

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 209 & UM 1407

In the Matters of

PORTLAND GENERAL ELECTRIC
COMPANY

Schedule 122 Update to Renewable Resources
Automatic Adjustment Clause (UE 209)

and

Application for Deferral of Incremental Costs
Associated with the SunWay 1 and SunWay 2
Solar Projects (UM 1407)

ORDER

DISPOSITION: DOCKETS UE 209 & UM 1407 CONSOLIDATED;
STIPULATION ADOPTED

I. BACKGROUND

On December 4, 2008, Portland General Electric Company (PGE) filed an application with the Public Utility Commission of Oregon (Commission) to defer for later ratemaking treatment the incremental costs associated with two solar energy projects: SunWay 1, LLC (SunWay 1) and SunWay 2, LLC (Sunway 2). The Commission docketed the application as UM 1407. SunWay 1 is a solar project that PGE developed with the Oregon Department of Transportation (ODOT). SunWay 2 is a solar project that PGE developed with ProLogis. PGE states that the request to defer the costs of renewable energy projects is consistent with ORS 469A.120(1) and (3) and Commission Order No. 07-572.

On April 1, 2009, PGE filed revised tariff sheets updating its Schedule 122 (Advice No. 09-06), which were docketed as UE 209. PGE proposes a January 1, 2010 effective date for the revised tariff sheets. Schedule 122 establishes PGE's Renewable Resources Automatic Adjustment Clause (RAC) under ORS 469A.120 and ORS 757.210. The RAC allows PGE to recover the costs of qualifying renewable energy resource projects not otherwise included in rates. New projects may be incorporated into the RAC when placed into service.

PGE requested in its initial filing that the Commission consolidate Dockets UE 209 and UM 1407. We grant PGE's request to consolidate.

In Advice No. 09-06, PGE proposes including the fixed costs of Phase 2 of its Biglow Canyon project and its SunWay 1 and SunWay 2 projects. Biglow Canyon is a wind project that PGE is completing in three phases. Phase 1 was completed in 2007 and has been included in PGE's rates since January 1, 2008. Phase 2 is expected to be completed before the end of 2009. PGE proposes to include in customer rates a total of \$41.3 million in costs for Biglow Canyon Phase 2, SunWay 1, and SunWay 2. PGE revised the costs associated with SunWay 1 and SunWay 2 in a filing submitted on July 27, 2009.

Before Commission Staff (Staff) or intervenors could file testimony, PGE, Staff, the Citizens' Utility Board of Oregon (CUB), ODOT, and the Industrial Customers of Northwest Utilities (ICNU) (collectively the Stipulating Parties) reached a settlement of all issues in both dockets (UE 209 and UM 1407). The Stipulating Parties filed a Stipulation Regarding All Issues (Stipulation) on August 18, 2009, and joint testimony in support of the Stipulation on September 3, 2009. The joint Stipulation and the joint supporting testimony are admitted into the record. The Stipulation is attached as Appendix A and incorporated by reference. No party opposes the Stipulation.

II. THE STIPULATION

The Stipulating Parties state that the Stipulation represents a comprehensive settlement of all of the issues in both dockets and results in fair, just, and reasonable rates. The Stipulation resolves identified issues regarding the calculation of revenue requirements for the 2008/2009 deferral period for the two solar projects, SunWay 1 and Sunway 2, and Phase 2 of Biglow Canyon, as well as the 2010 test period for all three projects.

In the Stipulation, the Stipulating Parties agree to the following:

A. SunWay 1 and SunWay 2

- Funding from the Energy Trust of Oregon and the PGE Clean Wind Fund will be used as offsets to the capital cost basis of the plant investment. The Stipulating Parties agree that this is the appropriate accounting treatment for third-party contributions and is generally appropriate for future renewable projects.
- PGE agrees to use an Return on Equity (ROE) of 10 percent to calculate the revenue requirement for both the deferral amount and the 2010 test year.
- PGE will reduce the 2010 test year revenue requirement for SunWay 1 by \$14,000 as an offset for the present value of above-market costs of the project that create any increased revenue requirement over the life of the project.

- With these adjustments, the revenue requirements for SunWay 1 and SunWay 2 that will be included in rates through the RAC are:

	2008/2009 Deferral	2010 Test Year
SunWay 1	\$18,555	\$ 7,249
SunWay 2	\$87,505	\$88,183

- The December 1, 2009, update required by Schedule 122 is not required for SunWay 1 and SunWay 2 because the RAC reflects the actual costs and therefore not subject to change before December 1, 2009.
- PGE will attempt to minimize the cost to customers of complying with the Renewable Portfolio Standard and the Solar Photovoltaic Capacity Standard. Except as required to meet the Solar Photovoltaic Capacity Standard, the costs to customers of any new solar resources acquired to meet the Renewable Portfolio Standard must be economically justifiable when compared to the costs of other qualifying renewable resources available at the time. Once PGE has met both standards, the costs to customers of any additional solar resources must be at or below the risk-adjusted market value of the delivered energy at the time the decision to invest was made.

B. Biglow Canyon Phase 2:

- The deferral period and 2010 test year revenue requirements are \$5.584 million and \$34.634 million respectively. These amounts are based on an overall budget amount of \$325.4 million, which includes approximately \$10 million in contingency costs. These amounts are subject to change in the December 1, 2009 update required by Schedule 122. These amounts reflect the use of an ROE of 10 percent.
- PGE will update its deferral and test year revenue requirement for Biglow Canyon Phase 2 on December 1, 2009, with known actual capital costs consistent with Schedule 122. All actual costs are expected to be available at the time of the update. If all actual costs are not available, PGE will use forecasted costs. If the total revenue requirement is lower than stated above, PGE will provide information to support the reduction. If the total revenue requirement is greater than above, PGE may file for deferral of the difference between the projected costs and prudently incurred actual costs.

III. CONCLUSION

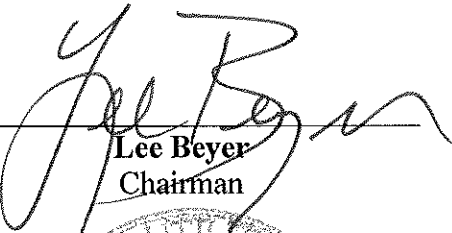
After reviewing the terms of the Stipulation and the joint testimony of the Stipulating Parties, we conclude that the settlement agreement reached by PGE, Commission Staff, CUB, ODOT, and ICNU is a reasonable resolution of all of the issues in UE 209

and UM 1407, and produces fair, just, and reasonable rates. We therefore conclude the Stipulation should be adopted in its entirety. The dockets should be consolidated. This concludes the proceeding, with the exception of PGE's December 1, 2009, update filing related to Biglow Canyon Phase 2 pursuant to the RAC tariff.

ORDER

- 1. Dockets UE 209 and UM 1407 are hereby consolidated.
- 2. Portland General Electric Company's first revised sheets, Schedule Nos. 122-1 and 122-2 filed in Advice No. 09-06 are permanently suspended.
- 3. The Stipulation, attached as Appendix A, is adopted.
- 4. Portland General Electric Company must file a revenue requirement update for Biglow Canyon Phase 2 on December 1, 2009.
- 5. Portland General Electric Company must file revised rate schedules consistent with this order to be effective no earlier than January 1, 2010.

Made, entered, and effective OCT 05 2009 .



Lee Beyer
 Chairman



John Savage
 Commissioner



Ray Baum
 Commissioner



A party may request rehearing or reconsideration of this order under 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 in 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 through 183.484.

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 209/UM 1407

In the Matter of Portland General Electric
Company's Application for Deferred
Accounting and Renewable Resources
Automatic Adjustment Clause (Advice No.
09-06, Schedule 122)

**STIPULATION REGARDING ALL
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, the Industrial Customers of Northwest Utilities, and the Oregon Department of Transportation (collectively, the "Parties").

I. INTRODUCTION

In accordance with its tariff Schedule 122, PGE made its annual Renewable Resources Automatic Adjustment Clause (the "RAC") filing on April 1, 2009, Advice No. 90-06. The filing included PGE's initial testimony. Three renewable projects are included in PGE's filing: two solar projects called SunWay 1 and SunWay 2, and Phase 2 of the Biglow Canyon wind project. Also consistent with Schedule 122, on December 3, 2008, PGE filed a deferral request regarding the 2008 and 2009 costs of the two solar projects, docket UM 1407. All issues related to docket UM 1407 have been consolidated into this Stipulation.

On July 24, 2009, PGE filed supplemental testimony amending the revenue requirement request in this docket. Tariff Schedule 122 also requires PGE to file an update of the costs of these renewable resources by December 1, 2009. This update may further amend the revenue requirement request in this docket.

After PGE's initial filing in this docket the Parties sent and PGE responded to numerous data requests. Numerous workshops and settlement discussions have been held among the Parties. As a result of those discussions, the Parties have reached agreement settling all issues raised in this proceeding as set forth below. The Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles all issues in this docket UE 209 and consolidated docket UM 1407.
2. SunWay 1 and SunWay 2. The Parties agree as follows regarding SunWay 1 and SunWay 2:
 - a. Revenue Requirement: Funding from the Energy Trust of Oregon and the PGE Clean Wind Fund are offsets to the capital cost basis of the plant investment for SunWay 1 and SunWay 2. The Parties agree that this is the appropriate accounting treatment of third party contributions and is generally appropriate for future renewable projects.
 - b. For purposes of this docket, PGE also agrees to the use of a 10.0% ROE for the calculation of revenue requirement for both the deferral amount and the 2010 test year.
 - c. In settlement of this docket, PGE will reduce the 2010 test year revenue requirement for SunWay 1 by \$14,000 as an offset for the present value of above-market costs of SunWay 1 that create any increased revenue requirement over the life of the project.
 - d. With these adjustments the revenue requirements for SunWay 1 and SunWay 2 are as follows:

	2008 / 2009 Deferral	2010 Test Year
SunWay 1	\$18,555	\$7,249
SunWay 2	\$87,505	\$88,183

- e. The Parties agree that the December 1, 2009, update set forth in tariff Schedule 122 is not required for SunWay 1 and SunWay 2 because the revenue requirement costs above reflect actual costs, and are therefore not subject to change between the date of this stipulation and December 1, 2009.
- f. The Parties agree that PGE should attempt to minimize the cost to customers of complying with both the Renewable Portfolio Standard and the Solar Photovoltaic Capacity Standard. Except as required to meet the Solar Photovoltaic Capacity Standard, the costs to customers of any new solar resources acquired to meet the Renewable Portfolio Standard must be economically justifiable as compared to the costs of other qualifying renewable resources available at the time. Once PGE has met both the Solar Photovoltaic Capacity Standard and the Renewable Portfolio Standard, the costs to customers of any additional solar resources must be at or below the risk-adjusted market value of the delivered energy at the time the decision to invest was made.
3. Biglow Canyon Phase 2. The Parties agree as follows regarding Biglow Canyon Phase 2:
- a. The deferral period and 2010 test year revenue requirements are \$5.584 million and \$34.634 million respectively. These amounts are based upon an overall budget amount of \$325.4 million which includes approximately

\$10 million of contingency costs. These amounts are subject to change in the December 1 update. These amounts reflect the use of a 10.0% ROE.

- b. PGE will update its deferral and test year revenue requirement for Biglow Canyon Phase 2 on December 1, 2009, with known actual capital costs consistent with tariff Schedule 122. All actual costs are expected to be available at the time of the update. However, if complete actuals are not available, PGE will include forecasted costs. To the extent total revenue requirement is lower than stated in the preceding paragraph, PGE will provide information to support the reduction. To the extent updated costs are higher than stated in the preceding paragraph, PGE may file for deferred accounting for cost differences between the projected costs and prudently incurred actual costs.
4. The Parties recommend and request that the Commission approve the revenue requirements set forth above as appropriate and reasonable resolutions of the issues in this docket.
5. The Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable.
6. 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 shall not be admissible as evidence in this or any other proceeding. Except for sub-sections 2.a, 2.f. and 3.b. the Parties agree that they will not cite this Stipulation as precedent in any other proceeding other than a proceeding to enforce the terms of this Stipulation. Nothing in this paragraph precludes a Party from stating as a factual matter what the Parties agreed to in this

Stipulation.

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 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 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 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 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 ^{18th} day of August, 2009.



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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 18th day of August, 2009.

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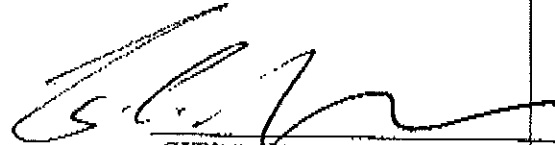
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- 11. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 17th day of August, 2009.

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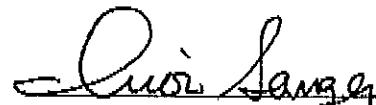
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DATED this 18th day of August, 2009.

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