

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 180/ UE 181/ UE 184

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	
COMPANY)	
)	
Request for a General Rate Revision (UE 180),)	
_____)	
)	
In the Matter of)	JOINT EXPLANATORY
)	BRIEF REGARDING
)	RVM ISSUES STIPULATION
PORTLAND GENERAL ELECTRIC)	
COMPANY)	
)	
Annual Adjustments to Schedule 125 (2007)	
RVM Filing) (UE 181),)	
_____)	
)	
In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	
COMPANY)	
)	
Request for a General Rate Revision relating to)	
the Port Westward Plant (UE 184).)	
_____)	

This brief (“Explanatory Brief”) explains the Stipulation (“Stipulation”) dated August 24, 2006, among 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 “Parties”). The Parties submit this brief pursuant to OAR 860-014-0085(4). Capitalized terms used in this Explanatory Brief have the meanings ascribed to them in this joint Explanatory Brief or in the Stipulation.

Introduction

The Stipulation settles all issues related to PGE's 2007 Resource Valuation Mechanism ("RVM") filing. Stipulation ¶ 6. The Parties agree that the Stipulation is in the public interest and will produce rates that are fair, just and reasonable. Stipulation ¶ 8.

This is the fifth docket in which the annual RVM mechanism has been addressed. This docket differs from those in the past, however, because there is also an ongoing general rate case. This RVM docket has been consolidated with that rate case. Rates from this RVM docket will go into effect on January 1, 2007. The suspension period in the general rate case ends on January 16, 2007, and it is anticipated that new rates, supplanting these RVM rates, will go into effect at that time. So the RVM rates addressed in this Stipulation are anticipated to only be in effect for just over two weeks.

Some parties have filed testimony raising particular issues regarding power costs. Commission decisions regarding most, if not all, of those issues will impact rate case power costs as well. Some of the issues may affect, or be affected by, other rate case issues as well including PGE's proposed Annual Variance Tariff and Power Cost Adjustment Mechanism, and cost of capital issues. As part of this settlement, the issues raised will be addressed in testimony, and submitted to the Commission for decision in the rate case portion of this docket. This will allow parties to provide two additional rounds of testimony addressing these issues, give the Commission additional time to decide the issues, and allow these issues to be decided at the same time other related issues are before the Commission for decision.

In the Stipulation, the Parties agree that for the purpose of calculating the 2007 annual RVM update pursuant to Schedule 125, PGE will reflect in its final filings an adjustment that decreases annual net variable power costs by \$8.588 million. PGE will apply the adjustment to

Part A of Schedule 125. Stipulation ¶ 1. This adjustment was arrived at to reflect a reduction in projected power costs of \$400,000 for the 17 days it is anticipated the RVM rates will be in effect prior to being supplanted with rates ordered in the general rate case.

The Stipulation also makes provision for certain gas transportation costs. Stipulation ¶¶ 3-4. PGE purchases gas transportation on two pipelines that currently have rate increase requests pending before the Federal Energy Regulatory Commission (“FERC”). The Stipulation provides that if FERC issues orders prior to the final power cost updates in this docket, the new rates will be used. In the event that FERC has not issued orders in time, the Stipulation provides that the parties will work to determine baseline rates to be used in the final power cost updates (and if no agreement is reached, the rates requested by the pipeline companies will be used), and that a deferral will be filed that will capture the difference between this baseline and the actual rates later implemented by FERC. In this way, power cost projections will be trued-up to the actual FERC ordered pipeline transportation rates.

The Stipulation resolves all current issues in the RVM proceeding. The Stipulation also provides that testimony previously filed regarding power cost issues will be incorporated into the rate case portion of this docket, and addressed there.

The Stipulation also contains a number of provisions typically contained in stipulations filed with the Commission. Stipulation ¶¶ 6-15.

Discussion

The \$8.588 million annual adjustment stipulated to represents a reasonable financial settlement of all current issues and the Parties have not attempted to assign any portion of the settlement amount to specific issues or claims. In fact, many of the issues will be addressed, and possibly submitted to the Commission for decision, as part of the general rate case. And one of

the terms of the Stipulation is that it not be precedential in the rate case, or elsewhere. The Parties' ability to set forth additional explanation of the Stipulation is therefore limited. As is common in settlements, each party likely used different reasoning, different analyses of likely outcomes, and different valuations of the various issues to arrive at a settlement amount. Since the Stipulation represents the settlement of a disputed claim, each Party independently relied on its own reasoning and analysis in agreeing to the settlement. Nevertheless, all Parties believe the agreed-upon adjustment is a reasonable compromise. There is also some concern that including too much of the specifics of settlement discussions would have the effect of discouraging future candid settlement negotiations.

In their testimony filed on July 18, 2006, Staff, CUB and ICNU each discussed potential power cost related adjustments. The adjustments Staff raised total \$27.2 million. The adjustments raised by ICNU total \$9.8 million. CUB discussed some issues, but did not propose a specific dollar amount. PGE disputes the need for the proposed adjustments.

The Stipulated adjustment of \$8.588 million annually represents a reasonable compromise of positions, and results in rates that are supported by the record. The Commission has approved stipulations in the past that it determined fell within a "range of reasonableness" for resolution of the issues. Re US West, OPUC Docket No. UM 773, Order No. 96-284 at 31 (Nov. 1, 1996). The Stipulation in this Docket provides a result that falls within this range of reasonableness and, as such, would produce rates that are just and reasonable. Under these circumstances, it is in the public interest for the Commission to approve the Stipulation.

The Stipulation also provides for a process regarding certain gas transportation costs that will be set by the Federal Energy Regulatory Commission ("FERC"). If actual FERC tariff rates are not available, there will be a deferral to true up the projected costs to the FERC ordered rates.


An additional benefit of the Stipulation is that it will allow power cost issues that interrelate with other rate case issues to be addressed in the rate case context. This will allow additional testimony by the parties, and put the issues before the Commission at the same time as other issues that affect, or are affected by, the power cost issues.

Conclusion

The Stipulation is among Staff, CUB, ICNU, and PGE, the parties in this docket that have filed testimony specifically directed at the RVM. Each of these Parties, representing their respective interests, agree that the settlement contained in the Stipulation results in fair, just and reasonable rates in this 2007 RVM proceeding. For the reasons set forth above the Parties request that the Commission approve the Stipulation.

DATED this 24th day of August, 2006.

PORTLAND GENERAL ELECTRIC
COMPANY



CITIZENS' UTILITY BOARD OF
OREGON

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

An additional benefit of the Stipulation is that it will allow power cost issues that inter- relate with other rate case issues to be addressed in the rate case context. This will allow additional testimony by the parties, and put the issues before the Commission at the same time as other issues that affect, or are affected by, the power cost issues.

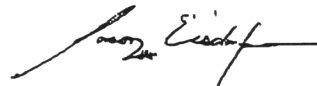
Conclusion

The Stipulation is among Staff, CUB, ICNU, and PGE, the parties in this docket that have filed testimony specifically directed at the RVM. Each of these Parties, representing their respective interests, agree that the settlement contained in the Stipulation results in fair, just and reasonable rates in this 2007 RVM proceeding. For the reasons set forth above the Parties request that the Commission approve the Stipulation.

DATED this 23rd day of August, 2006.

PORTLAND GENERAL ELECTRIC
COMPANY

CITIZENS' UTILITY BOARD OF
OREGON



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

An additional benefit of the Stipulation is that it will allow power cost issues that inter-relate with other rate case issues to be addressed in the rate case context. This will allow additional testimony by the parties, and put the issues before the Commission at the same time as other issues that affect, or are affected by, the power cost issues.

Conclusion

The Stipulation is among Staff, CUB, ICNU, and PGE, the parties in this docket that have filed testimony specifically directed at the RVM. Each of these Parties, representing their respective interests, agree that the settlement contained in the Stipulation results in fair, just and reasonable rates in this 2007 RVM proceeding. For the reasons set forth above the Parties request that the Commission approve the Stipulation.

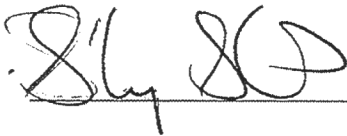
DATED this day of August, 2006.

PORTLAND GENERAL ELECTRIC
COMPANY

CITIZENS' UTILITY BOARD OF
OREGON

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES



An additional benefit of the Stipulation is that it will allow power cost issues that inter-relate with other rate case issues to be addressed in the rate case context. This will allow additional testimony by the parties, and put the issues before the Commission at the same time as other issues that affect, or are affected by, the power cost issues.

Conclusion

The Stipulation is among Staff, CUB, ICNU, and PGE, the parties in this docket that have filed testimony specifically directed at the RVM. Each of these Parties, representing their respective interests, agree that the settlement contained in the Stipulation results in fair, just and reasonable rates in this 2007 RVM proceeding. For the reasons set forth above the Parties request that the Commission approve the Stipulation.

DATED this *24th* day of August, 2006.

PORTLAND GENERAL ELECTRIC
COMPANY

CITIZENS' UTILITY BOARD OF
OREGON

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

