ORDER NO. 11 480

ENTERED DEC 05 2011

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UE 232

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY 2010 Annual Power Cost Variance Mechanism.	ORDER

DISPOSITION: STIPULATION APPROVED

I. INTRODUCTION

In accordance with its tariff Schedule 126, Portland General Electric Company (PGE) filed its annual power cost variance mechanism update on July 1, 2011. In its filing PGE showed no power cost variance refund or collection for 2010, due to the operation of the Power Cost Deadband, (Deadband) in Schedule 126.

Parties to this proceeding are PGE, the Staff of the Oregon Public Utility Commission (Staff), the Citizens' Utility Board of Oregon (CUB), and the Industrial Customers of Northwest Utilities (ICNU). Following a workshop and settlement conference, PGE, Staff, CUB, and ICNU (collectively, the Parties) reached agreement, settling all issues in this docket. Accordingly, the Parties filed a Stipulation and Explanatory Brief in support of the Stipulation.

Pursuant to the terms of their settlement, the Parties agree that there should be no change in PGE's rates in this proceeding. In this order the Commission approves the Stipulation.

II. BACKGROUND

A. Introduction

As described by PGE, the first step in the process is to compare PGE's actual unit Net Variable Power Costs (NVPC) with its base unit NVPC. The difference is then multiplied by actual load to determine an Annual Variance. PGE next applies an asymmetrical power cost deadband to the Annual Variance, followed by 90-10 sharing between customers and shareholders to develop the Power Cost Variance (PCV).

Next, PGE applies a symmetrical return on equity (ROE) deadband to an earnings test to determine whether the final PCV should be collected from or refunded to customers. If there is a collection from or refund to customers, the amount is posted to PGE's PCV account where it will accrue interest at PGE's authorized rate of return (until the Commission approves amortization). If there is a collection from or refund to customers, PGE amortizes the PCV balance through its Schedule 126, which is an Automatic Adjustment Clause (as defined in ORS 757.210).

B. Base Power Costs

PGE first derived its base NVPC using the final power cost forecasts created by PGE for Docket UE 208 (its 2010 annual update tariff filing), using its power cost forecasting model, Monet. That method established the unadjusted base NVPC of about $784.1 million for 2010.

PGE next reduced power costs by $2.4 million to recognize forecasted steam sales from its Coyote Springs plant. The company applied this adjustment as directed by the Commission in Order No. 07-015.

PGE then reduced power costs related to the additional 46.5 MWa (average Megawatts) of 2010 direct access and variable price option load that had not been identified at the time the final Monet forecast was prepared in November, 2009. This adjustment reduced base power costs by $18.9 million and also reduced the base loads used to determine unit NVPC.

PGE increased baseline power costs by about $3.1 million relating to the deferral of Port Westward gas transportation costs. According to PGE, that adjustment was necessary to avoid double counting of an earlier adjustment.

The resulting NVPC for 2010 is about $765.9 million.

C. Actual Power Costs

PGE first determined the amounts of variable power costs charged to specified FERC accounts. The Company next included the amount of sales for resale. For 2010, this net amount is $741.7 million.

To this amount PGE applied several adjustments that are specifically identified in its testimony. Material adjustments include the following:

- Removal of a credit of $5.4 million for Biglow Canyon 3 net benefits, reflecting cost and benefits that were deferred according to the renewable adjustment clause provisions of Schedule 122;

- o Exclusion of a charge of $7.4 million for green power expenses that are billed directly to customers through Schedules 7 and 32;
- o Exclusion of a charge of $831,000 for the 2009 direct access deferral amortization;
- o Exclusion of a charge of $1.4 million for the Colstrip Western Energy Company deferral amortization;
- o A credit of $1.7 million for actual steam sale revenues for the Coyote Springs 1 plant;
- o A credit of $407,000 for gas resale margin;
- o A credit of $5.1 million for oil resale revenues;
- o A credit of $9.7 million for energy revenues from variable price option customers;
- o A credit of $4.7 million for transmission resale revenues, net of lost transmission revenues from direct access customers.

After making all of the adjustments, the final actual NVPC total is about $715.7 million.

D. Unit Power Costs and Annual Variance

PGE uses the base and actual NVPCs to calculate a unit NVPC variance. PGE divides the base NVPC and actual NVPC by base loads and actual loads, using retail cost of service loads. The unit NVPC variance is calculated by subtracting base unit NVPC from actual unit NVPC. According to PGE, this last step eliminates the power cost variance that would arise from changes in load.

For 2010, the resulting unit NVPC variance is approximately negative $0.71 per MWh. PGE calculates the Annual Variance by multiplying the unit NVPC variance by the actual load. This produces an Annual Variance of about negative $12.4 million.

E. PCV

The next step is to apply the power cost deadband. The power cost deadband is asymmetrical; ranging from 75 basis points return on equity (ROE) below the base level of NVPC included in rates, to 150 basis points ROE above. Because PGE's actual power costs in 2010 were below base power costs, PGE used the 75 basis point ROE, resulting in a negative credit deadband of about $17.3 million. Because PGE's annual variance of negative $12.4 million is within the deadband amount of negative $17.3 million, it did not apply sharing percentages to determine a final PCV.

F. Earnings Review

PGE performs an earnings review initially to provide a Results of Operations Report to the Commission Staff. Because that report incorporates all aspects of the power cost adjustment mechanism earnings review, PGE uses it as the basis for the ROE deadband in calculating its PCV.

The ROE deadband is +/- 100 basis points of PGE's authorized ROE, which for 2010 is 10.0 percent. Thus, if PGE's earnings are within the range of 9.0 to 11.0 percent ROE, PGE absorbs the entire PCV.

Because the annual variance lies entirely within the power cost deadbands, the application of the ROE deadband in this case is moot. According to PGE, its final 2010 ROE was 9.06 percent, which is below the 11.0 percent upper deadband threshold for refunds.

III. DISCUSSION

A. The Stipulation

The Parties agree that PGE's actual power costs for 2010 were below forecast power costs but fall within the Schedule 126 Negative Annual Power Cost Deadband. Operation of that Deadband results in no rate impact to customers for the 2010 power cost variance.

As stated in the Explanatory Brief, as calculated by PGE the variance between forecast and actual power costs in 2010 was about negative $12.4 million. Because that amount is within the Deadband of negative $17.3 million, the Power Cost Variance reported by PGE is zero, and neither the sharing percentages nor an earnings test is applicable. Thus, although some parties may have raised issues regarding the calculation of the Power Cost Variance or earnings test, as stated in the Stipulation they determined that any such adjustments, even if adopted, would not have caused the variance to exceed the Deadband. Accordingly, the Parties agreed to no rate change.

The Parties agree that their Stipulation represents a compromise that is not to be construed as agreement to any or all of the aspects of the calculations made by PGE. The Stipulation is not precedent for future Power Cost Variance dockets (or any other cases).

B. Resolution

As stated by the Parties in their Stipulation and the Explanatory Brief, PGE's initial filing included testimony, work papers, and the information required by the minimum filing requirements previously agreed to regarding Schedule 126. Following PGE's filing, PGE shared requested information with the parties and the parties examined PGE's filing and work papers before the settlement conference. We find that the Stipulation is well-founded, based on their exchange of information and discussions. We acknowledge that by their consensus the settling parties are not deemed to have agreed as to all aspects of the calculations.

V. ORDER

IT IS ORDERED that:

1. The Stipulation by and among Portland General Electric Company, the Staff of the Public Utility Commission of Oregon, the Citizens' Utility Board of Oregon, and the Industrial Customers of Northwest Utilities attached as Appendix A is approved.

2. Portland General Electric Company shall file tariffs consistent with this Order, setting the Schedule 126 rates to zero, excepting any residual adjustments for the 2007 PCV credit, to become effective January 1, 2012.

Made, entered, and effective DEC 05 2011.

John Savage
Commissioner

Susan K. Ackerman
Commissioner

Stephen M. Bloom
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 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(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 232

In the Matter of PORTLAND GENERAL ELECTRIC COMPANY Annual Power Cost Variance Mechanism (2010)	)))))))	**STIPULATION**

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"). There are no other parties in this docket.

I. INTRODUCTION

In accordance with its tariff Schedule 126, PGE filed its annual power cost variance mechanism update in this docket on July 1, 2011. Included with that filing were PGE's testimony and work papers regarding the 2010 power cost variance and earnings test results. This information included the data required by the minimum filing requirements agreed to for Power Cost Variance (PCV) dockets. PGE's filing showed that operation of the Power Cost Deadband in Schedule 126 results in no power cost variance refund or collection for 2010.

The Parties subsequently reviewed PGE's filing and work papers. The Parties held a workshop on August 25, 2011, and a settlement conference via telephone on September 21, 2011. As a result of those discussions, the Parties have reached agreement settling this docket 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. PGE's actual power costs for 2010 were below forecast power costs but fall within the Schedule 126 Negative Annual Power Cost Deadband. Operation of that deadband results in no rate impact to customers for the 2010 power cost variance. Some parties may have proposed adjustments to the power cost calculation or earnings test in this docket but such adjustments, if accepted, would not have altered the Schedule 126 rates. As such, the lack of issues being raised and decided in this docket is not to be construed as agreement to any or all of the aspects of the calculations done by PGE and is not precedent for future PCV dockets or any other case.

3. Schedule 126 rates should continue to be set at zero effective January 1, 2012.

4. The Stipulating Parties recommend and request that the Commission approve this Stipulation as an appropriate and reasonable resolution of the issues in this docket.

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 Stipulating Parties. Without the written consent of all parties, evidence of conduct or statements, including but not limited to term sheets or other documents created solely for use in settlement conferences in this docket, are confidential and not admissible in the instant or any subsequent proceeding, unless independently discoverable or offered for other purposes allowed under ORS 40.190.

7. 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 Stipulating Party reserves the right (i) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation and (ii) pursuant to OAR 860-001-0720, to seek rehearing or reconsideration. 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.

8. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-01-0350(7). The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to sponsor this Stipulation at the hearing (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting an explanatory brief or written testimony required by OAR § 860-01-0350(7).

9. By entering into this Stipulation, no Stipulating Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Stipulating Party in arriving at the terms of this Stipulation, other than those specifically identified in the Stipulation. Except as provided in this Stipulation, no Stipulating Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

10. 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 31st day of October, 2011.

PORTLAND GENERAL ELECTRIC COMPANY

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

CITIZENS' UTILITY BOARD OF OREGON

INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

DATED this 31st day of October, 2011.

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, 2011.

PORTLAND GENERAL ELECTRIC COMPANY

STAFF OF THE PUBLIC UTILITY COMMISSION OF OREGON

CITIZENS' UTILITY BOARD OF OREGON

INDUSTRIAL CUSTOMERS OF NORTHWEST UTILITIES

DATED this 25th day of October, 2011.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

S. Bradley Van Cleve

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES