



DEPARTMENT OF JUSTICE
GENERAL COUNSEL DIVISION

September 25, 2007

Patrick Power
Administrative Law Judge
Public Utility Commission of Oregon
550 Capitol St. NE – Ste 215
Salem, OR 97301-2551

Re: UM 1286

Dear Judge Power:

I write to describe the parties' agreement at the September 14, 2007, prehearing conference, regarding how they propose to proceed in this case. The parties agreed to split this docket into two phases. During the first phase, the parties will address mechanisms for the recovery of gas costs (i.e., PGA mechanisms), including any proposed "incentive" arrangements. During the second phase of the case, the parties will address guidelines for implementing PGA mechanisms, any incentive mechanisms identified in Phase 1, portfolio purchasing of natural gas, and related documentation.

The parties propose that the first phase of the case will include two rounds of simultaneous comments. While those comments will focus on cost recovery and incentive mechanisms, any party may include comments regarding portfolio purchasing practices and guidelines, and risk shifting policies to the extent that they are inextricably linked with comments regarding cost recovery mechanisms. The parties will be addressing the following issues in their comments:

1. What mechanism(s) should the Commission approve for the recovery of gas costs by Oregon's three natural gas utilities? The proposed mechanism(s) shall address recovery of gas costs and may include an incentive piece.
2. Explain the proposed cost recovery and incentive mechanisms.
3. Explain how the proposed mechanisms correct any deficiencies of the current mechanisms.

After the two rounds of comments, the parties request oral argument before the Commission. The parties propose the following schedule:

December 4, 2007 – Simultaneous Opening Comments

January 22, 2008 – Simultaneous Reply Comments

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Mid-February 2008 – Oral argument

The parties propose that the second phase of this docket not be opened until after the Commission issues a decision regarding cost recovery mechanisms. Once we have that decision, the parties request that a prehearing conference be held to discuss a schedule for the second phase of the case.

All of the parties, except one, have reviewed this letter and have approved its form. That party approved an earlier version of this letter, but I have been able to contact them regarding this letter. Thank you for your consideration of this matter.

Sincerely,

David B. Hatton
Assistant Attorney General
Regulated Utility & Business Section

Cc: Service list
DBH/GENV3556

1 **CERTIFICATE OF SERVICE**

2 I certify that on September 25, 2007, I served the foregoing upon all parties of record in
3 this proceeding by delivering a copy by electronic mail and by mailing a copy by postage prepaid
4 first class mail or by hand delivery/shuttle mail to the parties accepting paper service.

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