

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 274

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY,2012 Annual Power Cost Variance
Mechanism.

ORDER

DISPOSITION: STIPULATION ADOPTED

I. SUMMARY

On June 24, 2013, Portland General Electric Company (PGE) filed its annual power cost adjustment mechanism (PCAM) in this docket to recognize the difference between actual and forecasted power costs.¹ In its filing, PGE showed no power cost variance refund or collection for 2012 due to the operation of the earnings test. Following a settlement conference, the parties to these proceedings agreed to a stipulation providing that there should be no change in PGE's rates in these proceedings. In this order we adopt the stipulation, attached as Appendix A.

II. BACKGROUND

A. Introduction

PGE states that its PCAM, also referred to as its annual power cost variance mechanism, is calculated and filed in accordance with its tariff Schedule 126. PGE's filing includes testimony and exhibits describing its 2012 baseline and actual power costs, its earnings test, and its calculations for the PCAM.

The Industrial Customers of Northwest Utilities (ICNU) was granted party status in this docket. The Citizens' Utility Board of Oregon (CUB) intervened as a matter of right

¹ See generally *In the Matters of Portland General Elec. Co.*, Docket No. UE 180, Order No. 07-015 (Jan. 12, 2007) (order originally adopting PGE's power cost adjustment mechanism); Docket No. UE 232, Order No. 11-480 (Dec. 5, 2011) (PGE's annual power cost variance for 2010); Docket No. UE 256, Order No. 12-402 (Oct. 24, 2012) (PGE's annual power cost variance for 2011).

under ORS 774.180. Following settlement discussions, and before any Staff or intervenor testimony was filed, PGE, Commission Staff, CUB, and ICNU submitted a stipulation on October 4, 2013, along with a joint explanatory brief, and a motion to admit the stipulation and joint explanatory brief into evidence in these proceedings. The motion is granted.

B. Calculation of Power Cost Variance

PGE begins with the base unit Net Variable Power Costs (NVPC) that it forecasted pursuant to its annual power cost update in Schedule 125. PGE's base NVPC for 2012 is \$702.9 million.² PGE then applied adjustments to its base NVPC to account for steam sales from its Coyote Springs plant and direct access and variable option load that were not included in its previous forecast. Thus, PGE calculated an adjusted final base NVPC for 2012 of approximately \$686.6 million.

PGE states that its next step is to calculate its actual NVPC. For 2012, PGE determined a net amount of \$676.7 million. To this amount PGE applied numerous adjustments for items that PGE states are billed or recovered through other schedules as well as items that PGE states should be specifically excluded or included. After making the adjustments, PGE's calculated a final actual NVPC of approximately \$649.7 million.

Next, PGE states that it determined unit power costs to eliminate the variance that would arise from changes in load. PGE multiplies the unit NVPC variance by actual load, and states that its annual variance is a \$16.9 million credit.

PGE explains that its final steps are to apply the deadband, sharing mechanism, and earnings test to the annual variance. With respect to the deadband and sharing, Schedule 126 provides that power cost variances outside a \$15 million credit deadband are shared between PGE and its customers—customers receive 90 percent and PGE receives 10 percent. Deducting the deadband leaves a \$1.9 million credit; applying that to the sharing mechanism results in an adjusted variance credit of \$1.7 million.

With respect to the earnings test, Schedule 126 provides that any refund to customers is subject to an earnings review. The return on equity (ROE) deadband is +/- 100 basis points of PGE's authorized ROE, which for 2012 is 10.0 percent.³ Thus, if PGE's earnings are within the range of 9.0 to 11.0 percent ROE, PGE absorbs the entire power cost variance. PGE states that its final 2012 ROE, before any power cost variance refund, is 9.48 percent. Based on this result, the 2012 PCAM refund is zero.

² See *In the Matter of Portland General Elec. Co.*, Docket No. UE 228, Order No. 11-518 at App. A (Dec. 20, 2011).

³ See *In the Matter of Portland General Elec. Co.*, Docket No. UE 215, Order No. 10-478 at 9-10. (Dec. 17, 2010) (describing the 10 percent ROE and also describing the PCAM deadband).

PGE notes that, although the 2012 PCAM refund is zero, the termination of the 2011 PCAM refund will produce a 0.4 percent average rate increase for cost-of-service customers as of January 1, 2014.

III. DISCUSSION

A. The Stipulation

The stipulation between PGE, Staff, CUB, and ICNU resolves all issues related to PGE's annual power cost variance mechanism update. The parties agree that PGE's actual power costs for 2012 were below forecasted power costs, but that operation of the earnings test in Schedule 126 results in no rate impact to customers for the 2012 power cost variance. The stipulation explains that, although some parties may have proposed adjustments to the power cost calculation or the results under the earnings test in this docket, such adjustments, if accepted, would not have altered the Schedule 126 rates. The parties add that their settlement is not to be construed as agreement with the calculations made by PGE. The stipulation concludes that Schedule 126 rates should be set at zero, effective January 1, 2014.

The stipulating parties recommend and request that the Commission approve the stipulation as an appropriate and reasonable resolution of the issues in this docket and agree that the stipulation is in the public interest and will result in just and reasonable rates.

B. Resolution

Based on our review of the testimony and supporting exhibits in this case, as well as the stipulation and joint testimony in support of the stipulation, we find the settlement reached by the parties to be appropriate and reasonable resolutions of the issues raised in this proceeding. Rates reflecting these adjustments will be fair, just and reasonable and provide PGE with adequate revenues, consistent with the standard in ORS 756.040. The stipulation should be adopted in its entirety.

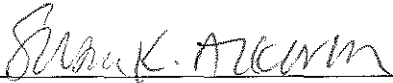
IV. ORDER

IT IS ORDERED that:

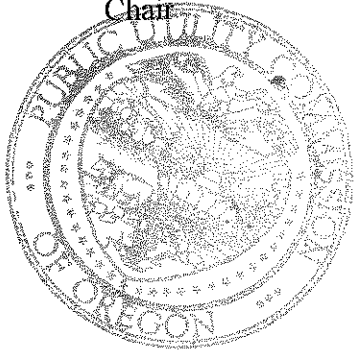
1. The stipulation by and between Portland General Electric Company, Staff of the Public Utility Commission of Oregon, the Citizens' Utility Board of Oregon, and the Industrial Customers of Northwest Utilities, attached as Appendix A, is adopted.

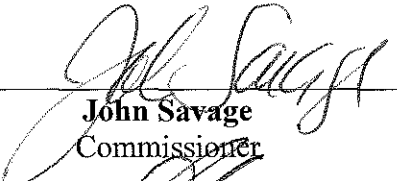
2. Portland General Electric Company must file compliance tariffs consistent with this order, for rates to be effective January 1, 2014.

Made, entered, and effective OCT 29 2013.




Susan K. Ackerman
Chair





John Savage
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 274

In the Matter of)	
)	
PORTLAND GENERAL ELECTRIC)	STIPULATION
COMPANY)	
)	
Annual Power Cost Variance Mechanism (2012))	
)	

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 ("CUB"), and the Industrial Customers of Northwest Utilities ("ICNU") (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 June 24, 2013. Included with that filing were PGE's testimony and work papers regarding the 2012 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 Earnings Deadband in Schedule 126 results in no power cost variance refund or collection for 2012.

The Parties subsequently reviewed PGE's filing and work papers. The Parties held a workshop/settlement conference via telephone on September 3, 2013. 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 2012 were below forecast power costs but operation of the Earnings Deadband in Schedule 126 results in no rate impact to customers for the 2012 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 be set at zero effective January 1, 2014.
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 Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable and will meet the standard in ORS 756.040.
6. The Parties agree that this Stipulation represents a compromise in the positions of the 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. The Stipulating Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order that is not consistent with this Stipulation, each Party reserves its


right: (i) to withdraw from the 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, in whole or material part, or adds such material condition; (ii) pursuant to OAR 860-001-0350(9), to present evidence and argument on the record in support of the Stipulation, including the right to cross-examine witnesses, introduce evidence as deemed appropriate to respond fully to issues presented, and raise issues that are incorporated in the settlements embodied in this Stipulation; and (iii) pursuant to ORS 756.561 and OAR 860-001-0720, to seek rehearing or reconsideration, or pursuant to ORS 756.610 to appeal the Commission order. Nothing in this paragraph provides any 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 860-001-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation (if specifically required by the Commission), and recommend that the Commission issue an order adopting the settlements contained herein. 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.

9. 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.

ORDER NO. 13 397

DATED this 7th day of October, 2013.


PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

ORDER NO. 13 397

DATED this 3rd day of October, 2013.

PORTLAND GENERAL ELECTRIC
COMPANY

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STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

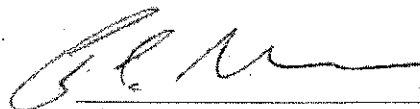
INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

ORDER NO. 13 397

DATED this 4th day of October, 2013.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON



CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

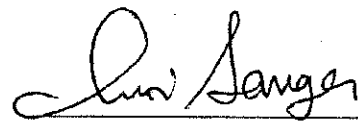
ORDER NO. 13 397

DATED this ^{2nd} day of October, 2013.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON



INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES