

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 256

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Application for Annual Adjustment to
Schedule 126 Under the terms of the Annual
Power Cost Variance Mechanism (2011).

ORDER

DISPOSITION: STIPULATION ADOPTED

I. INTRODUCTION

On June 29, 2012, Portland General Electric Company (PGE) filed its annual power cost variance mechanism under tariff Schedule 126. The power cost variance (PCV) mechanism is designed to recognize in rates the difference between actual net variable power costs and the net variable power costs forecast and placed in its rates under the company's tariff Schedule 125. Tariff Schedule 126 defines how the PCV is calculated, including deadbands that are applied to either a positive or negative power cost, and provides for sharing of the variance outside an established deadband. The PCV also is subject to an Earnings Test.

In its filing, PGE provided testimony and work papers regarding the 2011 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 the operation of tariff Schedule 126 results in a power cost variance refund to customers of about \$5.5 million for 2011.

Petitions to intervene were granted on behalf of Industrial Customers of Northwest Utilities (ICNU) and PacifiCorp, dba Pacific Power. The Citizens' Utility Board of Oregon (CUB) intervened by right. A prehearing conference was held on August 8, 2012, and a schedule adopted.

Prior to filing testimony, on September 19, 2012, PGE, CUB, ICNU, and Staff filed a stipulation that settles all issues in this docket. In their stipulation, the parties indicate

that Pacific Power does not object to the stipulation. Together with their stipulation, the parties filed a joint explanatory brief and a motion to have their stipulation received as evidence in this proceeding. Their motion is granted.

II. DISCUSSION

A. The Stipulation

The stipulating parties agree that PGE's actual power costs for 2011 were below forecast power costs, and that, under tariff Schedule 126, PGE should refund \$5.5 million to customers. They also agree this refund should be made over a one-year period, beginning in January 1, 2013.

The stipulating parties explain that the calculation of the refund begins with the actual power cost variance. In this instance, the variance between forecast and actual power costs in 2011, as calculated by PGE, was about \$34.3 million.

The stipulating parties next explain that this refund is then subject to a dead-band, sharing mechanism, and earnings test. With respect to the deadband and sharing, tariff Schedule 126 provides that power cost variances outside a \$15 million deadband are shared between PGE and its customers—customers receive 90 percent and PGE receives 10 percent. Deducting the deadband leaves a \$19.3 million credit; applying that credit to the sharing mechanism results in an adjusted variance of \$17.3 million.

With respect to the Earnings Test, tariff Schedule 126 provides that the refund to customers is subject to an earnings review. PGE refunds the adjustment amount, to the extent that such refund will not cause the company's Actual Return on Equity for the year to fall below its authorized return on equity, plus 100 basis points. Application of the Earnings Test in this docket results in a power cost variance refund of about \$5.5 million.

The stipulating parties note that there may have been proposed adjustments to the power cost calculations, but such adjustments, if accepted, would not have changed the tariff Schedule 126 rates. Their settlement is not to be construed as agreement with the calculations made by PGE.

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

In their brief, the parties note that PGE answered data requests and shared requested information, and that parties examined PGE's filing and work papers. A workshop and settlement conference was held on September 10, 2012.

Generally, we prefer to receive stipulations filed after issues have been identified and testimony submitted. In this case we excuse the filing of testimony because the parties explained that the adoption of any proposed adjustments would not have changed the final tariff Schedule 126 rates.

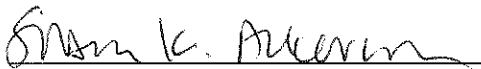
Based on our review of this matter, we find the stipulation to be reasonable and that it should be adopted.

III. ORDER


IT IS ORDERED that:

1. The Stipulation by and 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. Portland General Electric Company must file by December 17, 2012, changes to its tariff Schedule 126 to effectuate a one year refund to its ratepayers of \$5.5 million, beginning January 1, 2013.


Made, entered, and effective OCT 24 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 256

In the Matter of the)	
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PORTLAND GENERAL ELECTRIC)	STIPULATION
COMPANY)	
)	
Application for Annual Adjustment to Schedule)	
126 Under the Terms of the Annual Power Cost)	
Variance Mechanism (2011))	

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”). PacifiCorp is also a party in this docket, and does not object to this Stipulation.

I. INTRODUCTION

In accordance with its tariff Schedule 126, PGE filed its annual power cost variance mechanism update in this docket on July 1, 2012. Included with that filing were PGE’s testimony and work papers regarding the 2011 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 and Earnings Test in Schedule 126 results in a power cost variance refund of approximately \$5.5 million for 2011.

Staff, CUB, and ICNU subsequently reviewed PGE’s filing and work papers. The Parties held a workshop and settlement conference on September 10, 2012. 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 2011 were below forecast power costs by more than the \$15 million Schedule 126 Negative Annual Power Cost Deadband. Under Schedule 126, power cost variances outside the deadband are shared 90% to customers and 10% to PGE. The refund of a negative power cost variance is also subject to an Earnings Test under Schedule 126. As explained in PGE's testimony, application of deadband, sharing and Earnings Test results in a credit to customers of approximately \$5.5 million in this docket. The Parties agree that this is the proper amount to be refunded in this docket for the 2011 Power Cost Variance. Some parties may have proposed adjustments to the power cost calculation 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 to refund \$5.5 million over one year beginning January 1, 2013.
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 will meet the standard in ORS 756.040.
6. The Stipulating Parties agree that this Stipulation represents a compromise in the

APPENDIX A
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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 17th day of September, 2012.



PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

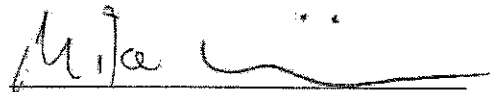
INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

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DATED this ___ day of September, 2012.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

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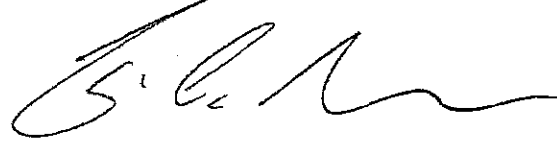
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10. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 18 day of September, 2012.

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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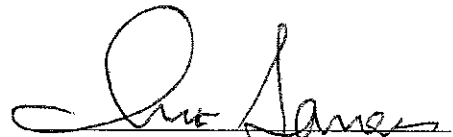
10. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 19th day of September, 2012.

PORTLAND GENERAL ELECTRIC
COMPANY

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COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON



INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES