

**BEFORE THE PUBLIC UTILITY COMMISSION  
OF THE STATE OF OREGON**

**UE 198**

In the Matter of	)	
	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	<b>JOINT EXPLANATORY BRIEF IN SUPPORT OF POWER COST STIPULATION</b>
	)	
Request for Net Variable Power Cost Revision	)	
	)	

This brief (“Explanatory Brief”) explains the Stipulation (“Stipulation”) dated July 17, 2008, 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 the outstanding issues in this docket. Stipulation ¶ 14. The Parties agree that the Stipulation is in the public interest and will produce rates that are fair, just and reasonable. Stipulation ¶ 13.

On February 27, 2008, PGE filed a general rate case, seeking a revision to its rates effective January 1, 2009. That filing was assigned Docket No. UE 197. Part of that rate case was an update to PGE’s net variable power costs (“NVPC”). On March 21, 2008, a prehearing conference was held in Docket No. UE 197. At that prehearing conference, the Docket No. UE 197 was bifurcated, and this Docket, UE 198, was initiated to address all issues regarding PGE’s

NVPC. Re PGE, Docket Nos. UE 197/198, Joint Prehearing Conference Report at 2 (Mar. 24, 2008). A schedule was adopted for this Docket to provide for a Commission order in sufficient time for the November 15 direct access election window. Revised power cost rates resulting from this docket, and PGE's general rate case, are to be implemented January 1, 2009.

The Staff, CUB, ICNU and others submitted numerous data requests to PGE. Workshops were also held to provide information to Staff, CUB, ICNU and other parties. In addition, three settlement discussions were held among the Parties. The Oregon Department of Energy and Kroger also participated in the settlement discussions, and do not oppose the Stipulation. No other parties participated in the settlement discussions.

The Parties identified ten specific issues that were resolved through settlement. Each of those issues is addressed below. As a result of the settlement, PGE will make certain model changes and direct reductions to NVPC for 2009. The changes and reductions reached through settlement, however, are applicable to 2009 only.

The Stipulation also provides that testimony previously filed regarding NVPC issues may be admitted into the record. Stipulation ¶¶ 16. The Stipulation also contains a number of provisions typically contained in stipulations filed with the Commission. Stipulation ¶¶ 17-22.

The Parties' ability to set forth an explanation of the Stipulation is somewhat limited. Since the stipulation represents a compromise in the Parties' positions, each party likely used different reasoning, different analyses of likely outcomes, and different valuations of the various issues. Nevertheless, all Parties believe the agreed-upon adjustments represent 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.

## Discussion

The ten issues are as follows:

1. Non-running station service and gas plant modeling. PGE included in its power cost modeling non-running station service (“NRSS”) for its thermal generating plants. Some questions remain regarding NRSS costs for the Colstrip plants. As a result, the Stipulation provides that NRSS costs for Colstrip will be removed from PGE’s power cost model (“Monet”) for 2009. NRSS for all other thermal generating plants will remain as originally filed in this Docket. PGE will also modify the power cost modeling for its natural gas fired generating plants to reflect on/off peak differentials. The Parties further agree that, notwithstanding the requirements of Schedule 125, PGE can propose a modification for Colstrip NRSS in the 2010 Annual Update Tariff proceeding. PGE bears the burden of proof to show that such modifications are reasonable. Based on the April 1 filing in this docket, these changes will result in a reduction in NVPC of \$385,000. However, the final impact of this and other modeling changes will not be known until the final Monet run is filed in November 2008.

2. Boardman heat rate. Some parties question the appropriate heat rate for the Boardman plant. In settlement, the Parties agreed that the estimate of the Boardman plant’s heat rate used in Monet modeling for 2009 will be reduced by 75 btu/kwh to the same level used in Docket Nos. UE 180 and UE 188. Based on the April 1 filing in this docket, this change will result in a reduction in NVPC of \$311,000. However, the final impact of this and other modeling changes will not be known until the final Monet run is filed in November 2008.

3. Beaver plant. An issue arose regarding the proper forced outage rate for the Beaver plant. In settlement, the Parties agreed that the forecast of NVPC for 2009 will be reduced by \$240,000 to represent the impact of assuming a lower forced outage rate for the

Beaver plant. This will be implemented as a line item reduction of NVPC in Monet; the forced outage rate input in Monet for Beaver will remain unchanged from the April 1 filing.

4. Boardman Simulator. PGE has installed a new training simulator at the Boardman plant. It is anticipated that the increased training from the simulator, will lead to lower forced outage rates. As recognition that some resulting power cost savings may occur in 2009, a reduction to NVPC has been agreed to in this settlement. The adjustment will be calculated as follows: An assumed forecast of the NVPC benefits of and new Boardman simulator will be determined in the following manner: 6,876 MWh of Boardman generation will be multiplied by the spread between: 1) the flat Mid-C curve over the 10-month period Jan.-Mar. and June-Dec.; and 2) the Boardman variable cost per MWh for fuel and transportation. This will be implemented as a modeling change to Monet for 2009. However, the forced outage rate for Boardman will remain unchanged from the figure used in the April 1 filing. Based on the April 1 filing in this docket, this change will result in a reduction in NVPC of approximately \$400,000. In addition, the Parties agree that this adjustment will also be included in Monet for any applicable rate proceeding for 2010, whether a general rate case or an Annual Update Tariff proceeding. In doing so, the parties are not agreeing that costs associated with the simulator are prudent and are not agreeing to any particular treatment of costs associated with the simulator.

5. Wind Integration Costs. Study of PGE's wind integration costs is ongoing. As a part of this settlement, the day-ahead forecast component of wind integration costs for 2009 will be lowered from \$0.99/MWh to \$0.50/MWh. This will be implemented as a modification to a data input in Monet. The impact of this change is a reduction in NVPC of \$205,000.

6. Boardman Maintenance Outage. Some parties questioned the planned timing of the Boardman planned maintenance outage. Through settlement, the Parties agreed that NVPC

for 2009 will be reduced by \$1,220,000 to reflect the potential impact of shifting the timing of the Boardman planned maintenance outage. This will be implemented as a line item reduction to NVPC in Monet.

7. Gas Sales. In May 2008, PGE bought gas in Canada and resold it in the U.S., making a \$60,000 profit on the sales. PGE expected to perform similar sales in June 2008 but it is unclear whether any further opportunities will arise. Nevertheless, for purposes of settlement only, PGE agrees to include an amount of \$720,000 for 2009. This will be implemented as a line item reduction to NVPC in Monet.

8. Super Peak contract. The Parties agree, for purposes of settlement, that the extrinsic value adjustment for the Super Peak capacity contract determined by the Commission in Docket No. UE 180 will be included in this NVPC forecast. This will reduce NVPC by \$1,384,000.

The estimated impact of the above described modifications is to reduce PGE's 2009 NVPC forecast by \$4,862,000 based on the April 1 filing in this Docket. However, the final impact of this and other modeling changes will not be known until the final Monet run is filed in November 2008.

9. Filing Requirements. As part of the settlement of power costs, the Parties discussed some possible process improvements to general rate cases and/or Annual Update Tariff filings. As a result, the Parties have agreed to a list of minimum filing requirements ("MFRs") for PGE in Annual Update Tariff and general rate case proceedings. The list is attached to the Stipulation as Exhibit A. If approved, the MFRs will be effective with PGE's September 26, 2008, update filing. It is anticipated that these requirements will lessen the need for data requests, and allow Staff, CUB and ICNU to receive desired information sooner than they would

otherwise. To protect the confidentiality of this information, the Parties have agreed to make the MFRs available to the other Parties pursuant to a separate confidentiality agreement prior to the Commission's approval of a Protective Order. The confidentiality agreement will provide protections substantially similar to the Commission's standard protective order. The Stipulation also contains agreement regarding the procedure to be followed if any Party wishes to modify the MFRs. This procedure includes the ability to modify the MFRs by agreement of the Parties, and the ability to petition the Commission for changes if no agreement can be reached.

10. Schedule 125. PGE has proposed certain changes to Schedule 125. In the Stipulation the Parties agree that the language changes proposed by PGE to Schedule 125 regarding updates to certain fixed coal transportation costs in an Annual Update Tariff filing should be adopted. The Parties agree that the remaining PGE proposed changes to Schedule 125 will be addressed in Docket No. UE 197, and are not part of the Stipulation.

The Stipulated modeling changes and adjustments represent a reasonable compromise of positions 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, will produce rates that are fair, just and reasonable. Under these circumstances, it is in the public interest for the Commission to approve the Stipulation.

### **Conclusion**

The Stipulation is among Staff, CUB, ICNU, and PGE. The Oregon Department of Energy and Kroger also participated in the settlement discussions, and do not oppose the Stipulation. 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 2009 NVPC proceeding. For the reasons set forth above the Parties request that the Commission approve the Stipulation.

DATED this 18th day of July, 2008.

PORTLAND GENERAL ELECTRIC  
COMPANY

/s/ DOUGLAS C. TINGEY

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CITIZENS' UTILITY BOARD OF  
OREGON

/s/ JASON EISDORFER

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STAFF OF THE PUBLIC UTILITY  
COMMISSION OF OREGON

/s/ STEPHANIE ANDRUS

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INDUSTRIAL CUSTOMERS OF  
NORTHWEST UTILITIES

/s/ S. BRADLEY VAN CLEVE

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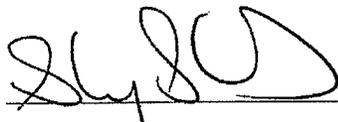
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DATED this 17<sup>th</sup> day of July, 2008.

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S. Bradley U-Cleve