

SCHEDULE 55  
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 Power Supply Expense. This schedule is an "automatic adjustment clause" as defined in ORS 757.210(1). The Annual Power Cost Update (APCU) will be comprised of two components: an October Power Cost Update ("October Update") and a March Power Cost Forecast ("March Forecast").

APPLICABILITY

This schedule is applicable to all electric energy delivered to Customers served under Schedules 1, 5, 7, 9, 15, 19, 24, 40, 41, and 42. (N)

NET POWER SUPPLY EXPENSE

Net Power Supply Expense (NPSE) includes the amounts booked to FERC Accounts 501 (Fuel-Coal), 547 (Fuel-Gas), 555 (Purchased Power), and 447 (Sales for Resale).

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 NPSE.

APCU - OCTOBER UPDATE

The October Update filing, which will be based on a test period of the following April through March ("April through March Test Period"), will reflect a normalized look, on a system-wide basis, at the Company's NPSE. A normalized look means the October Update will incorporate data reflecting normal loads and average costs associated with multiple stream flow conditions.

The following variables are updated for each October Update:

- Fuel prices and transportation costs;
- Wheeling expenses;
- Planned outages and forced outage rates;
- Heat rates;
- Forecast of Normalized Sales and Normalized Load determined in accordance with the methodology employed in the most recently acknowledged Integrated Resource Plan ("IRP");
- Contracts for wholesale power and power purchases and sales;
- PURPA contract expenses;
- The Oregon state allocation factor; and
- The average forward electric price curve calculated from the previous October through September daily Mid-Columbia heavy load and light load forward price curves for the period April through March immediately following the April through March Test Period, adjusted for inflation back one year.

The output of the Company's power supply model will be used to determine the net power supply average dispatch for normal loads and an average of stream flow conditions. The volume of purchased power and surplus sales determined from the output of the Company's power supply model normalized run will be re-priced using the average forward price curve modified in the following manner:

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APCU - OCTOBER UPDATE (Continued)

Purchased Power

- Heavy Load - 3.9% above average Mid-C HL prices
- Light Load - 7.1% above average Mid-C LL prices

Surplus Sales

- Heavy Load - 3.6% below average Mid-C HL prices
- Light Load - 6.6% below average Mid-C LL prices

Base Power Costs are the total power supply expense dollars determined by the procedures described above. (D)  
 The October Update is an annual adjustment whereby the per unit NPSE embedded in the Energy Charges for (N)  
 the applicable service schedules are updated to reflect the current Base Power Costs.

APCU - MARCH FORECAST

The March Forecast filing will reflect 95% of the Company's estimate of expected power supply expenses for April (N)  
 through March Test Period, allowing for the most recent updates to the following variables:

- Fuel prices and transportation costs;
- Wheeling expenses;
- Planned outages and forced outage rates;
- Heat rates;
- Forecast of Normalized Sales and Normalized Loads, updated only for known significant changes since the October Annual Power Cost Update filing;
- Forecast hydro generation from stream flow conditions using the most recent water supply forecast from the Northwest River Forecast Center in Portland, Oregon, and current reservoir levels;
- Contracts for wholesale power and power purchases and sales;
- PURPA contract expenses;
- The Oregon state allocation factor; and
- The most recent monthly forward price curve, as of the date of the filing, for the April through March Test Period.

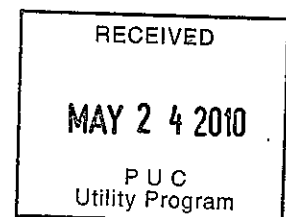
The output of a single water condition run of the Company's power supply model for the April through March Test Period, with updated stream flow conditions and reservoir levels, will be used to determine the March Forecast of NPSE. The volume of purchased power and surplus sales will be re-priced using the most recent monthly forward price curve, with heavy load and light load mid-Columbia prices modified in the following manner.

Purchased Power

- Heavy Load - 3.9% above average Mid-C HL prices
- Light Load - 7.1% above average Mid-C LL prices

Surplus Sales

- Heavy Load - 3.6% below average Mid-C HL prices
- Light Load - 6.6% below average Mid-C LL prices



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CHANGES IN NET POWER SUPPLY EXPENSE

Changes in NPSE are defined as the projected per unit change in NPSE from the per unit NPSE used to develop the Energy Charge for the applicable rate schedules. Unit NPSE are defined as the total NPSE divided by Normalized Sales for the April through March Test Period.

FILING AND EFFECTIVE DATE

In October of each year, the Company will file its October Update with an effective date of June 1 of the following year.

In March of each year, the Company will file its March Forecast with an effective date of June 1 following the filing.

MARCH FORECAST RATE ADJUSTMENT

<u>Schedule</u>	<u>Description</u>	<u>¢ per kWh</u>
1	Residential Service	0.1181
5	Residential Service Time-of-Day Pilot Plan	0.1181
7	Small General Service	0.1179
9-S	Large General Service (Secondary)	0.1179
9-P	Large General Service (Primary)	0.1142
9-T	Large General Service (Transmission)	0.1114
15	Dusk to Dawn Lighting	0.1181
19-S	Large Power Service (Secondary)	0.1142
19-P	Large Power Service (Primary)	0.1142
19-T	Large Power Service (Transmission)	0.1113
24-S	Irrigation Service (Secondary)	0.1180
24-T	Irrigation Service (Transmission)	0.1180
40	Unmetered General Service	0.1180
41	Municipal Street Lighting	0.1181
42	Traffic Control Lighting	0.1181

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