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Douglas C. Tingey
Assistant General Counsel

June 20, 2007

Via Electronic Filing and U.S. Mail

Oregon Public Utility Commission
Attention: Filing Center
PO Box 2148
Salem OR 97308-2148

Re: UE 188

Attention Filing Center:

Enclosed for filing in the above captioned docket is an original and five copies of the Stipulation in this docket. This document is being filed by electronic mail with the Filing Center.

The Stipulation was signed today. The joint explanatory brief or testimony required by OAR 860-014-0085(4) has not yet been created. However, because testimony is being filed in this docket today, and this Stipulation contains provisions that affect the scope of that testimony, we are filing the stipulation without the supporting brief or testimony. The parties will file the required joint brief or testimony as soon as possible, and no later than the date PGE's reply testimony is due, July 11, 2007.

An extra copy of this cover letter is enclosed. Please date stamp the extra copy and return it to me in the envelope provided.

Thank you in advance for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "D.C. Tingey", written in a cursive style.

DOUGLAS C. TINGEY

DCT:jbf
Enclosures
cc: Service List – UE 188

CERTIFICATE OF SERVICE

I hereby certify that I have this day caused the **STIPULATION** to be served by electronic mail to those parties whose email addresses appear on the attached service list, and by First Class US Mail, postage prepaid and properly addressed, to those parties on the attached service list who have not waived paper service.

Dated at Portland, Oregon, this 20th day of June 2007.



DOUGLAS C. TINGEY

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UE 188

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

UE 188

In the Matter of the Revised Tariff Schedules) **STIPULATION**
for Electric Service in Oregon filed by)
PORTLAND GENERAL ELECTRIC)
COMPANY)

This Stipulation (“Stipulation”) is among Portland General Electric Company (“PGE”), Staff of the Public Utility Commission of Oregon (“Staff”), the Citizens’ Utility Board of Oregon, and the Industrial Customers of Northwest Utilities, (collectively, the “Stipulating Parties”).

I. INTRODUCTION

On March 2, 2007, PGE filed Advice No. 07-07 for a general rate revision to include in rates the costs and benefits of the first phase of the Biglow Canyon wind project (“Biglow Canyon 1”) located in Sherman County, Oregon. The filing requested an increase in retail rates of about \$13 million based upon the revenue requirement of the Biglow Canyon 1 project using a 2008 test period. The Stipulating Parties agreed not to seek re-examination of the issues addressed in PGE’s recently concluded general rate case, UE 180/181/184. On March 29, 2007, the advice filing was suspended by the Commission, and on March 21, 2007, the Administrative Law Judge held a Prehearing Conference and established a procedural schedule.

Staff and intervenors have propounded, and PGE has responded to, many data requests in this docket. During this docket additional information has become available and PGE has agreed to the following changes to the costs initially filed:

- a. Increase expected National Energy Policy Act credits from \$19/MWh to \$20/MWh.

- b. Include certain BPA wheeling credits in costs and revenues.
- c. Revise the total quantity of forecast output for Biglow, and its expected shape across the year.

The result of these changes, and estimates of the effects of the changes set forth below in this Stipulation (excluding any estimates associated with item 2C identified below), is a reduction in PGE's request to about \$9.4 million. An Excel spreadsheet including these updated costs and revenues is included as Attachment A.

A Settlement Conference was held on May 31, 2007, open to all parties. As a result of those settlement discussions, the Stipulating Parties have agreed to certain adjustments to PGE's requested revenue requirement in this docket. The Stipulating Parties submit this Stipulation to the Commission and request that the Commission adopt orders in this docket implementing the following.

II. TERMS OF STIPULATION

1. This Stipulation is entered to settle the issues described below. This Stipulation does not resolve the issues surrounding the yearly changes in the projected fixed costs of Biglow Canyon 1 until PGE's next general rate case. The Stipulating Parties agree that the only issue addressed in testimony in this Docket will be whether there should be a means to address yearly changes in the projected fixed costs of Biglow Canyon 1 until PGE's next general rate case, and if the Commission decides there should be an annual adjustment, how that adjustment should be made.

2. The Stipulating Parties agree that PGE will reduce its revenue requirement request, including appropriate rate base modifications, to reflect the following agreements and adjustments and agree to the other provisions below:

- A. State income tax rate. A composite state tax rate of 5.12% will be used in

calculating the revenue requirement of Biglow Canyon 1 under Schedule 120.

- B. Property tax exemption. PGE is currently negotiating with Sherman County and the State of Oregon for a partial property tax exemption for Biglow Canyon 1 that, if granted, will reduce property taxes in 2008 below the amount included in PGE's initial filing. The parties agree that the tax expense used to establish rates under Schedule 120 will reflect any such reduction in property taxes for the 2008 test year, net of any costs that are incurred as a result of commitments that PGE may make to Sherman County as part of any settlement to obtain partial property tax exemptions for Biglow Canyon 1.
- C. ETO payment. PGE is negotiating funding from the Energy Trust of Oregon to cover the difference between the cost of Biglow Canyon 1's output and expected market prices. PGE expects any such funding to be in the form of a one-time payment from the ETO, but the amount is presently unknown. The Stipulating parties agree that any payment received by PGE will be booked by PGE or paid to a contractor such that the rate base associated with Biglow Canyon 1 will be reduced by the amount of any such payment.
- D. Integration costs and modeling. The Stipulating parties agree that PGE will include as a cost of Biglow Canyon 1 an assumed level of integration costs of \$5.50 per MWh. The Stipulating Parties also agree that PGE should pursue modeling the integration costs of wind generation in its Monet power cost model. Accordingly, the Stipulating Parties agree that, notwithstanding the specific updates allowed under Schedule 125 (Annual Power Cost Update) and the agreement in this paragraph regarding the assumed level of integration

costs, PGE may propose revisions to its Monet model to incorporate the integration of Biglow Canyon 1 and other wind projects in the 2009 Annual Power Cost Update Tariff proceeding. Parties in the 2009 Annual Power Cost Update Tariff proceeding are free to take any position on any PGE proposal in that proceeding regarding the appropriate integration costs.

E. For purposes of deriving energy rates for 2009 and beyond, the parties agree that PGE will move the net variable power cost (NVPC) impact of Biglow Canyon 1 from Schedule 120 and incorporate the NVPC impact in the Annual Update Tariff (AUT) proceeding or general rate case (if applicable).

F. Book life.

a. PGE expended about \$13 million for transmission network upgrades of the BPA transmission system from Biglow Canyon 1 to PGE's system. BPA will repay PGE, with interest, the cost of the upgrades over an approximately five year period beginning when Biglow Canyon 1 is on-line. The Stipulating Parties agree that the book life of these BPA network upgrades will be five years to correspond with the time during which BPA will repay PGE the costs of the upgrades.

b. PGE's filing used a 25-year book life for the Biglow Canyon 1 generating assets. The Stipulating Parties agree that a 27-year life will be used for purposes of this case and until revised in a future PGE depreciation study docket.

G. Provision for delay. The Stipulating Parties agree that any delay in completion of Biglow Canyon 1 beyond January 1, 2008, should be

handled in a manner consistent with the Commission's orders regarding the Port Westward plant in docket UE 180/181/184. Specifically:

(1) When Biglow Canyon I is completed, PGE will file revised tariffs implementing the rates set in this docket along with an attestation by a PGE corporate officer that Biglow Canyon I's operational testing has been completed and the plant has been released to the system dispatcher for full commercial operation (the "Compliance Filing"). If the plant becomes operational on or before March 1, 2008, the rates will become effective the later of: (1) January 1, 2008, or (2) the day following the Compliance Filing.

(2) If the plant becomes operational on or after March 2, 2008, and on or before July 1, 2008, the rates will be implemented the day following the Compliance Filing, subject to refund, and the following procedure will occur: Subject to the provision in paragraph (3)(c) below, Staff and intervenors will have 15 days from the online date to submit a motion seeking a reopening of this docket for re-examination of PGE's costs in light of changes since the date the final order in this docket was issued. The motion need not include an evidentiary showing, but should identify specific costs that have changed from the test year expenses and include an estimate of the cost impact. PGE, Staff and other parties will have until 30 days after the online date to file a reply to any motion.

(3) To facilitate discovery if the plant online date is after March 1, 2008, but on or before July 1, 2008, the following provisions will apply:

- a. If and when PGE becomes aware that the plant may not be online by March 1, 2008, it will notify the parties to this case that the plant may be delayed (the "Potential Delay Notice").
- b. Parties may begin submitting data requests to review PGE's costs the earlier of March 2, 2008, or the date of any Potential Delay Notice.
- c. Under no circumstances will the parties have less than 30 days from the Potential Delay Notice to make the motion described in paragraph (2) above.
- d. After PGE makes its Compliance Filing, PGE will make best efforts to respond to data requests within 5 business days.

(4) If Biglow Canyon 1 does not become operational until after July 1, 2008, PGE must make a new filing to add the plant to rate base when it meets the used and useful standard.

G. Dispatch update. PGE will update the dispatch benefits of Biglow Canyon

1 consistent with and on the same schedule as updates in PGE's 2008 Annual Power Cost Update Tariff docket, UE 192.

- I. Special Condition 4. The Stipulating Parties agree that Special Condition 4 of Schedule 120 should read as follows:

For purposes of Schedule 126 (Annual Power Cost Variance Mechanism), actual NVPC will be adjusted to remove the impact of any power produced by Biglow Canyon 1 prior to January 1, 2008. The following adjustments will be made:

- 1) Actual NVPC will be increased by the value of any Biglow Canyon 1 energy. The value of Biglow Canyon 1 energy will be determined based on the monthly average of the daily Dow Jones Mid-Columbia Daily on- and off-peak Electricity Firm Price Index (DJ-Mid-C Index)
- 2) Actual NVPC will be reduced by integration costs for any Biglow Canyon 1 energy, assumed at \$5.50/MWh.
- 3) Actual NVPC will be increased by any BPA credits for wheeling associated with Biglow Canyon 1 energy.

3. The Stipulating Parties recommend that the Commission approve the various rate base, expense and other revenue adjustments described herein.

4. The Stipulating Parties agree that this Stipulation represents a compromise in the positions of the parties. As such, conduct, statements, and documents disclosed in the negotiation of this Stipulation shall not be admissible as evidence in this or any other proceeding.

5. The Parties agree that this Stipulation is in the public interest and will result in rates that are fair, just and reasonable.

6. If this Stipulation is challenged by any other party to this proceeding, or any other party seeks a revenue requirement for PGE that departs from the terms of this Stipulation, the Stipulating Parties reserve the right to cross-examine witnesses and put in such evidence as they deem appropriate to respond fully to the issues presented, including the right to raise issues that are incorporated in the settlements embodied in this Stipulation. Notwithstanding this

reservation of rights, the Stipulating Parties agree that they will continue to support the Commission's adoption of the terms of this Stipulation.

7. If the Commission rejects all or any material part of this Stipulation, or adds any material condition to any final order which is not contemplated by this Stipulation, each Party reserves the right to withdraw from this Stipulation upon written notice to the Commission and the other Parties within five (5) business days of service of the final order that rejects this Stipulation or adds such material condition. Nothing in this paragraph provides any Stipulating Party the right to withdraw from this Stipulation as a result of the Commission's resolution of the issue identified in Paragraph 1 that this Stipulation does not resolve.

8. This Stipulation will be offered into the record in this proceeding as evidence pursuant to OAR § 860-14-0085. The Stipulating Parties agree to support this Stipulation throughout this proceeding and in any appeal, provide witnesses to sponsor this Stipulation at the hearing, and recommend that the Commission issue an order adopting the settlements contained herein. The Stipulating Parties also agree to cooperate in drafting and submitting the explanatory brief or written testimony required by OAR § 860-14-0085(4).

9. By entering into this Stipulation, no Party shall be deemed to have approved, admitted or consented to the facts, principles, methods or theories employed by any other Party in arriving at the terms of this Stipulation. Except as provided in this Stipulation, no Party shall be deemed to have agreed that any provision of this Stipulation is appropriate for resolving issues in any other proceeding.

10. This Stipulation may be signed in any number of counterparts, each of which will be an original for all purposes, but all of which taken together will constitute one and the same agreement.

DATED this 20TH day of June, 2007.

/S/ DOUGLAS C. TINGEY

PORTLAND GENERAL ELECTRIC
COMPANY

/S/ STEPHANIE ANDRUS

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

/S/ JASON EISDORFER

CITIZENS' UTILITY BOARD
OF OREGON

/S/ MATTHEW W. PERKINS

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

DATED this 20th day of June, 2007.



PORTLAND GENERAL ELECTRIC
COMPANY

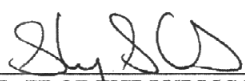
STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

DATED this ^{20th} day of June, 2007.

PORTLAND GENERAL ELECTRIC
COMPANY



STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

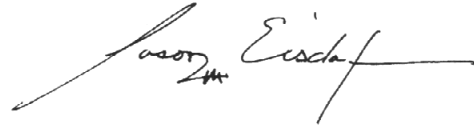
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DATED this 20th day of June, 2007.

PORTLAND GENERAL ELECTRIC
COMPANY

STAFF OF THE PUBLIC UTILITY
COMMISSION OF OREGON

A handwritten signature in black ink, appearing to read "Jason Eisdorf". The signature is written in a cursive style with a long horizontal stroke at the end.

CITIZENS' UTILITY BOARD
OF OREGON

INDUSTRIAL CUSTOMERS OF
NORTHWEST UTILITIES

DATED this 20th day of June, 2007.

PORTLAND GENERAL ELECTRIC
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