

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

UE 211

In the Matter of

PORTLAND GENERAL ELECTRIC  
COMPANY

2008 Annual Power Cost Variance  
Mechanism

ORDER

DISPOSITION: STIPULATION ADOPTED

**I. INTRODUCTION**

In accordance with its tariff Schedule 126, Portland General Electric Company (PGE) filed its annual power cost variance price update in this docket on July 1, 2009. Based on its calculations of base power costs and actual power costs, PGE calculated an amount to be shared between customers and shareholders pursuant to formula. However, based on an earnings test, PGE proposed no customer refund (or collection) associated with its 2008 power cost variance.

A prehearing conference was held on August 5, 2009. Parties appearing were PGE, the Staff of the Public Utility Commission of Oregon (Staff), the Citizens' Utility Board of Oregon (CUB), and the Industrial Customers of Northwest Utilities (ICNU) (the Joint Parties).

On October 7, 2009, the Joint Parties filed a stipulation settling all issues in this docket. The Stipulation is attached as Appendix A to this Order. The Joint Parties agreed that PGE's earnings for 2008 were such that the operation of the earnings test in Schedule 126 results in no refund of the 2008 power cost variance. Also on October 7, 2009, the Joint Parties filed a Joint Explanatory Brief in support of their Stipulation.

**II. PGE'S APPLICATION**

**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. Calculation of the PCV**

### ***1. Base Power Costs***

PGE first derived its base NVPC using the final power cost forecasts created by PGE for Docket UE 192, using its power cost forecasting model. That method established the unadjusted base NVPC of about \$744.8 million for 2008.<sup>1</sup>

PGE next applied two adjustments (as directed by the Commission in Order No. 07-015). First, the Company reduced power costs by \$1.4 million to recognize ancillary service revenue. Second, PGE reduced power costs by \$1.4 million to recognize steam sales from its Coyote Springs plant.

PGE also reduced power costs related to the additional 107 MWa of 2008 direct access and variable price option load that had not been identified at the time final model runs were prepared in November, 2007. This adjustment reduced base power costs by another \$56.8 million (and reduced the base loads used to determine unit NVPC).<sup>2</sup>

The resulting NVPC for 2008 is about \$685.2 million.

### ***2. 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 2008, this net amount is \$682.2 million.

To this amount PGE applied several adjustments that are specifically identified in its Schedule 126. After making all of the adjustments, the final actual NVPC total is about \$647 million.

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<sup>1</sup> PGE/100, Tooman-Tinker/ 4

<sup>2</sup> *Id.*

### **3. 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 2008, the resulting unit NVPC is approximately -\$1.84 per MWh. PGE calculates the Annual Variance by multiplying the unit NVPC variance by the actual load. This produces a negative Annual Variance of about \$31.8 million.

### **4. PCV**

The next step is to apply the power cost deadband. The power cost deadband is asymmetrical; ranging from 75 basis points ROE below the base level of NVPC included in rates, to 150 basis points ROE above. Because PGE's actual power costs in 2008 were below base power costs, PGE used the 75 basis point ROE, resulting in a negative credit deadband of about \$13.8 million.

PGE next deducted the power cost deadband (\$13.8 million) from the Annual Variance (\$31.8 million), yielding \$17.9 million to allocate between customers (90 percent) and shareholders (10 percent). Applying the 90 percent customer share results in a PCV of about negative \$16.1 million to be credited to customers, subject to the earnings test.

### **C. 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 2008 is 10.1 percent. Thus, if PGE's earnings are within the range of 9.1 to 11.1 percent ROE, PGE absorbs the entire PCV. Because PGE's final 2008 ROE was 10.19%, PGE proposed no customer refund associated with the Company's 2008 PCV.

## **III. THE STIPULATION**

### **A. Introduction**

The Joint Parties state that PGE's filing of its testimony and work papers met the minimum filing requirements agreed to for power cost variance dockets. The Joint Parties note that PGE responded to numerous data requests regarding its 2008 Results of Operations Report. The Joint Parties held a workshop and a settlement

conference prior to reaching their agreement. Their agreement as detailed in the Stipulation settles all issues in this docket.

### **B. Terms of the Stipulation**

The Joint Parties agree that PGE's earnings for 2008 were such that the operation of the earnings test in Schedule 126 results in no refund on the Company's 2008 PCV. While some parties may have proposed adjustments to the power cost calculation or earnings test, any such adjustments would not have altered the outcome of the earnings test for the year. The Joint Parties state that "the lack of issues being raised and decided in this docket is not to be construed as agreement to all aspects of the calculations done by PGE and is not precedent for future PCV dockets."<sup>3</sup>

Aside from any residual adjustment for the 2007 PCV credit, the Joint Parties agree that the Schedule 126 rates should be set to zero, effective January 1, 2010.

### **IV. JOINT EXPLANATORY BRIEF**

Pursuant to OAR 860-014-0085(4), settlements and stipulations filed for Commission review shall be supported by an explanatory brief or written testimony. In this instance the Joint Parties filed an explanatory brief.

In their brief the Joint Parties summarize the contents of PGE's filing and note its conclusion: there is no customer refund (or collection) associated with the 2008 Power Cost Variance.

The Joint Parties note that discovery was conducted and a workshop was convened, before their settlement conference. They further note that Staff had previously examined, made inquiries and submitted data requests regarding PGE's Results of Operations Report for 2008 that was the basis for the earnings test.

As noted in the Stipulation, some parties may have raised issues regarding the calculation of the PCV or earnings test, but did not because such adjustments, even if adopted, would not have changed the outcome of the earnings test. In their brief, the Joint Parties reaffirm their position that their consensus in the result is not to be construed as agreement to all aspects of the calculations.

The Joint Parties note that Schedule 126 rates are to be adjusted on January 1, 2010, to incorporate the outcome of this docket. The Schedule 126 rates are currently a credit, refunding the 2007 Power Cost Variance. Thus the Stipulation provides that, aside from any residual adjustment for the 2007 PCV credit, the Schedule 126 rates should be set to zero effective January 1, 2010.

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<sup>3</sup> Stipulation at 2.

**V. DISCUSSION**

As stated in the Stipulation and the Explanatory Brief, the Joint Parties conducted discovery and held a workshop prior to convening a settlement conference. Their Stipulation is informed by their exchange of information and discussions. PGE's filing, including testimony and work papers, meets the minimum filing requirements for power cost variance dockets.

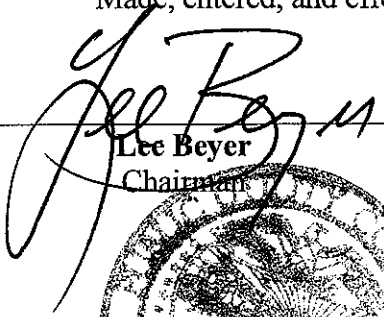
The Commission finds that the Stipulation is well supported by PGE's filing and the analysis conducted by the parties. We acknowledge that by their consensus the settling parties are not deemed to have agreed as to all aspects of the calculations.

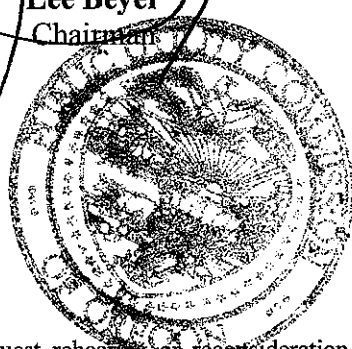
**ORDER**

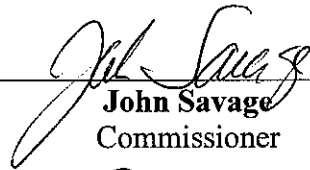
IT IS ORDERED that:

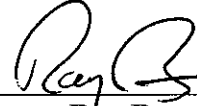
1. The Stipulation by and among Portland General Electric Company, the Staff of the Public Utility Commission of Oregon, the Citizens' Utility Board of Oregon, and the Industrial Customers of Northwest Utilities attached as Appendix A is approved.
2. Portland General Electric Company shall file tariffs 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, 2010.

Made, entered, and effective NOV 02 2009

  
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**Lee Beyer**  
 Chairman



  
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**John Savage**  
 Commissioner

  
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**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 211

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC	)	<b>STIPULATION</b>
COMPANY	)	
	)	
Annual Power Cost Variance (2008)	)	
	)	

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**

In accordance with its tariff Schedule 126, PGE filed its annual power cost variance price update in this docket on July 1, 2009. Included with that filing were PGE’s testimony and work papers regarding the 2008 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 test in Schedule 126 results in no power cost variance refund for 2008.

The Parties subsequently sent and responded to data requests, including requests and discussions regarding PGE’s 2008 Results of Operations Report. The Parties also held a workshop and a settlement conference in this docket. 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 earnings for 2008 were such that the operation of the earnings test in Schedule 126 results in no refund of the 2008 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 outcome of the earnings test for the year. As such, the lack of issues being raised and decided in this docket is not to be construed as agreement to all aspects of the calculations done by PGE and is not precedent for future PCV dockets.
3. Aside from any residual adjustment for the 2007 PCV credit, Schedule 126 rates should be set to zero effective January 1, 2010.
4. The Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable.
5. 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 or from citing to a Commission order adopting this stipulation
6. 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.

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 Party reserves the right to withdraw from this Stipulation upon written notice to the Commission and the other Parties within ten (10) 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.

8. 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).

9. 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.

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 <sup>7<sup>th</sup></sup> day of ~~September~~ <sup>OCTOBER</sup>, 2009.

  
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PORTLAND GENERAL ELECTRIC  
COMPANY

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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

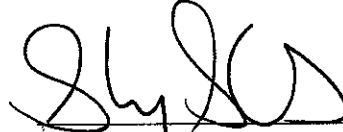
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CITIZENS' UTILITY BOARD  
OF OREGON

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INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

DATED this <sup>1st</sup> day of ~~September~~ <sup>October</sup>, 2009.

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PORTLAND GENERAL ELECTRIC  
COMPANY



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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

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CITIZENS' UTILITY BOARD  
OF OREGON

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INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

DATED this <sup>30th</sup> day of September, 2009.

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PORTLAND GENERAL ELECTRIC  
COMPANY

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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON



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CITIZENS' UTILITY BOARD  
OF OREGON

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INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

DATED this <sup>7<sup>th</sup></sup> day of ~~September~~<sup>October</sup>, 2009.

PORTLAND GENERAL ELECTRIC  
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