

ITEM NO. 1

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: June 14, 2007**

REGULAR X CONSENT _____ EFFECTIVE DATE June 15, 2007

DATE: June 13, 2007

TO: Public Utility Commission

FROM: Carla Owings

THROUGH: Lee Sparling, Ed Busch and Judy Johnson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Advice No. 07-15) Allow Port Westward costs into rates, subject to refund.

STAFF RECOMMENDATION:

Staff recommends the Commission:

1. Approve Portland General Electric's request to allow Port Westward costs into rates effective June 15, 2007, subject to refund.
2. Notice June 11, 2007, as the effective date to allow other parties fifteen days to request a hearing pursuant to Commission Order No. 07-015.

DISCUSSION:

Compliance filing or new filing pursuant to ORS 757.210:

On June 12, 2007, Portland General Electric (PGE or Company) submitted a "dual" filing. First, PGE asserts that the filing is a "compliance" filing, implicitly asking the Commission to conclude that Order No. 07-015 allows PGE to file compliance tariffs anytime before September 1, 2007, to incorporate Port Westward into rates in the manner decided in Order No. 07-015. To accommodate the Commission's order that parties shall have fifteen days in which to ask the Commission to reexamine PGE's costs underlying the tariffs, PGE states that the money collected from ratepayers under the compliance tariffs will be voluntarily subject to refund.

In the alternative, PGE asks that if the Commission decides that the tariffs are not properly classified as compliance tariffs, that the Commission waive the 30-day

Statutory Notice and allow the tariffs to become effective on June 15, 2007, without suspension, under ORS 757.210.

PGE's dual filing stems from ambiguity in Order Nos. 07-015 and 07-122 regarding the appropriate treatment of Port Westward tariffs filed after May 2, 2007, but before September 1, 2007. In UE 180, PGE asked the Commission to decide the proper ratemaking treatment for Port Westward, even though Port Westward was not yet operational. The Commission did so, but included contingencies in the order in the event Port Westward came on line later than PGE anticipated. The Commission's ordering language in Order No. 07-015 related to the Port Westward tariffs is as follows:

PGE shall file revised tariffs consistent with the findings of fact and conclusions of law contained in this order related to Port Westward no earlier than March 1, 2007, and no later than April 30, 2007. The filing must include attestation by a PGE corporate officer that Port Westward's operational testing has been completed and the plant has been released to the system dispatcher for full communal operation.¹

PGE subsequently asked the Commission to extend the first 60-day period by 2 days. The Commission did so. The following is the pertinent ordering language:

Order No. 07-015 is amended to state that the decisions set forth in that order will prevail, as long as Port Westward becomes operational by May 2, 2007. If Port Westward becomes operational on or after May 2, 2007, and before September 1, 2007, Staff and intervenors will have 15 days from the online date to determine whether there is new information that requires a re-examination of PGE's costs in rates.

PGE shall file revised tariffs consistent with the findings of fact and conclusions of law contained in this order related to Port Westward no later than May 2, 2007. The filing must include attestation by a PGE corporate officer that Port Westward's operational testing has been completed and the plant has been released to the system dispatcher for full communal operation.²

While it is clear that any Port Westward tariffs filed prior to May 2, 2007, would be compliance tariffs, it is not clear that the same is true of tariffs filed after May 2, but before September 1. However, whether the Commission treats Advice No. 07-15 as a compliance filing or a new filing under ORS 757.210 does not change the substance of Staff's recommendation. In either case, Staff believes it is appropriate for the Commission to allow the tariffs to go into effect on June 15, 2007, subject to refund.

¹ Order No. 07-015 at 55.

² Order No. 07-122 at 3-4.

Staff's recommendation is possible if PGE's advice filing is treated as a compliance filing because PGE has volunteered that the rates will be subject to refund in order to accommodate the fifteen day review period ordered by the Commission. Staff's recommendation is possible if the advice filing is a new filing under ORS 757.210 because the rates are statutorily subject to refund if the Commission allows them to go into effect without suspension under ORS 757.215(4).³

Furthermore, while staff intends to use the fifteen day period to draw its final conclusion as to whether further investigation into the tariffs is necessary, Staff is sufficiently comfortable with PGE's filing, based on its preliminary investigation, to recommend the Commission allow the rates to become effective without suspension.

The meaning of the fifteen day review period allowed in Order No. 07-015:

It is Staff's understanding that at least one party to UE 180, the Citizens' Utility Board ("CUB"), believes that Order Nos. 07-015 and 07-122 contemplate that any Port Westward tariffs filed after May 2 but before September 1, 2007, would not be effective prior to the expiration of the fifteen day review period specified in Order No. 07-015. The orders do not directly address this issue.

Staff believes that fairness dictates that the Commission should conclude Order No. 07-015 does not mandate a fifteen day waiting period before the Port Westward tariffs can take effect. Even if the Commission allows the rates to be effective immediately (prior to the expiration of the fifteen day period) customers are protected from inappropriate charges because the rates will be subject to refund. Meaning, if a party requests re-examination of PGE's costs and this examination results in a rate decrease, customers will be entitled to a refund of any excess charges collected under the Port Westward tariffs.

Alternatively, if the Commission were to rule that new rates should not go into effect until either the end of the fifteen day review period or a period of a new investigation, PGE would be unable to recover the loss in revenues from the period of delay.

