BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 197

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY, Request for a general rate revision.	))))))	ORDER

DISPOSITION: STIPULATION ADOPTED; ISSUE REMOVED FROM PROCEEDING; NEW DOCKET TO BE OPENED

In this order, the Public Utility Commission of Oregon (Commission) decides one issue raised in a general rate filing made by Portland General Electric Company (PGE). Although we have suspended the rate filing for investigation through December 31, 2008, PGE requested expedited consideration of the rate design proposal submitted by the Commission Staff. PGE explains that, if the rate design proposal were to be ordered by the Commission for rates effective January 1, 2009, the utility would need time to develop the necessary tariff schedule changes and take other action to implement the changes. For that reason, PGE requests the Commission give notice of its decision by December 15, 2008.

For the reasons that follow, we decline Staff's rate design proposal.

Background

The Commission has a long-standing commitment to cost-based rates, and electricity costs typically fluctuate over the course of a year. Typically, the highest monthly average marginal costs expected to be experienced by PGE would be from July through September during the daytime. Furthermore, evidence produced in this proceeding indicates that rapid summer growth due to air conditioning will make PGE a summer dual-peaking (highest hourly peak and highest monthly peak) and then a summer peaking utility. Peak power usage and prices will likely occur simultaneously, and power to meet all demands is not guaranteed. The issue before the Commission is how and when we address these facts and integrate our responses to them into PGE's tariffs.

The Joint Stipulation

As part of this proceeding, several parties made proposals with respect to rate design. The Industrial Customers of Northwest Utilities (ICNU) proposed a new method for rate spread that recognized the cost of peaking resources. Other parties, including PGE, opposed ICNU's proposal; PGE, in turn, made a counter proposal.

On October 8, 2008, PGE filed a Stipulation that had also been agreed to by ICNU; the Citizens Utility Board (CUB); and the Fred Meyers Stores and Quality Food Centers, Divisions of Kroger Co. (Kroger). This Stipulation Regarding Rate Spread and Rate Design Issues (the Stipulation) is affixed hereto as Attachment A and is incorporated by reference. In essence, the signatories to the Stipulation agreed that the issues of cost allocation and rate design should be considered in a separate proceeding to commence in early 2009 because the parties had not had the opportunity to vet all the issues and their implications.[1] The signatories agreed to maintain the status quo with respect to the existing marginal cost study principles utilized by PGE in this docket until further study of the issues had been completed in the proposed new docket.

Positions of the Parties

Staff did not sign the Stipulation, believing that the Commission should consider Staff's proposals on this issue in the instant proceeding. Staff proposed that PGE implement seasonal rates for certain rate schedules.[2] In Staff's view, the proposed schedules would both inform customers that summer afternoons and evenings were expected to be the times when PGE's costs would be the highest and, second, reflect the seasonal and diurnal marginal energy cost information that PGE proposed as the basis for inter-schedule production cost allocations.[3] Specifically, Staff proposed a change in Schedule 7 (Residential Customers) adding a third inverted block rate for large users during the summer and a change in Schedule 89 (Large Industrial Customers) designating an eight-hour "super-peak" period within the sixteen-hour peak period during the summer months.[4]

Each of the other parties submitting briefs on the issue of Staff's proposals voiced opposition to our consideration of changes in rate structure at this time. PGE asserted that "when proposing new rate structures and substantial changes to existing rate designs, the precise contours of the proposal are critically important to a successful and sustainable rate structure....there is no need for the Commission to rush to a premature and not fully reviewed, new rate structure."[5] In the view of ICNU, "it is inappropriate to address the concerns that Staff identifies through the piecemeal approach that it advocates. A better approach would be to address the impact of seasonal cost variations

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[1] The parties also agreed to a single exception: the difference between the Schedule 83-P and 83-S facilities charge would be set at 50 cents/kW before blocking the 83-S facilities charges.
[2] Staff/500.
[3] Staff Opening Brief at 19.
[4] *Id.* at 20.
[5] PGE Reply Brief at 30.

on both cost allocation and rate design in a separate proceeding."[6] CUB also indicated that it opposed the implementation of seasonal pricing in Oregon without further study and "encourages the Commission to review these issues in the follow-on proceeding and not to adopt Staff's proposal without further review."[7] Kroger stated that "the Stipulation strikes a fair balance between the interests of PGE's customers."[8]

Discussion

The question before us is largely one of timing. No party opposing the Staff proposal is attacking the substance on its merits. Rather, parties representing a broad spectrum of customers agree with PGE that a separate proceeding, promptly undertaken, will enable the Commission to address the issues of cost allocation and rate design in an orderly and thoroughgoing manner.

We agree. The instant proceeding has been characterized by the extraordinary number of unresolved issues, and it has been a particularly arduous process for the parties to create a record and advocate their positions with respect to them all. Adequate examination of important questions of rate spread and rate design deserves a separate proceeding that will enable the parties to prepare and put forward an evidentiary record worthy of the substance of the issue.

A separate proceeding will be opened to address rate spread and rate design issues for PGE and its customers. In such proceeding, we request the parties to also address how any resulting changes in rate design will be coordinated with the implementation of rate design options enabled by PGE's deployment of its Advanced Metering Infrastructure approved in Order No. 08-245.

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[6] ICNU Reply Brief at 6.
[7] CUB Reply Brief at 13.
[8] Kroger Brief at 1.

ORDER

IT IS ORDERED that:

1. The Stipulation Regarding Rate Spread and Rate Design Issues is ADOPTED.

2. Issues relating to matters of rate spread and rate design shall not be considered in this proceeding, except as stipulated by the parties.

3. The Commission shall open a new docket to address issues of cost allocation, rate spread, and rate design leading to the filing of revised tariff sheets by Portland General Electric Company in its next general rate proceeding.

Made, entered, and effective DEC 15 2008.

Lee Beyer
Chairman

John Savage
Commissioner

Ray Baum
Commissioner

PUBLIC UTILITY COMMISSION OF OREGON

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 THE STATE OF OREGON

UE 197

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Request for a general rate revision	)))))))	**STIPULATION REGARDING CERTAIN REVENUE REQUIREMENT AND TARIFF ISSUES**

This Stipulation ("Stipulation") is among Portland General Electric Company ("PGE"), Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board of Oregon, and the Industrial Customers of Northwest Utilities (collectively, the "Stipulating Parties").

I. INTRODUCTION

On February 27, 2008, PGE filed this general rate case. Four rounds of testimony have been filed, with the final round scheduled to be filed by PGE on October 1, 2008. A Stipulation resolving certain revenue requirement issues, along with supporting testimony, was filed in this docket on August 5, 2008. A settlement conference, open to all parties, was held in this Docket on September 22, 2008. As a result of those settlement discussions, the Stipulating Parties have agreed to certain adjustments to PGE's requested revenue requirement in this Docket, and to a tariff change. The Stipulating Parties submit this Stipulation to the Commission and request that the Commission adopt orders in this Docket implementing the following.

II. TERMS OF STIPULATION

1. This Stipulation is entered to settle only the issues described below.

2. The Stipulating Parties agree that PGE's requested revenue requirement should be reduced by approximately $13.2 million, including appropriate rate base modifications, to reflect the following agreements and adjustments:

a) S-2, Research and Development. The Stipulating Parties agree that test year O&M expenses for research and development should be reduced by $650,000. This allows for a level of funding of approximately $350,000 on an annual basis. The approximate rounded revenue requirement effect of this adjustment is a reduction of $0.7 million.

b) S-5, Capital Additions. In its testimony Staff raised as issues certain capital additions included in the 2009 test year. Specifically Staff identified additions to the Boardman plant, Clackamas relicensing capital additions, and the Selective Water Withdrawal ("SWW") facility at Pelton-Round Butte. In its rebuttal testimony PGE revised its expected completion of the Clackamas relicensing from December 2009 to first quarter 2010, and accordingly removed it from the 2009 test year. As the Parties now agree with PGE's rebuttal position regarding the Clackamas relicensing, the combined adjustments to remove the SWW and the Clackamas relicensing are as follows:

1) The $65.968 million of average rate base ($63.250 for the SWW project and $2.717 for Clackamas relicensing) will be removed from the request in this docket. Associated depreciation expense of $2.039 million (completely attributable to the SWW since the relicensing would not have had depreciation due to in-

service date of December 30, 2009) and property tax expense of $1.049 million ($1.006 million for SWW project and $0.43 million for Clackamas relicensing) will also be removed.

2) The inclusion in rates of the SWW project capital additions and related expenses including depreciation and property tax expense, will be the subject of a separate docket to be initiated on or before October 31, 2008. The inclusion of the SWW project capital additions and related expenses will be the only issues in this separate docket. The Stipulating Parties agree to propose a schedule and to make a good-faith effort to complete the SWW docket that will allow for a Commission decision such that rates that include recovery of approved costs from the SWW docket may be effective the later of May 1, 2009, or when the SWW project is closed to plant for accounting purposes. The Stipulating Parties further agree to work together in good faith throughout the SWW docket to maintain the schedule.

The rounded revenue requirement impact of these changes is a reduction of approximately $11.1 million. There will be no other adjustments to PGE's capital additions identified in Staff's issue S-5.

c) <u>S-10, WECC Reliability Center and Regional Transmission Planning and Flow Mitigation</u>. PGE's forecast of O&M expenses for the WECC reliability center and related regional transmission planning and flow mitigation should be decreased by $150,000. The rounded revenue requirement effect of this change is $0.2 million.

d) S-13, NERC/WECC Consultant, RCM Program Costs, Miscellaneous Software Upgrades. The Stipulating Parties agree that combined test year O & M expenses for a NERC/WECC consultant, RCM program costs, and miscellaneous software upgrades should be reduced by $200,000. The rounded revenue requirement effect of this change is $0.2 million.

e) S-16, Revenue Sensitive Costs. The Stipulating Parties agree that an uncollectibles rate of 0.43% should be used in this case. There should be no other changes to revenue sensitive costs as proposed by PGE. This change, at PGE's current requested revenue level, is a reduction of $867,000 and decreases revenue requirement by a rounded amount of approximately $0.9 million, though the final effect will not be determined until the Commission approves PGE's revenue requirement in this case.

f) S-19, Energy Audits. The Stipulating Parties agree that test year revenue requirement for customer accounting expense should be decreased by $150,000. PGE will reduce its test year O&M costs by $145,000, which will produce a revenue requirement reduction of $150,000.

g) Tariff Schedule 129. In its rebuttal testimony PGE proposed certain changes to Tariff Schedule 129, set out in PGE Exhibit/2001/Kuns-Cody-Lynn/4. The Stipulating Parties agree that the proposed changes to Tariff Schedule 129 should be adopted with the addition of an annual cap on the percent change in customer impacts for Schedules 83 and 89. A revised tariff sheet for Schedule 129 incorporating the agreed-upon changes is attached hereto as Exhibit "A", and the Stipulating Parties requests its adoption.

3. Attached Exhibit "B" demonstrates the amount of each adjustment and the impact of the revenue requirement associated with this Stipulated agreement. The estimated impact of all of these changes is a reduction in revenue requirement in this Docket of approximately $13.2 million. However, the final impact on revenue requirement is unknown as it is dependent, in part, on the total revenues authorized by the Commission in this proceeding. For the items identified above, the Stipulating Parties agree that this Stipulation fully resolves the issues addressed and that the Stipulating Parties will support the inclusion in PGE's revenue requirement of such expenses as adjusted pursuant to the terms of this Stipulation.

4. The Stipulating Parties recommend and request that the Commission approve the adjustments described above as appropriate and reasonable resolutions of these issues.

5. The Stipulating Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable.

6. The Stipulating 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 shall not be admissible as evidence in this or any other proceeding.

7. If this Stipulation is challenged by any other party to this proceeding, or any other party seeks a revenue requirement for PGE that is inconsistent with the terms of this Stipulation, the Stipulating Parties reserve the right to cross-examine witnesses and put in such evidence as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this

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

8. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order which is not contemplated by this Stipulation, each Party reserves the right to withdraw from this Stipulation upon written notice to the Commission and the other Parties within five (5) business days of service of the final order that rejects this Stipulation or adds such material condition. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of issues that this Stipulation does not resolve.

9. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting the explanatory brief or written testimony required by OAR § 860-14-0085(4).

10. By entering into this Stipulation, no Party shall be 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. Except as provided in this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

11. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 7th day of October, 2008.

PORTLAND GENERAL ELECTRIC COMPANY

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

CITIZENS' UTILITY BOARD OF OREGON

INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

DATED this day of October, 2008.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

ORDER NO. 08-585

DATED this 8th day of October, 2008.

PORTLAND GENERAL ELECTRIC COMPANY

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

CITIZENS' UTILITY BOARD OF OREGON

INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

DATED this 7th day of October, 2008.

PORTLAND GENERAL ELECTRIC COMPANY

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

CITIZENS' UTILITY BOARD OF OREGON

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INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

EXHIBIT A
PAGE 1

SCHEDULE 129
LONG-TERM TRANSITION COST ADJUSTMENT

AVAILABLE

In all territory served by the Company.

APPLICABLE

Applicable to Large Nonresidential Customers that have selected service under Schedule 483 and 489.

TRANSITION COST ADJUSTMENT

Minimum Five Year Opt-Out

For Enrollment Period A (2002), the Transition Cost Adjustment will be:

0.061 ¢ per kWh	January 1, 2003 through December 31, 2007
0.000 ¢ per kWh	after December 31, 2007

For Enrollment Period B (2003), the Transition Cost Adjustment will be:

(0.154) ¢ per kWh	January 1, 2004 through December 31, 2004
(0.136) ¢ per kWh	January 1, 2005 through December 31, 2005
(0.062) ¢ per kWh	January 1, 2006 through December 31, 2006
(0.046) ¢ per kWh	January 1, 2007 through December 31, 2007
(0.032) ¢ per kWh	January 1, 2008 through December 31, 2008
0.000 ¢ per kWh	after December 31, 2008

For Enrollment Period C (2004), the Transition Cost Adjustment will be:

(0.763) ¢ per kWh	January 1, 2005 through December 31, 2005
(0.564) ¢ per kWh	January 1, 2006 through December 31, 2006
(0.447) ¢ per kWh	January 1, 2007 through December 31, 2007
(0.398) ¢ per kWh	January 1, 2008 through December 31, 2008
(0.301) ¢ per kWh	January 1, 2009 through December 31, 2009
0.000 ¢ per kWh	after December 31, 2009

For Enrollment Period D (2005), the Transition Cost Adjustment shall be:

(1.573) ¢ per kWh	January 1, 2006 through December 31, 2006
(1.359) ¢ per kWh	January 1, 2007 through December 31, 2007
(1.229) ¢ per kWh	January 1, 2008 through December 31, 2008
(0.998) ¢ per kWh	January 1, 2009 through December 31, 2009
(0.860) ¢ per kWh	January 1, 2010 through December 31, 2010
0.000 ¢ per kWh	after December 31, 2010

SCHEDULE 129 (Continued)

TRANSITION COST ADJUSTMENT (Continued)
Minimum Five Year Opt-Out

For Enrollment Period E (2006), the Transition Cost Adjustment will be:

(1.702) ¢ per kWh	January 1, 2007 through December 31, 2007
(1.483) ¢ per kWh	January 1, 2008 through December 31, 2008
(1.207) ¢ per kWh	January 1, 2009 through December 31, 2009
(0.997) ¢ per kWh	January 1, 2010 through December 31, 2010
(0.779) ¢ per kWh	January 1, 2011 through December 31, 2011
0.000 ¢ per kWh	after December 31, 2011

For Enrollment Period F (2007), the Transition Cost Adjustment will be:

(1.250) ¢ per kWh	January 1, 2008 through December 31, 2008	(I)
(1.434) ¢ per kWh	January 1, 2009 through December 31, 2009	(R)
(1.248) ¢ per kWh	January 1, 2010 through December 31, 2010	
(1.145) ¢ per kWh	January 1, 2011 through December 31, 2011	
(0.949) ¢ per kWh	January 1, 2012 through December 31, 2012	(R)
0.000 ¢ per kWh	after December 31, 2012	

Three-Year Opt-Out Option

For Enrollment Period A (2002): Not available

For Enrollment Period B (2003): Not available

For Enrollment Period C (2004), the Transition Cost Adjustment will be:

(0.763) ¢ per kWh	January 1, 2005 through December 31, 2005
(0.564) ¢ per kWh	January 1, 2006 through December 31, 2006
(0.447) ¢ per kWh	January 1, 2007 through December 31, 2007

For Enrollment Period D (2005), the Transition Cost Adjustment will be:

(1.573) ¢ per kWh	January 1, 2006 through December 31, 2006
(1.359) ¢ per kWh	January 1, 2007 through December 31, 2007
(1.229) ¢ per kWh	January 1, 2008 through December 31, 2008

For Enrollment Period E (2006), the Transition Cost Adjustment will be:

(1.702) ¢ per kWh	January 1, 2007 through December 31, 2007
(1.483) ¢ per kWh	January 1, 2008 through December 31, 2008
(1.207) ¢ per kWh	January 1, 2009 through December 31, 2009

ORDER NO. 08-585

SCHEDULE 129 (Concluded)

TRANSITION COST ADJUSTMENT (Continued)
Three Year Opt-Out

For Enrollment Period F (2007), the Transition Cost Adjustment will be:

(1.250) ¢ per kWh	January 1, 2008 through December 31, 2008
(1.434) ¢ per kWh	January 1, 2009 through December 31, 2009
(1.248) ¢ per kWh	January 1, 2010 through December 31, 2010

SPECIAL CONDITIONS

1. Annually, the total amount paid in Schedule 129 Long-Term Transition Cost Adjustment will be collected through applicable Large Nonresidential rate schedules (Schedules 75, 76R, 83, 89, 483, 489, 575, 576R, 583, 589), through either the System Usage or Distribution Charges. Such adjustment to the System Usage or Distribution Charges will be made at the time the Company files final rates for Schedule 125, and will be effective on January 1st of the following calendar year. (C) (C)

2. Annually, changes in fixed generation revenues resulting from either return to or departure from Cost of Service pricing by Schedule 483 and 489 customers relative to the Company's most recent general rate case will be incorporated into the System Usage Charges of the Large Nonresidential Rate Schedules 75, 76R, 83, 89, 483, 489, 575, 576R, 583, and 589. The changes in fixed generation revenues will be adjusted to account for a revenue sensitive cost factor of 1.0xxx. Such adjustment to the System Usage or Distribution Charges will be made at the time the Company files final rates for Schedule 125, and will be effective on January 1st of the following calendar year. The adjustment to the System Usage Charge resulting from changes in fixed generation revenues shall not result in a rate increase or decrease to Schedules 83 and 89 of more than 2 percent. For purposes of calculating the percent change in rates, Schedule 125 prices with and without the increased/decreased Schedules 483 and 489 participating load will be determined.

3. In determining changes in fixed generation revenues from movement to or from Schedules 483 and 489, the following factors will be used:

Schedule		¢ per kWh
83	Secondary	x.xxx
	Primary	x.xxx
89	Secondary	x.xxx
	Primary	x.xxx
	Subtransmission	x.xxx

TERM

The term of applicability under this schedule will correspond to a Customer's term of service under Schedule 483 or 489.

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Exhibit B
Stipulated Changes to Revenue Requirement

Issue	Total Operating Expense Change	Avg Rate Base Change	Approx. Rev Req Effect
S-2 R&D	$(650)k	$ ---	$(0.7) million
S-5 Cap Ex	$(3,088)k	$(65,968)k	$(11.1) million
S-10 WECC etc.	$(150)k	$ ---	$(0.2) million
S-13 NERC etc.	$(200)k	$ ---	$(0.2) million
S-16 Uncollectibles[1]	$(867)k	$ ---	$(0.9) million
S-19 Energy Audits	$(145)k	$ ---	$(0.15) million
Total Est. Impact			**$(13.2) million**

[1] The parties agree that a .43% uncollectible rate will be used in this case. The changes to O&M above are based on an estimated total revenue requirement in this case. The final impact of this change can only be determined once the Commission has issued its order on determining final revenue requirement in this case.