

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 256**

In the Matter of the	)	
	)	
PORTLAND GENERAL ELECTRIC	)	<b>STIPULATION</b>
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

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 17<sup>th</sup> day of September, 2012.

  
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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

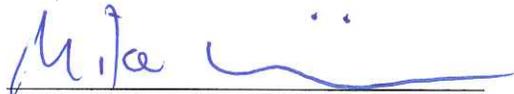
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COMPANY



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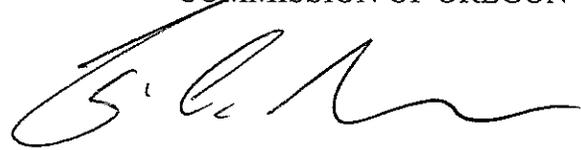
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10. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 18 day of September, 2012.

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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  
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DATED this 19<sup>th</sup> day of September, 2012.

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COMPANY

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CITIZENS' UTILITY BOARD  
OF OREGON



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INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON**

**UE 256**

In the Matter of the	)	
	)	
PORTLAND GENERAL ELECTRIC	)	<b>JOINT EXPLANATORY BRIEF</b>
COMPANY	)	
	)	
Application for Annual Adjustment to Schedule	)	
126 Under the Terms of the Annual Power Cost	)	
Variance Mechanism (2011)	)	

This brief explains the Stipulation (“Stipulation”) dated September 19, 2012, among Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), the Industrial Customers of Northwest Utilities (“ICNU”), and the Citizens’ Utility Board of Oregon (“CUB”) (collectively, the “Parties”). The Parties submit this brief pursuant to OAR § 860-001-0350(7).

**Discussion**

On July 1, 2012, PGE made its Annual Power Cost Variance Mechanism filing under tariff Schedule 126. That filing included testimony, work papers, and the information required by the minimum filing requirements previously agreed to regarding Schedule 126.

Tariff Schedule 126 is designed to recognize in rates in some years part of the difference between actual net variable power costs (as defined in the tariff) and the net variable power cost forecast pursuant to tariff Schedule 125. Schedule 126 defines how the Power Cost Variance is calculated, including deadbands that are applied to either a positive or negative power cost variance, and sharing of the variance outside the applicable deadband. The Power Cost Variance

is also subject to an earnings test.

With respect to the deadband for 2011 power costs, Schedule 126 states:

The Negative Annual Power Cost Deadband is (\$15 million).

PGE 2011 Tariff Schedule page 126-2. This tariff provision incorporates the power cost variance deadbands set in Order 10-478, effective January 1, 2011.

PGE's filing in this docket explained how it calculated the Power Cost Variance for 2011. As calculated by PGE, the variance between forecast and actual power costs in 2011 was approximately \$34.3 million. PGE/100/Hager-Tooman/3-8. Deducting the \$15 million deadband leaves a \$19.3 million credit subject to the remaining terms of Schedule 126. *Id.* at 8.

Schedule 126 states:

Subject to an Earnings Test, the Annual Power Cost Variance (PCV) is 90% of the amount that the Annual Variance exceeds either the Positive Annual Power Cost Deadband for a Positive Annual Variance or the Negative Annual Power Cost Deadband for a Negative Annual Variance.

PGE 2011 Tariff Schedule page 126-1. This provision allocates the power cost variance between customers (90%) and shareholders (10%). This results in a credit for the power cost variance adjustment amount of \$17.3 million, subject to the Schedule 126 Earnings Test.

PGE/100/Hager-Tooman/8.

With respect to the Earnings Test, Schedule 126 states:

The recovery from or refund to Customers of any Adjustment Amount will be subject to an earnings review for the year that the power costs were incurred. . . . The Company will refund the Adjustment Amount to the extent that such refunding will not cause the Company's Actual Return on Equity (ROE) for the year to fall below its Authorized ROE plus 100 basis points.

PGE 2011 Tariff Schedule page 126-1. Application of the Earnings Test in this docket results in a refund amount for the 2011 power cost variance of approximately \$5.5 million.

PGE/100/Hager-Tooman/9.

Following PGE's filing in this docket, PGE answered data requests and shared requested information with the Parties, and the Parties examined PGE's filing and work papers. A workshop and settlement conference was held on September 10, 2011.

The Parties have concluded that operation of the Schedule 126 Negative Annual Power Cost Deadband, the Schedule 126 sharing percentages, and the Schedule 126 Earnings Test results in a credit to customers of approximately \$5.5 million. Some Parties may have raised issues regarding the power cost calculation, but did not because such adjustments, even if adopted, would not have changed the final Schedule 126 rates. Stipulation ¶ 2. Accordingly, the Stipulation provided that "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." Stipulation ¶ 2.

Under its terms, Schedule 126 rates are to be adjusted on January 1, 2013, to incorporate the outcome of this docket. The Stipulation thus provides that "Schedule 126 rates should be set to refund \$5.5 million over one year beginning January 1, 2013. Stipulation ¶ 3.

The Stipulation settles all issues in this docket. Stipulation ¶ 1. The Parties agree that the Stipulation is in the public interest and will produce rates that are fair, just, reasonable, and provide PGE with adequate revenues consistent with the standard in ORS 756.040. Stipulation ¶ 5. The Stipulation also contains a number of provisions typically contained in stipulations filed with the Commission. Stipulation ¶¶ 6-10.

### **Conclusion**

The Stipulation is among Staff, CUB, ICNU, and PGE. Each of the Parties, representing their respective interests, agree that the settlement contained in the Stipulation results in fair, just

and reasonable rates in this 2011 Annual Power Cost Variance Mechanism proceeding. The result is consistent with and supported by the record in this docket. For the reasons set forth above, the Parties request that the Commission approve the Stipulation.

DATED this 19<sup>th</sup> day of September, 2012.

PORTLAND GENERAL ELECTRIC  
COMPANY



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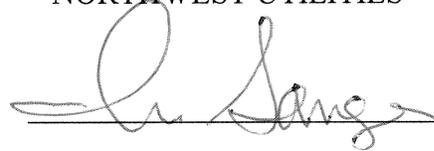
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