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

UE 116

In the Matter of PacifiCorp's Proposal to )  
Restructure and Reprice its Services in ) ORDER  
Accordance with the Provisions of SB 1149. )

DISPOSITION: STIPULATION AMENDED;  
ORDER NO. 01-787 MODIFIED

On September 7, 2001, the Public Utility Commission of Oregon (Commission) issued Order No. 01-787 (Rate Order), which addressed cost-based rate and electric restructuring issues.<sup>1</sup> As part of the Rate Order, the Commission adopted a power cost stipulation entered into by the Commission Staff (Staff), Industrial Customers of Northwest Utilities (ICNU), Citizens' Utility Board (CUB), and PacifiCorp. A copy of the stipulation is attached as Appendix A.

On November 30, 2001, Staff, ICNU, CUB, and PacifiCorp filed an amendment to the power cost stipulation. The purpose of the amendment was to resolve issues regarding PacifiCorp's inability to provide its new power cost model to the parties by November 30, 2001. Pursuant to an administrative law judge ruling issued December 13, 2001, PacifiCorp submitted a compliance filing that revised a portion of the initial filing. Additionally, ICNU, on behalf of the moving parties, submitted an explanatory brief on December 20, 2001, in support of the stipulation amendment.

We treat the filing of the amendment to the power cost stipulation as a motion to amend Order No. 01-787 and as a stipulation filing under OAR 860-014-0085.<sup>2</sup> A copy of the amended stipulation, in legislative format, is attached as Appendix B. None of the parties to this docket filed written objections or requested a hearing.

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<sup>1</sup> A supplemental order (Order No. 01-846) was issued on October 1, 2001, which resolved several issues not addressed in the Rate Order.

<sup>2</sup> Under OAR 860-014-0085, parties have 20 days to file written objections. No objections were received.

### Substance of Amendments

Some of the proposed amendments merely change the date by when a particular action will occur. Other proposed amendments expand on the parties' intent at the time the stipulation was signed. Another set of proposed amendments set forth greater detail for a process. For example, the parties submitted proposed language to explain what PacifiCorp's application for its net power costs would contain. We have no difficulty with these amendments and adopt them in this order.

There are, however, two proposed paragraphs to the amended stipulation that contain concepts not previously considered at the time the original stipulation was adopted. The first of these is paragraph 18, which reads as follows:

Upon Commission determination that any party has failed to adhere to the terms of this Amended Stipulation, any non-defaulting party upon written notice may withdraw from this Amended Stipulation and shall no longer be bound by this Amended Stipulation or the August 23, 2001 Stipulation.

The parties state that the purpose of this provision is to clarify that parties may withdraw from the stipulation in the event of a default. The parties further explain that this paragraph makes explicit existing rights that were implicit in the original stipulation, and that the language falls within the scope of the original stipulation. *See*, Explanatory Brief, p.5, submitted by ICNU on December 20, 2001.

We view the situation differently. While the parties may agree that the language of paragraph 18 applies to any of the proposed amendments, they may not now agree to withdraw from a stipulation that has been adopted by the Commission. The Commission adopted and used the parties' August 23, 2001 stipulation in the Rate Order. Determinations made by this Commission on September 7, 2001 cannot be reversed due to failure of a party to "adhere to the terms of the Amended Stipulation."

Further, we do not see that this language has a useful purpose even for the amended language of the stipulation. If an issue should arise regarding the failure of a party to adhere to the stipulation, that matter should be brought before the Commission for a determination of whether a default has occurred, and if so, what is the appropriate remedy for the default. We therefore decline to add the language of paragraph 18 to the stipulation.

The parties also propose a new paragraph 19,<sup>3</sup> which reads as follows:

From May 31, 2002, until the effective date of new rates established under the Commission's order in the Power Cost Filing

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<sup>3</sup> Paragraph 19 is renumbered as Paragraph 18 in the amended stipulation attached as Appendix C.

case, the deferral amount will be calculated per Attachment 2 of the August 23, 2001 Stipulation, except that after May 31, 2002, the Allowed Power Cost Recovery, line 14, shall equal the lesser of: i) the power costs determined pursuant to the formula in paragraph 1 of Section II of the Stipulation or ii) the new normalized annual power costs resulting from the Commission's decision in the Power Cost Filing case. In option ii), power costs shall be obtained by multiplying (a) the normalized annual average power cost per kWh established by the Commission pursuant to the Power Cost Filing by (b) the actual kWh sales for the period beginning June 1, 2002 and ending when new rates established under the Commission's order in the Power Cost Filing case go into effect.

The rationale for this amendment is to ensure that PacifiCorp customers are not held responsible for any excessive actual power costs incurred by PacifiCorp after May 31, 2002. When drafting the original stipulation in August 2001, the parties anticipated a Commission order by May 31, 2002 on the new net power cost filing (currently docketed as UE 134). Due to the extension of time granted to PacifiCorp in the amendments, the parties were concerned about the possibility that PacifiCorp's recovery under the original stipulation would be greater than PacifiCorp's recovery based on normalized costs adopted in UE 134. Paragraph 19 provides that PacifiCorp's power cost recovery after May 31, 2002 will be the lesser of either the Company's new power costs as determined in UE 134 or as determined by the formula contained in the original stipulation.

This language does not expand upon the original stipulation, but merely outlines a mechanism for determining the Allowed Power Cost Recovery for the period from May 31, 2002 until the Commission issues the order in UE 134. We agree with the parties that this language falls within the scope of the original agreement. As stated by the parties:

[B]y allowing PacifiCorp to recover either: 1) the stipulated percentage of actual power costs under the Stipulation as approved by the Commission; or 2) the Company's normalized power costs based on new just and reasonable rates, Paragraph [19] assures that PacifiCorp is still assured a "reasonable level of power cost recovery during the Bridge Period." Explanatory Brief at 7-8 (citation omitted).

Finally, we addressed the contents of the original power cost stipulation in Order No. 01-787 at pgs. 11–13. To the extent that any language in Order No. 01-787 conflicts with the language of the amended stipulation, the language of the amended stipulation will prevail.

**ORDER**

1. The amended stipulation, except for Paragraph 18, is adopted. The amended stipulation is attached as Appendix C and incorporated herein.
2. The language of the amended stipulation as adopted is controlling over the stipulation adopted in Order No. 01-787.

Made, entered, and effective \_\_\_\_\_.

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**Roy Hemmingway**  
Chairman

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**Lee Beyer**  
Commissioner

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**Joan H. Smith**  
Commissioner

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

**UE 116**

In the Matter of PacifiCorp’s Proposal to  
Restructure and Reprice its Services In  
Accordance with the Provisions of SB1149

**STIPULATION REGARDING  
NET POWER COSTS**

This Stipulation is entered into to resolve issues regarding PacifiCorp’s requested net power costs in this docket.

**PARTIES**

The parties to this Stipulation are PacifiCorp (“PacifiCorp” or “Company”), the Staff of the Public Utility Commission of Oregon (“Staff”), the Industrial Customers of Northwest Utilities (“ICNU”) and the Citizens’ Utility Board (“CUB”) (together the “Parties”).

**BACKGROUND**

A. On November 1, 2000, PacifiCorp filed revised tariff schedules to effect a \$160.6 million increase in its base prices to Oregon electric customers. Following the evidentiary hearings and post-hearing briefing, the Parties entered into settlement discussions to determine whether they could resolve outstanding issues regarding PacifiCorp’s net power costs.

B. As a result of the settlement conferences, the Parties have arrived at an agreement that will provide a bridge from the Parties’ current disagreement over PacifiCorp’s net power cost model (PD-Mac) and its net power costs in this docket to PacifiCorp’s net power costs as determined by a new hourly power cost model currently in development. The Parties submit this Stipulation to the Public Utility Commission of Oregon (“OPUC” or “Commission”) and request that the Commission admit this settlement into the record of this docket and approve the settlement as presented on an expedited basis.

**AGREEMENT**

The Parties agree as follows:

**I. General**

Under the terms of this Stipulation, PacifiCorp's power cost recovery during the Bridge Period (defined below) will be based on a stipulated percentage of actual, not normalized, power costs after actual costs are adjusted in the manner described below (see "Adjusted Actual Total Company Power Costs"). The Parties agree in this Stipulation to an initial baseline net power cost for the purpose of setting rates in this docket. The baseline is a negotiated number for settlement purposes. Differences between the initial baseline net power cost and the stipulated percentage of Adjusted Actual Total Company Power Costs will be deferred for later amortization pursuant to ORS 757.259. In December 2001 of the Bridge Period, the Parties will reevaluate the initial baseline net power cost and, if the initial baseline amount is expected to depart significantly from the stipulated percentage of adjusted actual power costs (i.e., a difference of more than \$60 million on a Total Company basis from the Allowed Power Cost Recovery provided for in this Stipulation), the baseline amount will be revised for the remainder of the Bridge Period.

PacifiCorp will engage in the process of developing a new power cost model in collaboration with interested parties during the months of September, October and November 2001. As part of this process it will provide the model, or test versions of the model, and inputs to the Parties. By no later than November 30, 2001, PacifiCorp will file with the Commission an application that will include prefiled testimony, the new computer model including inputs, and workpapers. The application will present the new power cost model and resulting net power costs, and request Commission approval of new rates ("PacifiCorp's Power Cost Filing"). Assuming PacifiCorp makes the PacifiCorp Power Cost Filing by November 30, 2001, the Parties will support a schedule that will result in a Commission order determining new net power

1 costs and setting new rates on the new net power costs by May 31, 2002. This schedule will  
2 fairly allocate time between PacifiCorp and the other parties.

3 The terms of this Stipulation will remain in place from the effective date of the  
4 Commission's Order establishing rates in this docket until issuance of a Commission Order on  
5 PacifiCorp's Power Cost Filing (the "Bridge Period"). If the Commission does not issue an  
6 Order in PacifiCorp's Power Cost Filing by May 31, 2002, the terms of this Stipulation, except  
7 for the limitations on prudence challenges provided in Section 11, will continue until the  
8 effective date of the Commission's Order.

9 As a result of this Stipulation, the Parties agree that the issues identified in Attachment 1  
10 ("Issues Resolved by Stipulation") are resolved for purposes of this docket and during the Bridge  
11 Period. The issues in Attachment 1 are resolved for settlement purposes only and do not bind  
12 any Party in the future. Parties are free to adopt any position on any power cost issue with regard  
13 to power costs after the Bridge Period.

## 14 **II. Specific Components of the Agreement**

15 1. Allowed Power Cost Recovery: PacifiCorp's power cost recovery during the  
16 Bridge Period (the "Allowed Power Cost Recovery") will be calculated as follows: Allowed  
17 Power Cost Recovery = [(Adjusted Actual Total Company Power Costs x 83%) – (Change in  
18 Special Contract Revenues x 92.9%)] x (Jurisdictional Allocation) + (Auditing Costs).

19 2. Initial Baseline: The baseline annual net power costs will initially be set at \$595  
20 million on a Total Company basis (the "Initial Baseline"). The Initial Baseline will be used to  
21 establish net power costs in this docket. The \$595 million represents a compromise number for  
22 purposes of this Stipulation and does not reflect a normalized net power cost. The monthly  
23 distribution of the Initial Baseline is shown on line 1 of Attachment 2 ("Stipulated Initial  
24 Baseline and Monthly Loads and Example of Deferral Calculation"). The Company will defer  
25 the positive or negative difference between the Allowed Power Cost Recovery (as illustrated in  
26

1 Attachment 2, line 14) and the Initial Baseline-Oregon Allocated (as illustrated in Attachment 2,  
2 line 5) on a monthly basis.

3 3. Actual Total Company Power Costs: PacifiCorp will calculate its actual Total  
4 Company net power costs in a manner consistent with the way it calculates net power costs in  
5 rate case filings, which is generally the sum of Purchased Power Expenses (FERC Account 555),  
6 Wheeling Expenses (FERC Account 565), Fuel Expenses (FERC Account 501), Other Fuel  
7 Expenses (FERC Account 503), and Other Production Fuel Expenses (FERC Account 547),  
8 reduced by Wholesale Sales Revenue (FERC Account 447). This amount will then be adjusted  
9 by (i) removing BPA Residential Exchange and power transactions settled by exchanging energy  
10 rather than cash and (ii) adding payments to retail customers under demand side curtailment  
11 contracts for curtailing load. The result of this calculation is the Company's "Actual Total  
12 Company Power Costs."

13 4. Adjusted Actual Total Company Power Costs: To calculate its Adjusted Actual  
14 Total Company Power Costs, PacifiCorp will adjust its Actual Total Company Power Costs in  
15 the following manner:

16 4.1 WAPA: ICNU has proposed an adjustment to the Company's wheeling  
17 contracts with Western Area Power Administration (WAPA). The Parties agree that the  
18 WAPA contract issue should be decided by the Commission. PacifiCorp will make any  
19 necessary adjustment to its Actual Total Company Power Costs to be consistent with the  
20 Commission decision on this issue.

21 4.2 One-Time Wyodak Contract Payment: The level of expense included in  
22 Adjusted Actual Total Company Power Costs related to the one-time \$7.3 million  
23 payment required by the new Wyodak coal contract executed on April 3, 2001 will be  
24 based on the Company's proposed ratemaking treatment of the payment. Each month the  
25 Company will include in its calculation of Adjusted Actual Total Company Power Costs  
26



1 an amount equal to one month of the amortization of the payment over the life of the  
2 contract, which expires December 31, 2022.

3 4.3 SMUD: ICNU has proposed an adjustment to the SMUD contract. Staff  
4 and the Company have previously entered into a stipulation regarding this issue. The  
5 Parties agree that the SMUD contract issue should be decided by the Commission.  
6 PacifiCorp will make any adjustment to its Actual Total Company Power Costs to be  
7 consistent with the Commission decision on the issue.

8 4.4 Other Adjustments: By agreeing to this Stipulation, the Parties agree that  
9 the other power cost adjustments raised by the Parties in this docket (and listed in  
10 Attachment 1) are resolved for the Bridge Period. The adjustments listed in  
11 Attachment 1 shall not be raised by the Parties to the Stipulation as issues in any  
12 prudence challenge addressed in Section 11 (except as otherwise provided in Section 11)  
13 or otherwise raised as a challenge to the Company's power costs during the Bridge  
14 Period. These adjustments may be raised in PacifiCorp's Power Cost Filing or other  
15 proceeding to establish net power costs beyond May 31, 2002.

16 5. Special Retail Contracts: Revenues associated with special contracts that expire  
17 during the Bridge Period will be adjusted in the manner described in this Section. For all special  
18 contracts that reach their current expiration date during the Bridge Period, revenues will be  
19 adjusted by an amount equal to 92.9% of the difference between (i) the revenues included in the  
20 Company's filing in this docket for such contracts (at the Total Company level) and (ii)  
21 "assumed revenues" for the "new" contracts (this difference is referred to in Section 1 as  
22 "Change in Special Contract Revenues"). Assumed revenues for non-Idaho contracts will be  
23 based on the tariff price that would be applicable to the special contract customer in the absence  
24 of a special contract. Assumed revenues for Idaho contracts will be the current rate paid by the  
25 Idaho customer currently on a contract reflecting cost of service, as shown in Attachment 3  
26 ("Treatment of Expiring Retail Special Contracts"). Attachment 3 also shows how assumed

1 revenues for non-Idaho contracts will be calculated. New special contracts with customers not  
2 currently served under special contract will be treated and allocated on a situs basis for purposes  
3 of this Stipulation, resulting in no net impact to Adjusted Actual Total Company Power Costs.

4 6. Auditing: The Company agrees to fund an outside audit of actual power costs at  
5 the end of the Bridge Period. The Parties to this Stipulation will choose an independent auditor,  
6 which will be retained by the Company. To be “independent,” the auditor must not have been  
7 hired by, consulted with, or worked for any of the Parties in any of the Company’s jurisdictions  
8 in any of the last five years. The purpose of the audit is to review the monthly actual power costs  
9 and Adjusted Actual Total Company Power Costs for proper accounting treatment, appropriate  
10 inclusion of costs in the Bridge Period, actual loads, and identification of irregularities (i.e.  
11 gaming) relating to Company power purchases and plant operations (including maintenance and  
12 availability), but will not include a review for the purpose of assessing prudence. The amount  
13 paid by the Company to the auditor for the costs of the audit (“Auditing Costs”) will be included  
14 at 100% in the Allowed Power Cost Recovery under this Stipulation.

15 7. Reset Baseline: The Initial Baseline will be reviewed after 3 months of operation  
16 pursuant to a Company filing on or before December 1, 2001, for a potential rate adjustment  
17 effective on January 1, 2002. The Parties’ intention is that the Initial Baseline will result in no  
18 undercollections or overcollections of Allowed Power Cost Recovery during the Bridge Period.  
19 If the Initial Baseline is projected to result in an undercollection or overcollection of Allowed  
20 Power Cost Recovery of greater than \$60 million on a Total Company basis during the Bridge  
21 Period, the Initial Baseline will be reset effective as of January 1, 2002 (the “Reset Baseline”).  
22 The objective of the reset will be to produce a cumulative deferred balance for the period from  
23 January 1, 2002 through the end of the Bridge Period of zero dollars (\$0). The monthly  
24 distribution for the Reset Baseline will be calculated in the same manner as for the Initial  
25 Baseline, as shown on Attachment 2.

1 In any filing to establish a Reset Baseline, the Parties will have an opportunity to review  
2 and comment on the filing and may request a hearing on the Reset Baseline if appropriate. With  
3 respect to any filing to establish a Reset Baseline, the Parties waive whatever rights they may  
4 have to (i) introduce issues outside of those related to establishing a Reset Baseline in  
5 accordance with this Stipulation, (ii) request an earnings review or (iii) otherwise convert the  
6 proceeding to a broader investigation of PacifiCorp's costs, revenues or rates.

7 8. Jurisdictional Allocation: Oregon's monthly percentage allocation of the  
8 Adjusted Actual Total Company Power Costs will be calculated as follows: Oregon Monthly  
9 Percentage = (Oregon Actual Energy Loads – Oregon Existing System Allocated Special  
10 Contract Loads)/(Total Company Actual Energy Loads – Total Company Existing System  
11 Allocated Special Contract Loads). This allocation method is reflected in Attachment 2. Loads  
12 for expiring system allocated special contracts will continue to be deemed system allocated  
13 special contract loads for purposes of this jurisdictional allocation calculation.

14 9. Deferrals and Amortizations: Undercollections and overcollections of the  
15 Allowed Power Cost Recovery will be deferred on a monthly basis with carrying charges and  
16 will be amortized in rates as soon as practicable following the end of the Bridge Period based on  
17 the method adopted by the Commission pursuant to the procedures specified in Section 10. The  
18 Parties agree that any amortization of deferred overcollections under this Stipulation will be  
19 returned to ratepayers in accordance with ORS 757.259 and will not be used to increase the  
20 amount of permissible amortizations (three percent or up to six percent of gross revenues, as the  
21 case may be) recoverable by PacifiCorp under any other deferred accounting authorization. Any  
22 amortization of deferred undercollections under this Stipulation will be collected from ratepayers  
23 in accordance with ORS 757.259.

24 10. Rate Spread: The rate spread for the Initial Baseline will be according to the rate  
25 spread formula for the Company's revenue requirement adopted by the Commission's decision  
26 in UE 116. By October 15, 2001, the Parties will submit recommendation(s), individually or

1 jointly, on how to spread the difference between the Reset Baseline and the Initial Baseline and  
2 any amortization of deferred undercollections or overcollections under this Stipulation.

3 11. Prudence Issues: The Parties agree to the following terms regarding prudence  
4 issues that might arise under this Stipulation:

5 11.1. For purposes of establishing PacifiCorp's Allowed Power Cost Recovery,  
6 no Party to this Stipulation will challenge the prudence of any transactions that were  
7 reviewed in this docket (UE 116) and the prudence issues raised by Staff, CUB and  
8 ICNU (listed in Attachment 1) will not be the basis of a prudence challenge raised by any  
9 of the Parties to the Company's net power costs incurred during the Bridge Period. The  
10 Parties agree to limit their right to challenge the prudence of Company transactions  
11 related to power costs incurred during the Bridge Period to: (i) replacement power  
12 purchases for major generating unit outages; and (ii) contracts for a term longer than 30  
13 days that were not included in the testimony, exhibits or workpapers in Docket UE 116.

14 11.2. The Company's percentage recovery during the Bridge Period of  
15 replacement power costs associated with major generating unit outages in which the  
16 Company is not found to be imprudent will be the same as the percentage recovery of  
17 Adjusted Actual Total Company Power Costs (83%). If the Company is found to be  
18 imprudent at any percentage in a major generating unit outage, recovery of replacement  
19 power costs will be at the percentage of actual replacement costs equal to the percentage  
20 of the Company's costs found to be prudent multiplied by 83%. For purposes of this  
21 Subsection, "major generating unit outage" refers to any unscheduled outage of greater  
22 than 100 MW that exceeds 30 days.

23 11.3. The Parties agree that the scope of permissible challenges to prudence of  
24 Company transactions identified in this Section 11 will be limited to challenges to the  
25 price, timing and need for the transactions. Any challenge to prudence related to price  
26 will be limited to challenges to the actual price of the transaction compared with similar

1 transactions otherwise available at the time. Any challenge to prudence related to timing  
2 strategy will be limited to challenges to the actual timing of entering into the transaction  
3 based on information the Company knew or reasonably should have known at the time of  
4 entering into the transaction. Any challenges to prudence related to need will be limited  
5 to challenges to whether the Company bought the wrong product or bought a product at a  
6 delivery point where it could not use it, and will not include challenging whether the  
7 Company bought the power to serve wholesale sales contracts already in existence prior  
8 to June 1, 2001 instead of retail load.

9 11.4. The Parties agree that any limitation in this Stipulation to a Party's right to  
10 challenge the prudence of a Company transaction will not apply to any transaction or  
11 decision to the extent its effects occur beyond the Bridge Period.

12 11.5. The Parties agree that nothing in this Stipulation impacts the Parties'  
13 ability to challenge the prudence of the transactions involved in docket UM 995 or any  
14 other docket that might occur outside of this Stipulation. The Parties also agree that if  
15 there is an imprudence finding in the UM 995 proceedings, any associated imprudence  
16 disallowance related to costs included in UM 995 deferrals should be wholly contained  
17 within that docket and related disallowances that otherwise may have had an impact on  
18 costs included in the Bridge Period are subsumed into the 17% disallowance applicable to  
19 Adjusted Actual Total Company Power Costs in this Stipulation, that no additional  
20 imprudence disallowance is required during the Bridge Period, and that no Party will  
21 argue otherwise in any proceeding before the Commission.

22 12. End of Bridge Period: The Parties anticipate that the Commission will issue an  
23 Order on PacifiCorp's Power Cost Filing, and the Bridge Period will end, by May 31, 2002. If  
24 the Commission does not issue such an Order by May 31, 2002, the terms of this Stipulation,  
25 including terms regarding the Allowed Power Cost Recovery, deferral of undercollections and  
26 overcollections, amortization of deferrals and audit, will continue until the effective date of such

1 Order; *provided, however*, that the limitation on prudence challenges contained in Section 11  
2 will expire on the earlier of May 31, 2002 or the effective date of the Commission's Order on  
3 PacifiCorp's Power Cost Filing.

4 13. Impact of Stipulation on Deferred Accounting/PCA: The Initial Baseline from  
5 this Stipulation will replace the net power cost component of UE 116 and be effective from the  
6 effective date of the UE 116 Order. The Parties agree to support PacifiCorp's application for  
7 deferred accounting to accumulate and defer undercollections and overcollections during the  
8 Bridge Period, and the Parties agree to support the amortization of amounts deferred pursuant to  
9 this Stipulation, to the extent such amortizations do not exceed the limits of ORS § 757.259. If  
10 the Commission's UE 116 Order is not effective on the first day of a month then deferrals under  
11 UM 995 and rates under this Stipulation will be prorated for that month based on the effective  
12 date of the Order. Upon adoption of this Stipulation by the Commission, PacifiCorp will move  
13 to dismiss the power cost adjustment (PCA) phase of UE 116 (Phase IV). The Parties agree to  
14 support PacifiCorp's motion to dismiss Phase IV of UE 116.

15 14. PacifiCorp's Power Cost Filing: PacifiCorp is currently in the early stages of  
16 developing a new power cost model. The Company will hold workshops concerning the  
17 development of the new power cost model commencing in September 2001 and make test  
18 versions and input data to the model available to the Parties upon request. By no later than the  
19 end of November 2001, the Company will file PacifiCorp's Power Cost Filing requesting that the  
20 Commission establish new net power costs and rates based upon the new power cost model  
21 (whether or not the Parties have reached an agreement on the new model). Assuming PacifiCorp  
22 makes the PacifiCorp Power Cost Filing by November 30, 2001, the Parties will support a  
23 schedule that will result in a Commission order by May 31, 2002. The test period for PacifiCorp  
24 Power Cost Filing will be the twelve months ending May 31, 2003. Parties can refile PCA  
25 proposals in this new power cost docket; *provided, however*, that non-filing Parties do not agree  
26 by this provision that a PCA is appropriate or waive their rights to contest any PCA proposal or

1 its terms or conditions. Assuming the PacifiCorp Power Cost Filing is not made until November  
2 30, 2001, the Parties agree that intervenor and Staff testimony will not be due prior to January  
3 22, 2002. Other than the filings discussed in this Section, filings regarding the deferral or  
4 amortization of undercollections or overcollections under this Stipulation and any filing under  
5 ORS 757.259(6) to increase the amortization of the Company's deferred accounts from 3 percent  
6 to up to 6 percent, PacifiCorp will make no additional filings related to net power costs that  
7 would be effective during the Bridge Period. A Party's ability to raise other issues in  
8 PacifiCorp's Power Cost Filing or to initiate additional proceedings related to issues other than  
9 net power costs is unaffected by this Stipulation.

10 15. Request for Expedited Decision: The Parties recommend that the Commission  
11 approve a revenue requirement in this docket incorporating the terms of this Stipulation and issue  
12 its Order on an expedited basis.

13 16. Statements Not Admissible in Evidence: The Parties agree that this Stipulation  
14 represents a compromise in the positions of the Parties. As such, conduct, statements and  
15 documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in  
16 this or any other proceeding.

17 17. Other Matters:

18 17.1 This Stipulation will be offered into the record of this proceeding as  
19 evidence pursuant to OAR 860-14-0085. The Parties agree to support this Stipulation  
20 throughout this proceeding, including any appeal and during the Bridge Period, provide  
21 witnesses to sponsor this Stipulation at any hearing and recommend that the Commission  
22 issue an order adopting the settlements contained herein.

23 17.2. If this Stipulation is challenged by any other party to this proceeding, the  
24 Parties to this Stipulation reserve the right to cross-examine witnesses and put on such  
25 case as they deem appropriate to respond fully to the issues presented, including the right  
26 to raise issues that are incorporated in the settlements embodied in this Stipulation.

1 Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they  
2 will continue to support the Commission's adoption of the terms of this Stipulation.

3 17.3 The Parties have negotiated this Stipulation as an integrated document. If  
4 the Commission rejects all or any material portion of this Stipulation or imposes  
5 additional material conditions in approving this Stipulation, any Party disadvantaged by  
6 such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to  
7 seek reconsideration or appeal of the Commission's Order.

8 17.4 By entering into this Stipulation, no Party shall be deemed to have  
9 approved, admitted or consented to the facts, principles, methods or theories employed by  
10 any other Party in arriving at the terms of this Stipulation. No Party shall be deemed to  
11 have agreed that any provision of this Stipulation is appropriate for resolving issues in  
12 any other proceeding.

13 17.5 This Stipulation may be executed in counterparts and each signed  
14 counterpart shall constitute an original document.



1 This Stipulation is entered into by each Party on the date entered below such Party's  
2 signature.

3  
4 PACIFICORP

STAFF OF THE PUBLIC  
UTILITY COMMISSION OF OREGON

5  
6 By: \_\_\_\_\_  
7 Date: \_\_\_\_\_

By: \_\_\_\_\_  
Date: \_\_\_\_\_

8  
9 INDUSTRIAL CUSTOMERS OF  
10 NORTHWEST UTILITIES

CITIZENS' UTILITY BOARD

11  
12 By: \_\_\_\_\_  
13 Date: \_\_\_\_\_

By: \_\_\_\_\_  
Date: \_\_\_\_\_

BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON

UE 116

In the Matter of PacifiCorp’s Proposal to Restructure and Reprice its Services In Accordance with the Provisions of SB1149

**AMENDED STIPULATION REGARDING NET POWER COSTS**

This Stipulation is entered into to resolve issues regarding PacifiCorp’s requested net power costs in this docket.

**PARTIES**

The parties to this Stipulation are PacifiCorp (“PacifiCorp” or “Company”), the Staff of the Public Utility Commission of Oregon (“Staff”), the Industrial Customers of Northwest Utilities (“ICNU”) and the Citizens’ Utility Board (“CUB”) (together the “Parties”).

**BACKGROUND**

A. On November 1, 2000, PacifiCorp filed revised tariff schedules to effect a \$160.6 million increase in its base prices to Oregon electric customers. Following the evidentiary hearings and post-hearing briefing, the Parties entered into settlement discussions to determine whether they could resolve outstanding issues regarding PacifiCorp’s net power costs.

B. As a result of the settlement conferences, the Parties have arrived at an agreement that will provide a bridge from the Parties’ current disagreement over PacifiCorp’s net power cost model (PD-Mac) and its net power costs in this docket to PacifiCorp’s net power costs as determined by a new hourly power cost model currently in development. The Parties submit this Stipulation to the Public Utility Commission of Oregon (“OPUC” or “Commission”) and request that the Commission admit this settlement into the record of this docket and approve the settlement as presented on an expedited basis.

**AGREEMENT**

The Parties agree as follows:

**I. General**

Under the terms of this Stipulation, PacifiCorp's power cost recovery during the Bridge Period (defined below) will be based on a stipulated percentage of actual, not normalized, power costs after actual costs are adjusted in the manner described below (see "Adjusted Actual Total Company Power Costs"). The Parties agree in this Stipulation to an initial baseline net power cost for the purpose of setting rates in this docket. The baseline is a negotiated number for settlement purposes. Differences between the initial baseline net power cost and the stipulated percentage of Adjusted Actual Total Company Power Costs will be deferred for later amortization pursuant to ORS 757.259. In December 2001 of the Bridge Period, the Parties will reevaluate the initial baseline net power cost and, if the initial baseline amount is expected to depart significantly from the stipulated percentage of adjusted actual power costs (i.e., a difference of more than \$60 million on a Total Company basis from the Allowed Power Cost Recovery provided for in this Stipulation), the baseline amount will be revised for the remainder of the Bridge Period.

PacifiCorp will engage in the process of developing a new power cost model in collaboration with interested parties during the months of September, October and November 2001. As part of this process it will provide the model, or test versions of the model, and inputs to the Parties. PacifiCorp will file a net power cost case ("Power Cost Filing"), which shall consist of an application, prefiled supporting testimony, the new hourly power cost model, output results and supporting workpapers. PacifiCorp shall file its Power Cost Filing by no later than December 31, 2001, and the Parties will support a schedule that will likely result in a Commission order on the new net power costs and the resulting new rates by June 30, 2002. This schedule will fairly allocate time between PacifiCorp and the other parties. PacifiCorp will serve the parties with the Power Cost Filing, output results and supporting workpapers by

1 overnight delivery. PacifiCorp will provide the new hourly power cost model to ICNU and CUB  
 2 on a computer with the model loaded and ready to run no later than when it makes its Power  
 3 Cost Filing. PacifiCorp will load a copy of the new hourly power cost model, including copies  
 4 of the inputs, on a computer that will be loaned to Staff for the duration of the Power Cost Filing  
 5 docket no later than when it makes its Power Cost Filing. ~~By no later than November 30, 2001,~~  
 6 ~~PacifiCorp will file with the Commission an application that will include prefiled testimony, the~~  
 7 ~~new computer model including inputs, and workpapers. The application will present the new~~  
 8 ~~power cost model and resulting net power costs, and request Commission approval of new rates~~  
 9 ~~(“PacifiCorp’s Power Cost Filing”). Assuming PacifiCorp makes the PacifiCorp Power Cost~~  
 10 ~~Filing by November 30, 2001, the Parties will support a schedule that will result in a~~  
 11 ~~Commission order determining new net power costs and setting new rates on the new net power~~  
 12 ~~costs by May 31, 2002. This schedule will fairly allocate time between PacifiCorp and the other~~  
 13 ~~parties.~~

14 The terms of this Stipulation will remain in place from the effective date of the  
 15 Commission’s Order establishing rates in this docket until issuance of a Commission Order on  
 16 PacifiCorp’s Power Cost Filing (the “Bridge Period”). If the Commission does not issue an  
 17 Order in PacifiCorp’s Power Cost Filing by June 30, 2002~~May 31, 2002~~, the terms of this  
 18 Stipulation, except for the limitations on prudence challenges provided in Section 11, will  
 19 continue until the effective date of the Commission’s Order.

20 As a result of this Stipulation, the Parties agree that the issues identified in Attachment 1  
 21 (“Issues Resolved by Stipulation”) are resolved for purposes of this docket and ~~during the Bridge~~  
 22 ~~Period~~from September 10, 2001 (the effective date of the Commission’s Order in UE 116) until  
 23 May 31, 2002. The issues in Attachment 1 are resolved for settlement purposes only and do not  
 24 bind any Party in the future. Parties are free to adopt any position on any power cost issue with  
 25 regard to power costs after May 31, 2002~~the Bridge Period~~.

## II. Specific Components of the Agreement

1. Allowed Power Cost Recovery: PacifiCorp's power cost recovery during the Bridge Period (the "Allowed Power Cost Recovery") will be calculated as follows: Allowed Power Cost Recovery = [(Adjusted Actual Total Company Power Costs x 83%) – (Change in Special Contract Revenues x 92.9%)] x (Jurisdictional Allocation) + (Auditing Costs).

2. Initial Baseline: The baseline annual net power costs will initially be set at \$595 million on a Total Company basis (the "Initial Baseline"). The Initial Baseline will be used to establish net power costs in this docket. The \$595 million represents a compromise number for purposes of this Stipulation and does not reflect a normalized net power cost. The monthly distribution of the Initial Baseline is shown on line 1 of Attachment 2 ("Stipulated Initial Baseline and Monthly Loads and Example of Deferral Calculation"). The Company will defer the positive or negative difference between the Allowed Power Cost Recovery (as illustrated in Attachment 2, line 14) and the Initial Baseline-Oregon Allocated (as illustrated in Attachment 2, line 5) on a monthly basis.

3. Actual Total Company Power Costs: PacifiCorp will calculate its actual Total Company net power costs in a manner consistent with the way it calculates net power costs in rate case filings, which is generally the sum of Purchased Power Expenses (FERC Account 555), Wheeling Expenses (FERC Account 565), Fuel Expenses (FERC Account 501), Other Fuel Expenses (FERC Account 503), and Other Production Fuel Expenses (FERC Account 547), reduced by Wholesale Sales Revenue (FERC Account 447). This amount will then be adjusted by (i) removing BPA Residential Exchange and power transactions settled by exchanging energy rather than cash and (ii) adding payments to retail customers under demand side curtailment contracts for curtailing load. The result of this calculation is the Company's "Actual Total Company Power Costs."

1           4.     Adjusted Actual Total Company Power Costs: To calculate its Adjusted Actual  
2 Total Company Power Costs, PacifiCorp will adjust its Actual Total Company Power Costs in  
3 the following manner:

4           4.1     WAPA: ICNU has proposed an adjustment to the Company's wheeling  
5 contracts with Western Area Power Administration (WAPA). The Parties agree that the  
6 WAPA contract issue should be decided by the Commission. PacifiCorp will make any  
7 necessary adjustment to its Actual Total Company Power Costs to be consistent with the  
8 Commission decision on this issue.

9           4.2     One-Time Wyodak Contract Payment: The level of expense included in  
10 Adjusted Actual Total Company Power Costs related to the one-time \$7.3 million  
11 payment required by the new Wyodak coal contract executed on April 3, 2001 will be  
12 based on the Company's proposed ratemaking treatment of the payment. Each month the  
13 Company will include in its calculation of Adjusted Actual Total Company Power Costs  
14 an amount equal to one month of the amortization of the payment over the life of the  
15 contract, which expires December 31, 2022.

16           4.3     SMUD: ICNU has proposed an adjustment to the SMUD contract. Staff  
17 and the Company have previously entered into a stipulation regarding this issue. The  
18 Parties agree that the SMUD contract issue should be decided by the Commission.  
19 PacifiCorp will make any adjustment to its Actual Total Company Power Costs to be  
20 consistent with the Commission decision on the issue.

21           4.4     Other Adjustments: By agreeing to this Stipulation, the Parties agree that  
22 the other power cost adjustments raised by the Parties in this docket (and listed in  
23 Attachment 1) are resolved ~~through May 31, 2002 for the Bridge Period~~. The  
24 adjustments listed in Attachment 1 shall not be raised by the Parties to the Stipulation as  
25 issues in any prudence challenge addressed in Section 11 (except as otherwise provided  
26 in Section 11) or otherwise raised as a challenge to the Company's power costs from

1 ~~September 10, 2001 through May 31, 2002~~ during the Bridge Period. These adjustments  
2 may be raised in PacifiCorp's Power Cost Filing or other proceeding to establish net  
3 power costs beyond May 31, 2002.

4 5. Special Retail Contracts: Revenues associated with special contracts that expire  
5 during the Bridge Period will be adjusted in the manner described in this Section. For all special  
6 contracts that reach their current expiration date during the Bridge Period, revenues will be  
7 adjusted by an amount equal to 92.9% of the difference between (i) the revenues included in the  
8 Company's filing in this docket for such contracts (at the Total Company level) and (ii)  
9 "assumed revenues" for the "new" contracts (this difference is referred to in Section 1 as  
10 "Change in Special Contract Revenues"). Assumed revenues for non-Idaho contracts will be  
11 based on the tariff price that would be applicable to the special contract customer in the absence  
12 of a special contract. Assumed revenues for Idaho contracts will be the current rate paid by the  
13 Idaho customer currently on a contract reflecting cost of service, as shown in Attachment 3  
14 ("Treatment of Expiring Retail Special Contracts"). Attachment 3 also shows how assumed  
15 revenues for non-Idaho contracts will be calculated. New special contracts with customers not  
16 currently served under special contract will be treated and allocated on a situs basis for purposes  
17 of this Stipulation, resulting in no net impact to Adjusted Actual Total Company Power Costs.

