

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 204

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,

Request for recovery of costs associated with
its Selective Water Withdrawal Project.

ORDER

DISPOSITION: STIPULATION APPROVED

I. INTRODUCTION

On October 24, 2008, Portland General Electric Company (PGE or the Company) filed Advice No. 08-15 with the Public Utility Commission of Oregon (Commission) requesting recovery of costs associated with its Selective Water Withdrawal (SWW) project.¹ The filing sought an increase in PGE's revenues of \$12.9 million, or 0.8 percent overall. In this order, we adopt a stipulation filed by the parties. Under the stipulation, PGE's share of capital costs for the SWW plant is approximately \$76.8 million. The parties agree that PGE's annualized revenue requirement for the project would be approximately \$11.7 million, but agree as a condition of settlement to lower the revenue requirement to \$9.8 million until the effective date of new rates in PGE's next general rate case. PGE's new rates will be effective no earlier than February 1, 2010.

II. BACKGROUND

The SWW project was undertaken by PGE as part of the Company's efforts to meet the requirements of a new 50-year license for the Pelton Round Butte hydro generation facility.² FERC issued the new 50-year license in June 2005 after a settlement process involving PGE; the Confederated Tribes of the Warm Springs

¹ PGE filed its request pursuant to ORS 757.205 and ORS 757.220. The issues involving the SWW project were initially included in PGE's filing in docket UE 197, but were moved to this separate docket pursuant to a stipulation among the parties.

² PGE shares ownership of the Pelton Round Butte facility with the Confederated Tribes of the Warm Springs Reservation of Oregon. PGE's current share of the facility's output is 298 MW.

Reservation of Oregon; and various state, federal, and nongovernmental agencies and organizations. PGE was required to take two actions that concern us here in connection with the new license: (1) build a new intake tower to moderate the temperatures in the lower Deschutes River, and (2) take steps to ensure safe, timely, and effective anadromous fish passage.³

The SWW project is intended to meet both of these goals. The project is designed to change water currents in the reservoir to provide better guidance for anadromous fish through the reservoir for collection in a fish collection facility. It also includes an intake tower designed to modify water temperatures in the lower Deschutes so they more closely match conditions before the dams were constructed and to allow water conditions to comply with state and tribal water quality standards.⁴

At the time of PGE's initial filing, the SWW project was scheduled to be completed and in service by April 30, 2009. A number of delays ensued, and on April 11, 2009, the project encountered a significant construction issue that further delayed the project. The incident damaged part of the SWW structure and required extensive salvage, repair, and additional construction activities. According to the parties, construction of the SWW project is now complete and the project is in the testing phase. Testing is scheduled for completion in January 2010.

III. PROCEDURAL HISTORY

At its November 4, 2008, public meeting, the Commission suspended PGE's proposed tariff revisions for a period of six months pursuant to ORS 757.215.⁵ A prehearing conference was held on December 2, 2008, and a procedural schedule was established.

During the course of the proceeding, the Industrial Customers of Northwest Utilities (ICNU) was granted leave to intervene as a party, and the Citizens' Utility Board (CUB) intervened in the proceeding as a matter of right pursuant to ORS 774.180.

At the request of various parties, the procedural schedule was modified several times. On February 17, 2009, Staff filed a motion to suspend PGE's tariffs for an additional three months. PGE opposed the motion and sought interim rate relief in the event the Commission ordered an additional suspension. On March 30, 2009, the Commission suspended PGE's tariffs for approximately seven additional weeks and denied PGE's request for interim rate relief.⁶

³ For more detail on these conditions and the history of issues with the Pelton Round Butte facility, see PGE/100, Keil-Schue-Hager/3-7, PGE/104, and PGE/105.

⁴ The project uses an intake tower to modify water temperatures. For a more detailed description of the project itself, see PGE/100, Keil-Schue-Hager/8-11, PGE/105.

⁵ See Order No. 08-534.

⁶ See Order No. 09-108. On July 7, 2009, and November 12, 2009, PGE filed agreements to extend the suspension period, ultimately agreeing to extend the suspension period until April 1, 2010.

