Issue	Sch	Account	Issue	Discussion
1.	**Sch-1**	**303**	**Intangible Plant** Does PGE's method of functionalization for this Account constitute a Direct Analysis? Should the functionalization of Account 303 assets follow the functionalization of the Account where the expense is recorded?	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?
			PGE Response	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: • 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 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.
2.	**Sch-1**	**303**	**Generic Direct Analysis Issue** Should BPA adopt a common functionalization for similar types of software assets? Should the functionalization of Account 303 assets follow the functionalization of the Account where the expense is recorded?	Inconsistency between how the IOUs functionalize certain types of software, i.e. metering, customer information systems, work management, etc.
			PGE Response	BPA should consider expanding the ASC functionalization methodology to include the hybrid method described above. This method could

				prescribe a common functionalization based on the type of software. A common functionalization would not apply a uniform allocation factor to the total of account 303.
3.	**Sch-1**	**182.3 and 254**	**Generic Direct Analysis Issue** Should BPA adopt a common functionalization for similar types of regulatory assets and liabilities?	Inconsistency in the way the IOUs functionalize deferred pension, pay and other labor related assets and liabilities. PGE and Avista and NW use the Labor Ratio. IPC uses PTD. PSE and PAC functionalize these items to Distribution.
			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**	**Generic Direct Analysis Issue** 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? Should the functionalization of the amortization match the functionalization of the corresponding assets and liabilities?	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). Direct analysis also requires showing how the assets and liabilities flow through to the Income Statement.
			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**	**Other Regulatory Assets** Is PTD the correct functionalization for Tax Benefits related to Book/Tax Differences Previously flowed through to Customers?	PGE functionalized over $100 million in book/tax differences via PTD. This asset is Federal income tax related and the ASCM requires all income taxes and related costs be functionalized to Distribution because Federal Taxes are included in the Rate of Return calculation on Schedule 2.
			PGE Response	This appears to be an issue applicable to all the Investor Owned Utilities (IOUs). PGE would like to discuss this further with BPA and the other IOUs to further explore the issue and to maintain consistency between ASC filings.

6.	**Sch-1**	**186**	**Miscellaneous Deferred Debits** Is PTD(G) the correct functionalization for Deferred Rent – WTC Tenant?	PGE functionalized Deferred Rent via the PGDG ratio. The functionalization for Account 931 – Rents is Distribution. Should the functionalization of Account 186 assets follow the functionalization of the Account where the expense is recorded?
			PGE Response	The World Trade Center is occupied by PGE administrative functions such as human resources, payroll, finance, regulatory affairs, legal and accounting, PGE believes these functions support all the functional areas of PGE and should be allocated using PTDG. The ASCM allocates account 932 to Dist, while a direct analysis can be performed on account 186. PGE believes that deferred rents are properly allocated to PTDG.
7.	**Sch 1**	**186**	**Miscellaneous Deferred Debits** Is PTD(G) the correct functionalization for Deferred Revolving Credit Arrangement Fees?	PGE functionalized Deferred Revolving Credit Agreement Fees via the PTDG ratio. Should the functionalization of Account 186 assets follow the functionalization of the Account where the expense is recorded?
			PGE Response	Credit is used to support all the functional areas of PGE. Therefore, Fees associated with credit should be functionalized using PTDG. To maintain consistency between IOU ASC filings PGE is open to further investigation of the appropriate functionalization for this account.
8.	**Sch-1**	**254**	**Other Regulatory Liabilities** Is PTD the correct functionalization for Surplus Clean Air Act Allowances?	The Functionalization for Accounts 411.8 and 411.9, Gains and Losses from the Disposition of Allowances is PROD. Should the functionalization of Account 253 liabilities follow the functionalization of Account where the revenue is recorded?
			PGE Response	In PGE's most recent 2007 ASC model Surplus CAA Allowances were inadvertently functionalized to D. Surplus CAA allowances should be allocated to Production.
9.	**Sch-1**	**253**	**Other Deferred Credits** Is DIST the correct functionalization for Deferred Liability for Transferred Non-Qualified Plan Benefits?	PGE functionalizes the corresponding asset Account amounts via the Labor ratio.
			PGE Response	The Deferred Liability for Transferred Non-Qualified Plan Benefits was functionalized to D because the benefits do not apply to PGE employees. The deferred liability was transferred to PGE from Enron/Portland General Holdings (PGH) for PGE to administer after the Enron bankruptcy. The benefits are applicable only to people who were PGH employees. This account balance is declining over time and the liability will end when benefit payouts reduce the account balance to zero.

10.	**Sch-3B**	**421**	**Miscellaneous Non-operating Income** Did PGE correctly functionalize Account 421 Miscellaneous Non-operating Income?	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	Account 421 is a summation of a variety of non-utility and regulatory asset credits and debits. PGE will perform a Direct Analysis of this account. Approximately 38% of the account is carrying charges for regulatory assets and the rest is non-utility income.
11.	**Sch-3B**	**456**	**Other Electric Revenues** Did PGE correctly functionalize Account 456 Other Electric Revenues?	PGE functionalized these costs to production and did not perform a Direct Analysis. PGE's Appendix 1 template contained an error on 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 as PROD.
			PGE Response	Account 456 includes a variety of non-utility and regulatory asset credits and debits. The account consists of approximately 3.5% production and 7% transmission revenues. The remainder is distribution, non-utility or RPA revenues. PGE is open to further investigation of the appropriate functionalization for this account.
12.	**Sch-3**	**555**	**Purchased Power - Non-Trading Mark to Market.** Should mark-to-market, hedge and derivative expenses be functionalized to production?	PGE's FERC Form 1, Page 450.2 states that this adjustment represents the current gain or loss in market value of PGE's power purchase contracts. The 2008 ASCM requires that derivative asset and liability Accounts be functionalized to Distribution.
			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.
13.	**Sch-3**	**555**	**Purchased Power - Margin on Electric Financials.** Should mark-to-market, hedge and derivative expenses be functionalized to production?	PGE's FERC Form 1, Page 450.2 states that this adjustment represents the net gains or losses on electric financial contracts like swaps, futures, and options. The 2008 ASCM requires that derivative asset and liability Accounts be functionalized to Distribution.
			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.

14.	**Sch-3**	**555**	**Purchased Power - Reserve Trading Credit Risk.** Should mark-to-market, hedge and derivative expenses be functionalized to production?	PGE's FERC Form 1, Page 450.2 states that this adjustment represents an accounting accrual to reserve for potential uncollectible trading accounts receivable. It also includes a $5.8 million adjustment that reduced the credit reserve for amounts due from certain California parties related to wholesale energy transactions during the 2000-2001 time period. The adjustment was related to a 2007 settlement of FERC and 9th Circuit appeals.7
			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 uniquely production-related.
15.	**Sch-3**	**555 & ASC Forecast Model**	**Purchased Power – Power Cost Adjustment -2007** Should Power Cost Adjustment - 2007 be functionalized to production in Account 555?	Should this amount be functionalized to PROD? PGE's FERC Form 1, Page 450.2 states that this amount represents the net activity under the Power Cost Adjustment Mechanism authorized by the OPUC. Should this amount be included as a cost in the ASC Forecast Model?
			PGE Response	PGE forecasts power costs at the beginning of the year to set retail rates. The FERC Form 1 includes an end of the year true-up to adjust for actual expenses. The Power Cost Adjustment Mechanism is production-related and the costs should be included in the ASC Forecast Model.
16.	**Sch-3**	**555 & ASC Forecast Model**	**Purchased Power – Boardman Power Cost Deferral** Should the Boardman Power Cost Deferral be functionalized to production in Account 555?	Should this amount be functionalized to PROD? PGE's FERC Form 1, Page 450.2 states that this amount represents the incremental cost of replacement power incurred in 2005 and 2006 during the extended repair outage of the Boardman coal plant, which was deferred for future rate period recovery in 2007, as approved by the OPUC. Should this amount be included as a cost in the ASC Forecast Model?
			PGE Response	This is an out of period adjustment for the Boardman power cost deferral approved by the OPUC. As these are production costs they should be functionalized as such.
17.	**Sch-3**	**555 & ASC Forecast Model**	**Purchased Power – Green Power** Should the costs with Green Power be functionalized to production in Account 555?	Should this amount be functionalized to PROD? PGE's FERC Form 1, Page 450.2 states that the expenses are related to development of green power generating resources. Should this amount be included as a cost in the ASC Forecast Model?
			PGE Response	PGE's renewable power purchases are categorized as Green Power in account 555. As these traditionally are purchases from wind, biomass or geothermal generation they should be functionalized as production.

18.	**Sch-3B, 3-YR PP & OSS**	**555, 447**	**Generic Issue - Purchased Power Expense, Sales for Resale, and Price Spread** 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? Should the treatment be consistent across utilities?	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. The inclusion or exclusion of book-outs and trading adjustments in its purchased power and sales for resale numbers affects the price spread calculation.
			PGE Response	PGE uses book-outs and trading adjustments for SEC reporting purposes. They are not typically reported in the PGE FERC Form 1. The treatment of this issue should be consistent across utilities. PGE proposes that utilities should not report net (or bookout) wholesale purchases and sales for ASC purposes.
19.	**ASC Forecast Model**		**Generic Issue - New Plant Additions - Natural Gas Prices** Should BPA Adopt a common natural gas price forecast for all *new* gas-fired plant additions?	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.
			PGE Response	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.
20.	**ASC Forecast Model**		**Generic Issue - New Plant Additions - Capacity Factor** 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?	Projected capacity factors vary significantly between utilities for similar types of new resources.
			PGE Response	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. BPA should adopt a capacity factor range by technology type and location to facilitate the review of ASC filings. New resources whose forecast capacity factor is outside the accepted capacity factor range would be subject to more stringent review than resources whose forecast capacity factor are within the accepted range.

21.	**Sch-3A & ASC Forecast Model**	**263**	**State Property Taxes** Did PGE include properly State Property Taxes Account 408.1 in the ASC Forecast Model?	It appears that an extra line was added in Schedule 3A of PGE's 2007 Appendix 1 filing. This resulted in the exclusion of State Property Taxes from the ASC Forecast Model.
			PGE Response	PGE will make the necessary corrections to cell references in the formulas.