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May 4, 2005

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**VIA ELECTRONIC FILING**

PUC Filing Center  
Public Utility Commission of Oregon  
PO Box 2148  
Salem, OR 97308-2148

**Re: Partial Stipulation**  
**Docket UE 170**

Enclosed for filing is a Partial Stipulation among PacifiCorp, Staff, CUB, ICNU and Fred Meyer in this docket. The Partial Stipulation resolves some but not all of the parties' adjustments to PacifiCorp's proposed revenue requirement. PacifiCorp has filed the Partial Stipulation with facsimile signature pages. Within thirty days, PacifiCorp will file original signature pages, along with Joint Testimony in support of the Partial Stipulation.

A copy of this filing was served on all parties to this proceeding as indicated on the attached service list.

Very truly yours,

A handwritten signature in black ink, appearing to be 'KAM', written over the typed name Katherine A. McDowell.

Katherine A. McDowell

KAM:knp  
Enclosure  
cc: Service List

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

UE 170

In the Matter of PACIFIC POWER &  
LIGHT (d/b/a PacifiCorp) Request for a  
General Rate Increase in the Company's  
Oregon Annual Revenues

**PARTIAL STIPULATION**

This Partial Stipulation is entered into for the purpose of resolving specified adjustments to PacifiCorp's requested revenue requirement in this docket. It represents a settlement of the issues listed in Paragraph 5 of the Stipulation. It does not address the following issues: cost of capital; pensions and benefits; the Transition Adjustment Mechanism ("RVM") and all power costs updates filed in this case associated with the RVM; outages during the UM 995 deferral period; revenues associated with the GP Camas contract; modifications to the Company's partial requirements rate design; issues related to PacifiCorp's consolidated tax filing; allocation factors; a billing cycle issue; rate spread and rate design; and issues raised pursuant to Paragraph 6(e) of this Partial Stipulation.

**PARTIES**

1. The initial parties to this Partial Stipulation are PacifiCorp (or the "Company"), the Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board ("CUB"), the Industrial Customers of Northwest Utilities ("ICNU"), and Fred Meyer Food Stores and Quality Food Centers, Divisions of Kroger Co. ("Fred Meyer") (together "the Parties"). This Partial Stipulation will be made available to the other parties to this docket, who may participate by signing and filing a copy of this Partial Stipulation.

## **BACKGROUND**

2. On November 12, 2004, PacifiCorp filed revised tariff schedules to effect a \$102 million increase in its base prices to Oregon electric customers. PacifiCorp based its filing on a 2006 calendar year test period.

3. Pursuant to Administrative Law Judge Kirkpatrick's Prehearing Conference Memorandum, settlement conferences on UE 170 issues commenced on April 5, 2005. The settlement conferences were open to all parties.

4. As a result of the settlement conferences, the Parties have reached agreement on the matters set forth below. The net effect of this Partial Stipulation is a reduction in PacifiCorp's proposed revenue requirement to approximately \$71 million, not taking into account any adjustment for the tax issues covered in paragraphs 5(h) and 5(i) and the allocation factor update covered in paragraph 5(l). The Parties submit this Partial Stipulation to the Commission and request that the Commission approve the settlement as presented.

## **AGREEMENT**

5. Except for the issues reserved pursuant to Paragraph 6 of this Partial Stipulation, the Parties agree that the following adjustments, and the revenue requirement levels resulting from their application, are fair and reasonable:

a. Net Power Costs: The Parties agree that the Company's annual Net Power Costs will be set at approximately \$785 million on a Total Company basis. The Partial Stipulation addresses all of the Parties' proposed adjustments to the Company's Net Power Costs as originally filed, including STF margin, extrinsic value, the costs of the Aquila hydro hedge, P4 production, Morgan Stanley call, regulation modeling, hydro modeling (Vista), other outages,

CT outage rate, JB 4 outage, Cholla 4 minimum, HDN-1 catastrophic outage, Colstrip 4 catastrophic outage, other Company error outages, loss modeling and reverse DJ-3 derate. The Partial Stipulation does not include issues raised by the Company's two supplemental filings related to power costs or the issues raised by the Company's proposal to adopt an RVM, specifically: (1) outage update period; (2) maintenance schedule; (3) thermal ramping; (4) deferred maintenance; and (5) station service. It also excludes an issue reserved by ICNU relating to outages during the UM 995 deferral period and non-power cost modeling issues such as GP Camas and new resource issues addressed in the Multi-State Process. This adjustment results in an \$8.00 million reduction in the Company's filed revenue requirement, an adjustment which the Company will incorporate into its RVM upon approval of this Partial Stipulation. Nothing in this Partial Stipulation suggests whether any Party will support or oppose the RVM. The Parties further agree that PacifiCorp will commit sufficient resources during the year following the approval of this Partial Stipulation to permit the evaluation of stochastic modeling of Net Power Costs for possible incorporation into rates. The analysis will consider the volatility of hydro generation, electricity prices, natural gas prices, system load and forced outages, as well as the correlations among these variables. PacifiCorp, with input from Staff, will develop a plan to complete the evaluation of stochastic modeling, including a schedule of quarterly public workshops to provide progress reports and receive inputs from interested parties. This Partial Stipulation does not address the appropriateness of introducing stochastic modeling of Net Power Costs into rates.