On March 3, 2009, PGE filed supplemental testimony updating the Company's revenue requirement forecast to \$11.8 million, approximately \$1.1 million lower than its original rate request. On March 11, 2009, the parties filed a stipulation resolving depreciation issues. On March 18, 2009, Staff and CUB filed reply testimony and exhibits addressing the remainder of PGE's application. On April 14, 2009, PGE filed a motion to suspend the existing schedule due to the April 11, 2009, construction incident. On September 25, 2009, PGE filed rebuttal testimony and exhibits.

On January 4, 2010, the parties filed a unanimous stipulation and supporting testimony resolving the issues in this docket.

IV. DISCUSSION

Overview of Stipulation

Under the terms of the stipulation, PGE's annualized revenue requirement for the SWW would be approximately \$9.8 million, which would remain in effect until the effective date of new rates in PGE's next general rate case. The stipulation adjusts the revenue requirement proposed in PGE's proposed Schedule 121⁷ as follows:

- A return on equity (ROE) of 10 percent, rather than PGE's proposed 10.1 percent, will be used. Staff believes that Order No. 09-020 requires PGE to calculate revenue requirement using a 10 percent ROE after January 22, 2009, and the parties agree to use that number for purposes of settlement.
- Capital costs of the SWW plant will include costs as if the plant were completed on April 15, 2009, except for testing and follow-up work.
- Unused contingency funds will not be included in capital costs, and at least \$0.9 million will be removed from SWW costs. This adjustment addresses Staff's initial concern that PGE was seeking recovery for an excessive amount of contingency funds.
- Allowance for Funds Used During Construction (AFUDC) accrued as a result of the delay in completion of the SWW project, approximately \$3.2 million, will be removed from capital costs. Staff and CUB believe that AFUDC funds related to additional time required to finish the project should not be included in rates, and the parties agreed to remove such costs for purposes of settlement.
- Capital costs will also be reduced by \$0.78 million to remove a payment that was included in PGE's previous forecast but subsequently not paid.

⁷ PGE's proposed Schedule 121 is found at Exhibit 603 of PGE's September 25, 2009, rebuttal testimony.

- The total amount of capital costs of PGE's share of the SWW plant, consistent with the adjustments above, is \$76.8 million.

These adjustments reduce the annualized revenue requirement for the SWW for 2010 to approximately \$11.7 million. As a condition of settlement, the parties agree to further lower the revenue requirement to \$9.8 million until the effective dates of new rates after PGE's next general rate case. A few of the remaining key terms are identified below.

- The impact on net variable power costs from testing the SWW in January 2010 will not be included in the 2010 Schedule 126 Power Cost Variance Mechanism calculation.
- Capital costs resulting from the April 11, 2009, construction incident will not be included in revenue requirement in this docket.⁸ In addition, with the exception of Senate Bill 408 proceedings, neither these costs, nor any insurance or other third-party recovery for these costs, will be included in future regulatory proceedings.
- In its next general rate case, PGE may request that certain costs related to improvements to the SWW be included in rate base for the SWW. These costs may not exceed \$500,000, and must clearly relate to improvements to the SWW rather than repair costs related to the April 11, 2009, construction incident.⁹

The parties consider the adjustments described in the stipulation to be appropriate and reasonable resolutions of the issues in this docket. The parties assert that the stipulation is in the public interest and will result in fair, just, and reasonable rates, and ask the Commission to approve it.

V. CONCLUSION

The SWW project was constructed in connection with licensing requirements for the Pelton Round Butte facility. Its completion will allow PGE to use PGE's share of the facility's output for the benefit of PGE customers. We have reviewed the stipulation, together with all of the testimony filed in this docket, and conclude that the stipulation is in the public interest and results in fair, just, and reasonable rates. The stipulation is attached to this Order as Appendix A and incorporated into this Order by reference.

⁸ The parties quantify these capital costs at approximately \$7.6 million.

⁹ Although PGE may request these costs, no party commits to supporting any such request.

VI. ORDER

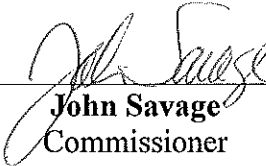
IT IS ORDERED that:

1. The Stipulation attached to this Order as Appendix A is adopted.
2. Portland General Electric Company shall file revised rate schedules consistent with this order to be effective on the later of the following dates: February 1, 2010, or the date PGE certifies to the Commission that final testing has been successfully completed and the SWW project is in service.
3. The tariffs previously filed by Portland General Electric Company in this docket are permanently suspended.

Made, entered, and effective JAN 22 2010.

COMMISSIONER BEYER WAS
UNAVAILABLE FOR SIGNATURE

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

UE 204

In the Matter of Revised Tariff Schedules
filed by Portland General Electric Company
Regarding the Selective Water Withdrawal
Project

**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, and the Industrial Customers of Northwest Utilities (collectively, the "Parties").

I. INTRODUCTION

This docket concerns the ratemaking recovery of the costs of the Selective Water Withdrawal Project ("SWW") constructed by PGE as part of the FERC relicensing of the Pelton/Round Butte hydro generating plant. Construction of the SWW was originally scheduled to be completed in April 2009, followed by testing. As described in the testimony in this docket, an incident occurred during construction on April 11, 2009, which damaged part of the SWW structure and required extensive salvage, repair and additional construction activities. Construction has recently been completed, and the SWW plant is currently in testing. Testing is anticipated to be completed in January 2010.

Multiple rounds of testimony have been filed, and extensive discovery has been undertaken. The Parties have also held settlement conferences. 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.
2. The revenue requirement for SWW costs included in proposed Schedule 121, as set out in Exhibit 603 of PGE's rebuttal testimony will be adjusted as follows:
 - a. A return on equity of 10%, rather than 10.1% will be used to reflect in this docket the Commission's decision regarding the implementation of PGE's decoupling tariffs.
 - b. Capital costs of the SWW plant will include costs as if the plant was completed April 15, 2009, except for testing and follow-up work.
 - c. Unused contingency funds will not be included in capital costs and no less than \$0.9 million will be removed from SWW costs.
 - d. AFUDC accrued as a result of the delay in completion of the SWW project, in the amount of about \$3.2 million, will be removed from capital costs.
 - e. Capital costs will also be reduced \$780,000 to remove a payment that was included in PGE's previous forecast but subsequently not paid.
 - f. The capital costs of PGE's share of the SWW plant, consistent with the adjustments in paragraphs 2(b) through 2(e) above, is \$76.8 million.
3. With the changes set forth in the previous paragraph, the annualized revenue requirement for the SWW for 2010 would be about \$11.7 million. The Parties agree that the annualized revenue requirement will be further reduced to \$9.8 million in consideration of the terms set forth below and in consideration of settlement of other adjustments proposed by some parties in this docket. This annualized revenue requirement will remain in effect until the effective date of new rates in PGE's next general rate case.

4. The Parties agree that the rate schedule reflecting the SWW costs should become effective on the later of: 1) February 1, 2010, or 2) the date that PGE certifies to the Commission that final testing has been successfully completed and the SWW project is in service. Final cost numbers for the SWW, excluding costs for final testing, will be made available to the Parties by PGE by January 8, 2010.

5. Any impact on net variable power costs as a result of testing of the SWW in January 2010 will not be included in the 2010 Schedule 126 Power Cost Variance Mechanism calculation.

6. All capital costs incurred by PGE as a result of the April 11, 2009, construction incident are not included in revenue requirement in this docket (approximately \$7.6 million). The Parties further agree that, with the exception of SB 408 proceedings, neither these costs, nor any insurance or other third party recovery for these costs, will be included in future regulatory proceedings.

7. The Parties agree that in its next general rate case, PGE may request that certain capital costs incurred during 2009 and not included in this docket, in an amount not to exceed \$500,000, be included in rate base for the SWW. Such costs must clearly relate to improvements to the SWW and not repair costs related to the SWW incident. By entering this Stipulation, no party is agreeing to support the inclusion of additional costs related to this project in future revenue requirements or is taking a position regarding the prudence of such costs.

8. The Parties recommend and request that the Commission approve the adjustments described above to SWW costs and revenue requirement as appropriate and reasonable resolutions of the issues in this docket.

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

10. 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 as provided in this Stipulation, 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.

11. 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.

12. 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 fifteen (15) 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.

13. 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).

14. 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. No Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

15. 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 ^{4th} day of January, 2010.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

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DATED this 4th day of January, 2010.

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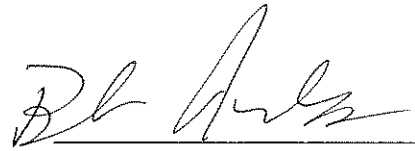
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