

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Accounting
Order Authorizing Deferral Of Excess Power
Costs

APPLICATION FOR DEFERRED
ACCOUNTING OF EXCESS POWER
COSTS DUE TO PLANT OUTAGE

Pursuant to ORS 757.259 and OAR 860-027-0300, Portland General Electric Company ("PGE") hereby requests an accounting order authorizing PGE to defer for later ratemaking treatment excess power costs associated with the unexpected and extraordinary outage of its Boardman generating plant ("Boardman"). PGE seeks authorization for this deferral effective as of the date of filing. In support of this Application PGE states:

1. PGE is a public utility in the state of Oregon and its rates, services and accounting practices are subject to the regulation of the Oregon Public Utility Commission ("Commission").
2. This application is filed pursuant to ORS 757.259, which allows the Commission, upon application, to authorize deferral of certain items for later incorporation in rates.
3. Communications regarding this Application should be addressed to:

Rates and Regulatory Affairs
Portland General Electric
121 SW Salmon Street
Portland, Oregon 97204
E-mail: pge.opuc.filings@pge.com

Douglas C. Tingey
Portland General Electric
121 SW Salmon Street
Portland, Oregon 97204
E-mail: doug.tingey@pgn.com

I. OAR 860-027-0300 Requirements

The following is provided pursuant to OAR 860-027-0300(3):

a. Description

With this deferral application, PGE seeks authorization from the Commission to accrue, for possible future amortization, excess power costs incurred as a result of an unforeseen extended outage at its Boardman generating plant. PGE seeks deferral of the difference between the variable power costs from Boardman used in setting variable power cost rates in the applicable RVM proceeding,¹ and replacement power costs incurred during the outage (the “Deferred Amount”). For purposes of estimating the Deferred Amount in this Application, PGE used the difference in the expected cost and output of Boardman as used in the RVM dockets and the market cost of energy. That is, PGE assumed, for the purpose of providing an estimate of the Deferred Amount, an hourly output from Boardman of 358 MW, and multiplied this value by the difference between the current market price and the Boardman variable operating cost. PGE recognizes that other methodologies for determining the replacement cost of power during this outage may be proposed by PGE and other interested parties later in this docket or in the amortization phase of this deferral.

¹ PGE’s variable power costs for calendar year 2005 were set in Docket No. UE 161. Variable power cost rates were set for 2006 in Docket No. UE 172, PGE’s 2006 RVM proceeding.

b. Reasons for Deferral

On October 22, 2005, a vibration was detected in the rotor of the low-pressure turbine rotor at Boardman. The plant was taken off line to determine the cause of the vibration. The turbine has been partially disassembled and reassembled; however, repeated efforts to rebalance the rotor have been unsuccessful. The plant continues to experience a temperature sensitive and load sensitive rotor vibration, which makes continued operation of the low-pressure turbine unsafe and potentially destructive. Visual inspection of the rotor indicates no specific problem. After the most recent attempts to run the turbine were unsuccessful PGE has decided to remove the rotor and perform non-destructive examination of it. The actual repair time is also unknown at this time but the plant may not be operational until the end of January 2006, or later.

Boardman is a 589 MW coal-fired generating plant. PGE's share is 65% or 383 MW. In UE 161, Boardman was projected to have an availability factor of 93.5%, and to produce at an 85.3% capacity factor. It was expected that Boardman would produce approximately 250,000 MWh each month of 2005 (except for the scheduled maintenance in May). Until the beginning of this outage, Boardman operated approximately as projected in UE 161.² The variable operating costs of Boardman used in setting rates were \$11.48 per MWh in UE 161 and \$12.44 per MWh in UE 172. The outage has forced PGE to replace the lost generation from Boardman through market purchases or increased generation at its gas-fired generating plants. Market prices are significantly higher than Boardman's variable costs, and significantly higher than those used in setting rates in UE 161. Gas prices are also at unprecedented high levels. It is

² For the period January through September 2005, Boardman has operated within 2.5% of the projections used in UE 161.

anticipated that the cost of replacing the lost generation from Boardman will be \$450,000 to \$700,000 per day (depending on market prices) in excess of the amount used in setting rates in UE 161 and UE 172. PGE has to date absorbed over \$14 million in excess power costs since this outage began on October 22.

The RVM forecasts set the availability of each of PGE's thermal generating plants using a four-year rolling average for forced outages. For Boardman, that average forced outage rate was 6.5% in 2005, or less than 24 days for the entire year. This particular outage has already lasted for 27 days and could continue two more months or longer. An outage of this length is not within the normal variation in plant operations used in setting rates. Such an extraordinary outage is unforeseeable, and neither the Commission nor PGE modeled this type of outage in current rates.

The impact of the outage is exacerbated by market prices for replacement power that PGE is purchasing as a result of this outage that are significantly higher than those used in setting rates in UE 161. In UE 161, flat energy prices for November and December 2005 were projected to be \$53.46 and \$56.79 respectively. Current market prices for flat power are about \$67.00 for the remainder of November, and about \$79.00 for December. Market prices are also higher than those very recently set in the 2006 RVM, UE 172. In that docket, January prices were \$80.91, and current market prices are over \$86.00 for January. While PGE does not agree with the scenario/stochastic analysis advanced by some parties with respect to deferrals, under that analysis the combination of this outage and the wholesale power prices for replacement power is a scenario event.

This deferral is filed pursuant to ORS §757.259(2)(e). This deferral will minimize the frequency of rate changes or the fluctuation of rate levels or match appropriately the costs borne by and benefits received by customers. In the absence of deferred accounting PGE would be required to file for immediate rate relief. Such relief would add to the frequency of rate changes. PGE will incur the replacement costs in order to provide service to customers, so deferred accounting will more appropriately match the costs borne by and benefits received by customers. PGE does not expect that amortization of the Deferred Amount will cause the Company to meet or exceed its authorized return on equity (10.5%, as authorized in Docket UE 115). In any event, amortization of the Deferred Amount will be subject to an earnings test.

To avoid any potential for double recovery of the excess power costs, PGE will not include in any future rolling averages of plant availability that portion of this outage for which deferred accounting is granted and excess power costs are amortized in customer rates.

c. Proposed Accounting

PGE proposes to record the Deferred Amount in FERC Account 182.3 (Regulatory Assets), crediting FERC Account 456 (Other Revenue). In the absence of a deferred accounting order from the Commission, PGE would record costs associated with the Deferred Amount to FERC 501 (Fuel) and FERC 555 (Purchased Power).

d. Estimate of Amounts

The Deferred Amount is a function of several unknown and unpredictable factors including the length of the Boardman outage, the wholesale market price for electricity, and the wholesale market price for natural gas. Since the Deferred Amount is dependent on factors that cannot be precisely forecast, PGE cannot provide a precise estimate of the Deferred Amount.

However, an estimate based on current forward price curves is over \$46 million if the outage continues through January 2006. To the extent the outage continues beyond January 2006, the deferred amount will increase. PGE requests that, in accordance with ORS 757.259(4), it be allowed to accrue interest on the unamortized balance at a rate equal to its authorized weighted average cost of capital, currently 9.083%.

e. Notice

A copy of the Notice of Application for Deferred Accounting of Excess Power Costs due to Plant Outage and a list of persons served with the Notice are attached to the Application as Attachment A.

II. Conclusion

Deferred accounting treatment is an appropriate, just and reasonable means of providing PGE an opportunity to seek recovery of the extraordinary replacement power costs it is incurring. PGE does not request a determination of ratemaking treatment for the excess power costs at this time. Any such determination will be made in a subsequent proceeding when the deferred amounts are proposed for amortization in rates.

For the reasons stated above, PGE requests permission to defer excess variable power costs incurred as describe above, commencing as of the date of this filing and continuing during the duration of the Boardman outage. In addition, pursuant to ORS 757.259(2) PGE requests a hearing on this Application and further requests that a prehearing conference be scheduled promptly to determine the nature and timing of events prior to such hearing.

DATED this 18th day of November 2005.

Respectfully Submitted,

/s/ Pamela G. Lesh

Pamela Lesh

Vice President, Regulatory and Federal Affairs

On Behalf of Portland General Electric Company

Attachment A

**Notice of Application for Deferred Accounting of Excess Power Costs due to
Plant Outage**

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM _____

In the Matter of the Application of Portland
General Electric Company for an Accounting
Order Authorizing Deferral Of Excess Power
Costs

NOTICE OF APPLICATION FOR
DEFERRED ACCOUNTING OF EXCESS
POWER COSTS DUE TO PLANT OUTAGE

On November 18, 2005, Portland General Electric Company (“PGE”) filed an application with the Oregon Public Utility Commission (the “Commission”) for an Order authorizing deferral of excess power costs associated with the unexpected and extraordinary outage of its Boardman generating plant.

Approval of PGE’s Application will not authorize a change in PGE’s rates, but will permit the Commission to consider allowing such deferred amounts in rates in a subsequent proceeding.

Persons who wish to obtain a copy of PGE’s application should contact the following:

Portland General Electric Company
Attn: Adam Menendez
121 SW Salmon, 1 WTC-1301
Portland, OR 97204
Telephone: (503) 464-7357
adam.menendez@pgn.com

Any person who wishes to submit written comments to the Commission on PGE’s application must do so no later than December 16, 2005.

Dated: November 18, 2005.

/s/ Pamela G. Lesh

PAMELA G. LESH

Portland General Electric Company

121 SW Salmon Street, 1WTC1700

Portland, OR 97204

Telephone: 503-464-7353

Fax: 503-464-2200

E-Mail: pamela.lesh@pgn.com

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the foregoing NOTICE OF APPLICATION FOR DEFERRED ACCOUNTING OF EXCESS POWER COSTS DUE TO PLANT OUTAGE to be served by First Class US Mail, postage prepaid and properly addressed, upon each party on the attached service list from the last general rate case, OPUC Docket No. UE 115.

Dated at Portland, Oregon, this 18th day of November, 2005.

/s/ Pamela G. Lesh

Pamela G. Lesh

UE 115 Service List

<p>L HELLER EHRMAN WHITE & MCAULIFFE LLP 200 SW MARKET ST STE 1750 PORTLAND OR 97201-5718</p>	<p>SUSAN ANDERSON CITY OF PORTLAND OFFICE OF SUSTAINABLE DEV 721 NW 9TH AVE -- SUITE 350 PORTLAND OR 97209-3447</p>
<p>MICHAEL EARLY INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES 333 SW TAYLOR STE 400 PORTLAND OR 97204</p>	<p>JULIE BRANDIS ASSOCIATED OREGON INDUSTRIES 1149 COURT ST NE SALEM OR 97301-4030</p>
<p>PHIL CARVER OREGON DEPARTMENT OF ENERGY 625 MARION ST NE STE 1 SALEM OR 97301-3742</p>	<p>MELINDA J DAVISON DAVISON VAN CLEVE PC 333 SW TAYLOR, STE. 400 PORTLAND OR 97204</p>
<p>JIM DEASON ATTORNEY AT LAW 521 SW CLAY ST STE 107 PORTLAND OR 97201-5407</p>	<p>MICHAEL C DOTTEN HELLER EHRMAN WHITE & MCAULIFFE LLP 200 SW MARKET ST STE 1750 PORTLAND OR 97201-5718</p>
<p>JASON EISDORFER CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY STE 308 PORTLAND OR 97205</p>	<p>EDWARD A FINKLEA CABLE HUSTON BENEDICT HAAGENSEN & LLOYD LLP 1001 SW 5TH, SUITE 2000 PORTLAND OR 97204</p>
<p>ANN L FISHER AF LEGAL & CONSULTING SERVICES 2005 SW 71ST AVE PORTLAND OR 97225-3705</p>	<p>ANDREA FOGUE LEAGUE OF OREGON CITIES PO BOX 928 1201 COURT ST NE STE 200 SALEM OR 97308</p>
<p>JOHN W STEPHENS ESLER STEPHENS & BUCKLEY 888 SW FIFTH AVE STE 700 PORTLAND OR 97204-2021</p>	<p>DAVID E HAMILTON NORRIS & STEVENS 621 SW MORRISON ST STE 800 PORTLAND OR 97205-3825</p>
<p>DAVID HATTON DEPARTMENT OF JUSTICE REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR 97301-4096</p>	<p>BRUCE HELLEBUYCK PACIFICORP 825 NE MULTNOMAH STE 800 PORTLAND OR 97232</p>

ONITA KING NORTHWEST NATURAL 220 NW 2ND AVE PORTLAND OR 97209-3991	MICHAEL L KURTZ BOEHM, KURTZ & LOWRY 36 E 7TH ST STE 1510 CINCINNATI OH 45202-4454
STEVEN G LINS GLENDALE, CITY OF 613 E BROADWAY STE 220 GLENDALE CA 91206-4394	ANNETTE MATTSON PORTLAND GENERAL ELECTRIC 121 SALMON ST PORTLAND OR 97204
KATHERINE A MCDOWELL STOEL RIVES LLP 900 SW FIFTH AVE STE 1600 PORTLAND OR 97204-1268	JAN W MICHAEL APPLIED ECONOMICS GROUP 566 CENTER RD HILLSBORO NH 03244
MICHAEL M MORGAN TONKON TORP LLP 888 SW 5TH AVE STE 1600 PORTLAND OR 97204-2099	PAUL M MURPHY MURPHY & BUCHAL LLP 2000 SW FIRST AVE STE 320 PORTLAND OR 97201-5342
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Portland General Electric Company
Legal Department
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(503) 464-8926 • facsimile (503) 464-2200

Douglas C. Tingey
Assistant General Counsel

November 18, 2005

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
PO Box 2148
Salem OR 97308-2148

Re: In the Matter of the Application of Portland General Electric Company for an Accounting Order Authorizing Deferral Of Excess Power Costs
OPUC Docket No. UM _____

Attention Filing Center:

Enclosed for filing with the Commission are the following documents:

- Application of Portland General Electric for Deferred Accounting of Excess Power Costs Due to Plant Outage; and
- Notice of Application of Portland General Electric for Deferred Accounting of Excess Power Costs Due to Plant Outage.

The Notice of Application is being served to the UE 115 Service List.

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,

/s/ DOUGLAS C. TINGEY

DCT:am

Enclosure