b. Load Forecast Revision: The Parties agree that the line losses included in the Company's load forecast should be updated. This update and the resulting change in allocation factors reduces the Company's filed revenue requirement by \$9.16 million.

c. Operating Revenue: The Parties agree that the Company's annual net operating revenue for the test period should not include an operating deduction related to the OPUC fee. This results in a \$0.138 million reduction in the Company's filed revenue requirement.

d. Incentive Programs: The Parties agree that the Company's annual net costs for the test period for incentive programs will be set at \$35.6 million on a Total Company basis. This adjustment ties PacifiCorp total compensation to market and excludes a portion of the incentive tied to the Company's financial performance. In addition, this adjustment excludes 100 percent of the Company's Long Term Incentive Compensation ("LTIP"). This adjustment results in a \$5.5 million reduction in the Company's filed revenue requirement.

e. Non-Labor Administrative and General Costs: The Parties agree to a \$6.123 million reduction in the Company's filed revenue requirement in non-labor administrative and general costs. This does not include ICNU's proposed adjustment related to Regional Transmission Organization (RTO) costs.

f. Other Revenues: The Parties agree to a \$2.2 million reduction in the Company's filed revenue requirement to account for growth in other revenue accounts 450, 451, 454 and 456.

g. Bridger Coal: The Parties agree to smooth the impact of the nonrecurring (coal) costs in the test year associated with Bridger by amortizing the difference between the

actual 2004 costs and the forecasted 2006 costs over a three-year period. The Company will recover a return on the unamortized balance. This results in a \$2.4 million reduction in the Company's filed revenue requirement.

h. FIT and SIT: The Parties agree that the Company's income tax expense for the test period should be adjusted based upon the final weighted average cost of debt.

i. Production Activity Deduction: The Parties agree to the methodology proposed by the Company for purposes of this proceeding. The final amount will be determined based upon the final revenue requirement authorized in this docket. In the event that the Internal Revenue Service approves the production activity deduction methodology proposed by the Edison Electric Institute ("EEI"), the Company reserves its right to file for deferred accounting for the difference between the amount under the methodology proposed herein and the EEI methodology.

j. Hydroelectric Relicensing Costs: The Parties agree to remove this adjustment, which was first proposed by Staff.

k. Miscellaneous Corrections: The Parties agree that the Company's revenue requirement will be increased by \$1.3 million for an adjustment to rate base allocated on the Ditbal factor; \$0.992 million to correct the allocation factors for Hermiston and Gadsby; and \$0.250 million to account for the costs of WSCC Membership and Little Mountain.

l. Allocation Factor Update: The Parties agree that the Company's revenue requirement will be updated based upon the new allocation factors resulting from the change described in paragraph 5 (b).

m. Schedule 200 Tail Block: To effect a smooth transition from Schedules 28 to 30, the Parties agree that the Cost-Based Supply Service Energy Charges in Schedule 200 will have equal tailblock charges applicable for Schedules 28 and 30.

n. Change in G/Y Market Caps for Transition Adjustment Calculation: For purposes of calculating the Transition Adjustment as proposed in the RVM, the Parties agree that if 25 MW of Direct Access load is assumed in the calculation, the wholesale market caps during the graveyard hours will be increased by 10 MW for the COB and Mid C wholesale markets, respectively. If the amount of Direct Access load assumed in the calculation is different than 25 MW, the wholesale market caps during graveyard hours at COB and Mid-C will be changed proportionately. The increase in wholesale market caps is limited to the Transition Adjustment calculation and the increase shall not otherwise be used in the calculation of Net Power Costs or revenue requirement.

6. The Parties agree on the following in terms of settled and non-settled issues:

a. The Parties to this Partial Stipulation agree that it resolves all issues related to the cost/revenue items and categories associated with the adjustments listed in Paragraph 5, except as specifically noted;

b. Staff agrees to raise only the following issues in this case: cost of capital; pensions and benefits; the RVM, RVM input assumptions, and all power costs updates filed in this case associated with the RVM; revenues associated with the GP Camas contract; modifications to the Company's partial requirements rate design; and rate spread and rate design. Staff reserves the right to review and comment on issues raised by other parties to this case;

c. CUB's issues list for testimony in this case consists of the issues reserved by Staff, plus issues related to PacifiCorp's consolidated tax filing, allocation factors, and a billing cycle issue. CUB reserves the right to add additional issues if uncovered in further analysis and review and comment on issues raised by other parties to this case;

d. Fred Meyer reserves the right to address cost-of-service, rate spread, rate design, and RVM issues not included in Paragraph 5. Fred Meyer reserves the right to respond to issues raised by other parties to this case; and

e. ICNU reserves the right to raise any issue in this proceeding except as specifically resolved by Paragraph 5 of this Partial Stipulation.

7. The Parties agree that this Partial Stipulation represents a compromise in the positions of the Parties. As such, conduct, statements and documents disclosed in the negotiation of this Partial Stipulation shall not be admissible as evidence in this or any other proceeding.

8. This Partial Stipulation will be offered into the record of this proceeding as evidence pursuant to OAR 860-14-0085. The Parties agree to support this Partial Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor this Partial Stipulation at the hearing and recommend that the Commission issue an order adopting the settlements contained herein.

9. The Parties agree that they will continue to support the Commission's adoption of the terms of this Partial Stipulation. If this Partial Stipulation is challenged by any other party to this proceeding, the Parties agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond fully to the issues presented, which may include raising issues that are incorporated in the settlements embodied in this Partial Stipulation.

10. The Parties have negotiated this Partial Stipulation as an integrated document. If the Commission rejects all or any material portion of this Partial Stipulation or imposes additional material conditions in approving this Partial Stipulation, any party disadvantaged by such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to seek reconsideration or appeal of the Commission's Order.

11. By entering into this Partial Stipulation, no party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other party in arriving at the terms of this Partial Stipulation, other than those specifically identified in the body of this Partial Stipulation. No party shall be deemed to have agreed that any provision of this Partial Stipulation is appropriate for resolving issues in any other proceeding, except as previously identified in Paragraph 5 of the Partial Stipulation.

12. This Partial Stipulation may be executed in counterparts and each signed counterpart shall constitute an original document.

This Partial Stipulation is entered into by each party on the date entered below such party's signature.

*Signatures follow on next page*

PACIFICORP

By: 

Date: May 2, 2005

CUB

By: \_\_\_\_\_

Date: \_\_\_\_\_

FRED MEYER

By: \_\_\_\_\_

Date: \_\_\_\_\_

STAFF

By: \_\_\_\_\_

Date: \_\_\_\_\_

ICNU

By: \_\_\_\_\_

Date: \_\_\_\_\_

PACIFICORP

By: \_\_\_\_\_

Date: \_\_\_\_\_

CUB

By: \_\_\_\_\_

Date: \_\_\_\_\_

FRED MEYER

By: \_\_\_\_\_

Date: \_\_\_\_\_

STAFF

By: *[Signature]* \_\_\_\_\_

Date: 5/3/05 \_\_\_\_\_

ICNU

By: \_\_\_\_\_

Date: \_\_\_\_\_

PACIFICORP

By: \_\_\_\_\_

Date: \_\_\_\_\_

CUB

By: \_\_\_\_\_

Date: \_\_\_\_\_

FRED MEYER

By: \_\_\_\_\_

Date: \_\_\_\_\_

STAFF

By: \_\_\_\_\_

Date: \_\_\_\_\_

ICNU

By:  \_\_\_\_\_

Date: 5/31/05 \_\_\_\_\_

PACIFICORP

By: \_\_\_\_\_

Date: \_\_\_\_\_

CUB

By: Robert Gulsan

Date: May 3, 2005

FRED MEYER

By: \_\_\_\_\_

Date: \_\_\_\_\_

STAFF

By: \_\_\_\_\_

Date: \_\_\_\_\_

ICNU

By: \_\_\_\_\_

Date: \_\_\_\_\_

PACIFICORP

STAFF

By: \_\_\_\_\_

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By: \_\_\_\_\_

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FRED MEYER

By: \_\_\_\_\_

Date: \_\_\_\_\_

*Wm P. Kurtz*

*May 3, 2005*

**CERTIFICATE OF SERVICE**

I hereby certify that I served a true and correct copy of the foregoing document in Docket UE 170 on the following named person(s) on the date indicated below by email and first-class mail addressed to said person(s) at his or her last-known address(es) indicated below.

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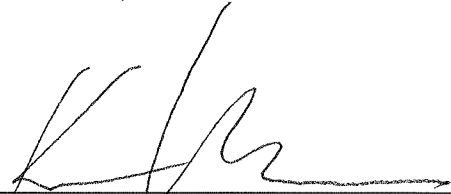
*jm*  
DATED: May 3, 2005

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\_\_\_\_\_  
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