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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.)

As part of this general rate case, the Commission approved a net power cost stipulation. See Order No. 01-787. This stipulation was later amended (as amended, the "Bridge Stipulation") in November 2002. See Order No. 02-212. The parties to the Bridge Stipulation were PacifiCorp, Staff of the Public Utility Commission, the Industrial Customers of Northwest Utilities, and the Citizens' Utility Board (Parties).

Under the Bridge Stipulation, PacifiCorp's power cost recovery from September 10, 2001 through May 31, 2002 (the Bridge Period) was based on a stipulated percentage of PacifiCorp's actual -- not normalized -- power costs, which were adjusted according to the terms of the Bridge Stipulation. Upon completion of the Bridge Period, the Bridge Stipulation required an independent audit of PacifiCorp's actual net power costs, with deferred accounting to be used for any overcollection or undercollection of allowable net power costs based on the results of the audit.

The Parties agreed that Hayet Power Systems Consulting (HPSC) would conduct the audit. In July 2003, HPSC provided the Parties with a draft report containing issues to be resolved prior to the completion of the final report. In September 2003, the Parties and HPSC held two conferences to discuss and resolve the draft report issues. No agreement was reached. The Parties held further discussions without HPSC's presence and reached agreement.

On September 30, 2003, PacifiCorp filed a motion, Bridge Period Audit stipulation and supporting brief, asking the Commission for approval of the stipulation. On October 15, 2003, PacifiCorp filed a supplemental brief in support of the stipulation, which included HPSC's final report. All filings were supported by the Parties. The stipulation, attached as Appendix A, and HPSC's final report, attached as Appendix B, are incorporated by reference.

Stipulation

The Parties agree that PacifiCorp undercollected Bridge Period allowed power costs by \$300,000 on an Oregon allocated basis before consideration of auditing costs. The Parties agree to auditing costs of \$65,000, with any additional auditing costs to be borne by PacifiCorp. The total amount (\$365,000) is to be deferred, beginning with the effective date of the stipulation, on a monthly basis with carrying charges for PacifiCorp's later collection in rates. PacifiCorp may amortize the \$365,000 with carrying charges in rates as soon as practicable following issuance of this order, in accordance with Section 9 of the Bridge Stipulation and ORS 757.259. The rate spread for any amortization will use the rate spread formula for PacifiCorp's revenue requirement adopted in UE 116, but no Rate Mitigation Adjustment will be applied.

The Parties further agreed not to raise any prudence challenges to the \$300,000 power cost recovery, and waived any right to raise such issues under Section 11 of the Bridge Stipulation. Under the stipulation, this prudence issue agreement does not limit the Parties' right to raise prudence issues regarding power costs incurred during the Bridge Period in the context of any issue other than the establishment of PacifiCorp's power cost recovery.

Finally, the Parties agree that this stipulation is in the public interest and results in an overall fair, just, and reasonable outcome.

Auditor's Report

This report sets forth the background, the manner in which the audit was performed, the issues that needed to be resolved, and an assessment of the Parties' stipulation. HPSC believes the deferral balance of \$300,000 is a reasonable compromise, particularly since the Parties' original intent was that there would not be any significant overcollections or undercollections during the Bridge Period. Further, all out-of-period costs were excluded from the deferral balance.

DISCUSSION

After reviewing the stipulation and supporting testimony, we conclude that the stipulation is an appropriate resolution of all issues, is in the public interest, and results in a just and reasonable outcome. We adopt the stipulation in its entirety.

ORDER

IT IS ORDERED that the stipulation attached as Appendix A is adopted in its entirety.

Made, entered, and effective _____.

Lee Beyer
Chairman

John Savage
Commissioner

Ray Baum
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.