

BPA Issues and Clarification List for FY 2009 ASC Filing: Portland General Electric

Issue	Sch	Account	Issue	Discussion
1.	Sch-1	303	<p style="text-align: center;">Intangible Plant</p> <p>Does PGE's method of functionalization for this Account constitute a Direct Analysis?</p>	<p>PGE used a method of allocating Account 303 costs developed in response to Senate Bill 1149, which required PGE to unbundle its cost into production, transmission, distribution, metering, billing and consumer categories. This cost allocation framework was used in PGE rate cases since 2001. Does this allocation method constitute a Direct Analysis?</p>
			PGE Response	<p>Account 303 contains many different types of software, some of which should be functionalized using allocation factors rather than directly assigned. The account consists of the following categories and cost assignments:</p> <ul style="list-style-type: none"> • Function Specific – Direct assigned • Customer Service – Direct assigned to distribution then allocated • Environmental Compliance – PTD allocation of \$55,350 • General Ledger/Payroll – Labor allocation • Common T & D Software – O&M Allocation, 15% T, 85% D <p>This allocation method is a hybrid that combines the use of direct assignment and allocation factors. It was developed with oversight from the Oregon Public Utility Commission and is used in PGE rate cases. In the ASC Sch. 3 Expense allocations, A&G expenses, Office Supplies and Office Expenses are assigned using a Labor allocation. To be consistent, General Ledger and Payroll software should also be assigned using a Labor allocation. For PGE, a combination of direct and allocated methods is the most efficient and accurate way to functionalize account 303.</p>
2.	Sch-1	303	<p style="text-align: center;">Generic Direct Analysis Issue</p> <p>Should BPA adopt a common functionalization for similar types of software assets?</p>	<p>Inconsistency between how the IOUs functionalize certain types of software, i.e. metering, customer information systems, work management, etc.</p>
			PGE Response	<p>BPA should consider expanding their functionalization methodology to include the hybrid method described above. This method could prescribe a common functionalization based on the type of software. It would not apply a uniform allocation factor to the total of account 303.</p>
3.	Sch-1	182.3 and 254	<p style="text-align: center;">Generic Direct Analysis Issue</p> <p>Should BPA adopt a common functionalization for similar types of regulatory assets and liabilities?</p>	<p>Inconsistency in the way the IOUs functionalize deferred pension, pay and other labor related assets and liabilities.</p> <p>PGE and Avista and NW use the Labor Ratio. IPC uses PTD. PSE and PAC functionalize these items to Distribution.</p>

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			PGE Response	BPA should adopt a common functionalization for similar types of regulatory assets and liabilities. PGE believes that the Labor ratio properly functionalizes employee-related expenses, assets and liabilities.
4.	Sch-1 and Sch-3	182.3, 186, 253, and 254	<p style="text-align: center;">Generic Direct Analysis Issue</p> <p>Should BPA require that matching assets and liabilities in these accounts require a common functionalization? For example, should pension costs in Accounts 182.3 and 254 have the same functionalization?</p> <p>Should the functionalization of the amortization match the functionalization of the corresponding assets and liabilities?</p>	<p>Direct analysis is required in the functionalization of Other Regulatory Assets (Account 182.3), Miscellaneous Deferred Debits (Account 186), Other Deferred Credits (Account 253), and Other Regulatory Liabilities (Account 254).</p> <p>Direct analysis also requires showing how the assets and liabilities flow through to the Income Statement.</p>
			PGE Response	PGE is not aware of any reason that similar accounts should not receive similar treatment. Functionalization should be consistent between cost categories.
5.	Sch-1	182.3	<p style="text-align: center;">Other Regulatory Assets</p> <p>Is PTD the correct functionalization for Asset Retirement Cost Balancing Account?</p>	PGE states that this account accumulates production, transmission and distribution asset retirement costs for future collection in rates. No detail describing the costs was provided, so BPA was unable to determine if PTD was appropriate for this account. Does this constitute a direct analysis?
			PGE Response	The amount functionalized for the Asset Retirement component of Account 182.3 is \$9,399 for 2006 and zero for 2007. PGE is open to further investigation of the appropriate functionalization for this account.
6.	Sch-1	254	<p style="text-align: center;">Other Regulatory Liabilities</p> <p>Is PTD the correct functionalization for Asset Retirement Obligations - Balancing Account?</p>	PGE states that this is a balancing account for the cost of retiring production transmission and distribution assets. No detail describing the costs was provided, so BPA was unable to determine if PTD was appropriate for this account. Does this constitute a direct analysis?
			PGE Response	The amount functionalized for the Asset Retirement component of Account 254 is \$26,785,481 in 2006 and \$28,201,994 in 2007. PGE is open to further investigation of the appropriate functionalization for this account.
7.	Sch 3B	421	<p style="text-align: center;">Miscellaneous Non-operating Income</p> <p>Did PGE correctly functionalize Account 421 Miscellaneous Non-operating Income?</p>	PGE functionalized these costs to production and did not perform a Direct Analysis. PGE's Appendix 1 template contained an error for this account. The 2008 ASCM states that the Default functionalization for this account is DIRECT with an option for PROD. PGE's Appendix 1 template should contain the Default functionalization for Account 421 as PROD.

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			PGE Response	PGE is open to further investigation of the appropriate functionalization for this account.
8.	Sch 3B	456	<p style="text-align: center;">Other Electric Revenues</p> <p>Did PGE correctly functionalize Account 456 Other Electric Revenues?</p>	PGE functionalized these costs to production and did not perform a Direct Analysis. PGE's Appendix 1 template contained an error for this account. The 2008 ASCM states that the Default functionalization for this account is DIRECT with an option for PROD. PGE's Appendix 1 template should contain the Default functionalization for Account 456 as PROD.
			PGE Response	PGE is open to further investigation of the appropriate functionalization for this account.
9.	Sch 3	555	<p style="text-align: center;">Purchased Power - Non-Trading Mark to Market.</p> <p>Should mark-to-market, hedge and derivative expenses be functionalized to production?</p>	PGE states that this adjustment represents the current gain or loss in market value of PGE's power purchase contracts
			PGE Response	The current gain or loss in market value of PGE's power purchase contracts should be functionalized to production. It is reported to and accepted by FERC as a purchased power expense.
10.	Sch 3	555	<p style="text-align: center;">Purchased Power – Margin on Electric Financials.</p> <p>Should mark-to-market, hedge and derivative expenses be functionalized to production?</p>	PGE states that this adjustment represents the net gains or losses on electric financial contracts like swaps, futures, and options
			PGE Response	These financial instruments are used to enhance power purchase contracts, are recognized by FERC and should be functionalized to production. They are used to determine the current value of a long-term contract, or reduce the risk and potential volatility inherent in power purchase contracts.
11.	Sch 3	555	<p style="text-align: center;">Purchased Power - Reserve Trading Credit Risk.</p> <p>Should mark-to-market, hedge and derivative expenses be functionalized to production?</p>	PGE states that this adjustment represents an accounting accrual to reserve for potential uncollectible trading accounts receivable.
			PGE Response	This adjustment mitigates or reduces risk to PGE that is inherent in power purchase contracts. It exists because of PGE's activity in the purchased power market which is solely production related.

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12.	Sch-3B, 3-YR PP & OSS	555, 447	<p style="text-align: center;">Generic Issue - Purchased Power Expense, Sales for Resale, and Price Spread</p> <p>How should book-outs and trading adjustments be treated for calculations of purchased power expense and sales for resale revenue and the price spread calculation?</p> <p>Should the treatment be consistent across utilities?</p>	<p>PacifiCorp reduced the amount of its purchased power expense and sales for resale revenue by book-outs and trading adjustments. It appears that the other utilities such as PGE do not.</p> <p>The inclusion or exclusion of book-outs and trading adjustments in its purchased power and sales for resale numbers affects the price spread calculation.</p>
			PGE Response	<p>PGE uses book-outs and trading adjustments for SEC reporting purposes. They are not typically reported in the PGE FERC Form 1. PGE supports further investigation of this issue as the treatment should be consistent across utilities.</p>
13.	ASC Forecast Model		<p style="text-align: center;">Generic Issue - New Plant Additions - Natural Gas Prices</p> <p>Should BPA Adopt a common natural gas price forecast for all <i>new</i> gas-fired plant additions?</p>	<p>Forecasted natural gas prices vary significantly between utilities forecasting natural gas burning new additions. None of the utilities reported long term firm natural gas supply contracts, so it is assumed that the differences are a result of different natural gas price forecasting techniques.</p>
			PGE Response	<p>PGE agrees with adopting a common natural gas price forecast for new gas-fired plant additions. To account for variations in sources of gas supply the forecast should be adjusted for basis differentials for individual utilities.</p>
14.	ASC Forecast Model		<p style="text-align: center;">Generic Issue - New Plant Additions - Capacity Factor</p> <p>Should BPA use common representative capacity factors in the ASC Forecast model for estimating the operating costs and expected energy output for new plant additions?</p>	<p>Projected capacity factors vary significantly between utilities for similar types of new resources.</p>
			PGE Response	<p>If the new plant additions are generic BPA should use common representative capacity factors in the ASC Forecast Model. If the new resource is specifically identified, a specific capacity factor would be more appropriate. Capacity factors for identifiable resources should vary because there will be operational differences for new resources integrated into unique utility power supply systems.</p>