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July 29, 2005

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**VIA ELECTRONIC FILING**

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

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

Enclosed for filing please find the Fourth Partial Stipulation in the above-referenced docket. A copy of this filing was served on all parties to this proceeding as indicated in the attached certificated of service.

Very truly yours,

A handwritten signature in black ink, appearing to be "KAM", with a long horizontal stroke extending to the right.

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

**FOURTH PARTIAL STIPULATION**

This fourth Partial Stipulation is the fourth stipulation entered into for the purpose of resolving specified adjustments to PacifiCorp's requested revenue requirement in this docket. It represents a settlement of certain issues remaining in the case, as described in Paragraph 7 of this Stipulation. It does not address the following issues: issues related to the tax adjustments proposed by the Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board ("CUB") and the Industrial Customers of Northwest Utilities ("ICNU"); PacifiCorp's proposed Transition Adjustment Mechanism and Resource Valuation Mechanism (or "RVM") and the power costs updates related to that mechanism; and issues reserved by ICNU pursuant to Paragraph 8 of this fourth Partial Stipulation.

**PARTIES**

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

**BACKGROUND**

2. On November 12, 2004, PacifiCorp filed revised tariff schedules that would result in a \$102 million increase in its base prices to Oregon electric customers. PacifiCorp based its

filing on a 2006 calendar year test period. PacifiCorp filed two Net Power Cost updates, increasing its requested revenue requirement by approximately \$10.7 million. Pursuant to Administrative Law Judge Kirkpatrick's Prehearing Conference Memorandum, the Parties commenced settlement conferences on April 5, 2005. On May 4, 2005, the Parties entered into the first Partial Stipulation. The first Partial Stipulation reduced PacifiCorp's requested revenue requirement by approximately \$31 million.

3. On June 14, 2005, the Parties reconvened the settlement conferences first held on April 5, 2005. The settlement conferences were open to all parties. As a result of the settlement conferences, the Parties entered into the second Partial Stipulation, dated June 29, 2005, which addressed employee benefits and reduced PacifiCorp's requested revenue requirement by approximately \$2.44 million.

4. Also as a result of the settlement conferences reconvened on June 14, 2005, PacifiCorp and Staff entered into the third Partial Stipulation, dated June 29, 2005, which resolved issues between PacifiCorp and Staff pertaining to RVM power costs and a fuel handling charge. If approved, the resolution of the RVM issues in the third Partial Stipulation will result in an approximately \$4.3 million increase to the Company's revenue requirement effective January 1, 2006. The third Partial Stipulation reflects an agreement to allow the Company to correct its revenue requirement to include a fuel handling charge, an increase of \$2.49 million, as part of the Company's revenue requirement increase proposed to be effective September 12, 2005. In addition, the third Partial Stipulation contains Staff's agreement to support PacifiCorp's position on the waiver of the New Resources Rule and the treatment of new Qualifying Facility ("QF") contracts as being consistent with the Revised Protocol. Overall the third Partial

Stipulation would increase PacifiCorp's revenue requirement by approximately \$6.79 million. CUB and ICNU do not support the third Partial Stipulation.

5. On July 15, 2005, the Company filed sur-surrebuttal testimony updating its revenue requirement increase to \$75.9 million taking effect on September 12, 2005, and an additional \$4.3 million taking effect on January 1, 2006, for a total revenue requirement increase of approximately \$80.2 million. This update is summarized in the exhibit to the sur-surrebuttal testimony of Mr. Paul Wrigley, PPL/1602, Wrigley/1, and explained in the sur-surrebuttal testimony of Mr. Wrigley at PPL/1601, Wrigley/1-3.

6. Settlement conferences were reconvened on July 18, 2005, resulting in the agreement on the matters set forth below. The net effect of this fourth Partial Stipulation is a reduction in PacifiCorp's proposed September 2005 revenue requirement from \$75.9 million to approximately \$52.5 million to reflect adjustments to cost of capital and pensions and an agreement to move the effective date to October 4, 2005. Exhibit A to this fourth Partial Stipulation shows the derivation of the \$52.5 million change to the Company's revenue requirement. The Parties submit this fourth Partial Stipulation to the Commission and request that the Commission approve the settlement as presented.

#### **AGREEMENT**

7. Except for the issues reserved pursuant to Paragraph 8 of this fourth Partial Stipulation, the Parties agree that the following adjustments, and the revenue requirement levels resulting from their application, are fair and reasonable:

a. Cost of Capital: The Parties agree that the overall rate of return should be set at 8.057 percent. The Parties further agree that, for all Oregon regulation purposes, until such time

as the Commission issues a general rate order subsequent to UE 170, PacifiCorp will use the weighted cost of capital set at 8.057 percent rate of return (“ROR”) and the capital components including the capital structure as set forth in the table below. The Parties accept this Cost of Capital settlement only because they believe that it results in a reasonable overall revenue requirement in this case. The Parties, except as provided above with regard to ongoing regulatory reporting, do not necessarily agree on each of the specified capital components as set forth in the table. This change to the Company’s cost of capital results in a \$24.4 million reduction from the Company’s original revenue requirement request.

<b><u>COST OF CAPITAL - STAFF Position</u></b>	<b><u>% of CAPITAL</u></b>	<b><u>COST</u></b>	<b><u>WEIGHTED COST</u></b>
Long Term Debt	51.34%	6.288%	3.228%
Preferred Stock	1.10%	6.590%	0.073%
Common Equity	47.56%	10.000%	4.756%
Total	<u>100.00%</u>		<u>8.057%</u>

b. Pensions: The Parties agree that the Company should adjust its pension expense to reflect the \$52.5 million revenue requirement increase in light of the agreement on cost of capital, which will permit PacifiCorp to recover its full FAS 87 pension expense. This agreement on pension expense shall not bind any party to any position regarding pension expense in the future.

c. Rate Spread: Except for the modifications indicated, the Parties agree that the rate spread methodology as shown in PPL Exhibit 1210, Griffith/1 is the appropriate rate spread methodology to employ in setting rates in UE 170.

(1) The overall average net percentage increase (the “Net Increase”) will be computed as shown in column 15, line 22 of PPL Exhibit 1210, Griffith/1 and excludes the effect of Schedule 94.

(2) None of the major rate schedules shall receive more than 1.5 times the Net Increase, except if the final ordered revenue requirement produces an outcome whereby application of 1.5 times the Net Increase is less than two (2) percentage points above the Net Increase, the cap on any major schedule Net Increase shall be equal to the sum of two (2) percentage points and the Net Increase.

(3) Large General Service Schedule 48 shall not receive more than 1.45 times the Net Increase. This cap shall apply for Schedule 48 regardless of the final ordered revenue requirement.

(4) The Parties agree that there shall be no Rate Mitigation Adjustment (“RMA”) surcredit or surcharge applied to Residential Schedule 4. Schedule 48 will not receive an RMA surcharge and may receive an RMA surcredit. Other rate schedules may receive RMA surcharges or surcredits in order to implement the rate spread methodology.

d. Rate Design:

(1) The Parties agree that time of day demand and energy pricing shall be implemented on an experimental basis until PacifiCorp’s next rate case for Schedule 48/200 as proposed in PPL Exhibit 1200 with the exception that the differential between on-peak and off-peak rates will be 1 mil instead of 3 mils per kWh. PacifiCorp agrees to complete a study within twelve months of the date of the final Commission order that analyzes the wholesale cost differences between on-peak and off-peak rate differentials. In addition, data shall be collected

to analyze the effectiveness of this program and the ability of Schedule 48 customers to change their usage patterns. The Parties agree to further discuss on-peak and off-peak rates subsequent to the completion of the study. This agreement is for settlement purposes only and all Parties are free to raise issues about the validity, effectiveness or any other issue regarding further applicability of the time of day pricing to Schedule 48 only at the expiration of this experimental time of day pricing for Schedule 48.

(2) The Schedule 28/200 tailblock equalization shall be as described in PPL Exhibit 1204, Griffith/6-7 and Staff Exhibit 900, Breen/15.

e. Bill Proration: For residential customer bills, PacifiCorp shall implement the “All Bills Proration” proposal as proposed by CUB and described in PPL Exhibit 1209, Griffith/5, lines 11-19. Any consumer complaints relating to the correct application of the All Bills Proration proposal for residential customers shall not be counted against the Company’s consumer complaint metrics.

f. Rate Change Effective Date: The Parties agree that the rate change in UE 170 should go into effect on October 4, 2005. The Company agrees to waive the current tariff suspension date of September 12, 2005 to October 4, 2005.

8. The Parties to this fourth Partial Stipulation agree that it resolves all issues related to the cost/revenue items and categories associated with the adjustments listed in Paragraph 7. The following items are specifically excluded from this fourth Partial Stipulation.

a. Staff, ICNU and CUB exclude their tax adjustments from this fourth Partial Stipulation.

b. ICNU and CUB exclude PacifiCorp's RVM proposal from this fourth Partial Stipulation. ICNU and CUB also exclude from this Stipulation their objections to the third Partial Stipulation and all the RVM power costs adjustments.

c. ICNU specifically excludes the following issues: the Company's fuel handling correction; the allocation treatment of the Company's new QF contracts; the prudence of the Company's new generation resources (the West Valley Lease, the Gadsby CTs, and Currant Creek); the UM 995 deferral period outages; PacifiCorp's request for waiver of the market price rule; treatment of the costs related to development of the RTO; and the third Partial Stipulation issues, including a GRID model outage and heat rate update adjustment.

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

10. This fourth 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 fourth Partial Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor this fourth Partial Stipulation at the hearing and recommend that the Commission issue an order adopting the settlements contained herein.

11. The Parties agree that they will continue to support the Commission's adoption of the terms of this fourth Partial Stipulation. If this fourth 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 fourth Partial Stipulation.

12. The Parties have negotiated this fourth Partial Stipulation as an integrated document. If the Commission rejects all or any material portion of this fourth Partial Stipulation or imposes additional material conditions in approving this fourth 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.

13. By entering into this fourth 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 fourth Partial Stipulation, other than those specifically identified in the body of this fourth Partial Stipulation. No party shall be deemed to have agreed that any provision of this fourth Partial Stipulation is appropriate for resolving issues in any other proceeding, except as previously identified in Paragraph 7 of the fourth Partial Stipulation.

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

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

PACIFICORP

STAFF

By: *Long Linsen*

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

Date: *July 29 2005*

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

ICNU

CUB

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

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

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

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

FRED MEYER

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

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

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

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

PACIFICORP

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

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

STAFF

By: Shy Sh

Date: July 29, 2005

ICNU

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

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

CUB

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

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

FRED MEYER

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

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

PACIFICORP

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

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

STAFF

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

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

ICNU

By: 

Date: 7/28/05

CUB

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

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

FRED MEYER

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

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

PACIFICORP

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

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

STAFF

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

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

ICNU

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

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

CUB

By: George Zinda

Date: July 28, 2005

FRED MEYER

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

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

PACIFICORP

STAFF

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

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

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

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ICNU

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

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

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

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

FRED MEYER

By: Michael L. Kury

Date: 7/28/05

**Exhibit A**  
**PACIFICORP - OREGON**  
**Issue Summary**  
**UE 170 - CY 2006 Test Year**  
**(\$000)**

		Revenue Requirement Increase (Decrease)
<b>Rev. Req. on the Company's Filed Results:</b>		<b>\$102,024</b>
<b>Item</b>	<b><u>Adjustments (Base Rates)</u></b>	
S-0	Rate of Return	(\$24,409)
S-00	Operating Revenue Deduction Adjustment	(\$209)
S-1	Load Forecast Revision	(\$8,657)
S-2	Incentive Programs	(\$5,434)
S-3	Pension Adjustment	\$1,320
S-4	Benefit Adjustment	(\$2,410)
S-5	Non-Labor Administrative and General Cost Adjustments	(\$6,057)
S-6	Revenue Growth Adjustment	(\$2,141)
S-7	Bridger Coal Costs	(\$2,025)
S-8	FIT and SIT Adjustment	\$0
S-9	Production Activity Deduction	(\$855)
S-10	Hydroelectric Relicensing Cost Adjustment	\$0
S-11	Extrinsic Value of Resources	\$0
S-12	Aquila Hydro Hedge	\$0
S-13	GP Power Cost Adjustment	(\$2,049)
S-14	Margin	(\$7,287)
C-1	Holding Company Interest Deduction	\$0
P-1	Fuel Handling	\$2,390
P-2	DITBAL Allocation	\$1,312
P-3	Hermiston/Gadsby Allocation Correction	\$914
P-4	WSCC Membership & Little Mountain	\$250
P-5	Klamath Irrigators. Sch 33 Revenue	\$7,187
P-6	USRB/UKRB Rate Base Adjustments Klamath Irrigators	(\$1,364)
P-7	Cost of Debt	\$0
P-8	RVM Power costs	\$0
<b>Total Adjustments (Base Rates)</b>		<b>(\$49,524)</b>
<b>Revenue Requirement Change (Base Rates)</b>		<b>\$52,500</b>
<b>Percentage Overall Rate Change</b>		<b>6.44%</b>

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**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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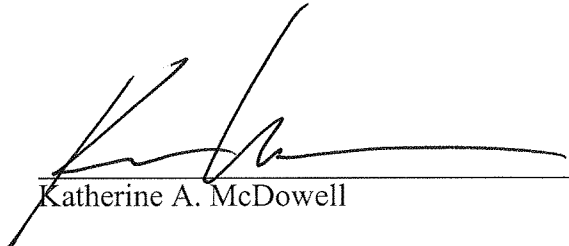
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DATED: July 29, 2005

  
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