

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1330

In the Matter of)	
)	
PUBLIC UTILITY COMMISSION OF)	ORDER
OREGON)	
)	
Investigation of Automatic Adjustment)	
Clause Pursuant to SB 838.)	

**DISPOSITION: STIPULATION ADOPTED AS MODIFIED;
ADJUSTMENT CLAUSE ADOPTED**

I. BACKGROUND

Senate Bill (SB) 838 is the Oregon Renewable Energy Act (the Act), enacted on June 6, 2007. The Act establishes a Renewable Portfolio Standard for electricity, which requires that utilities meet specified percentages of their Oregon load with electricity generated by eligible renewable resources by specified dates.

Section 13 of the Act provides that “all prudently incurred costs associated with compliance with a renewable portfolio standard are recoverable in the rates of an electric utility.” Section 13(a) directs the Commission to establish an automatic adjustment clause or another method for timely recovery of costs as required by Section 13(3) of this Act no later than January 1, 2008.

Section 13(3) of the Act states that “upon the request of any interested person the commission shall conduct a proceeding to establish the terms of the automatic adjustment clause or other method. . .” By letter dated July 13, 2007, Jason Eisdorfer, attorney for the Citizens’ Utility Board of Oregon (CUB), requested that the Commission commence such a proceeding “at the earliest opportunity.” This proceeding was convened to investigate the adoption of an automatic adjustment clause or other method for timely recovery of costs as required by the Act.

II. INTRODUCTION

On August 21, 2007, Portland General Electric (PGE) and PacifiCorp, dba Pacific Power (Pacific Power) each submitted versions of a Renewable Adjustment Clause “RAC” tariff.¹ A prehearing conference was held on August 23, 2007, and a schedule adopted for the submission of further testimony, a hearing, and briefs. On September 28, 2007, the Staff of the Public Utility Commission (Staff), CUB, and the Industrial Customers of Northwest Utilities (ICNU) each submitted direct testimony.

On November 29, 2007, the “initial” parties submitted their stipulation “for the purpose of resolving the outstanding issues.” The “initial” parties are those parties that submitted testimony: PGE, Pacific Power, Staff, CUB, and ICNU (Joint Parties).

According to their stipulation, the Joint Parties commenced settlement negotiations on October 1, 2007. Settlement discussions continued and all parties were invited to participate. As a result of their negotiations, the Joint Parties have reached “a comprehensive settlement in this case.”

On November 30, 2007, the ALJ issued a ruling shortening the time for filing objections to the stipulation or requesting a hearing on the stipulation. No party filed any such request.

Filed with the stipulation is the testimony of witnesses on behalf of each of the Joint Parties: Randy Dahlgren (PGE), Joelle Steward (Pacific Power), Judy Johnson (Staff), Bob Jenks (CUB) and Randall J. Falkenberg (ICNU). ICNU also filed separate testimony of Mr. Falkenberg, as discussed below.

III. THE STIPULATION

Attached to the stipulation are the proposed RAC tariffs for PGE and Pacific Power (the Utilities). The Joint Parties agree that these tariffs, “combined with the other provisions of this Stipulation,” satisfy the requirements of the Act.

The stipulation provides that the Utilities will each file its RAC schedule in the form attached to the stipulation, upon the Commission’s adoption of the stipulation, to be effective January 1, 2008. Thereafter, the Utilities may file their respective RAC schedules, including any proposed charges for costs to be recovered, on April 1, 2008, with an effective date of January 1, 2009. Other parties reserve their right to review proposed charges and challenge the prudence of the costs.

¹ PGE submitted its Schedule 122 in Advice No. 07-21. Pacific Power submitted its Schedule 202 in Advice No. 07-016.

Subsequently, the Utilities will file their RAC schedules for proposed charges relating to new eligible resources and updating all charges already included in their RAC schedules on April 1 of each year. Other parties reserve their right to review the proposed charges and challenge the prudence of the costs.

After April 1, 2009, any party may propose changes to the form and terms of a Utility's RAC schedule. If the Commission changes the provisions of either Utility's annual power cost update filing "in a material manner or based upon other material changes in circumstance," any party may propose an alternative design for the corresponding Utility RAC schedule.

Pursuant to paragraph 6 b of the stipulation, the Joint Parties agree that the RAC schedules will recover the actual and forecasted revenue requirement associated with prudently incurred costs of resources (including associated transmission) that are: (1) eligible under SB 838; (2) in service as of the date of the proposed rate change; and (3) approved by the Commission. The revenue requirement includes:

- The return of and on capital costs of the renewable energy source and associated transmission;
- Forecasted operation and maintenance costs;
- Forecasted property taxes;
- Forecasted energy tax credits; and
- Other forecasted costs and cost offsets authorized by SB 838 and not captured in the Utility's annual power cost update.

All costs in the RAC schedules will be updated annually. The annual RAC updates also will include:

- An update to gross revenues, net revenues, and total income tax expense for the calculation of "taxes authorized to be collected in rates" under OAR 860-022-0041; and
- An update to the forecasted inter-jurisdiction allocation factors from the then-current methodology approved by the Commission based on the same 12-month period used in Pacific Power's power cost update filing.

The RAC schedules will apply to all customers, except nonresidential customers taking direct access service after December 31, 2010, customers taking service under a multi-year cost of service opt-out option, and other customers specifically exempted under the Utility's RAC.

Parties to the Utilities' annual RAC filings will have the procedural rights set forth in ORS 756.500 to 756.610 and Section 13(4) of SB 838. The Joint Parties agree to support a schedule that will allow for an order within seven months of the date of the initial filing, or by November 1.

If any of the cost elements related to an eligible resource can't be verified by the time of the final round of testimony in a RAC proceeding, a Utility will make an updated filing to reflect then-current prudently incurred actual resource costs, or forecasted costs where appropriate. Parties may exercise their procedural rights regarding an updated filing.

If the updated costs are lower than the projected costs, the update will support a reduction in the proposed RAC charges. If the updated costs are higher than the projected costs, the Joint Parties support the use of deferred accounting to allow an opportunity for recovery of the cost differences. The Joint Parties also support the use of deferred accounting to allow for recovery of prudently incurred costs of an eligible resource for the period between when the resource is placed in service and when the resource enters rates.

The Joint Parties agree that the interest rate for deferrals will be determined by the Commission and the deferrals will not be subject to the provisions of ORS 757.259(5).² No party will be deemed to have consented to whether the renewable resource is eligible under SB 838.

Costs recovered through the RAC will be allocated across customer classes using forecasted energy, on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule, as determined in the most recent general rate case.

At the time of a general rate case filing, a Utility will propose that resource costs being recovered through its RAC schedule be included in its general rates. When the resource costs are rolled into general rates, non-deferred RAC charges will be reduced to zero, until new resources are added.

² ORS 757.259(5) "Unless subject to an automatic adjustment clause under ORS 757.210(1), amounts described in this section shall be allowed in rates only to the extent authorized by the commission in a proceeding under ORS 757.210 to change rates and upon review of the utility's earnings at the time of application to amortize the deferral. The commission may require that amortization of deferred accounts be subject to refund. The commission's final determination on the amount of deferrals allowable in the rates of the utility is subject to a finding by the commission that the amount was prudently incurred by the utility."

For RAC filings made on or after April, 2009, the Utilities agree that the Commission may condition its approval of a change in RAC charges on the Utility making a filing under ORS 757.210 within six months after the Commission order approving the proposed change. Through this filing, a Utility would roll into the generation component of its rates all of the costs that are being collected through the then-existing RAC schedule charges. The Commission's order for conditional approval must be based on a finding that the costs have been collected through the RAC schedule "for a reasonable period of years," or for good cause, as determined by the Commission.

The Joint Parties agree that, if the fixed costs of an eligible resource are not included in RAC charges, or otherwise included in rates, then the variable costs and cost offsets of the eligible resource likewise should not be included in the annual power cost update filings or power cost adjustment mechanisms.

IV. SUPPORTING TESTIMONY

In their testimony, the witnesses for the Joint Parties describe the process that led up to their stipulation. They summarize the terms of their agreement and describe the procedures that will be followed.

Regarding the use of actual or forecasted costs, they state that all costs are intended to be consistent with each Utility's power cost recovery mechanism. Pacific Power's TAM filing is based on a forecasted test year; therefore, all costs to be recovered through the RAC (except capital costs) are based on forecasted costs, aligned with the load and resource dispatch assumptions used in the forecast. The return of and return on capital costs will be based on actual capital costs.

Regarding updates to the RAC schedules, all costs will be updated annually. The witnesses testify that there are two other annual updates to the RAC schedules. The first is a revenue/tax update that will update gross revenues, net revenues and total income tax expense for the calculation of "taxes authorized to be collected in rates" pursuant to OAR 860-022-0041. The second, which applies only to Pacific Power, is an inter-jurisdictional allocation factor update. The scope of the RAC inter-jurisdictional allocation factor update will be the same as in Pacific Power's power cost update filing.

Regarding the application of the RAC schedules, the witnesses testify that three categories of customers are exempt: (1) nonresidential customers taking direct access service after December 31, 2010; (2) customers taking service under a multi-year cost of service opt-out option; and (3) other customers specifically exempted. They state that, "consistent with the principle of matching costs and benefits, direct access customers who are not paying RAC charges or are otherwise paying the fixed costs of eligible resources in rates . . . likewise should not receive the benefits of the variable costs and cost offsets of the eligible resources in rates."

The witnesses testify that, while SB 838 is silent about the use of deferred accounting, for the purposes of their stipulation the Joint Parties have agreed that it may be used, and that the deferrals should not be subject to the ORS 757.259(5) earnings review.

The witnesses testify that the Joint Parties support the use of deferred accounting for two purposes. First, deferred accounting will be used to allow the Utilities an opportunity to recover the differences between the projected and updated prudently incurred cost elements, if such cost elements are higher than the projected costs in the record, or if actual capital costs cannot be verified until after December 1. Second, deferred accounting will be used to allow an opportunity for recovery of the prudently incurred costs of an eligible resource for the period from when the resource is placed in service and when the resource enters rates.

The witnesses note that the stipulation provides that for RAC filings made on or after April, 2009, the Utilities agree that the Commission may condition approval of a proposed change in RAC charges on the Utility making a filing under ORS 757.210 within six months from the date of the Commission order. Through its subsequent filing, a Utility would roll into the generation component of its rates all of the costs, or a portion identified by the Commission, that are then being collected through its RAC surcharge.

As noted above, the conditional approval either must be (1) based on a finding that the costs have been collected through the RAC schedule for a period of years, or (2) for good cause, as determined by the Commission. According to the witnesses, parties may advocate what constitutes “good cause,” and the Commission has the discretion to make that determination. As an example, they state that a party may argue or contest that “good cause” exists, based on the results of an earnings review.

The witnesses testify that the stipulation addresses all issues necessary to be determined at this time and “represents a unified and comprehensive agreement among the parties.” They note that ICNU has sponsored its own testimony which they state addresses issues that the signatories agree should be decided by the Commission based on the record, in other current or future proceedings. These three issues are: (1) the interest rate to be applied to deferrals under SB 838; (2) what constitutes a “reasonable” period of years for costs to be recovered through a Utility’s RAC schedule; and (3) what constitutes “good cause” with respect to conditional approval.

According to the witnesses, during the course of their negotiations, the positions of all parties on these issues were debated without agreement. The signatories other than ICNU elected not to file supplemental testimony on these three issues, reserving their rights to present evidence and arguments to address these issues in other (future) proceedings, as appropriate.

V. ICNU'S TESTIMONY

ICNU offered the testimony of Randall J. Falkenberg. In his testimony, Mr. Falkenberg describes the stipulation and explains ICNU's support. As noted above, he also identifies issues reserved for later resolution.

Mr. Falkenberg explains the provision for annual updates, using wind resources as an example. He notes that the fixed costs of a wind resource decrease dramatically after the first year, compared to conventional resources. If the fixed costs included in the RAC schedules are not updated annually, the Utilities will substantially over-collect their costs for such resources.

Regarding deferred accounting, Mr. Falkenberg notes that the Joint Parties agreed that the deferrals will be exempt from an earnings test under ORS 757.259(5). He states that ICNU does not agree that the deferrals necessarily are exempt from any other provision of ORS 757.259.

Regarding the interest rate to be applied to deferrals, Mr. Falkenberg testified that the interest rate approved by the Commission in UM 1147³ for deferrals in the amortization phase should be used for the entire deferral period. In a decision in that docket, Order No. 06-507, the Commission concluded that an interest rate other than a utility's authorized rate of return should be applied to deferrals during amortization, due to the reduced risk of disallowance.

Mr. Falkenberg testified that an interest rate lower than a utility's authorized rate of return should apply to all stages of deferrals under the stipulation for two reasons. First, deferrals are expressly exempt from an earnings test under ORS 757.259(5). Thus, regardless if the Utilities are exceeding their authorized earnings, they still are allowed recovery of deferred amounts. Second, because the acquisition of eligible resources is mandated by SB 838, parties are likely to face a heightened standard for showing that the Utilities have been imprudent. Taking these two factors together, Mr. Falkenberg states that the Utilities face significantly less risk of disallowance than they would otherwise with a typical deferred account.

Mr. Falkenberg describes the stipulation provision that allows the Commission to condition its approval of RAC charges upon a Utility making a filing under ORS 757.210 within six months of the proposed change. He notes that any such conditional approval must be based on a finding that the costs have been recovered through the RAC schedule for a reasonable period of years, or for "good cause." He states his opinion regarding the meanings of "reasonable period" and "good cause."

³ Investigation Related to Deferred Accounting

Regarding “reasonable period”, Mr. Falkenberg states that it would not be reasonable for a Utility to collect the charges for an eligible renewable resource for more than three years. He states that, with the RAC, there is no incentive for cost control. He characterizes the RAC as causing an inequitable shifting of costs in favor of the utility.

As for “good cause,” Mr. Falkenberg indicates that the Commission would have substantial discretion to interpret that term. As one example, he posits the case where evidence is presented that a Utility’s rates may result in earnings that are excessive. The Commission could then condition approval of the RAC schedule changes on the Utility filing a general rate case within six months.

VI. DISCUSSION

In Section 13(3) of the Act the legislature directed this Commission to establish an automatic adjustment clause, as defined in ORS 757.210⁴ or another method to allow for timely recovery of costs prudently incurred by an electric utility to construct or otherwise acquire facilities that generate electricity from renewable resources and for associated transmission. The Act further provides for the Commission to convene a proceeding to establish the terms of such an automatic adjustment clause or other method for timely recovery of costs, with parties to such a proceeding assured that their procedural rights to full and effective participation would be respected. The Act requires that the Commission “issue a written order with findings on the evidentiary record developed in the proceeding.” Pursuant to Section 13(a), such an order must establish the automatic adjustment clause or other method for timely recovery of costs no later than January 1, 2008.

To that end, the Commission opened the instant docket. As intended by the Act, parties were afforded full procedural rights. Their full and effective participation is reflected in the stipulation provisions that report the measures taken to reach the settlement before us.

The proffered settlement presents the terms of an automatic adjustment clause that allows for the timely recovery of costs by an electric utility, as required by the Act. To support their settlement, the Joint Parties have submitted testimony that explains the provisions of the stipulation in terms that establish conclusively that the conditions of the Act have been met. We note that the parties to the settlement encompass the broad range of utility and ratepayer interests that appear before the Commission.

⁴ ORS 757.210(b) “As used in this subsection, ‘automatic adjustment clause’ means a provision of a rate schedule that provides for rate increases or decreases or both, without prior hearing, reflecting increases or decreases or both in costs incurred, taxes paid to units of government, or revenues earned by a utility and that is subject to review by the commission at least once every two years.”

We approve the stipulation with one change. Paragraph 6(i) provides for conditional approval of RAC filings made “on or after April 2009.” To avoid uncertainty, we amend the stipulation to refer to “on or after April 1, 2009.”

FINDINGS OF FACT

1. The Act requires that utilities meet specified percentages of their Oregon load with electricity generated by eligible renewable resources by specified dates.

2. The Act provides that all prudently incurred costs associated with compliance with a renewable portfolio standard are recoverable in the rates of an electric utility.

3. The Act directs the Commission to establish an automatic adjustment clause or another method for timely recovery of costs as required by Section 13(3) of this Act no later than January 1, 2008.

4. The Act provides for the Commission to convene a proceeding to establish the terms of such an automatic adjustment clause or other method for timely recovery of costs, with parties to such a proceeding assured that their procedural rights to full and effective participation would be respected.

5. The Act requires that the Commission “issue a written order with findings on the evidentiary record developed in the proceeding.”

6. The Act provides that such an order must establish the automatic adjustment clause or other method for timely recovery of costs no later than January 1, 2008.

7. The Commission convened this proceeding to comply with the Act.

8. Joint Parties reached a stipulation that offers a comprehensive settlement of this case.

9. In their stipulation, Joint Parties describe the process that led up to their settlement.

10. Parties to this proceeding were afforded their full procedural rights necessary for effective participation.

11. Joint Parties submitted testimony that further explains the stipulation and describes the process.

12. ICNU also submitted its own testimony in support of the stipulation.
13. The RAC schedules incorporated into the stipulation, combined with the other provisions of the stipulation, satisfy the requirements of the Act.
14. Paragraph 6(i) of the stipulation should be modified to refer to “April 1, 2009.”

CONCLUSIONS OF LAW

1. The process followed in this case met the requirements of the Act.
2. The stipulation proposed by the Joint Parties meets the requirements of the Act.
3. The stipulation should be adopted, as modified.

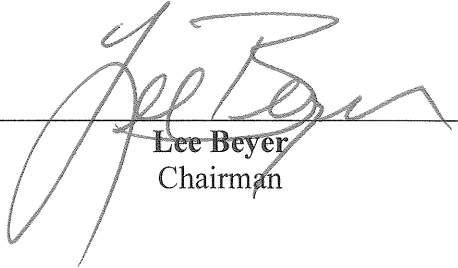
ORDER

IT IS ORDERED that:

1. Portland General Electric Company’s Advice No. 07-21 is permanently suspended.
2. PacifiCorp, dba Pacific Power (Pacific Power)’s Advice No. 07-016 is permanently suspended.
3. The stipulation, attached as Appendix A, is approved, with the modification that paragraph 6(i) refer to “April 1, 2009.”
4. Portland General Electric Company shall file its Schedule 122 to be effective not later than January 1, 2008.

5. Pacific Power shall file its Schedule 202 to be effective not later than January 1, 2008.

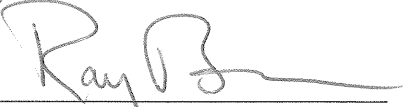
Made, entered, and effective DEC 19 2007.



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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1330

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Investigation of Automatic Adjustment
Clause Pursuant to SB 838.

STIPULATION

This Stipulation is entered into for the purpose of resolving the outstanding issues among the parties to this Stipulation related to Portland General Electric and PacifiCorp's proposed Renewable Adjustment Clause ("RAC") pursuant to Senate Bill 838 ("SB 838").

PARTIES

1. The initial parties to this Stipulation are Portland General Electric ("PGE") and PacifiCorp ("Utility", or jointly "Utilities"), Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board ("CUB") and Industrial Customers of Northwest Utilities ("ICNU") (collectively, the "Parties"). This Stipulation will be made available to the other parties to this docket, who may participate by signing and filing a copy of the Stipulation.

BACKGROUND

2. SB 838 is the Oregon Renewable Energy Act, which was enacted on June 6, 2007. This law establishes a Renewable Portfolio Standard for electricity, which requires the Utilities to meet the following percentages of their Oregon loads with electricity generated by eligible renewable resources: 5 percent by 2011, 15 percent by 2015, 20 percent by 2020 and 25 percent by 2025.

Section 13 of SB 838 provides that “all prudently incurred costs associated with compliance with a renewable portfolio standard are recoverable in the rates of an electric company.” Further, it requires the Commission to establish an automatic adjustment clause, or other method that allows timely recovery of prudently incurred costs, by January 1, 2008. The RAC is designed to implement the requirements of Section 13 of SB 838.

3. On August 21, 2007, PGE and PacifiCorp filed versions of the RAC tariff, Schedules 122 and 202 respectively, and supporting testimony. On August 23, 2007, the Commission held a prehearing conference and set a full procedural schedule for this proceeding, including testimony, a hearing and briefs. On September 28, 2007, Staff, CUB and ICNU each filed direct testimony.

4. The Parties commenced settlement conferences on October 1, 2007. These settlement conferences continued on October 11, 2007, including numerous subsequent telephone settlement conferences. The settlement conferences were noticed, and all parties were invited to participate.

5. As a result of the settlement conferences, the Parties have reached a comprehensive settlement in this case. The Parties agree to submit this Stipulation to the Commission and request that the Commission approve the Stipulation as presented.

AGREEMENT

6. Exhibit A to this Stipulation is Schedule 122, PGE’s RAC tariff, and Exhibit B is Schedule 202, PacifiCorp’s RAC tariff. The Parties agree that the RAC Schedules, as set forth in Exhibits A and B, combined with the other provisions of this Stipulation, satisfy the requirements of Section 13 of SB 838, and should be approved by the Commission. The Utilities

will file their respective RAC Schedules in the form attached as Exhibits A and B, upon the Commission's adoption of this Stipulation, with an effective date of January 1, 2008. Thereafter, the Utilities may file their respective RAC schedules, including any proposed charges for the costs to be recovered, on April 1, 2008, with an effective date of January 1, 2009. Parties agree to support this tariff filing as to form and terms. Parties other than the filing Utility reserve the right to review the proposed charges and challenge the prudence of the costs. Subsequently, the Utilities will file, as necessary, their RAC Schedules for proposed charges relating to new eligible resources and updating all charges already included in the RAC Schedules on April 1 of each year. Parties other than the filing Utility reserve the right to review the proposed charges and challenge the prudence of the costs. After April 1, 2009, a Party may propose changes to the form and terms of a Utility's RAC Schedule. If the Commission changes either PGE's or PacifiCorp's annual power cost update filings (currently, the AUT and TAM respectively) in a material manner or based upon other material changes in circumstances, a Party may propose an alternative design for either RAC Schedule.

The Parties agree to the following terms and conditions for the RAC Schedules:

- a. Purpose: The purpose of the RAC Schedules is to implement Section 13(3) of SB 838.
- b. Scope: The RAC Schedules will recover the actual and forecasted revenue requirement associated with the prudently incurred costs of resources (including associated transmission) that are: (1) eligible under SB 838; (2) in service as of the date of the proposed rate change; and (3) approved by the Commission. The revenue requirement as described in this Section 6(b) includes:

- The return of and grossed up¹ return on capital costs of the renewable energy source and associated transmission at the Utility's currently authorized rate of return;
- Forecasted operation and maintenance costs;
- Forecasted property taxes;
- Forecasted energy tax credits; and
- Other forecasted costs and cost offsets authorized by Section 13(3) of SB 838 not captured in the Utility's annual power cost update. The Party that proposes such costs or cost offsets has the burden to support such costs or cost offsets.

All costs in the RAC Schedules will be updated annually, and, in addition, the annual RAC updates will include, for those charges in the RAC Schedules:

- An update to gross revenues, net revenues, and total income tax expense for the calculation of "taxes authorized to be collected in rates" pursuant to OAR 860-022-0041; and
- An update to the forecasted inter-jurisdictional allocation factors from the then-current methodology approved by the Commission based on the same 12-month period used in PacifiCorp's power cost update filing. The scope of the RAC inter-jurisdictional allocation factor update shall be the same as in PacifiCorp's power cost update filing.

c. Applicability: The RAC Schedules will apply to all customers, except nonresidential customers who are taking direct access service after December 31, 2010,

¹ The return on revenue requirement is adjusted for the effects of income taxes, uncollectibles, franchise taxes, the Oregon Resource Supplier Tax and the Oregon PUC fee.

customers taking service under a multi-year cost of service opt-out option, and other customers specifically exempted under the Utility's RAC. The preceding exemption from the RAC Schedules is intended to apply to a customer only during the period that such customer is taking service under a direct access or multi-year cost of service opt-out option schedule.

d. Procedural Schedule: The Utilities' annual RAC filings will be subject to a proceeding that provides Parties the opportunity for the procedural rights set forth in ORS 756.500 to 756.610 and Section 13(4) of SB 838. The Parties agree to support a schedule in the annual RAC proceedings that allows for an order within seven months of the date of the initial filing, or by November 1.

e. Filing Update: If any of the cost elements as described in Section 6(b) of an eligible resource cannot be verified by the final round of testimony in an annual RAC proceeding, a Utility will make an update filing in the proceeding within eight months of the date of the initial filings, or by December 1, to reflect then-current, prudently-incurred actual resource costs, or forecasted costs where appropriate. Parties may pursue their procedural rights regarding this updated filing. If the updated costs are lower than the projected costs in the record of the proceeding, the update will contain sufficient information to support a reduction in the proposed RAC charges before the January 1 effective date. If the updated costs are higher than the projected costs in the record, the difference will be treated in accordance with Section 6(f) below.

f. Deferred Accounting Under SB 838: The Parties agree to support the use of deferred accounting under SB 838 to allow an opportunity for recovery of the cost differences between the projected costs in the record and the updated prudently incurred cost elements as

described in Section 6(b) if: (a) such cost elements are higher than the projected costs in the record; or (b) if actual capital costs cannot be verified until after December 1. The Parties also agree to support the use of deferred accounting under SB 838 to allow an opportunity for recovery of the prudently incurred costs, net of dispatch benefits as appropriate, of an eligible resource for the period between when the resource is placed in service and when the resource enters rates on January 1 through the RAC Schedule. The Oregon-allocated costs to be deferred under SB 838 will be based on the allocation factors from the same 12-month period used to set rates in PacifiCorp's annual power cost update covering the period of the deferral. No Party waives any arguments or rights during the amortization phase of such deferred accounting, except the Parties agree that (1) the interest rate for deferrals will be determined by the Commission consistent with its practice, rules or orders for similar types of deferrals and (2) the deferrals will not be subject to the provisions of ORS 757.259(5). No Party is deemed to have consented to whether the renewable resource is eligible under SB 838.

g. Rate Spread and Rate Design: Costs recovered through the RAC Schedule will be allocated across customer classes using the applicable RAC Schedule forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule as determined in the then-most recent general rate case. Attached to this Stipulation are Exhibits C and D showing how the rate spread, based on the most recent general rate case as of the date of this Stipulation, will be applied for both PGE and PacifiCorp.

h. Treatment of RAC Charges in a General Rate Case Filing: At the time of a general rate case filing, a Utility will propose that resource costs being recovered through its RAC Schedule be included in general rates. When the resource costs are rolled into general

rates, the non-deferral RAC Schedule charges will be reduced to zero until new resources are added.

i. Conditional Approval of RAC Schedule Charges: For RAC filings made on or after April 2009, the Utilities agree that the Commission may condition approval of a proposed change in RAC charges on the Utility making a filing under ORS 757.210 within six-months after the Commission order approving the proposed change. Through this filing, a Utility would roll into the generation component of its rates all of the costs, or a portion thereof identified by the Commission, that are being collected through the then-existing RAC Schedule charges. The Commission's order for conditional approval must be based upon: (1) a finding that the costs, or a portion thereof, specified by the Commission have been collected through the RAC Schedule for a reasonable period of years, as determined by the Commission; or (2) for good cause, as determined by the Commission.

j. Matching of Costs and Benefits in RAC Schedules and Annual Power Cost Updates: The Parties agree that if the fixed costs of an eligible resource are not included in RAC charges or otherwise included in rates, then the variable costs and cost offsets of the eligible resource should likewise not be included in the annual power cost update filings or power cost adjustment mechanisms.

k. Discovery: The Utilities will not object to providing to Parties, and subsequently to the introduction of, their Results of Operations and other relevant discovery, such as for (i) above, into the record in the RAC proceedings.

7. The Parties to this Stipulation agree that it resolves the outstanding issues in this case. The Parties agree that this Stipulation represents a compromise in the positions of the

Parties. As such, conduct, statements and documents disclosed in the negotiation of this Stipulation will not be admissible as evidence in this or any other proceeding, unless there is a dispute among the Parties in this or a future proceeding over the meaning or intent of this Stipulation.

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

9. If this Stipulation is challenged by any other party to this proceeding or a subsequent proceeding, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation. The Parties agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond fully to the issues presented, which may include raising issues that are incorporated in the settlements embodied in this Stipulation.

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

11. By entering into this Stipulation, no Party is deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation, other than those specifically identified in the body of this Stipulation. No Party is deemed to have agreed that any provision of this Stipulation is

appropriate for resolving issues in any other proceeding, except to the extent that the provisions in Sections 6(a) through (k) of this Stipulation include commitments that are designed to extend to future proceedings.

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

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

Signature page follows

PGE

PACIFICORP

By: Cree L Coleman
Date: November 9, 2007

By: _____
Date: _____

STAFF

ICNU

By: _____
Date: _____

By: _____
Date: _____

CUB

By: _____
Date: _____

PGE

By: _____

Date: _____

STAFF

By: _____

Date: _____

CUB

By: _____

Date: _____

PACIFICORP

By: Andrea Kelly

Date: 9 Nov 07

ICNU

By: _____

Date: _____

PGE

PACIFICORP

By: _____

By: _____

Date: _____

Date: _____

STAFF

ICNU

By: Mike [Signature]

By: _____

Date: 11/9/07

Date: _____

CUB

By: _____

Date: _____

PGE

By: _____

Date: _____

STAFF

By: _____

Date: _____

CUB

By: _____

Date: _____

PACIFICORP

By: _____

Date: _____

ICNU

By: *Mel [Signature]*

Date: 11/9/07

PGE

PACIFICORP

By: _____

By: _____

Date: _____

Date: _____

STAFF

ICNU

By: _____

By: _____

Date: _____

Date: _____

CUB

By: B. L. Parks

Date: November 9, 2007

**SCHEDULE 122
RENEWABLE RESOURCES AUTOMATIC ADJUSTMENT CLAUSE**

PURPOSE

This Schedule recovers the revenue requirements of qualifying Company-owned or contracted new renewable energy resource projects (including associated transmission) not otherwise included in rates. Additional new renewable projects may be incorporated into this schedule as they are placed in service. This adjustment schedule is implemented as an automatic adjustment clause as provided for under ORS 757.210 and Section 13 of the Oregon Renewable Energy Act (OREA).

AVAILABLE

In all territory served by the Company.

APPLICABLE

To all bills for Electricity Service except Schedules 9, 76, 483, 489, and 576. This schedule is not applicable to direct access customers after December 31, 2010.

ADJUSTMENT RATE

The Adjustment Rate, applicable for service on and after the effective date of this schedule are:

<u>Schedule</u>		
7	0.000	¢ per kWh
15	0.000	¢ per kWh
32	0.000	¢ per kWh
38	0.000	¢ per kWh
47	0.000	¢ per kWh
49	0.000	¢ per kWh
75		
Secondary	0.000	¢ per kWh
Primary	0.000	¢ per kWh
Subtransmission	0.000	¢ per kWh
83		
Secondary	0.000	¢ per kWh
Primary	0.000	¢ per kWh

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Issued XXXXXXX
James J. Piro, Executive Vice President

Effective for service
on and after January 1, 2008

SCHEDULE 122 (Continued)

ADJUSTMENT RATE (Continued)

<u>Schedule</u>			
87			
	Secondary	0.000	¢ per kWh
	Primary	0.000	¢ per kWh
	Subtransmission	0.000	¢ per kWh
89			
	Secondary	0.000	¢ per kWh
	Primary	0.000	¢ per kWh
	Subtransmission	0.000	¢ per kWh
91		0.000	¢ per kWh
92		0.000	¢ per kWh
93		0.000	¢ per kWh
94		0.000	¢ per kWh
515		0.000	¢ per kWh
532		0.000	¢ per kWh
538		0.000	¢ per kWh
549		0.000	¢ per kWh
575			
	Secondary	0.000	¢ per kWh
	Primary	0.000	¢ per kWh
	Subtransmission	0.000	¢ per kWh
583			
	Secondary	0.000	¢ per kWh
	Primary	0.000	¢ per kWh
589			
	Secondary	0.000	¢ per kWh
	Primary	0.000	¢ per kWh
	Subtransmission	0.000	¢ per kWh
591		0.000	¢ per kWh
592		0.000	¢ per kWh
594		0.000	¢ per kWh

Advice No. 07-XX
 Issued XXXXXXX
 James J. Piro, Executive Vice President

Effective for service
 on and after January 1, 2008

SCHEDULE 122 (Continued)**ANNUAL REVENUE REQUIREMENTS**

The Annual Revenue Requirements of a qualifying project will include the fixed costs of the renewable resource and associated transmission (including return on and return of the capital costs), operation and maintenance costs, income taxes, property taxes, and other fees and costs that are applicable to the renewable resource or associated transmission. Until the dispatch benefits are included in the Annual Power Cost Update Schedule 125, the net revenue requirements of each project (fixed costs less market value of the energy produced by the renewable resource plus any power costs such as fuel, integration and wheeling costs) will be deferred and incorporated the following January 1 into the Schedule 122 rates. The Company will use its most recently authorized cost of capital to calculate the return on the resource. Each year by April 1, the Company will file an update to the revenue requirements of resources included in this schedule to recognize projected changes for the following calendar year.

DEFERRAL MECHANISM

For each calendar year that the Company anticipates that a new renewable resource will commence operation, the Company may file a deferral request the earlier of the resource online date or April 1. The deferral amount will be for the fixed revenue requirements of the resource less net dispatch benefits. For purposes of determining dispatch benefits, the forward curves used to set rates for the year under the Annual Power Cost Update will be used. The deferral will be amortized over the next calendar year in Schedule 122 unless otherwise approved by the Oregon Public Utility Commission (OPUC). The amortization of the deferred amount will not be subject to the provisions of ORS 757.259(5).

TIME AND MANNER OF FILING

For each calendar year that the Company is required to update the Renewable Resource Annual Revenue Requirements or proposes to include a new resource under this schedule, the Company will file by no later than April 1, the following:

1. Revised rates under this schedule and a transmittal letter that summarizes the proposed revenue requirements and charges for both the new resource(s) and the updated revenue requirements and charges for applicable resources previously approved for recovery under this schedule. In addition, the filing will include revised income taxes and associated ratios to calculate "taxes authorized to be collected in rates" under ORS 757.268.
2. Within the Company's Annual Power Cost Update (Schedule 125) filing, the Company will include for the following year the expected generation of resources included in this schedule and the power costs of these resources.
3. Work papers that support the calculation of revenue requirements for all applicable resources and demonstrate how the proposed prices are calculated.

SCHEDULE 122 (Continued)

TIME AND MANNER OF FILING (Continued)

By December 1, the Company will file the updated rates that are in compliance with the Commission's findings in the proceeding reviewing the April 1 filing.

SPECIAL CONDITIONS

1. Costs recovered through this schedule will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule.
2. Each renewable resource project (and associated transmission) included in this adjustment schedule must be separately identified and be a new resource defined as "renewable" in the OREA.
3. The costs for projects included under this schedule will be updated annually as provided above, and will continue to be recovered under Schedule 122 until such time as the costs are included in base rates or the project is no longer in service.
4. The in-service date for the new renewable resource project or each separately identifiable project segment will be verified by an attestation from the Company stating that the specific renewable resource project, or project segment, has met requirements for being commercially operational and is in service.
5. If the actual costs of an eligible resource cannot be verified by the final round of testimony in the proceeding reviewing the April 1 filing, the Company will include in its December 1 compliance filing an update to reflect then-current actual resource costs, or forecasted costs where appropriate. If the updated costs are lower than the projected costs in the record of the proceeding, the update will contain sufficient information to support a reduction in the proposed adjustment charges before the January 1 effective date. If updated costs are higher than the projected costs in the record or if actual costs cannot be verified until after December 1, the Company may file for deferred accounting under the OREA to allow an opportunity for recovery of the cost differences between the projected costs in the record and the prudently incurred actual costs. For purposes of Schedule 126 (Annual Power Cost Variance Mechanism), actual NVPC will be adjusted to remove the impact of any power produced by a new renewable resource qualifying for treatment under this schedule but not otherwise included in rates. The following adjustments will be made:

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James J. Piro, Executive Vice President

Effective for service
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SCHEDULE 122 (Concluded)

SPECIAL CONDITIONS (Continued)

- a) Actual NVPC will be increased by the value of any renewable resource energy. The value of such energy will be determined by employing the forward curves used to set rates for the year under the Annual Power Cost Update. Actual NVPC will be reduced by applicable fuel costs and supply integration costs for the resource.
 - b) Actual NVPC will also be increased or decreased as appropriate for any other credits or charges specifically identifiable with the new renewable resource.
6. For Schedule 122 filings made on and after April 2009, the Commission may condition approval of a proposed change in Schedule 122 charges on PGE making a filing under ORS 757.210 within six months after the Commission order approving the proposed change. Through this filing, the Company will roll into the generation component of its rates all of the costs, or a portion thereof identified by the Commission, that are being collected through the then existing Schedule 122 charges. The Commission's order for conditional approval must be based upon: (1) a finding that the costs, or a portion thereof, specified by the Commission have been collected through Schedule 122 for a reasonable period of years, as determined by the Commission; or (2) for good cause, as determined by the Commission.

**PACIFIC POWER & LIGHT COMPANY
RENEWABLE ADJUSTMENT CLAUSE
SUPPLY SERVICE ADJUSTMENT**

**OREGON
SCHEDULE 202**

Purpose

This schedule recovers, between rate cases, the costs to construct or otherwise acquire facilities that generate electricity from renewable energy sources and for associated electricity transmission.

This adjustment is to recover the actual and forecasted revenue requirement associated with the prudently incurred costs of resources, including associated transmission, that are eligible under Senate Bill 838 (2007) and in service as of the date of the proposed rate change. The revenue requirement includes the actual return of and grossed up return on capital costs of the renewable energy source and associated transmission at the currently authorized rate of return, forecasted operation and maintenance costs, forecasted property taxes, forecasted energy tax credits, and other forecasted costs not captured in the Transition Adjustment Mechanism (TAM). The adjustment will also include an update on gross revenues, net revenues and total income tax expense for the calculation of "taxes authorized to be collected in rates" pursuant to OAR 860-022-0041. The revenue requirement for Oregon will be calculated using the forecasted inter-jurisdictional allocation factors based on the same 12-month period used in the TAM.

Applicable

To Residential consumers and Nonresidential consumers who take supply service under Schedule 200, 220, 230 and 247 and consumers served under Schedule 33. To Nonresidential consumers who take direct access service, other than under a multi-year cost of service opt-out option, until December 31, 2010

Energy Charge

The adjustment rate is listed below by Delivery Service and Direct Access Delivery Service Schedule.

<u>Schedule</u>	<u>Charge</u>
4	0.000 cents per kWh
15	0.000 cents per kWh
23, 723	0.000 cents per kWh
28, 728	0.000 cents per kWh
30, 730	0.000 cents per kWh
33	0.000 cents per kWh
41, 741	0.000 cents per kWh
47, 747	0.000 cents per kWh
48, 748	0.000 cents per kWh
50	0.000 cents per kWh
51, 751	0.000 cents per kWh
52, 752	0.000 cents per kWh
53, 753	0.000 cents per kWh
54, 754	0.000 cents per kWh

(continued)

Issued:		P.U.C. OR No. 35
Effective:	With service rendered on and after January 1, 2008	Original Sheet No. 202-1

Issued By
Andrea L. Kelly, Vice President, Regulation

**PACIFIC POWER & LIGHT COMPANY
RENEWABLE ADJUSTMENT CLAUSE
SUPPLY SERVICE ADJUSTMENT**

**OREGON
SCHEDULE 202**

Special Conditions

1. The Company will file this schedule by April 1 of each year, as necessary, for proposed charges relating to new eligible resources and updating all charges already included on this schedule.
2. The Company will make an update filing within eight (8) months of the date of the initial filing, or by December 1, to reflect then-current, prudently-incurred actual resource costs or forecasted costs where appropriate, if the cost elements of an eligible resource cannot be verified as of the date of the final round of testimony in the proceeding initiated April 1. If the updated costs are lower than the projected costs in the record of the proceeding, the update will contain sufficient information to support a reduction in the proposed charges before the January 1 effective date. The Company will be allowed to defer for later commission review and incorporation into rates the cost differences between the projected costs in the record and the updated prudently incurred cost elements if (a) such cost elements are higher than the projected costs in the record or (b) if actual capital costs cannot be verified until after December 1.
3. Costs recovered in this schedule will be allocated across customer classes using the applicable forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kilowatt-hour to each applicable rate schedule.

Issued:		P.U.C. OR No. 35
Effective:	With service rendered on and after January 1, 2008	Original Sheet No. 202-2

Issued By
Andrea L. Kelly, Vice President, Regulation

Example Calculation of PGE RAC Ratespread and Pricing

Grouping	Projected Energy MWH	Projected Production Revenues	RAC Allocation	RAC Price mills/kWh
Schedule 7	7,621,382	\$436,314,684	\$8,859,331	1.16
Schedule 15	23,746	\$1,272,786	\$25,844	1.09
Schedule 32	1,499,148	\$85,886,182	\$1,743,911	1.16
Schedule 38	82,384	\$4,738,932	\$96,224	1.17
Schedule 47	21,742	\$1,225,185	\$24,877	1.14
Schedule 49	66,065	\$3,735,985	\$75,859	1.15
Schedule 83-S	5,422,609	\$307,190,787	\$6,237,481	1.15
Schedule 89-S	678,222	\$38,665,403	\$785,098	1.16
Schedule 83-P	277,025	\$15,108,918	\$306,785	1.11
Schedule 89-P	1,708,259	\$92,895,469	\$1,886,234	1.10
Schedule 89-T	777,420	\$41,305,804	\$838,711	1.08
Schedule 91	103,260	\$5,534,736	\$112,382	1.09
Schedule 92	5,612	\$312,627	\$6,348	1.13
Schedule 93	562	\$31,681	\$643	1.14
Schedule 94	241	\$13,407	\$272	1.13

TOTAL 18,287,676 \$1,034,232,585 \$21,000,000

RAC Revenue Requirement \$21,000,000
 RAC Percent of Energy Revenues 2.03%

PACIFIC POWER & LIGHT COMPANY
EXAMPLE RATES ONLY
RCAC ADJUSTMENT
FORECAST 12 MONTHS ENDED DECEMBER 31, 2007

Line No.	Description	Sch No.	kWh	Sch 200 Present	Illustrative RCAC Adjustment	
				Revenue	Revenue	Cents/kWh
<u>Residential</u>						
1	Residential	4	5,423,447,855	\$211,209,746	\$2,061,293	0.038
2	Total Residential		5,423,447,855	\$211,209,746	\$2,061,293	
<u>Commercial & Industrial</u>						
3	Gen. Svc. < 31 kW	23	1,156,146,030	\$46,183,677	\$450,728	0.039
4	Gen. Svc. 31 - 200 kW	28	2,076,346,691	\$81,166,615	\$792,142	0.038
5	Gen. Svc. 201 - 999 kW	30	1,332,132,861	\$50,603,643	\$493,864	0.037
6	Large General Service >= 1,000 kW	48	3,116,065,292	\$110,824,805	\$1,081,590	0.035
7	Partial Req. Svc. >= 1,000 kW	47	208,767,290	\$7,313,641	\$71,377	0.035
8	Agricultural Pumping Service	41	108,189,038	\$4,217,123	\$41,157	0.038
9	Total Commercial & Industrial		7,997,647,202	\$300,309,504	\$2,930,858	
<u>Lighting</u>						
10	Outdoor Area Lighting Service	15	11,554,534	\$247,829	\$2,419	0.021
11	Street Lighting Service	50	11,406,000	\$203,462	\$1,986	0.017
12	Street Lighting Service HPS	51	15,574,917	\$438,584	\$4,280	0.027
13	Street Lighting Service	52	1,827,840	\$39,447	\$385	0.021
14	Street Lighting Service	53	8,459,069	\$77,992	\$761	0.009
15	Recreational Field Lighting	54	836,416	\$13,274	\$130	0.016
16	Total Public Street Lighting		49,658,776	\$1,020,588	\$9,961	
17	Total Sales to Ultimate Consumers		13,470,753,833	\$512,539,838	\$5,002,112	
18	Employee Discount			(\$216,385)	(\$2,112)	
19	Total Sales with Employee Discount		13,470,753,833	\$512,323,453	\$5,000,000	