

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UE 172

In the Matter of)
)
PORTLAND GENERAL ELECTRIC) **JOINT EXPLANATORY BRIEF**
COMPANY 2006 Resource Valuation)
Mechanism)

This brief (“Explanatory Brief”) explains the Stipulation (“Stipulation”) dated September ____, 2005, 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 860-014-0085(4). Capitalized terms used in this Explanatory Brief have the meanings ascribed to them in this Joint Explanatory Brief or in the Stipulation.

Introduction

The Stipulation settles all current issues related to PGE’s 2006 Resource Valuation Mechanism (“RVM”) filing. Stipulation ¶ 4. The Parties agree that the Stipulation is in the public interest and will produce rates that are fair, just and reasonable. Stipulation ¶ 5.

Four issues have been the subject of testimony and proposed adjustments in this matter. The testimony of Staff, CUB, and ICNU proposed adjustments to net variable power costs (“NVPC”) for a planned outage at the Sullivan hydroelectric plant and regarding two capacity tolling contracts. CUB and ICNU also proposed an adjustment related to changes to certain model inputs regarding the capacity of some hydro plants. ICNU also proposed an adjustment

regarding four specific wholesale power purchase contracts that PGE executed in 2001.¹ PGE filed rebuttal testimony addressing these issues and the parties held settlement discussions.

In the Stipulation, the Parties agree that for the purpose of calculating the 2006 annual RVM update pursuant to Schedule 125, PGE will reflect in its final filings a disallowance that decreases net variable power costs by \$3.75 million. PGE will apply the \$3.75 million reduction to Part A of Schedule 125. Stipulation ¶ 1.

The Stipulation resolves all current issues in the RVM proceeding. Parties reserve the right to raise additional concerns that might arise out of the updates that PGE will file in November.

The Stipulation also contains a number of provisions typically contained in stipulations filed with the Commission. Stipulation ¶¶ 7-15.

Discussion

The \$3.75 million disallowance stipulated to represents a reasonable financial settlement of all current issues and the Parties have not attempted to assign any portion of the settlement amount to specific issues or claims. The Parties' ability to set forth additional explanation of the Stipulation is therefore somewhat limited. As is common in settlements, each party likely used different reasoning, different analyses of likely outcomes, and different valuations of the various issues to arrive at a settlement amount. Since the Stipulation represents the settlement of a disputed claim, each Party independently relied on its own reasoning and analysis in agreeing to

¹ In its testimony CUB raised questions regarding the forward price curves used as an input in the MONET model used in RVM proceedings. CUB did not propose any adjustment to NVPC in this docket, and stated that it would address this issue in "the RVM review that takes place in PGE's next general rate case." CUB/100/10.

the settlement. Nevertheless, all Parties believe the \$3.75 million adjustment is a reasonable compromise. There is also some concern that including too much of the specifics of settlement discussions would have the effect of discouraging future candid settlement negotiations.

It is also relevant that this is the fourth iteration of the annual adjustment to Parts A and B of the Resource Valuation Methodology (“RVM”) in Schedule 125. The Parties in this docket participated in each of those past RVM proceedings.

Specific Issues: As stated above, the Staff, CUB and ICNU did not all raise the same issues, and for those issues that more than one of them did raise they proposed different adjustments. For the Sullivan outage, an issue raised by all three, Staff proposed a decrease of \$2.128 million to NVPC, CUB proposed a decrease of \$2.725 million, and ICNU proposed a decrease of \$2.4 million. Regarding the capacity tolling contracts Staff proposed a decrease of either \$2.866 million or \$0.573 million, depending on the outcome of docket UE 165. For the same issue CUB proposed a decrease of \$2.87 million, and ICNU \$2.9 million. CUB and ICNU both proposed decreases of \$2.6 million that related to certain changes in model inputs regarding the capacity of some hydro plants. And ICNU alone proposed a \$7.2 million decrease in NVPC regarding four wholesale power purchase contracts. PGE opposed these adjustments:

<u>Party</u>	<u>Proposed Adjustments</u>
PGE	\$0
Staff	\$2.697 to \$4.99 million
CUB	\$8.2 million
ICNU	\$15.1 million.

The Stipulated disallowance of \$3.75 million represents a reasonable compromise of positions, and results in rates that are supported by the record. The Commission has approved

stipulations in the past that it determined fell within a “range of reasonableness” for resolution of the issues. Re US West, OPUC Docket No. UM 773, Order No. 96-284 at 31 (Nov. 1, 1996).

The Stipulation in this Docket provides a result that falls within this range of reasonableness and, as such, would produce rates that are just and reasonable. Under these circumstances, it is in the public interest for the Commission to approve the Stipulation.

Some parties question the necessity of the annual RVM and the scope and appropriateness of the annual power cost updates and modeling changes. The parties recognize that part of the disagreement this year reflected disagreements concerning the scope of appropriate updates to the mechanism. The parties recognize that while this is a reasonable financial settlement of the issues in this docket, that a full review of the mechanism, including the need for such a mechanism, and the scope of appropriate updates needs to be addressed. The parties anticipate that such a review will be undertaken in PGE’s next general rate case.

Conclusion

The Stipulation is among Staff, CUB, ICNU , and PGE, the only parties in this docket. All Parties, representing their respective interests, agree that the settlement contained in the Stipulation results in fair, just and reasonable rates in this 2006 RVM proceeding. For the reasons set forth above the Parties request that the Commission approve the Stipulation.

DATED THIS 28th day of September, 2005.

PORTLAND GENERAL ELECTRIC
COMPANY



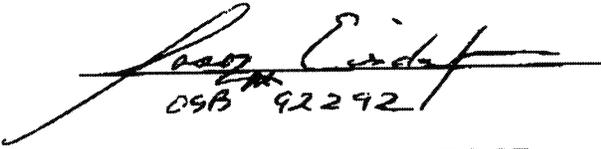
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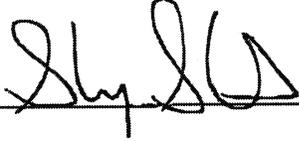
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CERTIFICATE OF SERVICE

I certify that I have caused to be served the foregoing **Joint Explanatory Brief** of PGE, OPUC Staff, ICNU, and CUB in Docket No. UE 172 by mailing a copy by First Class U.S. Mail, postage prepaid and properly addressed, to the persons as shown on the attached list.

Dated this 28th day of September, 2005.



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