

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 250/251

In the Matter of Portland General Electric
Company's 2013 Annual Power Cost Update
Tariff (Schedule 125); and

Advice No. 12-08, Amendments to Schedules
125 and 126

STIPULATION

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 ("CUB"), and the Industrial Customers of Northwest Utilities ("ICNU"), collectively, (the "Parties"). Noble Energy Solutions does not join the Stipulation, but does not oppose it.

I. INTRODUCTION

In accordance with its tariff Schedule 125, PGE filed its annual power cost update in this docket on March 30, 2012, including PGE's initial testimony regarding 2013 power costs. PGE also provided the information required under the agreed upon minimum filing requirements.

On March 29, 2012, PGE also filed Advice 12-08, requesting certain changes to tariff Schedules 125 and 126. That filing was docketed as UE 251, and subsequently consolidated with docket UE 250. PGE proposed to change Schedules 125 and 126 to include certain chemical costs associated with the Boardman plant's pollution control requirements.

The Parties sent and PGE responded to data requests. PGE has filed, and will continue to file, updates to its power costs in accordance with the schedule set by the

Administrative Law Judge in this docket. Staff and ICNU filed testimony on July 6, 2012. While CUB did not file testimony in this docket CUB has been actively monitoring the docket. PGE filed rebuttal testimony on August 10, 2012. The Parties, including CUB, held two settlement conferences. As a result of those discussions, the Parties have reached agreement settling all issues raised in this proceeding. The Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles all issues raised by all parties in this docket.
2. Pollution Control Chemical Costs. Some of the chemical costs that PGE sought to include in Schedules 125 and 126, relate to mercury emissions control. The costs of those chemicals are currently included in the deferral granted by the Commission in docket UM 1513, Order 11-153. PGE requested that beginning in 2013 those chemical costs be removed from that deferral and included in Schedule 125 and 126 power costs. PGE also sought to include in Schedules 125 and 126 power costs the sulfur dioxide control chemical costs related to the dry sorbent injection (“DSI”) emissions control system that is expected to be installed and operational at the Boardman plant in 2013. As a compromise and settlement the parties agree that these chemical costs will not be included in Schedule 125 and 126 power costs at this time. The Parties further agree that the mercury control chemical costs will continue to be included in the UM 1513 deferral and, beginning January 1, 2013, and until PGE’s next general rate case, the sulfur dioxide control chemical costs will also be included in the UM 1513 deferral. Accordingly, if this Stipulation is approved PGE will withdraw Advice 12-08 and remove these emission control chemical costs from its future power cost runs. These adjustments will reduce power costs in this docket by approximately \$2.96 million from the amount included in

PGE's July 16, 2012, power cost update filing. PGE will account for the chemical costs as part of the UM 1513 deferral.

3. Day-ahead forecast error cost. As a compromise and settlement in this docket only, PGE's Monet modeling of the estimated cost of day-ahead forecast error with respect to wind integration will remain at the level included in PGE's 2011 and 2012 AUTs. Relative to the update explained in PGE's rebuttal testimony (PGE Exhibit 300, page 13), this adjustment will decrease power costs in this docket by approximately \$1.11 million.

4. Settlement Amount. In settlement of all issues raised in this docket PGE will increase 2013 Schedule 125 power costs by the amount of \$550,000 after the adjustments above have been implemented. This settlement is not precedential as to any issue or party.

5. The Parties recommend and request that the Commission approve the adjustments described above to PGE's 2013 power costs as appropriate and reasonable resolutions of the issues settled herein.

6. The Parties agree that this Stipulation is in the public interest and will result in rates that 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 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. 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) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation and (ii) pursuant to OAR 860-001-0720, to seek rehearing or reconsideration. 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 § 860-01-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation, 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 6th day of September, 2012.



PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

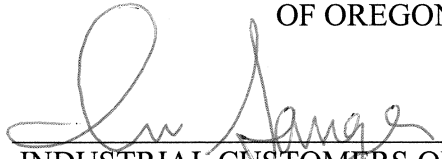


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INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

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

UE 250/ UE 251

PORTLAND GENERAL ELECTRIC COMPANY's

2013 Annual Power Cost Update Tariff (Schedule 125)
Advice No. 12-08, Amendments to Schedules 125 and 126

Joint Testimony in Support of Stipulation

September 6, 2012

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I. Introduction

Q. What are your names and positions?

A. My name is Stephen Schue. I am a Senior Economist in the Electric and Natural Gas Division at the Oregon Public Utility Commission (“OPUC”). My qualifications appear in Staff Exhibit 101.

My name is Michael C. Deen. I am employed by Regulatory and Cogeneration Services, Inc. (“RCS”), a utility rate and consulting firm. I am testifying on behalf of the Industrial Customers of Northwest Utilities (“ICNU”). My qualifications appear in ICNU Exhibit 101.

My name is Patrick G. Hager. I am Manager, Regulatory Affairs at Portland General Electric (“PGE”). My qualifications appear in PGE Exhibit 100.

My name is Bob Jenks. I am the Executive Director of the Citizens’ Utility Board of Oregon (“CUB”). My qualifications appear in Exhibit 101 to this Joint Testimony in Support of Stipulation.

Q. What is the purpose of your testimony?

A. Our purpose is to describe and support a stipulation (“Stipulation”) between OPUC Staff, ICNU, CUB, and PGE (collectively, the “Parties”) regarding issues raised in this docket (UE 250). The Stipulation resolves all issues related to PGE’s 2013 forecast of net variable power costs (“NVPC”) identified by the Parties and, therefore, if approved by the Commission, would conclude this proceeding. While there are other parties to this case, we are not aware of any who oppose this Stipulation. For example, Noble Energy Solutions does not join the Stipulation, but does not oppose it.

Q. What is the basis for the NVPC Stipulation?

1 A. PGE filed its initial forecast of 2013 NVPC on March 30, 2012. This forecast was updated
2 on July 16, 2012. On March 29, 2012, PGE filed Advice 12-08, requesting changes to tariff
3 Schedules 125 and 126 in order to include certain chemical costs associated with the
4 Boardman plant's pollution control requirements. That filing was docketed as UE 251, and
5 subsequently consolidated with docket UE 250.

6 During the four months since the initial filing, Staff, ICNU, CUB and other parties
7 reviewed the approximately 1,700 supporting documents provided in PGE's minimum filing
8 requirements ("MFRs"). On June 13, the parties held a first round of settlement discussions
9 but were not able to reach an agreement. ICNU and Staff submitted reply testimony on July
10 6, and PGE filed rebuttal testimony on August 10, 2012. On August 20, parties participated
11 in a second round of settlement discussions, which resulted in the Stipulation addressed in
12 this testimony.

13 **Q. Please summarize the issues addressed in the Stipulation.**

14 A. The Stipulation resolves all issues related to PGE's 2013 forecast of NVPC including the
15 removal from NVPC of chemical costs arising from mercury pollution controls at
16 Boardman, the removal from NVPC of sulfur dioxide pollution control chemical costs
17 arising from the use of dry sorbent injection ("DSI") at Boardman, and the removal of an
18 update to the estimated cost of day-ahead forecast error with respect to wind integration.
19 We explain the resolution of each of these issues below. A copy of the Stipulation is
20 attached as Exhibit 101.

II. Adjustments

1 **Q. Please describe the first adjustment to PGE's 2013 NVPC forecast, the treatment of**
2 **mercury control chemical costs.**

3 A. The Parties agree that PGE will remove the costs associated with mercury control chemicals
4 at Boardman from the forecast of 2013 NVPC. These chemical costs will continue to be
5 included in Monet as variable O&M for dispatch purposes only as established in PGE's
6 most recent general rate case in Docket No. UE 215. The revenue requirement associated
7 with these chemical costs will remain subject to deferred accounting as stipulated in Docket
8 No. UE 215. That deferral is Docket No. UM 1513. For 2012, PGE estimates that the total
9 amount in the deferred account is about \$21.6 million, and PGE expects a similar amount in
10 2013. The removal of the mercury control chemical costs from PGE's forecast of 2013
11 NVPC, however, results in a reduction of approximately \$1.29 million relative to PGE's
12 July 16, 2012, power cost update filing, and approximately \$1.45 million relative to PGE's
13 original power cost filing.

14 **Q. What is the basis for this adjustment to mercury control chemical costs?**

15 A. PGE proposed to include in NVPC the cost of mercury control chemicals at Boardman. In
16 their filed testimony, the witnesses for Staff and ICNU (Staff Exhibit 100 and ICNU Exhibit
17 100, respectively) both opposed PGE's proposal to expand the scope of Schedule 125
18 outside of a general rate case in order to include in NVPC the cost of chemicals required for
19 mercury pollution controls at Boardman. As a result, PGE will continue to pursue deferred
20 accounting treatment for these costs as specified in Docket No. UM 1513.

21 **Q. Please describe the second adjustment to PGE's 2013 NVPC forecast, the treatment of**
22 **sulfur dioxide control chemical costs.**

1 A. The Parties agree that PGE will remove the cost of sulfur dioxide control chemicals related
2 to the expected use of a DSI pollution control system at Boardman from the forecast of 2013
3 NVPC. PGE has explained that the Regional Haze Rules established by the Oregon
4 Department of Environmental Quality (“DEQ”) mandate a maximum level of sulfur dioxide
5 emissions that must be achieved beginning July 1, 2014. PGE stated that it is installing the
6 DSI system in order to help achieve compliance with the DEQ requirements.

7 The Parties agree to support deferred accounting treatment under ORS 757.259 for the
8 revenue requirement associated with the portion of DSI chemical costs treated as an expense
9 for accounting purposes by PGE in 2013 beginning with the date those expenses are first
10 incurred and through the effective date of rates pursuant to a general rate case incorporating
11 these costs. Further, the Parties agree that this expense is appropriately included when
12 determining the deferred revenue requirement in Docket No. UM 1513, should PGE seek to
13 pursue reauthorization of deferred accounting treatment in that docket for 2013. PGE
14 estimates that the majority of the chemical costs in 2013 will be capitalized and that the
15 additional amount will then be included in the Docket No. UM 1513 deferral for 2013. PGE
16 estimates that this additional amount will be less than \$560,000, based on PGE’s July 16,
17 2012, power cost update filing. The Parties agree that the amounts eligible for recovery and
18 subject to the earnings review for this deferral will be addressed separately for each calendar
19 year. This adjustment results in a reduction to PGE’s forecast of 2013 NVPC of
20 approximately \$1.67 million relative to PGE’s July 16, 2012, power cost update filing, and
21 approximately \$1.64 million relative to PGE’s original power cost filing.

22 **Q. What is the basis for this adjustment to sulfur dioxide control chemical costs?**

1 A. PGE proposed to include in NVPC the cost of chemicals related to the use of a DSI pollution
2 control system at Boardman. In their filed testimony, the witnesses for Staff and ICNU both
3 opposed PGE's proposal to expand the scope of PGE's Schedule 125 outside of a general
4 rate case in order to include in NVPC the costs of chemicals required for pollution control at
5 Boardman.

6 **Q. Does PGE plan to withdraw Advice 12-08?**

7 A. Yes. If the Stipulation is approved, PGE will withdraw Advice 12-08.

8 **Q. Please describe the third adjustment to PGE's 2013 NVPC forecast, the update of the**
9 **estimated cost of day-ahead forecast error related to wind integration.**

10 A. The Parties agree that PGE will not update the estimated cost of day-ahead forecast error for
11 purposes of forecasting 2013 NVPC. Rather, PGE will continue to use \$0.50/MWh as the
12 estimated cost of day-ahead forecast error.¹ This adjustment results in a reduction to PGE's
13 forecast of 2013 NVPC of approximately \$1.11 million relative to the update described in
14 PGE Exhibit 300, page 13, and approximately \$4.27 million relative to PGE's original
15 power cost filing

16 **Q. What is the basis for this adjustment to the estimated cost of day-ahead forecast error?**

17 A. PGE proposed to update the estimated cost of day-ahead forecast error related to wind
18 integration based on the methodology presented in PGE's Wind Integration Study. In their
19 filed testimony, the witnesses for Staff and ICNU both opposed this update on the basis that
20 it was outside the scope of updates allowable in an AUT as outlined in PGE's Schedule 125.
21 ICNU also raised other concerns regarding PGE's wind integration costs.

22 **Q. Please describe the fourth adjustment to PGE's 2013 NVPC forecast.**

¹ This value was established in the UE 198 Stipulation approved in Order No. 08-505 (page 3, and Appendix A, Page 3).

1 A. The Parties agree that PGE will adjust the 2013 NVPC forecast upwards by \$550,000 in
2 order to resolve all issues in this proceeding.

3 **Q. What is your recommendation to the Commission regarding the adjustments contained**
4 **in the Stipulation?**

5 A. The Parties recommend and request that the Commission approve these adjustments. Based
6 on careful review of PGE's, Staff's, and ICNU's filings, consideration of the documentation
7 provided in PGE's MFRs, and thorough discussion of the issues during the settlement
8 conferences, we believe the proposed adjustments represent appropriate and reasonable
9 resolutions to the issues in this docket. Rates reflecting these adjustments will be fair, just,
10 reasonable, and provide PGE with adequate revenues consistent with the standard in ORS
11 756.040.

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

13 A. Yes.

List of Exhibits

<u>Exhibit</u>	<u>Description</u>
101	Witness Qualification Statement of Bob Jenks
102	2013 AUT Stipulation

WITNESS QUALIFICATION STATEMENT

NAME: Bob Jenks

EMPLOYER: Citizens' Utility Board of Oregon

TITLE: Executive Director

ADDRESS: 610 SW Broadway, Suite 400
Portland, OR 97205

EDUCATION: Bachelor of Science, Economics
Willamette University, Salem, OR

EXPERIENCE: Provided testimony or comments in a variety of OPUC dockets, including UE 88, UE 92, UM 903, UM 918, UE 102, UP 168, UT 125, UT 141, UE 115, UE 116, UE 137, UE 139, UE 161, UE 165, UE 167, UE 170, UE 172, UE 173, UE 207, UE 208, UE 210, UE 233, UE 246, UG 152, UG 221, UM 995, UM 1050, UM 1071, UM 1147, UM 1121, UM 1206, UM 1209, and UM 1355. Participated in the development of a variety of Least Cost Plans and PUC Settlement Conferences. Provided testimony to Oregon Legislative Committees on consumer issues relating to energy and telecommunications. Lobbied the Oregon Congressional delegation on behalf of CUB and the National Association of State Utility Consumer Advocates.

Between 1982 and 1991, worked for the Oregon State Public Interest Research Group, the Massachusetts Public Interest Research Group, and the Fund for Public Interest Research on a variety of public policy issues.

MEMBERSHIP: National Association of State Utility Consumer Advocates
Board of Directors, OSPIRG Citizen Lobby
Telecommunications Policy Committee, Consumer Federation of America
Electricity Policy Committee, Consumer Federation of America

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PGE's July 16, 2012, power cost update filing. PGE will account for the chemical costs as part of the UM 1513 deferral.

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5. The Parties recommend and request that the Commission approve the adjustments described above to PGE's 2013 power costs as appropriate and reasonable resolutions of the issues settled herein.

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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 6th day of September, 2012.



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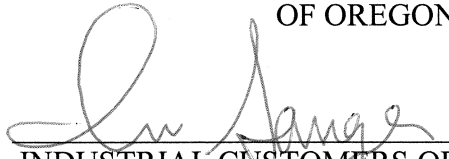
A handwritten signature in blue ink, appearing to be "J.P.M.", is written over a horizontal line.

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