

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 221

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

2009 Annual Power Cost Variance Mechanism

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

In accordance with its tariff Schedule 126, Portland General Electric Company (PGE) filed its annual power cost variance mechanism update on June 23, 2010. Included with its filing were PGE's testimony and work papers regarding the 2009 power cost variance and earnings test results. PGE's filing showed that operation of the Power Cost Deadband in Schedule 126 results in no power cost variance refund or collection for 2009, and no rate change.

A prehearing conference was held on July 26, 2010 and a schedule adopted. The Citizens' Utility Board of Oregon (CUB) intervened as a matter of right. The Industrial Customers of Northwest Utilities (ICNU) also intervened in the proceeding.

By motion filed September 22, 2010, the Staff of the Public Utility Commission of Oregon (Commission Staff) requested that the procedural schedule be suspended. In support of its motion, Staff stated that the parties to the proceeding had reached a settlement that would be submitted shortly.

On October 4, 2010, PGE filed a stipulation among PGE, Staff, CUB, and ICNU that settles all issues in this docket. PGE also filed a joint explanatory brief in support of the stipulation on behalf of all parties.

In their stipulation the parties agree that PGE's actual power costs for 2009 exceeded forecast power costs, but the difference falls with the Schedule 126 Positive Annual Power Cost Deadband. Operation of that deadband results in no charge to customers for the 2009 power cost variance.

II. PGE'S APPLICATION

As explained by PGE, the first step in the Power Cost Adjustment Mechanism (PCAM) process compares PGE's actual unit net variable power costs (NVPC) with its Base Unit NVPC, and then multiplies the difference by annual load to determine an Annual Variance. PGE then applies an asymmetrical power cost deadband to the Annual Variance, followed by 90-10 sharing between customers and shareholders to develop the Power Cost Variance (PCV). PGE then applies an asymmetrical return on equity (ROE) deadband to an earnings test to determine whether the final PCV should be collected from or refunded to customers. If there is a collection from or refund to customers, this amount is posted to the Company's PCV Account, where it will accrue interest at PGE's authorized rate of return (until the Commission authorizes amortization). If there is a collection from or refund to customers, PGE would amortize the PCV balance through its Schedule 126.

According to PGE, for 2009, actual power costs were above base power costs, resulting in an Annual Variance of about \$16.7 million. Because this amount is within the specified power cost deadband, the PCV is zero, and neither the sharing percentages nor an earnings test are applicable.

In its testimony PGE describes how it calculated its base NVPC of \$819.5 million. PGE next explains how it derived its actual NVPC for 2009 of \$793.4 million, showing adjustments, credits, and exclusions. PGE then explained how it calculated a unit NVPC variance, by subtracting the Base Unit NVPC from its actual unit NVPC. PGE performs this step to eliminate the power cost variance that would arise from changes in load.

According to PGE, for 2009, the unit NVPC variance was about \$0.97 per MWh. The unit NVPC is then multiplied by actual load, yielding the Annual Variance of about \$16.7 million.

PGE's next step was to apply the power cost deadband, which ranges from 75 basis points ROE below to 150 basis points ROE above the base level of NVPC included in rates. Because the upper deadband amount of \$29.4 million is greater than PGE's annual variance of \$16.7 million, PGE did not apply sharing percentages to determine a final PCV. Consequently, PGE states that it will absorb the entire variance.¹

¹ Because the annual variance lies entirely within the power cost deadband, PGE notes that the application of the ROE deadband is moot. However, PGE reports that it did perform an earnings review as part of its requirement to provide an annual Results of Operations report to Staff. According to PGE, its final 2009 ROE was 8.26 percent, which is below the lower deadband threshold. However, because the annual variance is within the power cost deadband, the PCV is not subject to the earnings review.

III. THE STIPULATION

As noted, on October 4, 2010, PGE filed the stipulation and supporting brief. According to the stipulation, the parties reviewed PGE's filing and workpapers. The parties also held a workshop and a settlement conference, reaching the settlement agreement as set out in their stipulation.

According to the stipulation, some parties may have proposed adjustments to the power cost calculations or earnings test results presented by PGE. However, such adjustments, if accepted, would not have altered the Company's Schedule 126 rates because of the operation of the deadband. The stipulating parties agree that their election not to raise any such issues in this docket is not to be construed as agreement to any or all of the aspects of the calculations made by PGE, and is not precedent for future PCV dockets or in any other Commission proceeding.

The stipulating parties agree that Schedule 126 rates should be set to zero, effective January 1, 2010.

IV. DISCUSSION

As set out in PGE's initial filing, the variance between the Company's net power costs for 2009 and its forecasted power costs is within the deadband before any adjustments are made. Based on the terms of the stipulation, the parties agree that the effect of any proposed adjustments would not change that outcome. Accordingly, they stipulate to that result.

Because the PCV falls within the deadband, the earnings test is not applied. As reported by PGE, the Company's ROE was below the earnings review deadband. Significant adjustments to both PGE's 2009 NVPC and ROE would have been required to conclude that a rate reduction is warranted. Under these circumstances the Commission finds that the settlement is reasonable and should be approved.

The parties request that their stipulation be received as evidence in this proceeding. Under new Commission rules adopted October 14, 2010 (OAR 860-01-0350(7)(b)), parties must file a motion to offer the stipulation as evidence in the proceeding, together with witness affidavits in support of the testimony. Because the stipulation was filed prior to the adoption of the new rules, that requirement is waived as unnecessary under OAR 860-001-0000(b).

V. ORDER

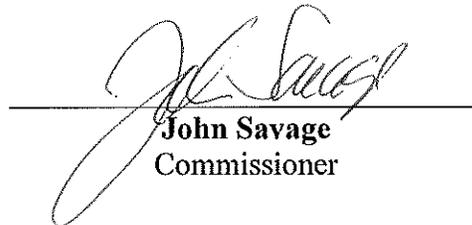
IT IS ORDERED that:

1. The Stipulation, by and among Portland General Electric Company, the Public Utility Commission of Oregon Staff, the Industrial Customers of Northwest Utilities, and the Citizens' Utility Board of Oregon, is adopted and is attached as Appendix A to this Order.
2. Portland General Electric Company's Schedule 126 rate is set at zero, effective January 1, 2011.

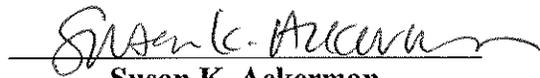
Made, entered, and effective NOV 03 2010.



Ray Baum
Chairman



John Savage
Commissioner



Susan K. Ackerman
Commissioner



A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 221

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC COMPANY)	STIPULATION
)	
Annual Power Cost Variance (2009))	
)	

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

In accordance with its tariff Schedule 126, PGE filed its annual power cost variance mechanism update in this docket on July 1, 2010. Included with that filing were PGE’s testimony and work papers regarding the 2009 power cost variance and earnings test 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 operation of the Power Cost Deadband in Schedule 126 results in no power cost variance refund or collection for 2009.

The Parties subsequently reviewed PGE’s filing and work papers. The Parties also held a workshop and a settlement conference on August 24, 2010. As a result of those discussions, 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 2009 exceeded forecast power costs but fall within the Schedule 126 Positive Annual Power Cost Deadband. Operation of that deadband results in no charge to customers for the 2009 power cost variance. Some parties may have proposed adjustments to the power cost calculation or earnings test in this docket but such adjustments, if accepted, would not have altered the Schedule 126 rates. 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 be set to zero effective January 1, 2011.
4. The Stipulating Parties recommend and request that the Commission approve this Stipulation as an appropriate and reasonable resolution of the issues in this docket.
5. The Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just, and reasonable.
6. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the Stipulating 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-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.
7. 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 Stipulating Party disadvantaged by such action shall have the rights provided in OAR 860-014-

0085 and OAR 860-014-0095, including the right to withdraw from the stipulation and to seek reconsideration of the Commission's order. 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.

8. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to sponsor this Stipulation at the hearing (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting an explanatory brief or written testimony required by OAR § 860-14-0085(4).

9. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation, other than those specifically identified in the Stipulation. Except as provided in this Stipulation, no Stipulating 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 1st day of ~~September~~ ^{October}, 2010.



PORTLAND GENERAL ELECTRIC
COMPANY

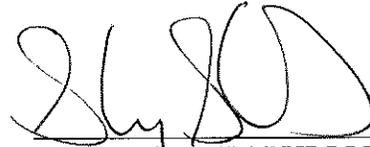
STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

DATED this ^{28th} day of September, 2010.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

DATED this day of September, 2010.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

DATED this 30th day of September, 2010.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

S. Bradley Ullere
INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES