

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1039

In the Matter of the Application of Portland
General Electric Company for an Order
Approving Deferral of Changes in Power Costs

STIPULATION

This Stipulation is among Portland General Electric Company ("PGE"), Staff of the Oregon Public Utility Commission ("Staff"), and the Industrial Customers of Northwest Utilities ("ICNU") (collectively, the "Parties").

Background

In UE 115, the Parties, the Citizens' Utility Board ("CUB"), and the Fred Meyer Stores, entered into a Stipulation Concerning Power Costs (the "Power Cost Stipulation") dated July 27, 2001. The Power Cost Stipulation provided, among other things, for a power cost adjustment mechanism for the period October 1, 2001, through December 31, 2002, (the "15-month PCA"). On August 31, 2001, the Commission entered Order No. 01-777 in docket UE 115 adopting the Power Cost Stipulation.

The 15-month PCA was implemented through Schedule 127, which was incorporated by reference into the Power Cost Stipulation. Schedule 127 tracked the Power Cost Variance during the 15-month period, which was defined in the Power Cost Stipulation as follows: (actual NVPC – Base NVPC) – (Actual Energy Revenues – Base Energy Revenues). The 15-month PCA subjected the Power Cost Variance to deadbands (plus or minus \$28 million) and sharing percentages set forth in Schedule 127 to calculate an Adjustment Amount. The Adjustment Amount balance was maintained in the Power Cost Adjustment Account (the "PCA Account").

The final PCA Account balance was \$38.3 million, which included \$2.3 million in catch-up interest as provided in the Schedule 127 Stipulation, ¶ 7. *See* PGE Advice No. 03-5, dated May 1, 2003. The final Power Cost Variance amount was \$79.9 million. *See* Audit of PGE's Power Cost Adjustment Balance—Final Report, October 30, 2003. In Order No. 02-894, the Commission approved rates effective January 1, 2003, implementing the Schedule 127 Stipulation entered into among the Parties and CUB on December 18, 2002.

Procedural History of UM 1039

A prehearing conference was held on June 30, 2003, and a schedule established as provided in the July 1, 2003, Prehearing Conference Memorandum.

On July 18, 2003, and July 25, 2003, Staff, PGE, and ICNU filed opening and reply comments concerning the scope of the docket. The Commission addressed the scope of the docket in Order No. 03-543 and again in Order No. 04-001 on PGE's application for reconsideration.

On September 19, 2003, Commission Staff and ICNU filed issues lists.

On January 30, 2004, PGE filed its opening testimony.

On April 2, 2004, Commission Staff, ICNU, and PGE attended a settlement conference. A second settlement conference was held on April 7, 2004. During the settlement conferences, PGE, Staff and ICNU agreed that an error had been made in allocating coal loss within the 15-month period. Correcting this error would decrease the PCA Account balance by approximately \$400,000.

The Parties wish to resolve all issues relating to the audit and the prudence review. The Parties agree that this Stipulation is in the public interest and that the overall outcome is fair, just and reasonable. The Parties submit this Stipulation to the Commission and request that the

Commission approve it in its entirety. The Parties have consulted with CUB concerning the Stipulation. CUB does not oppose the Stipulation.

AGREEMENT

1. The Parties agree that PGE will reduce the PCA Account balance by \$1 million, which includes a reduction to reflect the coal loss error described above and an amount to resolve disputed claims. According to the Schedule 127 Stipulation (§ 7), the PCA Account balance included a catch-up interest amount. As set forth in PGE Advice No. 03-5, catch-up interest was equal to \$2.3 million. The Schedule 127 Stipulation also provided that "catch-up interest shall be recalculated and the difference returned to customers in the event of a prudence disallowance or an audit adjustment." The \$1 million reduction (plus that portion of the catch-up interest to be returned to customers as described above) in the PCA Account balance will be allocated to customers in the same manner that the original PCA Account balance was allocated for purpose of amortization. This method of allocation is set forth in Order No. 02-894 and the Schedule 127 Stipulation, § 7. Refunds for customers that elected the Lump Sum Payment option shall be made pursuant to the Schedule 127 Stipulation, § 8.

2. The Parties agree to support this Stipulation before the Commission and before any court in which this Stipulation may be considered. The Parties agree that this Stipulation is in the public interest and that the overall outcome is fair, just and reasonable.

3. 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 which is not contemplated by this Stipulation, each Party disadvantaged by such action reserves the right to withdraw from this Stipulation upon written notice to the Commission

and the other Parties within five (5) business days of service of the final order rejecting this Stipulation or adding such material condition.

4. Each Party agrees that this Stipulation is a final and complete settlement of all issues, matters, and claims that were raised or could have been raised in Commission docket UM 1039, including but not limited to all issues, matters, and claims that were raised or could have been raised relating to the audit and prudence review of the PCA Account balance.

5. 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 to the extent disclosed in this Stipulation.

6. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Parties agree to cooperate in drafting and submitting the explanatory brief or written testimony required by OAR § 860-14-0085(4).

7. 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.

8. 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 only one agreement.

9. The parties to any dispute concerning this Stipulation agree to confer and make a good faith effort to resolve such dispute relating to this Stipulation prior to bringing an action or complaint to the Commission or any court with respect to such dispute.

DATED: April 16, 2004

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: *Dave White*

By: _____

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

By: _____

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9. The parties to any dispute concerning this Stipulation agree to confer and make a good faith effort to resolve such dispute relating to this Stipulation prior to bringing an action or complaint to the Commission or any court with respect to such dispute.

DATED: April 16, 2004

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: _____

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

By: S. Bradley U-Cleve

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9. The parties to any dispute concerning this Stipulation agree to confer and make a good faith effort to resolve such dispute relating to this Stipulation prior to bringing an action or complaint to the Commission or any court with respect to such dispute.

DATED: April 16, 2004

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: _____

By: David B. Hatter

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

By: _____

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CERTIFICATE OF SERVICE

I hereby certify that on this day I served the foregoing **STIPULATION** by mailing a copy thereof in a sealed, first-class postage prepaid envelope, addressed to each party listed below and depositing in the U.S. mail at Portland, Oregon.

DATED: April 16, 2004.



David F. White

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