PGE included with its filing an Attestation by Vice President, Stephen Quennoz, that the plant was released to PGE for commercial operation on June 11, 2007. Commission Order No. 07-122 specifies that if Port Westward becomes operational on or after

³ Staff notes that if the Advice Filing is a new filing under ORS 757.210, interested persons have 60 days in which to file a complaint regarding the tariffs. Under ORS 757.210, the Commission must conduct a hearing on such a complaint. Accordingly, it is unclear what role the fifteen day period for review ordered by the Commission in Order No. 07-015 has if the Advice Filing is treated as a new filing under ORS 757.210.

May 2, 2007, and before September 1, 2007, Staff and intervenors will have fifteen days from the “online date” to determine whether there is new information that requires a re-examination of PGE’s costs in rates.⁴ In accordance with this order, Staff recommends that the Commission notice June 11, 2007, as the online date and the start date of the fifteen day review.

Rate impact of Port Westward:

Schedule 7 energy charges have changed from the prior Port Westward filing in UE 180 due to the recently approved Schedule 7 energy blocking associated with the suspension of the Bonneville Power Administration (BPA) Residential Exchange Program (REP). In order to mitigate the impact on low-usage customers of removing the REP credit, PGE was ordered to implement blocking on Schedule 7 of 1.775 cents/kWh between the first and second block to replicate the blocking that had previously occurred on Schedule 102, Regional Power Act Exchange Program.

The Revenue Requirement increase approved in UE 180/UE 181/UE 184 is approximately \$42 million, or about 2.8%. PGE estimates the impact of Port Westward on Schedule 7, residential customers to be approximately 2.4%, small nonresidential customers (Schedule 32) an increase of approximately 2.6% and large Cost of Service nonresidential customers (Schedules 83 and 89) an increase of 3.2%⁵. For a typical customer using 900 kWh, the average electric bill would change from \$89.55 to \$91.74 per month.

⁴ Order No. 07-122 at 3.

⁵ See Attachment A for full summary of impact.

PROPOSED COMMISSION MOTION:

The Commission:

1. Allow the tariffs in Advice No. 07-15 to become effective June 15, 2007, subject to refund as volunteered by PGE in Advice Filing No. 07-15.
2. Notice June 11, 2007, as the effective date to allow other parties fifteen days to request a hearing pursuant to Commission Order No. 07-015.

In the alternative:

1. Issue an order allowing the tariffs in Advice No. 07-15 to go into effect on June 15, 2007, and waiving the 30-day statutory notice requirement of ORS 757.220.

Attachment

TABLE 1
PORTLAND GENERAL ELECTRIC
ESTIMATED EFFECT ON CONSUMERS' TOTAL ELECTRIC BILLS
2007 COS ONLY: INCREMENTAL IMPACT OF PORT WESTWARD

| CATEGORY | RATE SCHEDULE | Forecast SOCT06E07 | | 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 | 704,767 | 7,576,567 | \$730,857,114 | \$748,737,812 | \$17,880,698 | 2.4% |
| Employee Discount | | | | <u>(\$785,754)</u> | <u>(\$798,783)</u> | <u>(\$13,029)</u> | |
| Subtotal | | | | \$730,071,360 | \$747,939,029 | \$17,867,669 | 2.4% |
| Outdoor Area Lighting | 15 | 1,351 | 23,293 | \$4,128,404 | \$4,179,181 | \$50,778 | 1.2% |
| General Service <30 kW | 32 | 82,123 | 1,497,255 | \$137,048,767 | \$140,597,262 | \$3,548,495 | 2.6% |
| Opt. Time-of-Day G.S. >30 kW | 38 | 1,243 | 106,530 | \$10,010,920 | \$10,253,808 | \$242,888 | 2.4% |
| Irrig. & Drain. Pump. < 30 kW | 47 | 3,179 | 21,658 | \$2,112,525 | \$2,163,203 | \$50,679 | 2.4% |
| Irrig. & Drain. Pump. > 30 kW | 49 | 1,321 | 63,579 | \$4,475,704 | \$4,621,299 | \$145,595 | 3.3% |
| General Service >30 kW | | | | | | | |
| Secondary | 83-S | 11,852 | 5,359,462 | \$396,687,844 | \$409,135,801 | \$12,447,956 | 3.1% |
| Primary | 83-P | 145 | 299,879 | \$20,574,903 | \$21,242,197 | \$667,293 | 3.2% |
| Schedule 89 > 1 MW | | | | | | | |
| Secondary | 89-S | 103 | 656,851 | \$46,384,458 | \$47,908,213 | \$1,523,754 | 3.3% |
| Primary | 89-P | 104 | 1,668,820 | \$106,290,221 | \$109,938,791 | \$3,648,570 | 3.4% |
| Subtransmission | 89-T | 7 | 768,313 | \$44,980,046 | \$46,605,400 | \$1,625,354 | 3.6% |
| Street & Highway Lighting | 91 | 206 | 101,213 | \$16,082,128 | \$16,303,784 | \$221,656 | 1.4% |
| Traffic Signals | 92 | 18 | 5,748 | \$406,154 | \$419,029 | \$12,876 | 3.2% |
| Recreational Field Lighting | 93 | 27 | 554 | \$83,714 | \$85,015 | \$1,301 | 1.6% |
| TOTAL (CYCLE YEAR BASIS) | | 806,446 | 18,149,720 | \$1,519,337,148 | \$1,561,392,011 | \$42,054,863 | 2.8% |
| ===== | | | | | | | |
| CONVERSION ADJUSTMENT | | | | \$1,296,461 | \$1,332,347 | | |
| ===== | | | | | | | |
| TOTAL (CALENDAR YEAR BASIS) | | | 18,165,207 | \$1,520,633,610 | \$1,562,724,358 | \$42,090,749 | 2.8% |