



825 NE Multnomah, Suite 2000
Portland, Oregon 97232

November 29, 2007

***VIA ELECTRONIC FILING
AND OVERNIGHT DELIVERY***

Oregon Public Utility Commission
550 Capitol Street NE, Suite 215
Salem, OR 97301-2551

Attention: Vikie Bailey-Goggins
Administrator, Regulatory Operations

Re: **Docket No. UM 1330 – Stipulation and Joint Testimony**
In the Matter of an Investigation of Automatic Adjustment Clause Pursuant to SB 838

On behalf of Commission Staff, Portland General Electric, the Citizens' Utility Board and the Industrial Customers of Northwest Utilities, PacifiCorp encloses for filing an original and five copies of a Stipulation among the parties resolving the outstanding issues in this proceeding. Also enclosed is an original and five copies of Joint Testimony in Support of the Stipulation, sponsored by all parties, and an original and five copies of Exhibit PPL/200, the Qualifications of PacifiCorp Witness Joelle Steward.

The Commission vacated the schedule in this case in a Ruling dated November 14, 2007, pending the filing of this Stipulation. PacifiCorp now respectfully requests that the Commission approve the Stipulation before January 1, 2008. Approval of the Stipulation by this date will satisfy the requirement of Section 13 of SB 838 that the Commission establish a mechanism for cost recovery by January 1, 2008.

If the Commission needs any additional information on the Stipulation, please let us know so that we may promptly respond. Informal questions on this matter may be directed to Joelle Steward at (503) 813-5542.

Sincerely,

Andrea L. Kelly
Vice President, Regulation

Enclosures

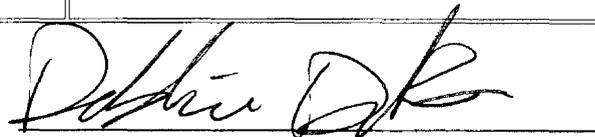
cc: Service List for UM 1330
Hon. Patrick Power

CERTIFICATE OF SERVICE

I hereby certify that on this 29th day of November, 2007, I caused to be served, via E-Mail, and U.S. Mail (to those parties who have not waived paper service), a true and correct copy of Stipulation and Joint Testimony in Docket No. UM-1330 to the following:

<p>LOWREY R. BROWN (W) UTILITY ANALYST CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY – STE 308 PORTLAND, OR 97205 lowrey@oregoncub.org</p>	<p>JASON EISDORFER (W) ENERGY PROGRAM DIRECTOR CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY – STE 308 PORTLAND, OR 97205 jason@oregoncub.org</p>
<p>ROBERT JENKS (W) CITIZENS' UTILITY BOARD OF OREGON 610 SW BROADWAY – STE 308 PORTLAND, OR 97205 bob@oregoncub.org</p>	<p>MICHAEL T. WEIRICH DEPARTMENT OF JUSTICE ASSISTANT ATTORNEY GENERAL REGULATED UTILITY & BUSINESS SECTION 1162 COURT ST NE SALEM OR, 97301 Michael.weirich@doj.state.or.us</p>
<p>LISA F. RACKNER MCDOWELL & RACKNER PC 520 SW SIXTH AVENUE, SUITE 830 PORTLAND, OR 97204 lisa@mcd-law.com</p>	<p>MELINDA J. DAVISON DAVISON VAN CLEVE PC 333 SW TAYLOR, SUITE 400 PORTLAND, OR 97204 mail@dvclaw.com</p>
<p>JOHN W. STEPHENS (W) ESLER, STEPHENS & BUCKLEY 888 SW FIFTH AVE, STE. 700 PORTLAND, OR 97204 stephens@eslerstephens.com</p>	<p>JUDY JOHNSON PUBLIC UTILITY COMMISSION P.O. BOX 2148 SALEM, OR 97308 judy.johnson@state.or.us</p>

<p>JESSE JENKINS (W) RENEWABLE NORTHWEST PROJECT 917 SW OAK, STE 303 PORTLAND, OR 97205 troy@rnp.org</p>	<p>ANN ENGLISH GRAVATT (W) SR POLICY ASSOCIATE RENEWABLE NORTHWEST PROJECT 917 SW OAK, STE 303 PORTLAND, OR 97205 ann@rnp.org</p>
<p>NATALIE HOCKEN (W) PACIFICORP 825 NE MULTNOMAH, SUITE 2000 PORTLAND, OR 97232 Natalie.hocken@pacificorp.com</p>	<p>OREGON DOCKETS (W) PACIFICORP 825 NE MULTNOMAH, SUITE 2000 PORTLAND, OR 97232 oregondockets@pacificorp.com</p>
<p>CECE L. COLEMAN PORTLAND GENERAL ELECTRIC 121 SW SALMON ST PORTLAND, OR 97204 Cece.coleman@pgn.com</p>	<p>PATRICK HAGER RATES & REGULATORY AFFAIRS PORTLAND GENERAL ELECTRIC 121 SW SALMON ST PORTLAND, OR 97204 Pge.opuc.filings@pgn.com</p>
<p>RANDALL J. FALKENBERG RFI CONSULTING INC. PMB 362 8343 ROSWELL RD. SANDY SPRINGS, GA 30350 Consultrfi@aol.com</p>	



Debbie DePetris
Supervisor, Regulatory Administration

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1330

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Investigation of Automatic Adjustment
Clause Pursuant to SB 838.

STIPULATION

This Stipulation is entered into for the purpose of resolving the outstanding issues among the parties to this Stipulation related to Portland General Electric and PacifiCorp's proposed Renewable Adjustment Clause ("RAC") pursuant to Senate Bill 838 ("SB 838").

PARTIES

1. The initial parties to this Stipulation are Portland General Electric ("PGE") and PacifiCorp ("Utility", or jointly "Utilities"), Staff of the Public Utility Commission of Oregon ("Staff"), the Citizens' Utility Board ("CUB") and Industrial Customers of Northwest Utilities ("ICNU") (collectively, the "Parties"). This Stipulation will be made available to the other parties to this docket, who may participate by signing and filing a copy of the Stipulation.

BACKGROUND

2. SB 838 is the Oregon Renewable Energy Act, which was enacted on June 6, 2007. This law establishes a Renewable Portfolio Standard for electricity, which requires the Utilities to meet the following percentages of their Oregon loads with electricity generated by eligible renewable resources: 5 percent by 2011, 15 percent by 2015, 20 percent by 2020 and 25 percent by 2025.

Section 13 of SB 838 provides that “all prudently incurred costs associated with compliance with a renewable portfolio standard are recoverable in the rates of an electric company.” Further, it requires the Commission to establish an automatic adjustment clause, or other method that allows timely recovery of prudently incurred costs, by January 1, 2008. The RAC is designed to implement the requirements of Section 13 of SB 838.

3. On August 21, 2007, PGE and PacifiCorp filed versions of the RAC tariff, Schedules 122 and 202 respectively, and supporting testimony. On August 23, 2007, the Commission held a prehearing conference and set a full procedural schedule for this proceeding, including testimony, a hearing and briefs. On September 28, 2007, Staff, CUB and ICNU each filed direct testimony.

4. The Parties commenced settlement conferences on October 1, 2007. These settlement conferences continued on October 11, 2007, including numerous subsequent telephone settlement conferences. The settlement conferences were noticed, and all parties were invited to participate.

5. As a result of the settlement conferences, the Parties have reached a comprehensive settlement in this case. The Parties agree to submit this Stipulation to the Commission and request that the Commission approve the Stipulation as presented.

AGREEMENT

6. Exhibit A to this Stipulation is Schedule 122, PGE’s RAC tariff, and Exhibit B is Schedule 202, PacifiCorp’s RAC tariff. The Parties agree that the RAC Schedules, as set forth in Exhibits A and B, combined with the other provisions of this Stipulation, satisfy the requirements of Section 13 of SB 838, and should be approved by the Commission. The Utilities

will file their respective RAC Schedules in the form attached as Exhibits A and B, upon the Commission's adoption of this Stipulation, with an effective date of January 1, 2008. Thereafter, the Utilities may file their respective RAC schedules, including any proposed charges for the costs to be recovered, on April 1, 2008, with an effective date of January 1, 2009. Parties agree to support this tariff filing as to form and terms. Parties other than the filing Utility reserve the right to review the proposed charges and challenge the prudence of the costs. Subsequently, the Utilities will file, as necessary, their RAC Schedules for proposed charges relating to new eligible resources and updating all charges already included in the RAC Schedules on April 1 of each year. Parties other than the filing Utility reserve the right to review the proposed charges and challenge the prudence of the costs. After April 1, 2009, a Party may propose changes to the form and terms of a Utility's RAC Schedule. If the Commission changes either PGE's or PacifiCorp's annual power cost update filings (currently, the AUT and TAM respectively) in a material manner or based upon other material changes in circumstances, a Party may propose an alternative design for either RAC Schedule.

The Parties agree to the following terms and conditions for the RAC Schedules:

a. Purpose: The purpose of the RAC Schedules is to implement Section 13(3) of SB 838.

b. Scope: The RAC Schedules will recover the actual and forecasted revenue requirement associated with the prudently incurred costs of resources (including associated transmission) that are: (1) eligible under SB 838; (2) in service as of the date of the proposed rate change; and (3) approved by the Commission. The revenue requirement as described in this Section 6(b) includes:

- The return of and grossed up¹ return on capital costs of the renewable energy source and associated transmission at the Utility’s currently authorized rate of return;
- Forecasted operation and maintenance costs;
- Forecasted property taxes;
- Forecasted energy tax credits; and
- Other forecasted costs and cost offsets authorized by Section 13(3) of SB 838 not captured in the Utility’s annual power cost update. The Party that proposes such costs or cost offsets has the burden to support such costs or cost offsets.

All costs in the RAC Schedules will be updated annually, and, in addition, the annual RAC updates will include, for those charges in the RAC Schedules:

- An update to gross revenues, net revenues, and total income tax expense for the calculation of “taxes authorized to be collected in rates” pursuant to OAR 860-022-0041; and
- An update to the forecasted inter-jurisdictional allocation factors from the then-current methodology approved by the Commission based on the same 12-month period used in PacifiCorp’s power cost update filing. The scope of the RAC inter-jurisdictional allocation factor update shall be the same as in PacifiCorp’s power cost update filing.

c. Applicability: The RAC Schedules will apply to all customers, except nonresidential customers who are taking direct access service after December 31, 2010,

¹ The return on revenue requirement is adjusted for the effects of income taxes, uncollectibles, franchise taxes, the Oregon Resource Supplier Tax and the Oregon PUC fee.

customers taking service under a multi-year cost of service opt-out option, and other customers specifically exempted under the Utility's RAC. The preceding exemption from the RAC Schedules is intended to apply to a customer only during the period that such customer is taking service under a direct access or multi-year cost of service opt-out option schedule.

d. Procedural Schedule: The Utilities' annual RAC filings will be subject to a proceeding that provides Parties the opportunity for the procedural rights set forth in ORS 756.500 to 756.610 and Section 13(4) of SB 838. The Parties agree to support a schedule in the annual RAC proceedings that allows for an order within seven months of the date of the initial filing, or by November 1.

e. Filing Update: If any of the cost elements as described in Section 6(b) of an eligible resource cannot be verified by the final round of testimony in an annual RAC proceeding, a Utility will make an update filing in the proceeding within eight months of the date of the initial filings, or by December 1, to reflect then-current, prudently-incurred actual resource costs, or forecasted costs where appropriate. Parties may pursue their procedural rights regarding this updated filing. If the updated costs are lower than the projected costs in the record of the proceeding, the update will contain sufficient information to support a reduction in the proposed RAC charges before the January 1 effective date. If the updated costs are higher than the projected costs in the record, the difference will be treated in accordance with Section 6(f) below.

f. Deferred Accounting Under SB 838: The Parties agree to support the use of deferred accounting under SB 838 to allow an opportunity for recovery of the cost differences between the projected costs in the record and the updated prudently incurred cost elements as

described in Section 6(b) if: (a) such cost elements are higher than the projected costs in the record; or (b) if actual capital costs cannot be verified until after December 1. The Parties also agree to support the use of deferred accounting under SB 838 to allow an opportunity for recovery of the prudently incurred costs, net of dispatch benefits as appropriate, of an eligible resource for the period between when the resource is placed in service and when the resource enters rates on January 1 through the RAC Schedule. The Oregon-allocated costs to be deferred under SB 838 will be based on the allocation factors from the same 12-month period used to set rates in PacifiCorp's annual power cost update covering the period of the deferral. No Party waives any arguments or rights during the amortization phase of such deferred accounting, except the Parties agree that (1) the interest rate for deferrals will be determined by the Commission consistent with its practice, rules or orders for similar types of deferrals and (2) the deferrals will not be subject to the provisions of ORS 757.259(5). No Party is deemed to have consented to whether the renewable resource is eligible under SB 838.

g. Rate Spread and Rate Design: Costs recovered through the RAC Schedule will be allocated across customer classes using the applicable RAC Schedule forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule as determined in the then-most recent general rate case. Attached to this Stipulation are Exhibits C and D showing how the rate spread, based on the most recent general rate case as of the date of this Stipulation, will be applied for both PGE and PacifiCorp.

h. Treatment of RAC Charges in a General Rate Case Filing: At the time of a general rate case filing, a Utility will propose that resource costs being recovered through its RAC Schedule be included in general rates. When the resource costs are rolled into general

rates, the non-deferral RAC Schedule charges will be reduced to zero until new resources are added.

i. Conditional Approval of RAC Schedule Charges: For RAC filings made on or after April 2009, the Utilities agree that the Commission may condition approval of a proposed change in RAC charges on the Utility making a filing under ORS 757.210 within six-months after the Commission order approving the proposed change. Through this filing, a Utility would roll into the generation component of its rates all of the costs, or a portion thereof identified by the Commission, that are being collected through the then-existing RAC Schedule charges. The Commission's order for conditional approval must be based upon: (1) a finding that the costs, or a portion thereof, specified by the Commission have been collected through the RAC Schedule for a reasonable period of years, as determined by the Commission; or (2) for good cause, as determined by the Commission.

j. Matching of Costs and Benefits in RAC Schedules and Annual Power Cost Updates: The Parties agree that if the fixed costs of an eligible resource are not included in RAC charges or otherwise included in rates, then the variable costs and cost offsets of the eligible resource should likewise not be included in the annual power cost update filings or power cost adjustment mechanisms.

k. Discovery: The Utilities will not object to providing to Parties, and subsequently to the introduction of, their Results of Operations and other relevant discovery, such as for (i) above, into the record in the RAC proceedings.

7. The Parties to this Stipulation agree that it resolves the outstanding issues in this case. The Parties agree that this Stipulation represents a compromise in the positions of the

Parties. As such, conduct, statements and documents disclosed in the negotiation of this Stipulation will not be admissible as evidence in this or any other proceeding, unless there is a dispute among the Parties in this or a future proceeding over the meaning or intent of this Stipulation.

8. This Stipulation will be offered into the record of this proceeding as evidence pursuant to OAR 860-14-0085. The Parties agree to support this Stipulation throughout this proceeding and any appeal, provide witnesses to sponsor this Stipulation at the hearing, and recommend that the Commission issue an order adopting the settlements contained herein.

9. If this Stipulation is challenged by any other party to this proceeding or a subsequent proceeding, the Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation. The Parties agree to cooperate in cross-examination and put on such a case as they deem appropriate to respond fully to the issues presented, which may include raising issues that are incorporated in the settlements embodied in this Stipulation.

10. The Parties have negotiated this Stipulation as an integrated document. If the Commission rejects all or any material portion of this Stipulation or imposes additional material conditions in approving this Stipulation, any Party disadvantaged by such action will have the rights provided in OAR 860-014-0085 and will be entitled to seek reconsideration or appeal of the Commission's Order.

11. By entering into this Stipulation, no Party is 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, other than those specifically identified in the body of this Stipulation. No Party is deemed to have agreed that any provision of this Stipulation is

appropriate for resolving issues in any other proceeding, except to the extent that the provisions in Sections 6(a) through (k) of this Stipulation include commitments that are designed to extend to future proceedings.

12. This Stipulation may be executed in counterparts and each signed counterpart will constitute an original document.

This Stipulation is entered into by each party on the date entered below such Party's signature.

Signature page follows

PGE

PACIFICORP

By: Cecilia Coleman

By: _____

Date: November 9, 2007

Date: _____

STAFF

ICNU

By: _____

By: _____

Date: _____

Date: _____

CUB

By: _____

Date: _____

PGE

By: _____

Date: _____

STAFF

By: _____

Date: _____

CUB

By: _____

Date: _____

PACIFICORP

By: Andrea Kelly

Date: 9 Nov 07

ICNU

By: _____

Date: _____

PGE

By: _____

Date: _____

STAFF

By: Mike 

Date: 11/9/07

CUB

By: _____

Date: _____

PACIFICORP

By: _____

Date: _____

ICNU

By: _____

Date: _____

PGE

PACIFICORP

By: _____

By: _____

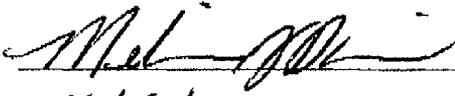
Date: _____

Date: _____

STAFF

ICNU

By: _____

By: 

Date: _____

Date: 11/9/07

CUB

By: _____

Date: _____

PGE

PACIFICORP

By: _____

By: _____

Date: _____

Date: _____

STAFF

ICNU

By: _____

By: _____

Date: _____

Date: _____

CUB

By: *Bob Dele*

Date: *November 9, 2007*

Exhibit A

**SCHEDULE 122
RENEWABLE RESOURCES AUTOMATIC ADJUSTMENT CLAUSE**

PURPOSE

This Schedule recovers the revenue requirements of qualifying Company-owned or contracted new renewable energy resource projects (including associated transmission) not otherwise included in rates. Additional new renewable projects may be incorporated into this schedule as they are placed in service. This adjustment schedule is implemented as an automatic adjustment clause as provided for under ORS 757.210 and Section 13 of the Oregon Renewable Energy Act (OREA).

AVAILABLE

In all territory served by the Company.

APPLICABLE

To all bills for Electricity Service except Schedules 9, 76, 483, 489, and 576. This schedule is not applicable to direct access customers after December 31, 2010.

ADJUSTMENT RATE

The Adjustment Rate, applicable for service on and after the effective date of this schedule are:

<u>Schedule</u>		
7	0.000	¢ per kWh
15	0.000	¢ per kWh
32	0.000	¢ per kWh
38	0.000	¢ per kWh
47	0.000	¢ per kWh
49	0.000	¢ per kWh
75		
Secondary	0.000	¢ per kWh
Primary	0.000	¢ per kWh
Subtransmission	0.000	¢ per kWh
83		
Secondary	0.000	¢ per kWh
Primary	0.000	¢ per kWh

SCHEDULE 122 (Continued)

ADJUSTMENT RATE (Continued)

<u>Schedule</u>			
87			
Secondary	0.000	¢	per kWh
Primary	0.000	¢	per kWh
Subtransmission	0.000	¢	per kWh
89			
Secondary	0.000	¢	per kWh
Primary	0.000	¢	per kWh
Subtransmission	0.000	¢	per kWh
91	0.000	¢	per kWh
92	0.000	¢	per kWh
93	0.000	¢	per kWh
94	0.000	¢	per kWh
515	0.000	¢	per kWh
532	0.000	¢	per kWh
538	0.000	¢	per kWh
549	0.000	¢	per kWh
575			
Secondary	0.000	¢	per kWh
Primary	0.000	¢	per kWh
Subtransmission	0.000	¢	per kWh
583			
Secondary	0.000	¢	per kWh
Primary	0.000	¢	per kWh
589			
Secondary	0.000	¢	per kWh
Primary	0.000	¢	per kWh
Subtransmission	0.000	¢	per kWh
591	0.000	¢	per kWh
592	0.000	¢	per kWh
594	0.000	¢	per kWh

SCHEDULE 122 (Continued)

ANNUAL REVENUE REQUIREMENTS

The Annual Revenue Requirements of a qualifying project will include the fixed costs of the renewable resource and associated transmission (including return on and return of the capital costs), operation and maintenance costs, income taxes, property taxes, and other fees and costs that are applicable to the renewable resource or associated transmission. Until the dispatch benefits are included in the Annual Power Cost Update Schedule 125, the net revenue requirements of each project (fixed costs less market value of the energy produced by the renewable resource plus any power costs such as fuel, integration and wheeling costs) will be deferred and incorporated the following January 1 into the Schedule 122 rates. The Company will use its most recently authorized cost of capital to calculate the return on the resource. Each year by April 1, the Company will file an update to the revenue requirements of resources included in this schedule to recognize projected changes for the following calendar year.

DEFERRAL MECHANISM

For each calendar year that the Company anticipates that a new renewable resource will commence operation, the Company may file a deferral request the earlier of the resource online date or April 1. The deferral amount will be for the fixed revenue requirements of the resource less net dispatch benefits. For purposes of determining dispatch benefits, the forward curves used to set rates for the year under the Annual Power Cost Update will be used. The deferral will be amortized over the next calendar year in Schedule 122 unless otherwise approved by the Oregon Public Utility Commission (OPUC). The amortization of the deferred amount will not be subject to the provisions of ORS 757.259(5).

TIME AND MANNER OF FILING

For each calendar year that the Company is required to update the Renewable Resource Annual Revenue Requirements or proposes to include a new resource under this schedule, the Company will file by no later than April 1, the following:

1. Revised rates under this schedule and a transmittal letter that summarizes the proposed revenue requirements and charges for both the new resource(s) and the updated revenue requirements and charges for applicable resources previously approved for recovery under this schedule. In addition, the filing will include revised income taxes and associated ratios to calculate "taxes authorized to be collected in rates" under ORS 757.268.
2. Within the Company's Annual Power Cost Update (Schedule 125) filing, the Company will include for the following year the expected generation of resources included in this schedule and the power costs of these resources.
3. Work papers that support the calculation of revenue requirements for all applicable resources and demonstrate how the proposed prices are calculated.

SCHEDULE 122 (Continued)

TIME AND MANNER OF FILING (Continued)

By December 1, the Company will file the updated rates that are in compliance with the Commission's findings in the proceeding reviewing the April 1 filing.

SPECIAL CONDITIONS

1. Costs recovered through this schedule will be allocated to each schedule using the applicable schedule's forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kWh basis to each applicable rate schedule.
2. Each renewable resource project (and associated transmission) included in this adjustment schedule must be separately identified and be a new resource defined as "renewable" in the OREA.
3. The costs for projects included under this schedule will be updated annually as provided above, and will continue to be recovered under Schedule 122 until such time as the costs are included in base rates or the project is no longer in service.
4. The in-service date for the new renewable resource project or each separately identifiable project segment will be verified by an attestation from the Company stating that the specific renewable resource project, or project segment, has met requirements for being commercially operational and is in service.
5. If the actual costs of an eligible resource cannot be verified by the final round of testimony in the proceeding reviewing the April 1 filing, the Company will include in its December 1 compliance filing an update to reflect then-current actual resource costs, or forecasted costs where appropriate. If the updated costs are lower than the projected costs in the record of the proceeding, the update will contain sufficient information to support a reduction in the proposed adjustment charges before the January 1 effective date. If updated costs are higher than the projected costs in the record or if actual costs cannot be verified until after December 1, the Company may file for deferred accounting under the OREA to allow an opportunity for recovery of the cost differences between the projected costs in the record and the prudently incurred actual costs. For purposes of Schedule 126 (Annual Power Cost Variance Mechanism), actual NVPC will be adjusted to remove the impact of any power produced by a new renewable resource qualifying for treatment under this schedule but not otherwise included in rates. The following adjustments will be made:

SCHEDULE 122 (Concluded)

SPECIAL CONDITIONS (Continued)

- a) Actual NVPC will be increased by the value of any renewable resource energy. The value of such energy will be determined by employing the forward curves used to set rates for the year under the Annual Power Cost Update. Actual NVPC will be reduced by applicable fuel costs and supply integration costs for the resource.
 - b) Actual NVPC will also be increased or decreased as appropriate for any other credits or charges specifically identifiable with the new renewable resource.
6. For Schedule 122 filings made on and after April 2009, the Commission may condition approval of a proposed change in Schedule 122 charges on PGE making a filing under ORS 757.210 within six months after the Commission order approving the proposed change. Through this filing, the Company will roll into the generation component of its rates all of the costs, or a portion thereof identified by the Commission, that are being collected through the then existing Schedule 122 charges. The Commission's order for conditional approval must be based upon: (1) a finding that the costs, or a portion thereof, specified by the Commission have been collected through Schedule 122 for a reasonable period of years, as determined by the Commission; or (2) for good cause, as determined by the Commission.

Exhibit B

**PACIFIC POWER & LIGHT COMPANY
RENEWABLE ADJUSTMENT CLAUSE
SUPPLY SERVICE ADJUSTMENT**

**OREGON
SCHEDULE 202**

Purpose

This schedule recovers, between rate cases, the costs to construct or otherwise acquire facilities that generate electricity from renewable energy sources and for associated electricity transmission.

This adjustment is to recover the actual and forecasted revenue requirement associated with the prudently incurred costs of resources, including associated transmission, that are eligible under Senate Bill 838 (2007) and in service as of the date of the proposed rate change. The revenue requirement includes the actual return of and grossed up return on capital costs of the renewable energy source and associated transmission at the currently authorized rate of return, forecasted operation and maintenance costs, forecasted property taxes, forecasted energy tax credits, and other forecasted costs not captured in the Transition Adjustment Mechanism (TAM). The adjustment will also include an update on gross revenues, net revenues and total income tax expense for the calculation of "taxes authorized to be collected in rates" pursuant to OAR 860-022-0041. The revenue requirement for Oregon will be calculated using the forecasted inter-jurisdictional allocation factors based on the same 12-month period used in the TAM.

Applicable

To Residential consumers and Nonresidential consumers who take supply service under Schedule 200, 220, 230 and 247 and consumers served under Schedule 33. To Nonresidential consumers who take direct access service, other than under a multi-year cost of service opt-out option, until December 31, 2010

Energy Charge

The adjustment rate is listed below by Delivery Service and Direct Access Delivery Service Schedule.

<u>Schedule</u>	<u>Charge</u>
4	0.000 cents per kWh
15	0.000 cents per kWh
23, 723	0.000 cents per kWh
28, 728	0.000 cents per kWh
30, 730	0.000 cents per kWh
33	0.000 cents per kWh
41, 741	0.000 cents per kWh
47, 747	0.000 cents per kWh
48, 748	0.000 cents per kWh
50	0.000 cents per kWh
51, 751	0.000 cents per kWh
52, 752	0.000 cents per kWh
53, 753	0.000 cents per kWh
54, 754	0.000 cents per kWh

(continued)

Issued:

Effective:

With service rendered on and after
January 1, 2008

P.U.C. OR No. 35

Original Sheet No. 202-1

Issued By

Andrea L. Kelly, Vice President, Regulation

TF1 202-1.NEW

Advice No.

**PACIFIC POWER & LIGHT COMPANY
RENEWABLE ADJUSTMENT CLAUSE
SUPPLY SERVICE ADJUSTMENT**

**OREGON
SCHEDULE 202**

Special Conditions

1. The Company will file this schedule by April 1 of each year, as necessary, for proposed charges relating to new eligible resources and updating all charges already included on this schedule.
2. The Company will make an update filing within eight (8) months of the date of the initial filing, or by December 1, to reflect then-current, prudently-incurred actual resource costs or forecasted costs where appropriate, if the cost elements of an eligible resource cannot be verified as of the date of the final round of testimony in the proceeding initiated April 1. If the updated costs are lower than the projected costs in the record of the proceeding, the update will contain sufficient information to support a reduction in the proposed charges before the January 1 effective date. The Company will be allowed to defer for later commission review and incorporation into rates the cost differences between the projected costs in the record and the updated prudently incurred cost elements if (a) such cost elements are higher than the projected costs in the record or (b) if actual capital costs cannot be verified until after December 1.
3. Costs recovered in this schedule will be allocated across customer classes using the applicable forecasted energy on the basis of an equal percent of generation revenue applied on a cents per kilowatt-hour to each applicable rate schedule.

Issued:

P.U.C. OR No. 35

Effective:

With service rendered on and after
January 1, 2008

Original Sheet No. 202-2

Issued By

Andrea L. Kelly, Vice President, Regulation

TF1 202-2.NEW

Advice No.

Exhibit C

Example Calculation of PGE RAC Ratespread and Pricing

Grouping	Projected Energy MWH	Projected Production Revenues	RAC Allocation	RAC Price mills/kWh
Schedule 7	7,621,382	\$436,314,684	\$8,859,331	1.16
Schedule 15	23,746	\$1,272,786	\$25,844	1.09
Schedule 32	1,499,148	\$85,886,182	\$1,743,911	1.16
Schedule 38	82,384	\$4,738,932	\$96,224	1.17
Schedule 47	21,742	\$1,225,185	\$24,877	1.14
Schedule 49	66,065	\$3,735,985	\$75,859	1.15
Schedule 83-S	5,422,609	\$307,190,787	\$6,237,481	1.15
Schedule 89-S	678,222	\$38,665,403	\$785,098	1.16
Schedule 83-P	277,025	\$15,108,918	\$306,785	1.11
Schedule 89-P	1,708,259	\$92,895,469	\$1,886,234	1.10
Schedule 89-T	777,420	\$41,305,804	\$838,711	1.08
Schedule 91	103,260	\$5,534,736	\$112,382	1.09
Schedule 92	5,612	\$312,627	\$6,348	1.13
Schedule 93	562	\$31,681	\$643	1.14
Schedule 94	241	\$13,407	\$272	1.13
TOTAL	18,287,676	\$1,034,232,585	\$21,000,000	
RAC Revenue Requirement			\$21,000,000	
RAC Percent of Energy Revenues				2.03%

Exhibit D

PACIFIC POWER & LIGHT COMPANY
EXAMPLE RATES ONLY
RCAC ADJUSTMENT
FORECAST 12 MONTHS ENDED DECEMBER 31, 2007

Line No.	Description	Sch No.	kWh	Sch 200 Present	Illustrative RCAC Adjustment	
				Revenue	Revenue	Cents/kWh
<u>Residential</u>						
1	Residential	4	5,423,447,855	\$211,209,746	\$2,061,293	0.038
2	Total Residential		5,423,447,855	\$211,209,746	\$2,061,293	
<u>Commercial & Industrial</u>						
3	Gen. Svc. < 31 kW	23	1,156,146,030	\$46,183,677	\$450,728	0.039
4	Gen. Svc. 31 - 200 kW	28	2,076,346,691	\$81,166,615	\$792,142	0.038
5	Gen. Svc. 201 - 999 kW	30	1,332,132,861	\$50,603,643	\$493,864	0.037
6	Large General Service >= 1,000 kW	48	3,116,065,292	\$110,824,805	\$1,081,590	0.035
7	Partial Req. Svc. >= 1,000 kW	47	208,767,290	\$7,313,641	\$71,377	0.035
8	Agricultural Pumping Service	41	108,189,038	\$4,217,123	\$41,157	0.038
9	Total Commercial & Industrial		7,997,647,202	\$300,309,504	\$2,930,858	
<u>Lighting</u>						
10	Outdoor Area Lighting Service	15	11,554,534	\$247,829	\$2,419	0.021
11	Street Lighting Service	50	11,406,000	\$203,462	\$1,986	0.017
12	Street Lighting Service HPS	51	15,574,917	\$438,584	\$4,280	0.027
13	Street Lighting Service	52	1,827,840	\$39,447	\$385	0.021
14	Street Lighting Service	53	8,459,069	\$77,992	\$761	0.009
15	Recreational Field Lighting	54	836,416	\$13,274	\$130	0.016
16	Total Public Street Lighting		49,658,776	\$1,020,588	\$9,961	
17	Total Sales to Ultimate Consumers		<u>13,470,753,833</u>	<u>\$512,539,838</u>	<u>\$5,002,112</u>	
18	Employee Discount			<u>(\$216,385)</u>	<u>(\$2,112)</u>	
19	Total Sales with Employee Discount		<u>13,470,753,833</u>	<u>\$512,323,453</u>	<u>\$5,000,000</u>	

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1330

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Investigation of Automatic Adjustment
Clause Pursuant to SB 838

PGE-PACIFICORP-STAFF-CUB-ICNU

JOINT TESTIMONY IN SUPPORT OF STIPULATION

WITNESSES: RANDY DAHLGREN, JOELLE STEWARD, JUDY JOHNSON, BOB JENKS,
RANDALL J. FALKENBERG

November 2007

1 **Q: WHO IS SPONSORING THIS TESTIMONY?**

2 A: This testimony is jointly sponsored by Portland General Electric (“PGE”) and PacifiCorp
3 (“Utility,” or jointly “Utilities”), Staff of the Public Utility Commission of Oregon
4 (“Staff”), the Citizens’ Utility Board of Oregon (“CUB”), and Industrial Customers of
5 Northwest Utilities (“ICNU”). In this Joint Testimony, the parties are referred to
6 collectively as the “Stipulation Parties” or “Parties.”

7 **Q: PLEASE STATE YOUR NAMES.**

8 A: Randy Dahlgren, Joelle Steward, Judy Johnson, Bob Jenks, Randall J. Falkenberg. Mr.
9 Dahlgren’s qualifications are set forth in Exhibit PGE/100; Ms. Steward’s qualifications
10 are set forth in Exhibit PPL/200; Ms. Johnson’s qualifications are set forth in Exhibit
11 Staff/101; Mr. Jenks’ qualifications are set forth in Exhibit CUB/101; Mr. Falkenberg’s
12 qualifications are set forth in Exhibit ICNU/100.

13 **Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A: This testimony describes and supports the Stipulation dated November 9, 2007 among
15 PGE, PacifiCorp, Staff, CUB, and ICNU (the “Stipulation”). The Stipulation is identified
16 as Joint Parties/Exhibit 102. Joint Parties/Exhibit 102 includes Exhibits A-D. Our
17 testimony supports all general provisions of the Stipulation.

18 **Q: HOW DID THE STIPULATION PARTIES ARRIVE AT THE STIPULATION?**

19 A: The Parties conducted settlement conferences on October 1 and October 11, 2007, and
20 had numerous subsequent telephone settlement conferences, resulting in the Stipulation.
21 The settlement conferences were noticed, and were open to all parties.

1 **Q: DOES THE STIPULATION REPRESENT RESOLUTION OF THE**
2 **OUTSTANDING ISSUES IN THIS DOCKET?**

3 A: Yes. The Stipulation is a settlement that reflects agreement regarding the outstanding
4 issues among the following parties in Docket No. UM 1330: PGE, PacifiCorp, Staff,
5 CUB, and ICNU. In addition, the Parties have agreed that the interest rate for deferrals
6 will be determined by the Commission consistent with its practice, rules or orders for
7 similar types of deferrals.

8 **Q: HAVE OTHER PARTIES BEEN INVITED TO JOIN IN THE STIPULATION?**

9 A: Yes. The Stipulation has been circulated to other parties in this proceeding and they have
10 been invited to join. Other parties may join by signing and filing a copy of the
11 Stipulation.

12 **Background**

13 **Q: WHAT IS THE PURPOSE OF THE RENEWABLE ADJUSTMENT CLAUSE?**

14 A: The purpose of the Renewable Adjustment Clause (“RAC”) is to implement the
15 requirements of Section 13 of Senate Bill 838 (SB 838).

16 **Q: WHAT IS SB 838?**

17 A: SB 838, the Oregon Renewable Energy Act, establishes a Renewable Portfolio Standard
18 for electricity, which requires the Utilities to meet increasing percentages of their Oregon
19 loads with electricity generated by eligible renewable resources, specifically at least: five
20 percent by 2011, 15 percent by 2015, 20 percent by 2020 and 25 percent by 2025.

21 **Q: WHAT ARE THE REQUIREMENTS OF SECTION 13 OF SB 838?**

22 A: Section 13 of SB 838 provides that “all prudently incurred costs associated with
23 compliance with a renewable portfolio standard are recoverable in the rates of an electric

1 company.” It also requires the Commission to establish an automatic adjustment clause,
2 or other method that allows timely recovery of prudently incurred costs, by January 1,
3 2008.

4 **Q: DID THE PARTIES HAVE THE OPPORTUNITY TO REVIEW AND**
5 **COMMENT ON PGE’S AND PACIFICORP’S PROPOSED RAC?**

6 A: Yes. On August 21, 2007, PGE and PacifiCorp filed versions of the RAC tariff,
7 Schedules 122 and 202 respectively, and supporting testimony. On August 23, 2007, the
8 Commission held a prehearing conference and set a full procedural schedule for this
9 proceeding, including testimony, a hearing and briefs. On September 28, 2007, Staff,
10 CUB, and ICNU each filed direct testimony.

11 **Agreement**

12 **Q: HAVE THE PARTIES STIPULATED TO A RAC TARIFF?**

13 A: Yes. Exhibit A to the Parties’ Stipulation is Schedule 122, PGE’s RAC tariff. Exhibit B
14 is Schedule 202, PacifiCorp’s RAC tariff.

15 **Q: DOES THE STIPULATED RAC TARIFF SATISFY THE REQUIREMENTS OF**
16 **SECTION 13 OF SB 838?**

17 A: Yes. The Parties agree that the RAC Schedules, as set forth in Exhibits A and B,
18 combined with the other provisions of the Parties’ Stipulation, satisfy the requirements of
19 Section 13 of SB 838, and should be approved by the Commission.

20 **Q: DO THE STIPULATION PARTIES AGREE TO SUPPORT THE RAC TARIFF**
21 **FILINGS?**

22 A: Yes. The Stipulation Parties agree to support the RAC tariff filings as to form and terms.

1 **Effective Date and Subsequent Revisions**

2 **Q: WHAT IS THE EFFECTIVE DATE OF THE UTILITIES' RAC SCHEDULES?**

3 A: The Utilities will file their respective RAC Schedules in the form attached to the Parties'
4 Stipulation as Exhibits A and B, upon the Commission's adoption of the Stipulation, with
5 an effective date of January 1, 2008, as described in Section 6 of the Stipulation.

6 Thereafter, the Utilities may file their respective RAC schedules, with any proposed
7 charges for the costs to be recovered, on April 1 of each year with an effective date of
8 January 1 of the following year as described in Section 6 of the Stipulation.

9 **Q: MAY PARTIES CHALLENGE THE UTILITIES' COSTS TO BE RECOVERED
10 AND ANY PROPOSED CHANGES TO THE RAC SCHEDULES?**

11 A: Yes. As described in Section 6 of the Stipulation, Parties other than the filing Utility
12 reserve the right to review the proposed charges and challenge the prudence of the costs.
13 Parties other than the filing Utility also reserve the right to review any proposed changes
14 to the form and terms of a Utility's RAC Schedule. After April 1, 2009, a Party may
15 propose changes to the form and terms of a Utility's RAC Schedule. If the Commission
16 changes either PGE's or PacifiCorp's annual power cost update filings (currently, the
17 AUT and TAM respectively) in a material manner or based upon other material changes
18 in circumstances, a Party may propose an alternative design for either RAC Schedule.

19 **RAC Schedules**

20 **Q: PLEASE DESCRIBE THE SCOPE OF THE RAC SCHEDULES.**

21 A: As described in Section 6(b) of the Stipulation, the RAC Schedules will recover the
22 actual and forecasted revenue requirement associated with the prudently incurred costs
23 of resources (including associated transmission) that are eligible under SB 838, in

1 service as of the date of the proposed rate change, and approved by the Commission.

2 **Q: WHAT DOES THE ACTUAL AND FORECASTED REVENUE REQUIREMENT**
3 **INCLUDE?**

4 A: The revenue requirement as described in Section 6(b) of the Stipulation includes:

- 5 • The return of and grossed up return on capital costs of the renewable energy source and
- 6 associated transmission at the Utility's currently authorized rate of return;
- 7 • Forecasted operation and maintenance costs;
- 8 • Forecasted property taxes;
- 9 • Forecasted energy tax credits; and
- 10 • Other forecasted costs and cost offsets authorized by Section 13(3) of SB 838 not
- 11 captured in the Utility's annual power cost update; a Party proposing such costs or cost
- 12 offsets bears the burden of proof to support such costs or cost offsets.

13 **Q: HOW IS THE TERM "GROSSED UP" DEFINED IN THE STIPLUATION?**

14 A: The term "grossed up" means that the return on revenue requirement is adjusted for the
15 effects of income taxes, uncollectibles, franchise taxes, the Oregon Resource Supplier
16 Tax and the Oregon PUC fee.

17 **Q: WHY ARE SOME COSTS ACTUAL AND SOME FORECASTED?**

18 A: All costs are intended to be consistent with the Utility's power cost mechanism.
19 PacifiCorp's TAM, for instance, is based on a forecasted test year; therefore, all costs to
20 be recovered in the RAC, except the capital costs, are based on forecasted costs and, as
21 appropriate, aligned with the load and resource dispatch assumptions used in the
22 forecast. The return of and return on capital costs will be based on actual capital costs—
23 that is, they will reflect the final capital costs for the resource and the authorized rate of

1 return. Forecasted costs will not be subject to a “true up” to actual costs.

2 **Annual Update**

3 **Q: HOW OFTEN WILL COSTS IN THE RAC SCHEDULES BE UPDATED?**

4 A: All costs in the RAC Schedules will be updated annually. In doing so, customers’ rates
5 will reflect both the reduction in rate base due to depreciation and the current forecast of
6 all costs within the upcoming calendar year. Other cost reductions or increases may be
7 applicable.

8 **Q: IN ADDITION TO THE REVENUE REQUIREMENT FOR THE RESOURCES**
9 **IN THE RAC SCHEDULES, WHAT OTHER ANNUAL UPDATES WILL BE**
10 **MADE?**

11 A: As described in Section 6(b) of the Stipulation, there are two other annual updates to the
12 RAC Schedules, one of which only applies to PacifiCorp. The first is a revenue/tax
13 update, which will update gross revenues, net revenues, and total income tax expense for
14 the calculation of “taxes authorized to be collected in rates” pursuant to OAR 860-022-
15 0041. The second is an inter-jurisdictional allocation factor update, which will update
16 the forecasted inter-jurisdictional allocation factors from the then-current methodology
17 approved by the Commission based on the same 12-month period used in PacifiCorp’s
18 power cost update filing. The scope of the RAC inter-jurisdictional allocation factor
19 update will be the same as in PacifiCorp’s power cost update filing.

20 **Applicability**

21 **Q: DOES THE RAC SCHEDULE APPLY TO ALL CUSTOMERS?**

22 A: No.

1 **Q: WHAT CUSTOMERS ARE EXEMPT FROM THE RAC SCHEDULE?**

2 A: As described in Section 6(c) of the Stipulation, three categories of customers are exempt
3 from the RAC Schedules. These three categories are: nonresidential customers who are
4 taking direct access service after December 31, 2010; customers taking service under a
5 multi-year cost of service opt-out option; and other customers specifically exempted
6 under the Utility's RAC. Consistent with the principle of matching costs and benefits,
7 direct access customers who are not paying RAC charges or are not otherwise paying the
8 fixed costs of eligible resources in rates (e.g., through a transition adjustment) should
9 likewise not receive the benefits of the variable costs and cost offsets of the eligible
10 resources in rates. The RAC Schedule applies to all other customers.

11 **Q: FOR WHAT PERIOD OF TIME IS A CUSTOMER IN ONE OF THESE THREE**
12 **CATEGORIES EXEMPT FROM THE RAC SCHEDULE?**

13 A: A customer is exempt from the RAC Schedule only during the period that such customer
14 is taking service under a direct access or multi-year cost of service opt-out option
15 schedule, as described in Section 6(c) of the Stipulation.

16 **Procedural Schedule**

17 **Q: WHAT RIGHTS WILL PARTIES HAVE TO PARTICIPATE IN THE**
18 **UTILITIES' ANNUAL RAC UPDATES?**

19 A: As described in Section 6(d) of the Stipulation, the Utilities' annual RAC filings will be
20 subject to a proceeding that provides Parties the opportunity for the procedural rights set
21 forth in ORS 756.500 to 756.610 and Section 13(4) of SB 838. The Parties have agreed
22 to support a schedule in the annual RAC proceedings that allows for an order within
23 seven months of the date of the initial filing, or by November 1.

1 **Filing Update**

2 **Q: PLEASE EXPLAIN WHAT HAPPENS IF COSTS CANNOT BE VERIFIED**
3 **DURING THE ANNUAL RAC PROCEEDING.**

4 A: As described in Section 6(e) of the Stipulation, if the actual capital costs or the
5 forecasted costs of an eligible resource cannot be verified by the final round of
6 testimony in an annual RAC proceeding, a Utility will make an updated filing in the
7 proceeding within eight months of the date of the initial filing, or by December 1, to
8 reflect then-current, prudently-incurred actual resource costs, or forecasted costs where
9 appropriate.

10 **Q: HOW WILL DIFFERENCES BETWEEN PROJECTED AND UPDATED COSTS**
11 **BE TREATED?**

12 A: As described in Section 6(e) of the Stipulation, if the updated costs are lower than the
13 projected costs in the record of the proceeding, the update will contain sufficient
14 information to support a reduction in the proposed RAC charges before the January 1
15 effective date. If the updated costs are higher than the projected costs in the record, the
16 difference will be treated in accordance with the Deferred Accounting subsection below.

17 **Q: MAY NON-UTILITY PARTIES PURSUE THEIR PROCEDURAL RIGHTS**
18 **REGARDING THIS UPDATED FILING?**

19 A: Yes. As described in Section 6(e) of the Stipulation, Parties may pursue their procedural
20 rights regarding this updated filing.

1 **Deferred Accounting**

2 **Q: AS AN ELEMENT OF THE COST RECOVERY MECHANISM REQUIRED**
3 **UNDER SECTION 13 OF SB 838, DO THE PARTIES SUPPORT THE USE OF**
4 **DEFERRED ACCOUNTING? IF SO, FOR WHAT PURPOSE?**

5 A: Yes. As described in Section 6(f) of the Stipulation, the Parties agree to support the use
6 of deferred accounting under SB 838 for two purposes. First, the Parties will use
7 deferred accounting to allow an opportunity for the Utilities to recover the differences
8 between the projected and updated prudently incurred costs elements if such costs
9 elements are higher than the projected costs in the record or if actual capital costs cannot
10 be verified until after December 1.

11 **Q: WHAT IS THE SECOND PURPOSE FOR WHICH THE PARTIES AGREE TO**
12 **SUPPORT THE USE OF DEFERRED ACCOUNTING?**

13 A: The Parties also agree to support the use of deferred accounting under SB 838 to allow
14 an opportunity for recovery of the prudently incurred costs, net of dispatch benefits as
15 appropriate, of an eligible resource for the period between when the resource is placed in
16 service, and when the resource enters rates on January 1 through the RAC Schedule.

17 **Q: FOR PACIFICORP, HOW WILL PRUDENTLY INCURRED COSTS BE**
18 **ALLOCATED TO OREGON?**

19 A: The Oregon-allocated costs to be deferred under SB 838 will be based on the allocation
20 factors from the same 12-month period used to set rates in PacifiCorp's annual power
21 cost update covering the period of deferral.

22 **Q: HOW WILL THE INTEREST RATE FOR DEFERRALS BE SET?**

23 A: Pursuant to Section 6(f) of the Stipulation, the Parties have agreed that the interest rate

1 for deferrals will be determined by the Commission consistent with its practice, rules or
2 orders for similar types of deferrals.

3 **Q: FOR THE PURPOSE OF THIS STIPULATION, HAVE THE PARTIES**
4 **AGREED THAT THE DEFERRALS SHOULD NOT BE SUBJECT TO THE**
5 **EARNINGS REVIEW PROVISIONS OF ORS 757.259(5)?**

6 A: Yes. While Section 13 of SB 838 is silent about the use of deferred accounting, for the
7 purposes of this Stipulation the Parties have agreed that it may be used and that the
8 deferrals should not be subject to the ORS 757.259(5) earnings review.

9 **Q: OTHER THAN THE AGREEMENTS DESCRIBED ABOVE, WHAT RIGHTS**
10 **HAVE PARTIES WAIVED DURING THE AMORTIZATION PHASE OF**
11 **DEFERRED ACCOUNTING?**

12 A: None. No Party waives any arguments or rights during the amortization phase of such
13 deferred accounting, except for those noted above. In particular, no Party is deemed to
14 have consented to whether the renewable resources are eligible under SB 838, as
15 described in Section 6(f) of the Stipulation.

16 **Rate Spread and Design**

17 **Q: HOW WILL COSTS RECOVERED THROUGH THE RAC SCHEDULE BE**
18 **ALLOCATED ACROSS CUSTOMER CLASSES?**

19 A: Costs recovered through the RAC Schedule will be allocated across customer classes
20 using the applicable RAC Schedule forecasted energy on the basis of an equal percent of
21 generation revenue applied on a cents per kWh basis to each applicable rate schedule as
22 determined in the then-most recent general rate case, as described in Section 6(g) of the
23 Stipulation.

1 **Q: HOW WILL THE RATE SPREAD BE APPLIED?**

2 A: Exhibits C and D to the Parties' Stipulation provide examples of how the rate spread,
3 based on the most recent general rate case as of the date of the Stipulation, will be
4 applied by PGE and PacifiCorp, respectively.

5 **Treatment of RAC Charges in a General Rate Case Filing**

6 **Q: HOW WILL RAC CHARGES BE TREATED IN THE CONTEXT OF A**
7 **GENERAL RATE CASE FILING?**

8 A: As described in Section 6(h) of the Stipulation, at the time of a general rate case filing, a
9 Utility will propose that resource costs being recovered through its RAC Schedule be
10 included in general rates. When the resource costs are rolled into general rates, the non-
11 deferral RAC Schedule charges will be reduced to zero until new resources are added.
12 The deferral charges will continue to be amortized through the RAC schedule.

13 **Conditional Approval of RAC Schedule Charges**

14 **Q: PLEASE DISCUSS THE STIPULATION'S PROVISIONS RELATED TO THE**
15 **COMMISSION'S ABILITY TO CONDITION APPROVAL OF PROPOSED**
16 **CHANGES IN RAC CHARGES.**

17 A: As described in Section 6(i) of the Stipulation, for RAC filings made on or after April
18 2009, the Utilities agree that the Commission may condition approval of a proposed
19 change in RAC charges on the Utility making a filing under ORS 757.210 within six
20 months after the Commission order approving the proposed change.

21 **Q: WHAT IS THE PURPOSE OF A UTILITY'S FILING UNDER ORS 757.210?**

22 A: Through this subsequent filing, a Utility would roll into the generation component of its
23 rates all of the costs, or a portion thereof identified by the Commission, that are being

1 collected through the then-existing RAC Schedule charges. Nothing in this response is
2 intended to limit the potential legal outcome of any filing made under ORS 757.210.

3 **Q: WHAT CRITERIA HAVE THE PARTIES AGREED TO THAT THE**
4 **COMMISSION MUST APPLY IN DETERMINING WHETHER TO ORDER**
5 **CONDITIONAL APPROVAL?**

6 A: The Commission's order for conditional approval must be based on one of two criteria:
7 (1) a finding that the costs, or a portion thereof, specified by the Commission have been
8 collected through the RAC Schedule for a reasonable period of years as determined by
9 the Commission, or (2) for good cause, as determined by the Commission.

10 **Q: PLEASE GIVE AN EXAMPLE OF "GOOD CAUSE."**

11 A: Under the Stipulation, Parties may advocate what constitutes "good cause" and the
12 Commission has the discretion to make this determination. For example, a Party may
13 argue or contest that "good cause" exists based on the results of an earnings review and
14 the Utilities will not assert that a Party is legally precluded from making such an
15 argument under SB 838.

16 **Matching of Costs and Benefits in RAC Schedules and Annual Power Cost Updates**

17 **Q: WHAT AGREEMENT HAVE THE PARTIES REACHED WITH REGARD TO**
18 **INCLUSION OF FIXED COSTS OF AN ELIGIBLE RESOURCE IN RATES?**

19 A: As described in Section 6(j) of the Stipulation, the Parties have agreed that if the fixed
20 costs of an eligible resource are not included in RAC charges or otherwise included in
21 rates, then the variable costs and cost offsets of the eligible resource should likewise not
22 be included in the annual power cost update filings or power cost adjustment
23 mechanisms.

1 **Discovery**

2 **Q: WILL THE UTILITIES OBJECT TO PROVIDING RELEVANT DISCOVERY**
3 **TO PARTIES?**

4 A: No. As described in Section 6(k) of the Stipulation, the Utilities will not object to
5 providing to Parties their Results of Operations and other relevant discovery, including,
6 but not limited to, discovery related to the conditional approval of RAC schedule
7 charges as described in Section 6(i) of the Stipulation. The Utilities will also not object
8 to the subsequent introduction of such relevant discovery into the record in the RAC
9 proceedings.

10 **Other Stipulation Terms**

11 **Q: DOES THE STIPULATION INCLUDE OTHER TERMS AGREED TO BY THE**
12 **PARTIES?**

13 A: Yes. Sections 7 through 12 of the Stipulation include other terms agreed to by the
14 Parties.

15 **Reasonableness of the Stipulation**

16 **Q: HAVE THE STIPULATION PARTIES EVALUATED THE OVERALL**
17 **FAIRNESS OF THE STIPULATION?**

18 A: Yes. Each of the Stipulation Parties has reviewed the terms of the Stipulation. The
19 Stipulation Parties agree that the results of the Stipulation are fair, just and sufficient in
20 the context of this case and should be adopted.

21 **Q: WHAT DO THE STIPULATION PARTIES RECOMMEND?**

22 A: The Stipulation Parties recommend that the Commission adopt the Stipulation and
23 include the terms and conditions in its order in this case.

1 **Q: WHY IS ICNU SPONSORING INDIVIDUAL TESTIMONY ON THE**
2 **STIPULATION?**

3 A: Although the Stipulation addresses all issues necessary to be determined at this time and
4 represents a unified and comprehensive agreement among the Parties, ICNU is
5 sponsoring supplemental testimony to express its position on three specific issues that
6 the signatories agree should be decided by the Commission based upon the record in
7 other current or future proceedings, or both. These three issues are: (1) the interest rate
8 to be applied to deferrals under SB 838, as described in Section 6(f) of the Stipulation;
9 (2) what constitutes a "reasonable" period of years for costs to be recovered through a
10 Utility's RAC schedule, as described in Section 6(i) of the Stipulation; and (3) what
11 constitutes "good cause," as described in Section 6(i) of the Stipulation.

12 During the course of prolonged negotiations in this proceeding, the positions of
13 all signatories on these three issues were debated without agreement. However, all
14 signatories agreed that Commission resolution of the three issues was not required at this
15 time. The signatories other than ICNU have elected not to file supplemental testimony
16 on these three issues and instead reserve their rights to present evidence and arguments
17 addressing these issues in future Commission proceedings, as appropriate.

18 Notwithstanding ICNU's submission of supplemental testimony, all signatories
19 agree that the results of the Stipulation are fair, just and sufficient in the context of this
20 proceeding and should be adopted.

21 **Q: DOES THIS CONCLUDE YOUR JOINT TESTIMONY IN SUPPORT OF THE**
22 **STIPULATION?**

23 A: Yes.

BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON

UM 1330

In the Matter of

PUBLIC UTILITY COMMISSION OF
OREGON

Investigation of Automatic Adjustment
Clause Pursuant to SB 838

Exhibit PPL/200
Accompanying Joint Testimony in Support of Stipulation

Qualifications of Witness Joelle Steward

November 2007

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND PRESENT POSITION WITH PACIFICORP, DBA PACIFIC POWER & LIGHT COMPANY.

A. My name is Joelle Steward. My business address is 825 NE Multnomah St., Suite 2000, Portland, OR 97232. I am employed by PacifiCorp as Regulatory Manager for Oregon.

Q. BRIEFLY DESCRIBE YOUR EDUCATION AND BUSINESS EXPERIENCE.

A. I have a Bachelor's degree in political science from the University of Oregon and a Masters degree in public affairs, with a concentration in energy policy, from the Humphrey Institute at the University of Minnesota. I have attended several utility-related seminars and training opportunities including the Center for Public Utilities Rate Design Workshop in 2000 and the National Association of Regulatory Utility Commissioner's Annual Regulatory Studies Program in 2001.

Between 1999 and March 2007, I was employed as a Regulatory Analyst with the Washington Utilities and Transportation Commission (WUTC). Specifically, my work at the WUTC covered demand-side management, low income issues, service quality, reliability, resource planning, cost of service, rate spread, rate design and other analyses of general rate case and tariff filings involving electric and natural utilities regulated by the WUTC.

In March 2007, I became employed by PacifiCorp in my present position.

Q. HAVE YOU APPEARED AS A WITNESS IN PREVIOUS REGULATORY PROCEEDINGS?

A. Yes. I appeared as a witness in several proceedings in Washington.