18 6. Auditing: The Company agrees to fund an outside audit of actual power costs at  
19 the end of the Bridge Period. The Parties to this Stipulation will choose an independent auditor,  
20 which will be retained by the Company. To be "independent," the auditor must not have been  
21 hired by, consulted with, or worked for any of the Parties in any of the Company's jurisdictions  
22 in any of the last five years. The purpose of the audit is to review the monthly actual power costs  
23 and Adjusted Actual Total Company Power Costs for proper accounting treatment, appropriate  
24 inclusion of costs in the Bridge Period, actual loads, and identification of irregularities (i.e.  
25 gaming) relating to Company power purchases and plant operations (including maintenance and  
26 availability), but will not include a review for the purpose of assessing prudence. The amount

1 paid by the Company to the auditor for the costs of the audit (“Auditing Costs”) will be included  
2 at 100% in the Allowed Power Cost Recovery under this Stipulation. The audit will cover the  
3 entire Bridge Period up to the effective date for new rates pursuant to a Commission decision in  
4 the Power Cost Filing case. The Parties agree that the audit must be completed within 6 months  
5 from the end of the Bridge Period.

6 7. Reset Baseline: The Initial Baseline will be reviewed after 3 months of operation  
7 pursuant to a Company filing on or before December 1, 2001, for a potential rate adjustment  
8 effective on January 1, 2002. The Parties’ intention is that the Initial Baseline will result in no  
9 undercollections or overcollections of Allowed Power Cost Recovery during the Bridge Period.  
10 If the Initial Baseline is projected to result in an undercollection or overcollection of Allowed  
11 Power Cost Recovery of greater than \$60 million on a Total Company basis during the Bridge  
12 Period, the Initial Baseline will be reset effective as of January 1, 2002 (the “Reset Baseline”).  
13 The objective of the reset will be to produce a cumulative deferred balance for the period from  
14 January 1, 2002 through the end of the Bridge Period of zero dollars (\$0). The monthly  
15 distribution for the Reset Baseline will be calculated in the same manner as for the Initial  
16 Baseline, as shown on Attachment 2.

17 In any filing to establish a Reset Baseline, the Parties will have an opportunity to review  
18 and comment on the filing and may request a hearing on the Reset Baseline if appropriate. With  
19 respect to any filing to establish a Reset Baseline, the Parties waive whatever rights they may  
20 have to (i) introduce issues outside of those related to establishing a Reset Baseline in  
21 accordance with this Stipulation, (ii) request an earnings review or (iii) otherwise convert the  
22 proceeding to a broader investigation of PacifiCorp’s costs, revenues or rates.

23 8. Jurisdictional Allocation: Oregon’s monthly percentage allocation of the  
24 Adjusted Actual Total Company Power Costs will be calculated as follows: Oregon Monthly  
25 Percentage = (Oregon Actual Energy Loads – Oregon Existing System Allocated Special  
26 Contract Loads)/(Total Company Actual Energy Loads – Total Company Existing System



1 Allocated Special Contract Loads). This allocation method is reflected in Attachment 2. Loads  
2 for expiring system allocated special contracts will continue to be deemed system allocated  
3 special contract loads for purposes of this jurisdictional allocation calculation.

4 9. Deferrals and Amortizations: Undercollections and overcollections of the  
5 Allowed Power Cost Recovery will be deferred on a monthly basis with carrying charges and  
6 will be amortized in rates as soon as practicable following the end of the Bridge Period based on  
7 the method adopted by the Commission pursuant to the procedures specified in Section 10. The  
8 Parties agree that any amortization of deferred overcollections under this Stipulation will be  
9 returned to ratepayers in accordance with ORS 757.259 and will not be used to increase the  
10 amount of permissible amortizations (three percent or up to six percent of gross revenues, as the  
11 case may be) recoverable by PacifiCorp under any other deferred accounting authorization. Any  
12 amortization of deferred undercollections under this Stipulation will be collected from ratepayers  
13 in accordance with ORS 757.259.

14 10. Rate Spread: The rate spread for the Initial Baseline will be according to the rate  
15 spread formula for the Company's revenue requirement adopted by the Commission's decision  
16 in UE 116. By October 15, 2001, the Parties will submit recommendation(s), individually or  
17 jointly, on how to spread the difference between the Reset Baseline and the Initial Baseline and  
18 any amortization of deferred undercollections or overcollections under this Stipulation.

19 11. Prudence Issues: The Parties agree to the following terms regarding prudence  
20 issues that might arise under this Stipulation:

21 11.1. For purposes of establishing PacifiCorp's Allowed Power Cost Recovery,  
22 no Party to this Stipulation will challenge the prudence of any transactions that were  
23 reviewed in this docket (UE 116) and the prudence issues raised by Staff, CUB and  
24 ICNU (listed in Attachment 1) will not be the basis of a prudence challenge raised by any  
25 of the Parties to the Company's net power costs incurred from September 10, 2001  
26 through May 31, 2002 during the Bridge Period. The Parties agree to limit their right to

1 challenge the prudence of Company transactions related to power costs incurred from  
2 September 10, 2001 through May 31, 2002~~during the Bridge Period~~ to: (i) replacement  
3 power purchases for major generating unit outages; and (ii) contracts for a term longer  
4 than 30 days that were not included in the testimony, exhibits or workpapers in Docket  
5 UE 116.

6 11.2. The Company's percentage recovery ~~during the Bridge Period from~~  
7 September 10, 2001 through May 31, 2002 of replacement power costs associated with  
8 major generating unit outages in which the Company is not found to be imprudent will be  
9 the same as the percentage recovery of Adjusted Actual Total Company Power Costs  
10 (83%). If the Company is found to be imprudent at any percentage in a major generating  
11 unit outage, recovery of replacement power costs will be at the percentage of actual  
12 replacement costs equal to the percentage of the Company's costs found to be prudent  
13 multiplied by 83%. For purposes of this Subsection, "major generating unit outage"  
14 refers to any unscheduled outage of greater than 100 MW that exceeds 30 days.

15 11.3. The Parties agree that the scope of permissible challenges to prudence of  
16 Company transactions identified in this Section 11 will be limited to challenges to the  
17 price, timing and need for the transactions. Any challenge to prudence related to price  
18 will be limited to challenges to the actual price of the transaction compared with similar  
19 transactions otherwise available at the time. Any challenge to prudence related to timing  
20 strategy will be limited to challenges to the actual timing of entering into the transaction  
21 based on information the Company knew or reasonably should have known at the time of  
22 entering into the transaction. Any challenges to prudence related to need will be limited  
23 to challenges to whether the Company bought the wrong product or bought a product at a  
24 delivery point where it could not use it, and will not include challenging whether the  
25 Company bought the power to serve wholesale sales contracts already in existence prior  
26 to June 1, 2001 instead of retail load.

1           11.4. The Parties agree that any limitation in this Stipulation to a Party's right to  
2 challenge the prudence of a Company transaction will not apply to any transaction or  
3 decision to the extent its effects occur beyond ~~the Bridge Period~~ May 31, 2002.

4           11.5. The Parties agree that nothing in this Stipulation impacts the Parties'  
5 ability to challenge the prudence of the transactions involved in docket UM 995 or any  
6 other docket that might occur outside of this Stipulation. The Parties also agree that if  
7 there is an imprudence finding in the UM 995 proceedings, any associated imprudence  
8 disallowance related to costs included in UM 995 deferrals should be wholly contained  
9 within that docket and related disallowances that otherwise may have had an impact on  
10 costs included ~~in the Bridge Period from September 10, 2001 through May 31, 2002~~ are  
11 subsumed into the 17% disallowance applicable to Adjusted Actual Total Company  
12 Power Costs in this Stipulation, that no additional imprudence disallowance is required  
13 ~~from September 10, 2001 through May 31, 2002 during the Bridge Period~~, and that no  
14 Party will argue otherwise in any proceeding before the Commission.

15           12. End of Bridge Period: The Parties anticipate that the Commission will issue an  
16 Order on PacifiCorp's Power Cost Filing, and the Bridge Period will end, by ~~May 31, 2002~~ June  
17 30, 2002. ~~If the Commission does not issue such an Order by May 31, 2002, the terms of this~~  
18 ~~Stipulation, including terms regarding the Allowed Power Cost Recovery, deferral of~~  
19 ~~undercollections and overcollections, amortization of deferrals and audit, will continue until the~~  
20 ~~effective date of such Order; provided, however, that the~~ After May 31, 2002, the terms of this  
21 Stipulation shall continue subject to the modifications contained in Paragraph 19. In any event,  
22 ~~¶~~ the limitation on prudence challenges contained in Section 11 will expire on the earlier of  
23 May 31, 2002 or the effective date of the Commission's Order on PacifiCorp's Power Cost  
24 Filing.

25           13. Impact of Stipulation on Deferred Accounting/PCA: The Initial Baseline from  
26 this Stipulation will replace the net power cost component of UE 116 and be effective from the

1 effective date of the UE 116 Order. The Parties agree to support PacifiCorp's application for  
 2 deferred accounting to accumulate and defer undercollections and overcollections during the  
 3 Bridge Period, and the Parties agree to support the amortization of amounts deferred pursuant to  
 4 this Stipulation, to the extent such amortizations do not exceed the limits of ORS § 757.259. If  
 5 the Commission's UE 116 Order is not effective on the first day of a month then deferrals under  
 6 UM 995 and rates under this Stipulation will be prorated for that month based on the effective  
 7 date of the Order. Upon adoption of this Stipulation by the Commission, PacifiCorp will move  
 8 to dismiss the power cost adjustment (PCA) phase of UE 116 (Phase IV). The Parties agree to  
 9 support PacifiCorp's motion to dismiss Phase IV of UE 116.

10 14. PacifiCorp's Power Cost Filing: PacifiCorp is currently in the early stages of  
 11 developing a new power cost model. The Company will hold workshops concerning the  
 12 development of the new power cost model commencing in September 2001 and make test  
 13 versions and input data to the model available to the Parties upon request. By no later than the  
 14 end of November 2001, the Company will file PacifiCorp's Power Cost Filing requesting that the  
 15 Commission establish new net power costs and rates based upon the new power cost model  
 16 (whether or not the Parties have reached an agreement on the new model). Assuming PacifiCorp  
 17 makes the PacifiCorp Power Cost Filing by December 31, 2001~~November 30, 2001~~, the Parties  
 18 will support a schedule that will result in a Commission order by June 30, 2002~~May 31, 2002~~.  
 19 The test period for PacifiCorp Power Cost Filing will be the twelve months ending June 30,  
 20 2003~~May 31, 2003~~. Parties can refile PCA proposals in this new power cost docket; *provided,*  
 21 *however,* that non-filing Parties do not agree by this provision that a PCA is appropriate or waive  
 22 their rights to contest any PCA proposal or its terms or conditions. ~~Assuming the PacifiCorp~~  
 23 ~~Power Cost Filing is not made until November 30, 2001, the Parties agree that intervenor and~~  
 24 ~~Staff testimony will not be due prior to January 22, 2002. PacifiCorp must file its Power Cost~~  
 25 ~~Filing by no later than December 31, 2001. The Parties agree that Intervenor and Staff testimony~~  
 26 ~~will not be due prior to March 15, 2002.~~ Other than the filings discussed in this Section, filings

1 regarding the deferral or amortization of undercollections or overcollections under this  
2 Stipulation and any filing under ORS 757.259(6) to increase the amortization of the Company's  
3 deferred accounts from 3 percent to up to 6 percent, PacifiCorp will make no additional filings  
4 related to net power costs that would be effective during the Bridge Period. A Party's ability to  
5 raise other issues in PacifiCorp's Power Cost Filing or to initiate additional proceedings related  
6 to issues other than net power costs is unaffected by this Stipulation.

7 15. Request for Expedited Decision: The Parties recommend that the Commission  
8 approve a revenue requirement in this docket incorporating the terms of this Stipulation and issue  
9 its Order on an expedited basis.

10 16. Statements Not Admissible in Evidence: The Parties agree that this Stipulation  
11 represents a compromise in the positions of the Parties. As such, conduct, statements and  
12 documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in  
13 this or any other proceeding.

14 17. Other Matters:

15 17.1 This Stipulation will be offered into the record of this proceeding as  
16 evidence pursuant to OAR 860-14-0085. The Parties agree to support this Stipulation  
17 throughout this proceeding, including any appeal and during the Bridge Period, provide  
18 witnesses to sponsor this Stipulation at any hearing and recommend that the Commission  
19 issue an order adopting the settlements contained herein.

20 17.2. If this Stipulation is challenged by any other party to this proceeding, the  
21 Parties to this Stipulation reserve the right to cross-examine witnesses and put on such  
22 case as they deem appropriate to respond fully to the issues presented, including the right  
23 to raise issues that are incorporated in the settlements embodied in this Stipulation.  
24 Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they  
25 will continue to support the Commission's adoption of the terms of this Stipulation.  
26

1           17.3 The Parties have negotiated this Stipulation as an integrated document. If  
2 the Commission rejects all or any material portion of this Stipulation or imposes  
3 additional material conditions in approving this Stipulation, any Party disadvantaged by  
4 such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to  
5 seek reconsideration or appeal of the Commission's Order.

6           17.4 By entering into this Stipulation, no Party shall be deemed to have  
7 approved, admitted or consented to the facts, principles, methods or theories employed by  
8 any other Party in arriving at the terms of this Stipulation. No Party shall be deemed to  
9 have agreed that any provision of this Stipulation is appropriate for resolving issues in  
10 any other proceeding.

11           17.5 This Stipulation may be executed in counterparts and each signed  
12 counterpart shall constitute an original document.

13           18. Upon Commission determination that any party has failed to adhere to the terms  
14 of this Amended Stipulation, any non-defaulting party upon written notice may withdraw from  
15 this Amended Stipulation and shall no longer be bound by this Amended Stipulation or the  
16 August 23, 2001 Stipulation.

17           19. From May 31, 2002, until the effective date of new rates established under the  
18 Commission's order in the Power Cost Filing case, the deferral amount will be calculated per  
19 Attachment 2 of the August 23, 2001 Stipulation, except that after May 31, 2002, the Allowed  
20 Power Cost Recovery, line 14, shall equal the lesser of: i) the power costs determined pursuant to  
21 the formula in paragraph 1 of Section II of the Stipulation or ii) the new normalized annual  
22 power costs resulting from the Commission's decision in the Power Cost Filing case. In option  
23 ii), power costs shall be obtained by multiplying (a) the normalized annual average power cost  
24 per kWh established by the Commission pursuant to the Power Cost Filing by (b) the actual kWh  
25 sales for the period beginning June 1, 2002 and ending when new rates established under the  
26 Commission's order in the Power Cost Filing case go into effect.

1 This Stipulation is entered into by each Party on the date entered below such Party's  
2 signature.

3  
4 PACIFICORP

STAFF OF THE PUBLIC  
UTILITY COMMISSION OF OREGON

5  
6 By: \_\_\_\_\_  
7 Date: \_\_\_\_\_

By: \_\_\_\_\_  
Date: \_\_\_\_\_

8  
9 INDUSTRIAL CUSTOMERS OF  
10 NORTHWEST UTILITIES

CITIZENS' UTILITY BOARD

11  
12 By: \_\_\_\_\_  
13 Date: \_\_\_\_\_

By: \_\_\_\_\_  
Date: \_\_\_\_\_

**BEFORE THE PUBLIC UTILITY COMMISSION OF OREGON**

**UE 116**

In the Matter of PacifiCorp’s Proposal to Restructure and Reprice its Services In Accordance with the Provisions of SB1149

**AMENDED STIPULATION REGARDING NET POWER COSTS**

This Stipulation is entered into to resolve issues regarding PacifiCorp’s requested net power costs in this docket.

**PARTIES**

The parties to this Stipulation are PacifiCorp (“PacifiCorp” or “Company”), the Staff of the Public Utility Commission of Oregon (“Staff”), the Industrial Customers of Northwest Utilities (“ICNU”) and the Citizens’ Utility Board (“CUB”) (together the “Parties”).

**BACKGROUND**

A. On November 1, 2000, PacifiCorp filed revised tariff schedules to effect a \$160.6 million increase in its base prices to Oregon electric customers. Following the evidentiary hearings and post-hearing briefing, the Parties entered into settlement discussions to determine whether they could resolve outstanding issues regarding PacifiCorp’s net power costs.

B. As a result of the settlement conferences, the Parties have arrived at an agreement that will provide a bridge from the Parties’ current disagreement over PacifiCorp’s net power cost model (PD-Mac) and its net power costs in this docket to PacifiCorp’s net power costs as determined by a new hourly power cost model currently in development. The Parties submit this Stipulation to the Public Utility Commission of Oregon (“OPUC” or “Commission”) and request that the Commission admit this settlement into the record of this docket and approve the settlement as presented on an expedited basis.



**AGREEMENT**

The Parties agree as follows:

**I. General**

Under the terms of this Stipulation, PacifiCorp's power cost recovery during the Bridge Period (defined below) will be based on a stipulated percentage of actual, not normalized, power costs after actual costs are adjusted in the manner described below (see "Adjusted Actual Total Company Power Costs"). The Parties agree in this Stipulation to an initial baseline net power cost for the purpose of setting rates in this docket. The baseline is a negotiated number for settlement purposes. Differences between the initial baseline net power cost and the stipulated percentage of Adjusted Actual Total Company Power Costs will be deferred for later amortization pursuant to ORS 757.259. In December 2001 of the Bridge Period, the Parties will reevaluate the initial baseline net power cost and, if the initial baseline amount is expected to depart significantly from the stipulated percentage of adjusted actual power costs (i.e., a difference of more than \$60 million on a Total Company basis from the Allowed Power Cost Recovery provided for in this Stipulation), the baseline amount will be revised for the remainder of the Bridge Period.

PacifiCorp will engage in the process of developing a new power cost model in collaboration with interested parties during the months of September, October and November 2001. As part of this process it will provide the model, or test versions of the model, and inputs to the Parties. PacifiCorp will file a net power cost case ("Power Cost Filing"), which shall consist of an application, prefiled supporting testimony, the new hourly power cost model, output results and supporting workpapers. PacifiCorp shall file its Power Cost Filing by no later than December 31, 2001, and the Parties will support a schedule that will likely result in a Commission order on the new net power costs and the resulting new rates by June 30, 2002. This schedule will fairly allocate time between PacifiCorp and the other parties. PacifiCorp will serve the parties with the Power Cost Filing, output results and supporting workpapers by

1 overnight delivery. PacifiCorp will provide the new hourly power cost model to ICNU and CUB  
 2 on a computer with the model loaded and ready to run no later than when it makes its Power  
 3 Cost Filing. PacifiCorp will load a copy of the new hourly power cost model, including copies  
 4 of the inputs, on a computer that will be loaned to Staff for the duration of the Power Cost Filing  
 5 docket no later than when it makes its Power Cost Filing.

6 The terms of this Stipulation will remain in place from the effective date of the  
 7 Commission's Order establishing rates in this docket until issuance of a Commission Order on  
 8 PacifiCorp's Power Cost Filing (the "Bridge Period"). If the Commission does not issue an  
 9 Order in PacifiCorp's Power Cost Filing by June 30, 2002, the terms of this Stipulation, except  
 10 for the limitations on prudence challenges provided in Section 11, will continue until the  
 11 effective date of the Commission's Order.

12 As a result of this Stipulation, the Parties agree that the issues identified in Attachment 1  
 13 ("Issues Resolved by Stipulation") are resolved for purposes of this docket and from  
 14 September 10, 2001 (the effective date of the Commission's Order in UE 116) until May 31,  
 15 2002. The issues in Attachment 1 are resolved for settlement purposes only and do not bind any  
 16 Party in the future. Parties are free to adopt any position on any power cost issue with regard to  
 17 power costs after May 31, 2002.

## 18 **II. Specific Components of the Agreement**

19 1. Allowed Power Cost Recovery: PacifiCorp's power cost recovery during the  
 20 Bridge Period (the "Allowed Power Cost Recovery") will be calculated as follows: Allowed  
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23 2. Initial Baseline: The baseline annual net power costs will initially be set at \$595  
 24 million on a Total Company basis (the "Initial Baseline"). The Initial Baseline will be used to  
 25 establish net power costs in this docket. The \$595 million represents a compromise number for  
 26 purposes of this Stipulation and does not reflect a normalized net power cost. The monthly

1 distribution of the Initial Baseline is shown on line 1 of Attachment 2 (“Stipulated Initial  
2 Baseline and Monthly Loads and Example of Deferral Calculation”). The Company will defer  
3 the positive or negative difference between the Allowed Power Cost Recovery (as illustrated in  
4 Attachment 2, line 14) and the Initial Baseline-Oregon Allocated (as illustrated in Attachment 2,  
5 line 5) on a monthly basis.

6 3. Actual Total Company Power Costs: PacifiCorp will calculate its actual Total  
7 Company net power costs in a manner consistent with the way it calculates net power costs in  
8 rate case filings, which is generally the sum of Purchased Power Expenses (FERC Account 555),  
9 Wheeling Expenses (FERC Account 565), Fuel Expenses (FERC Account 501), Other Fuel  
10 Expenses (FERC Account 503), and Other Production Fuel Expenses (FERC Account 547),  
11 reduced by Wholesale Sales Revenue (FERC Account 447). This amount will then be adjusted  
12 by (i) removing BPA Residential Exchange and power transactions settled by exchanging energy  
13 rather than cash and (ii) adding payments to retail customers under demand side curtailment  
14 contracts for curtailing load. The result of this calculation is the Company’s “Actual Total  
15 Company Power Costs.”

16 4. Adjusted Actual Total Company Power Costs: To calculate its Adjusted Actual  
17 Total Company Power Costs, PacifiCorp will adjust its Actual Total Company Power Costs in  
18 the following manner:

19 4.1 WAPA: ICNU has proposed an adjustment to the Company’s wheeling  
20 contracts with Western Area Power Administration (WAPA). The Parties agree that the  
21 WAPA contract issue should be decided by the Commission. PacifiCorp will make any  
22 necessary adjustment to its Actual Total Company Power Costs to be consistent with the  
23 Commission decision on this issue.

24 4.2 One-Time Wyodak Contract Payment: The level of expense included in  
25 Adjusted Actual Total Company Power Costs related to the one-time \$7.3 million  
26 payment required by the new Wyodak coal contract executed on April 3, 2001 will be

1 based on the Company's proposed ratemaking treatment of the payment. Each month the  
2 Company will include in its calculation of Adjusted Actual Total Company Power Costs  
3 an amount equal to one month of the amortization of the payment over the life of the  
4 contract, which expires December 31, 2022.

5 4.3 SMUD: ICNU has proposed an adjustment to the SMUD contract. Staff  
6 and the Company have previously entered into a stipulation regarding this issue. The  
7 Parties agree that the SMUD contract issue should be decided by the Commission.  
8 PacifiCorp will make any adjustment to its Actual Total Company Power Costs to be  
9 consistent with the Commission decision on the issue.

10 4.4 Other Adjustments: By agreeing to this Stipulation, the Parties agree that  
11 the other power cost adjustments raised by the Parties in this docket (and listed in  
12 Attachment 1) are resolved through May 31, 2002. The adjustments listed in  
13 Attachment 1 shall not be raised by the Parties to the Stipulation as issues in any  
14 prudence challenge addressed in Section 11 (except as otherwise provided in Section 11)  
15 or otherwise raised as a challenge to the Company's power costs from September 10,  
16 2001 through May 31, 2002. These adjustments may be raised in PacifiCorp's Power  
17 Cost Filing or other proceeding to establish net power costs beyond May 31, 2002.

18 5. Special Retail Contracts: Revenues associated with special contracts that expire  
19 during the Bridge Period will be adjusted in the manner described in this Section. For all special  
20 contracts that reach their current expiration date during the Bridge Period, revenues will be  
21 adjusted by an amount equal to 92.9% of the difference between (i) the revenues included in the  
22 Company's filing in this docket for such contracts (at the Total Company level) and (ii)  
23 "assumed revenues" for the "new" contracts (this difference is referred to in Section 1 as  
24 "Change in Special Contract Revenues"). Assumed revenues for non-Idaho contracts will be  
25 based on the tariff price that would be applicable to the special contract customer in the absence  
26 of a special contract. Assumed revenues for Idaho contracts will be the current rate paid by the

1 Idaho customer currently on a contract reflecting cost of service, as shown in Attachment 3  
2 (“Treatment of Expiring Retail Special Contracts”). Attachment 3 also shows how assumed  
3 revenues for non-Idaho contracts will be calculated. New special contracts with customers not  
4 currently served under special contract will be treated and allocated on a situs basis for purposes  
5 of this Stipulation, resulting in no net impact to Adjusted Actual Total Company Power Costs.

6 6. Auditing: The Company agrees to fund an outside audit of actual power costs at  
7 the end of the Bridge Period. The Parties to this Stipulation will choose an independent auditor,  
8 which will be retained by the Company. To be “independent,” the auditor must not have been  
9 hired by, consulted with, or worked for any of the Parties in any of the Company’s jurisdictions  
10 in any of the last five years. The purpose of the audit is to review the monthly actual power costs  
11 and Adjusted Actual Total Company Power Costs for proper accounting treatment, appropriate  
12 inclusion of costs in the Bridge Period, actual loads, and identification of irregularities (i.e.  
13 gaming) relating to Company power purchases and plant operations (including maintenance and  
14 availability), but will not include a review for the purpose of assessing prudence. The amount  
15 paid by the Company to the auditor for the costs of the audit (“Auditing Costs”) will be included  
16 at 100% in the Allowed Power Cost Recovery under this Stipulation. The audit will cover the  
17 entire Bridge Period up to the effective date for new rates pursuant to a Commission decision in  
18 the Power Cost Filing case. The Parties agree that the audit must be completed within 6 months  
19 from the end of the Bridge Period.

20 7. Reset Baseline: The Initial Baseline will be reviewed after 3 months of operation  
21 pursuant to a Company filing on or before December 1, 2001, for a potential rate adjustment  
22 effective on January 1, 2002. The Parties’ intention is that the Initial Baseline will result in no  
23 undercollections or overcollections of Allowed Power Cost Recovery during the Bridge Period.  
24 If the Initial Baseline is projected to result in an undercollection or overcollection of Allowed  
25 Power Cost Recovery of greater than \$60 million on a Total Company basis during the Bridge  
26 Period, the Initial Baseline will be reset effective as of January 1, 2002 (the “Reset Baseline”).

1 The objective of the reset will be to produce a cumulative deferred balance for the period from  
2 January 1, 2002 through the end of the Bridge Period of zero dollars (\$0). The monthly  
3 distribution for the Reset Baseline will be calculated in the same manner as for the Initial  
4 Baseline, as shown on Attachment 2.

5 In any filing to establish a Reset Baseline, the Parties will have an opportunity to review  
6 and comment on the filing and may request a hearing on the Reset Baseline if appropriate. With  
7 respect to any filing to establish a Reset Baseline, the Parties waive whatever rights they may  
8 have to (i) introduce issues outside of those related to establishing a Reset Baseline in  
9 accordance with this Stipulation, (ii) request an earnings review or (iii) otherwise convert the  
10 proceeding to a broader investigation of PacifiCorp's costs, revenues or rates.

11 8. Jurisdictional Allocation: Oregon's monthly percentage allocation of the  
12 Adjusted Actual Total Company Power Costs will be calculated as follows: Oregon Monthly  
13 Percentage = (Oregon Actual Energy Loads – Oregon Existing System Allocated Special  
14 Contract Loads)/(Total Company Actual Energy Loads – Total Company Existing System  
15 Allocated Special Contract Loads). This allocation method is reflected in Attachment 2. Loads  
16 for expiring system allocated special contracts will continue to be deemed system allocated  
17 special contract loads for purposes of this jurisdictional allocation calculation.

18 9. Deferrals and Amortizations: Undercollections and overcollections of the  
19 Allowed Power Cost Recovery will be deferred on a monthly basis with carrying charges and  
20 will be amortized in rates as soon as practicable following the end of the Bridge Period based on  
21 the method adopted by the Commission pursuant to the procedures specified in Section 10. The  
22 Parties agree that any amortization of deferred overcollections under this Stipulation will be  
23 returned to ratepayers in accordance with ORS 757.259 and will not be used to increase the  
24 amount of permissible amortizations (three percent or up to six percent of gross revenues, as the  
25 case may be) recoverable by PacifiCorp under any other deferred accounting authorization. Any  
26

1 amortization of deferred undercollections under this Stipulation will be collected from ratepayers  
2 in accordance with ORS 757.259.

3 10. Rate Spread: The rate spread for the Initial Baseline will be according to the rate  
4 spread formula for the Company's revenue requirement adopted by the Commission's decision  
5 in UE 116. By October 15, 2001, the Parties will submit recommendation(s), individually or  
6 jointly, on how to spread the difference between the Reset Baseline and the Initial Baseline and  
7 any amortization of deferred undercollections or overcollections under this Stipulation.

8 11. Prudence Issues: The Parties agree to the following terms regarding prudence  
9 issues that might arise under this Stipulation:

10 11.1. For purposes of establishing PacifiCorp's Allowed Power Cost Recovery,  
11 no Party to this Stipulation will challenge the prudence of any transactions that were  
12 reviewed in this docket (UE 116) and the prudence issues raised by Staff, CUB and  
13 ICNU (listed in Attachment 1) will not be the basis of a prudence challenge raised by any  
14 of the Parties to the Company's net power costs incurred from September 10, 2001  
15 through May 31, 2002. The Parties agree to limit their right to challenge the prudence of  
16 Company transactions related to power costs incurred from September 10, 2001 through  
17 May 31, 2002 to: (i) replacement power purchases for major generating unit outages; and  
18 (ii) contracts for a term longer than 30 days that were not included in the testimony,  
19 exhibits or workpapers in Docket UE 116.

20 11.2. The Company's percentage recovery from September 10, 2001 through  
21 May 31, 2002 of replacement power costs associated with major generating unit outages  
22 in which the Company is not found to be imprudent will be the same as the percentage  
23 recovery of Adjusted Actual Total Company Power Costs (83%). If the Company is  
24 found to be imprudent at any percentage in a major generating unit outage, recovery of  
25 replacement power costs will be at the percentage of actual replacement costs equal to the  
26 percentage of the Company's costs found to be prudent multiplied by 83%. For purposes

1 of this Subsection, “major generating unit outage” refers to any unscheduled outage of  
2 greater than 100 MW that exceeds 30 days.

3 11.3. The Parties agree that the scope of permissible challenges to prudence of  
4 Company transactions identified in this Section 11 will be limited to challenges to the  
5 price, timing and need for the transactions. Any challenge to prudence related to price  
6 will be limited to challenges to the actual price of the transaction compared with similar  
7 transactions otherwise available at the time. Any challenge to prudence related to timing  
8 strategy will be limited to challenges to the actual timing of entering into the transaction  
9 based on information the Company knew or reasonably should have known at the time of  
10 entering into the transaction. Any challenges to prudence related to need will be limited  
11 to challenges to whether the Company bought the wrong product or bought a product at a  
12 delivery point where it could not use it, and will not include challenging whether the  
13 Company bought the power to serve wholesale sales contracts already in existence prior  
14 to June 1, 2001 instead of retail load.

15 11.4. The Parties agree that any limitation in this Stipulation to a Party’s right to  
16 challenge the prudence of a Company transaction will not apply to any transaction or  
17 decision to the extent its effects occur beyond May 31, 2002.

18 11.5. The Parties agree that nothing in this Stipulation impacts the Parties’  
19 ability to challenge the prudence of the transactions involved in docket UM 995 or any  
20 other docket that might occur outside of this Stipulation. The Parties also agree that if  
21 there is an imprudence finding in the UM 995 proceedings, any associated imprudence  
22 disallowance related to costs included in UM 995 deferrals should be wholly contained  
23 within that docket and related disallowances that otherwise may have had an impact on  
24 costs included from September 10, 2001 through May 31, 2002 are subsumed into the  
25 17% disallowance applicable to Adjusted Actual Total Company Power Costs in this  
26 Stipulation, that no additional imprudence disallowance is required from September 10,



1 2001 through May 31, 2002, and that no Party will argue otherwise in any proceeding  
2 before the Commission.

3 12. End of Bridge Period: The Parties anticipate that the Commission will issue an  
4 Order on PacifiCorp's Power Cost Filing, and the Bridge Period will end, by June 30, 2002.  
5 After May 31, 2002, the terms of this Stipulation shall continue subject to the modifications  
6 contained in Paragraph 18. In any event, the limitation on prudence challenges contained in  
7 Section 11 will expire on the earlier of May 31, 2002 or the effective date of the Commission's  
8 Order on PacifiCorp's Power Cost Filing.

9 13. Impact of Stipulation on Deferred Accounting/PCA: The Initial Baseline from  
10 this Stipulation will replace the net power cost component of UE 116 and be effective from the  
11 effective date of the UE 116 Order. The Parties agree to support PacifiCorp's application for  
12 deferred accounting to accumulate and defer undercollections and overcollections during the  
13 Bridge Period, and the Parties agree to support the amortization of amounts deferred pursuant to  
14 this Stipulation, to the extent such amortizations do not exceed the limits of ORS § 757.259. If  
15 the Commission's UE 116 Order is not effective on the first day of a month then deferrals under  
16 UM 995 and rates under this Stipulation will be prorated for that month based on the effective  
17 date of the Order. Upon adoption of this Stipulation by the Commission, PacifiCorp will move  
18 to dismiss the power cost adjustment (PCA) phase of UE 116 (Phase IV). The Parties agree to  
19 support PacifiCorp's motion to dismiss Phase IV of UE 116.

20 14. PacifiCorp's Power Cost Filing: PacifiCorp is currently in the early stages of  
21 developing a new power cost model. The Company will hold workshops concerning the  
22 development of the new power cost model commencing in September 2001 and make test  
23 versions and input data to the model available to the Parties upon request. By no later than the  
24 end of November 2001, the Company will file PacifiCorp's Power Cost Filing requesting that the  
25 Commission establish new net power costs and rates based upon the new power cost model  
26 (whether or not the Parties have reached an agreement on the new model). Assuming PacifiCorp

1 makes the PacifiCorp Power Cost Filing by December 31, 2001, the Parties will support a  
2 schedule that will result in a Commission order by June 30, 2002. The test period for PacifiCorp  
3 Power Cost Filing will be the twelve months ending June 30, 2003. Parties can refile PCA  
4 proposals in this new power cost docket; *provided, however*, that non-filing Parties do not agree  
5 by this provision that a PCA is appropriate or waive their rights to contest any PCA proposal or  
6 its terms or conditions. PacifiCorp must file its Power Cost Filing by no later than December 31,  
7 2001. The Parties agree that Intervenor and Staff testimony will not be due prior to March 15,  
8 2002. Other than the filings discussed in this Section, filings regarding the deferral or  
9 amortization of undercollections or overcollections under this Stipulation and any filing under  
10 ORS 757.259(6) to increase the amortization of the Company's deferred accounts from 3 percent  
11 to up to 6 percent, PacifiCorp will make no additional filings related to net power costs that  
12 would be effective during the Bridge Period. A Party's ability to raise other issues in  
13 PacifiCorp's Power Cost Filing or to initiate additional proceedings related to issues other than  
14 net power costs is unaffected by this Stipulation.

15       15.     Request for Expedited Decision: The Parties recommend that the Commission  
16 approve a revenue requirement in this docket incorporating the terms of this Stipulation and issue  
17 its Order on an expedited basis.

18       16.     Statements Not Admissible in Evidence: The Parties agree that this Stipulation  
19 represents a compromise in the positions of the Parties. As such, conduct, statements and  
20 documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in  
21 this or any other proceeding.

22       17.     Other Matters:

23             17.1    This Stipulation will be offered into the record of this proceeding as  
24 evidence pursuant to OAR 860-14-0085. The Parties agree to support this Stipulation  
25 throughout this proceeding, including any appeal and during the Bridge Period, provide  
26

1 witnesses to sponsor this Stipulation at any hearing and recommend that the Commission  
2 issue an order adopting the settlements contained herein.

3 17.2. If this Stipulation is challenged by any other party to this proceeding, the  
4 Parties to this Stipulation reserve the right to cross-examine witnesses and put on such  
5 case as they deem appropriate to respond fully to the issues presented, including the right  
6 to raise issues that are incorporated in the settlements embodied in this Stipulation.  
7 Notwithstanding this reservation of rights, the Parties to this Stipulation agree that they  
8 will continue to support the Commission's adoption of the terms of this Stipulation.

9 17.3 The Parties have negotiated this Stipulation as an integrated document. If  
10 the Commission rejects all or any material portion of this Stipulation or imposes  
11 additional material conditions in approving this Stipulation, any Party disadvantaged by  
12 such action shall have the rights provided in OAR 860-014-0085 and shall be entitled to  
13 seek reconsideration or appeal of the Commission's Order.

14 17.4 By entering into this Stipulation, no Party shall be deemed to have  
15 approved, admitted or consented to the facts, principles, methods or theories employed by  
16 any other Party in arriving at the terms of this Stipulation. No Party shall be deemed to  
17 have agreed that any provision of this Stipulation is appropriate for resolving issues in  
18 any other proceeding.

19 17.5 This Stipulation may be executed in counterparts and each signed  
20 counterpart shall constitute an original document.

21 18. From May 31, 2002, until the effective date of new rates established under the  
22 Commission's order in the Power Cost Filing case, the deferral amount will be calculated per  
23 Attachment 2 of the August 23, 2001 Stipulation, except that after May 31, 2002, the Allowed  
24 Power Cost Recovery, line 14, shall equal the lesser of: i) the power costs determined pursuant to  
25 the formula in paragraph 1 of Section II of the Stipulation or ii) the new normalized annual  
26 power costs resulting from the Commission's decision in the Power Cost Filing case. In option

1 ii), power costs shall be obtained by multiplying (a) the normalized annual average power cost  
2 per kWh established by the Commission pursuant to the Power Cost Filing by (b) the actual kWh  
3 sales for the period beginning June 1, 2002 and ending when new rates established under the  
4 Commission's order in the Power Cost Filing case go into effect.

5 This Stipulation is entered into by each Party on the date entered below such Party's  
6 signature.

7  
8 PACIFICORP

STAFF OF THE PUBLIC  
UTILITY COMMISSION OF OREGON

9  
10 By: \_\_\_\_\_  
11 Date: \_\_\_\_\_

By: \_\_\_\_\_  
Date: \_\_\_\_\_

12  
13 INDUSTRIAL CUSTOMERS OF  
14 NORTHWEST UTILITIES

CITIZENS' UTILITY BOARD

15  
16 By: \_\_\_\_\_  
17 Date: \_\_\_\_\_

By: \_\_\_\_\_  
Date: \_\_\_\_\_