

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 23, 2008**

REGULAR \_\_\_\_\_ CONSENT  X  EFFECTIVE DATE  January 1, 2009

**DATE:** December 17, 2008

**TO:** Public Utility Commission

**FROM:** Ed Durrenberger

**THROUGH:** Lee Sparling, Ed Busch, and Bonnie Tatom

**SUBJECT:** PORTLAND GENERAL ELECTRIC: (Docket No. UE 198/Advice No. 08-17) Revises Schedules 120, 125 and 128, to reflect the final 2009 Net Variable Power Costs updated in the Annual Power Cost Update, pursuant to Order No 08-505.  
PORTLAND GENERAL ELECTRIC: (Docket No. UE 201/Advice No. 08-21) Revises Schedule 126, the Annual Power Cost Variance Mechanism, to implement the Stipulation adopted by Order No. 08-553.

**STAFF RECOMMENDATION:**

Staff recommends that Portland General Electric's (PGE or company) Advice No. 08-17, the Annual Power Cost Update changes and energy charges that correspond to the final 2009 Annual Update Tariff (AUT) for net variable power costs (NVPC) in Docket UE 198, be adopted and Advice No. 08-21, the Annual Power Cost Variance Mechanism true-up changes, requested in Schedule 126, be approved effective January 1, 2009.

**DISCUSSION:**

On November 17, 2008, PGE filed Advice Nos. 08-17 and 08-21. Each filing requested an effective date of January 1, 2009. This Staff report discusses the two tariff filings separately and then presents the combined effect of these proposed changes and the overall impact on customers' electric bills.

### **Annual Update Tariff (AUT) Changes (Advice No. 08-17):**

On February 27, 2008, PGE filed testimony in support of a general rate case docketed as UE 197. The initial filing included a 2009 AUT forecast of the 2009 NVPC. The filing was bifurcated on March 21, 2008, with the power cost portion to be resolved independent of the general rate case and docketed as UE 198. The NVPC is updated annually based on the methodologies established in Commission Order No. 07-015. The AUT proceeding is a narrowly focused proceeding intended to be less contentious than a general rate case. Only a limited number of changes or updates are allowed to the inputs in the power cost modeling used to derive the final net variable power cost update which sets rates the following January 1. In this instance, parties reached a stipulated agreement on forecasts and modeling on September 29, 2008, which was adopted by Order No. 08-505. The NVPC was finalized on November 14, 2008, by a MONET power cost model run with the proposed price changes incorporated into Schedule 125, the Annual Power Cost Update effective January 1, 2009.

#### **Schedule 125, Annual Power Cost Update**

PGE filed the final MONET forecast for net variable power costs on November 14, 2008. The final forecast of NVPC for 2009 is \$848.4 million. This is an increase of \$81.33 million over the 2007 amount and \$103.6 million more than the NVPC recorded in the final MONET run for 2008. On a unit NVPC basis, the 2009 cost is \$45.66/MWh. Adjusted for revenue sensitive costs, this is a net increase of \$3.53/MWh from the rates adopted in 2007 and \$3.78/MWh above last year's Schedule 125 rate. A residential customer using 900 KWh per month would see a \$3.50 increase in their electric bill as a result of the NVPC change. This is a 4% increase in residential customer rates.

Staff has reviewed PGE's final forecast of net variable power costs for 2009 as determined by the November 14, 2008, MONET run and finds that it complies with Commission Order No. 08-505.

#### **Schedule 120, Biglow Canyon 1 Adjustment**

With this tariff filing, PGE modifies prices for the fixed revenue requirement of the Biglow Canyon wind facility. This tariff is an equal cents allocation of Biglow Canyon fixed costs to cost of service customers. The power cost benefits have been incorporated into the 2009 NVPC and are reflected in the revised Schedule 125. The effect of this proposed increase to a residential customer using an average of 900 kWh per month would be an increase of \$1.11 per month or about 1.3%.

Schedule 128, Short-Term Transition Adjustment:

With its annual update tariff filing, PGE requests implementation of a change to Schedule 128, the Short-Term Transition Adjustment. The short term transition adjustment rate reflects the difference between the energy charges under the cost of service option including Schedule 120 and 125, and the market price for the power for the period of the adjustment applied to the load shape of the applicable schedule. The tariff is updated quarterly. Customers who choose other than cost of service rates for 2009 will have the Schedule 128 Short-Term Transition Adjustment rates applied to their bills for service effective on and after January 1, 2009.

**Annual Power Cost Variance Mechanism changes (Advice No. 08-21):**

On July 1, 2008, PGE filed an application seeking to establish prices associated with its 2007 power cost variance (PCV), the true-up provision of the Power Cost Adjustment Mechanism (PCAM). The company stated its actual NVPC for 2007 was \$29.5 million less than the projected costs and it proposed refunding \$15.8 million of this amount to customers under provisions of the PCV. PGE proposed amortizing this amount over a one-year period beginning on January 1, 2009, through a credit to customers of 0.103 cents per kWh.

On November 24, 2008, the Commission issued Order No 08-553, adopting a joint stipulation agreed to by Parties to the docket. The stipulation resolved all outstanding issues with PGE's application for the annual adjustment to Schedule 126, the Annual Power Cost Variance Mechanism, and resulted in Parties agreeing to certain modifications to Schedule 126, and various additional protocols intended to facilitate resolution of future PCAM proceedings. The order increased the PCV credit by approximately \$717,000 resulting in a refund to customers of \$16.534 million. PGE filed Advice 08-21, compliant with the order, and proposes to update Schedule 126 as follows:

Schedule 126, Annual Power Cost Variance Mechanism:

With its annual update tariff filing, PGE requests implementation of Schedule 126, the Annual Power Cost Variance Mechanism, to reflect the variance amount between 2007 actual NVPC and the projected 2007 NVPC pursuant to terms of Order 08-553. The effect of this proposed change is a credit of 0.11 cents per kWh. A residential customer using an average of 900 kWh per month would see a bill reduction of \$1.02 per month or about 1.2%.

Price Change Summary:

In order to provide a more complete picture of the price changes proposed for January 1, 2009, the Company provided work papers that break out the proposed Schedule 120 and 125 changes described above by customer category. In addition, the change to Schedule 126 results in a price decrease. The approximate combined overall bill impact is as follows:

Schedule 7:	4.1% increase
Schedule 32:	4.1% increase
Schedules 83/89:	5.2/6.0% increase
Overall	4.7% increase

Staff has reviewed PGE's proposed changes and recommends the Commission adopt the Company's request.

**PROPOSED COMMISSION MOTION:**

Portland General Electric's Annual Power Cost Update changes and energy charges that correspond to the final 2009 Annual Update Tariff for net variable power costs in Docket UE 198, be adopted and Advice No. 08-21, the Annual Power Cost Variance Mechanism true-up changes requested in Schedule 126 be approved, effective January 1, 2009.