, 2008

**TO:** Public Utility Commission

**FROM:** Deborah Garcia

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

**SUBJECT:** PORTLAND GENERAL ELECTRIC: (Docket No. UM 1371) Application to waive the part of OAR 860-038-0200(5) that requires a report of unbundled costs to be filed with the annual results of operations report.

**STAFF RECOMMENDATION:**

I recommend that Portland General Electric's petition be approved to waive the part of OAR 860-038-0200(5)<sup>1</sup> that requires a report of unbundled costs to be filed with the annual results of operations report.

**DISCUSSION:**

Division 038 of the Commission's rules was adopted in response to the passage of Senate Bill 1149 that in part directed the Commission to restructure the provision of electricity service to allow certain customers to purchase electricity in the wholesale market. The purpose of OAR 860-038-0200(5) was to enable regulatory oversight of the allocation of restructuring costs between classes of customers to avoid cross-subsidization.

To a large extent the ratemaking and regulatory expectations that existed when the Division 038 rules were adopted no longer exist. It was anticipated that utility costs and revenues would be substantially unbundled and the annual review of unbundled costs

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<sup>1</sup> OAR 860-038-0200(5) Each electric company must file its functionally unbundled costs with its general rate filings and results of operations reports filed with the Commission. The electric company filing must clearly identify the allocation factor(s) used to functionalize each rate base, expense, and revenue item. All allocation and functionalization procedures adopted by the Commission for an electric company must be used in subsequent filings until expressly modified by the Commission.

and allocations would be necessary. The OAR itself contemplates "allocation and functionalization procedures adopted by the Commission." That, however, has not yet happened. At this point, the unbundled costs and identified cost allocation factors used to functionalize the rate base, expense, and revenue items are only used by PGE to establish rates as part of a rate case filing and may be used by other parties during that proceeding. By this application,<sup>2</sup> PGE does not propose to change its accounting procedures, so nothing would prevent the generation of unbundled results of operations reports (unbundled reports) as necessary for a rate case or in response to a Commission request.

This filing only requests to discontinue filing unbundled reports on an annual basis. The other rule requirements would still apply. The steps to create an unbundled report require significant time and resources that are paid for by ratepayers. The elimination of unnecessary expense is an important consideration in this request. Although Staff does not generally recommend and the Commission does not favor exempting a utility from compliance with an administrative rule, the Commission has on occasion found it to be in the public interest to grant such a request.<sup>3</sup> As the annual report is not used by Staff or the Company for any business purpose between rate cases, I am persuaded that PGE's application is in the public interest and recommend the Commission approve it.

Staff discussed this filing with both the Industrial Customers of Northwest Utilities and Citizens' Utility Board and neither organization opposes PGE's request.

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

PGE's application to waive the part of OAR 860-038-0200(5) that requires a report of unbundled costs to be filed with the annual results of operations report be granted.

PGE UM 1371

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<sup>2</sup> This filing is made in accordance with OAR 860-038-001 which says in part, "Upon application by an entity subject to these rules and for good cause show, the Commission may relieve it of any obligations under these rules."

<sup>3</sup> Order 04-243 NW Natural (OAR 860-021-0200(3)(a)); and Order No. 02-135, Page 3, Footnote 1. See e.g., South Hills Water System, Inc., April 21, 1998 Public Meeting (OAR 860-036-0235 & 0120(3)), and Agate & Apache Water, August 10, 1999 (OAR 860-036-0015, 0235(2)).