

ORDER NO. 12 397

ENTERED OCT 18 2012

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 250, UE 251

In the Matters of

PORTLAND GENERAL ELECTRIC
COMPANY

Annual Power Cost Update Tariff for 2013
(UE 250),

and

Annual Power Cost Update; Advice
No. 12-08, Schedules 125 and 126 to
include chemical costs associated with
the Boardman plant's pollution control
requirements (UE 251).

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

In late March 2012, Portland General Electric Company (PGE) made two filings. First, PGE filed its forecast of the company's 2013 net variable power costs (NVPC) under the terms of its Annual Update Tariff (AUT). The AUT is designed to allow PGE to annually revise customer rates to reflect changes in its projected power costs resulting from new information. The updated power cost forecast will also be used as the baseline for comparing actual NVPC when PGE applies the power cost adjustment mechanism set forth in its Annual Power Cost Variance tariff. That filing was docketed as UE 250.

Second, PGE filed Advice 12-08 requesting certain changes to its tariff Schedules 125 and 126 to include certain chemical costs associated with the Boardman plant's pollution control requirements. That filing was docketed as UE 251. At PGE's request, the two matters were consolidated by Administrative Law Judge's ruling, dated May 2, 2012, proceeding as UE 250.

Petitions to intervene were granted on behalf Industrial Customers of Northwest Utilities (ICNU), Noble Americas Energy Solutions (Noble Solutions), and the Oregon Department of Energy. The Citizens' Utility Board of Oregon (CUB) intervened by right. A prehearing conference was held on April 30, 2012, and a schedule adopted. Pursuant to that schedule, testimony was filed by Staff and ICNU. PGE filed rebuttal testimony. The parties waived cross examination and the hearing was canceled. On September 6, 2012, prior to the date scheduled for the filing of briefs, PGE, ICNU, CUB, and Staff filed a stipulation that settles all issues raised by the parties in these dockets. According to stipulating parties, Noble Solutions does not join in their stipulation, but does not oppose it.

Also on September 6, 2012, stipulating parties filed testimony in support of the stipulation, sponsored by a witness from each of the signatory parties. The parties also filed a motion to admit the stipulation and testimony into evidence, supported by affidavits from each of the witnesses. Their motion is granted.

II. BACKGROUND

In its UE 250 filing, PGE presented its initial 2013 forecast of its NVPC. As in previous dockets, the company used its power cost forecasting model, called "Monet," to make its forecast. As explained in PGE's testimony, using Monet the company simulates the dispatch of PGE resources based on the principle of economic dispatch. Given thermal output, expected hydro and wind generation, and contract purchases and sales, Monet makes additional hypothetical market purchases or sales at the forward market prices.

NVPC include wholesale power purchases and sales, fuel costs, and other costs that generally change as power output changes. PGE's initial 2013 NVPC forecast is \$674.8 million, or \$34.55 per MWh. This estimate was lower than PGE's final 2012 test year forecast of \$702.9 million, or \$36.09 per MWh. The primary factors that explain the decrease are lower gas costs and lower contract prices. Reduced hydro and coal output, along with slightly higher forward power market prices, partially offset the power cost decrease.

On July 16, 2012, PGE filed an update of its 2013 NVPC, including contracts and electric and gas forward price curves as of June 7, 2012. The result is a reduction of \$1.9 million to \$672.9 million.

In its UE 251 filing, PGE proposed to modify its Schedule 125 to include the Boardman plant's pollution control chemical costs as part of the company's Annual Update and to modify its Schedule 126 to include the Boardman costs as part of its NVPC. The Company included these costs in its calculation of NVPC in UE 250. The amount for the test year was \$3.1 million.

Staff and ICNU initially opposed PGE's recovery of its Boardman pollution control costs in its NVPC. In their testimony, both parties contended that the issue was beyond the scope of these proceedings. Staff and ICNU also opposed PGE's proposed update to its day-ahead forecast error calculation on similar grounds.

