

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 161

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC COMPANY)	RULING
)	
2005 Resource Valuation Mechanism.)	

**DISPOSITION: ADDITIONAL EXPLANATION OF
THE STIPULATION NEEDED**

On September 1, 2004, Portland General Electric Company (PGE), Staff of the Public Utility Commission of Oregon (Staff), the Industrial Customers of Northwest Utilities (ICNU), and the Citizens' Utility Board of Oregon (CUB) (collectively, the Stipulating Parties) filed a Stipulation on all issues in this docket. Pursuant to OAR 860-014-0085(4), an Explanatory Brief (Brief) was filed with the Stipulation. In conjunction with filing the Stipulation, the Stipulating Parties also filed a motion to shorten the time period for parties to file objections to the Stipulation to ten days. That motion was granted on September 2, 2004 and no party has since requested a reinstatement of the full time period to object to the Settlement.

This docket addresses PGE's 2005 Resource Valuation Mechanism (RVM). Staff, CUB and ICNU submitted pre-filed testimony and exhibits in this docket that raised several issues, including the following:

- Imprudent Contract Disallowance: Staff, ICNU and CUB recommended disallowance of costs associated with certain power purchase contracts. Staff proposed a disallowance in the amount of \$7.172 million of the above-market costs associated with four power purchase contracts signed by PGE between 28 and 35 months prior to delivery. ICNU asserted that PGE's variable power cost estimate should be reduced by an amount between \$3.9 and \$7.2 million to re-price the same four contracts. CUB recommended a disallowance of \$5.9 million for one of the four contracts.
- Replace Load Forecast with Actual Data: ICNU challenged PGE's load forecast as overstated and recommended that PGE use the most recent 12 months of actual data as the "forecast load." ICNU estimated this action would lower PGE's requested increase, but did not quantify by how much.
- Use Independent Forward Price Curves: CUB recommended replacing PGE's internally developed forward price curve with an average of the three independent, publicly-available curves.

PGE's testimony raised another issue that although not addressed by Staff or parties in testimony was addressed during settlement discussions. The issue involves hedging the foreign exchange rate risk for natural gas purchase contracts denominated in Canadian dollars. Another issue appears to be raised and addressed in settlement discussions regarding modeling of the possible extrinsic value of PGE's thermal generating plants. The Stipulation purports to either resolve all of these issues or to establish future procedures for their continued investigation.

Preliminary review of the Stipulation and Brief indicates insufficient explanation of the terms of the Stipulation. This ruling requests supplemental information as further explained below.

The Stipulation indicates that the Stipulating Parties agree to decrease PGE's requested net variable power costs (NVPC) by \$3.5 million as settlement of all outstanding issues, with no allocation of any of this amount to specific issues. The Brief merely restates the nature of the agreement without providing any information about how parties reached this agreement and why it is in the public interest. As the adjustment agreed to by the Stipulating Parties is less than the lowest proposed adjustment for any one of the issues raised in the case, additional explanation is particularly warranted. Although it is not necessary to allocate any portion of the total agreed to reduction to NVPC to settlement of a particular issue, more explanation is needed regarding why the total reduction results in end rates that are just and reasonable.

The Brief should also provide further explanation of the purpose for, and reasons why, the Stipulating Parties agreed to engage in workshops to address the use of independent price curves rather than taking action now. Moreover, since no previous information has been provided regarding modeling of the possible extrinsic value of PGE's thermal generating plants, greater information is needed about the nature of this issue and the need for informational workshops.

Finally, the Brief only summarizes the nature of the Stipulating Parties' agreement on the foreign exchange issue without providing any discussion about why the Stipulation terms on this issue are in the public interest and will result in end rates that are just and reasonable. As there was limited testimony on this issue, more explanation is particularly needed.

As the Stipulating Parties have requested expedited review of the Stipulation by the Commission, the requested information should be provided in an expedited manner. Supplemental information shall be provided by 5:00 p.m., September 17, 2004.

Dated at Salem, Oregon, this 8th day of September, 2004.

Traci A. G. Kirkpatrick
Administrative Law Judge