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**Douglas C. Tingey**  
Assistant General Counsel

January 4, 2010

*Via Electronic Filing and U.S. Mail*

Oregon Public Utility Commission  
Attention: Filing Center  
550 Capitol Street NE, #215  
PO Box 2148  
Salem OR 97308-2148

**Re: UE 204**

Attention Filing Center:

Enclosed for filing in the captioned docket are an original and five copies of:

- **STIPULATION REGARDING ALL ISSUES**
- **SUPPORTING TESTIMONY (UE 204/Staff-CUB-PGE/100)**

This is being filed by electronic mail with the Filing Center.

An extra copy of the cover letter is enclosed. Please date stamp the extra copy and return to me in the envelope provided. Thank you in advance for your assistance.

Sincerely,

  
DOUGLAS C. TINGEY  
Assistant General Counsel

DCT:cbm  
Enclosures  
cc: UE 204 Service List

**BEFORE THE PUBLIC UTILITY COMMISSION**

**OF OREGON**

**UE 204**

In the Matter of Revised Tariff Schedules  
filed by Portland General Electric Company  
Regarding the Selective Water Withdrawal  
Project

**STIPULATION REGARDING ALL  
ISSUES**

This Stipulation (“Stipulation”) is among Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens’ Utility Board of Oregon, and the Industrial Customers of Northwest Utilities (collectively, the “Parties”).

**I. INTRODUCTION**

This docket concerns the ratemaking recovery of the costs of the Selective Water Withdrawal Project (“SWW”) constructed by PGE as part of the FERC relicensing of the Pelton/Round Butte hydro generating plant. Construction of the SWW was originally scheduled to be completed in April 2009, followed by testing. As described in the testimony in this docket, an incident occurred during construction on April 11, 2009, which damaged part of the SWW structure and required extensive salvage, repair and additional construction activities. Construction has recently been completed, and the SWW plant is currently in testing. Testing is anticipated to be completed in January 2010.

Multiple rounds of testimony have been filed, and extensive discovery has been undertaken. The Parties have also held settlement conferences. As a result of those discussions, the Parties have reached agreement settling all issues raised in this proceeding as set forth below. The Parties request that the Commission issue an order adopting this Stipulation.

## II. TERMS OF STIPULATION

1. This Stipulation settles all issues in this docket.
2. The revenue requirement for SWW costs included in proposed Schedule 121, as set out in Exhibit 603 of PGE's rebuttal testimony will be adjusted as follows:
  - a. A return on equity of 10%, rather than 10.1% will be used to reflect in this docket the Commission's decision regarding the implementation of PGE's decoupling tariffs.
  - b. Capital costs of the SWW plant will include costs as if the plant was completed April 15, 2009, except for testing and follow-up work.
  - c. Unused contingency funds will not be included in capital costs and no less than \$0.9 million will be removed from SWW costs.
  - d. AFUDC accrued as a result of the delay in completion of the SWW project, in the amount of about \$3.2 million, will be removed from capital costs.
  - e. Capital costs will also be reduced \$780,000 to remove a payment that was included in PGE's previous forecast but subsequently not paid.
  - f. The capital costs of PGE's share of the SWW plant, consistent with the adjustments in paragraphs 2(b) through 2(e) above, is \$76.8 million.
3. With the changes set forth in the previous paragraph, the annualized revenue requirement for the SWW for 2010 would be about \$11.7 million. The Parties agree that the annualized revenue requirement will be further reduced to \$9.8 million in consideration of the terms set forth below and in consideration of settlement of other adjustments proposed by some parties in this docket. This annualized revenue requirement will remain in effect until the effective date of new rates in PGE's next general rate case.

4. The Parties agree that the rate schedule reflecting the SWW costs should become effective on the later of: 1) February 1, 2010, or 2) the date that PGE certifies to the Commission that final testing has been successfully completed and the SWW project is in service. Final cost numbers for the SWW, excluding costs for final testing, will be made available to the Parties by PGE by January 8, 2010.

5. Any impact on net variable power costs as a result of testing of the SWW in January 2010 will not be included in the 2010 Schedule 126 Power Cost Variance Mechanism calculation.

6. All capital costs incurred by PGE as a result of the April 11, 2009, construction incident are not included in revenue requirement in this docket (approximately \$7.6 million). The Parties further agree that, with the exception of SB 408 proceedings, neither these costs, nor any insurance or other third party recovery for these costs, will be included in future regulatory proceedings.

7. The Parties agree that in its next general rate case, PGE may request that certain capital costs incurred during 2009 and not included in this docket, in an amount not to exceed \$500,000, be included in rate base for the SWW. Such costs must clearly relate to improvements to the SWW and not repair costs related to the SWW incident. By entering this Stipulation, no party is agreeing to support the inclusion of additional costs related to this project in future revenue requirements or is taking a position regarding the prudence of such costs.

8. The Parties recommend and request that the Commission approve the adjustments described above to SWW costs and revenue requirement as appropriate and reasonable resolutions of the issues in this docket.

9. The Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable.

10. The Parties agree that this Stipulation represents a compromise in the positions of the parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding. Except as provided in this Stipulation, the Parties agree that they will not cite this Stipulation as precedent in any other proceeding other than a proceeding to enforce the terms of this Stipulation. Nothing in this paragraph precludes a party from stating as a factual matter what the parties agreed to in this Stipulation.

11. If this Stipulation is challenged by any other party to this proceeding, or any other party seeks a revenue requirement for PGE that is inconsistent with the terms of this Stipulation, the Parties reserve the right to cross-examine witnesses and put in such evidence as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this reservation of rights, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

12. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order which is not contemplated by this Stipulation, each Party reserves the right to withdraw from this Stipulation upon written notice to the Commission and the other Parties within fifteen (15) business days of service of the final order that rejects this Stipulation or adds such material condition. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

13. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Parties agree to support this Stipulation throughout this proceeding and in any appeal, and recommend that the Commission issue an order adopting the

settlements contained herein. The Parties also agree to cooperate in drafting and submitting the explanatory brief or written testimony required by OAR § 860-14-0085(4).

14. By entering into this 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 Stipulation. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

15. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this <sup>4<sup>th</sup></sup> day of January, 2010.

  
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PORTLAND GENERAL ELECTRIC  
COMPANY

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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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CITIZENS' UTILITY BOARD  
OF OREGON

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INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

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DATED this 4<sup>th</sup> day of January, 2010.

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PORTLAND GENERAL ELECTRIC  
COMPANY

  
\_\_\_\_\_  
STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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CITIZENS' UTILITY BOARD  
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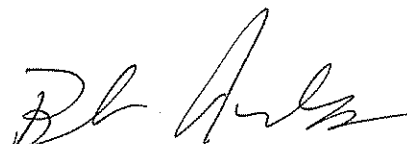
DATED this      day of January, 2010.

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PORTLAND GENERAL ELECTRIC  
COMPANY

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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON



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CITIZENS' UTILITY BOARD  
OF OREGON

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INDUSTRIAL CUSTOMERS OF  
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DATED this     day of January, 2010.

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PORTLAND GENERAL ELECTRIC  
COMPANY

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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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CITIZENS' UTILITY BOARD  
OF OREGON



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INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**Selective Water Withdrawal**

**OPUC STAFF  
CITIZENS' UTILITY BOARD  
PORTLAND GENERAL ELECTRIC COMPANY**

Joint Testimony in Support of Stipulation

*Michael Dougherty  
Gordon Feighner  
Patrick G. Hager*

January 4, 2010

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**UE 204**  
Selective Water Withdrawal Filing

**OPUC STAFF  
CITIZENS' UTILITY BOARD  
PORTLAND GENERAL ELECTRIC COMPANY**

**Joint Testimony Supporting Stipulation**

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January 4, 2010

**I. Introduction**

1 **Q. What are your names and positions?**

2 A. My name is Michael Dougherty. I am the Program Manager for the Corporate Analysis and  
3 Water Regulation Section of the Public Utility Commission of Oregon. My qualifications  
4 have been provided in Staff Exhibit 102.

5 My name is Gordon Feighner. I am a utility analyst with the Citizens' Utility Board  
6 (CUB). My qualifications have been provided in CUB Exhibit 103.

7 My name is Patrick Hager. I am the Manager of Regulatory Affairs at PGE. My  
8 qualifications were previously provided in PGE Exhibit 100.

9 **Q. What is the purpose of your testimony?**

10 A. Our purpose is to describe and support a stipulation ("Stipulation") between Staff, ICNU,  
11 CUB, and PGE (the "Parties") which settles the outstanding issues raised in this docket (UE-  
12 204). The Stipulation resolves all issues identified by the Parties and, therefore, if approved  
13 by the Commission, would conclude this proceeding.

14 **Q. Please summarize the agreement contained in the UE-204 Stipulation.**

15 A. The Stipulation represents an agreement between the Parties related to adding the Selective  
16 Water Withdrawal (SWW) facility to rate base and into rates. A copy of the stipulation is  
17 attached as Exhibit 101. Table 1 below summarizes the modifications to the SWW revenue  
18 requirement.

**Table 1**  
**(2010 Revenue Requirement Modifications)**

<u>Item</u>	<u>Description</u>	<u>\$(MM's)</u>
(1)	Revenue Requirement for SWW as filed by PGE in Rebuttal Testimony	\$12.4
(2)	<u>Miscellaneous Adjustments:</u>  (a) Reduce ROE from 10.1% to 10.0 (b) Removal of unused contingency funds (\$0.9 million) (c) Removal of AFUDC related to the April incident (\$3.2 million) (d) Remove unpaid payment (PGE Share: \$0.78 million)	
(1) – (2) = (3)	Updated Revenue Requirement	\$11.7
(4)	Additional reduction of revenue requirement until 2011	1,900
(3) – (4) = (5)	<u>Total Revenue Requirement</u>	<u>\$9.80</u>

1 **Q. Please describe the Adjustment 2(a) in Table 1 to reduce the ROE from 10.1% to 10.0%.**

2 A. In its original filing, PGE proposed to use 10.1% ROE for the revenue requirement. Staff  
3 believes that Commission Order No. 09-020 (see Docket UE 197) requires PGE to calculate  
4 revenue requirement using a 10.0% ROE after January 22, 2009, the date the Commission  
5 Order was adopted. The Parties agree that, for purposes of settlement, PGE will use a  
6 10.0% ROE to calculate revenue requirement.

7 **Q. Please describe the Adjustment 2(b) in Table 1 to reduce the capital requested by the**  
8 **amount of unused contingency funds.**

9 A. In reply testimony, Staff had expressed their desire for unused contingency funds to not  
10 remain a part of the capital dollars of the project. Staff's Reply testimony recommended  
11 removing unused contingencies prior to the project's completion. During settlement  
12 discussions, PGE agreed to remove unused contingencies as of November 30, 2009, when  
13 the vast majority of the project costs were known and major construction was complete.

1 Parties agreed to remove no less than \$900,000 from the requested capital costs of the  
2 project.

3 **Q. Please describe the Adjustment 2(c) to remove the incremental AFUDC related to the**  
4 **April delay.**

5 A. Through discovery and discussions, Staff and CUB claimed that the additional AFUDC  
6 related to the additional time required to finish the project was a cost customers should not  
7 cover in rates. In consideration of the overall settlement, PGE agreed to remove these costs  
8 from the estimated 2010 rate base.

9 **Q. Please describe Adjustment 2(d) to remove the unpaid payment.**

10 A. Previous project costs included a payment that was not made. PGE removed that payment  
11 from the total capital costs, thus reducing PGE's portion of the capital costs by  
12 approximately \$0.78 million.

13 **Q. What is the total impact on revenue requirement for Adjustments 2(a) through 2(d)?**

14 A. Adjustments 2(a) through 2(d) reflects a total reduction of PGE's annual revenue  
15 requirement of approximately \$0.7 million.

16 **Q. What is the estimated closed to plant amount for the SWW after the above mentioned**  
17 **adjustments 2(a) through 2(d)?**

18 A. After Adjustments 2(a) through 2(d), the estimated closed to plant for the SWW is \$76.8  
19 million.

20 **Q. Please describe the other adjustment reflected in the table above.**

21 A. As part of the overall settlement parties agreed to a reduction in revenue requirement of \$1.9  
22 million. This reduction will remain in effect until PGE's next general rate case.

23 **Q. Did the Parties stipulate to additional terms in this proceeding?**

1 A. Yes, there were four other agreed upon points. First, Parties agreed that no net variable  
2 power cost impacts of testing would be included in the 2010 Power Cost Adjustment  
3 Mechanism. Second, Parties agree that with the exception of SB 408 proceedings, no capital  
4 costs incurred due to the April incident, nor any insurance (or other 3<sup>rd</sup> party proceeds)  
5 received regarding this matter, will be included in future regulatory proceedings. Third,  
6 Parties agree that rates would become effective on the later of February 1, 2010 or the date  
7 that PGE certifies to the Commission that final testing has been successfully completed and  
8 the SWW project is in service, and final capital costs figures (excluding final testing) will be  
9 available January 8, 2010. Finally, Parties agree that PGE may request that certain capital  
10 costs incurred during 2009, not to exceed \$0.5 million, may be requested for recovery in  
11 future rate case proceedings beyond the rates established pursuant to this proceeding.  
12 However, no parties are agreeing to support such a proposal to allow recovery of additional  
13 costs associated with this project.

14 **Q. What is PGE's final annual Revenue Requirement in this proceeding after the agreed**  
15 **upon adjustments?**

16 A. Parties agree that the annualized revenue requirement effective February 1, 2010 as  
17 discussed above, is \$9.80 million.

18 **Q. Do the Parties agree that this settlement is fair and reasonable?**

19 A. Yes.

20 **Q. What do the Parties request of the Commission?**

21 A. The Parties respectfully request that the Commission issue an Order approved the  
22 Stipulation in this proceeding finding that is in the public interest and results in fair, just and  
23 reasonable rates. Further, Parties request that such Order be issued no later than January 18,

1 2010 to facilitate PGE's compliance tariff filing so that rates may be effective February 1,  
2 2010.

3 **Q. Does this conclude your testimony?**

4 A. Yes.




**List of Exhibits**

<u>PGE Exhibit</u>	<u>Description</u>
101	SWW Stipulation

## CERTIFICATE OF SERVICE

I hereby certify that I have this day caused **STIPULATION REGARDING ALL ISSUES WITH SUPPORTING TESTIMONY (UE 204/Staff-CUB-PGE/100)** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service from OPUC Docket No. UE 204.

Dated at Portland, Oregon, this 4<sup>th</sup> day of January, 2010.

  
\_\_\_\_\_  
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**SERVICE LIST  
OPUC DOCKET # UE 204**

G. Catriona McCracken CITIZEN'S UTILITY BOARD OF OREGON <a href="mailto:catriona@oregoncub.org">catriona@oregoncub.org</a> (*Waived Paper Service)	Robert Jenks CITIZEN'S UTILITY BOARD OF OREGON <a href="mailto:bob@oregoncub.org">bob@oregoncub.org</a> (*Waived Paper Service)
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