III. DISCUSSION

A. The Stipulation

In their stipulation, the stipulating parties address three matters: Pollution Control Chemical Costs (Boardman), Day-ahead Forecast Error Cost (wind integration), and "Settlement," referring to an adjustment to NVPC made "in settlement of all issues." They agree that they have settled all issues in the proceeding.

Regarding Pollution Control Chemical Costs, the parties note that some of the chemical costs that PGE sought to include in Schedules 125 and 126 relate to mercury emissions control. The costs of those chemicals currently are included in a deferral granted by the Commission in docket UM 1513, Order No. 11-153. In UE 251, PGE requested that those costs be removed from the deferral and included in its NPVC. PGE also sought to include in Schedules 125 and 126 sulfur dioxide control chemical costs related to the dry sorbent injection emissions control system expected to be installed and operational at Boardman in 2013.

As a compromise and settlement, the stipulating parties agree that the mercury control chemical costs will not be included in Schedule 125 and 126 power costs at this time. The mercury control chemical costs will remain subject to deferred accounting as specified in docket UM 1513. The removal of the mercury control chemical costs from PGE's 2013 NVPC forecast results in a reduction of about \$1.3 million relative to PGE's July 16, 2012, power cost update filing (\$1.45 million relative to PGE's original filing).

Regarding the sulfur dioxide control chemical costs, the parties agree to support deferred accounting treatment for accounting purposes by PGE in 2013, beginning with the date those expenses are first incurred and through the effective date of rates pursuant to a general rate case decision incorporating these costs. The stipulating parties agree that this expense is properly included when determining the deferred revenue requirement in UM 1513, should PGE seek to pursue reauthorization of deferred account treatment in that docket in 2013. PGE estimates that the majority of these chemical costs in 2013 will be capitalized and that the additional amount included for deferral will be less than \$560,000. The amounts eligible for recovery and subject to earnings review will be addressed separately for each calendar year. This adjustment results in a reduction of about \$1.67 million relative to PGE's July 16, 2012 power cost update filing (\$1.64 million relative to PGE's original filing).

Upon approval of the stipulation, PGE will withdraw its Advice 12-08 and remove these emission control chemical costs from its future power cost runs. Combined, these two adjustments in this docket will reduce the company's power costs by about \$2.96 million.

Regarding day-ahead forecast error costs, the stipulating parties agree that PGE's Monet modeling of the estimated cost of day-ahead forecast error with respect to wind integration will remain at the level included in PGE's 2011 and 2012 annual cost update filings. Relative to the update explained in PGE's rebuttal testimony, this adjustment will decrease power costs in this docket by about \$1.11 million. Regarding the "Settlement" adjustment, to facilitate the settlement of all issues, the stipulating parties agree that PGE will increase its 2013 Schedule 125 power costs by \$550,000 after the other adjustments have been implemented.

The stipulated adjustments, as applied to PGE's July 16, 2012 update, reduces the company's 2013 NVPC to \$666.2 million, or \$33.99 per MWh. These adjustments will be applied to PGE's final NVPC update, scheduled for November 15, 2012.

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 that the settlement reached by PGE, Staff, ICNU, and CUB to be appropriate and reasonable resolutions of the issues raised by the parties. In addition, the rates resulting from the stipulation will be just and reasonable. The stipulation should be adopted in its entirety.

IV. ORDER

IT IS ORDERED that:

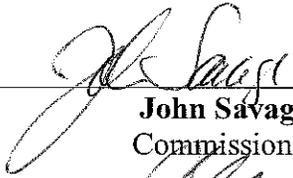
1. The stipulation between Portland General Electric Company, the Staff of the Public Utility Commission of Oregon, the Citizens' Utility Board of Oregon, and the Industrial Customers of Northwest Utilities, attached as Appendix A is adopted.
2. Advice 12-08 is permanently suspended.
3. Portland General Electric Company must file its final Monet run on or before November 15, 2012, producing the final Annual Update Tariff Adjustment for 2013.

4. Portland General Electric Company must file revised rate schedules consistent with this order to be effective no earlier than January 1, 2013.

Made, entered, and effective OCT 18 2012



Susan K. Ackerman
Chair



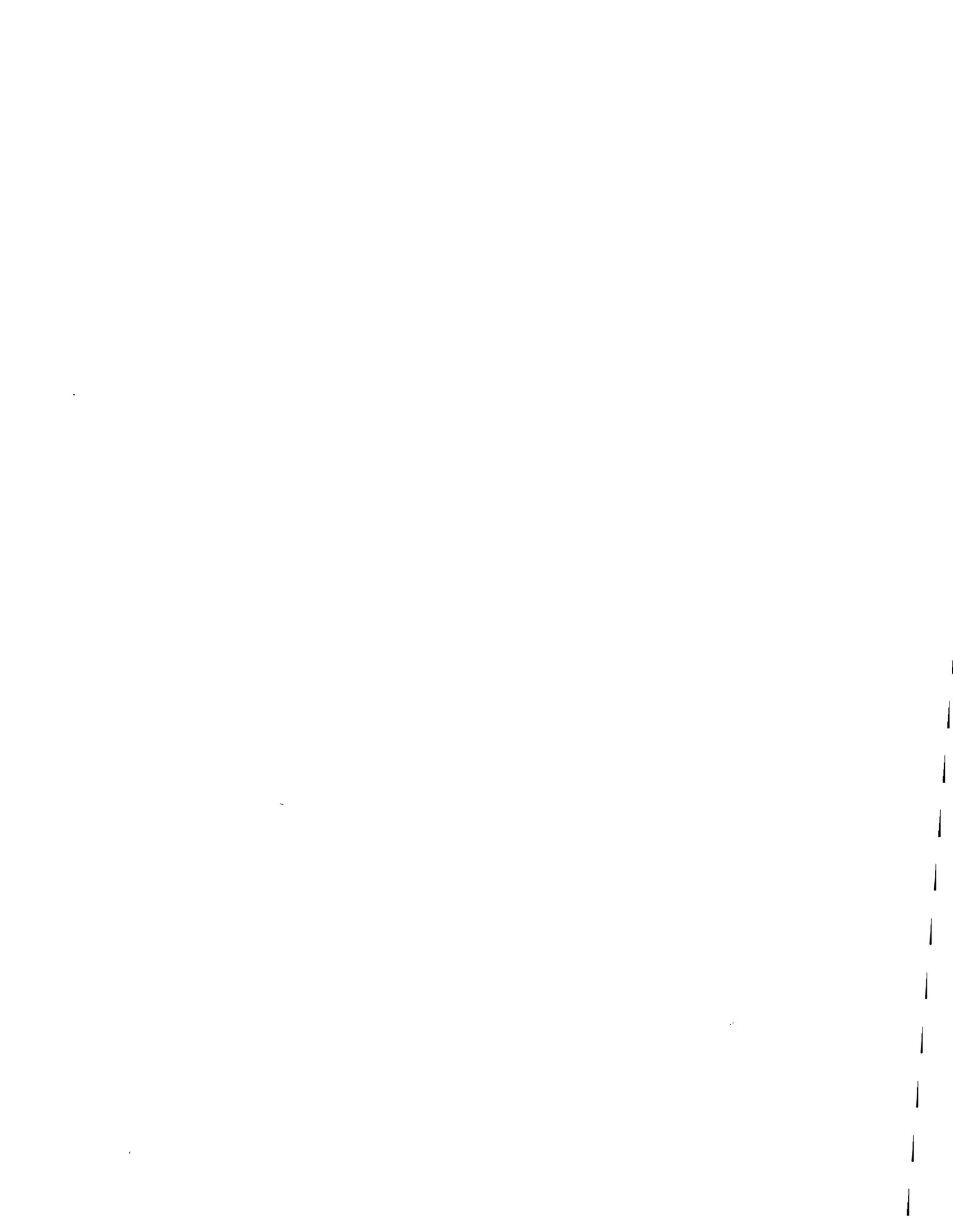
John Savage
Commissioner



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 250/251

In the Matter of Portland General Electric
Company's 2013 Annual Power Cost Update
Tariff (Schedule 125); and

Advice No. 12-08, Amendments to Schedules
125 and 126

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 ("CUB"), and the Industrial Customers of Northwest Utilities ("ICNU"), collectively, (the "Parties"). Noble Energy Solutions does not join the Stipulation, but does not oppose it.

I. INTRODUCTION

In accordance with its tariff Schedule 125, PGE filed its annual power cost update in this docket on March 30, 2012, including PGE's initial testimony regarding 2013 power costs. PGE also provided the information required under the agreed upon minimum filing requirements.

On March 29, 2012, PGE also filed Advice 12-08, requesting certain changes to tariff Schedules 125 and 126. That filing was docketed as UE 251, and subsequently consolidated with docket UE 250. PGE proposed to change Schedules 125 and 126 to include certain chemical costs associated with the Boardman plant's pollution control requirements.

The Parties sent and PGE responded to data requests. PGE has filed, and will

Administrative Law Judge in this docket. Staff and ICNU filed testimony on July 6, 2012. While CUB did not file testimony in this docket CUB has been actively monitoring the docket. PGE filed rebuttal testimony on August 10, 2012. The Parties, including CUB, held two settlement conferences. As a result of those discussions, the Parties have reached agreement settling all issues raised in this proceeding. The Parties request that the Commission issue an order adopting this Stipulation.

II. TERMS OF STIPULATION

1. This Stipulation settles all issues raised by all parties in this docket.
2. Pollution Control Chemical Costs. Some of the chemical costs that PGE sought to include in Schedules 125 and 126, relate to mercury emissions control. The costs of those chemicals are currently included in the deferral granted by the Commission in docket UM 1513, Order 11-153. PGE requested that beginning in 2013 those chemical costs be removed from that deferral and included in Schedule 125 and 126 power costs. PGE also sought to include in Schedules 125 and 126 power costs the sulfur dioxide control chemical costs related to the dry sorbent injection ("DSI") emissions control system that is expected to be installed and operational at the Boardman plant in 2013. As a compromise and settlement the parties agree that these chemical costs will not be included in Schedule 125 and 126 power costs at this time. The Parties further agree that the mercury control chemical costs will continue to be included in the UM 1513 deferral and, beginning January 1, 2013, and until PGE's next general rate case, the sulfur dioxide control chemical costs will also be included in the UM 1513 deferral. Accordingly, if this Stipulation is approved PGE will withdraw Advice 12-08 and remove these emission control chemical costs from its future power cost runs. These adjustments will reduce power costs in this docket by approximately \$2.96 million from the amount included in

PGE's July 16, 2012, power cost update filing. PGE will account for the chemical costs as part of the UM 1513 deferral.

3. Day-ahead forecast error cost. As a compromise and settlement in this docket only, PGE's Monet modeling of the estimated cost of day-ahead forecast error with respect to wind integration will remain at the level included in PGE's 2011 and 2012 AUTs. Relative to the update explained in PGE's rebuttal testimony (PGE Exhibit 300, page 13), this adjustment will decrease power costs in this docket by approximately \$1.11 million.

4. Settlement Amount. In settlement of all issues raised in this docket PGE will increase 2013 Schedule 125 power costs by the amount of \$550,000 after the adjustments above have been implemented. This settlement is not precedential as to any issue or party.

5. The Parties recommend and request that the Commission approve the adjustments described above to PGE's 2013 power costs as appropriate and reasonable resolutions of the issues settled herein.

6. The Parties agree that this Stipulation is in the public interest and will result in rates that will meet the standard in ORS 756.040.

7. 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.

8. 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) 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 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 § 860-01-0350(7). The Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to support this Stipulation, 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.

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 6th day of September, 2012.



PORTLAND GENERAL ELECTRIC
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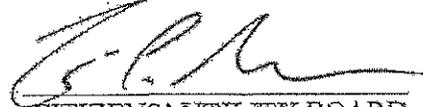
STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

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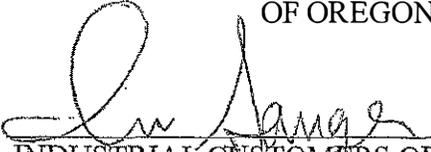
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