

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

EXPLANATORY BRIEF

This brief ("Explanatory Brief") explains and supports the Stipulation ("Stipulation") dated as of April 16, 2004, among Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), the Industrial Customers of Northwest Utilities ("ICNU") (collectively the "Parties"). The Parties submit this brief pursuant to OAR 860-014-0085(4).

The Stipulation settles all remaining issues in this docket. The Parties agree that the Stipulation is in the public interest and results in a fair and just outcome.

Background

In UE 115, the Parties, as well as Fred Meyer Stores and the Citizens' Utility Board of Oregon ("CUB"), 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:

$(\text{actual NVPC} - \text{Base NVPC}) - (\text{actual Energy Revenues} - \text{Base Energy Revenues})$

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 original Schedule 127, incorporated into the Power Cost Stipulation and approved in Order No. 01-777, permitted under certain circumstances quarterly rate adjustments to collect or refund the Adjustment Amount so as to bring the balance in the PCA Account to zero by the end of 2002. No quarterly adjustment rates were implemented during the 15-month period. In Order No. 02-399, the Commission suspended one of the alternatives presented by PGE which would have recovered the then-forecasted balance in the PCA Account to zero by the end of 2002.

Throughout the 15-month period PGE filed quarterly reports, which provided the forecasted Power Cost Variance and the forecasted Adjustment Amount. On December 18, 2002, the Parties and CUB signed a stipulation regarding Schedule 127 and the 15-month PCA (the "Schedule 127 Stipulation").¹ In Order No. 02-894, the Commission adopted the Schedule 127 Stipulation. The key provisions of the Schedule 127 Stipulation are as follows:

- PGE's power costs and energy revenues during the 15-month period would be subject to a prudence review and audit;
- The balance in the PCA Account was reduced by \$4.558 million as a stipulated adjustment from UE 139;
- The collection amount to recover the PCA Account balance was allocated to Schedule 83 customers and non-Schedule 83 customers on a pro rata basis based on actual 15-month loads;

¹ The Schedule 127 Stipulation was later modified to further define which customers were eligible to elect the Lump Sum Payment option. *See* Order No. 03-004. No other changes were made to the Schedule 127 Stipulation.

- Any remaining balance at the end of the amortization period (at the end of 2003 for Schedule 83 customers and at the end of 2004 for all other rate schedules) would be collected from or returned to customers, as appropriate, in a manner determined by the Commission; and
- All issues that were raised or could have been raised with respect to the 15-month PCA were finally and completely resolved and settled, with the sole exception of the prudence review and audit.

The final PCA Account balance, after making the adjustments provided for in the Schedule 127 Stipulation and Order No. 02-894, and including interest, was \$38.3 million. *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.

The Power Cost Stipulation provided that PGE could defer any balance that remained in the PCA Account after the end of the 15-month period. On October 1, 2001, PGE filed an Application for a Deferred Accounting Order seeking to defer the balance contained in the PCA Account. In Order No. 01-1108, the Commission approved PGE's application and reauthorized the deferred account in Order No. 02-400.

In light of the audit and prudence review provided for in the Schedule 127 Stipulation and Commission Order No. 02-894, this docket was reopened on June 16, 2003. Pursuant to the schedule set in a Prehearing Conference Memorandum issued July 1, 2003, comments were filed by Staff, PGE and ICNU regarding the scope of this docket. The Commission defined the scope

of this docket in Order No. 03-543 and again in Order No. 04-001 after PGE's application for reconsideration.

On October 30, 2003, the consultants retained by Staff to conduct the audit, Hayet Power Systems Consulting and Convector Consulting NA, Inc., issued its final report. The final report concluded that "the Company's calculation of the its Net Variable Power Costs for purposes of determining the Power Cost Variance for the 15-month period is reasonable and accurate." The final report recommended no changes to the Power Cost Variance or the PCA Account.

Issues lists were filed by Staff and ICNU. PGE filed its opening testimony on January 30, 2004.

Terms of the Stipulation

In April 2004, Staff, PGE and ICNU participated in two settlement conferences. During those settlement conferences it was agreed that an error had been made in allocating coal loss associated with coal transported to the Boardman plant. Correcting that error would decrease the PCA Account balance by about \$400,000.

In its analysis in this docket Staff had identified areas that it desired further information and documentation. Likewise, ICNU and its consultant raised questions and sought additional information. All of those issues were discussed during the settlement conferences, and PGE provided additional documentation and information requested by Staff and ICNU. The Parties, having examined the issues pending in this docket, agreed and entered into the Stipulation resolving all outstanding issues. The only other party in this docket, CUB, does not oppose the Stipulation.

The Stipulation itself is straightforward. Paragraph 1 sets forth the terms that directly effect the PCA Account balance. That paragraph provides that the PCA Account balance will be

reduced by \$1 million, including the reduction to reflect the coal loss discussed above. That number was agreed upon by the parties as a compromise, and as an acceptable settlement of their differing positions. Paragraph 1 of the Stipulation also states that the agreed upon reduction will be allocated to customers in the same manner that the original PCA Account balance was allocated for purposes of amortization. The Parties believe that this allocation fairly allocates the reduction to customers. To the extent that allocation creates the need for refunds to customers that elected the Lump Sum Payment option, the refunds will be made pursuant to Schedule 127 Stipulation.

The remainder of the stipulation contains provisions typically contained in stipulations filed with the Commission.

Conclusion

The Stipulation resolves all outstanding issues with respect to the 15-Month PCA, and the amortization of the PCA Account balance that accrued pursuant to that PCA. For the reasons set forth above, the Parties request that the Commission approve the Stipulation.

DATED this 16th day of April, 2004.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

By: *Don White*

By: _____

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

By: _____

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By: David B. Hatten

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INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

By: *S. Bradley J. Cleve*

CERTIFICATE OF SERVICE

I hereby certify that on this day I served the foregoing **EXPLANATORY BRIEF** 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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