



Portland General Electric Company
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Douglas C. Tingey
Associate General Counsel

November 1, 2017

Via Electronic Filing

Oregon Public Utility Commission
Attention: Filing Center
201 High Street, Suite 100
PO Box 1088
Salem OR 97308-1088

**Re: UE 329 – PORTLAND GENERAL ELECTRIC COMPANY Annual Power Cost
Variance Mechanism (2016)**

Dear Filing Center:

On behalf of Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”) and the Oregon Citizens’ Utility Board (“CUB”), PGE is filing electronic the following documents:

- **Stipulation; and**
- **Joint Explanatory Brief in support of the Stipulation**

Thank you for your assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "DCT", is written over the typed name.

DOUGLAS C. TINGEY
Associate General Counsel

DCT:bop

Enclosures

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 329

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Annual Power Cost Variance Mechanism (2016)

STIPULATION

This Stipulation (“Stipulation”) is among Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), and the Oregon Citizens’ Utility Board (collectively, the “Parties”). There are no other parties in this docket.

I. INTRODUCTION

In accordance with its tariff Schedule 126, PGE filed its annual power cost variance mechanism update in this docket on June 12, 2017. Included with that filing were PGE’s testimony and work papers regarding the 2016 power cost variance and earnings review results. This information included the data required by the minimum filing requirements agreed to for Power Cost Variance (PCV) dockets. PGE’s filing showed that the 2016 power cost variance was within the deadbands contained in Schedule 126, and therefore results in no power cost variance refund or collection for 2016.

The Parties subsequently reviewed PGE’s filing and work papers. The Parties held a workshop/settlement conference on August 24, 2017. As a result of those discussions, and

discovery, the Parties have reached agreement settling this docket 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. PGE's actual power costs for 2016 were below forecast power costs but within the Schedule 126 power cost deadbands. This results in no rate impact to customers for the 2016 power cost variance. Some parties may have proposed adjustments to the power cost calculation or earnings review in this docket but such adjustments, if accepted, would not have altered the Schedule 126 rates.¹ As such, the lack of issues being raised and decided in this docket is not to be construed as agreement to any or all of the aspects of the calculations done by PGE and is not precedent for future PCV dockets or any other case.
3. Schedule 126 rates should continue to be set at zero effective January 1, 2018.
4. The Parties also agree that prior to its initial 2019 NVPC filing, PGE will hold a technical workshop with Staff to compare the treatment of net variable power costs in Schedule 125 and Schedule 126.
5. The Parties recommend and request that the Commission approve this Stipulation as an appropriate and reasonable resolution of the issues in this docket.
6. The Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable and will meet the standard in ORS 756.040.
7. The Parties agree that this Stipulation represents a compromise in the positions of the Parties. Without the written consent of all Parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement

¹ These include a Staff-proposed adjustment relating to PGE's investments related to lateral pipeline to transfer natural gas from the Gas Transition Northwest Pipeline to PGE's Carty Generating Station.

conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

8. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Party reserves its right: (i) to withdraw from the Stipulation, upon written notice to the Commission and the other Parties within five (5) business days of service of the final order that rejects this Stipulation, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission order. Nothing in this paragraph provides any Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

9. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. 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. Except as provided in 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.

10. 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 31st day of October, 2017.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
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Kaylee Klein for
STEPHANIE ANDRUS

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COMMISSION OF OREGON

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CITIZENS' UTILITY BOARD
OF OREGON

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 329

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Annual Power Cost Variance Mechanism (2016)

JOINT EXPLANATORY BRIEF

This brief explains the Stipulation (“Stipulation”) dated October 31, 2017, among Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), and the Oregon Citizens’ Utility Board (“CUB”) (collectively, the “Parties”). The Parties submit this brief pursuant to OAR §860-001-0350(7).

Discussion

On June 12, 2017, PGE made its Annual Power Cost Variance Mechanism filing under tariff Schedule 126. That filing included testimony, work papers, and the information required by the minimum filing requirements previously agreed to regarding Schedule 126.

Tariff Schedule 126 is designed to recognize in rates in some years part of the difference between actual net variable power costs (as defined in the tariff) and the net variable power cost forecast pursuant to tariff Schedule 125. Schedule 126 defines how the Power Cost Variance is calculated, including deadbands that are applied to either a positive or negative power cost variance, and sharing of the variance outside the applicable deadband. The Power Cost Variance

is also subject to an earnings test.

PGE's filing in this docket explained how it calculated the Power Cost Variance for 2016. As calculated by PGE, the variance between forecast and actual power costs in 2016 was approximately (\$9.7 million). This is within the \$15 million Negative Annual Power Cost Deadband. As such, the sharing percentages in Schedule 126 are not applicable.

PGE's filing also performed the earnings review required by Schedule 126. The Schedule 126 return on equity (ROE) deadband is +/-100 basis points of PGE's authorized ROE, which for 2016 was 9.6%. PGE's testimony showed that PGE's final regulated adjusted 2016 ROE was 8.6%. This is the lower bound for the Schedule 126 earnings deadband, but because the Power Cost Variance is within the power cost deadband, as discussed above, the variance is not subject to this earnings test.

Following PGE's filing in this docket, PGE shared requested information with the Parties and the Parties examined PGE's filing and work papers and responses to discovery. A settlement conference was held on August 24, 2017.

The Parties have concluded that operation of the Schedule 126 Negative Power Cost Deadband in this docket results in there being no refund to customers for the 2016 power cost variance. Some Parties may have raised issues regarding the calculation of the Power Cost Variance or earnings test, but did not do so because such adjustments, even if adopted, would not have changed the final Schedule 126 rates. Stipulation ¶ 2. Accordingly, the Stipulation provided that "the lack of issues being raised and decided in this docket is not to be construed as agreement to any or all of the aspects of the calculations done by PGE and is not precedent for future PCV dockets or any other case." Stipulation ¶ 2.

1. Under its terms, Schedule 126 rates are to be adjusted on January 1, 2018, to

incorporate the outcome of this docket. The Stipulation thus provides that “Schedule 126 rates should continue to be set at zero effective January 1, 2018.” Stipulation ¶ 3. The parties also agree that “PGE will hold a technical workshop with Staff to compare the treatment of net variable power costs in Schedule 125 and Schedule 126.” Stipulation ¶ 4.

The Stipulation settles all issues in this docket. Stipulation ¶ 1. The Parties agree that the Stipulation is in the public interest and will produce rates that are fair, just and reasonable. Stipulation ¶ 6. The Stipulation also contains a number of provisions typically contained in stipulations filed with the Commission. Stipulation ¶¶ 7-10.

Conclusion

The Stipulation is among Staff, CUB, and PGE. Each of the Parties, representing their respective interests, agree that the settlement contained in the Stipulation results in fair, just and reasonable rates in this 2016 Annual Power Cost Variance Mechanism proceeding. The result is consistent with and supported by the record in this docket. For the reasons set forth above, the Parties request that the Commission approve the Stipulation.

DATED this 31st day of October, 2017.

PORTLAND GENERAL ELECTRIC
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Kaylie Klein for
STEPHANIE ANDRUS

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