

SCHEDULE 125
ANNUAL POWER COST UPDATE

PURPOSE

The purpose of this adjustment schedule is to define procedures for annual rate revisions due to changes in the Company's projected Net Variable Power Costs (the Annual Power Cost Update). This schedule is an automatic adjustment clause as defined in ORS 757.210(1), and is subject to review by the Commission at least once every two years.

APPLICABLE

To all Cost-of-Service bills for Electricity Service served under the following rate schedules 7, 15, 32, 38, 47, 49, 75, 83, 85, 89, 90, 91, 92, 95, and 96. Customers served under the Daily Price option contained in schedules 32, 38, 75, 81, 83, 85, 89, 90, 91 and 95 are exempt from Schedule 125.

(C)

NET VARIABLE POWER COSTS

Net Variable Power Costs (NVPC) are the power costs for energy generated and purchased. NVPC are the net cost of fuel and emission control chemicals, fuel and emission control chemical transportation, power contracts, transmission/wheeling, wholesale sales, hedges, options and other financial instruments incurred to serve retail load.

RATES

This adjustment rate is subject to increases or decreases, which may be made without prior hearing, to reflect increases or decreases, or both, in NVPC.

ANNUAL UPDATES

The following updates will be made in each of the Annual Power Cost Update filings:

- NVPC Modeling Changes
- Forced Outage Rates based on a four-year rolling average.
- Projected planned plant outages.
- Wind energy forecast based on a five-year rolling average.
- Costs associated with wind and solar integration. The battery portion of wind and solar projects that have a battery storage component may be included if the battery is charged solely by wind and solar generation.
- Dispatch of energy storage systems.
- Forward market prices for both gas and electricity.
- Projected loads.
- Contracts for the purchase or sale of power and fuel.
- Emission control chemical costs.
- Thermal plant variable operation and maintenance, including the cost of transmission losses, for dispatch purposes.

SCHEDULE 125 (Continued)

ANNUAL UPDATES (Continued)

- Changes in hedges, options, and other financial instruments used to serve retail load.
- Transportation contracts and other fixed transportation costs.
- Reciprocating engine lubrication oil costs.
- Projections of State and Federal Production Tax Credits.
- No other changes or updates will be made in the annual filings under this schedule.

REVENUE SENSITIVE COSTS

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Changes in NVPC for purposes of rate determination under this schedule are adjusted for a revenue sensitive cost factor of 1.0346.

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FILING AND EFFECTIVE DATE

Should the Company propose modeling changes outside of a general rate case to be effective on January 1st of the following calendar year, the Company will file estimates of the proposed modeling changes and all associated minimum filing requirements no later than February 15 of the calendar year prior to the rate effective date. Any estimates for modeling changes proposed in a general rate case year shall be filed at the earlier of either the filing of GRC opening testimony or by April 1st prior to the rate effective date.

On or before April 1st of each calendar year, the Company will file estimates of the adjustments to its NVPC to be effective on January 1st of the following calendar year.

On or before October 1st of each calendar year, the Company will file updated estimates with final planned maintenance outages, final load forecast, updated projections of gas and electric prices, power, and fuel contracts.

On or before November 6th or the next available business day if the 6th is on a weekend of each calendar year, the Company will file estimates with the final planned maintenance outages from the October 1st filing, load forecasts from the October 1st filings, load reductions from the October update resulting from additional participation in the Company's Long-Term Cost of Service Opt-out that occurs in September, new market power and fuel contracts entered into since the previous updates, and updated projections of gas and electric prices, power, and fuel contracts.

SCHEDULE 125 (Continued)

FILING AND EFFECTIVE DATE (Continued)

On November 15th, or the next available business day if the 15th is on a weekend the Company will file the final estimate of NVPC and will calculate and file the final change in NVPC to be effective on the next January 1st with: 1) projected market electric and fuel prices based on the average of the Company's internally generated projections made during the period November 1st through November 7th, 2) the final planned maintenance outages and load forecast from the October 1st filing, 3) final update to Qualifying Facilities online dates, and 4) final price for the energy generation at the Priest Rapids and Wanapum hydro facilities, as provided in the power contract between PGE and Grant County.

RATE ADJUSTMENT

The rate adjustment will be based on the Annual NVPC adjusted for Revenue Sensitive Costs applied to forecast loads used to determine Net Variable Power Costs.

ADJUSTMENT RATES

Schedule		¢ per kWh	
7		5.619	(R)
7-TOD	On-Peak Period	12.868	
	Mid-Peak Period	5.555	
	Off-Peak Period	3.416	
15		3.893	
32		4.936	
32-TOU	On-Peak Period	5.515	
	Mid-Peak Period	4.946	
	Off-Peak Period	1.845	(R)
38	On-Peak Period	6.083	(I)
	Mid-Peak Period	4.843	(I)
	Off-Peak Period	4.223	(I)
47		5.940	(R)
49		5.822	(R)

SCHEDULE 125 (Continued)

ADJUSTMENT RATES (Continued)

Schedule		¢ per kWh	
75	Secondary ⁽¹⁾		
	On-Peak Period	5.672	(I)
	Mid-Peak Period	4.528	(I)
	Off-Peak Period	3.765	(R)
	Primary ⁽¹⁾		
	On-Peak Period	5.337	(I)
	Mid-Peak Period	4.593	
	Off-Peak Period	4.098	
	Subtransmission ⁽¹⁾		
	On-Peak Period	5.373	
	Mid-Peak Period	4.629	
	Off-Peak Period	4.134	(I)
83	On-Peak Period	6.024	(R)
	Mid-Peak Period	4.879	
	Off-Peak Period	4.116	
85	Secondary		
	On-Peak Period	5.808	
	Mid-Peak Period	4.664	
	Off-Peak Period	3.901	
	Primary		
	On-Peak Period	5.672	
	Mid-Peak Period	4.528	
	Off-Peak Period	3.765	(R)
89	Secondary		
	On-Peak Period	5.672	(I)
	Mid-Peak Period	4.528	(I)
	Off-Peak Period	3.765	(R)
	Primary		
	On-Peak Period	5.337	(I)
	Mid-Peak Period	4.593	
	Off-Peak Period	4.098	
	Subtransmission		
	On-Peak Period	5.373	
	Mid-Peak Period	4.629	
	Off-Peak Period	4.134	(I)

⁽¹⁾ Applicable only to the Baseline and Scheduled Maintenance Energy.

SCHEDULE 125 (Concluded)

ADJUSTMENT RATES (Continued)

Schedule		¢ per kWh	
90	Primary 30-250 MWa		(R)
	On-Peak Period	4.579	
	Off-Peak Period	3.829	
	Primary >250 MWa		
	On-Peak Period	4.579	
	Off-Peak Period	3.829	
	Subtransmission 30-250 MWa		
	On-Peak Period	4.579	
	Off-Peak Period	3.829	
	Subtransmission >250 MWa		
	On-Peak Period	4.579	
	Off-Peak Period	3.829	(R)
91		4.082	(I)
92		4.317	(R)
95		4.082	(I)
96	Primary		(N)
	On-Peak Period	5.770	
	Mid-Peak Period	5.026	
	Off-Peak Period	4.531	(N)

SPECIAL CONDITION

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.