I. Introduction and Summary

Q. Please state your name, organization and position.

A. My name is Doug Kuns. I am employed by Portland General Electric Company as Manager of Pricing and Tariffs. My witness qualifications have previously been provided for Docket UE 180, PGE Exhibit 1300, Page 42.

My name is Maury Galbraith. The Public Utility Commission of Oregon employs me as a Senior Economist. My witness qualifications have been previously provided in this Docket as Staff/101.

My name is Kevin Higgins. I am a Principal in the firm of Energy Strategies, LLC and am presenting testimony on behalf of Fred Meyer Stores. My witness qualifications have been previously provided in Exhibit 100, Direct Testimony of Kevin C. Higgins in Docket UE 180.

My name is Lincoln Wolverton, East Fork Economics. My testimony is presented on behalf of the Industrial Customers of Northwest Utilities (ICNU). My witness qualifications have been previously provided in Exhibit 200 of ICNU testimony in Docket UE 180.

My name is Lon L. Peters. My testimony is presented on behalf of the City of Portland. My witness qualification statement has been previously provided in Exhibit COP/303.

Q. What is the purpose of your joint testimony?

A. The purpose of this joint testimony is to describe and support the Stipulation in settlement of the direct access issues associated with Portland General Electric Company's (PGE or the Company) Docket UE 180/181/184. A settlement was reached on July 24, 2006, following settlement conference calls. The settlement and Stipulation has been agreed to by PGE, OPUC Staff, ICNU, the City of Portland, Fred Meyer Stores, Constellation NewEnergy, Inc., EPCOR Merchant and Capital (US) Inc., and Sempra Energy Solutions. The Stipulation describes the additions or changes to PGE's tariff schedules filed in the dockets. The Company will make appropriate filings to incorporate the terms of the stipulation to proposed tariffs.

In general, the Direct Access Stipulation requires that the Company modify certain provisions in several proposed rate schedules to support the direct access provisions described in the Stipulation. The Stipulation supports the on-going development of an open and competitive retail direct access market in Oregon for eligible customers as provided for in state law.

We are seeking Commission approval of the Stipulation by September 15, 2006 in order to allow PGE to make a compliance filing shortly thereafter. This timing is necessary to allow customers an opportunity to make informed service elections during the upcoming November election window.

II. Description of the Direct Access Stipulation Provisions

Q. Please summarize the Direct Access Stipulation.

A. The Direct Access Stipulation consists of eight separate provisions including:

1. Modifications to Schedules 483/489 that remove a pricing option from the schedules as filed in the dockets.
2. Split-Load Option – parties agree to support the Split-Load Option (Schedule 84) as filed by PGE.
3. Quarterly Direct Access Windows – modifies the proposed monthly election windows to quarterly election windows with three day enrollment window for each quarterly window. The Quarterly Windows are available to all customers on Schedules 38, 83, 89, 91 and 92.

4. Shopping Incentive – extends the Schedule 130 shopping incentive for three years with a phased reduction in the credit.

5. Short-Term Power Supply Transition Adjustment, "Part B Opt-Out" – continues an option to certain existing "Part B Opt-Out" customers to retain the Opt-Out status with a modified Schedule 128 Transition Adjustment.

6. Direct Access Option for Schedule 38 – add Schedule 538 as a direct access schedule.

7. Clarify that direct access impacts relating to the Power Cost Variance Mechanism are not addressed in this Stipulation. This clarification does not require any tariff changes.

8. City of Portland streetlighting – the Direct Access Settlement is clarified to state that the Company, PacifiCorp and the City of Portland will work together to ensure no barriers impede direct access to facilities currently served under the 1977 agreement between PGE and PacifiCorp.

9. Schedule 128 Load Shift True-Up – provides a mechanism to apply any load shift true-up amounts to all direct access eligible Large Nonresidential customers.

10. Clarifies language that Schedule 32 customers may elect direct access at any time, subject to the schedule term requirements and consistent with direct access application processes..

Q. Please explain the modification to Schedules 483/489.

A. The primary change to PGE's proposed Schedules 483/489 is to remove the 3 and 5-year fixed pricing options provided by the Company. These options would allow customers to request a price quote from PGE for either a 3- or 5-year duration and, if accepted by the customer, the Company would supply power for the term of the fixed pricing option to the customer.

Parties do not support this provision because it may have potentially adverse impacts on the direct access market, by allowing the Company to offer fixed multi-year prices. Issues of concern to the parties include the treatment and tracking of costs by the Company and the potential for cross-subsidies.

Q. Please explain the Split-Load Option.

A. The Split-Load Option is a new, optional service that offers eligible large non-residential customers the option to receive a portion of their service from and ESS with the remaining load served by the Company, hence the label "Split Load." The Split-Load Option is expected to increase the viability of the direct access market by providing the customer and ESS with another service option. This option was included as a requirement in UM-1206, the Company's stock distribution docket. The Split-Load Option is fully described in the proposed Schedule 84, Large Nonresidential, Large Load Split Service Rider Option.

The customer's Schedule 84 Split Load option election is limited to one year at a time.

The Schedule 84 Split Load option is available to customers otherwise served under Schedules 83 and/or 89 that have elected to have at least 10 MWa usage (87,600,000 kWh annually) on this option from one or more eligible Points of Delivery. In addition, Schedule 84 describes additional eligibility requirements, the option selection process and other parameters for participation. The purpose of the eligibility requirements is to ensure that participating customers have significant energy requirements including relatively flat usage (with a minimum 60% average monthly load factor requirement) to allow the option to be implemented with minimal impact on other customers.

The Split Load option allows the customer to purchase a flat block of power from an ESS for a calendar year. The Company supplies the customer's remaining load requirements at the applicable Schedule 83 or Schedule 89 cost of service prices. The Company-supplied portion of the customers load is treated as any other cost of service customer for pricing purposes. The applicable pricing for the Split Load option reflects the Company's unbundled prices which results in the same transmission and distribution charges for both direct access and cost of service loads. The energy supplied by the ESS is priced as agreed to between the ESS and the customer. The Company-supplied energy is determined on an hourly basis as the difference between the actual hourly energy and the flat energy amount supplied by the ESS. As mentioned, the Energy Charge is the cost of service price and is applied to the total monthly energy usage supplied by the Company.

Parties were concerned about the potential for impacts on remaining customers resulting from the supply of a flat block of power by an ESS. Although difficult to assess, the option is reasonable and not likely to adversely affect other customers. Further, parties acknowledged that if evidence of adverse impacts are identified, the option could be modified in the future.

Q. Please explain the Quarterly Direct Access Windows.

A. The Direct Access Stipulation provides that eligible cost of service customers will have an opportunity to move from cost of service pricing to direct access three times per year on a calendar quarterly basis in addition to the standard November election window. PGE proposed in UE-180 a monthly election window available to Schedule 83 and 89 customers with aggregate usage greater than 1 MWa with a one and a half day election window. The settlement modified the Company's proposal in several ways as described below.

First, the monthly window was replaced by the quarterly Direct Access Window. The quarterly Direct Access window offers customers, ESSs and the Company a more customer and ESS-oriented approach to multiple election windows than the monthly window. Second, the quarterly window was expanded to three days rather than the two business day election window associated with monthly windows. By reducing the frequency of the election windows but increasing the election window to three days, ESSs and customers will have a reasonable period of time to complete a transaction for the balance of the year.

The quarterly election windows have no additional adverse impacts on customers and actually reduces administrative complexity. PGE has during the past three years provided a similar mid-year window in addition to the annual November election window. Also, the quarterly windows are expanded from just Schedules 83 and 89 to include Schedules 38, 91 and 92 without any kW size restriction. This expansion of rate schedules and customer eligibility from the Company's monthly window proposal provides customers with a more complete direct access package and more closely mirrors the November election window. The City of Portland requested the expanded availability of the quarterly windows.

The quarterly Direct Access Window option does not allow a non-cost of service customer the option to return to the annual fixed cost of service price. Eligible customers may make that election only during the November election window to be effective during the following year.

Q. Please describe the extension of the Shopping Incentive.

A. The extension of the existing Schedule 130, Shopping Incentive Rider (called the shopping incentive), with a phase-out provision will continue to provide an additional credit to eligible customers receiving direct access service based on the customer's energy usage. The current Schedule 130 has been in effect since 2003, and the Company proposed to allow it to terminate at the end of 2006. The Stipulation requires that Schedule 130 not terminate and the shopping incentive be extended as follows: a 0.5 cent/kWh credit for 2007, a 0.4 cent/kWh credit for 2008 and a 0.3 credit for 2009. The credit then terminates.

The Company will add the current Schedule 130 to the proposed tariff modified to reflect the extension and phase out of the credits. The existing Schedule 130 shopping incentive eligibility requirements and participation limits will remain the same going forward. Eligible customers are defined in Schedule 130, which targets smaller customers (less than 1 MWa load at a site) and the shopping incentive is limited to 10% of the eligible pool of customers. The shopping incentive received by participating customers is recovered from the entire eligible pool of customers, which results in a small energy charge. The recovery of the credit from the pool of eligible customers may extend for a year following the end of the shopping incentive program in order to recover the total amount of credits received by customers.

The extension of the shopping incentive does not create billing issues for the Company because the schedule is simply extended beyond the expected termination. The purpose for extending the shopping incentive is to continue to provide smaller customers with incentives to consider direct access options. The expectation for the program has been that it benefits all customers by facilitating the development of a more robust direct access market. Recent history of the shopping incentive demonstrates that 62 MWa of load receive the incentive out of the maximum available of about 70 MWa. Approximately 238 accounts currently participate in the program.

Parties anticipate that extending the credit will allow customers and ESSs to continue to actively participate in the direct access market. The phase-out of the shopping incentive also demonstrates that the credit is not permanent. The shopping incentive as proposed in the Stipulation is reasonable and useful.

Q. Please describe modified Short-Term Power Supply Transition Adjustment, the "Part B Opt-Out."

A. The modified Short-Term Power Supply Transition Adjustment is an option that allows a limited group of customers to continue to opt-out of a component of the transition adjustment related to the Company's short-term power purchases and sales. This option is generally referred to as the "Part B Opt-Out", which is in reference to the Company's current Schedule 125 Transition Adjustment mechanism.

The Part B Opt-Out results in an annual transition adjustment for participating customers that reflects only the difference between the costs of long-term power supply resources and the market value of those resources. For purposes of this transition adjustment calculation, long-term resources include all power plants and power purchases with an initial term longer than five years. This effectively removes the impact of short-term power transactions from the adjustment.

The Company's proposed in its original UE-180 filing to not continue the optional Part B opt-out; however, ICNU proposed to continue the option. Parties agreed to the continuation of the Part B opt-out with the new terms and conditions as outlined in the Stipulation. The Stipulation's conditions limit the option to customers greater than 1 mW that are currently Part B opt-out participants. The Company estimates that the pool of potential Part B Opt-Out customers is approximately 75 MWa. In addition, beginning in 2007, the Part B Opt-Out participants will not have the option to take energy service from the Company under the annual fixed rate (the cost of service price option). The limitation reflects the purpose of the opt-out, which is to allow customers to fully disengage from the Company's cost of service pricing while receiving value for the long-term resources that have been historically included in cost of service pricing.

To participate in this option, each customer will specifically request the Part B Opt-Out option and acknowledge that the cost of service pricing option is not available. Going forward, the customer may terminate participation in the Part B Opt-Out by giving the Company at least one calendar year's notice. Once a customer has left the option, no return to the Part B Opt-Out will be allowed.

With the Stipulation's conditions, the Company anticipates that the Part B opt-out will phase out over time. For current Part B opt-out customers that no longer qualify or that elect not to continue, the Company will allow the customer to elect any 2007 service option the customer is eligible for, including cost of service. Thus, all customers maintain a full set of pricing options (except for the Part B opt-out). PGE estimates that four customers are eligible for the proposed option.

The proposed Part B opt-out will provide participating customers with a transition adjustment that differs from the standard Schedule 128 adjustment and will directly value the long-term resources compared to market forward curves and exclude the costs and value of short-term resources.

The computation of the modified transition adjustment requires that the Company will use power costs that exclude the load of Part B opt-out customers. This accurately reflects the costs of the load the Company is planning to serve. The transition adjustments received by the Part B Opt-Out customers will be allocated to all non-Part B Opt-Out customers except Schedule 7 customers. In this way, the non-direct access eligible loads (residential) are not affected by the allocation of the modified transition adjustment. An illustrative sample calculation of the cost allocations is shown in Exhibit 101.

The Part B Opt-Out also provides an option for the Company to purchase an amount of power specifically to reduce the rate impact of the participants load on the rates of non-participants. This is essentially a modest hedge against forward market curve shifts and is similar in effect to the existing Schedule 125 provision providing a financial hedge. If the Company utilizes this approach, any purchases will be tagged and when the power is disposed of any gain or loss will be applied to non-Part B customers (except Schedule 7).

Q. Please explain the purpose of paragraph 6.g.

A. This provision of the Stipulation requires that PGE delete from Schedule 128-3 the paragraph titled "Resource Changes." Parties agreed that upon review the paragraph, which is PGE's current tariff, is not necessary and is actually redundant. Removing the paragraph eliminates future issues.

Q. Please explain Item 7, Direct Access for Schedule 38.

A. The Company will develop an additional direct access rate schedule, Schedule 538, that mirrors Schedule 38. This new schedule will benefit customers with accounts on Schedule 38 that may want to move to direct access service, but are not interested in shifting first to Schedule 83. The Company will compute the appropriate transmission and distribution charges for the new Schedule 538.

Q. Please explain Paragraph 8 of the Stipulation.

A. Paragraph 8 states. "The Parties agree that the issue of the applicability of the Power Cost Variance Mechanism to direct access customers will be addressed as part of the adjustment mechanism, and it is not addressed in this Stipulation."

Parties agreed that application of any Power Cost Variance Mechanism to direct access customers was not resolved in this Stipulation and can be addressed with the adjustment mechanism.

Q. Please explain the purpose of the footnote on Page 2 of the Stipulation related to the City of Portland streetlighting.

A. The footnote on Page 2 of the Stipulation describes the objective that the City of Portland, PacifiCorp and the Company will work together to ensure that there are no barriers to implementing direct access for the City of Portland's streetlighting. The applicable facilities include streetlighting and other facilities covered by the 1977 contract between PGE and Pacificorp.

Q. Describe the change to the Schedule 128 Large Load Shift True-up.

A. The change in the load shift true-up is related to the pool of customers that any load shift true-up amount is either recovered from or refunded to. As proposed by the Company, the load shift true-up was to be recovered from all customers receiving the Schedule 128 transition adjustment, which excludes cost of service customers.

The Stipulation commits PGE to allocate any load shift true-up amounts to all direct access eligible Large Nonresidential customers including both cost of service and non-cost of service customers. The Company will add language to clarify the allocation of a true-up (if any). This will require that the Company establish a balancing account and a deferral to track any amounts in order to recover or refund to all applicable customers in the future. In addition, the true-up's threshold for tracking costs (or refunds) remains as stated in Schedule 128. PGE expects that if a recovery is necessary, an adjustment to the applicable customer's volumetric charge will be proposed, subject to Commission approval. The allocation commitment requires the Company to track amounts of the load shift true-up, which in turn requires a deferral. Parties agree not to oppose the Company's application for a deferral.

Q. Please describe the clarification to Schedule 32 with respect to direct access.

A. Schedule 32 customers (nonresidential customers with loads less than 30 kW) are eligible for direct access under Schedule 532. The one year term provision of Schedule 32 allows customers to shift to direct access at any time after having met the term requirement. Language will be added to Schedule 32 that clarifies this provision. Of course, any election to move to direct access must meet the same direct access service request notices and requirements as all other customers.

Q. Does this conclude your testimony?

A. Yes.